

Muskegon Community College
REPORT ON FINANCIAL STATEMENTS
June 30, 2022



Muskegon Community College

Muskegon Community College

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	14
Statement of Revenues, Expenses and Changes in Net Position.....	15
Statement of Cash Flows	16
Component Unit	
Statement of Financial Position.....	17
Statement of Activities	18
Notes to Financial Statements	19
Required Supplementary Information	
Schedule of the College’s Proportionate Share of the Net Pension Liability	40
Schedule of the College’s Pension Contributions.....	41
Schedule of the College’s Proportionate Share of the Net OPEB Liability.....	42
Schedule of the College’s OPEB Contributions	43
Notes to Required Supplementary Information	44
Supplemental Information	
Fund Financial Statements	
Consolidating Balance Sheet.....	46
Consolidating Statement of Revenues, Expenses, Transfers and Changes in Net Position	48

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Muskegon Community College
Muskegon, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Muskegon Community College and its discretely presented component unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Muskegon Community College' 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 Muskegon Community College and its discretely presented component unit, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note L to the financial statements, in the year ended June 30, 2022 the College adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Report on the Audit of the Financial Statements—Continued

Responsibilities of Management for the Financial Statements—Continued

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 Muskegon Community College’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional 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 Muskegon Community College’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Muskegon Community College’s ability to continue as a going concern for a reasonable period of time.

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

Board of Trustees
Muskegon Community College
Page 3

Report on the Audit of the Financial Statements—Continued

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, on our consideration of Muskegon Community 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 Muskegon Community College’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Muskegon Community College’s internal control over financial reporting and compliance.



Muskegon, Michigan
November 4, 2022



Muskegon Community College

Management's Discussion and Analysis

The discussion and analysis of Muskegon Community College's financial statements provide an overview of the College's financial activities for the year ended June 30, 2022. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

The financial statements have been prepared in accordance with generally accepted accounting principles.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format and notes to the financial statements along with supplemental information.

The financial statements include not only Muskegon Community College itself (known as the primary government), but also a discretely presented component unit. Component units are separate legal entities for which the College has some level of accountability. The College has one component unit, the Foundation for Muskegon Community College (Foundation). The Foundation's sole purpose is to support the mission of the College through fund development. As part of this purpose, it is responsible for managing the fundraising efforts of the College. Separate financial statements are also issued for the Foundation and can be obtained from the College's Finance Department.

Financial Highlights

In the fiscal year ended June 30, 2022, the College's revenues exceeded expenses and other support by \$8,895,834, creating an increase in net position.

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole. These two statements report the College's net position and changes within net position. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position.

Muskegon Community College
Management's Discussion and Analysis

These statements include all assets/deferred outflows of resources and liabilities/deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid and are separated into categories of operating and non-operating.

The following is a net position comparative analysis of the major components of the College as of June 30, 2022 and 2021:

Net Position As of June 30 (in thousands)				
	2022	2021 (as restated)	Change	Percent Change
Assets				
Current assets	\$ 20,822	\$ 15,918	\$ 4,904	30.81%
Non-current assets				
Receivables	48	96	(48)	-50.00%
Capital assets, net	67,593	68,931	(1,338)	-1.94%
Total assets	88,463	84,945	3,518	4.14%
Deferred outflows of resources	10,025	14,141	(4,116)	-29.11%
Total assets and deferred outflows of resources	98,488	99,086	(598)	-0.60%
Liabilities				
Current liabilities	7,542	7,296	246	3.37%
Non-current liabilities				
Bonds	27,310	29,250	(1,940)	-6.63%
Net pension and OPEB liabilities	34,664	55,987	(21,323)	-38.09%
Compensated absences	2,395	2,396	(1)	-0.04%
Total liabilities	71,911	94,929	(23,018)	-24.25%
Deferred inflows of resources	22,493	8,968	13,525	150.81%
Total liabilities and deferred inflows of resources	94,404	103,897	(9,493)	-9.14%
Net Position				
Net investment in capital assets	38,338	37,811	527	1.39%
Restricted	763	430	333	77.44%
Unrestricted	(35,017)	(43,052)	8,035	18.66%
Total net position	\$ 4,084	\$ (4,811)	\$ 8,895	

Muskegon Community College

Management's Discussion and Analysis

Current assets increased by \$4,904,000. Cash and investments increased by \$2,726,000 due to increased enrollment resulting in more cash inflow from higher tuition and fees. Cash received from the Higher Education Emergency Relief Fund (HEERF) to cover lost revenue related to the COVID-19 pandemic also contributed to the increase in cash and investments. In addition, accounts receivable was higher by \$1,119,000 due to the increase in enrollment compared to the prior year when enrollment significantly declined as a result of COVID-19. Accounts receivable also increased due to an increase in grant program spending compared to the timing of when funds were drawn from the federal government. Additionally, prepaid expenses increased by \$1,009,000 primarily as the result of the prepayment of HEERF and general college related software and service expenses that cover time periods beyond year end.

Capital assets decreased by \$1,338,000, net of accumulated depreciation. This decrease is primarily due to depreciation expense for the current year offset by the increase in construction in progress predominately related to a HEERF funded HVAC control system upgrade project.

Current liabilities were \$246,000 higher than the prior year due to the timing of when various invoices were paid prior to year end in addition to higher accrued payroll expenses.

Non-current liabilities related to bonds decreased by \$1,940,000 due to principal payments made on the bonds in the current fiscal year.

In 2015, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 68, which requires governments providing defined benefit pensions through a cost-sharing plan to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The net pension liability decreased by \$15,921,000 from 2021 to 2022.

In 2017, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 75, which requires governments providing other postemployment benefits to recognize their unfunded benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The net postemployment benefit liability decreased by \$5,402,000 from 2021 to 2022.

In 2022, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 87, which requires recognition of certain assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contracts. The adoption of this statement restated beginning capital assets and bonds and other obligations, increasing both by \$96,393. See Note L, in the notes to the financial statements, for more detail.

In 2022, the College restated beginning net position and accruals by \$270,081 to correct an over accrual of beginning accrued payroll. See Note N, in the notes to the financial statements, for more detail.

Muskegon Community College
Management's Discussion and Analysis

Summary Operating Results for the Year
(in thousands)

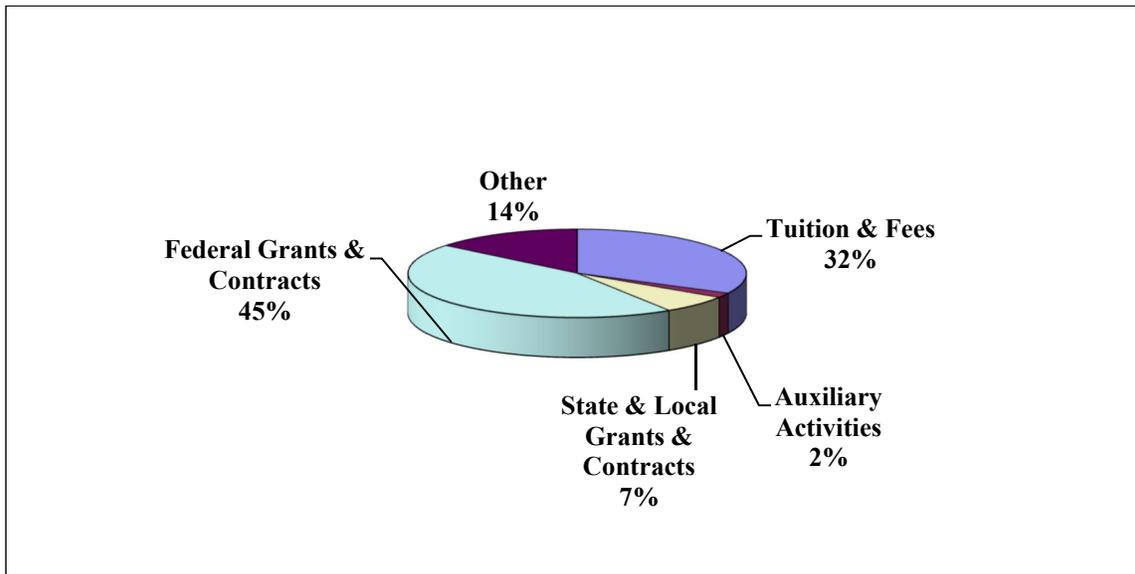
	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Operating revenues				
Tuition and fees	\$ 8,996	\$ 9,131	\$ (135)	-1.48%
Grants and contracts	17,757	12,081	5,676	46.98%
Auxiliary services	477	447	30	6.71%
Other	451	1,024	(573)	-55.96%
Total operating revenues	<u>27,681</u>	<u>22,683</u>	<u>4,998</u>	<u>22.03%</u>
Total operating expenses	<u>43,190</u>	<u>45,502</u>	<u>(2,312)</u>	<u>-5.08%</u>
Operating loss	(15,509)	(22,819)	7,310	32.03%
Non-operating revenues (expenses)				
State appropriations	13,025	12,125	900	7.42%
Property taxes	12,365	11,993	372	3.10%
Gifts	25	60	(35)	-58.33%
Investment income	16	6	10	166.67%
Interest on capital asset - related debt	(1,027)	(1,074)	47	4.38%
Loss on disposal of capital asset	-	(626)	626	-100%
Total non-operating revenues	<u>24,404</u>	<u>22,484</u>	<u>1,920</u>	<u>8.54%</u>
Change in net position	8,895	(335)	9,230	2755.22%
Net position - beginning restated	<u>(4,811)</u>	<u>(4,746)</u>	<u>(65)</u>	<u>-1.37%</u>
Net position - ending	<u><u>\$ 4,084</u></u>	<u><u>\$ (5,081)</u></u>	<u><u>\$ 9,165</u></u>	

Muskegon Community College
Management's Discussion and Analysis

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. 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.

The following is a graphic illustration of operating revenues by source:



Most of the College's operating revenue comes from federal and state grants and tuition and fees. Tuition and fees decreased in total by approximately \$135,000. While gross tuition and fee revenue was higher than the prior year by \$634,000, this was offset by a higher scholarship allowance related to that higher enrollment of \$769,000. Contact hours actually increased by 2,992 or 3.5% compared to the prior year.

Grants and contracts increased by approximately \$5,676,000. The increase is primarily due to several federal COVID-19 HEERF grants. These federal grants were awarded to the College to assist with the economic impact of COVID-19, and a portion of the funds were specifically designated to provide financial relief to students impacted by COVID-19.

Other revenues decreased by \$573,000 primarily due to indirect cost that were reimbursed by HEERF grants in the prior year and not in the current year.

Muskegon Community College
Management's Discussion and Analysis

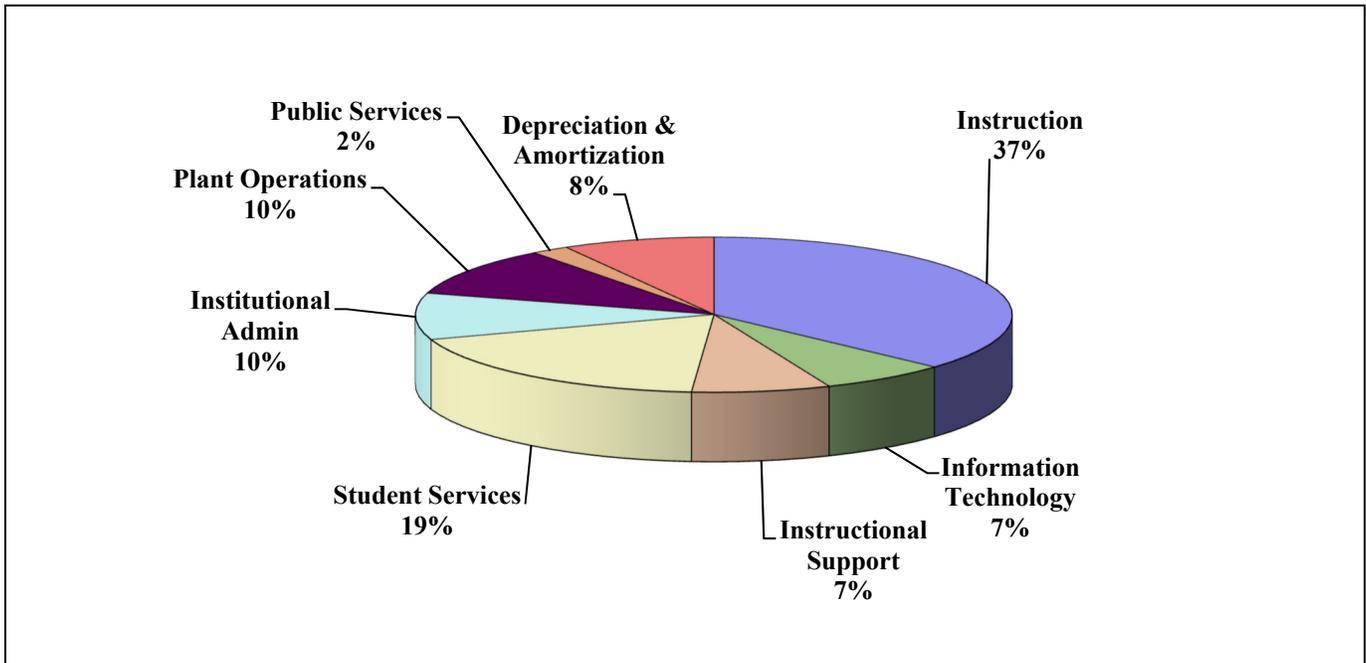
Operating Expenses

Operating expenses include all the costs necessary to perform and conduct the programs and primary purposes of the College. Operating expenses for the fiscal year ended June 30, 2022 and 2021 consist of the following:

(in thousands)

	2022	2021	Change	Percent Change
Instruction	\$ 15,902	\$ 17,118	\$ (1,216)	-7.10%
Information technology	2,979	2,869	110	3.83%
Public services	883	794	89	11.21%
Instructional support	3,235	4,440	(1,205)	-27.14%
Student services	8,013	7,597	416	5.48%
Institutional administration	4,180	4,711	(531)	-11.27%
Operation and maintenance of plant	4,428	4,472	(44)	-0.98%
Depreciation and amortization	3,570	3,501	69	1.97%
Total	\$ 43,190	\$ 45,502	\$ (2,312)	-5.08%

The following is a graphic illustration of operating expenses by use:



Muskegon Community College
Management's Discussion and Analysis

Operating expenses decreased by approximately \$2,312,000. The decrease was primarily related to the pension and post-employment benefits year-end adjustments resulting in a reduction in expense of \$5,347,000 compared to the prior year. This is primarily due to significant decreases in both of these benefit liabilities (See Note G). In addition, the elimination for scholarship allowances increased by \$769,000. Offsetting these decreases was an increase in wages of approximately \$680,000 resulting from cost of living wage increases as well as the prior year experienced employee furloughs which did not occur in FY2022. Additionally, a \$506,000 increase in operation and maintenance of plant expenses was due higher utility costs and costs associated with clean-up of tree damage from a fall wind storm. Finally an overall net increase of \$2,281,000 occurred in the Expendable Restricted Fund primarily due to expenses associated with the HEERF grants.

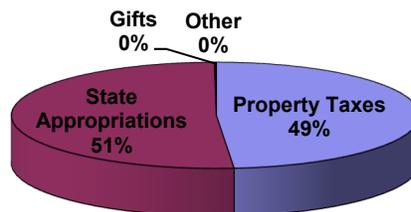
Non-operating Revenues (Expenses)

Non-operating revenues (expenses) include all revenue sources or expenses that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), grants and contracts (that do not require any services to be performed), interest expense on bond issues and gains or losses on the sale of capital assets.

Non-operating revenue (expense) changes were the result of the following factors:

- State appropriations for operations increased by approximately \$900,000. This increase was due to an increase in the state allocation as well as a supplemental appropriation for a total of \$447,000. In addition, the year-end GASB 68 adjustment increased by approximately \$453,000.
- Property tax revenues increased by approximately \$372,000, or just over 3.1%, primarily due to an increase in taxable values.
- Non-operating gifts decreased by approximately \$35,000. There were no major fundraising campaigns during the fiscal year. In addition, COVID-19 had a negative impact on gifts.
- Investment income increased slightly due to the increase in cash available to invest.
- Loss on disposal of capital asset of approximately \$626,000 in the prior year was due to the sale of the Lakeshore Fitness Center. There were no significant assets disposed of in FY2022.

The following is a graphic illustration of non-operating revenues by source:



- Note: Graph does not show non-operating expenses.

Muskegon Community College
Management's Discussion and Analysis

Other Revenue

Other revenues consist of items that are typically nonrecurring, extraordinary or unusual to the College. Examples would be state and federal capital grants, state capital appropriations, additions to permanent endowments and transfers from related entities.

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 may help users assess:

- An entity's ability to generate future net cash flows.
- Its ability to meet obligations as they come due.
- Its needs for external financing.

Cash Flows for the Year Ended June 30
(in thousands)

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>Percent Change</u>
Cash provided by (used for)				
Operating activities	\$ (17,599)	\$ (17,817)	\$ 218	1.22%
Noncapital financing activities	25,441	23,058	2,383	10.33%
Capital and related financing activities	(5,133)	(3,511)	(1,622)	-46.20%
Investing activities	(1,998)	(926)	(1,072)	-115.77%
Net change in cash and cash equivalents	711	804	(93)	-11.57%
Cash and cash equivalents - beginning of year	2,427	1,623	804	49.54%
Cash and cash equivalents - end of year	<u>\$ 3,138</u>	<u>\$ 2,427</u>	<u>\$ 711</u>	29.30%

Capital Assets

At June 30, 2022, the College had approximately \$104,003,000 invested in capital assets, with accumulated depreciation of approximately \$36,410,000. The net result of capital assets, less accumulated depreciation, is a net book value of approximately \$67,593,000. Depreciation and amortization charges totaled approximately \$3,570,000 for the current fiscal year. Details of these assets, net of depreciation and amortization at June 30, are shown in the following table.

Muskegon Community College
Management's Discussion and Analysis

Fixed Assets for the Year Ended June 30
(in thousands)

	2022	2021 (as Restated)	Change
Land	\$ 338	\$ 338	\$ -
Construction in progress	1,361	-	1,361
Land improvements	162	203	(41)
Buildings and improvements	59,142	61,057	(1,915)
Equipment	6,518	7,333	(815)
Right to use - equipment	72	96	(24)
Total	\$ 67,593	\$ 69,027	\$ (1,434)

Building and improvements and equipment decreased primarily due to current year depreciation charges. Construction in progress increased primarily due to a HVAC control system upgrade project that was not completed at year end. See Note E, in the notes to the financial statements, for more detail.

In the next fiscal year, the College has budgeted for equipment and building improvements of approximately \$688,406, primarily for technology, instructional equipment, and facility improvements. Only those items with a cost of more than \$5,000 will be capitalized.

Debt

The College's long-term debt consists of approximately \$29,255,000 in General Obligation – Limited Tax Bonds, issued in 2013, 2014, 2016 and 2017 and lease obligations. This compares to \$31,216,000 as of June 30, 2021. The College's bond debt rating is AA- Standard & Poor's.

The 2016 bond issuance was a refunding of the 2003 bonds which related to the College's liability on the library addition and the 2005 bonds which were issued for the purpose of completing the new library addition and renovating/remodeling vacated space.

The 2013 and 2014 bonds were issued for the purpose of construction and renovation of facilities for the science, arts and health education programs, in addition to the development of the Sturris Technology Center in downtown Muskegon. The funding source to pay the debt service payments on these bonds is the property tax revenues from the voter approved debt millage.

The 2017 bond was issued for the purpose of providing the necessary funding to complete the remaining building projects.

More detailed information about the College's long-term liabilities is presented in Note F of the notes to financial statements.

Muskegon Community College
Management's Discussion and Analysis

Economic Factors That Will Affect the Future

On Tuesday, March 10, 2020, Governor Gretchen Whitmer declared a state of emergency due to the outbreak of the novel coronavirus (COVID-19). On Thursday, March 12th, 2020, Muskegon Community College suspended on campus activities and transitioned to distance learning. The College's FY2021 enrollment declined in part due to student's not willing or able to take classes remotely and financial hardship. FY2022 classes were conducted approximately 50% remote and 50% in person. This change along with the availability of Michigan Reconnect and Futures for Frontliners dollars helped to boost enrollment by 3.5% over the prior year. While the FY2023 budget assumed flat enrollment in contact hours over the prior year, the Fall 2022 enrollment was less than anticipated. Some people are choosing employment instead of higher education however, local employers are still in need of more skilled workers. The College continues to forecast future implications of enrollment challenges as well as continues to work with local employers to structure programs to help meet their needs. The College will utilize the remainder of the various COVID-19 relief grant funds to provide aid to students as well as for institutional purposes to continue to mitigate COVID-19 and offset revenue losses.

The economic position of the College is closely tied to that of the State. In FY2021, the State of Michigan approved state appropriations back to the original FY2020 level after an 11% reduction in the prior year. The FY2022 state budget had only a .7% increase to the College however the State later approved a supplemental appropriation of \$364,000. The current FY2023 approved state appropriations included a 3.6% increase. Property tax revenue is projected to increase as the county taxable values continue to increase due to increased home sales, new construction and inflation. While these non-operating revenue increases are beneficial, the College's ability to attract and retain students will play a significant role in the College's future. The College addresses this area in a number of ways, including the continued execution of the Strategic Enrollment Management Plan.

Requests for Information

This financial report is designed to provide a general overview of Muskegon Community College's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Muskegon Community College Finance Department, 221 S. Quarterline Rd., Muskegon, Michigan 49442, or telephone (231) 777-0560.

Muskegon Community College
STATEMENT OF NET POSITION
June 30, 2022

ASSETS

Current assets		
Cash and cash equivalents	\$	3,137,778
Investments		9,109,996
Receivables		
Property taxes		79,101
State appropriation		2,125,807
Accounts		5,208,947
Leases		76,708
Prepaid expenses and other assets		<u>1,083,759</u>
Total current assets		20,822,096
Noncurrent assets		
Leases receivable		47,945
Property and equipment, net		<u>67,592,774</u>
Total noncurrent assets		<u>67,640,719</u>
Total assets		<u>88,462,815</u>

DEFERRED OUTFLOWS OF RESOURCES

Related to other postemployment benefits		2,807,295
Related to pensions		<u>7,218,087</u>
Total deferred outflows of resources		<u>10,025,382</u>
Total assets and deferred outflows of resources		98,488,197

LIABILITIES

Current liabilities		
Accounts payable		1,386,196
Accrued interest payable		174,829
Accrued payroll and other compensation		3,033,679
Unearned revenues		203,754
Bonds and other obligations, due within one year		1,944,621
Compensated absences, due within one year		<u>798,434</u>
Total current liabilities		7,541,513
Noncurrent liabilities		
Bonds and other obligations, less amounts due within one year		27,310,066
Compensated absences, less amounts due within one year		2,395,302
Net other postemployment benefits liability		2,018,099
Net pension liability		<u>32,645,737</u>
Total noncurrent liabilities		<u>64,369,204</u>
Total liabilities		71,910,717

DEFERRED INFLOWS OF RESOURCES

Related to leases		124,653
Related to other postemployment benefits		8,183,881
Related to pensions		<u>14,184,366</u>
Total deferred inflows of resources		<u>22,492,900</u>
Total liabilities and deferred inflows of resources		<u>94,403,617</u>

NET POSITION

Net investment in capital assets		38,338,087
Restricted		
Expendable		
Scholarships		188,245
Instructional department uses		391,005
Instructional administration		183,884
Unrestricted		<u>(35,016,641)</u>
Total net position		<u>\$ 4,084,580</u>

The accompanying notes are an integral part of this statement.

Muskegon Community College
**STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION**
Year ended June 30, 2022

REVENUES

Operating revenues	
Tuition and fees (net of scholarship allowances of \$7,856,310)	\$ 8,995,959
Federal grants and contracts	12,573,719
State and local grants and contracts	1,710,302
Nongovernmental grants	3,473,590
Auxiliary activities	476,740
Miscellaneous	450,553
Total operating revenue	27,680,863

EXPENSES

Operating expenses	
Instruction	15,901,521
Information technology	2,979,192
Public services	882,602
Instructional support	3,234,974
Student services	8,013,066
Institutional administration	4,180,459
Operation and maintenance of plant	4,428,052
Depreciation and amortization	3,569,647
Total operating expenses	43,189,513
Operating loss	(15,508,650)

NONOPERATING REVENUES (EXPENSES)

State appropriations	13,025,112
Property taxes	12,365,574
Gifts	25,084
Investment income	15,679
Interest on capital asset - related debt	(1,026,965)
Total nonoperating revenues (expenses)	24,404,484
Change in net position	8,895,834
Net position at beginning of year, as restated	(4,811,254)
Net position at end of year	\$ 4,084,580

The accompanying notes are an integral part of this statement.

Muskegon Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 7,900,618
Grants and contracts	17,757,611
Payments to suppliers	(10,566,838)
Payments for employees	(33,617,791)
Auxiliary enterprise charges	476,740
Other	450,553
	(17,599,107)
Net cash provided by (used for) operating activities	(17,599,107)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Property taxes	12,405,259
Gifts	25,084
State appropriations	13,010,710
	25,441,053
Net cash provided by (used for) noncapital financing activities	25,441,053

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(2,135,356)
Principal paid on capital debt	(1,894,336)
Interest paid on capital debt	(1,102,913)
	(5,132,605)
Net cash provided by (used for) capital and related financing activities	(5,132,605)

CASH FLOWS FROM INVESTING ACTIVITIES

Sale (purchase) of investments	(2,013,747)
Interest on investments	15,679
	(1,998,068)
Net cash provided by (used for) investing activities	(1,998,068)

Net change in cash and cash equivalents	711,273
---	---------

Cash and cash equivalents at beginning of year	2,426,505
Cash and cash equivalents at end of year	\$ 3,137,778

Reconciliation of operating income (loss) to net cash provided by (used for) operating activities

Operating income (loss)	\$ (15,508,650)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Depreciation and amortization expense	3,569,647
(Increases) decreases in assets	
Accounts receivable	(1,118,677)
Prepaid expenses and other assets	(1,009,094)
Increases (decreases) in liabilities	
Accounts payable	78,547
Accrued payroll and other compensation	(3,634,216)
Unearned revenues	23,336
Net cash provided by (used for) operating activities	\$ (17,599,107)

The accompanying notes are an integral part of this statement.

Muskegon Community College
COMPONENT UNIT STATEMENT OF FINANCIAL POSITION
FOR FOUNDATION FOR MUSKEGON COMMUNITY COLLEGE
June 30, 2022

ASSETS

Cash	\$ 59,409
Investments	694,509
Pledges receivable	5,748
Beneficial interest in assets held by others	<u>393,313</u>
Total assets	1,152,979

NET ASSETS

Without donor restrictions	206,508
With donor restrictions	<u>946,471</u>
Total net assets	<u><u>\$ 1,152,979</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Community College
COMPONENT UNIT STATEMENT OF ACTIVITIES
FOR FOUNDATION FOR MUSKEGON COMMUNITY COLLEGE
Year ended June 30, 2022

REVENUES AND SUPPORT

Contributions	
Cash	\$ 407,952
In-kind	231,008
Gain (loss) from beneficial interest in assets held by others	(75,582)
Investment income (loss), net	<u>(107,496)</u>
Total revenues and support	455,882

EXPENSES

Program services	398,846
Management and general	217,780
Fundraising	<u>3,784</u>
Total expenses	<u>620,410</u>
Change in net assets	(164,528)
Net assets at beginning of year	<u>1,317,507</u>
Net assets at end of year	<u><u>\$ 1,152,979</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Muskegon Community College (College) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units and outlined in *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the College's accounting policies are described below.

Reporting Entity

Muskegon Community College, established in 1926, is located in Muskegon, Michigan. The College provides educational services to residents of Muskegon County. A seven-member Board, which is elected by residents of Muskegon County, governs the College. The accompanying financial statements present the College and its component units, entities for which the College is considered to be financially accountable.

Discretely Presented Component Unit

The Foundation for Muskegon Community College (Foundation) was established in 1981. The Foundation's sole purpose is to support the mission of Muskegon Community College (College) through fund development. As part of this purpose, it is responsible for managing the fundraising efforts of the College. Foundation Board members are appointed by the College Board. The Foundation is reported in separate statements in the financial statements to emphasize that it is legally separate from the College.

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

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Gifts are recorded when received and pledges are recorded when it is determined that the gift is probable of collection at its net present value.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

Cash and Cash Equivalents

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

Investments

Investments are recorded at fair value, based on quoted market prices.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Property and Equipment

Property and equipment are defined by the College as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position—Continued

Property and Equipment—Continued

As the College constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. Right to use assets of the College are amortized using the straight-line method over the shorter of the lease period or the estimated useful life. The other property and equipment of the College are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	15-50
Equipment	5-20
Right to use - equipment	5

Unearned Revenues

Revenues received prior to year-end that are related to the next fiscal period are recorded as unearned revenues. These consist primarily of grants and entitlements received before the eligibility requirements are met.

Defined Benefit Plan

For purposes of measuring the net pension and net other postemployment benefits (OPEB) liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes 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(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position—Continued

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the College's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Leases Receivable

The College is a lessor for certain noncancelable leases. The College recognizes a lease receivable and a deferred inflow of resources for each lease.

At the commencement of a lease, the College initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the College determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

The College uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The College monitors changes in circumstances that would require a remeasurement of a lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Leases Payable

The College is a lessee for certain noncancelable leases. The College recognizes a lease liability and an intangible right-to-use lease asset in the financial statements for each lease.

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

Key estimates and judgements related to leases include how the College determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The College uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate for leases.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position—Continued

Leases Payable—Continued

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the College is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

Revenues and Expenses

Property Taxes

The College’s property tax is levied and lien on December 1 on the taxable valuation of property (as defined by statutes) located in the College’s jurisdiction as of the preceding December 31. Local governmental units within the College’s jurisdiction collect and remit taxes until March 1, at which time the uncollected real property taxes are turned over to the County of Muskegon for collection. The County advances the College all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the local governmental units within the College’s jurisdiction and are recorded as revenue when received.

The 2021 state taxable value for real/personal property of the College totaled approximately \$4,868,000,000. The ad valorem taxes levied consisted of 2.1888 and .34 mills for operating purposes and debt service, respectively.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the College’s current vacation, sick, and banked pay policies. Under the College’s policy, employees earn vacation, sick, and banked time based on time of service and/or contract with the College. Employment contracts generally provide for the payment of all accumulated vacation and banked time, as well as, one-half of unused sick leave to a maximum per individual at retirement, or for clerical and custodial staff, at termination.

Internal Service Activities

Both revenue and expenses related to internal service activities including office equipment, maintenance, and copying have been eliminated.

NOTE B—DEPOSITS AND INVESTMENTS

As of June 30, 2022, the College had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating	Percent
Money market mutual fund	\$ 9,109,996	30	not rated	100.0 %

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE B—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The College does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the College investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2022, \$3,442,061 of the College's bank balance of \$3,751,470 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments

The College does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign Currency Risk

The College is not authorized to invest in investments which have this type of risk.

NOTE C—FAIR VALUE MEASUREMENTS

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority level. Level 2 inputs consist of observable inputs other than quoted prices for identical assets. Level 3 inputs are unobservable and have the lowest priority. The College uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the College measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at June 30, 2022.

Money market funds: Valued at amortized cost which approximates fair value.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE C—FAIR VALUE MEASUREMENTS—Continued

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

The following table sets forth by level, within the fair value hierarchy, the College’s assets at fair value on a recurring basis as of June 30, 2022:

	Level 2	Total
Money market funds	\$ 9,109,996	\$ 9,109,996

NOTE D—LEASES RECEIVABLE

The College leases certain space on campus to a third party. The lease is for five years and the College receives monthly rent of \$6,350 increasing 2 percent each year. The College recognized \$70,077 in lease revenue and \$5,127 in interest revenue during the year ended June 30, 2022. The College also has deferred inflows of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of the deferred inflows of resources was \$124,653.

The future minimum payments to be received for this lease are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 73,511	\$ 3,197
2024	51,142	674
	\$ 124,653	\$ 3,871

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE E—PROPERTY AND EQUIPMENT

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021 as Restated	Additions	Deductions	Balance June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 338,505	\$ -	\$ -	\$ 338,505
Construction in progress	-	1,361,013	-	1,361,013
Total capital assets, not being depreciated	338,505	1,361,013	-	1,699,518
Capital assets, being depreciated:				
Land improvements	1,669,990	-	-	1,669,990
Buildings and improvements	82,146,470	334,387	-	82,480,857
Equipment	17,615,781	439,956	-	18,055,737
Right to use - equipment	96,393	-	-	96,393
Total capital assets, being depreciated	101,528,634	774,343	-	102,302,977
Less accumulated depreciation and amortization:				
Land improvements	1,467,494	40,259	-	1,507,753
Buildings and improvements	21,089,000	2,250,650	-	23,339,650
Equipment	10,283,580	1,254,402	-	11,537,982
Right to use - equipment	-	24,336	-	24,336
Total accumulated depreciation and amortization	32,840,074	3,569,647	-	36,409,721
Total capital assets, being depreciated, net	68,688,560	(2,795,304)	-	65,893,256
Capital assets, net	\$ 69,027,065	\$ (1,434,291)	\$ -	\$ 67,592,774

Depreciation and amortization

Depreciation and amortization expense has been charged as unallocated depreciation.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE F—LONG-TERM OBLIGATIONS

Summary of Long-Term Obligations

The following is a summary of long-term obligations activity for the College for the year ended June 30, 2022.

	Balance July 1, 2021 as Restated	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Public placement debt					
General obligation bonds	\$ 30,230,000	\$ -	\$ 1,870,000	\$ 28,360,000	\$ 1,920,000
Net premium (discount)	889,997	-	67,367	822,630	-
Direct borrowings and direct placement debt					
Lease obligations	96,393	-	24,336	72,057	24,621
Compensated absences	3,194,943	967,768	968,975	3,193,736	798,434
	\$ 34,411,333	\$ 967,768	\$ 2,930,678	\$ 32,448,423	\$ 2,743,055

The general obligation bonds are secured by future state aid and property tax revenues of the College. If the College defaults, the bonds are callable.

	Interest Rate	Date of Maturity	Balance
Public placement debt:			
General obligation bonds			
2013 Community College Facility Bonds	4-5%	May 2038	\$ 7,560,000
2014 Community College Facility Bonds	2.5-4%	May 2039	10,915,000
2016 Refunding Bonds	2-3%	May 2025	1,760,000
2017 College Facility Bonds	3-3.125%	May 2037	8,125,000
			\$ 28,360,000
Direct borrowings and direct placements			
2020 lease obligation - equipment	3.50%	October 2024	\$ 72,057

Annual debt service requirements to maturity for debt outstanding as of June 30, 2022 follow:

Year Ending June 30,	Public Placement Debt		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2023	\$ 1,920,000	\$ 1,048,972	\$ 24,621	\$ 2,169
2024	1,815,000	990,222	25,497	1,293
2025	1,865,000	932,222	21,939	386
2026	1,370,000	867,672	-	-
2027	1,420,000	817,622	-	-
2028-2032	7,945,000	3,268,410	-	-
2033-2037	9,570,000	1,664,405	-	-
2038-2039	2,455,000	144,700	-	-
	\$ 28,360,000	\$ 9,734,225	\$ 72,057	\$ 3,848

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Employee Retirement System—Defined Benefit Plan

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members—eleven appointed by 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 on the ORS website at Michigan.gov/ORSschools.

Benefits Provided – Pension

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 (Basic, Member Investment Plan (MIP), Pension Plus, Pension Plus 2), member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System who became a member after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4 percent of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50 percent (up to 1 percent of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional service or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – Pension—Continued

Pension Reform 2012—Continued

Employees who first work on or after September 4, 2012, choose between two retirement plans: the Pension Plus plan described above and a DC plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period, as reported to ORS, to elect to opt out of the Pension Plus plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus plan. If they elect to opt out of the Pension Plus plan, their participation in the DC plan will be retroactive to their date of hire.

Employees in the Pension Plus and DC plans are immediately vested in their own contributions and earnings on those contributions. The employee becomes vested in the employer match contribution at the following rates: 50 percent after two years of service, 75 percent after three years of service, and 100 percent after four years of service. Non-vested contributions are forfeited upon termination of employment. Forfeitures during a plan year are credited to a forfeitures account. Forfeitures are first applied to restore any forfeited amounts that are required to be restored. The remaining amounts in the forfeitures account may be maintained in reserve, used to cover a portion of the plan's administrative expenses or offset future employer contributions, as determined by the plan administrator.

Pension Reform 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional revised hybrid plan (Pension Plus 2) with similar plan benefit calculations, but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the new hybrid plan is 6 percent. Further, the law provides that, under certain conditions, the new hybrid plan would close to new employees if the actuarial funded ratio falls below 85 percent for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Regular Retirement

The pension benefit for DB and Pension Plus plan members is based on a member's years of credited service (employment) and final average compensation (FAC). The FAC is calculated based on the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan member, who became a member of MPSERS prior to July 1, 2010, the averaging period is 36 consecutive months. For a Pension Plus member, who became a member of MPSERS after June 30, 2010, the averaging period is 60 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension election under PA 300 of 2012.

Post-Retirement Adjustments

A retiree who became a Member Investment Plan member prior to July 1, 2010, receives an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan members do not receive an annual post-retirement increase, but are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions. Pension Plus members do not receive an annual post-retirement increase.

Plan Status

The Basic, MIP, and Pension Plus plans are closed to new entrants. The Pension Plus 2 plan and the DC plan are still open to new entrants.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Benefits Provided – OPEB

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 percent beginning January 1, 2013; 90 percent for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions – Pension and OPEB

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, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 20, 2038.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Contributions – Pension and OPEB—Continued

The schedules below summarize the contribution rates in effect for the System’s fiscal year ended September 30, 2021.

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0 %	19.78 %
Member Investment Plan	3.0 - 7.0	19.78
Pension Plus Plan	3.0 - 6.4	16.82
Pension Plus 2 Plan	6.2	19.59
Defined Contribution	0.0	13.39

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	8.43 %
Personal Healthcare Fund	0.0	7.57

The College’s pension contributions for the year ended June 30, 2022 were equal to the required contribution total. Pension contributions were approximately \$4,619,500, including Section 147c contributions.

For the year ended June 30, 2022, the College and employee defined contribution plan contributions were approximately \$157,100 and \$358,300, respectively.

The College’s OPEB contributions for the year ended June 30, 2022 were equal to the required contribution total. OPEB contributions were approximately \$1,172,800.

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, the College reported a liability of \$32,645,737 for its proportionate share of the MPSERS net pension liability and a liability of \$2,018,099 for its proportionate share of the MPSERS net OPEB liability.

The net pension and OPEB liabilities were measured as of September 30, 2021, and the total pension and OPEB liabilities used to calculate the net pension and OPEB liabilities were determined by an actuarial valuation rolled forward from September 30, 2020. The College’s proportion of the net pension and OPEB liabilities was determined by dividing each employer’s statutorily required pension and OPEB contributions to the system during the measurement period by the percent of pension and OPEB contributions, respectively, required from all applicable employers during the measurement period. At September 30, 2021 and 2020, the College’s pension proportion was 0.13789 and 0.14138 percent, respectively. At September 30, 2021 and 2020, the College’s OPEB proportion was 0.13221 and 0.13850 percent, respectively.

For the year ended June 30, 2022, the College recognized pension expense (benefit) of \$3,269,363 and OPEB expense (benefit) of \$(1,260,508).

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources—Continued

At June 30, 2022, the College reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 505,696	\$ 192,245	\$ -	\$ 5,760,521
Changes of assumptions	2,057,871	-	1,687,031	252,443
Net difference between projected and actual earnings on plan investments	-	10,495,500	-	1,521,078
Changes in proportion and differences between College contributions and proportionate share of contributions	243,812	1,582,998	38,874	649,839
State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date	-	1,913,623	-	-
College contributions subsequent to the measurement date	4,410,708	-	1,081,390	-
Total	\$ 7,218,087	\$ 14,184,366	\$ 2,807,295	\$ 8,183,881

The College contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions and OPEB resulting from employer contributions subsequent to the measurement date, in the chart above, will be recognized as a reduction of the net pension liability and the net OPEB liability, respectively, in the year ended June 30, 2023. The State of Michigan Section 147c UAAL rate stabilization state aid payments subsequent to the measurement date reported as deferred inflows of resources will be recognized as revenue in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized in expense as follows:

Year Ending June 30,	Pension	OPEB
2023	\$ (1,291,311)	\$ (1,653,388)
2024	(2,301,574)	(1,531,003)
2025	(2,929,547)	(1,415,564)
2026	(2,940,932)	(1,306,137)
2027	-	(487,874)
Thereafter	-	(64,010)
	\$ (9,463,364)	\$ (6,457,976)

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Actuarial assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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.

Summary of Actuarial Assumptions

Valuation date –	September 30, 2020
Actuarial cost method –	Entry age, Normal
Wage Inflation Rate –	2.75%
Investment rate of return –	6.8% a year for the MIP and Basic plans 6.8% a year for the Pension Plus plan 6.95% a year for the Pension Plus 2 plan 7.15% a year for OPEB
Salary increases –	2.75%-11.55%, including wage inflation at 2.75%
Cost-of-living pension adjustments –	3% annual non-compounded for MIP members
Healthcare cost trend rate –	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3% Year 120

Mortality Assumptions

The healthy life post-retirement mortality tables used in this valuation of the System were the RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82 percent for males and 78 percent for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Opt-Out Assumption

21 percent of eligible participants hired before July 1, 2008 and 30 percent of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage

80 percent of male retirees and 67 percent of female retirees are assumed to have coverages continuing after the retiree's death.

Coverage Election at Retirement

75 percent of male and 60 percent of female future retirees are assumed to elect coverage of one or more dependents.

Experience Study

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

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Actuarial assumptions—Continued

Long-Term Expected Rate of Return on Investments

The long-term expected rate of return on 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 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 asset allocation as of September 30, 2021 are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity Pools	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Oppportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
Total	<u>100.0</u> %	

*Long term rates of return are net of administrative expenses and 2% inflation.

Rate of return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 27.3 percent and 27.1 percent on pension plan and OPEB plan investments, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

In the current year, the discount rates used to measure the total pension and OPEB liabilities were 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. The discount rates used to measure the total pension and OPEB liability as of June 30, 2021 were 6.8 percent (6.8 percent for the Pension Plus Plan and 6 percent for the Pension Plus 2 plan, hybrid plans provided through non-university employers only), and 6.95 percent, respectively. These discount rates for the current year were based on the long-term expected rates of return on pension plan and OPEB investments of 6.8 percent (6.8 percent for the Pension Plus plan, 6 percent for the Pension Plus 2 plan) and 6.95 percent respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plans' 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.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Sensitivity 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 6.8 percent (6.8 percent for the Pension Plus plan and 6 percent 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 point higher:

1% Lower* (5.8% / 5.8% / 5%)	Discount Rate* (6.8% / 6.8% / 6%)	1% Higher* (7.8% / 7.8% / 7%)
\$ 46,674,551	\$ 32,645,737	\$ 21,014,931

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

Sensitivity of the net OPEB liability to changes in the discount rate

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

1% Lower (5.95%)	Discount Rate (6.95%)	1% Higher (7.95%)
\$ 3,749,993	\$ 2,018,099	\$ 548,340

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the College's proportionate share of the net OPEB liability calculated using 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 point higher:

1% Lower	Current Healthcare Cost Trend Rate	1% Higher
\$ 491,189	\$ 2,018,099	\$ 3,736,057

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plans' fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System Annual Comprehensive Financial Report available at www.michigan.gov/orsschools.

Payable to the pension and OPEB plan

At year end the College is current on all required pension and OPEB payments. Accruals for July and August deferred payroll and for July and August Section 147c amounts are not considered payables for this purpose.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

NOTE G—PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB)—Continued

Defined Contribution Plans

Effective, July 1, 1999, the Muskegon Community College Board of Trustees approved an Optional Retirement Plan (ORP) to be administered by TIAA-CREF. The ORP is available for all full-time faculty and full-time salaried administrative staff. Upon eligibility to participate in the ORP, employees have 90 days in which to elect participation in either the ORP or the MPSERS plan.

The ORP is a non-voluntary defined-contribution plan in which the College contributes 14.0 percent and the employee contributes 4.0 percent of the participating employee's includible compensation. Participants are immediately 100 percent vested in all ORP contributions. Participating employees elect their own allocation of contributions among the available investment vehicles offered by TIAA-CREF. ORP retirement benefits are based on the accumulation of contributions and the related investment income for each participant. Distributions of retirement benefits are available under the ORP when participants attain age 55. The College's contributions to the ORP were approximately \$889,000 and employee contributions were approximately \$254,000 for the year ended June 30, 2022.

NOTE H—RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the College carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The College participates in the Michigan Community College Risk Management Authority (risk pool) for claims relating to general and auto liability, motor vehicle physical damage, and property. Member contributions, which provide for losses incurred, reinsurance premiums, and risk management fees are allocated according to the actual costs incurred for each member. A member stop-loss fund provides for losses exceeding \$15,000 per occurrence or \$45,000 in the aggregate, on a year-to-year basis from the fund. Reinsurance agreements provide for loss coverage in excess of the amounts to be retained by the members. The Authority provides for withdrawal from membership at the end of any anniversary year.

NOTE I—COMMITMENTS AND CONTINGENCIES

Grant Programs

The College participates in federal student financial aid grant and loan programs which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of grants or expenditures which may be disallowed by the granting agencies cannot be determined at this time although the College expects such amounts, if any, to be immaterial.

Commitments

The College has a contract for migration of College servers to the cloud as of June 30, 2022 with a remaining cost of approximately \$290,000. This project is being funded with Higher Education Emergency Relief Fund grants.

The College has a contract for HVAC improvements as of June 30, 2022 with a remaining cost of approximately \$168,000. This project is being funded with Higher Education Emergency Relief Fund grants.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE J—SELF-INSURANCE

The College has a self-insured medical reimbursement plan for substantially all employees. In general, the College is liable for benefits up to \$80,000 per covered individual per year. Benefit payments in excess of \$80,000 per covered individual are payable by an insurance company.

The College utilizes a third party administrator to administer benefits payable under this plan. Reimbursement payments for claims to the third party administrator, which have been charged to expense, approximated \$3,350,000 for the year ended June 30, 2022.

NOTE K—TAX ABATEMENTS

The College receives reduced property tax revenues as a result of Industrial Facilities Tax (IFT) exemptions, Brownfield Redevelopment Agreements (BRA), and Payments in Lieu of Taxes (PILOT) granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield Redevelopment Agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties; PILOT programs apply to multiple unit housing for citizens of low income and the elderly.

The property taxes abated for all fund types by municipality under these programs are as follows:

<u>Municipality</u>	<u>IFT Taxes Abated</u>	<u>BRA Taxes Abated</u>	<u>PILOT Taxes Abated</u>	<u>Total Taxes Abated</u>
City of Montague	\$ 1,623	\$ -	\$ -	\$ 1,623
City of Muskegon	20,887	38,121	25,614	84,622
City of Muskegon Heights	1,791	-	-	1,791
City of Norton Shores	16,394	-	-	16,394
City of Whitehall	10,759	19,634	-	30,393
Egelston Township	3,053	-	-	3,053
Fruitport Township	2,271	-	-	2,271
Montague Township	482	-	-	482
Muskegon Township	1,153	-	-	1,153
Ravenna Township	417	-	-	417
Sullivan Township	1,109	-	-	1,109
Whitehall Township	121	1,939	-	2,060
Totals	\$ 60,060	\$ 59,694	\$ 25,614	\$ 145,368

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE L—CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2022, the College implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The restatement at beginning of the year had no impact on net position. The change in capital assets, net of depreciation / amortization and bonds and other obligations is as follows:

	Capital Assets, Net	Bonds and Other Obligations
Balances as of July 1, 2021, as previously stated	\$ 68,930,672	\$ 34,314,940
Adoption of GASB 87	96,393	96,393
Balances as of July 1, 2021, as restated	\$ 69,027,065	\$ 34,411,333

NOTE M—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement 96—*Subscription-Based Information Technology Arrangements* was issued by the GASB in May 2020 and will be effective for the College's 2023 fiscal year. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

Muskegon Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2022

NOTE N—PRIOR PERIOD ADJUSTMENT

The General Fund, Auxiliary Fund, and combined net position were restated to correct an over accrual of beginning accrued payroll.

The effect on beginning net position is as follows:

	General Fund	Auxiliary Fund	Combined Total
Net position at July 1, 2021	\$ 7,071,362	\$ 155,244	\$ (5,081,335)
To adjust accrued payroll	260,270	9,811	270,081
Net position at July 1, 2012, as restated	\$ 7,331,632	\$ 165,055	\$ (4,811,254)

The effect on the change in net position of the prior year is as follows:

	General Fund	Auxiliary Fund	Combined Total
Change in net position - June 30, 2021, as previously reported	\$ 2,916,327	\$ 6,086	\$ (335,336)
To adjust accrued payroll	260,270	9,811	270,081
Change in net position - June 30, 2021, as restated	\$ 3,176,597	\$ 15,897	\$ (65,255)

NOTE O—SUBSEQUENT EVENT

In October 2022, the College entered into a contract for classroom technology improvements at a cost of approximately \$790,000. The project will be paid with Higher Education Emergency Relief Fund grants.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon Community College
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
College's proportion of the net pension liability (%)	0.13789%	0.14138%	0.14613%	0.14351%	0.14270%	0.14320%	0.14050%	0.13656%	-	-
College's proportionate share of the net pension liability	\$ 32,645,737	\$ 48,566,763	\$ 48,394,995	\$ 43,140,657	\$ 36,978,854	\$ 35,727,595	\$ 34,318,140	\$ 30,080,234	\$ -	\$ -
College's covered payroll	\$ 12,209,232	\$ 12,037,666	\$ 12,245,889	\$ 12,798,882	\$ 12,123,662	\$ 13,864,640	\$ 13,419,535	\$ 10,608,895	\$ -	\$ -
College's proportionate share of the net pension liability as a percentage of its covered payroll	267.39%	403.46%	395.19%	337.07%	305.01%	257.69%	255.73%	283.54%	-	-
Plan fiduciary net position as a percentage of the total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%	-	-

Note: For years prior to 2014 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Muskegon Community College
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the College's Pension Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 2,705,834	\$ 2,090,680	\$ 2,348,470	\$ 2,186,098	\$ 2,150,913	\$ 2,343,851	\$ 3,199,630	\$ 2,969,529	\$ -	\$ -
Contributions in relation to the statutorily required contributions	2,705,834	2,090,680	2,348,470	2,186,098	2,150,913	2,343,851	3,199,630	2,969,529	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
College's covered payroll	\$ 15,374,108	\$ 11,271,900	\$ 12,245,512	\$ 12,146,108	\$ 12,320,982	\$ 12,218,226	\$ 14,691,726	\$ 11,290,051	\$ -	\$ -
Contributions as a percentage of covered payroll	17.60%	18.55%	19.18%	18.00%	17.46%	19.18%	21.78%	26.30%	-	-

Note: For years prior to 2015 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Muskegon Community College
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the College's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
College's proportion of the net OPEB liability (%)	0.13221%	0.13850%	0.14154%	0.14336%	0.14248%	-	-	-	-	-
College's proportionate share of the net OPEB liability	\$ 2,018,099	\$ 7,419,999	\$ 10,159,723	\$ 11,395,644	\$ 12,617,601	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 12,209,232	\$ 12,037,666	\$ 12,245,889	\$ 12,798,882	\$ 12,123,662	\$ -	\$ -	\$ -	\$ -	\$ -
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.53%	61.64%	82.96%	89.04%	104.07%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%	-	-	-	-	-

Note: For years prior to 2017 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Muskegon Community College
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of the College's OPEB Contributions
Michigan Public School Employees Retirement System
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contributions	\$ 1,172,780	\$ 915,161	\$ 1,012,918	\$ 948,450	\$ 921,019	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the statutorily required contributions	1,172,780	915,161	1,012,918	948,450	921,019	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
College's covered payroll	\$ 15,374,108	\$ 11,271,900	\$ 12,245,512	\$ 12,146,108	\$ 12,320,982	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	7.63%	8.12%	8.27%	7.81%	7.48%	-	-	-	-	-

Note: For years prior to 2018 the information is not available. Until a full 10-year trend is compiled, information will only be presented for those years for which information is available.

Muskegon Community College
REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
For the year ended June 30, 2022

Pension Information

Benefit changes – there were no changes of benefit terms in 2021.

Changes of assumptions – there were no changes of assumptions in 2021.

OPEB Information

Benefit changes – there were no changes in benefit terms in 2021.

Changes of assumptions – the healthcare cost trend rate for those under the age of 65 increased from 7 percent to 7.75 percent in 2021.

SUPPLEMENTAL INFORMATION

Muskegon Community College
CONSOLIDATING BALANCE SHEET
 June 30, 2022

	<u>Combined Total</u>	<u>General Fund</u>	<u>Auxiliary Activities Fund</u>	<u>Expendable Restricted Fund</u>	<u>Plant Fund</u>	<u>Retirement Fund</u>	<u>Student Activities Fund</u>
ASSETS							
Current assets							
Cash and cash equivalents	\$ 3,137,778	\$ 3,087,634	\$ -	\$ -	\$ 50,144	\$ -	\$ -
Investments	9,109,996	9,109,996	-	-	-	-	-
Receivables							
Property taxes	79,101	79,101	-	-	-	-	-
State appropriation	2,125,807	2,125,807	-	-	-	-	-
Accounts	5,208,947	5,208,947	-	-	-	-	-
Leases	76,708	-	-	-	76,708	-	-
Prepaid expenses and other assets	1,083,759	1,083,759	-	-	-	-	-
Due from (due to) other funds	-	(1,283,644)	144,744	838,269	219,734	-	80,897
Total current assets	20,822,096	19,411,600	144,744	838,269	346,586	-	80,897
Noncurrent assets							
Leases receivable	47,945	-	-	-	47,945	-	-
Property and equipment							
Land and improvements	2,008,495	-	-	-	2,008,495	-	-
Buildings and improvements	82,480,857	-	-	-	82,480,857	-	-
Equipment	18,055,736	-	-	-	18,055,736	-	-
Construction in progress	1,361,013	-	-	-	1,361,013	-	-
Right to use assets	96,393	-	-	-	96,393	-	-
Allowance for depreciation	(36,409,720)	-	-	-	(36,409,720)	-	-
Net property and equipment	67,592,774	-	-	-	67,592,774	-	-
Total noncurrent assets	67,640,719	-	-	-	67,640,719	-	-
Total assets	88,462,815	19,411,600	144,744	838,269	67,987,305	-	80,897
DEFERRED OUTFLOWS OF RESOURCES							
Related to other postemployment benefits	2,807,295	-	-	-	-	2,807,295	-
Related to pensions	7,218,087	-	-	-	-	7,218,087	-
Total deferred outflows of resources	10,025,382	-	-	-	-	10,025,382	-
Total assets and deferred outflows of resources	98,488,197	19,411,600	144,744	838,269	67,987,305	10,025,382	80,897

Muskegon Community College
CONSOLIDATING BALANCE SHEET—CONTINUED
 June 30, 2022

	Combined Total	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Retirement Fund	Student Activities Fund
LIABILITIES							
Current liabilities							
Accounts payable	\$ 1,386,196	\$ 1,386,196	\$ -	\$ -	-	\$ -	\$ -
Accrued interest payable	174,829	-	-	-	174,829	-	-
Accrued payrolls and other compensation	3,033,679	3,033,679	-	-	-	-	-
Unearned revenues	203,754	203,754	-	-	-	-	-
Bonds and other obligations, due within one year	1,944,621	-	-	-	1,944,621	-	-
Compensated absences, due within one year	798,434	798,434	-	-	-	-	-
Total current liabilities	7,541,513	5,422,063	-	-	2,119,450	-	-
Noncurrent liabilities							
Bonds and other obligations, less amounts due within one year	27,310,066	-	-	-	27,310,066	-	-
Compensated absences, less amounts due within one year	2,395,302	2,395,302	-	-	-	-	-
Net other postemployment benefits liability	2,018,099	-	-	-	-	2,018,099	-
Net pension liability	32,645,737	-	-	-	-	32,645,737	-
Total noncurrent liabilities	64,369,204	2,395,302	-	-	27,310,066	34,663,836	-
Total liabilities	71,910,717	7,817,365	-	-	29,429,516	34,663,836	-
DEFERRED INFLOWS OF RESOURCES							
Related to leases receivable	124,653	-	-	-	124,653	-	-
Related to other postemployment benefits	8,183,881	-	-	-	-	8,183,881	-
Related to pensions	14,184,366	-	-	-	-	14,184,366	-
Total deferred inflows of resources	22,492,900	-	-	-	124,653	22,368,247	-
Total liabilities and deferred inflows of resources	94,403,617	7,817,365	-	-	29,554,169	57,032,083	-
NET POSITION							
Net investment in capital assets	38,338,087	-	-	-	38,338,087	-	-
Restricted							
Expendable							
Scholarships	188,245	-	-	188,245	-	-	-
Instructional department uses	391,005	-	-	391,005	-	-	-
Instructional administration	183,884	-	-	183,884	-	-	-
Unrestricted	(35,016,641)	11,594,235	144,744	75,135	95,049	(47,006,701)	80,897
Total net position	\$ 4,084,580	\$ 11,594,235	\$ 144,744	\$ 838,269	38,433,136	\$ (47,006,701)	\$ 80,897

Muskegon Community College
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES,
 TRANSFERS AND CHANGES IN NET POSITION**
 For the year ended June 30, 2022

	<u>Combined Total</u>	<u>Eliminations</u>	<u>General Fund</u>	<u>Auxiliary Activities Fund</u>	<u>Expendable Restricted Fund</u>	<u>Plant Fund</u>	<u>Retirement Fund</u>	<u>Student Activities Fund</u>
REVENUES								
Operating revenues								
Tuition and fees (net of scholarship allowances of \$7,856,310)	\$ 8,995,959	\$ (7,856,310)	\$ 16,852,269	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	12,573,719	-	-	-	12,573,719	-	-	-
State and local grants and contracts	1,710,302	-	-	-	1,710,302	-	-	-
Nongovernmental grants	3,473,590	-	-	-	3,473,590	-	-	-
Auxiliary activities	476,740	-	-	476,740	-	-	-	-
Miscellaneous	450,553	(2,445,348)	2,800,245	-	-	-	-	95,656
Total operating revenue	27,680,863	(10,301,658)	19,652,514	476,740	17,757,611	-	-	95,656
EXPENSES								
Operating expenses								
Instruction	15,901,521	(1,879,399)	16,363,642	-	3,536,095	-	(2,118,817)	-
Information technology	2,979,192	-	2,983,817	-	-	-	(4,625)	-
Public services	882,602	-	733,460	200,233	13,737	-	(64,828)	-
Instructional support	3,234,974	-	3,662,783	-	5,856	-	(433,665)	-
Student services	8,013,066	(7,856,310)	4,671,751	122,468	11,431,435	-	(478,071)	121,793
Institutional administration	4,180,459	(565,949)	4,373,547	196,927	565,949	-	(390,015)	-
Operation and maintenance of plant	4,428,052	-	4,404,359	215,207	99,894	-	(291,408)	-
Depreciation and amortization	3,569,647	-	-	-	-	3,569,647	-	-
Total operating expenses	43,189,513	(10,301,658)	37,193,359	734,835	15,652,966	3,569,647	(3,781,429)	121,793
OPERATING INCOME (LOSS)	(15,508,650)	-	(17,540,845)	(258,095)	2,104,645	(3,569,647)	3,781,429	(26,137)

Muskegon Community College
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES,
TRANSFERS AND CHANGES IN NET POSITION—CONTINUED**
For the year ended June 30, 2022

	Combined Total	Eliminations	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Retirement Fund	Student Activities Fund
NONOPERATING REVENUES (EXPENSES)								
State appropriations	\$ 13,025,112	\$ -	\$ 13,095,281	\$ -	\$ -	\$ -	\$ (70,169)	\$ -
Property taxes	12,365,574	-	10,710,739	-	-	1,654,835	-	-
Gifts	25,084	-	-	35	250	17,420	-	7,379
Investment income (loss), net	15,679	-	15,634	-	-	45	-	-
Interest on capital asset - related debt	(1,026,965)	-	-	-	-	(1,026,965)	-	-
Total nonoperating revenues (expenses)	<u>24,404,484</u>	<u>-</u>	<u>23,821,654</u>	<u>35</u>	<u>250</u>	<u>645,335</u>	<u>(70,169)</u>	<u>7,379</u>
Change in net position	8,895,834	-	6,280,809	(258,060)	2,104,895	(2,924,312)	3,711,260	(18,758)
Transfers in (out)	<u>-</u>	<u>-</u>	<u>(2,018,206)</u>	<u>237,749</u>	<u>(1,634,760)</u>	<u>3,415,217</u>	<u>-</u>	<u>-</u>
Net change in net position	8,895,834	-	4,262,603	(20,311)	470,135	490,905	3,711,260	(18,758)
Net position at beginning of year, as restated	<u>(4,811,254)</u>	<u>-</u>	<u>7,331,632</u>	<u>165,055</u>	<u>368,134</u>	<u>37,942,231</u>	<u>(50,717,961)</u>	<u>99,655</u>
Net position at end of year	<u>\$ 4,084,580</u>	<u>\$ -</u>	<u>\$ 11,594,235</u>	<u>\$ 144,744</u>	<u>\$ 838,269</u>	<u>\$ 38,433,136</u>	<u>\$ (47,006,701)</u>	<u>\$ 80,897</u>