

Montcalm
Community
College



Years Ended
June 30,
2023 and 2022

Financial
Statements
and
Supplementary
Information

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MONTCALM COMMUNITY COLLEGE

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June 30, 2023

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June 30, 2023

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MONTCALM COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

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To 'the Board'

Responsibilities of Management for the Financial Statements

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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Required Supplementary Information

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 8, 2023, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The discussion and analysis of Montcalm Community College's (the "College") financial statements provides an overview of the College's financial activities for the

fiscal 2022 expenses related to the implementation of GASB No. 96 was a nominal amount, and therefore, the College only reclassified the presentation of operating expenses by function in the statement of revenues, expenses and changes in net position for the year ended June 30, 2022. Additional

Following is a comparative analysis of the major components of the net position of the College as of June 30, 2023 and 2022, and as of June 30, 2022 and 2021 (in millions):

	<u>2023</u>	<u>2022</u>	Increase <u>(Decrease)</u>	<u>2022</u>	<u>2021</u>	Increase <u>(Decrease)</u>
Current assets	\$14.9	\$15.9	\$(1.0)	\$15.9	\$11.7	\$4.2
Other noncurrent assets	1.6	0.3	1.3	0.3		0.3
Investments	23.9	21.5	2.4	21.5	25.4	(3.9)

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, food services and auxiliary operations. In addition, certain federal and state grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating revenue changes between fiscal years 2023 and 2022 were the result of the following factors:

Student tuition and fees decreased for the 2023 fiscal year due to an overall decrease of 3% in enrollment and a 2% increase in tuition rates.

Grants and contract revenues increased by approximately \$480,000 from 2022 due to the increase in the use of Federal grants such as Michigan New Jobs Training and the companies choosing to use them.

Auxiliary and other operating revenues slightly increased approximately \$21,000.

Operating revenue changes between 2022 and 2021 were the result of the following factors:

Student tuition and fees increased for the 2022 fiscal year due to a small overall increase of 1% in enrollment and a 2% increase in tuition rates.

Grants and contract revenues decreased by approximately \$235,000 from 2021 due to the decrease in the use of Federal grants such as Michigan New Jobs Training and the companies choosing to use them.

Auxiliary and other operating revenues began to return to normal levels and increased approximately \$94,000.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Tuition and fees	\$4,249,903	\$4,320,135	\$4,117,565
Federal grants and contracts	457,418	199,683	366,156
State grants and contracts	347,200	131,004	199,170
Other operating revenues	<u>206,363</u>	<u>184,703</u>	<u>90,833</u>

Total operating revenues 131,004 - grants - grants - - State

Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily non exchange in nature. They consist primarily of state appropriations, property tax revenue, Federal Pell grants, Federal Higher Education Emergency Relief Fund ("HEERF") grants, investment gain (loss) (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

Nonoperating revenue changes were principally due to increased growth in the economic markets and are related to Foundation investments resulting in an increase of investment income. In addition, the gifts received for the major gift campaign helped to increase nonoperating revenues. The increase in state appropriations was expected and we continue to see a steady increase from property taxes. Federal Pell grants increased from 2022 as a result in the change in student needs. In part, dual enrollment and industrial mpaign grants

Statement of Cash Flows

Another way to assess the financial health of a College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also helps users assess:

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

	<u>2023</u>	<u>2022</u>	Increase (Decrease)
Cash provided by (used in):			
Operating activities	\$(14,127,543)	\$(13,238,867)	(888,676)
Noncapital financing activities	15,815,088	16,252,674	(437,586)
Capital and related financing activities	(3,068,869)	1,619,778	(4,688,647)
Investing activities	<u>352,088</u>	<u>470,274</u>	<u>(118,186)</u>
Net (decrease) increase in cash and cash equivalents	(1,029,236)	5,103,859	<u>\$(6,133,095)</u>
Cash and cash equivalents – beginning of year	<u>14,368,532</u>	<u>9,264,673</u>	
Cash and cash equivalents – end of year	<u>\$ 13,339,296</u>	<u>\$ 14,368,532</u>	

	<u>2022</u>	<u>2021</u>	Increase (Decrease)
Cash provided by (used in):			
Operating activities	\$(13,238,867)	\$(12,430,635)	\$(808,232)
Noncapital financing activities	16,252,674	14,393,135	2,380,317
Capital and related financing activities	1,619,778	(969,192)	2,588,970
Investing activities	<u>470,274</u>	<u>1,316,430</u>	<u>(1,366,934)</u>
Net increase in cash	5,103,859	2,309,738	<u>\$2,794,121</u>
Cash and cash equivalents – beginning of year	<u>9,264,673</u>	<u>6,954,935</u>	
Cash and cash equivalents – end of year	<u>\$ 14,368,532</u>	<u>\$ 9,264,673</u>	

The College's liquidity decreased during 2023. The following discussion amplifies the overview of cash flows presented above.

Cash used in operating activities was approximately \$14.1 million. Major sources of funds came from student tuition and fees (\$4.3 million). Primary uses were payments to employees and suppliers (\$19.4 million).

Gifts from donors was \$1.3 million and was an increase from the prior year of approximately \$1.0 million. Cash flows from state appropriations, property taxes and Federal Pell grants all increased during 2023. Cash provided by investing activities related primarily to the sale and maturity of investments. Federal and state grants including the Higher Education

expenses. At fiscal year end June 30, 2023, the College had spent \$821,981 in the institutional amount. While management reasonably expects the COVID 19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are still highly uncertain.

Property values, and related property tax revenues, continue to increase at a modest rate. Fiscal year 2022 2023 showed a 5% increase. Previous trends average 2% to 4%. The College continues to monitor the trend of revenue deferred from the College due to Downtown Development Association ("DDA") agreements in the local areas as it can be unpredictable.

The 2022 2023 fiscal year experienced a 3% percent overall

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FINANCIAL STATEMENTS



MONTCALM COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	2023	2022
Operating revenues		
Tuition and fees, net of scholarship allowance of \$1,384,960 (\$1,234,891 in 2022)	\$ 4,249,903	\$ 4,320,135
Federal grants and contracts	457,418	199,683
State grants and contracts	347,200	131,004
Auxiliary activities	68,698	58,319
Other	137,665	126,384
Total operating revenues	5,260,884	4,835,525
Operating expenses		
Instruction	6,388,072	6,203,971
Public services	415,299	333,006
Instructional support	2,461,923	2,038,395
Student services	2,964,551	4,028,943
Institutional administration	2,038,100	1,881,595
Information technology	1,106,524	

MONTCALM COMMUNITY COLLEGE

Statements of Cash Flows

	2023	2022
Cash flows from operating activities		
Tuition and fees, net	\$ 4,331,648	\$ 4,393,072
Grants and contracts	722,596	

MONTCALM COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2023	2022
Reconciliation to Statements of Net Position		
Cash and cash equivalents	\$ 12,483,821	\$ 10,997,632
Restricted cash	855,475	3,370,900
	<u>\$ 13,339,296</u>	<u>\$ 14,368,532</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (14,678,007)	\$ (14,790,734)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,308,884	1,164,438
Amortization of bond premium	(17,883)	(17,883)
Change in operating assets and liabilities which provided (used) cash:		
Accounts receivable	95,052	88,255
Federal and state grants receivable	(82,022)	728,821
Prepays and other assets	27,699	73,021
Accounts payable	(704,235)	597,072
Accrued payroll, vacation and other compensation	52,703	62,775
Deposits	45,907	21,290
Unearned revenue	(13,307)	(15,318)
Net pension liability	9,259,399	(7,642,468)
Pension deferred outflows	(4,151,928)	1,902,860
Pension deferred inflows	(4,200,768)	5,678,536
Net OPEB liability	429,213	(2,750,552)
OPEB deferred outflows	(523,601)	441,971
OPEB deferred inflows	(974,649)	1,219,049
	<u>\$ (14,127,543)</u>	<u>\$ (13,238,867)</u>

concluded

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

1. MISSION

Montcalm Community College (the "College") is a Michigan community college whose mission is to create a learning community, contributing to shared economic, cultural and social prosperity for all citizens. The College offers associate degrees, numerous certificate programs, and other educational programs while being accredited by the Higher Learning Commission. The primary education centers for the College are its main campus situated northeast of Greenville, and extension center located in Greenville.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applicable to public colleges and universities outlined in Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, and the *Manual for Uniform Financial Reporting Michigan* rt09d <0003>003>.6 (c)-2.8 t 3 Tc 17.7in31.,-1.2

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

	2023	2022
Condensed statement of net position		
Total assets	\$ 25,793,495	\$ 22,367,101
Total liabilities	(5,393)	(55,969)
Total net position	\$ 25,788,102	\$ 22,311,132
Condensed statement of revenues, expenses and changes in net position		
Revenues and net investment gains	\$ 4,740,969	\$ 2,077,865
Expenses and net investment losses	(1,263,999)	(6,177,535)
Change in net position	3,476,970	(4,099,670)
Beginning net position	22,311,132	26,410,802
Ending net		

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Risks and Economic Uncertainties

The outbreak of a novel coronavirus ("COVID 19"), which the World Health Organization declared in March 2020 to be a pandemic, significantly impacted the College's operations, a

Basis of Accounting and Presentation

Cash and Cash Equivalents

Restricted Cash

Accounts Receivable

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Revenue Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the

Due Dates	June 30, 2023	June 30, 2022
Receivable in less than one year	\$ 166,293	\$ 91,897
Receivable in one to five years	1,556,157	342,258
Subtotal	\$ 1,722,450	\$ 434,155

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Investments

The Foundation carries investments consisting of exchange traded funds at fair value, which is

Fair Value Measurements

Level 1:

Level 2:

Level 3:

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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

Accrued Vacation

Accrued vacation represents the accumulated liability to be paid under the College's current vacation

Unearned Revenue

Unearned revenue at June 30, 2023 and 2022, consists of revenue received prior to year end that relates to summer semester tuition for the period subsequent to July 1 for the semester, which began June 6 and concluded on August 1 in 2023 and 2022.

Internal Service Activities

Both revenue and expenses related to internal service activities including office equipment, maintenance, and telecommunications have been eliminated in the presentation of these financial statements.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Property Taxes

Property taxes levied by the College are collected by various municipalities and periodically remitted to the College. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property tax revenues are recognized when levied to the extent that they are determined to be collectible. For the years ended June 30, 2023 and 2022, the College levied 2.652 mills and 2.685 mills, respectively, per \$1,000 of taxable value for general operations.

Use of Estimates

Income Taxes

The Internal Revenue Service ("IRS") has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been recorded. The Foundation analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Foundation also treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its operating expenses.

The Foundation has evaluated its income tax position for the years ended June 30, 2020 through 2023, the years which remain subject to examination by major tax jurisdictions as of June 30, 2023. The

MONTCALM COMMUNITY



MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Net Position

Net investment in capital assets: Capital assets, net of accumulated depreciation and amortization and outstanding principal balances of debt attributable to the acquisition, construction, and renovation of campus facilities, net of the costs of construction and renovation programs.

Restricted expendable: Net position whose use by the College is restricted for the acquisition, construction, and renovation of campus facilities.

Reclassification

Recent Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), by issuing Accounting Standards Update ("ASU") No. 2016 02 ("ASU 2016 02"). The standard, as amended, establishes a right of use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets. The Foundation adopted ASU 2016 02, as amended, effective July 1, 2022. Financial information has not been updated and the disclosures required under the new standard have not been provided for dates and periods before July 1, 2022. There was no significant impact to the financial statements due to the adoption of this standard.



MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

The above amounts are categorized as follows at June 30:

2023	College	Foundation	Total
Bank deposits (checking, savings and cash sweep accounts)	\$ 12,799,420	\$ 536,476	\$ 13,335,896
Petty cash	3,400		3,400
Exchange traded funds		23,857,760	23,857,760
Total	\$ 12,802,820	\$ 24,394,236	\$ 37,197,056

2022	College	Foundation	Total
Bank deposits (checking, savings and cash sweep accounts)	\$ 13,881,415	\$ 483,717	\$ 14,365,132
Petty cash	3,400		3,400
Exchange traded funds		21,457,708	21,457,708
Total	\$ 13,884,815	\$ 21,941,425	\$ 35,826,240

As of June 30, 2023 and 2022, all deposits with financial institutions consist of depository accounts.

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 the College's 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's investment policy does not have specific limits on concentration of credit risk. The Foundation's investment policy limits the cost basis of individual company securities to 12% of its total investment portfolio as measured at market value or 5% as measured at cost.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Large blend	\$ 10,043,757	\$	\$	\$ 10,043,757
Intermediate term bond	5,535,629	.....	.....	5,535,629
Foreign equity large cap	3,461,816	.....	.....	3,461,816
Foreign large blend	2,893,083	.....	.....	2,893,083
World blend	875,621	.....	.....	875,621
Money market	1,047,854	.....	.....	1,047,854
Total investments at fair value	\$ 23,857,760	\$	\$	\$ 23,857,760

	Level 1	Level 2	Level 3	Total
Exchange traded funds				
Large blend	\$ 9,053,841	\$	\$	\$ 9,053,841
Intermediate term bond	5,716,143	.....	.....	5,716,143
Foreign equity large cap	6,890,000	r	r 5,716,143	

Foreign

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

5. CAPITAL ASSETS

	Balance July 1, 2022	Additions	Transfers/ Deletions	Balance June 30, 2023
Nondepreciable/nonamortizable capital assets				
Land	\$ 808,786	\$	\$ (52,860)	\$ 755,926
Construction in progress	3,276,648		(3,276,648)	
Subtotal nondepreciable/ nonamortizable capital assets	4,085,434		(3,329,508)	755,926
Depreciable/amortizable capital assets				
Land improvements	1,317,590			1,317,590
Buildings and improvements	32,897,872	5,337,804	(34,950)	38,200,726
Infrastructure	1,465,140			1,465,140
Subscription assets	804,615	148,621		953,236
Furniture, fixtures and equipment, including vehicles	4,922,620	210,619	(960,270)	4,172,969
Library materials	446,856			446,856
Subtotal depreciable/ amortizable capital assets	41,854,693	5,697,044	(995,220)	46,556,517
Less accumulated depreciation and amortization				
Land improvements	1,212,904	96,633		1,309,537
Buildings and improvements	23,146,746	715,240	(34,950)	23,827,036
Infrastructure	1,231,718	31,677		1,263,395
Subscription assets	88,061	167,391		255,452
Furniture, fixtures and equipment, including vehicles	3,632,238	294,497	(960,270)	2,966,465
Library materials	440,671	3,446		444,117
Total	17,246,441	1,308,884	(995,220)	30,066,002
Total depreciable/amortizable capital assets, net	12,102,355	4,388,160		16,490,515
Total capital assets, net	\$ 16,187,789	\$ 4,388,160	\$ (3,329,508)	\$ 17,246,441

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Capital asset activity

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Nondepreciable/nonamortizable capital assets				
Land	\$ 808,786	\$	\$	\$ 808,786
Construction in progress	288,775	2,987,873		3,276,648
Subtotal nondepreciable/ nonamortizable capital assets	1,097,561	2,987,873		4,085,434
Depreciable/amortizable capital assets				
Land improvements	1,317,590			1,317,590
Buildings and improvements	32,820,368	77,504		32,897,872
Infrastructure	1,465,140			1,465,140
Subscription assets		804,615		804,615
Furniture, fixtures and equipment, including vehicles	4,636,893	328,135	(42,408)	4,922,620
Library materials	446,856			446,856
Subtotal depreciable/amortizable capital assets	40,686,847	1,210,254	(42,408)	41,854,693
Less accumulated depreciation and amortization				
Land improvements	1,116,271	96,633		1,212,904
Buildings and improvements	22,477,351	669,395		23,146,746
Infrastructure	1,199,837	31,881		1,231,718
Subscription assets		88,061		88,061
Furniture, fixtures and equipment, including vehicles	3,400,445	274,201	(42,408)	3,632,238
Library materials	436,404	4,267		440,671
Total accumulated depreciation and amortization	28,630,308	1,164,438	(42,408)	29,752,338
Total depreciable/amortizable capital assets, net	12,056,539	45,816		12,102,355
Total capital assets, net	\$ 13,154,100	\$ 3,033,689	\$	\$ 16,187,789

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

6. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in two arrangements that qualify as long term subscription based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right to use subscription assets as the College has the control of the right to use another party's IT software and the noncancelable term of the agreement surpasses one year. The present values are discounted using a risk free discount rate determined based on information available at subscription commencement, as rates implicit in its subscription based IT arrangements are not readily determinable.

Remaining Term of Agreements

Asset Type	
Subscription assets	2 to 3 years

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

	2023	2022
Subscription assets	\$ 953,236	\$ 804,615
Less accumulated amortization	(255,452)	(88,061)
Net book value	\$ 697,784	\$ 716,554

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Subscription based IT arrangement liabilities	\$ 641,515	\$ 148,621	\$ (193,249)	\$ 596,887	\$ 202,334

MONTCALM COMMUNITY COLLEGE



MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
2017 bonds payable	\$ 2,305,000	\$	\$ 290,000	\$ 2,015,000	\$ 285,000

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Other Postemployment Benefits Provided

Contributions

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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

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

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

Required contributions to the pension plan from the College were \$3,219,903, \$2,325,021 and \$2,172,521 for the years ended June 30, 2023, 2022 and 2021, respectively.

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

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

Required contributions to the OPEB plan from the College were \$543,565, \$523,365 and \$520,527 for the years ended June 30, 2023, 2022 and 2021, respectively.

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

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

	Deferred Outflows of	Deferred Inflows of flows	Net Deferred Outflows
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MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
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Differences between expected and actual experience	\$	\$2,970,617	\$(2,970,617)
Changes in assumptions	1,351,875	110,077	1,241,798
Net difference between projected			

for 10/1/2020 to 9/30/2021

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Year Ended June 30	Amount
2024	\$ (546,455)
2025	(513,522)
2026	(468,660)
2027	(43,520)
2028	(28,492)
Thereafter	287
Total	\$ (1,600,362)

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$	\$ 3,104,128	\$ (3,104,128)
Changes in assumptions	909,078	136,032	773,046
Net difference between projected and actual earnings on OPEB plan investments		819,652	(819,652)
Changes in proportion and differences between employer contributions and proportionate	773,046	n	v

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Actuarial Assumptions

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

The total pension and OPEB liabilities in the September 30, 2021 and 2020 actuarial valuations (for the fiscal years ended June 30, 2023 and 2022) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non hybrid)	6.00% (6.80% in 2020)
Pension Plus plan (hybrid)	6.00% (6.80% in 2020)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00% (6.95% in 2020)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non compounded for MIP members
Healthcare cost trend rate	Pre 65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post 65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality	RP 2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP 2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

MONTCALM COMMUNITY COLLEGE



MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Long Term Expected Return on Pension Plan Assets

The long term expected rate of return on pension plan investments was determined using a building block method in which best

2022	Target Allocation	Long term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	0.19%	0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short term investment pools	2.00%	0.47%	0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			0.87%
Investment rate of return			6.00%

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

2021			
	Asset Class	Target Allocation	Expected Money Weighted Rate of Return
	Domestic equity pools	25.00%	1.27%
	Private equity pools	16.00%	1.37%
	International equity pools	15.00%	1.06%
	Fixed income pools	10.50%	0.08%
	Real estate and infrastructure pools	10.00%	0.51%
	Absolute return pools	9.00%	0.22%
	Real return/opportunistic pools	12.50%	0.72%
	Short term investment pools	2.00%	0.03%
		<u>100.00%</u>	5.04%
	Inflation		2.00%
	Risk adjustment		<u>0.24%</u>
	Investment rate of return		<u>6.80%</u>

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

2022	Target Allocation	Long term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Domestic equity pools	25.00%	4.77%	1.19%
Private equity pools	16.00%	8.13%	1.30%
International equity pools	15.00%	6.26%	0.94%
Fixed income pools	13.00%	0.19%	0.02%
Real estate and infrastructure pools	10.00%	4.95%	0.50%
Absolute return pools	9.00%	2.52%	0.23%
Real return/opportunistic pools	10.00%	5.42%	0.54%
Short term investment pools	2.00%	0.47%	0.01%
	100.00%		4.67%
Inflation			2.20%
Risk adjustment			0.87%

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

2021	Target Allocation	Long term Expected Real Rate of Return	Expected Money Weighted Rate of Return
Domestic equity pools	25.00%	5.09%	1.27%
Private equity pools	16.00%	8.58%	1.37%
International equity	15.00%	7.08%	1.06%
Fixed income pools	10.50%	0.73%	0.08%
Real estate and infrastructure pools	10.00%	5.12%	0.51%
Absolute return pools	9.00%	2.42%	0.22%
Real return/opportunistic pools	12.50%	5.73%	0.72%
Short term investment pools	2.00%	1.29%	0.03%
	100.00%		5.04%
Inflation			2.00%
Risk adjustment			0.09%
Investment rate of return			6.95%

For the fiscal year ended September 30, 2022, the annual money 3.4 /ine ic5f d583 0-Ü2,_DÛDÔMTY•ÆêÄœD1úÄ”

Discount Rate

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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Colleg2290's/C201T1(In)4.4(c).621TdBb.6180d90's/C201T1(In)4.4(c).621TdBb.6180d90's/C201T1InWg(A)A0\$R RateIn1

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MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

2018-2019

Sensitivity of College's Proportionate Share of the Net OPEB Liability

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB liability	\$ 2,544,103	\$ 1,516,691	\$ 651,482

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	\$ 2,020,730	\$ 1,087,478	\$ 295,480

	1% Decrease	Current Healthcare Cost Trend	1% Increase
College's proportionate share of the net OPEB liability	\$ 635,118	\$ 1,516,691	\$ 2,506,275

MONTCALM COMMUNITY COLLEGE

■ Notes to Financial

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Notes to Financial Statements



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Notes to Financial Statements

From time to time, certain donor restricted endowment funds may have fair values less than the amounts required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023 and 2022, the Foundation did not have any underwater endowments.

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

	Unrestricted	Restricted	Total
Endowment net position			
Comparison by type of fund as of			
June 30, 2023			
Board designated endowment funds	\$ 8,675,994	\$	\$ 8,675,994
Donor restricted endowment funds			
Restricted for specific purpose			
scholarships and grants	.....	2,815,076	2,815,076
Original donor restricted gift amount and			
amounts required to be maintained			
in perpetuity by donor	.....	313,864	313,864
Original donor restricted term endowment			
gift amount	.....	7,324,896	7,324,896
Accumulated investment gains	.....	6,658,272	6,658,272
Total endowment funds	\$ 8,675,994	\$ 17,112,108	\$ 25,788,102
Endowment net position			
Comparison by type of fund as of			
June 30, 2022			
Board designated endowment funds	\$ 8,089,497	\$	\$ 8,089,497
Donor restricted endowment funds			
Restricted for specific purpose			
scholarships and grants	.....	1,548,606	1,548,606
Original donor restricted gift amount and			
amounts required to be maintained			
in perpetuity by donor	.....	313,114	313,114
Original donor restricted term endowment			
gift amount	.....	7,324,896	7,324,896
Accumulated investment gains	.....	5,035,019	5,035,019
Total endowment funds	\$ 8,089,497	\$ 14,221,635	\$ 22,311,132

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Changes in endowment net position for the years ended June 30:

	Unrestricted	Restricted	Total
Changes in endowment net position			
For the year ended June 30, 2023			
Interest and dividend income	\$ 235,718	\$ 390,552	\$ 626,270
Net realized and unrealized gains on investments	677,616	1,232,701	1,910,317
Contributions	159,181	2,163,951	2,204,382
Appropriation of endowment position for expenditure	(486,018)	(896,731)	(1,263,999)
Changes in endowment net position	586,497	2,890,473	3,476,970
Endowment net position			
Beginning of year	8,089,497	14,221,635	22,311,132
End of year	\$ 8,675,994	\$ 17,112,108	\$ 25,788,102
Changes in endowment net position			
For the year ended June 30, 2022			
Interest and dividend income	\$ 333,566	\$ 618,035	\$ 951,601
Net realized and unrealized losses on investments	(1,742,469)	(3,250,266)	(4,992,735)
Contributions	133,179	993,085	1,126,264
Appropriation of endowment position for expenditure	(196,752)	(988,048)	(1,184,800)
Changes in endowment net position	(1,472,476)	(2,627,194)	(4,099,670)
Endowment net position			
Beginning of year	9,561,973	16,848,829	26,410,802
End of year	\$ 8,089,497	\$ 14,221,635	\$ 22,311,132

Return Objectives and





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**REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST SHARING MULTIPLE EMPLOYER PLANS**

MONTCALM COMMUNITY COLLEGE

■ **Required Supplementary Information**
MPERS Cost Sharin

MONTCALM COMMUNITY COLLEGE

Required Supplementary Information
 MPSERS Cost Sharing Multiple Employer Plans
 Schedule of the College's Other Postemployment Benefits Contributions (Unaudited)

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Statutorily required contributions	\$ 543,565	\$ 523,365	\$ 520,527	\$ 503,817	\$ 490,770	\$ 435,766
Contributions in relation to the statutorily required contributions	<u>(543,565)</u>	<u>(523,365)</u>	<u>(520,527)</u>	<u>(503,817)</u>	<u>(490,770)</u>	<u>(435,766)</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
College's covered payroll	\$ 7,015,391	\$ 6,688,428	\$ 6,410,104	\$ 6,412,530	\$ 6,330,881	\$ 6,088,670
Contributions as a percentage of covered payroll	7.75%	7.82%	8.12%	7.86%	7.75%	7.16%

See notes to required supplementary information.

MONTCALM COMMUNITY COLLEGE

Notes to Required Supplementary Information

Pension Information

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

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

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- 2020 The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

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

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

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

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

MONTCALM COMMUNITY COLLEGE

■ Combining Statement of Net Position (Unaudited)

June 30, 2023

	Combined Total	General Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	Pension and OPEB Fund	Foundation
Current assets							
Cash and cash equivalents	\$ 12,483,821						

MONTCALM COMMUNITY COLLEGE

Combining Statement of Net Position (Unaudited)

June 30, 2023

	Combined Total	General Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	Pension and OPEB Fund	Foundation
Current liabilities							
Accounts payable	\$ 134,570	\$ 126,156	\$ 3,021				\$ 5,393
Accrued interest	28,248			28,248			
Accrued payroll, current portion of accrued vacation and other compensation	1,159,004	1,159,004					
Deposits	596,698	6,703		36,069	553,926		
Unearned revenue	178,627	178,627					
Current portion of bonds payable	557,883			557,883			
Current portion of subscription based IT arrangement liabilities	202,334			202,334			
Total current liabilities	2,857,364	1,470,490	3,021	800,300	553,926		



