Lake Michigan College

Financial Report
with Additional Information
June 30, 2021

Contents

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Independent Auditor's Report

To the Board of Trustees
Lake Michigan College

Report on the Financial Statements

We have audited the accompanying financial statements of Lake Michigan College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2021 and 2020 and the related notes to the financial statements, which collectively comprise Lake Michigan College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake Michigan College and its discretely presented component unit as of June 30, 2021 and 2020 and the respective changes in its financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Lake Michigan College

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of the College's pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of the College's OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Lake Michigan College's basic financial statements. The other supplemental information, including the combining statement of net position and combining statement of revenue, expenses, and changes in net position, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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. Such 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 other supplemental information is 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 3, 2021 on our consideration of Lake Michigan College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Michigan College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 3, 2021

Management's Discussion and Analysis - Unaudited

Using This Report

This financial report includes the report of the independent auditors, management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, required supplementary schedules, and supplemental information.

Following the basic financial statements, notes to the financial statements, and required supplementary schedules are supplemental information: the Combining Schedule of Net Position and the Combining Schedule of Revenues, Expenses, Transfers & Changes in Net Position. Although the Governmental Accounting Standards Board (GASB) does not require this supplemental information be present for a fair and complete presentation, the supplemental information does provide more detail regarding the funds and activities of Lake Michigan College (the "College") that is not disclosed in the basic financial statements.

Management's Discussion & Analysis (MD&A) – Unaudited

The MD&A that follows provides an overview of the College's financial activities for the year ended June 30, 2021 with comparative information for the years ended June 30, 2020 and 2019, as well as a brief discussion of "forward-looking" information relating to fiscal year (FY) 2022 and beyond.

Management of the College has prepared the financial statements and related notes to the financial statements along with the MD&A. Responsibility for the completeness and accuracy of this information rests solely with management. For ease in reading, all amounts within this section are rounded to the nearest thousand.

Statement of Net Position

The Statement of Net Position presents the financial position of the College and includes all assets, liabilities, and deferred inflows and outflows of resources. It is prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the good or service is sold or provided and expenses and liabilities are recognized when obligations are incurred regardless of when cash is exchanged.

Net Position, which represents the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, is one indicator of financial condition.

Management's Discussion and Analysis - Unaudited

The following are the major components of assets, liabilities, and net position for the College as of June 30:

	2021	2020	2019
Assets			
Cash & investments (short-term)	$ 24,848,000	$ 16,448,000	$ 26,132,000
Receivables	8,145,000	4,731,000	3,104,000
Prepaid expenses & other	643,000	304,000	361,000
Capital assets, net of depreciation	92,466,000	93,916,000	79,423,000
Deferred outflows of resources	6,696,000	6,495,000	6,847,000
Total Assets	**$ 132,798,000**	**$ 121,894,000**	**$ 115,867,000**

	2021	2020	2019
Liabilities			
Accounts payable	$ 2,189,000	$ 4,134,000	$ 6,079,000
Accrued liabilities	1,827,000	2,156,000	2,395,000
Unearned revenue	528,000	293,000	607,000
Interest payable	136,000	311,000	317,000
Debt	36,763,000	37,320,000	37,870,000
Net OPEB and pension liability	22,922,000	23,841,000	24,500,000
Deferred pension & OPEB inflows	5,209,000	5,289,000	5,146,000
Total Liabilities	**$ 69,574,000**	**$ 73,344,000**	**$ 76,914,000**

	2021	2020	2019
Net Position			
Investment in capital assets, net	$ 56,919,000	$ 56,533,000	$ 41,553,000
Unrestricted (deficit)	6,305,000	(7,983,000)	(2,600,000)
Total	**$ 63,224,000**	**$ 48,550,000**	**$ 38,953,000**

Significant changes from year to year include:

- **Cash & investments** increased $8.4 million in FY21 due to significant cash receipts from Higher Education Emergency Relief Funds (HEERF). HEERF is provided from three federal stimulus acts due to COVID-19 (the Coronavirus Aid, Relief, & Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP). In addition, there were increases due to reimbursement from the State of Michigan for the College's capital outlay project expenditures and additional intentionally-maintained holdings of cash as a contingency due to the uncertainly related to the pandemic. Cash decreased $9.7 million in FY20 due to cash expenditures related to major capital projects.

- **Receivables** increased $3.4 million in FY21 due to a receivable from the State of Michigan for the College's capital outlay project expenditures and a receivable related to HEERF funding. Receivables increased $1.6 million in FY20 largely due to fluctuations in amounts due to from the Federal government.

- **Capital assets** consist of long-lived assets net of the depreciation that accumulates over the life of the asset. Net capital assets – which includes assets in service and those in process, as well as related depreciation – decreased in FY21 due to normal depreciation expense. Capital assets increased in FY20 due to the substantial number of capital projects placed in service and in process that year (e.g., Napier Academic Building Renovation and Upgrade, Wine & Viticulture Center, Mendel Center Energy Upgrades, computer replacements, Grand Upton Hall Modernization.)

- **Deferred pension and OPEB outflows**, **deferred pension, and OPEB inflows**, and **net pension and OPEB liability** arose upon adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) in 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75) in 2018. Both pronouncements require reporting of net related liabilities along with respective deferred outflows and inflows.

  The College's net pension and OPEB liability is its respective proportionate share of the total net liabilities of the Michigan Public School Employees Retirement System (MPSERS) plan. Deferred outflows of resources occur because of changes in assumptions to the net pension and OPEB liability and College contributions to MPSERS subsequent to the plan's measurement date. Deferred inflows of resources represent the difference between projected and actual earnings on pension plan investments. See the footnotes to the financial statements for more information.

- **Accounts payable** represents amounts due to vendors and will fluctuate from year to year based on timing of invoice receipt and payments. In FY21 and FY20, the balance decreased $1.9 million each year due to fewer construction payables as prior significant construction wraps up.

- **Accrued liabilities** include primarily employee compensation and related amounts as well as ticket sales collected on behalf of Mainstage rental clients. This balance will fluctuate normally from year to year based on timing of pay dates and Mainstage shows.

- **Unearned revenue** represents student tuition payments collected before the beginning of a term and payments for performances/events received before a show/event. The decrease in FY20 is attributed to the pandemic greatly reducing the number of Mendel Center performances/events and the decline in student tuition payments for Fall term enrollments. The FY21 increase is the rebound in both student enrollments and performances/events as the pandemic appears to be better contained.

- Total **debt** will normally decrease year over year due to principal payments. In addition, the College 'refinanced' certain bonds during FY21, as described in Note 7 to the audited financial statements.

Net Position represents the residual of all other elements presented in a Statement of Net Position. The College has two types of net position:

- **Net Investment in Capital Assets** represents the College's investment in capital assets, net of depreciation and related debt.

- **Unrestricted Net Position** represents net resources generated by operating activities.

Statement of Revenues, Expenses, and Changes in Net Position

The **Statement of Revenues, Expenses, & Changes in Net Position** presents the revenues earned and the expenses incurred during the year. The combined statement is summarized as follows for the years ended June 30:

	2021	2020	2019
Revenues			
Property taxes	$ 22,592,000	$ 22,045,000	$ 21,423,000
Tuition & fees	9,584,000	11,096,000	11,272,000
Appropriations	6,507,000	5,925,000	6,470,000
Auxiliary & other	2,159,000	2,426,000	3,069,000
Grants & contracts	7,942,000	2,919,000	2,313,000
Investment income	75,000	508,000	406,000
Funding from State - Capital Outlay	6,313,000	1,834,000	-
Support from Foundation, net	121,000	3,271,000	237,000
Total Revenues	**$ 55,293,000**	**$ 50,024,000**	**$ 45,190,000**
Expenses			
Labor costs	$ 21,852,000	$ 21,945,000	$ 20,654,000
Services	4,403,000	5,989,000	6,521,000
Travel, communication, & other	4,837,000	4,047,000	3,956,000
Depreciation	4,684,000	4,803,000	3,964,000
Building costs	2,681,000	1,508,000	1,555,000
Supplies	700,000	932,000	1,109,000
Interest expense	1,022,000	1,203,000	990,000
Loss on asset disposal	440,000	-	2,855,000
Total Expenses	**$ 40,619,000**	**$ 40,427,000**	**$ 41,604,000**
Increase in Net Position	**$ 14,674,000**	**$ 9,597,000**	**$ 3,586,000**

Revenues include both operating and non-operating revenues and are presented above in order of magnitude. Significant changes from year to year include:

- **Property taxes** are revenues from millage levies on property within the College’s districts. The tax equals a percentage of the taxable value of the property. Changes in property tax revenues generally reflect changes in taxable values in the taxing districts. Other components include:
    - Industrial facilities’ taxes
    - Payment in lieu of taxes from Berrien County and the Pokagon Band of Potawatomi Indians
    - State reimbursement of Renaissance Zone abatements
    - Delinquent taxes with related penalties/interest
    - State reimbursement for lost personal property tax (related to 2012 legislation eliminating this tax for certain taxpayers)
    - Beginning in 2018, proceeds from a 10-year new capital millage, which was $4.6 million, $4.5 million, and $4.4 million in FY21, FY20, and FY19, respectively.

- **Tuition & fees** is the second-largest component of funding. This revenue is driven by two variables – billing hours, which are based on student contact hours, and tuition/fee rates. The decrease in tuition revenue in FY21 is directly attributable to the COVID-19 pandemic and is a consistent outcome among community colleges. The decrease in tuition revenue in FY20 is generally due to fewer student enrollments in all categories but Early College and Middle College programs, which is generally reflective of national trends for community colleges, attributed to the strong 2020 and 2019 economies and more employment opportunities for students.

- **Appropriations** are received from the State of Michigan in two forms: appropriations to support operations through a combination of base and performance funding and appropriations to cover the amount over a legislative cap on MPSERS contributions. Operational support decreased $597,000 in FY20 primarily due to an 11% ($639,000) cut in funding by the State in reaction to a projected State budget deficit related to the effects of the COVID-19 pandemic. The funding reduction was offset by an equal amount of federal Coronavirus Relief Funding (CRF), which was spent on costs allowed by the federal guidance; this funding was received in August 2020 and recognized as revenue in FY21. Reinstatement of this decrease from FY20 represents the increase in FY21.

- **Auxiliary & other** include revenues from auxiliary operations (Beckwith Hall and Mendel Center Operations) as well as miscellaneous income such as rental and certain fees. This revenue decreased in $267,000 due to decreased occupancy in Beckwith Hall (decline in revenue of $495,000) due to the pandemic offset by $1.1 million in revenue from health department COVID-19 vaccination clinics operated by Mendel Center Operations. This revenue decreased $643,000 in FY20 due to the closure of Beckwith Hall and Mendel Center operations in March 2020 as a result of the COVID-19 pandemic, which accordingly significantly impacted revenues.

- **Grants & contracts** includes federal, state, and organizational grants, such as those:
  - Awarded to students in need of financial aid (e.g., Federal Supplemental Educational Opportunity Grant, Pell Grant Program, Perkins Career & Technical Education Grant, Federal Work-Study Program)
  - Providing outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds (TRIO)
  - Expanding the capacity to serve low-income students (Title III)
  - Improving career and technical education programs (Perkins)

  The most significant component of this funding are financial aid grants, which fluctuate with student enrollment and student financial need/eligibility.

  This revenue increased $5.0 million in FY21 due primarily to $4.9 million in HEERF, which is a combination of student and institutional aid. This revenue increased $606,000 in FY20 due primarily to $567,000 in HEERF to provide emergency financial aid grants to students whose lives have been disrupted because of the COVID-19 pandemic.

- **Investment income** includes earnings on checking account, short-term certificates of deposit (CD), and, in 2019, a money market account for bond proceeds. In FY21, this revenue decreased due to the use of the bond proceeds previously held in a money market account coupled with a significant decline in interest rates - CD rates dropped from 2.55% to 1.62% in FY20 and to .15% in FY21. In FY20, this revenue increased due to the investment of funds in laddered CDs and bond proceeds in the money market account.

- In FY21 and FY20, respectively, $6.3 million and $1.8 million of **Funding from State - Capital Outlay** was received from the State of Michigan for the Napier Academic Building Renovation & Upgrade project. No additional funds are due from the State on this project.

- Fluctuations in **Support from (to) Foundation, net** are to be expected due to flexibility in payment dates and changes in the amounts and nature of amounts due from the Foundation (e.g., program funding, scholarships, capital campaign funding, operational support) net of those amounts paid by the College on behalf of the Foundation (wages, benefits, contracted services, professional development.) In FY20, the support increased by $3.0 million due to timing of capital campaign contributions paid to the College by the Foundation upon completion in FY20 of the related capital projects.

Significant changes from year to year in **Expenses** include:

- **Labor costs** include both wage and benefit costs. In FY21, labor costs decreased $93,000 due to an increase in restricted fund (grant) positions offset by several 'held' (unfilled) positions in the general fund. In FY20, labor costs increased by $1.3 million primarily due to early retirement incentive payments and pay out of accrued employee vacation balances as of June 30, 2020.

- **Travel, communication, & other** increased $790,000 due primarily to the expenses in the restricted funds associated with reimbursement by HEERF of expenses associated with the coronavirus (such as campus safety and operations, costs associated with a transition to distance education, faculty and staff trainings, and technology.)

- **Services** include professional services, such as audit, legal, and consulting services, as well as custodial, repair/maintenance, advertising, and part-time faculty and temporary personnel services. Fluctuations occur year to year in this expense category depending on the nature and extent of the services the College contracts.

  Significant non-recurring services contracted in FY21 included a limited amount of contracted personnel services for financial aid; in addition, many contracted services typically provided were unable to be completed or limited due to the impact of the pandemic. Significant non-recurring services contracted in FY20 included non-capitalizable services related to on-going construction projects and contracted personnel services for human resources, technology, and financial aid.

- **Building Costs** (e.g., rent, utilities and insurance) increased $1.2 million due primarily to the expense in the restricted funds associated with the reimbursement by Coronavirus Relief Funds of the health department COVID-19 vaccination clinics operated by Mendel Center Operations.

- **Depreciation** reflects the utilization of long-lived assets by apportioning the cost of a capital asset over its estimated useful life. Depreciation increases when capital assets are placed into service and decreases when capital assets are disposed of or become fully depreciated. Significant capital assets placed into service in FY20 resulted in an increase of $839,000; those assets include $664,000 in "routine capital" (i.e., maintenance, renewal and replacement of existing assets) as well as the $7.4 million Wine & Viticulture Center.

- **Interest expense** fluctuates normally based on bond repayment schedules. Interest expense also increased in FY20 due to a full year of interest on the bonds issued in December 2018.

College expenses reported by functional class can be found in Note 1 of the Financial Statements.

Statement of Cash Flows

The Statement of Cash Flows is another way to assess financial health. Its primary purpose is to provide information about the cash inflows and outflows during a period, and is typically grouped into the following categories:

- **Cash flows from operating activities** reflects the net of the cash received from tuition and fees, certain grants, and auxiliary operations less the cash paid out to vendors and employees.
- **Cash flows from non-capital financing activities** include cash receipts from property taxes, state appropriations, student Pell grants, gifts, and miscellaneous sources.
- **Cash flows from capital and related financing activities** result from purchasing and selling capital assets, borrowing for new capital assets, and repaying principal and interest on debt.
- **Cash flows from investing activities** consist of investment income – both interest and dividend income and the proceeds from investment sales and maturities – offset by the cash outflow when investments are purchased.

The statement of cash flows is summarized as follows.

	2021	2020	2019
Cash provided by (used in):			
Operating activities	$ (25,332,000)	$ (26,700,000)	$ (18,032,000)
Financing activities - Non-capital	35,060,000	32,891,000	32,849,000
Financing activities - Capital	(1,404,000)	(16,382,000)	(4,017,000)
Investing activities	2,000	137,000	(7,200,000)
Net increase (decrease) in cash	**8,326,000**	**(10,054,000)**	**3,600,000**
Cash - Beginning of year	3,276,000	13,330,000	9,730,000
Cash - End of year	**$ 11,602,000**	**$ 3,276,000**	**$ 13,330,000**

Forward-Looking Information

Following is a brief discussion of certain economic factors anticipated to affect the future, focusing on the upcoming fiscal year 2022 (FY22).

- **Property Tax** will likely remain the largest component of funding. Funds are from voter-approved operating millages in the taxing districts of Berrien County, South Haven Public School District (in Van Buren and Allegan Counties), and Covert Township (in Van Buren County.) Property taxes are reduced by tax capture arrangements like Downtown Development Authority (DDA) and Tax Increment Finance Authority (TIFA.)

  In addition to the operating millages, the State reimburses lost personal property tax (PPT) revenue related to 2012 legislation that eliminated certain PPT; reimbursement is tied to availability of funds raised by the State's 6% use tax. The amount of reimbursement varies from year to year.

  Although collections from the 2016 capital millage are considered "revenue" when collected, those funds are exclusively for non-operating items in accordance with millage ballot language (i.e., for safety/security improvements, energy efficiency upgrades, instructional space renovation and technology upgrades, other capital improvements.) These collections are accordingly not included in the operating budget, nor are the related expenditures.

Taxable values for the taxing districts are below.

	Tax Values FY22	Tax Values FY21	Change	
Berrien	8,479,562,000	8,235,140,000	244,422,000	3%
Van Buren	1,294,548,000	1,300,470,000	(5,922,000)	0%
Allegan	255,675,000	233,712,000	21,963,000	9%
Captured taxes	(184,047,000)	(171,181,000)	(12,866,000)	8%
	$ 9,845,738,000	**$ 9,598,141,000**	**$ 247,597,000**	3%

- **Tuition & Fees** will likely remain the second-largest source of funding, and is driven by two variables – billing hours, which are based on student contact hours, and tuition rates.

  The College anticipates that traditional billing hours (i.e., not direct credit or middle college) will increase 3% from FY21, based on the following factors:
  - Positive: State grant programs (Michigan Reconnect and Futures for Frontliners)
  - Positive: Increased availability of on-campus housing
  - Positive: Improved communication and tracking through newly-implemented admissions & student engagement software
  - Negative: Declines in retention and persistence rates
  - Negative: Limited in-person access to high school students
  - Negative: Students waiting for in-person course options to fully return
  - Negative: Adults not enrolling even with the high rate of unemployment

  Middle college and direct credit billing hours are anticipated to remain essentially flat.

  Tuition rates for FY22 were set by the Board in March 2021 and reflect a 2% increase over FY20 rates.

- Each year the College rebates about 5% of tuition as **Scholarships & Waivers**, which include merit, need-based, and athletic scholarships, as well as waivers for senior citizens, Bureau of Indian Affairs, etc. In addition to College-funded scholarships, the Foundation plans to provide over 124 scholarships totaling more than $410,000.

- **Appropriations** typically the third-largest component of funding, are provided by the State. This funding is expected to stay flat or increase slightly (1-2%) annually.

  The State also provides "rate stabilization" funding to offset community college contributions to Michigan's defined benefit pension plan (Michigan Public School Employees Retirement System, or MPSERS.) This funding reduces required contributions of up to 38.45% by 5.28%. Although this funding is not expected to continue indefinitely, based on lack of available information to the contrary, it continues to be included in future forecasts.

- **Other Revenue** includes:
  - Donations, which is funding from the Foundation to support programs and operations. No significant changes are expected (i.e., a major fundraising campaign.)

  - **Workforce Training & Community Ed** includes non-credit training (e.g., employer contract training) and personal enrichment offerings. LMC began offering truck driver training in FY21, for which the arrangement with the contracted training provider is anticipated to result in a modest net positive financial result.

- **Interest** includes earnings on checking account and 4 certificates of deposit. Significant rate increases are not anticipated in the near term.

- **Miscellaneous** includes Barnes & Noble commissions, rebates (Staples, procurement cards), sale of copying/printing services, student production tickets, and fees (e.g., ID cards, testing, transcripts, collection.) Significant changes to this revenue is not anticipated in the near term.

- **Grants & Contracts** include support from United Way for the Start to Finish program and grant receipts intended to cover a portion of overhead. Significant changes to this revenue is not anticipated in the near term.

- Auxiliary enterprises by definition are designed to be self-supporting, non-instructional activities. **Auxiliary Operations** are summarized and discussed below:

  - **Beckwith Hall** includes operating and facility costs for the 188-bed residence hall, which typically operates at near full capacity. Barring a major event like the coronavirus pandemic, this trend is not anticipated to change.

  - **Mendel Center Operations** (MCO) includes events held generally in Mainstage Theater or Grand Upton Hall, such as performances, rentals, and events. Revenue includes ticket sales, food/beverage sales, room/equipment rentals, and funding from grants and contributions, including Foundation funding from Premier Partners and Gast Young People's Performance Series endowments. MCO is anticipating an uptick in revenue in the near term as, due to COVID-19, many events and performances were cancelled or postponed from FY20 or FY21 to FY22. In addition, MCO is expecting an increase in events due to pent-up demand for rental space and new offerings targeted at smaller groups. MCO has aligned their staffing and related labor costs to align with the business need.

  - The **Economic Club** speaker series began as a College operation in 2017 when the Economic Club of Southwest Michigan donated its endowment to the Foundation. All costs in excess of membership and ticket revenues will be funded by the Foundation until those funds are exhausted.

- **Labor Costs** are the most significant of College expenses. This includes wages and benefits, both of which are largely fixed in the short-term. Components include:

  - Employee wage costs will normally be projected to include annual pay increases for all College employees. Many of the positions that were unfilled in FY21 due to the financial impact of COVID-19 should be filled in the next 18 months.

  - Outsourced staff includes wages for certain positions (part-time faculty, tutors, coaches, on-call positions) and a staffing company fee of 17%-19%.

  - Health insurance includes health, vision, dental, disability, life insurance, unemployment, workers compensation, and health savings account funding. Since the College is self-insured, healthcare costs are projected based on actuarial estimates of likely outcomes, and are projected to increase from FY21 costs. Actual costs will depend on the volume and nature of claims for the year.

- Retirement contributions are amounts paid on behalf of an employee into a retirement plan. There are 2 plan options: 1) defined contribution plan (TIAA) where contributions are 10%-14.96% of wages depending upon date of hire and 2) Michigan's defined benefit plan (MPSERS) where contributions range from 10%-30% of wages. (State legislation from 2012 capped MPSERS rates, with the State funding amounts over the cap; otherwise, these rates would be significantly higher.)

- Employer payroll taxes are amounts paid to fund Social Security and Medicare. Employer contribution rates are 6.2% of wages for Social Security and 1.45% for Medicare, totaling 7.65% of wages annually.

- Other benefits include tuition waivers, service awards, and relocation reimbursement. There are no plans to discontinue these benefits.

- **Depreciation** is the largest non-labor category. This cost is a direct result of investment in capital assets – as capital assets are added, depreciation expense is added. For each dollar spent on capital, between 1/5 (an asset with a 5-year useful life) and 1/45 (a 45-year useful life) is planned as new depreciation expense annually.

- Other expenses include **Building Costs**, **Services**, **Supplies**, and **Travel, Training, & Other**. These expenses are anticipated to increase over time due to inflation and increased use in the near term as business operations return to normal after the pandemic. Other considerations include:

  - Continued investment in technology through software licensing, specifically aimed at improving the student experience and gaining operational efficiencies

  - Professional development and athletic travel resuming after no/limited travel in FY21 due to COVID-19

  - Increase in electricity rates

  - Contractual rate increase for outsourced custodial services

  - Continued investment in repairs and maintenance of buildings/equipment

- **Interest Expense** is paid on $35.2 million of bonds issued since 2013. Capital millage property tax revenues will be used to pay a 2018 bond issue, as the projects borrowed for were part of the capital millage ballot.

Statement of Net Position

	College		Component Unit - Foundation	
	June 30		June 30	
	2021	2020	2021	2020
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	$ 11,601,581	$ 3,275,673	$ 1,698,641	$ 2,940,661
Short-term investments (Note 3)	13,245,966	13,172,305	-	-
Accounts receivable - Net (Note 4)	8,145,206	4,731,370	-	-
Contributions receivable - Current portion	-	-	74,500	108,417
Inventories	7,291	5,384	-	-
Prepaid expenses and other assets	636,484	298,834	15,797	13,781
Total current assets	33,636,528	21,483,566	1,788,938	3,062,859
Noncurrent assets:				
Long-term investments (Note 3)	-	-	15,467,989	12,048,374
Contributions receivable - Net of current portion	-	-	70,424	337,872
Capital assets - Net (Note 6)	92,466,009	93,916,175	-	-
Total noncurrent assets	92,466,009	93,916,175	15,538,413	12,386,246
Total assets	126,102,537	115,399,741	17,327,351	15,449,105
Deferred Outflows of Resources (Note 2 and 14)	6,695,782	6,495,049	-	-
Total assets and deferred outflows	132,798,319	121,894,790	17,327,351	15,449,105
Liabilities				
Current liabilities:				
Accounts payable	2,188,810	4,134,352	156	-
Accrued payroll and related costs	1,603,189	2,002,905	-	-
Interest payable	136,444	311,355	-	-
Unearned revenue	527,818	293,219	-	-
Other liabilities	224,626	153,177	13,658	13,640
Due to Lake Michigan College	-	-	482,326	1,718,693
Current portion of long-term debt	3,485,956	2,075,000	-	-
Total current liabilities	8,166,843	8,970,008	496,140	1,732,333
Noncurrent liabilities:				
Long-term debt - Net of current portion (Note 7)	33,276,791	35,245,000	-	-
Net OPEB liability (Note 14)	3,102,282	4,071,102	-	-
Net pension liability (Note 14)	19,819,454	19,769,692	-	-
Total noncurrent liabilities	56,198,527	59,085,794	-	-
Total liabilities	64,365,370	68,055,802	496,140	1,732,333
Deferred Inflows of Resources - Deferred OPEB and pension amounts (Note 14)	5,208,964	5,289,273	-	-
Total liabilities and deferred outflows	69,574,334	73,345,075	496,140	1,732,333
Net Position				
Net investment in capital assets	56,918,615	56,532,586	-	-
Restricted for:				
Nonexpendable scholarships	-	-	3,632,600	3,437,291
Expendable scholarships and fellowships	-	-	12,092,200	9,826,769
Unrestricted (deficit)	6,305,370	(7,982,871)	1,106,411	452,712
Total net position	**$ 63,223,985**	**$ 48,549,715**	**$ 16,831,211**	**$ 13,716,772**

Statement of Revenue, Expenses, and Changes in Net Position

	College		Component Unit - Foundation	
	Years Ended June 30		Years Ended June 30	
	2021	2020	2021	2020
Operating Revenue				
Tuition and fees	$ 9,315,526	$ 10,261,097	$ -	$ -
Scholarships and allowances	(3,116,293)	(3,119,942)	-	-
Net tuition and fees	6,199,233	7,141,155	-	-
Non-credit tuition and fees	157,362	100,874	-	-
Grants and contracts	3,058,663	2,351,723	-	-
Auxiliary activities and other operating revenue	1,862,554	2,126,403	3,453	150,745
Total operating revenue	11,277,812	11,720,155	3,453	150,745
Operating Expenses				
Salaries and wages	14,128,723	14,642,819	320,426	235,725
Benefits	7,723,396	7,301,525	141,945	84,545
Professional services	4,402,793	5,989,241	60,326	157,327
Supplies and materials	700,255	931,719	6,057	83,287
Travel, communications, and miscellaneous	4,534,802	3,909,866	457,130	452,316
Rent, utilities, and insurance	2,681,317	1,508,432	7,920	6,759
Depreciation	4,684,084	4,803,439	-	-
Small capital equipment	301,308	137,136	11,322	6,650
Total operating expenses	39,156,678	39,224,177	1,005,126	1,026,609
Operating Loss	(27,878,866)	(27,504,022)	(1,001,673)	(875,864)
Nonoperating Revenue (Expenses)				
State appropriations	5,711,300	5,074,900	-	-
State appropriations - MPSERS	795,967	850,165	-	-
Property taxes	22,591,723	22,044,995	-	-
Pell grants	3,239,755	3,853,988	-	-
Federal Coronavirus Aid, Relief, and Economic Security Act	4,883,428	566,989	-	-
Gifts and contributions	-	-	361,676	656,171
Non-capital support from Foundation (to College)	142,964	131,493	(142,964)	(131,493)
Support (to Foundation) from College	(462,419)	(324,374)	462,419	324,374
Investment income and gains	75,227	507,628	3,874,981	362,756
Other nonoperating revenue	284,144	299,575	-	-
Gain (loss) on sale of capital assets	(439,990)	100	-	-
Interest on capital asset-related debt	(1,021,982)	(1,202,968)	-	-
Net nonoperating revenue (expense)	35,800,117	31,802,491	4,556,112	1,211,808
Capital Contributions				
Capital support from Foundation (to College)	440,000	3,464,375	(440,000)	(3,464,375)
State capital appropriations	6,313,019	1,834,372	-	-
Total capital contributions	6,753,019	5,298,747	(440,000)	(3,464,375)
Increase (Decrease) in Net Position	14,674,270	9,597,216	3,114,439	(3,128,431)
Net position - Beginning of year	48,549,715	38,952,499	13,716,772	16,845,203
Net position - End of year	**$ 63,223,985**	**$ 48,549,715**	**$ 16,831,211**	**$ 13,716,772**

Statement of Cash Flows

	Year Ended June 30	
	2021	2020
Cash Flows from Operating Activities		
Tuition and fees	$ 6,511,462	$ 6,959,534
Grants and contracts	3,058,663	1,320,821
Payments to suppliers	(14,721,315)	(14,463,296)
Payments to employees	(22,043,188)	(22,161,541)
Federal direct lending receipts	1,822,824	2,468,125
Federal direct lending disbursements	(1,822,824)	(2,468,125)
Auxiliary and other receipts	1,862,554	1,644,468
Net cash used in operating activities	(25,331,824)	(26,700,014)
Cash Flows from Noncapital Financing Activities		
Property taxes	22,566,492	22,044,995
State appropriations	5,865,722	6,560,449
Gifts and grants for other than capital purposes	283,249	131,493
Pell grants	3,239,755	3,853,988
Federal Coronavirus Aid, Relief, and Economic Security Act revenue	2,820,303	-
Other nonoperating receipts	284,142	299,576
Net cash provided by noncapital financing activities	35,059,663	32,890,501
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets and construction	(3,679,815)	(19,296,659)
Gifts and grants for capital purposes	1,065,363	2,839,012
State capital appropriation	4,480,747	1,834,372
Proceeds from sale of assets	5,907	-
Principal paid on debt, including amounts put in escrow	(18,684,491)	(550,000)
Payment of bond issuance costs	(295,082)	-
Proceeds from issuance of bonds, including premium	16,904,573	-
Interest paid on capital debt	(1,200,699)	(1,208,818)
Net cash used in capital and related financing activities	(1,403,497)	(16,382,093)
Cash Flows from Investing Activities		
Interest income	75,227	507,628
Purchases of investments	(13,297,615)	(13,449,680)
Proceeds from investment sales and maturities	13,223,954	13,079,247
Net cash provided by investing activities	1,566	137,195
Net Increase (Decrease) in Cash and Cash Equivalents	8,325,908	(10,054,411)
Cash and Cash Equivalents - Beginning of year	3,275,673	13,330,084
Cash and Cash Equivalents - End of year	**$ 11,601,581**	**$ 3,275,673**

Statement of Cash Flows (Continued)

A reconciliation of operating loss to net cash from operating activities is as follows:

	Year Ended June 30	
	2021	2020
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (27,878,866)	$ (27,504,022)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	4,684,084	4,803,439
Change in operating assets and liabilities which provided (used) cash:		
Accounts receivable - Net	(79,730)	(1,389,121)
Inventories, prepaids, and other assets	(339,557)	56,921
Deferred outflows of resources	1,014,620	352,070
Accounts payable and accrued liabilities	(1,967,609)	(2,190,144)
Unearned revenue	234,601	(313,433)
Net OPEB liability	(968,820)	(887,833)
Net pension liability	49,762	228,692
Deferred inflows of resources	(80,309)	143,417
Net cash used in operating activities	**$ (25,331,824)**	**$ (26,700,014)**

Note 1 – Basis of Presentation and Significant Accounting Policies

Lake Michigan College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001* (MUFR).

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the financial statements of the Lake Michigan College Foundation have been discretely presented in College's financial statements.

The Lake Michigan College Foundation (the "Foundation") is a legally separate, tax-exempt not-for-profit organization that was formed to solicit, collect, and invest donations made for the promotion of educational activities of the College. The Foundation acts primarily as a fundraising organization of the College to foster educational opportunities for students of the College through student scholarship and loan funds and through support of College programs, departments, or individuals for organizational, instructional, and professional development. Separate financial statements of the Foundation may be obtained by contacting Lake Michigan College, 2755 E. Napier Ave, Benton Harbor, MI 49022.

In accordance with the provisions of GASB Statement No. 61, the Foundation is considered a component unit of the College. The Foundation has been determined to be a discretely presented component unit due to the significance to the College.

The Foundation reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Internal Revenue Service has determined 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.

Significant accounting policies followed by the College and the discretely-presented component unit are described below to enhance the usefulness of the financial statement to the reader:

Basis of Accounting – The financial statements of the College have been prepared using the economic resource measurement focus and accrual basis of accounting, whereby revenue is recognized when earned and expenditures when the related liabilities are incurred and certain measurement and matching criteria are met. The College follows all applicable GASB pronouncements. Certain revenue recognition criteria and disclosure requirements are different under the FASB, which is applicable to the Foundation, from GASB.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Use of Estimates – The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

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

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary, and an adjustment to a valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. An allowance for bad debts of approximately $144,000 and $166,000 has been established at June 30, 2020 and 2019, respectively.

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

Short-term Investments – Short-term investments consist of certificates of deposit with maturities ranging from three months to one year.

Long-term Investments – The Foundation maintains investment accounts for its restricted endowments. Investments in marketable equity securities are carried at fair value, which is generally determined by using quoted market prices. Realized and unrealized gains and losses are reflected in the Foundation's Statement of Activities.

Fair Value Measurements – The Foundation has categorized its investments into a three-level "fair value hierarchy", based on the nature of inputs used in determining fair value. The hierarchy gives highest priority to quoted prices in active markets for identical assets and lowest priority to unobservable inputs. For further discussion, refer to Note 5.

Inventories – Inventories are stated at the lower of cost or net realizable value, using the first-in, first-out method. Inventories consist of beverages used in auxiliary operations.

Capital Assets – Capital assets are recorded at cost other than gifts of property, which are recorded at acquisition value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized, while expenditures for routine repairs and maintenance are expensed as incurred. Management reviews capital assets annually for impairment.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over the estimated useful life of the asset. No depreciation is recorded on land and art, which are considered inexhaustible. The following estimated useful lives are used to compute depreciation.

Land improvements and infrastructure	15-20 years
Buildings and improvements	45 years
Equipment	7-15 years
Furniture and fixtures	5-7 years
Library materials	5 years
Computer hardware	5 years
Computer software	3 years

Pensions – For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension 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. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs – For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 14. The College also has a loss on defeasance of old debt which is being amortized over the life of the new debt. More detailed information can be found in Note 7.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 14.

Bond Premium – Bond premium relates to the value of the bonds issued by the College at the issuance date. The discount on issuance is amortized on a straight line basis over the life of the related outstanding bond issue.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Unearned Revenue – Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. Grants received prior to qualifying expenditures are also included in unearned revenue.

Unrestricted Net Position – Unrestricted net position represents net positions that are not subject to externally imposed constraints. Unrestricted net position may be designated for a specific purpose by action of management or the board of trustees.

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

Federal Financial Assistance Programs – The College participates in federally funded Pell Grants, SEOG grants, Federal Work-Study, and Federal Direct Lending programs. Federal programs are audited in accordance with the Single Audit Act amendments of 1996, the U.S. Office of Management and Budget Revised Uniform Guidance, *Audit of States, Local Governments, and Non-Profit Organizations*, and the compliance supplement. During the years ended June 30, 2021 and 2020, the College distributed approximately $1,800,000 and $2,500,000, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures in the accompanying financial statements.

Revenue Recognition – Revenue from state appropriations is recognized in accordance with the accounting method described in the MUFR, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Tuition and related revenue are reported when earned. Property taxes are recorded as revenue in the year collected.

The College does not recognize as revenue sources held for others (e.g. Federal Direct Loans) where the College serves only as a conduit.

Operating revenues of the College consist of tuition and fees, grants and contracts, sales of educational activities, and auxiliary enterprises revenue. Transactions related to capital and financing activities, non-capital financing activities, investing activities, state appropriations, Pell grants, and property taxes are components of non-operating and other revenue, as defined by GASB Statement No. 34. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy expenses.

Foundation gifts and contributions of cash and other assets received, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as without donor restriction support. Other restricted gifts are reported as with donor restriction. In addition, the Foundation holds an annual benefit auction for which all the net earnings are unrestricted. The Foundation also holds an annual golf outing for which all the net earnings are restricted for athletic scholarships.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

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

Internal Service Activities – Both revenue and expenses related to internal services activities (e.g. central duplicating, maintenance, telecommunications) have been eliminated.

Adoption of New Accounting Pronouncement – Effective for the fiscal year ended June 30, 2021, the College adopted GASB Statement No. 84, *Fiduciary Activities*, ("GASB 84"). This statement established criteria for identifying and reporting fiduciary activities and the related reporting requirements for fiduciary activities. GASB 84 permits certain entities, such as the College, to report activities that would otherwise require separate fiduciary fund financial statements within the College's Statement of Net Position and Statement of Cash Flows as operating activity if upon receipt, the funds are normally expected to be held for three months or less. Accordingly, federal direct lending receipts and disbursements are shown as operating activities in the Statement of Cash Flows. As a result of implementing this standard, there were no substantial activities not previously reporting in the financial statements that now meet the definition of a fiduciary activity. Additionally, no activities were previously reported as fiduciary activities but no longer meet the definition of fiduciary activities.

Impact of COVID-19 – On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential business and "shelter-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the College's operations have also been impacted. Due to the "shelter-at-home" guidelines during April and May 2020, the College shifted to a remote online environment and issued room and board refunds to students. The College also had any large ancillary events cancelled or temporarily postponed until the "shelter-at-home" guidelines were reduced or removed, which resulted in lost revenues for the College for 2021 and 2020. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the Department of Education issued Higher Education Emergency Relief Fund (HEERF) grants under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP). Through June 30, 2021, the College was awarded $10,966,199 of HEERF grants of which $4,297,704 is required to be given directly to students. The College also received a HEERF grant for $55,489 under the CARES Strengthening Institutions Program. The severity of the continued impact due to COVID-19 on the College's financial condition, results of operations or cash flows will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the College's community, all of which are uncertain and cannot be predicted.

Subsequent Events – The financial statements and related disclosures include evaluation of events up through and including November 3, 2021, which is the date the financial statements were available to be issued.

Note 1 – Basis of Presentation and Significant Accounting Policies (Continued)

Reporting – The College reports its expenses by "natural class" versus "functional class". The tables below show expense by functional area as follows:

Year Ended June 30, 2021

	Instruction	Information Technology	Public Service	Academic Support	Student Services	Institutional Support
Salaries and benefits	$ 7,684,767	$ 1,277,922	$ 1,792	$ 2,499,531	$ 2,757,329	$ 3,222,656
Professional services	1,155,570	123,325	217	81,143	180,610	550,684
Supplies and materials	175,119	52,519	-	193,651	87,933	14,167
Travel, communications, and miscellaneous	230,316	538,022	-	144,926	170,240	635,455
Rent, utilities, and insurance	1,916	-	-	-	80,997	(18,192)
Depreciation	-	-	-	-	-	-
Small capital equipment	10,418	-	-	4,633	7,268	(504)
Total	**$ 9,258,106**	**$ 1,991,788**	**$ 2,009**	**$ 2,923,884**	**$ 3,284,377**	**$ 4,404,266**

	Maintenance of Plant	Capital/Debt Service	Auxiliary	Total Unrestricted	Grants	Total
Salaries and benefits	$ 1,199,158	$ -	$ 909,077	$ 19,552,232	$ 2,299,887	$ 21,852,119
Professional services	1,398,110	-	430,737	3,920,396	482,397	4,402,793
Supplies and materials	27,984	-	23,929	575,302	124,953	700,255
Travel, communications, and miscellaneous	146,974	295,081	45,899	2,206,913	2,327,889	4,534,802
Rent, utilities, and insurance	1,193,528	-	348,725	1,606,974	1,074,343	2,681,317
Depreciation	-	4,684,084	-	4,684,084	-	4,684,084
Small capital equipment	18,067	-	3,153	43,035	258,273	301,308
Total	**$ 3,983,821**	**$ 4,979,165**	**$ 1,761,520**	**$ 32,588,936**	**$ 6,567,742**	**$ 39,156,678**

Year Ended June 30, 2020

	Instruction	Information Technology	Public Service	Academic Support	Student Services	Institutional Support
Salaries and benefits	$ 8,352,593	$ 1,067,681	$ 896	$ 2,519,444	$ 2,838,463	$ 3,518,038
Professional services	1,315,685	403,207	-	83,384	340,997	766,325
Supplies and materials	210,184	65,730	-	228,940	95,037	77,007
Travel, communications, and miscellaneous	216,024	531,144	-	158,615	346,043	631,974
Rent, utilities, and insurance	74	-	-	-	78,649	129
Depreciation	-	-	-	-	-	-
Small capital equipment	12,045	-	-	6,531	3,086	7,460
Total	**$ 10,106,605**	**$ 2,067,762**	**$ 896**	**$ 2,996,914**	**$ 3,702,275**	**$ 5,000,933**

	Maintenance of Plant	Capital/Debt Service	Auxiliary	Total Unrestricted	Grants	Total
Salaries and benefits	$ 1,288,012	$ -	$ 869,767	$ 20,454,894	$ 1,489,450	$ 21,944,344
Professional services	1,593,781	-	1,122,611	5,625,990	363,251	5,989,241
Supplies and materials	45,523	-	178,062	900,483	31,236	931,719
Travel, communications, and miscellaneous	149,003	-	52,957	2,085,760	1,824,106	3,909,866
Rent, utilities, and insurance	1,047,187	-	382,069	1,508,108	324	1,508,432
Depreciation	-	4,803,439	-	4,803,439	-	4,803,439
Small capital equipment	5,635	-	198	34,955	102,181	137,136
Total	**$ 4,129,141**	**$ 4,803,439**	**$ 2,605,664**	**$ 35,413,629**	**$ 3,810,548**	**$ 39,224,177**

Note 2 – Property Taxes

Property tax revenue is recognized in the year the payment is received.

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

During the years ended June 30, 2021 and 2020, $2.2654 of tax per $1,000 of taxable property value in the College's taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $22,591,723 and $22,044,995 for the years ended June 30, 2021 and 2020, respectively.

Note 3 – Cash and Investments

Cash and Cash Equivalents – Investment policies for cash and cash equivalents set by the College's Board of Trustees (the "Board") allow investment in demand accounts, certificates of deposit, savings accounts, and other interest-earning deposit accounts of banks that are members of the Federal Deposit Insurance Corporation (FDIC) or savings and loan associations that are members of the Federal Savings & Loan Insurance Corporation.

Short-term Investments – Short-term investments are those authorized by Michigan Public Act 331 as amended through 1997 and by policy of the Board and include United States (U.S.) certificates of deposits that mature in less than one year. Short-term investments of approximately $13,200,000 as of June 30, 2021 and 2020 consists of certificates of deposit and are valued at amortized cost.

Long-term Investments – Investment policies set by the Board allow investments in bonds, bills, or notes of the U.S. or of an agency of an U.S. instrumentality or obligations of the State of Michigan. Funds may be invested in commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC and commercial paper of corporations located in Michigan. Mutual funds, trusts, or investment pools composed entirely of instruments that are legal for direct investment by a community college are also acceptable investments.

The Foundation invests primarily in mutual funds with the objectives of principal preservation and investment appreciation. Due to the long-term nature of the investments, the Foundation's investment policy does not limit investment maturities. See Note 5 for additional information regarding the Foundation's long-term investments.

The Foundation's unrealized gains (losses) on investments were primarily derived from mutual fund activity during 2021 and 2020.

The College's cash and investments are subject to several types of risk, which are examined in more detail below:

Interest Rate Risk – Interest rate risk is the risk of how changes in interest rates will adversely affect the fair value of an investment. College investment policy does not limit investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

Note 3 – Cash and Investments (Continued)

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's investment policy does not further limit its investment choices. The Foundation's investment policy recommends the following investment strategies should be avoided: commodity contracts, selling securities short, purchasing on margin, and naked options.

Concentration of Credit Risk – Certificates of deposit held by the College are not limited to any given financial institution or issuer, nor does the College's investment policy limit investments in U.S. agencies or treasuries. In addition, the Foundation invests in various mutual fund companies.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, College and Foundation deposits may not be returned. Cumulative bank deposits for the College and the Foundation were approximately $13,666,000 and $6,438,000 as of June 30, 2021 and 2020, respectively. Of those balances, approximately $12,916,000 and $5,854,000 were respectively exposed to custodial credit risk because they were uninsured and uncollateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College or Foundation will not be able to recover the value of its investments that are in the possession of the counterparty.

Custodial credit risk for mutual funds cannot be determined, as these investments are not evidenced by specifically identifiable securities.

State law does not require, and neither the College nor Foundation has, a policy for custodial credit risk; however, all investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with the financial institution from which they were purchased. Furthermore, the College holds investments with banks that have a high rating and the funds are invested in only the most secure investment opportunities, such as certificates of deposit. Foundation investments are primarily mutual funds and are reviewed by the Foundation Investment Committee along with its advisors on a quarterly basis.

Foreign Currency Risk – The College is not authorized by state law to invest in investments that have this type of risk.

Note 4 – Receivables

Accounts receivable consist of the following at June 30:

	2021	2020
Appropriations from State of Michigan	$ 1,202,822	$ 536,046
Due from Lake Michigan College Foundation	482,326	1,718,693
Grants receivable	3,710,681	1,647,556
Students receivable	206,905	149,536
Third party and other	2,685,972	845,400
Total	8,288,706	4,897,231
Less allowance for doubtful accounts	(143,500)	(165,861)
Net accounts receivable	$ 8,145,206	$ 4,731,370

Note 4 – Receivables (Continued)

Foundation contributions receivable consist of the following at June 30:

	2021	2020
Contributions to be received in less than one year	$ 74,500	$ 108,417
Contributions to be received in one to five years	75,424	342,872
Allowance for doubtful accounts	(5,000)	(5,000)
Total	$ 144,924	$ 446,289

Contribution receivables due between one and five years are not discounted as management believes discounts would be insignificant.

Note 5 – Fair Value Measurements

The Foundation categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The following sets forth Foundation assets by level at fair value as of June 30:

June 30, 2021

Investments	Level 1	Level 2	Level 3	Total
Equity funds:				
Domestic mutual funds	$ 10,867,247	$ -	$ -	$ 10,867,247
International mutual funds	1,562,061	-	-	1,562,061
Fixed income and bond funds:				
Domestic bond funds	1,998,039	-	-	1,998,039
International bond funds	-	-	-	-
Corporate bonds	-	718,023	-	718,023
Alternative mutual funds	322,619	-	-	322,619
Total investments at fair value	**$ 14,749,966**	**$ 718,023**	**$ -**	**$ 15,467,989**

June 30, 2020

Investments	Level 1	Level 2	Level 3	Total
Equity funds:				
Domestic mutual funds	$ 8,119,004	$ -	$ -	$ 8,119,004
International mutual funds	1,140,044	-	-	1,140,044
Fixed income and bond funds:				
Domestic bond funds	1,512,295	-	-	1,512,295
International bond funds	192,704	-	-	192,704
Corporate bonds	-	821,622	-	821,622
Alternative mutual funds	262,705	-	-	262,705
Total investments at fair value	**$ 11,226,752**	**$ 821,622**	**$ -**	**$ 12,048,374**

Note 6 – Capital Assets

The following table presents changes in capital assets for the years ended June 30, 2021:

	Balance July 1, 2020	Additions	Transfers and Retirements	Balance June 30, 2021
Nondepreciable capital assets:				
Land	$ 1,071,057	$ -	$ (104,669)	$ 966,388
Art collection	364,383	-	-	364,383
Construction in progress	36,347,294	823,533	(32,716,440)	4,454,387
Total nondepreciable capital assets	37,782,734	823,533	(32,821,109)	5,785,158
Depreciable capital assets:				
Land improvements	5,627,882	-	-	5,627,882
Building and improvements	88,944,218	1,146,159	25,527,744	115,618,121
Equipment	15,544,381	1,028,357	742,270	17,315,008
Infrastructure	1,092,837	626,402	584,853	2,304,092
Furniture and fixtures	2,140,150	29,906	69,850	2,239,906
Library materials	3,569,715	25,458	-	3,595,173
Total depreciable capital assets	116,919,183	2,856,282	26,924,717	146,700,182
Accumulated depreciation:				
Land improvements	3,704,046	153,917	-	3,857,963
Building and improvements	38,588,968	2,999,072	(5,371,218)	36,216,822
Equipment	12,295,624	1,249,177	(59,118)	13,485,683
Infrastructure	1,082,062	71,302	-	1,153,364
Furniture and fixtures	1,619,281	184,757	(20,159)	1,783,879
Library materials	3,495,761	25,859	-	3,521,620
Total accumulated depreciation	60,785,742	$ 4,684,084	$ (5,450,495)	60,019,331
Net capital assets	$ 93,916,175			$ 92,466,009

The College had one major capital project at its Benton Harbor campus as of June 30, 2021. Approximately $3,816,000 was recorded as construction in progress related to the Mendel Center and Grand Upton Hall Refresh Project. The College estimates it will incur an additional $289,000 for this project over the next year.

Note 6 – Capital Assets (Continued)

The following table presents changes in capital assets for the years ended June 30, 2020:

	Balance July 1, 2019	Additions	Transfers and Retirements	Balance June 30, 2020
Nondepreciable capital assets:				
Land	$ 1,071,057	$ -	$ -	$ 1,071,057
Art collection	364,383	-	-	364,383
Construction in progress	25,032,758	17,980,208	(6,665,672)	36,347,294
Total nondepreciable capital assets	26,468,198	17,980,208	(6,665,672)	37,782,734
Depreciable capital assets:				
Land improvements	5,549,800	-	78,082	5,627,882
Building and improvements	81,833,134	624,882	6,486,202	88,944,218
Equipment	14,879,931	563,062	101,388	15,544,381
Infrastructure	1,092,837	-	-	1,092,837
Furniture and fixtures	2,038,391	101,759	-	2,140,150
Library materials	3,542,967	26,748	-	3,569,715
Total depreciable capital assets	108,937,060	1,316,451	6,665,672	116,919,183
Accumulated depreciation:				
Land improvements	3,512,744	191,302	-	3,704,046
Building and improvements	35,750,836	2,838,132	-	38,588,968
Equipment	10,806,288	1,489,336	-	12,295,624
Infrastructure	1,055,278	26,784	-	1,082,062
Furniture and fixtures	1,393,960	225,321	-	1,619,281
Library materials	3,463,197	32,564	-	3,495,761
Total accumulated depreciation	55,982,303	$ 4,803,439	$ -	60,785,742
Net capital assets	$ 79,422,955			$ 93,916,175

The State of Michigan partially funded the construction of a South Haven campus building as well as the Todd Center with bonds issued by the State Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to an agreement entered into between the SBA, the State of Michigan, and the College. During the lease term, the SBA will hold title to the buildings, the State of Michigan will make all lease payments to the SBA and the College will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer the titles of the buildings to the College.

Note 7 – Debt

Long-term debt activity during the years ended June 30, 2021 and 2020 was as follows:

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021	Current Portion
2013 College Building and Site Refunding Bonds, General Obligations Limited Tax	$ 4,220,000	$ -	$ 3,770,000	$ 450,000	$ 350,000
2013 College Building and Site General Obligation Limited Tax	3,315,000	-	3,165,000	150,000	-
2014 College Building and Site General Obligation Limited Tax	9,785,000	-	9,075,000	710,000	225,000
2018 College Building and Site General Obligation Limited Tax	20,000,000	-	1,450,000	18,550,000	2,900,000
2021 College Refunding Bonds	-	16,660,000	-	16,660,000	-
Unamortized bond premium	-	244,573	1,826	242,747	10,956
Total long-term debt	$ 37,320,000	$ 16,904,573	$ 17,461,826	$ 36,762,747	$ 3,485,956

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Current Portion
2013 College Building and Site Refunding Bonds, General Obligations Limited Tax	$ 4,520,000	$ -	$ 300,000	$ 4,220,000	$ 350,000
2013 College Building and Site General Obligation Limited Tax	3,365,000	-	50,000	3,315,000	75,000
2014 College Building and Site General Obligation Limited Tax	9,985,000	-	200,000	9,785,000	200,000
2018 College Building and Site General Obligation Limited Tax	20,000,000	-	-	20,000,000	1,450,000
Total long-term debt	$ 37,870,000	$ -	$ 550,000	$ 37,320,000	$ 2,075,000

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

2021 College Refunding Bonds – Issued in the amount of $16,660,000 were used to advance refund $3,090,000 of the 2013 Refunding Bonds, $3,420,000 of the 2013 College Building and Site Bonds, and $8,875,000 of the 2014 College Building and Site Bonds. The bonds mature in varying amounts through 2022, with interest charged semiannually on March 1 and September 1. Interest rates range from 2.00% to 2.75%. The bonds were sold at a premium of $244,573. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the advance refunded bonds until they are callable. As a result, the bonds are considered in substance defeased and $15,110,000 in liability for the bonds has been removed from the statement of net position. The bond refunding resulted in a capitalized loss on defeasance of $1,224,490. The capital loss is being amortized and recognized over the period of repayment of the new debt and has balance of $1,215,353 at June 30,2021.

Note 7 – Debt (Continued)

2018 College Building and Site Bonds – Issued in the amount of $20,000,000 were used to fund erecting, furnishing and equipping College facilities and additions thereto. The bonds mature in varying amounts beginning May 1, 2021 through May 1, 2027, with interest charged semiannually on May 1 and November 1. Interest rates range from 2.35% to 2.95%, with an effective rate of 2.64%.

2014 College Building and Site Bonds – Issued in the amount of $10,435,000 were used to liquidate the outstanding 2013 Bond Anticipation Note as well as to provide funding for the completion of the student residence hall. These bonds are payable from general revenue, maturing serially through September 1, 2043, with interest due semiannually on March 1 and September 1. Interest only payments were required until September 1, 2016. Interest rates range from 3.0% to 5.0% with an effective rate of 4.16%. Upon issuance of the 2021 Refunding Bonds, $8,875,000 of the bonds for the periods 2024 through 2043 are considered defeased.

2013 College Refunding Bonds – Issued in the amount of $6,370,000 matured in varying amounts through 2031, with interest charged at annual rates ranging from .45% to 3.35% with an effective rate of 2.21%. All of the bonds are callable after September 1, 2021. Upon issuance of the 2021 Refunding Bonds, $3,090,000 of the bonds for the periods 2021, and 2024 through 2044 are considered defeased.

2013 College Building and Site Bonds – Issued in the amount $3,565,000 were used to fund the construction costs of a student activity center and other campus improvements. The bonds mature serially through September 1, 2044, with interest due semiannually on March 1 and September 1. Interest rates range from 4.0% to 5.0% with an effective rate of 4.31%. Upon issuance of the 2021 Refunding Bonds, $3,420,000 of the bonds for the periods 2022 through 2031 are considered defeased.

The balance on the bonds considered in-substance defeased as of June 30, 2021 was $15,110,000 as $75,000 will be called in 2021 and the remaining balance in 2023.

Total principal and interest requirements on debt obligations as of June 30, 2021 are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$ 3,475,000	$ 830,029	$ 4,305,029
2023	3,385,000	830,093	4,215,093
2024	3,480,000	735,418	4,215,418
2025	3,980,000	637,243	4,617,243
2026	4,060,000	534,155	4,594,155
2027-2031	7,745,000	1,562,325	9,307,325
2032-2036	3,805,000	1,039,816	4,844,816
2037-2041	3,975,000	614,696	4,589,696
2042-2044	2,615,000	108,343	2,723,343
Total	$ 36,520,000	$ 6,892,118	$ 43,412,118

Note 8 – Retirement Plan – Optional Retirement Plan

The College offers all full-time faculty and administrative employees the opportunity to participate in the Optional Retirement Plan (ORP). Funding for the ORP consists of employer contributions of 10% or 14.96% of employee compensation, as defined, depending on date of hire. All contributions vest immediately. At June 30, 2021 and 2020, the College had approximately 130 participants, respectively. Contributions under the ORP were approximately $1,130,000 and $1,149,000 for the years ended June 30, 2021 and 2020, respectively.

Note 9 – Risk Management

The College is exposed to risk of loss related to employee injuries (workers' compensation), employee medical benefits, property, auto, and general liability. The College has purchased insurance for workers' compensation and medical benefits. For property, auto, and general liability, the College participates in the Michigan Association of School Boards - SEG (MASBSEG) risk management pool. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund reserves and the aggregate excess reinsurance coverage, the fund may assess its members on a pro-rata basis to cover excess losses. In previous years, the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to its members.

There have been no settlements that exceeded insurance coverage for each of the past three fiscal years.

Note 10 – Related Parties

College management has operational responsibility for the Foundation and the Foundation is established to exclusively benefit the College. For this reason, the Foundation is considered a related party to the College.

In addition, all distributions made out of the Foundation other than for normal operating expenses are to be made to the College. Upon any dissolution of the Foundation, its remaining assets would be distributed to the College.

LM Vintners, Inc. is a legally separate, tax-exempt entity that was formed in 2015 to support the advancement of educational opportunities at the College through a teaching winery and viticulture business. LM Vintners, Inc. is therefore considered a related party to the College. The College provides LM Vintners, Inc. with general management, administrative, and accounting services under a Management Services Agreement (MSA). Revenue recognized by the College under the MSA was approximately $45,000 for fiscal years 2021 and 2020.

Note 11 – Foundation Endowments

The Foundation was formed to operate exclusively for charitable purposes to promote, establish, conduct, maintain, and operate educational and scientific activities in conjunction with the College. During the years ended June 30, 2021 and 2020, the Foundation made distributions to and on behalf of the College totaling $582,964 and $3,595,868, respectively.

The Foundation's net assets primarily include donor-restricted endowment funds, whose purpose is to provide scholarships to students of the College. Net assets associated with these funds are classified and reported based on the existence or absence of donor- or board-imposed restrictions. Nonexpendable scholarship endowment net assets were $3,632,600 and $3,437,291 as of June 30, 2021 and 2020, respectively. Excess earnings on the endowments, classified as expendable scholarships and fellowships, were $10,852,015 and $7,993,497 as of June 30, 2021 and 2020, respectively. Unrestricted board-designated net assets were $12,650 as of June 30, 2021 and 2020.

Note 11 – Foundation Endowments (Continued)

Interpretation of Relevant Law – The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

- Duration and preservation of the fund
- Purpose of the Foundation and donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and appreciation (depreciation) of investments
- Other resources of the Foundation
- Foundation investment policies

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that were reported in restricted for expendable scholarships and fellowships net position totaled approximately $40,000 and $28,000 as of June 30, 2021 and 2020, respectively. Management believes that these deficiencies are temporary in anticipation of a future recovery in the market.

Return Objectives and Risk Parameters – The Foundation has adopted investment policies for assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity as well as board-designated funds. Under this policy, the assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming an average level of investment risk. The Foundation expects its funds, over time, to provide an average rate of return of inflation plus 5%. A minimum return equal to the rate of inflation is required to preserve the real purchasing power of the fund and the additional 5% is required to provide for spending and expenses. Specific total rates of return goals are expected to be met on a cumulative basis over three to five years.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Foundation utilizes the "total return" method for the distribution policy for endowment funds. Under the total return method, the Foundation may spend 3% - 5% of a rolling 12-quarter average of market values (principal and interest). The Foundation Investment Committee evaluates endowment fund performance and recommends to the Foundation Board of Directors the percentage to be available for distribution in the following year. Spending may not occur from endowments who's rolling 12-quarter average market value falls below 90% of its historic gift value. Any unexpended allocations will be returned to the fund unless otherwise approved by the Foundation Investment Committee.

Note 12 – Self-Insurance

The College is generally self-insured for healthcare and dental claims. Amounts payable by the College are limited to $25,000 per employee through the use of stop-loss insurance. Costs incurred but not reported are accrued based on estimates of the aggregate liability for claims incurred plus related run out costs based upon the College's historical experience. Such accrued costs amounted to approximately $232,000, $116,000, and $443,000 at June 30, 2021, 2020, and 2019, respectively, and such costs charged to expense were approximately $2,770,000, $1,793,000, and $2,704,000 for the years ended June 30, 2021, 2020, and 2019, respectively.

Note 13 – Contingencies

The College has certain contingent liabilities, most of which are covered by insurance, arising from litigation and other claims incident to the normal course of business. The amount of uninsured liability is considered to be insignificant.

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain College employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The MPSERS issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement Services (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and 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 for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the Defined Contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each college's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the 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 the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The College's contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

The range of rates is as follows:

	Pension	OPEB
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 – September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 – September 30, 2020	13.39% - 19.59%	7.57% - 8.09%
October 1, 2020 – September 30, 2021	13.39% - 19.78%	7.57% - 8.43%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the years ended June 30, 2021 and 2020 were $1,762,330 and $1,620,764, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $790,038 and $642,070 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2021 and 2020, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2021 and 2020 were $433,615 and $438,128, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2021 and 2020, the College reported a liability of $19,819,454 and $19,769,692, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2020 and 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2019 and 2018, which used updated procedures to roll forward the estimated liability to September 30, 2020 and 2019. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020, 2019, and 2018, the College's proportion was 0.057697 percent, 0.059697 percent, and 0.065003 percent, respectively.

Net OPEB Liability

At June 30, 2021 and 2020, the College reported a liability of $3,102,282 and $4,071,102 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal years 2021 and 2020 were measured as of September 30, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2019 and 2018, respectively. The actuarial valuation used updated procedures to roll forward the estimated liability to September 30, 2020 and 2019. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2020, 2019, and 2018, the College’s proportion was 0.057908, 0.056718, and 0.062385 percent, respectively, of MPSERS in total.

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

For the years ended 2021 and 2020, the College recognized pension expense of $2,260,771 and $1,943,885 respectively, inclusive of payments to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate. At June 30, 2021 and 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 302,825	$ (42,302)	$ 88,218	$ (82,438)
Changes of assumptions	2,196,187	-	3,870,920	-
Net difference between projected and actual earnings on pension plan assets	83,272	-	-	(633,585)
Changes in proportion and differences between contributions	4,405	(1,476,316)	28,273	(1,589,652)
Total amortized deferrals	2,586,689	(1,518,618)	3,987,411	(2,305,675)
College contributions subsequent to the measurement date	1,449,888	-	1,318,662	-
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	(790,038)	-	(642,070)
Total	$ 4,036,577	$ (2,308,656)	$ 5,306,073	$ (2,947,745)

The $790,038 and $642,070 as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979) will be recognized as state appropriations revenue for the years ended June 30, 2021 and 2020, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2022	$ 531,925
2023	302,856
2024	159,035
2025	74,255
Total	$ 1,068,071

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

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

For the years ended June 30, 2021 and 2020, the College recognized OPEB recovery of $255,287 and $83,888, respectively.

At June 30, 2021 and 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021		June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (2,311,490)	$ -	$ (1,493,803)
Changes in assumptions	1,022,488	-	882,125	-
Net difference between projected and actual earnings on pension plan assets	25,892	-	-	(70,798)
Changes in proportion and differences between College contributions and proportionate share of contributions	92,067	(588,818)	218	(776,927)
Total amortized deferrals	1,140,447	(2,900,308)	882,343	(2,341,528)
College contributions subsequent to the measurement date	303,405	-	306,633	-
Total	$ 1,443,852	$ (2,900,308)	$ 1,188,976	$ (2,341,528)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future pension expense):

Year Ending June 30	Amount
2022	$ (512,806)
2023	(476,354)
2024	(381,170)
2025	(245,598)
2026	(143,933)
Total	$ (1,759,861)

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2020 and 2019 is based on the results of an actuarial valuation as of September 30, 2019 and 2018, respectively, and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.80%-2020 6.80%-2019	Net of investment expenses based on the groups
Investment rate of return – OPEB	6.95%-2020 6.95%-2019	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55% - 2020 2.75% - 11.55% - 2019	Including wage inflation of 2.75% Including wage inflation of 2.75%
Healthcare Cost Trend Rate	7.00%-2020 7.50%-2019	Year 1 graded to 3.5% Year 15; 3.00% Year 12 Year 1 graded to 3.0% Year 12
Mortality basis	Retirees & Active – 2020 & 2019	RP-2014 Male and Female Combined Healthy Annuitant Mortality Tables, scaled by 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, scaled 82% for males and 78% for females.
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

Assumption changes as a result of an experience study for the periods 2012 to 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the prior measurement date, September 30, 2019, for pension and OPEB include a reduction in both discount rates, continued impact of the updated experience study which resulted in a lower than projected per person health benefit costs for OPEB, and favorable investment experience for both plans. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.80 percent as of September 30, 2020 and 2019. The discount rate used to measure the total OPEB liability was 6.95 as of September 30, 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	September 30, 2020		September 30, 2019	
Investment Category	Target Allocation Percentage	Long-term Expected Real Rate of Return	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic Equity Pools	25.00%	5.60%	28.00%	5.50%
Private Equity Pools	16.00%	9.30%	18.00%	8.60%
International Equity Pools	15.00%	7.40%	16.00%	7.30%
Fixed Income Pools	10.50%	0.50%	10.50%	1.20%
Real Estate & Infrastructure Pools	10.00%	4.90%	10.00%	4.20%
Absolute Return Pools	9.00%	3.20%	- %	- %
Real Return, Opportunistic, and Absolute Pools	12.50%	6.60%	15.50%	5.40%
Short-term Investment Pools	2.00%	(0.10%)	2.00%	0.80%
Total	100.00%		100.00%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1.00 Percent Decrease (5.80 percent)	Current Discount Rate (6.80 percent)	1.00 Percent Increase (7.80 percent)
College's proportionate share of the net pension liability - June 30, 2021	$ 25,652,922	$ 19,819,454	$ 14,984,810

	1.00 Percent Decrease (5.80 percent)	Current Discount Rate (6.80 percent)	1.00 Percent Increase (7.80 percent)
College's proportionate share of the net pension liability - June 30, 2020	$ 25,701,865	$ 19,769,692	$ 14,851,717

Note 14 – Retirement Plan – Michigan Public School Employees Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the College, calculated using the current discount rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1.00 Percent Decrease (6.15 percent)	Current Discount Rate (7.15 percent)	1.00 Percent Increase (8.15 percent)
College's proportionate share of the net OPEB liability - June 30, 2021	$ 3,985,234	$ 3,102,282	$ 2,358,911

	1.00 Percent Decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 Percent Increase (7.95 percent)
College's proportionate share of the net OPEB liability - June 30, 2020	$ 4,993,819	$ 4,071,102	$ 3,296,277

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the College, calculated using the current healthcare cost trend rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1.00 Percent Decrease (6.50 percent)	Current Healthcare Cost Trend Rate (7.50 percent)	1.00 Percent Increase (8.50 percent)
College's proportionate share of the net OPEB liability - June 30, 2021	$ 2,330,449	$ 3,102,282	$ 3,980,148

	1.00 Percent Decrease (6.50 percent)	Current Healthcare Cost Trend Rate (7.50 percent)	1.00 Percent Increase (8.50 percent)
College's proportionate share of the net OPEB liability - June 30, 2020	$ 3,263,428	$ 4,071,102	$ 4,993,709

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2021, the College reported a payable of $265,591 and $23,048 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021. At June 30, 2020, the College reported a payable of $221,287 and $20,927 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020.

Note 15 – Upcoming Pronouncement

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which increases 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. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease receivable and deferred inflow of resources. The effect of applying the new lease guidance on the financial statement has not yet been determined. The new lease standard is not expected to have a significant effect on the College's financial statements for the year ending June 30, 2021 but was extended to June 30, 2022 with the issuance of GASB Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement Plan
(Amounts were determined as of September 30 of each fiscal year)

	2020	2019	2018	2017	2016	2015	2014
College's proportion of the collective MPSERS net pension liability: As a percentage	0.05770%	0.05970%	0.06500%	0.06813%	0.06948%	0.06860%	0.08544%
Amount	$ 19,819,454	$ 19,769,692	$ 19,541,000	$ 17,645,426	$ 17,333,664	$ 16,755,295	$ 18,819,042
College's covered payroll	$ 5,163,049	$ 4,967,208	$ 5,322,316	$ 5,697,177	$ 5,806,721	$ 6,046,721	$ 7,638,406
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered payroll	383.87%	398.00%	367.15%	309.88%	298.51%	276.96%	246.37%
MPSERS fiduciary net position as a percentage of the total pension liability	59.49%	60.08%	62.12%	63.96%	63.27%	63.17%	66.20%

Schedule of College's Pension Contributions
Michigan Public School Employees' Retirement Plan
(Amounts were determined as of June 30 of each fiscal year)

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,666,717	$ 1,534,018	$ 1,547,010	$ 1,631,510	$ 1,612,982	$ 1,589,635	$ 1,952,838
Contributions in relation to the actuarially determined contractually required contribution	$ (1,666,717)	$ (1,534,018)	$ (1,547,010)	$ (1,631,510)	$ (1,612,982)	$ (1,589,635)	$ (1,952,838)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 4,960,754	$ 5,159,824	$ 4,985,095	$ 5,356,197	$ 5,974,625	$ 6,008,621	$ 6,233,306
Contributions as a percentage of covered payroll	33.60%	29.73%	31.03%	30.46%	27.00%	26.46%	31.33%

Notes to Required Supplemental Information

Changes of benefit terms - There were no changes of benefit terms for the plan years ended September 30.

Changes of assumptions - Changes in Assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25%.
2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50%.

GASB No. 68, *Accounting and Financial Reporting for Pensions* -

GASB No. 68 was implemented in fiscal year 2015. The schedule above is a required disclosure by this standard. It is being built prospectively and ultimately, 10 years of data will be presented.

Schedule of the College's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement Plan
(Amounts were determined as of September 30 of each fiscal year)

	2020	2019	2018	2017
College's proportion of the net OPEB liability:				
As a percentage	0.05791%	0.05672%	0.06238%	0.06839%
Amount	$ 3,102,282	$ 4,071,102	$ 4,958,935	$ 6,056,540
College's covered payroll	$ 5,163,049	$ 4,967,208	$ 5,322,316	$ 5,697,177
College's proportionate share of the net OPEB liability (amount), as a percentage of the College's covered payroll	6009.00%	81.96%	93.17%	106.31%
MPSERS fiduciary net position as a percentage of the total OPEB liability	59.76%	48.67%	43.10%	36.53%

Schedule of College's OPEB Contributions
Michigan Public School Employees' Retirement Plan
(Amounts were determined as of June 30 of each fiscal year)

	2021	2020	2019	2018
Statutorily required contribution	$ 401,672	$ 407,440	$ 387,271	$ 383,616
Contributions in relation to the actuarially determined contractually required contribution	$ (401,672)	$ (407,440)	$ (387,271)	$ (383,616)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 4,960,754	$ 5,159,824	$ 4,985,095	$ 5,356,197
Contributions as a percentage of covered payroll	8.10%	7.90%	7.77%	7.16%

Notes to Required Supplemental Information

Changes of benefit terms - There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes of assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30, except for the following:

2020 - The healthcare cost trend rate used in the September 30, 2019 acturial valuation decreased by 0.50% and actual per pension health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.
2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.
2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.
This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

GASB No. 75, *Accounting and Financial Reporting for* Postemployment Benefits Other Than Pensions -
GASB No. 75 was implemented in fiscal year 2018. The schedule above is a required disclosure by this standard. It is being built prospectively and ultimately, 10 years of data will be presented.

Supplemental Information

Combining Schedule of Net Position

As of June 30, 2021

	General Fund	Plant Fund	Pension Liability Fund	Restricted Fund	Agency Funds	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 11,601,581	$ -	$ -	$ -	$ -	$ 11,601,581
Short-term investments	13,245,966	-	-	-	-	13,245,966
Accounts receivable, net	3,886,566	-	-	4,136,815	121,825	8,145,206
Inventories	7,291	-	-	-	-	7,291
Prepaid expenses and other	636,484	-	-	-	-	636,484
Due from (due to) other funds	21,647,963	(17,600,153)	-	(4,006,734)	(41,076)	-
Total current assets	51,025,851	(17,600,153)	-	130,081	80,749	33,636,528
Noncurrent assets:						
Net capital assets	-	92,466,009	-	-	-	92,466,009
Total assets	51,025,851	74,865,856	-	130,081	80,749	126,102,537
Deferred Outflows -						
Deferred OPEB, pension & loss on debt defeasance	-	1,215,353	5,480,429	-	-	6,695,782
Liabilities						
Current liabilities:						
Accounts payable	1,644,643	481,316	-	62,701	150	2,188,810
Accrued payroll and related costs	1,603,189	-	-	-	-	1,603,189
Interest payable	-	136,444	-	-	-	136,444
Unearned revenue	490,595	-	-	35,133	2,090	527,818
Other liabilities	53,572	60,298	-	32,247	78,509	224,626
Current portion of debt	-	3,485,956	-	-	-	3,485,956
Total current liabilities	3,791,999	4,164,014	-	130,081	80,749	8,166,843
Noncurrent liabilities:						
Long-term liabilities - Net of current portion	-	33,276,791	-	-	-	33,276,791
Net OPEB liability	-	-	3,102,282	-	-	3,102,282
Net pension liability	-	-	19,819,454	-	-	19,819,454
Total noncurrent liabilities	-	33,276,791	22,921,736	-	-	56,198,527
Total liabilities	3,791,999	37,440,805	22,921,736	130,081	80,749	64,365,370
Deferred OPEB and pension related deferrals	-	-	5,208,964	-	-	5,208,964
Net Position						
Invested in capital assets - Net of related debt	-	56,918,615	-	-	-	56,918,615
Unrestricted (deficit)	47,233,852	(18,278,211)	(22,650,271)	-	-	6,305,370
Total net position	**$ 47,233,852**	**$ 38,640,404**	**$ (22,650,271)**	**$ -**	**$ -**	**$ 63,223,985**

Combining Schedule of Revenue, Expenses, Transfers, and Changes in Net Position

As of June 30, 2021

	General Fund	Auxiliary Fund	Plant Fund	Pension Liability Fund	Restricted Fund	Eliminations	Total
Operating Revenue							
Tuition and fees (net of $3,116,293 scholarship allowance)	$ 8,471,453	$ (10,639)	$ -	$ -	$ -	$ (2,261,581)	$ 6,199,233
Non-credit tuition and fees	157,362	-	-	-	-	-	157,362
Grants and contracts	188,286	-	-	-	2,964,620	(94,243)	3,058,663
Auxiliary activities and other revenue (net of							-
internal revenue of $61,998)	84,444	1,839,887	-	-	221	(61,998)	1,862,554
Total operating revenue	8,901,545	1,829,248	-	-	2,964,841	(2,417,822)	11,277,812
Operating Expenses							
Salaries and wages	12,000,804	488,284	-	-	1,639,635	-	14,128,723
Benefits	6,868,838	327,022	-	(132,715)	660,251	-	7,723,396
Professional services	3,541,393	379,823	-	-	576,640	(95,063)	4,402,793
Supplies and materials	551,654	23,648	-	-	124,953	-	700,255
Travel, communications, and miscellaneous	1,866,224	45,607	295,082	-	4,650,648	(2,322,759)	4,534,802
Rent, utilities, and insurance	1,246,221	360,753	-	-	1,074,343	-	2,681,317
Depreciation	-	-	4,684,084	-	-	-	4,684,084
Small capital equipment	40,188	2,847	-	-	258,273	-	301,308
Total operating expenses	26,115,322	1,627,984	4,979,166	(132,715)	8,984,743	(2,417,822)	39,156,678
Operating (Loss) Income	(17,213,777)	201,264	(4,979,166)	132,715	(6,019,902)	-	(27,878,866)
Nonoperating Revenue (Expenses)							
State appropriations	5,711,300	-	-	-	-	-	5,711,300
State appropriations - MPSERS	943,935	-	-	(147,968)	-	-	795,967
Property taxes	22,591,723	-	-	-	-	-	22,591,723
Pell grants	-	-	-	-	3,239,755	-	3,239,755
Federal Coronavirus Aid, Relief, and Economic							
Security Act revenue	-	-	-	-	4,883,428	-	4,883,428
Support from Foundation	19,627	114,825	-	-	8,512	-	142,964
Support to Foundation	(462,419)	-	-	-	-	-	(462,419)
Investment income and gains	75,227	-	-	-	-	-	75,227
Other nonoperating revenue	284,144	-	-	-	-	-	284,144
Loss on sale of capital assets	-	-	(439,990)	-	-	-	(439,990)
Interest on capital asset-related debt	(532,109)	-	(489,873)	-	-	-	(1,021,982)
Net nonoperating revenue (expense)	28,631,428	114,825	(929,863)	(147,968)	8,131,695	-	35,800,117
Capital Contributions							
Capital support from the Foundation	-	-	440,000	-	-	-	440,000
State capital appropriations	-	-	6,313,019	-	-	-	6,313,019
Total capital contributions	-	-	6,753,019	-	-	-	6,753,019
Income (Loss) Before Transfers	11,417,651	316,089	843,990	(15,253)	2,111,793	-	14,674,270
Transfers In (Out)	1,338,486	(316,089)	1,089,396	-	(2,111,793)	-	-
Increase (Decrease) in Net Position	12,756,137	-	1,933,386	(15,253)	-	-	14,674,270
Net Position (Deficit) - Beginning of year	34,477,715	-	36,707,018	(22,635,018)	-	-	48,549,715
Net Position (Deficit) - End of year	**$ 47,233,852**	**$ -**	**$ 38,640,404**	**$ (22,650,271)**	**$ -**	**$ -**	**$ 63,223,985**