



MONROE COUNTY  
COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

June 30, 2020 and 2019



# MONROE COUNTY COMMUNITY COLLEGE

enriching lives

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# MONROE COUNTY COMMUNITY COLLEGE

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# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditor's Report

To the Board of Trustees  
Monroe County Community College

### Report on the Financial Statements

We have audited the accompanying financial statements of Monroe County Community College (Community College District of Monroe County, Michigan) (The "College") and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of The Foundation at Monroe County Community College 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 College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe County Community College and its discretely presented component unit as of June 30, 2020 and 2019, and the respective changes in 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.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, the COVID-19 pandemic has impacted the operations of the College. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the College's proportionate share of net pension and net OPEB liabilities, and schedules of college contributions for pension and OPEB 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The other supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Trustees  
Monroe County Community College

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 7, 2020 on our consideration of Monroe County Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

December 7, 2020

*Cooley Held Jones & Calhoun, PLLC*

# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited  
Years Ended June 30, 2020, 2019 and 2018*

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## ***Introduction***

The following is management's discussion and analysis ("MD&A") of Monroe County Community College's (the "College") financial position and results of operations. This discussion and analysis has been prepared by management and includes the College's financial statements for the three most recent fiscal years (July 1 – June 30). It should be read in conjunction with the financial statements and the notes thereto, which follow this section. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements and the Manual for Uniform Financial Reporting for Michigan Public Community Colleges.

## ***Using the Financial Report***

The annual financial report includes the report of independent auditors, this MD&A, the basic financial statements, which consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Following the basic financial statements and footnotes are four supplementary schedules: the GASB 68 and GASB 75 required supplementary information, the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Transfers and Changes in Net Position as of and for the year ended June 30, 2020.

Each of the College's financial statements tell a different story: the Statement of Net Position presents the assets, liabilities, and net position of the College using the accrual basis of accounting as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Position reflects revenues earned and expenses incurred during the fiscal year; and the Statement of Cash Flows provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, The Foundation at Monroe County Community College (The Foundation), is reported as a component unit of the College. The Foundation's statement of financial position and statement of activities and changes in net assets have been included on separate pages. Complete financial statements for The Foundation can be obtained from the Administration Office at 1555 South Raisinville Road, Monroe, MI 48161.

# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited*  
*Years Ended June 30, 2020, 2019 and 2018*

## *The Statement of Net Position*

The Statement of Net Position includes all assets and liabilities of the College. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less allowance for depreciation.

The following is a comparative analysis of key components of the Statement of Net Position as of June 30 (rounded in \$000's):

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets</b>			
Current assets	\$ 25,045	\$ 29,341	\$ 23,990
Endowed assets	186	182	179
Capital assets, net of depreciation	57,724	49,595	49,885
<b>Total assets</b>	<b>\$ 82,955</b>	<b>\$ 79,118</b>	<b>\$ 74,054</b>
Deferred outflows of resources - pension	\$ 11,397	\$ 12,379	\$ 7,352
Deferred outflows of resources - OPEB	\$ 2,597	\$ 1,748	\$ 643
<b>Liabilities</b>			
Current liabilities	\$ 4,428	\$ 5,648	\$ 4,206
Debt obligations	11,983	12,967	13,917
Net pension liability	41,542	38,579	34,142
Net OPEB liability	8,819	10,036	11,706
<b>Total liabilities</b>	<b>\$ 66,772</b>	<b>\$ 67,230</b>	<b>\$ 63,971</b>
Deferred inflows of resources - pension	\$ 3,120	\$ 4,451	\$ 2,970
Deferred inflows of resources - OPEB	\$ 4,048	\$ 2,730	\$ 396
<b>Net position</b>			
Invested in capital assets, net of related debt	\$ 57,725	\$ 49,595	\$ 49,885
Restricted - expendable	126	114	111
Restricted - nonexpendable	178	178	178
Unrestricted	(35,020)	(31,053)	(35,462)
<b>Total net position</b>	<b>\$ 23,009</b>	<b>\$ 18,834</b>	<b>\$ 14,712</b>



# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited*

*Years Ended June 30, 2020, 2019 and 2018*

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## *The Statement of Net Position (continued)*

The College's financial position remains strong at June 30, 2020 with assets totaling \$82,955,000 and current liabilities of \$4,428,000. Total net position increased from \$18,834,000 to \$23,009,000 primarily due to the additional funds from the maintenance and improvement millage.

Current assets and current liabilities decreased \$4,296,000 and \$1,220,000 respectively. The amount of working capital designated to cover operating expenses increased from \$10,185,715 in 2019 to \$10,585,913 in 2020.

The College adheres to Governmental Accounting Standards Board Statement No. 68, *Accounting for Pensions*, which requires governments providing defined benefit pensions through a cost-sharing plan to recognize their unfunded pension benefit obligation as a liability to more comprehensively and comparably measure the annual costs of pension benefits. In accordance with the statement, the College has reported under Net Position-Unrestricted (Deficit) of \$33,265,514, which is the total of the Net Pension Liability and related deferred inflows and outflows as of June 30, 2020.

For the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting for Postemployment Benefits Other than Pensions*. This standard requires governments providing other post-employment benefits, such as healthcare, through a cost-sharing plan to recognize their unfunded other post-employment benefit (OPEB) obligation as a liability. In accordance with the statement, the College has reported under Net Position-Unrestricted (Deficit) of \$10,270,202, which is the total of the Net OPEB Liability and related deferred inflows and outflows as of June 30, 2020.

# MONROE COUNTY COMMUNITY COLLEGE

Management's Discussion and Analysis - Unaudited

Years Ended June 30, 2020, 2019 and 2018

## *The Statement of Revenues, Expenses, and Changes in Net Position*

The Statement of Revenues, Expenses, and Changes in Net Position present the operating revenue and expenses of the College, as well as the non-operating revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary services. Non-operating revenues include state appropriations, property taxes, and federal Pell Grant revenue.

Because the components that create the non-operating revenues are usually greater than the components of the operating revenues, the College's financial statements reflect an annual operating loss.

The following is a comparative analysis of key components of the Statement of Revenues, Expenses and Changes in Net Position as of June 30 (rounded in \$000's):

	2020	2019	2018
<b>Operating revenues</b>			
Tuition and fees, net of allowances	\$ 6,245	\$ 6,934	\$ 7,201
Grants and contracts	1,543	1,327	1,059
Auxiliary activities	810	943	1,156
Other sources	204	264	233
<b>Total operating revenues</b>	<b>\$ 8,802</b>	<b>\$ 9,468</b>	<b>\$ 9,649</b>
Operating expenses	\$ 34,733	\$ 34,130	\$ 31,105
<b>Operating Loss</b>	<b>\$ (25,931)</b>	<b>\$ (24,662)</b>	<b>\$ (21,456)</b>
<b>Non-operating revenues</b>			
State appropriations	6,525	7,003	7,280
Property tax levy	18,791	18,049	17,486
Federal Pell Grant revenue	2,574	3,074	3,088
Investment income	167	207	123
Gifts	453	457	815
Loss on disposal of assets	(16)	(6)	0
<b>Total non-operating revenues</b>	<b>\$ 28,494</b>	<b>\$ 28,784</b>	<b>\$ 28,792</b>
State capital appropriations	\$ 1,612	\$ -	\$ -
<b>Increase/(decrease) in net position</b>	<b>\$ 4,175</b>	<b>\$ 4,122</b>	<b>\$ 7,336</b>
Net position - beginning of year	\$ 18,834	\$ 14,712	\$ 19,482
Adjustment for change in accounting principle			(12,106)
Net position, beginning of year, as restated	18,834	14,712	7,376
<b>Net position - end of year</b>	<b>\$ 23,009</b>	<b>\$ 18,834</b>	<b>\$ 14,712</b>

# MONROE COUNTY COMMUNITY COLLEGE

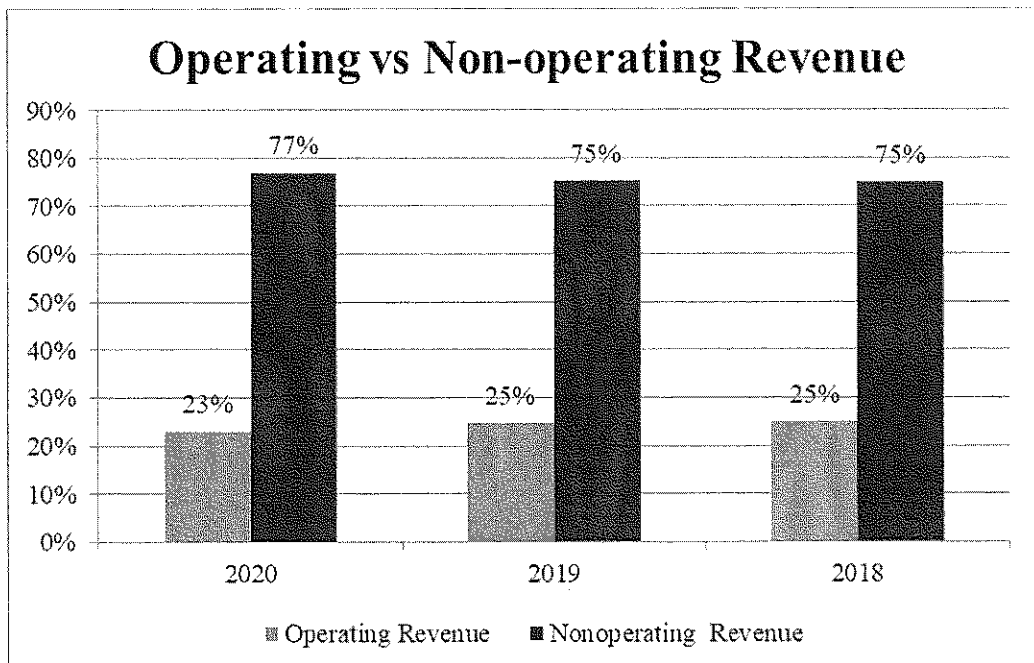
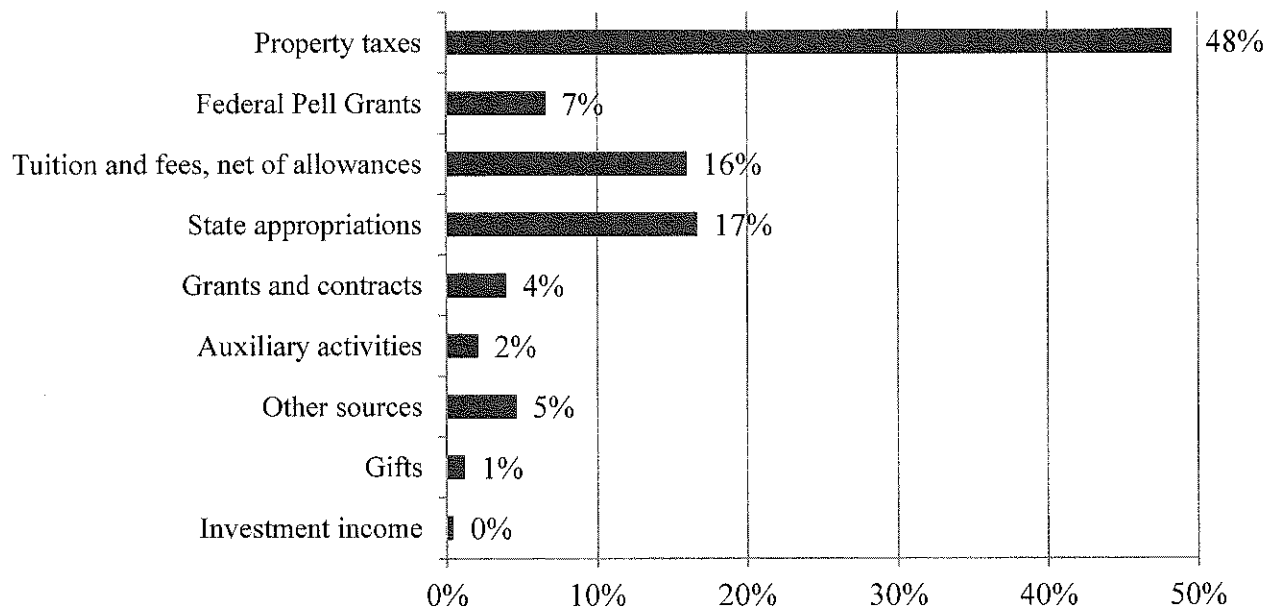
Management's Discussion and Analysis - Unaudited

Years Ended June 30, 2020, 2019 and 2018

## Revenues by Source

The following is an illustration of the percentage of total revenue (\$38,908,000 combined operating and non-operating) by source for the year ended June 30, 2020 along with a comparison of operating and non-operating revenue:

### Total Revenues by Source



# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited  
Years Ended June 30, 2020, 2019 and 2018*

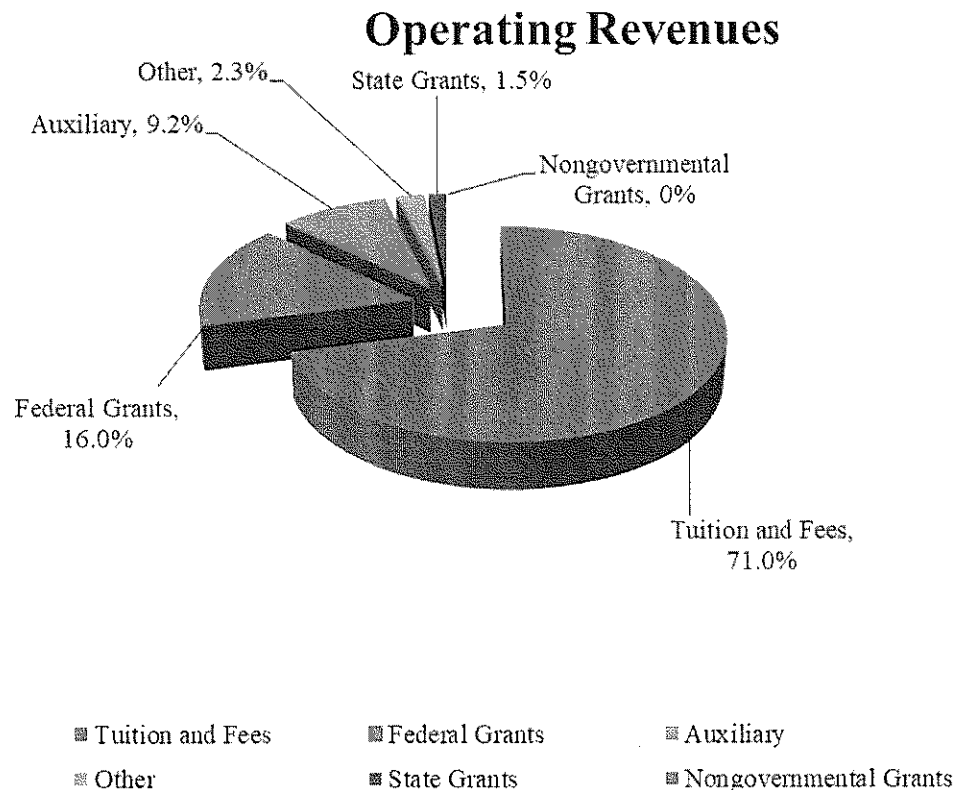
## ***Operating Revenues***

Operating revenues include charges for all exchange transactions such as tuition and fees and the sale of books and supplies. An exchange transaction occurs when each party receives and gives up essentially equal values. In addition, certain federal, state, and private grants are considered operating revenue if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were the result of the following for the year ended June 30, 2020:

- Student tuition and fee revenue decreased by 9.9 percent or \$689,000 in comparison to the prior year. This is due to decreased enrollment at the College and the Covid-19 pandemic. The Board of Trustees approved a 2.5 percent increase in tuition per billable contact hour.
- Grants and contracts revenue increased \$216,000.
- Auxiliary services revenue decreased by 14.1 percent or \$133,000 from the prior year most of which was from a decline in revenue from book sales and rentals.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2020:



# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited  
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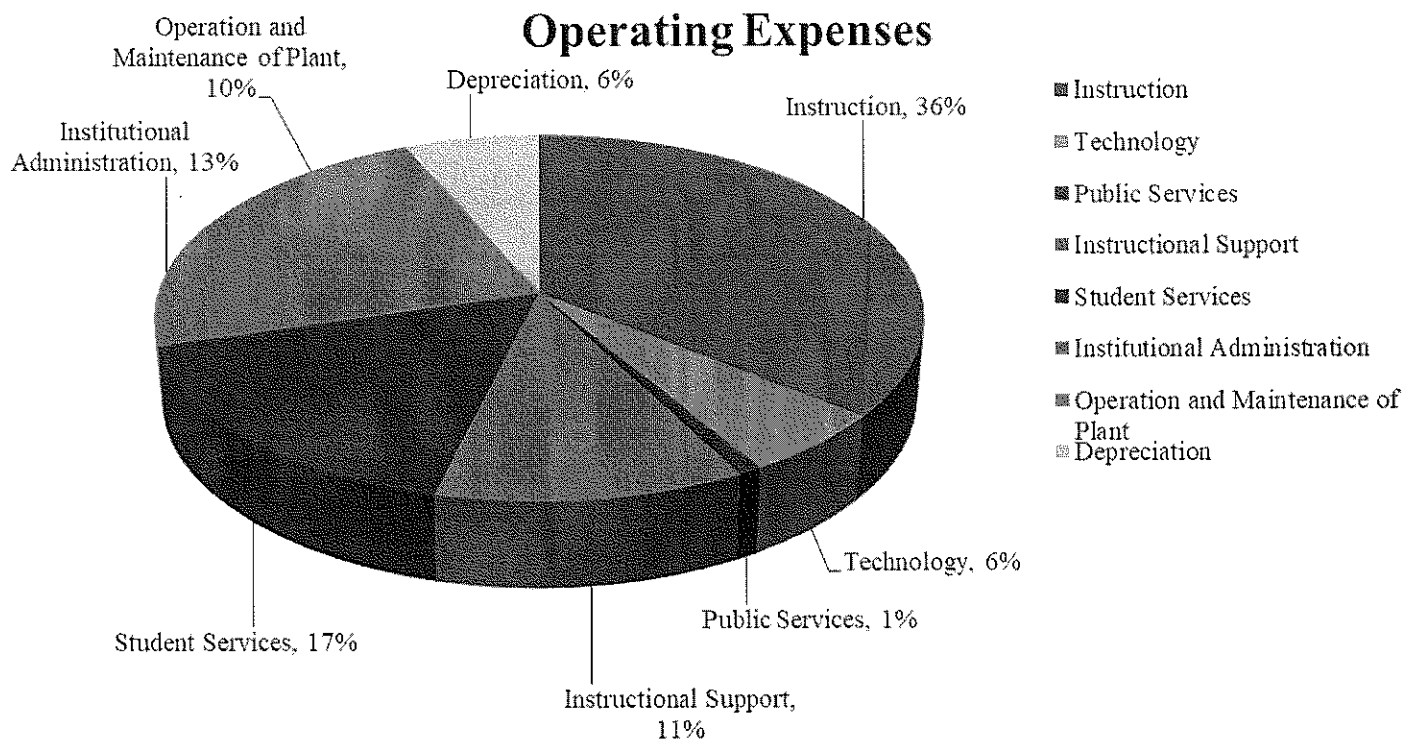
## **Operating Expenses**

Operating expenses include all expenses necessary to provide services and conduct the programs of the College.

Operating expense changes were the result of the following for the year ended June 30, 2020:

- Operating expenses increased \$602,662, which is 1.8 percent, from the fiscal year ended June 30, 2019. Operating expenses totaled \$34.7 million, compared to \$34.1 million the prior year.
- Depreciation and the operation and maintenance of plant experienced a decrease of expenses by \$627,000. This is primarily due to projects being placed on hold as a result of the Covid-19 pandemic.
- Wages and salaries expense increased by \$42,900 from the prior year, which is about 0.3 percent.
- Fringe benefit expenses increased about \$1,258,000 from the prior year solely due to the expenses associated with the changes in Net Pension and Net OPEB Liabilities for the fiscal year.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2020:



# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited  
Years Ended June 30, 2020, 2019 and 2018*

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## ***Non-operating Revenues***

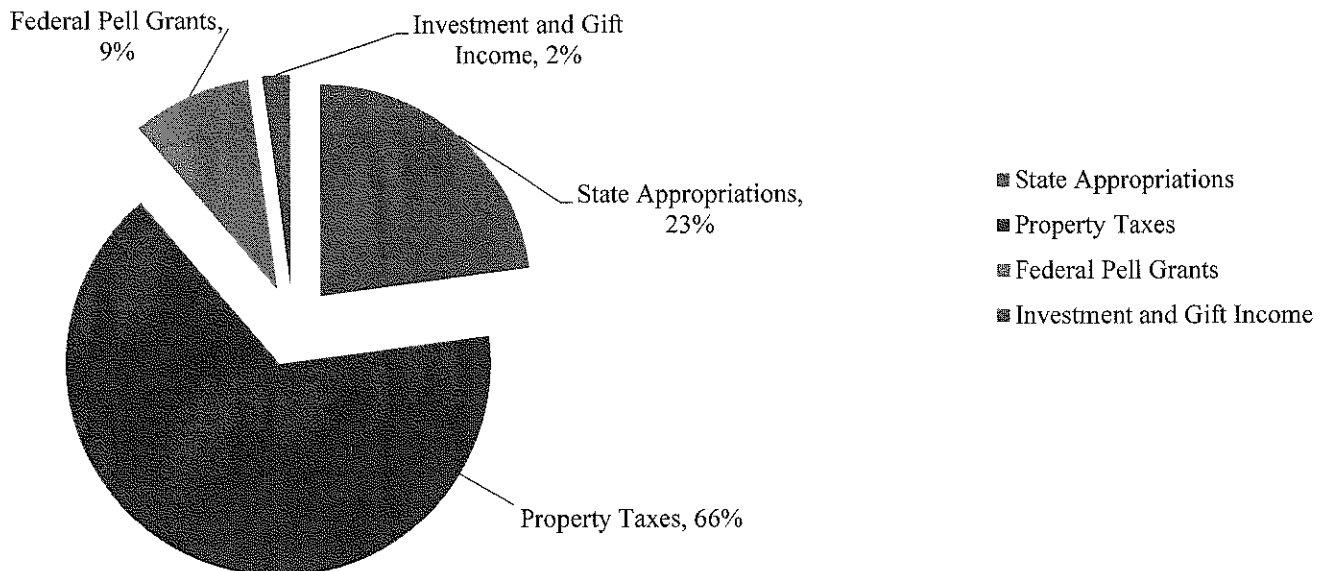
Non-operating revenues represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, Pell Grant revenue, and investment income.

Non-operating revenue changes were the result of the following factors for the year ended June 30, 2020:

- Property taxes increased \$742,000, or 3.9 percent, from the prior year due to increased property values.
- State appropriations decreased 6.8 percent, a reduction of \$478,000. The State of Michigan decreased the College's funding by \$531,900 due to economic issues as a result of the Covid-19 pandemic. The appropriations included \$1,398,690 for the MPSERS Unfunded Actuarial Accrued Liability due to PA 300 of 2012, which placed a cap on the amount the college would pay for the unfunded liability obligations to 20.96 percent. The \$1,398,690 amount is paid back to the state to cover retirement costs. The reimbursement in personal property tax losses from the Local Community Stabilization Authority decreased to \$550,401 in 2020 compared to \$609,474 in 2019.
- Federal Pell Grant revenue, investment income, and gifts from the Foundation all decreased as well.

The following is a graphic illustration of non-operating revenues by source for the year ended June 30, 2020:

## **Non-operating Revenue**



# MONROE COUNTY COMMUNITY COLLEGE

## Management's Discussion and Analysis - Unaudited

Years Ended June 30, 2020, 2019 and 2018

### Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments for the College during a specific period. The Statement of Cash Flows eliminates all payables and receivables from the previous financial statements to help users assess:

- The College's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its need for external financing

The following is a comparative analysis of key components of the Statement of Cash Flows as of June 30 (rounded in \$000's):

	2020	2019	2018
<b>Net cash provided (used) by:</b>			
Operating activities	\$ (23,054)	\$ (20,609)	\$ (20,568)
Non-capital financing activities	28,823	28,539	28,607
Capital and related financing activities	(9,966)	(2,883)	(5,603)
Investing activities	131	202	168
<b>Net increase (decrease)</b>			
<b>in cash and cash equivalents</b>	<b>\$ (4,066)</b>	<b>\$ 5,249</b>	<b>\$ 2,604</b>

Items accounting for the majority of the changes in cash and cash equivalents are as follows:

- The College had a net decrease in cash and cash equivalents of \$4,066,000 compared to the prior year's increase of \$5,249,000.
- Cash used for operating activities was \$23,054,000, an increase of \$2,445,000 compared to 2019. Major sources of funds come from student tuition and fees followed by grants and contracts. Major uses of funds were payments to suppliers and employees.
- Cash used for capital and related financing activities increased \$7,083,000 compared to 2019. This was expected and is because of the various ongoing maintenance and improvement projects. These projects include: Founders Hall (formerly East and West Technology), campus single-user restrooms, emergency generators, IT rooms, renovation to the Little Theater, parking lot replacements, phone and security upgrades, and more. As these projects near completion and additional projects begin, cash used for capital and related financing activities will continue to remain high.

## MONROE COUNTY COMMUNITY COLLEGE

### *Management's Discussion and Analysis - Unaudited*

*Years Ended June 30, 2020, 2019 and 2018*

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#### ***Capital Assets***

The following is a comparative analysis of key components of the College's investment in capital assets as of June 30 (rounded in \$000's):

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Capital assets</b>			
Land	\$ 1,368	\$ 1,368	\$ 1,368
Building and site improvement	79,741	79,518	79,518
Construction in progress	10,365	1,825	210
Equipment	7,293	6,998	6,992
Less: accumulated depreciation	(41,043)	(40,114)	(38,202)
<b>Total capital assets</b>	<b>\$ 57,724</b>	<b>\$ 49,595</b>	<b>\$ 49,885</b>

The College has \$98.8 million invested in capital assets, net of accumulated depreciation of \$41 million.

#### ***Debt***

In fiscal year 2015-2016, the College borrowed significant funds for an HVAC project which resulted in debt of \$16,151,962. Payments on the loan will occur on a semi-annual basis with the final payment occurring in the fiscal year 2031-2032. In fiscal year 2015-2016, the first payment was made which totaled \$143,349. In fiscal year 2016-2017, the total payment was \$1,004,757. For fiscal years 2018 through 2031, the total payments for each fiscal year were and will be \$1,436,119.

In previous years, the College would issue a Tax Anticipation Note between \$1,000,000 and \$6,000,000 in order to cover short-term cash flow needs through November, December, and January. The tax anticipation note would require an allocation of each property tax receipt to be set aside for debt retirement. The College would settle the note sometime in March. The cost to borrow was a minimal amount usually less than \$25,000.

The College did not have a need to issue a Tax Anticipation Note for fiscal year 2019-2020 and will not issue a Tax Anticipation Note for fiscal year 2020-2021.

The College's need to borrow funds for short-term cash flow needs is due to the timing of cash receipts. The months of November and December are historically the months with the lowest cash balances. The State of Michigan spreads appropriation payments over 11 months so the College does not receive a payment in September. Property taxes, which were 66 percent of non-operating revenue this year, are levied in December but the majority of payments to the College are received during the months of January through March.



# MONROE COUNTY COMMUNITY COLLEGE

*Management's Discussion and Analysis - Unaudited  
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## *Economic Factors That Will Affect the Future*

DTE Energy and the City of Monroe have settled on a step-down reduction of the taxable values of the Monroe Power Plant. The terms of the Consent Agreement reduce the taxable value of the plant over a seven-year period resulting in a total taxable value reduction of 28.33 percent between 2018 and 2025. The agreement results in general fund revenue losses each year as the taxable value of the plant is as follows:

2018 = 503,876,075	2022 = 421,138,412
2019 = 482,100,000	2023 = 385,138,405
2020 = 461,121,331	2024 = 361,138,399
2021 = 433,138,415	2025 = 361,138,399

DTE Energy has requested a review of the taxable value of the Fermi Nuclear Power Plant. If the taxable value is adjusted, it could result in a substantial loss of property tax revenue for the College. The College currently has \$924,728 set-aside for general fund losses and \$432,697 set-aside for millage maintenance and improvement losses should the taxable value be adjusted.

The Covid-19 pandemic has brought about economic issues that greatly affected the College and uncertainty in the future. Revenues impacted from the pandemic include reductions in state appropriations and tuition and fees for the fiscal year. While the College will receive its full state funding in fiscal year 2020-2021, it is uncertain if it will be held harmless in future years.

The College received Higher Education Emergency Relief (HEERF) funding through the CARES Act in the form of four grants: Student funding, Institutional funding, Strengthening Institutions funding, and state funding. The College is a sub-recipient for the state funding. The CARES Act grants provide some relief to those affected by the pandemic, but come with strict spending and reporting guidelines. Of the \$1,896,599 awarded to the College, \$638,261 has been expended through June 30, 2020.

Taxable values for property in Southeast Michigan have increased the last few years. It is anticipated that taxable values will increase slightly next fiscal year as well. The College budgeted a 0.85% increase in property taxes for the 2020-2021 fiscal year, while accounting for the adjustments to DTE's taxable value of its Monroe Power Plant mentioned above.

The College completed a major geothermal heating, ventilating and air conditioning (HVAC) project, which will provide savings upwards of \$200,000 per year in energy costs. The savings will be used towards the annual \$1,436,119 loan payments through 2031.

The College continues to face declining enrollment for the 2019-2020 fiscal year. It is anticipated that enrollment will continue to experience a decline for 2020-2021. The Board of Trustees approved to increase tuition rates 2% for the 2020-2021 year. The Board of Trustees has the authority to increase tuition rates to offset rising costs, but are also mindful of the impact that tuition increases have on our students. They will continue to monitor costs and enrollment trends as they strive to keep increases in tuition to a minimum.

# **MONROE COUNTY COMMUNITY COLLEGE**

*Management's Discussion and Analysis - Unaudited*

*Years Ended June 30, 2020, 2019 and 2018*

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## ***Economic Factors That Will Affect the Future (continued)***

The College is in year four of its maintenance and improvement millage and will continue to receive additional property tax revenue for the next year. Completed projects for this year include: three new single-user restrooms, renovation of the Little Theater, parking lot replacements, a new sound system in the Health Education Building, and domestic water pipe-lining. Numerous other projects are in progress to be completed next year. The College will continue the multitude of maintenance and improvement projects with a zero-increase five-year millage renewal.

Construction continues on the renovation of Founders Hall (formerly the East and West Technology Buildings). The total estimated cost of the renovation is \$9,000,000 of which the State of Michigan will pay \$3,750,000. Property tax revenue generated from the maintenance and improvement millage will fund the \$5,250,000 difference. Anticipated completion of the project is fall of 2020.

## ***Contacting the College's Financial Management***

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about this report or need additional information please contact the Office of the Vice President of Administration, Monroe County Community College, 1555 South Raisinville Rd., Monroe, Michigan 48161.

# MONROE COUNTY COMMUNITY COLLEGE

## Statements of Net Position June 30, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents - Note 2	\$22,520,391	\$26,585,922
Property taxes receivable (net of allowance \$15,055 and \$20,544)	30,130	30,245
State appropriation receivable	643,545	893,013
Federal and state grants receivable	376,363	352,837
Interest receivable	1,714	2,224
Accounts receivable (net of allowance \$576,409 and \$742,454)	872,868	873,711
Inventories	299,746	231,865
Prepaid expenses and other assets	300,071	371,343
Total Current Assets	25,044,828	29,341,160
Noncurrent Assets:		
Restricted short-term investments - Note 2	185,848	181,788
Property and Equipment (net of accumulated depreciation) - Note 4	57,724,514	49,595,272
Total Noncurrent Assets	57,910,362	49,777,060
<b>TOTAL ASSETS</b>	82,955,190	79,118,220
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension amounts - Note 6	11,396,609	12,378,902
Deferred OPEB amounts - Note 7	2,597,308	1,748,236
Total deferred outflows of resources	13,993,917	14,127,138
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts payable	915,808	1,870,647
Accrued payroll and fringes - Note 5	2,160,872	2,304,567
Deposits	206,788	139,650
Unearned revenue	160,378	382,708
Current portion of debt obligations - Note 10	984,372	950,357
Total Current Liabilities	4,428,218	5,647,929
Noncurrent Liabilities:		
Debt obligations - Note 10	11,982,538	12,966,911
Net pension liability - Note 6	41,541,911	38,578,916
Net OPEB liability - Note 7	8,819,243	10,036,686
Total Noncurrent Liabilities	62,343,692	61,582,513
<b>TOTAL LIABILITIES</b>	66,771,910	67,230,442
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension amounts - Note 6	3,120,212	4,451,481
Deferred OPEB amounts - Note 7	4,048,267	2,729,773
Total deferred inflows of resources	7,168,479	7,181,254
<b>NET POSITION</b>		
Net investment in capital assets	57,724,514	49,595,272
Restricted for:		
Nonexpendable endowments	177,539	177,539
Expendable:		
Endowments, Scholarships, and Grants	10,497	9,262
Other	115,755	104,540
Unrestricted (Deficit) - Note 1	(35,019,587)	(31,052,951)
<b>TOTAL NET POSITION</b>	\$23,008,718	\$18,833,662

The accompanying notes are an integral part of these statements. 6

**MONROE COUNTY COMMUNITY COLLEGE***Statements of Revenue, Expenses and Changes in Net Position  
For the Years Ended June 30, 2020 and 2019*

	2020	2019
<b>OPERATING REVENUE</b>		
Tuition and fees (net of scholarship allowance of \$2,330,407 and \$2,631,853)	\$6,245,248	\$6,934,423
Federal grants	1,409,749	1,255,512
State grants	133,026	71,794
Auxiliary activities (net of scholarship allowance of \$266,014 and \$291,410)	809,404	942,445
Other sources	204,212	263,919
Total Operating Revenue	8,801,639	9,468,093
<b>OPERATING EXPENSES</b>		
Instruction	12,389,862	11,698,618
Information technology	1,922,379	1,636,934
Public services	315,890	390,252
Instructional support	3,970,622	4,165,308
Student services	5,749,523	5,794,366
Institutional administration	4,493,658	3,927,246
Operation and maintenance of plant	3,660,921	4,261,405
Depreciation	2,230,042	2,256,108
Total Operating Expenses	34,732,897	34,130,237
Operating Loss	(25,931,258)	(24,662,144)
<b>NONOPERATING REVENUE</b>		
State appropriations	6,525,021	7,003,220
Property tax levy	18,791,182	18,049,661
Federal pell grant revenue	2,574,282	3,073,607
Investment income	166,675	206,830
Gifts between College and Foundation	453,372	456,266
Loss on disposal of assets	(16,190)	(5,614)
Net Nonoperating Revenues	28,494,342	28,783,970
Income Before Other Revenue	2,563,084	4,121,826
<b>OTHER REVENUE</b>		
State capital gifts	1,611,972	0
Net Increase in Net Position	4,175,056	4,121,826
<b>NET POSITION</b>		
Beginning of Year	18,833,662	14,711,836
End of Year	\$23,008,718	\$18,833,662

The accompanying notes are an integral part of these statements

**MONROE COUNTY COMMUNITY COLLEGE**

*Statements of Cash Flows*  
*For the Years Ended June 30, 2020 and 2019*

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$6,268,627	\$7,262,345
Grants and contracts	1,409,177	1,325,211
Payments to suppliers	(17,246,191)	(15,930,637)
Payments to employees	(14,568,413)	(14,534,971)
Collection of loans from students	260	217
Auxiliary enterprise charges	863,744	1,007,707
Other	218,953	261,299
Net Cash Used For Operating Activities	(23,053,843)	(20,608,829)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local property taxes	18,795,241	18,046,927
Gifts and contributions for other than capital purposes	427,673	443,420
Pell Grant revenue	2,564,117	3,081,600
Federal direct lending receipts	2,714,438	3,215,232
Federal direct lending payments	(2,714,438)	(3,215,232)
State appropriations	7,035,828	6,966,770
Net Cash Provided by Noncapital Financing Activities	28,822,859	28,538,717
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(10,359,283)	(1,965,905)
Principal debt payments	(950,358)	(917,518)
State capital appropriations	1,342,882	0
Fund Borrowing	1,023	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(9,965,736)	(2,883,423)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment	181,788	179,318
Investment income	135,249	205,080
Purchase of investments	(185,848)	(181,788)
Net Cash Provided by Investing Activities	131,189	202,610
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(4,065,531)	5,249,075
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	26,585,922	21,336,847
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	\$22,520,391	\$26,585,922

The accompanying notes are an integral part of these statements

**MONROE COUNTY COMMUNITY COLLEGE**

*Statements of Cash Flows (Continued)*  
*For the Years Ended June 30, 2020 and 2019*

**RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH  
USED FOR OPERATING ACTIVITIES:**

	<u>2020</u>	<u>2019</u>
Operating loss	(\$25,931,258)	(\$24,662,144)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,230,042	2,256,108
Loss on disposal of assets	(16,190)	(5,614)
(Increase) decrease in assets:		
Accounts receivable	181,072	139
Federal and state grant receivable	(132,147)	(4,331)
Inventories	(67,881)	(3,792)
Prepaid assets and other current assets	71,272	(48,544)
Increase (decrease) in liabilities:		
Accounts payable	(1,015,804)	963,583
Accrued payroll and fringes	118,549	249,411
Deposits	2,536	10,267
Unearned tuition and fees	(222,330)	161,025
Net pension and OPEB liability	<u>1,728,296</u>	<u>475,063</u>
 <b>NET CASH USED FOR OPERATING ACTIVITIES</b>	 <u><u>(\$23,053,843)</u></u>	 <u><u>(\$20,608,829)</u></u>

The accompanying notes are an integral part of these statements

# THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

## STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$1,009,070	\$853,614
Unconditional promises to give:		
Restricted for scholarships	1,276	2,445
Restricted other (net of allowance \$4,650 and \$200)	<u>115,930</u>	<u>17,430</u>
Total unconditional promises to give	<u>117,206</u>	<u>19,875</u>
 Total Current Assets	 1,126,276	 873,489
 Brokeraged investments, at market value:		
Endowment investments	4,603,538	4,175,742
Cultural investments	<u>2,227,462</u>	<u>2,120,166</u>
Total brokeraged investments, at market value	<u>6,831,000</u>	<u>6,295,908</u>
 Long-term unconditional promises to give:		
Restricted other (net of allowance \$22,500 and \$0)	<u>785,730</u>	<u>50,000</u>
 Total Assets	 <u><u>\$8,743,006</u></u>	 <u><u>\$7,219,397</u></u>
 <b>LIABILITIES</b>		
Accounts payable	\$100,467	\$45,697
Deferred revenue	<u>5,000</u>	<u>1,000</u>
 Total Current Liabilities	 105,467	 46,697
 <b>NET ASSETS</b>		
Net Assets, without restrictions	71,337	65,765
Net Assets, with restrictions	<u>8,566,202</u>	<u>7,106,935</u>
 Total Net Assets	 <u>8,637,539</u>	 <u>7,172,700</u>
 Total Liabilities and Net Assets	 <u><u>\$8,743,006</u></u>	 <u><u>\$7,219,397</u></u>

(See accompanying notes to financial statements)

**THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE**

**STATEMENTS OF ACTIVITIES**

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>		
Contributions	\$1,576,962	\$327,213
Corporate grants	28,500	130,000
Special events	28,850	36,881
Donated administrative support	294,569	267,578
Net investment income	<u>348,206</u>	<u>413,135</u>
 Total Revenues, Gains, and Other Support	 <u>2,277,087</u>	 <u>1,174,807</u>
 <b>EXPENSES:</b>		
Scholarships	240,364	160,693
Grants	273,382	327,605
Fund raising	2,386	5,403
Donated administrative expenses	294,569	267,578
Other	<u>1,547</u>	<u>1,217</u>
Total Expenses	<u>812,248</u>	<u>762,496</u>
 Changes in Net Assets	 1,464,839	 412,311
 Net Assets at Beginning of Year	 <u>7,172,700</u>	 <u>6,760,389</u>
 Net Assets at End of Year	 <u><u>\$8,637,539</u></u>	 <u><u>\$7,172,700</u></u>

(See accompanying notes to financial statements)



# MONROE COUNTY COMMUNITY COLLEGE

*Notes to Financial Statements  
June 30, 2020 and 2019*

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## **Note 1 – Reporting Entity, Basis of Presentation and Significant Accounting Policies**

### **Reporting Entity**

Monroe County Community College (The College) is a Michigan community college which has two locations located in Monroe County. The College was founded in 1964 and is governed by a seven-member board of trustees, elected by the public.

As required by generally accepted accounting principles, these financial statements present the College and its component unit, The Foundation at Monroe County Community College as described in the following paragraph.

The Foundation at Monroe County Community College (The Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board members of the Foundation are appointed by the College's board. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statement.

Separate audited financial statements for the Foundation can be obtained from the Foundation at Monroe County Community College at 1555 South Raisinville Road, Monroe, MI 48161.

### **Basis of Presentation**

#### College

The financial statements have been prepared in accordance with the generally accepted accounting principles (GAAP) as applied to public colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The College reports as a Business-type Activity (BTAs), as defined by GASB. BTAs are those that are financed in whole or in part by fees charged to external parties for goods or services.

#### Foundation

The Foundation reports under the provisions of accounting standards codification topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition 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.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### **Summary of Significant Accounting Policies**

#### Measurement Focus and Basis of Accounting

The business-type financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### Deposits and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

#### Restricted Investments

Investments which are separately invested for an endowed purpose are reflected as restricted.

#### Receivables

Accounts receivable resulting from government and state grants, state appropriations, and student tuition consists of operating revenue recognized, but not received, as of June 30, 2020 and 2019. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for other student accounts receivable based on historical loss experience.

#### Scholarship Allowances

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

#### Inventories

Inventories, including books and miscellaneous supplies, are stated at the lower of cost or market using the first-in, first-out method.

#### Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### Property and Equipment

Property and equipment are recorded at cost, or if acquired by gift, at the fair market value as of the date of acquisition. The College maintains a capitalization threshold of five thousand dollars. Depreciation is provided for property and equipment on a straight-line basis. Estimated useful lives are as follows:

Land and improvements	10 years
Building and improvements	10-40 years
Infrastructure	10-20 years
Furniture, fixtures and equipment	5-10 years

### Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) 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 Notes 6 and 7.

### Accrued Vacation

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

### Unearned Revenue

Unearned revenue is a combination of prepaid rent and tuition revenue received prior to year-end that relates to the next fiscal period. Unearned revenue at June 30 is as follows:

	June 30,	
	2020	2019
Other	\$0	\$2,236
Tuition:		
Summer semester	67,988	258,149
Fall semester	<u>92,390</u>	<u>122,323</u>
	<u>160,378</u>	<u>380,472</u>
Total	<u>\$160,378</u>	<u>\$382,708</u>

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

### Pension and Other Postemployment Benefit (OPEB)

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, information about the fiduciary net position of the Michigan Public 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. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

### Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports 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 so 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 funding received through state appropriations for contributions to the plans after the measurement date and the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Notes 6 and 7.

### Restricted Net Position

Permanently restricted net position may be utilized only in accordance with the purposes established by the source of such funds. The permanently restricted funds maintained by the College are general purpose funds, which permit only the use of net investment earnings and require that the original fund corpus be maintained.

The investment earnings on these permanently restricted assets are classified as unrestricted net position in conformity with the donor's designation.

### Unrestricted Net Position

The College has designated the use of unrestricted net position as follows:

	June 30,	
	2020	2019
Designated for:		
Working capital	\$11,000,099	\$10,185,716
Retirement & OPEB funds	(43,535,716)	(41,600,732)
Cares fund	(369,561)	0
Technology equipment	545,606	831,933
Auxiliary activities	1,517,083	1,530,452
Student loans	18,257	18,237
Quasi-endowment	282,359	278,809
Major maintenance and renovation	(4,063,529)	(2,297,366)
Unrestricted and undesignated	0	0
Total Unrestricted Net Position	<u>(\$35,019,587)</u>	<u>(\$31,052,951)</u>

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### Operating Revenues and Expenses

The College distinguishes the operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a BTA's principal ongoing operation. The operating revenue of the College relates to charges to students for tuition, including grants, and auxiliary sales. Operating expenses include the cost of instruction, the related services, administration, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

### Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on December 1 of the fiscal year, based on assessed valuation as of the preceding December 31. The taxes, which are collected and remitted to the College by townships, villages and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to Monroe County 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.

### Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including December 7, 2020 which is the date the financial statements were available to be issued.

### Impact of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak a pandemic now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of non-essential business and "stay-at-home" guidelines for individuals. As a result, the global economy has been negatively affected, and the College's operations were also impacted. Due to the "Stay-at-home" guidelines during March 2020, the College shifted to a remote online learning environment. The College also canceled many classes and campus events, which resulted in lost revenues for the College for the year ended June 30, 2020. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, the College received grants and other relief primarily from the Coronavirus Aid Relief, and Economic Security (CARES) Act. The College was allocated Higher Education Emergency Relief Fund (HEERF) grants totaling approximately \$1,300,516, of which 50 percent is required to be given directly to students. For the year ended June 30, 2020, the college recognized HEERF grant revenue totaling \$243,700.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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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.

### **Note 2 – Deposits and Investments**

The College's deposits and investments were included in the balance sheet under the following classifications:

	June 30,	
	2020	2019
Cash and cash equivalents	\$22,520,391	\$26,585,922
Restricted short-term investments	185,848	181,788
Total	<u>\$22,706,239</u>	<u>\$26,767,710</u>

As of June 30, 2020 and 2019, the College's investments are comprised entirely of bank certificates of deposit and money market accounts.

The break down between deposits and investments for the College were as follows:

	June 30,	
	2020	2019
Bank deposits (checking accounts, savings accounts and certificates of deposits)	\$22,703,951	\$26,765,422
Petty cash and cash on hand	2,288	2,288
Total	<u>\$22,706,239</u>	<u>\$26,767,710</u>

### Deposits

The above bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$22,774,146 and \$27,082,886 for 2020 and 2019, respectively. Of that amount, \$614,423 and \$619,800 were covered by federal depository insurance for 2020 and 2019, respectively, and the remainder was uninsured and uncollateralized.

The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each institution it deposits College funds with and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### Interest Rate Risks

The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the College manages its exposure to interest rate risk by generally limiting investment maturities to less than one year.

### Credit Risk

The College's credit risk is limited by the Michigan Public Act 331 and by resolution of the Board of Trustees to invest in limited types of investments as described previously in the note. The College has no investment policy that would further limit its investment choices.

### Concentration of Credit Risk

The College places no limit on the amount the College may deposit or invest in any one issuer. The percent of the College's investments by insurer at June 30, were as follows:

Issuer:	2020	2019
PNC Bank	98 %	98 %
Flagstar	1	1
Monroe Bank & Trust	1	1
	<u>100 %</u>	<u>100 %</u>

### Custodial Credit Risk

The College investment policies do not address custodial credit risk. However, the entire bank pooled investment accounts and bank deposit accounts are in the name of the College.

### **Note 3 - Fair Value Measurements**

The College and its Component Unit categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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 that the College has the ability to access; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where 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 College's and Component Unit assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

The College has the following recurring fair value measurements as of June 30, 2020 and 2019:

### **Assets measured at Fair Value on a Recurring Basis at June 30, 2020**

		<u>Fair Value Measurements Using</u>		
		Quoted Prices in	Significant Other	Significant
		Active Markets	Observable	Unobservable
		for identical	Inputs (Level 2)	Inputs (Level 3)
		Assets (Level 1)		
		Balance at		
		June 30, 2020		
<b>Investments by fair Value level:</b>				
Money Markets	\$ 7,562,751	\$ 0	\$ 0	\$ 7,562,751
Bank certificate of deposit	<u>185,848</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 185,848</u>
Total investments				
measured at fair value	<u>\$ 7,748,599</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7,748,599</u>

### **Assets measured at Fair Value on a Recurring Basis at June 30, 2019**

		<u>Fair Value Measurements Using</u>		
		Quoted Prices in	Significant Other	Significant
		Active Markets	Observable	Unobservable
		for identical	Inputs (Level 2)	Inputs (Level 3)
		Assets (Level 1)		
		Balance at		
		June 30, 2019		
<b>Investments by fair Value level:</b>				
Bank certificate of deposit	<u>\$ 181,788</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 181,788</u>
Total investments				
measured at fair value	<u>\$ 181,788</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 181,788</u>

The fair value of the Bank certificate of deposit at June 30, 2020 and 2019, was determined primarily based on level 3 inputs. The College records the fair value of this investment using the cost plus interest incrementally earned.



# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

### **Note 4 - Property and Equipment**

The following table presents the changes in the various fixed class categories for the year ended June 30, 2020, as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Balance
Nondepreciable Capital Assets:				
Land	\$1,368,163	\$0	\$0	\$1,368,163
Construction in progress	1,824,906	8,540,484	0	10,365,390
Total Nondepreciable Capital Assets	3,193,069	8,540,484	0	11,733,553
Depreciable Capital Assets:				
Land improvements	3,505,044	676,249	970,241	3,211,052
Building and improvements	73,791,485	651,431	134,170	74,308,746
Infrastructure	2,221,214	0	0	2,221,214
Furniture, fixtures and equipment	6,998,076	579,317	284,653	7,292,740
Total Depreciable Capital Assets	86,515,819	1,906,997	1,389,064	87,033,752
Total Capital Assets	89,708,888	10,447,481	1,389,064	98,767,305
Less Accumulated Depreciation:				
Land improvements	3,463,187	41,511	970,241	2,534,457
Building and improvements	28,943,588	1,821,279	62,163	30,702,704
Infrastructure	2,183,653	8,279	0	2,191,932
Furniture, fixtures and equipment	5,523,188	358,973	268,463	5,613,698
Total Accumulated Depreciation	40,113,616	2,230,042	1,300,867	41,042,791
Total Capital Assets, Net	<u>\$49,595,272</u>			<u>\$57,724,514</u>

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

The following table presents the changes in the various fixed class categories for the year ended June 30, 2019, as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Balance
Nondepreciable Capital Assets:				
Land	\$1,368,163	\$0	\$0	\$1,368,163
Construction in progress	210,455	1,614,451	0	1,824,906
Total Nondepreciable Capital Assets	1,578,618	1,614,451	0	3,193,069
Depreciable Capital Assets:				
Land improvements	3,505,044	0	0	3,505,044
Building and improvements	73,791,485	0	0	73,791,485
Infrastructure	2,221,214	0	0	2,221,214
Furniture, fixtures and equipment	6,991,546	338,516	331,986	6,998,076
Total Depreciable Capital Assets	86,509,289	338,516	331,986	86,515,819
Total Capital Assets	88,087,907	1,952,967	331,986	89,708,888
Less Accumulated Depreciation:				
Land improvements	3,427,311	35,876	0	3,463,187
Building and improvements	27,109,162	1,834,426	0	28,943,588
Infrastructure	2,183,622	18,583	18,552	2,183,653
Furniture, fixtures and equipment	5,482,338	367,223	326,373	5,523,188
Total Accumulated Depreciation	38,202,433	2,256,108	344,925	40,113,616
Total Capital Assets, Net	<u>\$49,885,474</u>			<u>\$49,595,272</u>

### **Note 5 - Accrued Payroll and Fringes**

Accrued payroll and fringes include the following:

	June 30,	
	2020	2019
Payroll	\$957,271	\$868,971
Accrued vacation	544,080	429,004
Pension plan	254,308	392,010
Other retirement and fringes	405,213	615,582
	<u>\$2,160,872</u>	<u>\$2,304,567</u>

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### **Note 6 - Defined Benefit Pension Plans and Postemployment Benefits**

#### Plan Description

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

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

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

The System's financial statements are available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### Benefits Provided

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

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

#### Contributions and Funded Status

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

## MONROE COUNTY COMMUNITY COLLEGE

### *Notes to Financial Statements* *June 30, 2020 and 2019*

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Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under these method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal costs is funded on a current basis. The unfunded (overfunded) actuarial accrued liability of the September 30, 2018 valuation will be amortized over a 20 year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2019.

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 - 4.0%	18.25%
Member Investment Plan	3.0 - 7.0%	18.25%
Pension Plus	3.0 - 6.4%	16.46%
Pension Plus 2	6.2%	19.59%
Defined contribution	0.0%	13.39%

The College's required contributions to the plan for the years ended June 30, 2020 and 2019 were \$3,665,316 and \$3,494,508, respectively. In addition, the College recognized Section 147(c)(1) payments allocable to the pension contribution of \$1,398,690 and \$1,437,376 in revenue from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2020 and 2019, respectively. These funds were also remitted to the plan.

#### Pension Liabilities

At June 30, 2020 and 2019, the College reported a liability of \$41,541,911 and \$38,578,916 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled-forward from September 30, 2018 and 2017. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2019 and 2018, the College's proportion was 0.12544 percent and 0.12833 percent, respectively.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

For the year ended June 30, 2020 and 2019, the College recognized pension expense of \$4,295,445 and \$4,453,774, respectively. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$186,204	(\$173,226)	\$179,013	(\$280,346)
Changes of assumptions	8,133,935	0	8,934,845	0
Net differences between projected and actual plan investment earnings	0	(1,331,348)	0	(2,637,817)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	114,275	(1,615,638)	309,541	(1,533,318)
The College's contributions subsequent to the measurement date	2,962,195	0	2,955,503	0
	<u>\$11,396,609</u>	<u>(\$3,120,212)</u>	<u>\$12,378,902</u>	<u>(\$4,451,481)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

### Deferred (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future Pension Expenses)

2020	\$2,133,742
2021	1,605,789
2022	1,104,923
2023	469,748

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

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### Actuarial Assumptions

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

The total pension liability as of September 30, 2019 and 2018, based on the results of an actuarial valuation dated September 30, 2018 and rolled forward, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
Projected Salary Increase:	2.75 to 11.55%, including wage inflation of 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
- Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
- Active	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018 and 2017, is based on the results of an actuarial valuation date of September 30, 2017 and 2016, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study.

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4977 and 4.5304 as of September 30, 2019 and 2018, respectively.

Recognition period for assets in years: 5.0000

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

**Rate of return** – For the fiscal year ended September 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.14% and 11.11%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Discount rate

A discount rate of 6.80% and 7.05%, as of September 30, 2019 and 2018, respectively, was used to measure the total pension liability (6.80% for Pension Plus plan, 6.0% for the Pension Plus 2 plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.80% and 7.05% as of September 30, 2019 and 2018, respectively (6.8% for Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### The long-term expected rate of return on plan assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following table:

Investment Category	2019		2018	
	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.50%	28.00%	5.70%
Private Equity Pools	18.00%	8.60%	18.00%	9.20%
International Equity Pools	16.00%	7.30%	16.00%	7.20%
Fixed Income Pools	10.50%	1.20%	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	4.20%	10.00%	3.90%
Absolute Return Pools	15.50%	5.40%	15.50%	5.20%
Short Term Investment Pools	2.00%	0.80%	2.00%	0.00%
	<u>100.00%</u>		<u>100.00%</u>	

\* Long term rate of return does not include 2.30% inflation

# MONROE COUNTY COMMUNITY COLLEGE

## Notes to Financial Statements June 30, 2020 and 2019

### Sensitivity of the net pension liability to changes in the discount rate

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

	June 30, 2020		
	1% Decrease (5.8% / 5.8% / 5.0%)	Discount Rate (6.8% / 6.8% / 6.0%)	1% Increase (7.8% / 7.8% / 7.0%)
Net Pension Liability	\$54,007,142	\$41,541,911	\$31,207,805

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

	June 30, 2019		
	1% Lower (6.05% / 6.0% / 5.0%)	Discount Rate (7.05% / 7.0% / 6.0%)	1% Higher (8.05% / 8.0% / 7.0%)
Net Pension Liability	\$50,651,137	\$38,578,916	\$28,549,863

\*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with defined benefit and defined contribution components.

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### Payable to the Pension Plan

At June 30, 2020 and 2019, the College reported a payable of \$125,583 and \$123,174, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2020 and 2019.

### Optional Defined Contribution Plan

Professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). For fiscal year 2019 and prior, the College's contribution percentage to the ORP plan mirrored that of the corresponding plan of the participant under MPSERS. In addition, the participant also contributes a percentage of their compensation to the plan. For fiscal years 2020 and 2019, the average contribution percentages for the participants were approximately 5.99% and 6.99% respectively. Total covered payroll and College contributions for the years ended June 30, 2020 and 2019 were approximately \$3,541,265 and \$759,164 and \$3,347,487 and \$740,368, respectively. The contribution percentages for the College and the participant are now maxed out at 12% and 4% respectively.



# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### **Note 7 - Postemployment Benefits Other Than Pensions (OPEB)**

#### Plan Description

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

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### Benefits Provided

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

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

### Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued

liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 20, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal years ended September 30, 2020 and 2019:

Benefit Structure	2019		2018	
	Member	Employer	Member	Employer
Premium Subsidy	3.00%	7.93%	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	7.57%	0.00%	6.13%

Required contributions to the OPEB plan from the College were \$843,630 and \$819,577 for the years ended September 30, 2019 and 2018.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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

At June 30, 2020 and 2019, the College reported a liability of \$8,819,243 and \$10,036,686, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018 and 2017. The College's proportion of the net OPEB liability was determined by dividing each employer statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019 and 2018, the College's proportion was 0.12287 and 0.12626 percent, which was a decrease of .00339 and .00549 percent from its proportion measured as of October 1, 2018 and 2017, respectively.

For the year ending June 30, 2020 and 2019, the College recognized OPEB expense of \$61,862 and \$387,005 respectively. At June 30, 2020 and 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	\$0	(\$3,236,030)	\$0	(\$1,868,085)
Changes of assumptions	1,910,951	0	1,062,890	0
Net differences between projected and actual plan investment earnings	0	(153,371)	0	(385,734)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,237	(658,866)	1,737	(475,954)
The College's contributions subsequent to the measurement date	685,120	0	683,609	0
	<u>\$2,597,308</u>	<u>(\$4,048,267)</u>	<u>\$1,748,236</u>	<u>(\$2,729,773)</u>

## MONROE COUNTY COMMUNITY COLLEGE

### *Notes to Financial Statements* *June 30, 2020 and 2019*

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

#### Deferred (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future Pension Expenses)

2020	(\$574,292)
2021	(574,292)
2022	(497,947)
2023	(338,112)
2024	(151,436)

#### Actuarial Assumptions

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

Additional information as of the September 30, 2018 actuarial valuation follows:

#### **Summary of Actuarial Assumptions**

Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 to 11.55%, including wage inflation at 2.75%
Health Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality :	
- Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

## MONROE COUNTY COMMUNITY COLLEGE

### *Notes to Financial Statements June 30, 2020 and 2019*

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- Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

#### Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019 and 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 5.7101 and 4.5304 as of September 30, 2019 and 2018, respectively
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

#### Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following table:

# MONROE COUNTY COMMUNITY COLLEGE

## Notes to Financial Statements June 30, 2020 and 2019

Investment Category	2019		2018	
	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.50%	28.00%	5.70%
Private Equity Pools	18.00%	8.60%	18.00%	9.20%
International Equity Pools	16.00%	7.30%	16.00%	7.20%
Fixed Income Pools	10.50%	1.20%	10.50%	0.50%
Real Estate and Infrastructure Pools	10.00%	4.20%	10.00%	3.90%
Absolute Return Pools	15.50%	5.40%	15.50%	5.20%
Short Term Investment Pools	2.00%	0.80%	2.00%	0.00%
	<u>100.00%</u>		<u>100.00%</u>	

\* Long term rate of return does not include 2.30% inflation

### Rate of Return

For the fiscal year ended September 30, 2019 and 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.37% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Discount Rate

A discount rate of 6.95% and 7.5% was used to measure the total OPEB liability at September 30, 2019 and 2018, respectively. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95% and 7.5% as of September 30, 2019 and 2018, respectively. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# MONROE COUNTY COMMUNITY COLLEGE

## Notes to Financial Statements June 30, 2020 and 2019

### Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the College's proportionate share of the net OPEB liability at June 30, 2020 and 2019, calculated using the discount rate of 6.95% and 7.5%, respectively, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

June 30, 2020		
1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
<u>\$10,818,127</u>	<u>\$8,819,243</u>	<u>\$7,140,736</u>
June 30, 2019		
1% Decrease	Current Discount Rate	1% Increase
6.5%	7.5%	8.5%
<u>\$12,048,837</u>	<u>\$10,036,686</u>	<u>\$8,344,221</u>

### Sensitivity of the College's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

June 30, 2019		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$8,255,064</u>	<u>\$10,036,686</u>	<u>\$12,080,571</u>
June 30, 2018		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
<u>\$9,913,173</u>	<u>\$11,705,722</u>	<u>\$13,741,037</u>

### OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### Payables to the OPEB Plan

At June 30, 2020 and 2019, the College reported a payable of approximately \$61,487 and \$60,680, respectively, for the outstanding amount of contributions to the OPEB plan required for the years ended June 30, 2020 and 2019.

### **Note 8 - Federal Direct Lending Program**

The College distributed \$2,714,438 and \$3,215,232 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2020 and 2019, respectively. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

### **Note 9 - Collateralized State Bonds**

The State of Michigan has made several construction projects grants to Monroe County Community College. The Michigan State Building Authority is responsible for financing the State's 50% grant portion, which is done by selling bonds. The College deeds the related buildings and sites to the Michigan State Building Authority to collateralize those bonds. When the bond obligations are fully paid, the related properties will be deeded back to the College.

The following properties are currently collateral for Michigan bonds:

<u>Property</u>	<u>Fiscal Year of Completion</u>	<u>States Original Grant</u>
Library	June, 2001	1.25 Million
La-Z-Boy Center for Business and the Performing Arts	June, 2005	6.00 Million
Career Technology Center Building	June, 2014	8.50 Million
Founders Hall (formerly East and West Technology)	June, 2021	3.75 Million



# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements June 30, 2020 and 2019*

### **Note 10 - Long-Term Liabilities**

Following is the long-term liability activity for the year ended June 30, 2020 and 2019:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Current Portion</u>
<u>Note Payable</u>					
Key government Finance (50% HVAC System)	\$ 6,905,847	\$0	\$497,225	\$6,408,622	\$514,779
Sterling National Bank (50% HVAC System)	<u>7,011,421</u>	<u>0</u>	<u>453,133</u>	<u>6,558,288</u>	<u>469,593</u>
	<u>\$13,917,268</u>	<u>\$0</u>	<u>\$950,358</u>	<u>\$12,966,910</u>	<u>\$984,372</u>

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Current Portion</u>
<u>Note Payable</u>					
Key government Finance (50% HVAC System)	\$7,386,114	\$0	\$480,267	\$6,905,847	\$497,224
Sterling National Bank (50% HVAC System)	<u>7,448,672</u>	<u>0</u>	<u>437,251</u>	<u>7,011,421</u>	<u>453,133</u>
	<u>\$14,834,786</u>	<u>\$0</u>	<u>\$917,518</u>	<u>\$13,917,268</u>	<u>\$950,357</u>

In 2015, the College secured financing for the construction of a new HVAC system. The financing was split 50/50 between Key Government Finance and Signature Public Funding Corp. assigned by Sterling National Bank on March 10, 2017. Terms of each note are as follows:

- Key Government Finance HVAC Note: Term note, payable \$367,308  
Semi-annually beginning March 30, 2016, including interest at 3.5% due September 30, 2030, secured by HVAC system.
- Signature Public Funding Corp. HVAC Note: Term note, payable \$350,751  
Semi-annually beginning March 30, 2016, including interest at 3.6% due September 30, 2031, secured by HVAC system.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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Annual principal and interest requirements to maturity for the above note payable obligations are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 984,372	\$ 451,746	\$ 1,436,118
2022	1,019,605	416,514	1,436,119
2023	1,056,098	380,020	1,436,118
2024	1,093,899	342,220	1,436,119
2025 – 2029	6,085,591	1,095,002	7,180,593
2030 - 2032	<u>2,727,345</u>	<u>128,335</u>	<u>2,855,680</u>
	<u>\$12,966,910</u>	<u>\$2,813,837</u>	<u>\$15,780,747</u>

### **Note 11 - Operating Leases**

Rental expense for equipment totaled \$43,809 and \$43,645 for fiscal years 2020 and 2019, respectively. The College is currently on a month to month basis for all operating leases.

### **Note 12 - Property Taxes**

The College received 2.1794 mills for both fiscal years 2020 and 2019 for current operations. The College also received .85 mills for both fiscal years 2020 and 2019 for maintenance and improvements. The property taxes were levied on December 1 of the fiscal year, based on assessed valuation as of the preceding December 31. The taxable values for real and personal property were \$6.20 and \$5.98 billion for both fiscal 2019 and 2018 tax collections, respectively. The taxable value is approximately 50% of the properties' fair market value with limits on the annual increase.

### **Note 13 - Self Insurance**

Beginning July 1, 2015, the College is partially self-insured for healthcare benefits. The self-insured healthcare plan covers approximately 100 employees and their dependents. Claims are funded by the College and paid by the plan administrator; actual payments are based on claims filed. As of June 30, 2020, and 2019, the College's insurance policy covers claims in excess of \$25,000. per covered employee and/or their dependent. The College pays the administrative costs of the plan. Self-insured employee benefit liability for the year ending June 30 were as follows:

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### **Note 14 - Risk Management**

The College is exposed to various risks of loss related to property loss, errors and omissions, workers' compensation, as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Community College Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Members' premiums are used to purchase commercial excess coverage for claims in excess of \$100,000 for each insured amount, and to pay member claims in excess of deductible amounts. The College has a share of the reserve for future claims in the shared-risk pool of \$992,937 and \$964,662 as of June 30, 2020 and 2019, respectively. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College. All Payments to the pool were expensed by the College.

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$97,893	(\$23,626)
Claims incurred, premiums and changes in estimates	2,242,729	2,303,098
Claim and premium payments	<u>(2,265,416)</u>	<u>(2,181,579)</u>
Balance, end of year	<u>\$75,206</u>	<u>\$97,893</u>

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

### **Note 15 - Tax Abatement**

Municipalities within the College boundaries entered into property tax abatement agreements with local businesses under two programs: The Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, and the Brownfield Redevelopment Financing Act, under Act 381 of 1996, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50 percent of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties. The Brownfield Program uses tax increment financing (TIF) to reimburse brownfield related costs incurred while redeveloping contaminated, functionally obsolete, blighted, or historic properties.

For the years ended June 30, 2020 and 2019, the College's property tax revenue for general operations was reduced by \$156,742 and \$164,093, respectively under these programs. The abatements issued by other governmental units are as follows:

<u>Governmental Unit</u>	<u>IFT</u>	<u>PA 328 of 1998 &amp; La-Z-Boy RZ</u>	<u>Others</u>	<u>2020 Total</u>
Ash	\$15,970	\$82,737	\$28	\$98,735
Bedford	12,489	0	157	12,646
Dundee	44,796	0	0	44,796
Erie	531	0	0	531
Frenchtown	8,614	0	0	8,614
Monroe	613	0	0	613
Summerfield	338	0	0	338
Whiteford	1,055	0	0	1,055
Monroe City	23,044	69,476	4,360	96,874
Milan City	<u>1,420</u>	<u>0</u>	<u>0</u>	<u>1,420</u>
	<u>\$108,870</u>	<u>\$152,197</u>	<u>\$4,545</u>	<u>\$265,612</u>

<u>Governmental Unit</u>	<u>IFT</u>	<u>Brownfield</u>	<u>PA 328 of 1998</u>	<u>2019 Total</u>
Ash	\$3,816	\$0	\$28,689	\$32,505
Bedford	13,857	133	0	13,990
Dundee	45,638	1,019	0	46,657
Erie	535	0	0	535
Frenchtown	7,335	0	0	7,335
Monroe	633	0	777	1,410
Summerfield	368	0	0	368
Whiteford	1,869	0	0	1,869
Monroe City	23,230	34,807	0	58,037
Milan City	<u>1,387</u>	<u>0</u>	<u>0</u>	<u>1,387</u>
	<u>\$98,668</u>	<u>\$35,959</u>	<u>\$29,466</u>	<u>\$164,093</u>

## MONROE COUNTY COMMUNITY COLLEGE

### *Notes to Financial Statements* *June 30, 2020 and 2019*

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#### **Note 16 - Commitments, Contingencies and Capital Outlay**

In the normal course of its activities, the College is party to various legal actions. It is the opinion of College officials that the potential claims in excess of insurance coverage resulting from the remaining litigation would not have a material effect on the financial statements.

The College completed construction on the new HVAC system in fiscal year 2018. This project replaces the College's boilers and provide up-to-date heating and cooling for the entire campus. The total cost of this project was \$16.2 million. The total payments for each fiscal year through 2031 will be \$1,436,119.

On May 29, 2018, DTE Electric Company filed petitions with the Michigan Tax Tribunal requesting a large reduction in their taxable values on both the Monroe Power Plant located in the City of Monroe by 50.5%, and the Fermi 2 Nuclear Power Plant located in Frenchtown Charter Township by 60%. In May 2020, the City of Monroe and DTE signed a consent agreement regarding the Monroe Power Plant tax appeal that will result in a total taxable value reduction for the plant by 2025 of 28.33%. In regard to the Fermi 2 Nuclear Power Plant, while Frenchtown Township and DTE have been negotiating, no settlement has been reached and it appears that the case will be heard by the Michigan Tax Tribunal. MCCC has entered into a Tax Tribunal and Appeal Litigation Cost Sharing Agreement with the eight public entities who would be adversely affected by a taxable value reduction. On August 27, 2020, the MCCC Board of Trustees authorized expenditures up to \$30,000 in support of the agreement granting that "this amount may be increased with additional review and approval of the Board."

The College received planning authorization from the State of Michigan for a capital outlay project to renovate the East and West Technology Buildings. The total estimated cost of the renovation is \$9,000,000 of which the State will pay \$3,750,000. Anticipated completion of the project is fall of 2020. Construction in progress as of June 30, 2020 and 2019 was \$7,890,387 and \$1,824,906, leaving approximately \$7.175 million and \$1.1 million, respectively.

The College signed a contract on June 18, 2019 with Monroe Plumbing and Heating for a pipe lining project for the East and West Technology Buildings. The total estimated cost of this project is \$517,800. This project is separate from the \$9,000,000 project on the East and West Technology Buildings; however, it was included in the budgeted list of maintenance and improvement millage projects. Work on the project has been completed by June 30, 2020.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

### **Note 17 - Foundation at Monroe County Community College, a Component Unit**

Unrestricted net position, expendable endowments, scholarships and grants and nonexpendable endowments are available at June 30, 2020 and 2019 for the following purposes:

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Non- expendable endowments	Total June 30, 2020
College designated	\$71,337	\$0	\$0	\$71,337
Scholarships	0	1,535,281	3,359,166	4,894,447
Grants	0	330,102	25,000	355,102
Enrichment of the cultural and performing arts	0	3,209,220	0	3,209,220
Construction of the career technology center	0	107,433	0	107,433
Total	<u>\$71,337</u>	<u>5,182,036</u>	<u>\$3,384,166</u>	<u>\$8,637,539</u>

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Non- Expendable Endowments	Total June 30, 2019
College designated	\$65,765	\$0	\$0	\$65,765
Scholarships	0	1,428,063	3,081,923	4,509,491
Grants	0	326,756	25,000	351,756
Enrichment of the cultural and performing arts	0	2,108,805	0	2,108,805
Construction of the career technology center	0	136,883	0	136,883
Total	<u>\$65,765</u>	<u>\$4,000,507</u>	<u>\$3,106,428</u>	<u>\$7,172,700</u>

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

All investments of the Foundation are either donor-restricted endowments, donor restricted grants, Foundation designated endowments or College designated endowments. The Foundation's investments are stated at fair value based on quoted market prices for active market assets using Level 1 inputs. The fair value of the Foundation investments in mutual funds at June 30 are as follows:

	2020 Fair Value	2019 Fair Value
Money Market (a)	\$391,319	\$332,723
Individual Securities: (b)		
Corporate stocks	361,069	358,748
Mutual Funds: (c)		
Equity funds	2,332,473	2,588,886
Fixed income funds	1,695,592	1,119,509
Total Mutual Funds	4,028,065	3,708,395
Exchange Traded Funds: (d)		
Equity funds	1,379,140	895,714
Fixed income funds	488,241	826,339
REIT	183,166	173,989
Total Exchange Traded Funds	2,050,547	1,896,042
Total Brokeraged Investments	\$6,831,000	\$6,295,908

The net position and all activity of the Foundation are reported as a discretely presented component unit in the College's financial statements. The net position of the Foundation totaled \$8,637,539 and \$7,172,700 at June 30, 2020 and 2019, respectively.

### Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation board approved a distribution policy to allow an amount equal to four percent of the three years rolling average of each endowment. In considering the long-term expected return on its endowment, the Foundation expects the current spending policy to allow its endowment to grow annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

# MONROE COUNTY COMMUNITY COLLEGE

## *Notes to Financial Statements* *June 30, 2020 and 2019*

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### **Note 18 - Upcoming Pronouncements**

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The College is currently evaluating the impact of this standard, specifically related to holding assets for other organizations and defined contribution retirement benefits held in trust. The provisions of this statement were originally effective for the College's financial statements for the year ending June 30, 2020 but were extended to June 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which clarifies guidance provided in GASB 84.

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 liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. The effect of applying the new lease guidance on the financial statements has not yet been determined. The new lease standard is not expected to have a significant effect on the College's financial statements. The provisions of this statement were originally effective for the College's financial statements for the year ending June 30, 2021 but were extended to June 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

Originally effective for yearends beginning after December 15, 2019, but was extended to after December 15, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, which provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the College.

Originally effective for yearends beginning after December 15, 2019, but was extended to after December 15, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which provides an enhanced relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also will simplify accounting for interest cost incurred before the end of a construction period. We do not expect this standard to have any significant effect on the College.



## **REQUIRED SUPPLEMENTAL INFORMATION**

**MONROE COUNTY COMMUNITY COLLEGE**

*Schedule of the College's Proportionate Share of the Net Pension Liability  
Michigan Public School Employees Retirement Plan  
Last 10 College Fiscal Years (Amounts determined as of 9/30 of each year)*

	2019	2018	2017	2016	2015	2014
A. The College's proportion of net pension liability (%)	0.12544%	0.12833%	0.13175%	0.13740%	0.13386%	0.13504%
B. The College's proportion proportionate share of net pension liability	\$41,541,911	\$38,578,916	\$34,142,091	\$34,281,171	\$32,695,153	\$29,745,273
C. The College's covered-employee payroll	\$10,763,888	\$10,768,390	\$10,838,312	\$11,497,098	\$14,659,767	\$14,470,277
D. The College's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	25.91%	27.91%	31.74%	33.54%	44.84%	48.65%
E. Plan fiduciary net position as a percentage of total pension liability	60.31%	62.36%	64.21%	63.27%	66.20%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June 30, 2015.

**MONROE COUNTY COMMUNITY COLLEGE**

*Schedule of the College's Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 College Fiscal Years (Amounts determined as of 6/30 of each year)*

	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions	\$3,332,395	\$3,494,508	\$3,090,243	\$3,085,478	\$2,582,318	\$2,097,300
B. Contributions in relation to statutorily required contributions*	\$3,332,395	\$3,494,508	\$3,090,243	\$3,085,478	\$2,582,318	\$2,097,300
C. Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0
D. The College's covered-employee payroll	\$10,587,544	\$10,746,574	\$10,747,216	\$10,886,855	\$14,142,540	\$14,463,840
E. Contributions as a percentage of covered-employee payroll	31.47%	32.52%	28.75%	28.34%	18.26%	14.50%

\*Contribution in relation to statutorily required contributions are the contributions a college actually made to MPERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June 30, 2015.

**MONROE COUNTY COMMUNITY COLLEGE**

*Schedule of the College's OPEB Contributions  
Michigan Public School Employees Retirement Plan  
Last 10 College Fiscal Years (Amounts determined as of 6/30 of each year)*

	2020	2019	2018
A. Statutorily required OPEB contributions	\$843,630	\$819,577	\$1,029,126
B. OPEB contributions in relation to statutorily required contributions*	\$843,630	\$819,577	\$1,029,126
C. Contribution deficiency (excess)	\$0	\$0	\$0
D. The College's covered-employee payroll	\$10,587,544	\$10,746,574	\$10,747,216
E. OPEB contributions as a percentage of covered-employee payroll	7.97%	7.63%	9.58%

\*Contribution in relation to statutorily required contributions are the contributions a college actually made to the OPEB plan, as distinct from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

**MONROE COUNTY COMMUNITY COLLEGE**

*Schedule of the College's Proportionate Share of the Net OPEB Liability  
Michigan Public School Employees Retirement Plan  
Last 10 College Fiscal Years (Amounts determined as of 9/30 of each year)*

	2019	2018	2017
A. The College's proportion of net OPEB liability (%)	0.12287%	0.12626%	0.13219%
B. The College's proportion proportionate share of net OPEB liability	\$8,819,243	\$10,036,686	\$11,705,722
C. The College's covered-employee payroll	\$10,763,888	\$10,768,390	\$10,838,312
D. The College's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	122.05%	107.29%	92.59%
E. Plan fiduciary net position as a percentage of total OPEB liability	48.46%	42.95%	36.39%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available.

## **OTHER SUPPLEMENTAL INFORMATION**

# MONROE COUNTY COMMUNITY COLLEGE

*Combining Statements of Net Position  
June 30, 2020 and 2019*

	2020			
	General Fund	Pension and OPEB Liability Fund	CARES Fund	Designated Fund
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$11,726,546	\$0	(\$369,561)	\$361,221
Property taxes receivable (net of allowance \$15,055 and \$20,544)	21,684	0	0	0
State appropriation receivable	389,237	254,308	0	0
Federal and state receivable	58,412	0	0	0
Interest receivable	0	0	0	0
Accounts receivable (net of allowance \$576,409 and \$742,454)	478,791	0	0	0
Inventories	12,974	0		
Prepaid expenses and other assets	109,150	0	0	187,996
Due from (to) other funds	58,412	0	0	0
Total Current Assets	12,855,206	254,308	(369,561)	549,217
Restricted short-term investments	0	0	0	0
Property and Equipment (net of accumulated depreciation)	0	0	0	0
<b>TOTAL ASSETS</b>	12,855,206	254,308	(369,561)	549,217
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension amounts	0	11,396,609	0	0
Deferred OPEB amounts	0	2,597,308	0	0
Total deferred outflows of resources	0	13,993,917	0	0
<b>LIABILITIES AND NET POSITION</b>				
Current Liabilities				
Accounts payable	\$180,686	\$0	\$0	\$3,611
Accrued payroll and fringes	1,858,734	254,308	0	0
Deposits	69,495	0	0	0
Unearned revenue	160,378	0	0	0
Current portion of debit obligations	0	0	0	0
Total Current Liabilities	2,269,293	254,308	0	3,611
Long term Liabilities				
Debt obligations	0	0	0	0
Net pension liability	0	41,541,911	0	0
Net OPEB liability	0	8,819,243	0	0
<b>TOTAL LIABILITIES</b>	2,269,293	50,615,462	0	3,611
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred pension amounts	0	3,120,212	0	0
Deferred OPEB amounts	0	4,048,267	0	0
Total deferred inflows of resources	0	7,168,479	0	0
<b>Net Position</b>				
Invested in capital assets	0	0	0	0
Restricted for:				
Nonexpendable endowments	0	0	0	0
Expendable:				
Scholarships	0	0	0	0
Other	0	0	0	0
Unrestricted (deficit)	10,585,913	(43,535,716)	(369,561)	545,606
<b>Total Net Position</b>	\$10,585,913	(\$43,535,716)	(\$369,561)	\$545,606

						2019
Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Combined Total	Combined Total
\$1,233,914	\$18,386	\$18,497	\$264,220	\$9,267,168	\$22,520,391	\$26,585,922
0	0	0	0	8,446	30,130	30,245
0	0	0	0	0	643,545	893,013
0	48,861	0	0	269,090	376,363	352,837
0	0	0	1,714	0	1,714	2,224
30,080	355,881	0	8,116	0	872,868	873,711
286,772	0	0	0	0	299,746	231,865
0	2,925	0	0	0	300,071	371,343
0	(58,412)	0	0	0	0	0
1,550,766	367,641	18,497	274,050	9,544,704	25,044,828	29,341,160
0	0	0	185,848	0	185,848	181,788
0	0	0	59,100	57,665,414	57,724,514	49,595,272
1,550,766	367,641	18,497	518,998	67,210,118	82,955,190	79,118,220
0	0	0	0	0	11,396,609	12,378,902
0	0	0	0	0	2,597,308	1,748,236
0	0	0	0	0	13,993,917	14,127,138
\$29,434	\$60,755	\$0	\$0	\$641,322	\$915,808	\$1,870,647
4,249	43,581	0	0	0	2,160,872	2,304,567
0	137,293	0	0	0	206,788	139,650
0	0	0	0	0	160,378	382,708
0	0	0	0	984,372	984,372	950,357
33,683	241,629	0	0	1,625,694	4,428,218	5,647,929
0	0	0	0	11,982,538	11,982,538	12,966,911
0	0	0	0	0	41,541,911	38,578,916
0	0	0	0	0	8,819,243	10,036,686
33,683	241,629	0	0	13,608,232	66,771,910	67,230,442
0	0	0	0	0	3,120,212	4,451,481
0	0	0	0	0	4,048,267	2,729,773
0	0	0	0	0	7,168,479	7,181,254
0	0	0	59,100	57,665,414	57,724,514	49,595,272
0	0	0	177,539	0	177,539	177,539
0	10,497	0	0	0	10,497	9,262
0	115,515	240	0	0	115,755	104,540
1,517,083	0	18,257	282,359	(4,063,528)	(35,019,587)	(31,052,951)
\$1,517,083	\$126,012	\$18,497	\$518,998	\$53,601,886	\$23,008,718	\$18,833,662



# MONROE COUNTY COMMUNITY COLLEGE

*Combining Statements of Revenue, Expenses, Transfers and Changes in Net Position  
For the Years Ended June 30, 2020 and 2019*

	2020			
	General Fund	Pension and OPEB Liability Fund	Cares Act Fund	Designated Fund
<b>REVENUE</b>				
Operating Revenue				
Tuition and fees (net of scholarship allowance of \$2,330,407 and \$2,631,853)	\$7,107,797	\$0	\$0	\$1,009,073
Federal grants	7,704	0	0	0
State grants	0	0	0	0
Auxiliary activities (net of scholarship allowance of \$266,014 and \$291,410)	(12,227)	0	0	0
Indirect cost recoveries	17,836	0	0	0
Other sources	203,512	0	0	0
Total Operating Revenue	7,324,622	0	0	1,009,073
<b>EXPENSES</b>				
Operating Expenses				
Instruction	10,206,741	1,650,655	0	231,487
Information technology	1,228,730	168,292	0	839,669
Public services	184,836	32,028	0	540
Instructional support	3,309,891	382,480	0	148,075
Student services	2,525,330	347,517	0	20,553
Institutional administration	3,164,508	336,452	369,561	38,720
Operation and maintenance of plant	2,951,446	347,264	0	16,356
Depreciation expense	0	0	0	0
Total Operating Expenses	23,571,482	3,264,688	369,561	1,295,400
Operating Income (Loss)	(16,246,860)	(3,264,688)	(369,561)	(286,327)
<b>NONOPERATING REVENUE (EXPENSES)</b>				
State appropriations	\$5,126,331	\$1,398,690	\$0	\$0
Property tax levy	13,522,365	0	0	0
Federal pell grant revenue	0	0	0	0
Investment income	113,089	0	0	0
Gifts	0	0	0	0
Loss on disposal of assets	0			
Net Nonoperating Revenue (Expense)	18,761,785	1,398,690	0	0
Income (Loss) Before Other Revenue and Expenses	2,514,925	(1,865,998)	(369,561)	(286,327)
<b>OTHER REVENUE (EXPENSES)</b>				
State capital gifts	0	0	0	0
Transfers In (Out)	(2,114,728)	(68,986)	0	0
Net Increase (Decrease) in Net Position	400,197	(1,934,984)	(369,561)	(286,327)
<b>NET POSITION</b>				
Beginning of Year	10,185,716	(41,600,732)	0	831,933
End of Year	\$10,585,913	(\$43,535,716)	(\$369,561)	\$545,606

						2019
Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Combined Total	Combined Total
\$0	(\$1,871,882)	\$260	\$0	\$0	\$6,245,248	\$6,934,423
0	1,402,045	0	0	0	1,409,749	1,255,512
0	133,026	0	0	0	133,026	71,794
1,075,418	(253,787)	0	0		809,404	942,445
0	(17,836)	0	0	0	0	0
700	0	0	0	0	204,212	263,919
1,076,118	(608,434)	260	0	0	8,801,639	9,468,093
0	197,526	0	0	103,453	12,389,862	11,698,618
0	0	0	0	(314,312)	1,922,379	1,636,934
73,791	24,695	0	0	0	315,890	390,252
0	142,049	0	0	(11,873)	3,970,622	4,165,308
1,013,196	1,842,730	197	0	0	5,749,523	5,794,366
0	76,579	0	3,265	504,573	4,493,658	3,927,246
0	734	0	0	345,121	3,660,921	4,261,405
0	0	0	0	2,230,042	2,230,042	2,256,108
1,086,987	2,284,313	197	3,265	2,857,004	34,732,897	34,130,237
(10,869)	(2,892,747)	63	(3,265)	(2,857,004)	(25,931,258)	(24,662,144)
\$0	\$0	\$0	\$0	\$0	\$6,525,021	\$7,003,220
0	0	0	0	5,268,817	18,791,182	18,049,661
0	2,574,282	0	0	0	2,574,282	3,073,607
0	0	0	21,716	31,870	166,675	206,830
0	328,372	0	0	125,000	453,372	456,266
			0	(16,190)	(16,190)	(5,614)
0	2,902,654	0	21,716	5,409,497	28,494,342	28,783,970
(10,869)	9,907	63	18,451	2,552,493	2,563,084	4,121,826
0	0	0	0	1,611,972	1,611,972	0
(2,500)	2,500	0	(14,901)	2,198,615	0	0
(13,369)	12,407	63	3,550	6,363,080	4,175,056	4,121,826
1,530,452	113,605	18,434	515,448	47,238,806	18,833,662	14,711,836
<u>\$1,517,083</u>	<u>\$126,012</u>	<u>\$18,497</u>	<u>\$518,998</u>	<u>\$53,601,886</u>	<u>\$23,008,718</u>	<u>\$18,833,662</u>

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees  
Monroe County Community College

In planning and performing our audit of the financial statements of Monroe County Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purposes described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented or detected and corrected on a timely basis.

This communication is intended solely for the information and use of the Board of Trustees and management of Monroe County Community College and is not intended to be and should not be used by anyone other than these specific parties.

Very Truly Yours,



December 7, 2020

# COOLEY HEHL SABO & CALKINS

CERTIFIED PUBLIC ACCOUNTANTS

December 7, 2020

To the Board of Trustees  
Monroe County Community College

We have audited the financial statements of Monroe County Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2020 and 2019 and have issued our report thereon dated December 7, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Monroe County Community College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the College during the year for which there is lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the College's financial statements were:

Allowance of Uncollectible Receivables - Management estimates the value of tuition accounts receivable and property taxes receivable by establishing an allowance of estimated uncollectible amounts. We evaluated the allowance for uncollectible accounts to determine if the amounts recorded are reasonable.

To the Board of Trustees  
Monroe County Community College

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*Qualitative Aspects of Accounting Practices (concluded)*

Scholarship Allowance - Management estimates the scholarship allowances for tuition revenue using a historical relationship between financial aid awarded for books in excess of the associated tuition revenue. We evaluated this estimate to determine if it was reasonable in relation to the overall financial statements.

Capital Asset Useful Life – Management estimates the useful lives of depreciable capital assets based on the length of time those assets will provide economic benefit in the future.

Compensated Absences – Management estimates the accrual based on formulas and conditions specified in various contracts regarding vacation benefits.

The disclosures in the financial statements are neutral, consistent and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not have any adjustments to the financial statements.

*Disagreements with Management*

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 7, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We would like to bring to your attention to accounting principles that have changed recently:

### *Upcoming Accounting Pronouncements*

Originally effective yearends beginning after December 15, 2019, but was extended to after December 15, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the College.

Originally effective December 15, 2019, but was extended to yearends beginning after June 15, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. In June 2017, the GASB issued Statement No. 87, *Leases*, which establishes a single model for reporting all leases (Including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

Originally effective for yearends beginning after December 15, 2019, but was extended to after December 15, 2020 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*. the GASB issued Statement No. 88, *Certain Disclosures Related to Debt*, which provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the College.

To the Board of Trustees  
Monroe County Community College

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Originally effective for yearends beginning after December 15, 2019, but was extended to after December 15, 2020 with the issuance of GASB Statement No. 95, Postponement of the Effective Date of Certain Authoritative Guidance. The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which provides an enhanced relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. It also will simplify accounting for interest cost incurred before the end of a construction period. We do not expect this standard to have any significant effect on the College.

#### *Other Matters*

We applied certain limited procedures to the pension and OPEB schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

#### *Restriction of Use*

This information is intended solely for the information and use of the Board of Directors and management of Monroe County Community College and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Cooley Hohl Schar & Watkins, PLLC*