

**Central Michigan University**

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State of Michigan ACFR Financial Schedules

June 30, 2022

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## Independent Auditor's Report

To the Board of Trustees  
Central Michigan University

We have audited the financial statements of the business-type activities, fiduciary activities, and discretely presented component units of Central Michigan University (the "University"), a component unit of the State of Michigan, as of and for the year ended June 30, 2022 and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated September 23, 2022, which contained an unmodified opinion on the financial statements of Central Michigan University. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We did not audit the financial statements of CMU Medical Education Partners (CMEP) or The Institute for Excellence in Education (IEE), which represent all the balances of the assets, net assets, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CMEP and IEE, is based solely on the report of the other auditors. We have not performed any procedures with respect to the audited financial statements subsequent to September 23, 2022.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements of the University and Note 4 to the State of Michigan ACFR Financial Schedules, in 2022, the University adopted the provisions under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

### ***Restriction on Use***

Our report is intended solely for the information and use of the University, the State of Michigan Department of Management and Budget, the Office of Financial Management, and the State of Michigan Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

### ***In Relation to Opinion on Accompanying Financial Statements***

Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying financial information is presented for the purpose of conforming the University's financial statements with the State of Michigan Annual Comprehensive Financial Report format and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

January 12, 2023

**STATE OF MICHIGAN**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNIT**  
June 30, 2022

CENTRAL  
MICHIGAN  
UNIVERSITY

<b>ASSETS</b>	<b>CENTRAL MICHIGAN UNIVERSITY</b>
<b>Current Assets:</b>	
Cash	\$ 40,957,118
Equity in common cash (Note 5)	
Amounts due from component units	
Amounts due from primary government	59,824,448
Amounts due from federal government	2,091,598
Amounts due from local units	
Inventories	2,318,584
Investments (Note 8)	3,488,434
Other current assets*	29,576,547
Total Current Assets	138,256,729
<b>Restricted Assets:</b>	
Cash and cash equivalents	14,676,515
Investments	
Mortgages and loans receivable	
Advances to primary government	
Amounts due from local units	
Mortgages and loans receivable	
Investments (Note 8)	447,289,381
Land and property held for resale	
<b>Capital and Lease Assets (Note 9):</b>	
Land and other non-depreciable assets	15,163,806
Buildings, equipment, and other depreciable assets	1,068,209,938
Less accumulated depreciation	(540,824,627)
Infrastructure	
Construction in progress	11,400,454
Total capital and lease assets	553,949,571
Other noncurrent assets*	23,929,779
Total Noncurrent assets	1,039,845,246
Total Assets	1,178,101,975
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 27)</b>	16,080,654
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable and other liabilities	74,703,230
Amounts due to component units	
Amounts due to primary government	5,263,443
Bonds and notes payable (Note 14)	7,348,000
Vendor financing obligations (Note 12)**	1,244,375
Interest payable	1,219,005
Unearned revenue	18,713,504
Current portion of other long-term obligations	361,701
Total Current Liabilities	108,853,258
<b>Long-Term Liabilities:</b>	
Unearned revenue	
Bonds and notes payable (Note 14)	154,827,000
Vendor financing obligations (Note 12)**	5,045,171
Noncurrent portion of other long-term obligations	152,471,128
Total Long-Term Liabilities	312,343,299
Total Liabilities	421,196,557
<b>DEFERRED INFLOWS OF RESOURCES (Note 27)</b>	39,609,737
<b>NET POSITION</b>	
Net investment in capital assets	381,391,949
<b>Restricted For:</b>	
Education	29,371,692
Construction and debt service	21,422,046
Other purposes	
<b>Funds Held as Permanent Investments:</b>	
Expendable	56,314,790
Nonexpendable	71,644,405
Unrestricted	173,231,453
Total Net Position	\$ 733,376,335

\*Includes lease receivables.

\*\*To report the current and long-term portions of lease liabilities and financed purchase liabilities.

## STATE OF MICHIGAN

## STATEMENT OF NET POSITION

EXHIBIT I

## COMPONENT UNIT-CENTRAL MICHIGAN UNIVERSITY

June 30, 2022

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and		SOMACFR Format	
					Reclassifications			
					Debit	Credit		
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 35,282,201	\$ 5,674,917		\$ 40,957,118		\$ 40,957,118	1	
Investments		3,488,434		3,488,434		3,488,434	1	
Accounts receivable, net	22,190,498	3,723,509	\$ (611,214)	25,302,793		25,302,793	2	
State appropriations receivable, SBA	0	0		0		0	2	
State appropriations receivable, operations	17,052,492	0		17,052,492		17,052,492	2	
State appropriations receivable, Charter Schools	42,570,562	0		42,570,562		42,570,562	2	
Inventories	2,251,526	67,058		2,318,584		2,318,584	1	
Other assets	5,312,442	1,254,304		6,566,746		6,566,746	2	
<b>Total current assets</b>	<b>124,659,721</b>	<b>14,208,222</b>	<b>(611,214)</b>	<b>138,256,729</b>				
<b>CURRENT ASSETS</b>								
Cash				\$ 40,957,118	1		\$ 40,957,118	
Amounts due from primary government				59,824,448	2		59,824,448	
Amounts due from federal government				2,091,598	2		2,091,598	
Amounts due from local units								
Inventories				2,318,584	1		2,318,584	
Investments (Note 8)				3,488,434	1		3,488,434	
Securities lending collateral								
Other Current Assets				29,576,547	2		29,576,547	
<b>Total Current Assets</b>	<b>124,659,721</b>	<b>14,208,222</b>	<b>(611,214)</b>	<b>138,256,729</b>	<b>138,256,729</b>	<b>138,256,729</b>	<b>138,256,729</b>	
<b>NONCURRENT ASSETS:</b>								
Restricted cash and cash equivalents	14,676,515	0		14,676,515		14,676,515	1	
Pledges receivable, net	5,112,753	0		5,112,753		5,112,753	1	
Leases receivable, net	8,190,400	0		8,190,400		8,190,400	1	
Endowment investments	231,367,296	0		231,367,296		231,367,296	3	
Other assets		13,540		13,540		13,540	1	
Other long-term investments	211,583,085	4,339,000		215,922,085		215,922,085	3	
Net OPEB asset	10,613,086	0		10,613,086		10,613,086	1	
Lease assets, net	6,019,722	0		6,019,722		6,019,722	4	
Capital assets, net	542,546,593	5,383,256		547,929,849		547,929,849	4	
<b>RESTRICTED ASSETS</b>								
Cash and cash equivalents					14,676,515	1	14,676,515	
<b>INVESTMENTS</b>					447,289,381	3	447,289,381	
<b>CAPITAL AND LEASE ASSETS:</b>								
Land and other non depreciable assets					15,163,806	4	15,163,806	
Buildings, equipment and other depreciable assets					1,068,209,938	4	1,068,209,938	
Less accumulated depreciation						540,824,627	4	(540,824,627)
Construction in progress					11,400,454	4	11,400,454	
<b>Net capital and lease assets</b>							553,949,571	
Other noncurrent assets					23,929,779	1	23,929,779	
<b>Total noncurrent assets</b>	<b>1,030,109,450</b>	<b>9,735,796</b>		<b>1,039,845,246</b>	<b>1,580,669,873</b>	<b>1,580,669,873</b>	<b>1,039,845,246</b>	
<b>TOTAL ASSETS</b>	<b>1,154,769,171</b>	<b>23,944,018</b>	<b>(611,214)</b>	<b>1,178,101,975</b>	<b>1,718,926,602</b>	<b>1,718,926,602</b>	<b>1,178,101,975</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Accumulated change in fair value of hedging derivatives and deferred on bond refunding	4,861,137			4,861,137			4,861,137	
Deferred outflow related to CMU's proportionate share of the MPSERS net pension & OPEB liability	35,592,970			35,592,970		24,373,453	9	11,219,517
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>40,454,107</b>			<b>40,454,107</b>		<b>24,373,453</b>	<b>16,080,654</b>	

See notes to supplemental financial statements.

STATE OF MICHIGAN  
STATEMENT OF NET POSITION

EXHIBIT I

COMPONENT UNIT-CENTRAL MICHIGAN UNIVERSITY

June 30, 2022

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMACFR Format
					Debit	Credit	
<b>LIABILITIES:</b>							
<b>CURRENT LIABILITIES</b>							
Accounts payable and accrued liabilities	74,619,320	6,328,158	(611,214)	80,336,264	80,336,264	5	
Unearned revenue	18,550,215	163,289		18,713,504	18,713,504	1	
Deposits	849,414	0		849,414	849,414	5	
Long term liabilities - current portion	8,795,705	158,371		8,954,076	8,954,076	6	
Total Current Liabilities	102,814,654	6,649,818	(611,214)	108,853,258			
<b>CURRENT LIABILITIES</b>							
Accounts payable and other liabilities							74,703,230 5 74,703,230
Amounts due to primary government							5,263,443 5 5,263,443
Bond and notes payable							7,348,000 6 7,348,000
Lease obligations							1,244,375 6 1,244,375
Interest payable							1,219,005 5 1,219,005
Unearned revenue							18,713,504 1 18,713,504
Other long term obligations - current portion							361,701 6 361,701
Total Current Liabilities	102,814,654	6,649,818	(611,214)	108,853,258	108,853,258		108,853,258
<b>NONCURRENT LIABILITIES:</b>							
Amounts due to CMU		0	0				
Long-term debt, hedging instruments and other obligations	168,904,465	0		168,904,465	168,904,465	7	
Net Pension Liability	139,230,704			139,230,704	139,230,704	7	
Net OPEB Liability	0			0	0	7	
Unearned Revenue		0		0			0
Bonds and notes payable							154,827,000 7 154,827,000
Lease obligations							5,045,171 7 5,045,171
Noncurrent portion of other long-term obligations		4,208,130		4,208,130			148,262,998 7 152,471,128
TOTAL LIABILITIES	410,949,823	10,857,948	(611,214)	421,196,557	416,988,427		421,196,557
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflow on bond refunding	669,436			669,436			669,436
Deferred inflow related to CMU's proportionate share of the MPSERS net pension & OPEB liability	49,191,026			49,191,026	24,373,453	9	24,817,573
Deferred inflow related to Split Interest Agreements	5,167,672			5,167,672			5,167,672
Deferred inflow related to Lease Agreements	8,955,056			8,955,056			8,955,056
TOTAL DEFERRED INFLOWS OF RESOURCES	63,983,190			63,983,190	24,373,453		39,609,737
<b>NET POSITION</b>							
Net investment in capital assets	381,391,949			381,391,949	381,391,949	1	
Restricted for:							
Expendable							
Scholarships, fellowships, research and other	62,294,879			62,294,879	62,294,879	8	
Instructional department uses	23,391,603			23,391,603	23,391,603	8	
Capital projects and debt service	21,422,046			21,422,046	21,422,046	1	
Nonexpendable							
Scholarships, fellowships, and research	71,644,405			71,644,405	71,644,405	8	
Unrestricted	160,145,383	13,086,070		173,231,453	173,231,453	1	
Total net position	720,290,265	13,086,070		733,376,335	733,376,335		
<b>NET POSITION</b>							
Net investment in capital assets							381,391,949 1 381,391,949
Restricted for:							
Education							
Construction and debt service							29,371,692 8 29,371,692
Other Purposes							21,422,046 1 21,422,046
Funds Held as Permanent Investments							0 1 0
Expendable							
Nonexpendable							56,314,790 8 56,314,790
Unrestricted Net Position							71,644,405 8 71,644,405
Total net position							173,231,453 1 173,231,453
<b>TOTAL NET POSITION</b>	<b>\$ 720,290,265</b>	<b>13,086,070</b>		<b>\$ 733,376,335</b>	<b>\$ 733,376,335</b>		<b>\$ 733,376,335</b>

See notes to supplemental financial statements.

STATE OF MICHIGAN  
RECLASSIFYING ENTRIES FOR STATEMENT OF NET POSITION  
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY  
JUNE 30, 2022

EXHIBIT I

1) Reclassify financial data into the specified format to be used in the State's ACFR Statement.

2) Reclassify current receivables

	<u>Other Receivables</u>	<u>Due from Primary Government</u>	<u>Due from Federal Government</u>
Accounts receivable, net	\$ 25,302,793		
State appropriations receivable, SBA			
State appropriations receivable, operations	17,052,492		
State appropriations receivable, Charter Schools	42,570,562		
State Appropriations - SBA			
State Appropriations - operations	(17,052,492)	\$ 17,052,492	
State Appropriations - Charter Schools	(42,570,562)	42,570,562	
State Grants	(201,394)	201,394	
Federal Agencies	<u>(2,091,598)</u>		<u>\$ 2,091,598</u>
	23,009,801	<u>\$ 59,824,448</u>	<u>\$ 2,091,598</u>
Other current assets	<u>6,566,746</u>		
	<u>\$ 29,576,547</u>		

3) Reclassify investments

	<u>Investments</u>
Endowment investments	\$ 231,367,296
Other long-term investments (includes component units)	215,922,085
Investments	<u>\$ 447,289,381</u>

4) Reclassify capital assets

	<u>University Capital Assets</u>	<u>Discrete CU Capital Assets</u>	<u>Total Capital Assets</u>
Land and other nondepreciable assets	\$ 15,163,806		\$ 15,163,806
Buildings, equipment, and other depreciable assets	1,050,108,246	\$ 18,101,692	1,068,209,938
Construction in progress	11,400,454		11,400,454
Total	<u>1,076,672,506</u>	<u>18,101,692</u>	<u>1,094,774,198</u>
Less accumulated depreciation	528,106,191	12,718,436	540,824,627
Capital Assets, net	<u>\$ 548,566,315</u>	<u>\$ 5,383,256</u>	<u>\$ 553,949,571</u>

5) Reclassify current liabilities

	<u>Accounts Payable and Other Liabilities</u>	<u>Due to Primary Government</u>	<u>Interest Payable</u>
Accounts payable and accrued liabilities	\$ 80,336,264		
Deposits	849,414		
Mich income tax	(52,191)	\$ 52,191	
Payroll Floor UAAL Payment	(4,523,284)	4,523,284	
Sec 236(4) UAAL Payment	(608,770)	608,770	
MPSERS Member Payments on Accrued Payroll	(57,216)	57,216	
Mich sales tax owed	(21,982)	21,982	
Interest	<u>(1,219,005)</u>		<u>\$ 1,219,005</u>
	<u>\$ 74,703,230</u>	<u>\$ 5,263,443</u>	<u>\$ 1,219,005</u>

6) Reclassify current portion of debt obligation

	<u>Long Term Liab Current portion</u>	<u>Bonds &amp; Notes Payable</u>	<u>Lease Obligations</u>
Current portions of long term obligations	\$ 8,954,076		
Bonds and notes payable	(7,348,000)	\$ 7,348,000	
Lease obligations	<u>(1,244,375)</u>		<u>\$ 1,244,375</u>
	<u>\$ 361,701</u>	<u>\$ 7,348,000</u>	<u>\$ 1,244,375</u>

7) Reclassify noncurrent liabilities

	<u>Other Long-Term Liabilities</u>	<u>Bonds &amp; Notes Payable</u>	<u>Lease Obligations</u>
Long-term debt and other obligations	\$ 168,904,465		
Long-term bonds and notes payable	(154,827,000)	\$ 154,827,000	
Long-term lease obligations	(5,045,171)		\$ 5,045,171
Net Pension Liability	139,230,704		
Net OPEB Liability	<u>0</u>		
	<u>\$ 148,262,998</u>	<u>\$ 154,827,000</u>	<u>\$ 5,045,171</u>

8) Combine restricted net position

	<u>Restricted for Endowments</u>	<u>Restricted for Education</u>
Restricted for:		
Nonexpendable-scholarships, fellowships, research	\$ 71,644,405	
Expendable-scholarships, fellowships, research	56,314,790	\$ 5,980,089
Instructional department uses		<u>23,391,603</u>
	<u>\$ 127,959,195</u>	<u>\$ 29,371,692</u>

9) Reclassify Pension Related State Approps Deferred Inflows

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Pension & OPEB Related Deferreds	\$ 35,592,970	\$ 49,191,026
Def Inflows-State Approps Contributions Subsq to Msrmt Date	<u>(24,373,453)</u>	<u>(24,373,453)</u>
	<u>\$ 11,219,517</u>	<u>\$ 24,817,573</u>

See notes to supplemental financial statements.

STATE OF MICHIGAN  
STATEMENT OF ACTIVITIES  
COMPONENT UNIT  
June 30, 2022

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			GENERAL REVENUES					CHANGE IN NET POSITION	RESTATED NET POSITION BEGINNING OF YEAR	NET POSITION END OF YEAR
		SERVICES	OPERATING GRANTS/	CAPITAL GRANTS/	NET (EXPENSE) REVENUE	INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER	EXTRAORDINARY ITEMS			
Central Michigan University	\$ 490,194,851	\$ 304,291,655	\$ 18,286,179	\$ 2,941,506	\$ (164,675,511)	\$ (26,610,403)	\$ 97,752,247	\$ 60,248,242	\$	\$ (33,285,425)	\$ 766,661,760	\$ 733,376,335
Total	<u>\$ 490,194,851</u>	<u>\$ 304,291,655</u>	<u>\$ 18,286,179</u>	<u>\$ 2,941,506</u>	<u>\$ (164,675,511)</u>	<u>\$ (26,610,403)</u>	<u>\$ 97,752,247</u>	<u>\$ 60,248,242</u>	<u>\$ -</u>	<u>\$ (33,285,425)</u>	<u>\$ 766,661,760</u>	<u>\$ 733,376,335</u>
PRIOR YEAR ENDING NET POSITION											\$ 766,775,252	
RESTATEMENT FOR GASB 87											(113,492)	
RESTATED BEGINNING OF YEAR NET POSITION											<u>\$ 766,661,760</u>	



STATE OF MICHIGAN  
STATEMENT OF ACTIVITIES  
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY  
June 30, 2022

EXHIBIT II

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMACFR Format
					Debit	Credit	
OPERATING REVENUES							
Tuition and fees	\$ 152,415,482			\$ 152,415,482	\$ 152,415,482	1	
Federal grants and contracts	10,721,947	\$ 930,282		11,652,229	11,652,229	2	
State and local grants and contracts	738,735			738,735	738,735	2	
Private grants and contracts	7,189,186			7,189,186	7,189,186	2	
Sales and services of educational activities	29,879,007	5,843,211	\$ (229,130)	35,493,088	35,493,088	1	
Auxiliary enterprises	61,362,246	55,020,839		116,383,085	116,383,085	1	
Total operating revenues	262,306,603	61,794,332	(229,130)	323,871,805	323,871,805		
OPERATING EXPENSES	419,711,987	65,234,081	(729,130)	484,216,938		\$ 484,216,938	3
NONOPERATING REVENUES (EXPENSES)							
State appropriations	97,752,247	500,000	(500,000)	97,752,247	97,752,247	4	
Gifts and pledges net of allowance	7,736,463	531,096		8,267,559	8,267,559	2	
Investment income net of expense	(39,185,359)	(651,853)		(39,837,212)	(39,837,212)	2,5	
Interest on capital assets related debt	(5,977,913)			(5,977,913)			5,977,913 3
Federal Pell grant program	17,153,555			17,153,555	17,153,555	6	
Governmental Coronavirus Support programs	41,283,733	627,261		41,910,994	41,910,994	6	
Other nonoperating revenue (expense)	1,182,355	1,338		1,183,693	1,183,693	6	
Net nonoperating revenues	119,945,081	1,007,842	(500,000)	120,452,923	126,430,836		5,977,913
OTHER							
Capital appropriations				0	0	4	
Capital grants and gifts	2,941,506			2,941,506	2,941,506	7	
Additions to permanent endowments	3,665,279			3,665,279	3,665,279	2	
Total other revenues	6,606,785			6,606,785	6,606,785		
Increase in net position	(30,853,518)	(2,431,907)	0	(33,285,425)	456,909,426		490,194,851
EXPENSES					490,194,851	3	3 \$ 490,194,851
PROGRAM REVENUES							
Charges for services							304,291,655 1
Operating grants/contributions							18,286,179 2
Capital grants/contributions							2,941,506 7
TOTAL PROGRAM REVENUES							325,519,340
NET (EXPENSE) REVENUE							(164,675,511)
GENERAL REVENUES							
Interest and investment earnings							(26,610,403) 5
Payments from State of Michigan							97,752,247 4
Other							60,248,242 6
TOTAL GENERAL REVENUES							131,390,086
Change in net position	(30,853,518)	(2,431,907)		(33,285,425)			(33,285,425)
Prior Year Ending Net Position:	751,257,275	15,517,977		766,775,252			766,775,252
GASB 87 restatement:	(113,492)	0		(113,492)			(113,492)
Beginning Net Position:	751,143,783	15,517,977		766,661,760			766,661,760
Ending Net Position	\$ 720,290,265	\$ 13,086,070	\$ 0	\$ 733,376,335	\$ 0	\$ 0	\$ 733,376,335

See notes to supplemental financial statements.

STATE OF MICHIGAN  
RECLASSIFYING ENTRIES FOR STATEMENT OF ACTIVITIES  
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY  
JUNE 30, 2022

EXHIBIT II

1)	Charges for services	Charges for Services
	Tuition and fees	\$ 152,415,482
	Sales and services of educational activities	35,493,088
	Auxiliary enterprises	116,383,085
		<u>\$ 304,291,655</u>
2)	Operating grants/contributions	Operating Grants/Contributions
	Federal grants and contracts	\$ 11,652,229
	State and local grants and contracts	738,735
	Private grants and contracts	7,189,186
	Gifts and pledges net of allowance	8,267,559
	Additions to permanent endowments	3,665,279
	Investment Income - Exp Rest Fund	386
	Investment Income - Endowment Fund	(13,227,195)
		<u>\$ 18,286,179</u>
3)	Expenses	Expenses
	Operating expenses - CMU	\$ 419,711,987
	Operating expenses - CMU to component unit	(729,130)
	Operating expenses - component unit (CMEP)	57,232,466
	Operating expenses - component unit IEE	8,001,615
	Interest on capital assets, net of related debt	5,977,913
		<u>\$ 490,194,851</u>
4)	Revenue from State of Michigan	Revenue from State of Michigan
	State appropriations	\$ 93,671,958
	Capital appropriations	
	Section 236(4) retirement contribution	4,080,289
		<u>\$ 97,752,247</u>
5)	Interest and investment earnings	Investment Income
	Investment Income - Exp Rest Fund	\$ (39,837,212)
	Investment Income - Endowment Fund	(386)
		13,227,195
		<u>\$ (26,610,403)</u>
6)	Other Revenues	Other Revenues
	Federal Pell Grant Program	\$ 17,153,555
	Governmental Coronavirus Support Programs	41,910,994
	Other nonoperating revenues	1,183,693
		<u>\$ 60,248,242</u>
7)	Reclassify financial data into the specified format to be used in the State's ACFR Statement.	

See notes to supplemental financial statements.

# NOTES TO THE STATE OF MICHIGAN ACFR

## Central Michigan University

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### NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the university. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The university has two discretely presented component units, Central Health Advancement Solutions (CHAS) and the Institute for Excellence in Education (IEE). The sole purpose of CHAS is to hold a 90% membership interest in CMU Medical Education Partners (CMEP). The financial activity for CMEP on behalf of CHAS is discretely presented in the university's financial statements. The financial statements of both CMEP and IEE have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For this financial report the aggregated total of the university, CMEP and IEE is presented.

#### Cash and Cash Equivalents

The university and its component units define cash and cash equivalents as highly liquid, short-term investments that bear little or no market risk and are stated at fair value.

Restricted cash and cash equivalents represent cash held in trust accounts related to bonded debt.

Both cash and cash equivalents and restricted cash and cash equivalents are included in cash and cash equivalents on the Statements of Cash Flows.

#### Inventories

Inventories are primarily stated at actual cost, using the first-in first-out method.

#### Investments

All investments are stated at fair value.

#### Capital Assets

Capital assets for the university are stated at cost or, when donated, at acquisition value at date of gift. Depreciation is computed using the straight-line method from the date of acquisition. University building additions and improvements with a cost in excess of \$50,000 are capitalized if the life of the building is extended; equipment with a cost in excess of \$5,000 and a useful life greater than one year is capitalized; and software in excess of \$250,000. Assets are depreciated over the estimated useful life for the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The university does not capitalize certain works of art or historical treasures (except for certain museum collections) that are held for exhibition, education, research or public service.

Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property as follows:

Asset Classification	Useful Life
Buildings and Improvements more than \$100,000	40 years
Buildings and Improvements \$50,000 to \$100,000	10 years
Infrastructure	20 years
Leasehold Improvements	10 years
Land Improvements	8 years
Intangible Assets	40 years or indefinite

## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

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Equipment – Digital TV	20 years
Equipment	8 years
Library books	8 years
Vehicles	4 years
Software	Lesser of 5 years or actual

For CMEP leasehold improvements, furniture, and equipment are stated at cost. Leasehold improvements, furniture, and equipment purchases in excess of \$1,000 are depreciated over their estimated useful lives using the straight-line method. Assets under capital lease obligations are amortized on the straight-line method over the estimated useful lives of the related assets. Such amortization is included in depreciation in the financial statements.

For IEE furniture and equipment are stated at cost when purchased or fair value when donated. Furniture and equipment purchases in excess of \$1,000 are depreciated over their estimated useful lives using the straight-line method.

#### Deferred Outflows and Deferred Inflows

In addition to assets, the statement of financial position reports 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 a future period and as such, is not recognized as an outflow of resources (expense/expenditure) until that time. Deferred outflows of resources consist of interest rate swap agreements that are stated at fair value based on the zero coupon valuation method, gains or losses on the defeasance of debt and deferred resources related to the university's proportionate share of the net pension and other post-employment benefit liability for the Michigan Public School Employee's Retirement System (MPERS) plan. The university recorded deferred outflows for hedging instruments (noncurrent liabilities) of \$2,901,521 at June 30, 2022. Also included in deferred outflows is the gain or loss on the defeasance of three General Revenue Bonds Series: Series 2005 valued at \$720,447, net of amortization, at June 30, 2022; Series 2006 valued at \$155,713, net of amortization, at June 30, 2022 and Series 2012 valued at \$1,083,456, net of amortization, at June 30, 2022. The value of deferred outflows related to the MPERS plan for pensions was \$33,080,922 as of June 30, 2022, and for other post-employment benefits (OPEB) was \$2,512,048 as of June 30, 2022. See Note 28 for additional information on deferred outflows related to the MPERS plan.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and as such, is not recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of future revenue streams related to the defeasance of debt, split-interest agreements and lease agreements, deferred inflows of resources related to state appropriations received after the measurement date, and deferred inflows of resources related to the university's proportionate share of the net pension and net OPEB liability for the MPERS plan. The university recorded deferred inflows of resources related to the gain or loss on the defeasance of the General Revenue Bonds Series 2009 valued at \$669,436, net of amortization, at June 30, 2022. Deferred inflows of resources applicable to split-interest agreements include \$5,167,672 at June 30, 2022. At June 30, 2022, deferred inflows related to leasing agreements was \$8,955,056. At June 30, 2022, the value related to changes in the pension portion of the MPERS plan was \$18,746,090. The value related to changes in the OPEB portion of the MPERS plan was \$6,071,483 at June 30, 2022. Deferred inflows of resources at June 30, 2022 also include \$24,373,453 for funding received through state appropriations for contributions to the MPERS pension plan after the measurement date. See Note 28 for additional information on deferred inflows related to the MPERS plan.

#### Operating and Non-operating Revenues

Operating revenues of the university consist of tuition, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state appropriations, federal Pell grant revenue, federal COVID revenue, gifts and investment income. Restricted

## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

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and unrestricted resources are spent and tracked at the discretion of the recipient university department within the guidelines of donor restrictions, if any.

#### Significant Events Impacting the Organization

The global outbreak of COVID-19, continued to have a significant financial impact during fiscal year 2022. The university kept several protocols in place that required additional spending, such as testing, vaccinations and reserving a residence hall for isolating individuals with the virus. This led to a continuation of lower utilization of residence halls, dining and retail venues, bookstore, catering, conference facilities, limited athletics revenues, and a decline in tuition revenue.

The university received grant funding to support coronavirus related efforts under several federal programs. For the year ended June 30, 2022 the university recognized revenue of \$39.78 million under the Higher Education Emergency Relief Funds (HEERF) to support student financial aid and institutional costs incurred due to the global pandemic. An additional \$1.5 million was received from the coronavirus support programs authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan Act (ARP) to support water sampling initiatives, saliva analysis research and library and child development programming needs.

Although there has been a recent decline in the number of cases, the total financial impact of the pandemic on the university cannot be determined at this time due to the dynamic and unprecedented nature of the pandemic, including uncertainties relating to the pandemic's duration and severity, new strains of the virus, vaccine distribution, and additional actions that may be taken by the State and federal governments.

#### NOTE 4—ACCOUNTING CHANGES AND RESTATEMENTS

##### Adoption of New Standard

During the current year, the university adopted GASB Statement No. 87, *Leases*. As a result, the university's statements now include a liability for the present value of payments expected to be made and right-to-use assets as well as receivables for the present value of payments expected to be received and deferred inflows of resources that will be recognized as revenue over the term of the lease agreement. Lease activity is further described in Note 12. The financial statements for the year ended June 30, 2021 have been restated in order to adopt GASB Statement No. 87.

The effect of this new standard on net position was as follows:

	June 30, 2021
Net position - As previously reported	\$ 766,775,252
Adjustment for GASB Statement No. 87	(113,492)
Net position - As restated	<u>\$ 766,661,760</u>

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## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

#### NOTE 8--DEPOSITS AND INVESTMENTS

The university and its component units had the following investments as of June 30, 2022:

	Fair Market Value	Investment Maturities (in Years)		N/A
		Less Than or Equal To 1	Greater Than 1 to 5	
Time deposits	\$ 72,205,819	\$ 72,205,819		
Money market accounts	80,811	80,811		
Commercial paper				
Repurchase agreements				
Government securities				
Insured mortgage backed securities				
Government backed securities				
Investment agreements				
Corporate bonds and notes				
Equities	106,570,451	106,570,451		
Real estate	68,281	68,281		
Venture capital & leveraged buyouts				
Mutual bond/equity funds	228,125,355	6,346,815		\$ 221,778,540
Pooled investment funds				
Other Investments	99,360,731		\$ 94,448,335	4,912,396
Total Investments	<u>\$ 506,411,448</u>	<u>\$ 185,272,177</u>	<u>\$ 94,448,335</u>	<u>\$ 226,690,936</u>
Less Investments Reported as "Cash" on Statement of Net Position	<u>40,957,118</u>			
Total Investments	<u>\$ 465,454,330</u>			
<u>As Reported on the Statement of Net Position</u>				
Current Investments	3,488,434			
Noncurrent - Restricted Cash	14,676,515			
Noncurrent investments	<u>447,289,381</u>			
Total Investments	<u>\$ 465,454,330</u>			

#### Credit Risk

For investments in non-mutual and non-pooled funds, no more than 10% of the portfolio, at cost, can be invested in any single issue, except the investments in U.S. government securities. The weighted average quality is to be no less than "AAA" (or its equivalent rating by two national rating agencies) for the short-term investment pool accounts, "AA" for the intermediate-term investment pool accounts, and "A" for the investment grade accounts long-term investment pool accounts.

In addition, the minimum acceptable credit quality at the time of purchase for individual securities in the investment grade accounts shall be "A" for the short-term investment pool accounts, and "BBB" for the intermediate-term and investment grade long-term pool accounts. The diversified fixed income manager shall maintain an overall weighted average credit rating of B or better.

As of June 30, 2022, the weighted average of all university debt instruments fell within the Standard & Poor's credit rating range of AAA to B.

#### Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The university does not have a formal investment policy that limits investment maturities as a means of

## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

managing its exposure to fair value losses arising from increasing interest rates. The maturities of fixed income investments as of June 30, 2022 are as follows:

Investment Type	June 30, 2022				
	Fixed Income Investment Maturities				
	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	\$ 1,507,272	\$ 13,360,865	\$ 8,089,027	\$ 3,743,059	\$ 26,700,223
Core Fixed Income	2,231,201	11,662,867	12,494,590	7,755,894	34,144,552
Short Duration Fixed Income	7,765,673	24,012,628	556,584	79,512	32,414,397
Global Multi-Sector Fixed Income	732,569	3,495,955	4,564,244	910,132	9,702,900
Absolute Return Fixed Income	6,540,226	13,584,486	7,560,513	2,859,249	30,544,474
Total	\$ 18,776,941	\$ 66,116,801	\$ 33,264,958	\$ 15,347,846	\$ 133,506,546

### Concentration of Credit Risk

Deliberate management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political or social developments is a highly desirable objective. The university's general policy shall be to diversify investments within both equity and fixed income securities to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. Accordingly, the university did not have investments in any one issuer that represented 5% or more of total investments at June 30, 2022.

### Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2022, therefore the university was not subject to foreign currency risk.

### Custodial Credit Risk

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the university's name. The carrying amount of deposits, excluding those classified as investments, was \$34,487,240 at June 30, 2022. The deposits were reflected in the accounts of the banks at \$38,516,046 at June 30, 2022. Of the bank balance, \$38,016,046 at June 30, 2022 was uninsured and uncollateralized.

For CMEP deposits reflected in the accounts of the banks were \$4,465,671 at June 30, 2022. Of the bank balance, \$3,787,265 at June 30, 2022, was uninsured and uncollateralized.

For IEE deposits reflected in the accounts of the banks were \$1,207,980 at June 30, 2022. Of the bank balance, \$707,980 at June 30, 2022, was uninsured and uncollateralized.

Total deposits as of June 30, 2022 are as follows:

Carrying Amount	Bank Balance	Uninsured, uncollateralized	Insured
\$ 40,162,157	\$ 44,189,697	\$ 42,511,291	\$ 1,678,406

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The university had custodial credit risk of \$202.2 million at June 30, 2022, in its investment portfolios held by various investment managers as the counterparty.

**NOTES TO THE STATE OF MICHIGAN ACFR (continued)****Central Michigan University****NOTE 9—CAPITAL AND LEASE ASSETS**

Capital and lease assets, net of depreciation and amortization, for the university and its component units consist of the following as of June 30, 2022:

	Ending Balance June 30, 2022
Capital and lease assets, not being depreciated:	
Land and other	\$ 14,826,132
Construction in progress	11,400,454
Right-to-use Leased Land	337,674
Total non-depreciated capital assets	<u>26,564,260</u>
Capital and lease assets, being depreciated:	
Land Improvements and other	91,441,978
Equipment, Furniture, Leasehold Improvements	92,468,894
Buildings	846,929,508
Infrastructure	28,579,948
Right-to-Use Leased Buildings	8,178,792
Right-to-Use Leased Equipment & Vehicles	610,818
Total capital assets, being depreciated	<u>1,068,209,938</u>
Less accumulated depreciation and amortization for:	
Land Improvements and other	73,563,296
Equipment, Furniture, Leasehold Improvements	75,937,919
Buildings	371,422,197
Infrastructure	16,793,653
Right-to-Use Leased Buildings	2,905,910
Right-to-Use Leased Equipment & Vehicles	201,652
Total accumulated depreciation and amortization	<u>540,824,627</u>
Total capital assets, being depreciated, net	<u>527,385,311</u>
Capital and Lease Assets, Net	<u>\$ 553,949,571</u>
As Reported on the Statement of Activities	
Lease Revenue	698,299
Interest Revenue	372,470
Total Lease-Related Revenue	<u>\$ 1,070,769</u>

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## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

#### NOTE 10--RETIREMENT PLANS

In addition to the Michigan Public School Employees' Retirement System (MPSERS), the university has established a defined contribution retirement plan for all qualified employees. CMU currently has one record-keeper for this plan, Teachers Insurance and Annuity Association (TIAA). Full-time faculty and professional administrators hired prior to January 1, 1996, who chose to participate in the defined contribution plan, receive university contributions equal to 12% of their base salary into the plan. All other employees participating in this plan, receive contributions equal to 10% of their base salary into the plan. All contributions are subject to IRS limits. University contributions begin immediately and employee benefits vest immediately.

Contributions and covered payroll under all plans in fiscal year 2022 are summarized as follows:

	All Other		TIAA-CREF Contributions	Covered Payroll
	Non-TIAA or Fidelity Contributions	Fidelity Contributions		
Pension Contributions	35,964,835		15,830,844	163,592,031

The university also sponsors the Retirement Service Award program covering certain employees hired before a specific date in 1976 and certain maintenance and food service employees. The plan provides for distributions to qualifying employees at retirement based principally on length of service and salary at retirement. Liabilities of \$443,584 for fiscal year 2022 related to this program are included in the university Statements of Net Position. The assets are included with the university's cash and cash equivalents. The corresponding liabilities have been included with long-term debt, hedging instruments and other long-term obligations in the Statements of Net Position. During fiscal year 2022, the university updated and recorded the expected liability for this program.

#### MPSERS – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

The university participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit and defined contribution public employee retirement system governed by the State of Michigan that covers some employees of the university. Employees hired on or after January 1, 1996 cannot participate in MPSERS, unless they previously were enrolled in the plan at Central Michigan University, or one of the other six universities that are part of MPSERS.

#### Contributions

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

The university's contributions are determined based on employee elections. There are four different benefit options included in the plan available to employees based on date of hire. The university also contributes to MPSERS a percentage of member and non-member payrolls, determined by the plan's actuaries, for the unfunded actuarial accrued liability (UAAL) portion of future pensions and health benefits. Public Act 136 of 2016 sets a rate cap of 25.73 percent for university employer UAAL contributions. In addition, the law establishes a requirement for a payroll floor. In a given fiscal year, each university owes UAAL contributions based on the greater of its payroll floor or its actual payroll. The payroll floor was \$55,779,325 for fiscal year 2022. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

	Normal		Unfunded	
	Pension Rate	Pension Rate	Health Rate	Health Rate
10/01/21 – 06/30/22	6.52%	19.86%	0.92%	5.87%
10/01/20 – 09/30/21	6.52%	19.74%	0.92%	5.99%

## **NOTES TO THE STATE OF MICHIGAN ACFR (continued)**

### **Central Michigan University**

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Employees starting between January 1, 1990, and December 31, 1995, are required to contribute between 3.0% and 6.29% of their annual pay. During the period February 1, 2013 through June 30, 2013 employees could transition to a defined contribution plan.

The university's required defined benefit contributions to MPSERS normal pension costs, totaled \$519,396 in fiscal year 2022. Required employee contributions were \$318,315 in fiscal year 2022. The university's contributions to the unfunded MPSERS defined benefit pensions totaled \$11,061,410 in fiscal year 2022. The university also recorded \$24,373,453 of stabilization rate revenue from the State of Michigan to assist in funding the MPSERS pension UAAL for the year ended June 30, 2022. The university's contributions toward the MPSERS defined contribution plan totaled \$10,576 in fiscal year 2022.

#### **Net Pension Liability, Deferrals, and Pension Expense**

At June 30, 2022, the university reported a liability of \$139,230,704 for its proportionate share of the net pension liability as calculated for the universities reporting unit of MPSERS. The net pension liability for fiscal year 2022 was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, which used update procedures to roll forward the estimated liability to September 30, 2021. The university's proportion of the net pension liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2021, the university's proportion was 24.78 percent, of the universities reporting unit.

For the year ended June 30, 2022, the university recognized pension expense of \$3,389,149. At June 30, 2022, the university also reported a payable of \$608,770 for the outstanding amount of contributions to the pension plan required for the year-ended June 30, 2022.

At June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to pensions a portion of which includes the difference in required contributions. See Note 28 for additional information on deferred resources.

Subsequent to the University's year-end on July 14, 2022, Michigan Act No. 144 of Public Acts of 2022 was approved. The Act's section 236(h) provides total appropriations of \$300 million for all universities to pay MPSERS toward the unfunded pension liability. This additional appropriation and subsequent payment to MPSERS will significantly reduce the net pension liability.

#### **Net OPEB Asset, Deferrals, and OPEB Expense**

At June 30, 2022 the university reported an asset of \$10,613,086 for its proportionate share of the net OPEB asset calculated for the universities reporting unit of MPSERS. The net OPEB asset for fiscal year 2022 was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020, that used update procedures to roll forward the estimated liability to September 30, 2021. The university's proportion of the net OPEB asset was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2021 the university's proportion was 24.75 percent of the universities reporting unit.

For the year ended June 30, 2022 the university recognized OPEB expense of \$(11,683,646).

At June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB a portion of which includes the difference in required contributions. See Note 28 for additional information on deferred resources.

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## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

#### NOTE 12--LEASE COMMITMENTS

##### Lessee Agreements

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment and vehicles. Payments are generally fixed monthly with certain variable payments not included in the measurement of the lease liability based on the uncertainty of future usage of the building asset.

Lease assets, net of amortization, consist of the following as of June 30, 2022:

	Beginning Balance July 1, 2021 (as Restated)	Additions	Reductions	Ending Balance June 30, 2022
Leased Assets (Lessee)				
Land	\$ 337,674			\$ 337,674
Buildings	8,441,599	\$ 790,777	\$ 1,053,584	8,178,792
Equipment	583,920		47,620	536,300
Vehicles	62,302	18,498	6,282	74,518
Less accumulated amortization:				
Buildings	2,009,694	1,650,632	754,416	2,905,910
Equipment	59,690	114,235	10,318	163,607
Vehicles	22,087	22,240	6,282	38,045
Leased Assets (Lessee), Net	<u>\$ 7,334,024</u>	<u>\$ (977,832)</u>	<u>\$ 336,470</u>	<u>\$ 6,019,722</u>

At June 30, 2022, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the lease liability:

	Variable Payments	Termination Penalties
June 30, 2022	<u>\$ 4,000</u>	

Future principal and interest payments related to the university's lease liability at June 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 1,244,375	\$ 228,712	\$ 1,473,087
2024	1,215,570	181,075	1,396,645
2025	1,178,240	132,523	1,310,763
2026	801,818	90,726	892,544
2027	396,660	67,010	463,670
2028-2032	644,287	217,568	861,855
2033-2037	151,112	150,183	301,295
2038-2042	121,693	122,240	243,933
2043-2047	110,248	98,399	208,647
Thereafter	425,543	106,316	531,859
Total	<u>\$ 6,289,546</u>	<u>\$ 1,394,752</u>	<u>\$ 7,684,298</u>

As of June 30, 2022, the university has \$25,936 in commitments related to leases for which the lease term has not commenced.

## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

#### Lessor Agreements

The university leases certain assets to various third parties. The assets leased include land, buildings and equipment. Payments are generally fixed monthly.

At June 30, 2022, the university recognized the following lease revenue and lease interest revenue related to its lessor agreements:

	Lease Revenue	Lease Interest Revenue
June 30, 2022	\$ 698,299	\$ 372,470

The component units of the university have entered into various operating leases which are not reported as lease assets and lease liabilities as of June 30, 2022. CMEP has entered into various leases primarily for educational, clinical and office space. IEE has entered into a lease for office space. The following is a schedule of the aggregate minimum commitments for leases for each of the succeeding five years ending June 30 and thereafter:

Fiscal Year June 30	Operating Lease Commitments
2023	\$ 914,000
2024	904,000
2025	895,000
2026	817,000
2027	817,000
2028-2032	320,000
	<u>\$ 4,667,000</u>

#### NOTE 14--LONG-TERM DEBT, HEDGING INSTRUMENTS AND OTHER OBLIGATIONS

Long-term debt, hedging instruments and other obligations consist of the following as of June 30, 2022:

	Beginning Balance July 1, 2021 (as Restated)	Additions	Reductions	Ending Balance June 30, 2022	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 19,820,000		\$ 505,000	\$ 19,315,000	\$ 655,000
Series 2012A Series Bonds	19,755,000		19,755,000		
Series 2014:					
Series Bonds	36,585,000		1,860,000	34,725,000	1,950,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	6,324,000		272,000	6,052,000	272,000
Series 2016 Series Bonds	17,185,000		820,000	16,365,000	860,000
Series 2016 Unamortized Premium	2,223,000		156,000	2,067,000	156,000
Series 2019 Series Bonds	23,285,000		2,360,000	20,925,000	2,335,000
Series 2019 Unamortized Premium	3,869,000		292,000	3,577,000	292,000
Series 2021 Series Bonds	\$ 29,790,000			29,790,000	580,000
Series 2021 Unamortized Premium	7,470,061		216,061	7,254,000	248,000
Total Long-Term Debt	<u>151,151,000</u>	<u>37,260,061</u>	<u>26,236,061</u>	<u>162,175,000</u>	<u>7,348,000</u>
Other Obligations:					
Note Payable	724,905		724,905	0	
Lease Obligations	7,496,299		1,206,753	6,289,546	1,244,375
Hedging Instruments	5,319,801		2,418,280	2,901,521	
Compensated Absences	6,285,050		297,072	5,987,978	256,158
Retirement Service Programs	564,112		60,385	503,727	104,774
Other Obligations	2,871	53,028	55,130	769	769
Total	<u>\$ 171,544,038</u>	<u>\$ 37,313,089</u>	<u>\$ 30,998,586</u>	<u>\$ 177,858,541</u>	<u>\$ 8,954,076</u>

## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2022 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	BONDS PAYABLE		All Other Debt			
	Total Debt		Bonds		Direct Placement Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 6,380,000	\$ 6,714,760	\$ 6,380,000	\$ 6,714,760	\$	\$
2024	6,660,000	6,447,817	6,660,000	6,447,817		
2025	7,010,000	6,129,388	7,010,000	6,129,388		
2026	7,315,000	5,794,977	7,315,000	5,794,977		
2027	7,690,000	5,437,820	7,690,000	5,437,820		
2028-2032	45,035,000	20,680,376	45,035,000	20,680,376		
2033-2037	35,115,000	8,993,089	35,115,000	8,993,089		
2038-2042	13,455,000	4,243,625	13,455,000	4,243,625		
2043-2047	10,815,000	1,460,150	10,815,000	1,460,150		
2048-2052	3,750,000	387,000	3,750,000	387,000		
Total	143,225,000	\$ 66,289,002	\$ 143,225,000	\$ 66,289,002	\$	\$
Unamortized Premium	18,950,000					
Total	\$ 162,175,000					
	\$ 968,000	Current Portion of Unamortized				

\*None of the bonds included in the table above are demand bonds

There are no notes payable outstanding as of June 30, 2022.

### HEDGING INSTRUMENTS

The university has one pay-fixed, receive-variable, interest rate swap at June 30, 2022. The objective of this swap is to hedge interest rate risk on the Series 2008A bonds. A description of the swap is as follows:

Under the March 2002 swap, the university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the London Interbank Offered Rate (LIBOR) (0.47196% at June 30, 2022). The swap agreement matures on October 1, 2032. The university received \$3,806,000 from the counterparty which was used to terminate the original swap with Lehman Brothers. Effective November 7, 2008, the swap agreement was assumed by Deutsche Bank AG. The swap provisions and termination date remain unchanged.

As of June 30, 2022, the swap agreement had a notional amount of \$19,200,000 and was in a negative position of \$2,901,521. As long as the variable rate portion of the swap being received by the university is less than the fixed rate being paid, the university will continue to be in a negative position on the swap.

The pay-fixed, receive-variable, interest rate swap is considered a cash flow hedge. The change in fair value was a decrease to deferred outflows of \$2,418,280 for fiscal year 2022. The accumulated change in fair value of (\$2,901,521) is recorded in deferred outflows at June 30, 2022.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics was used. This is the best method available under current market conditions since the university has no credit default swaps that actively trade in the

## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

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marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties is determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating are used. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative.

#### **Credit Risk**

As of June 30, 2022, the hedging derivative instrument is a liability and therefore the university is not exposed to the credit risk of its swap counterparties. However, should interest rates change and the fair value of the swap become positive, the university would be exposed to credit risk in the amount of the hedging instrument's fair value. As of June 30, 2022, the derivative counterparty is currently rated Baa3 which suggests a capacity to meet financial commitments. The university is not aware of any circumstance or condition that would preclude the counterparty from complying with the terms of the derivative agreement. The university monitors counterparty credit risk on an ongoing basis for any significant adverse changes.

#### **Interest Rate Risk**

Interest payments on the hedged variable-rate debt are generally expected to increase (decrease) as SIFMA rate increase (decrease). The university believes it has effectively hedged interest rate risk on the hedged portion of its variable-rate debt by entering into an interest rate swap.

#### **Basis Risk**

The variable-rate debt hedged by the interest rate swaps is weekly-resetting variable rate demand obligation bonds. The university is exposed to basis risk since the variable rate receipts from the hedging derivatives are based on a rate or index other than the interest rates the university pays on its hedged debt.

#### **Termination Risk**

The university or its hedging counterparty may terminate a hedging instrument if the other party fails to perform under the terms of the contract. In addition, the university's swap counterparty has the right to terminate a hedging instrument if the credit rating of the university's unenhanced, unlimited tax general obligation bonds is withdrawn or reduced by any two of Fitch, Moody's, and S&P below BBB/Baa2. If such an event occurs, CMU could be forced to terminate a derivative in a liability position.

#### **Rollover Risk**

Rollover risk is the risk that a hedging instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. As of June 30, 2022, the university does not believe that rollover risk is significant.

#### **Foreign Currency Risk**

All hedging instruments are denominated in US dollars and therefore the university is not exposed to foreign currency risk.

#### **Market Access Risk**

Market access risk is the risk that the university will not be able to enter credit markets or that credit will become more costly. For example, to complete a hedging instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time the university is unable to enter credit markets, expected cost savings may not be realized.

#### **Credit Limit**

The university entered into a commercial card services agreement as of January 28, 2011 and amended as of July 16, 2013 and December 21, 2017, which supports the university business card program. As part

## **NOTES TO THE STATE OF MICHIGAN ACFR (continued)**

### **Central Michigan University**

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of the agreement, the university has an available credit limit in the amount of \$8 million as of June 30, 2022. The outstanding balance is due monthly. Due to the timing of the monthly close for the credit card statements, the university had an outstanding balance of \$1,387,354 as of June 30, 2022 under the credit limit.

#### **Letter of Credit**

In June 2019, the university signed a new stand by Letter of Credit agreement with a new counter party in the amount of outstanding bond principal plus 35 days interest equal to \$19,500,212 to provide credit enhancement and liquidity support for certain General Revenue Refunding Bonds, Series 2008A. The expiration date of the stand by Letter of Credit is July 3, 2024.

#### **Other Obligations**

The Retirement Service Award program and compensated absences have been determined to be primarily long-term liabilities. Other obligations have been determined to be primarily short-term liabilities.

#### **NOTE 25--COMMITMENTS AND CONTINGENCIES**

One of the critical factors in continuing the quality of the university's academic programs, research programs and residential life is the development and renewal of its capital assets. Construction in progress at June 30, 2022 primarily consists of the construction costs for the Parking Lot 75 project of \$2.4 million, Powerhouse upgrade to the 1250 ton absorption chiller of \$1.6 million, the Washington Commons Residential Community project of \$1.4 million and other projects including maintenance and remodeling of approximately \$6.0 million.

Funds needed to complete construction projects will be provided by current unrestricted university net assets or by future state appropriations, gifts, grants, State Building Authority (SBA) monies or bond funds. Funds required to complete the projects in process approximate \$43.5 million as of June 30, 2022.

The university entered into lease agreements with the SBA and the State of Michigan during prior fiscal years for the Park Library, Health Professions Building, Education Building, Biosciences Building and Center for Integrated Health Studies Building. The projects were financed with SBA Revenue Bonds and state appropriations. The buildings are recorded as assets of the university.

The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan, pursuant to the lease agreement between the SBA, the State of Michigan and the university. During the lease term, the SBA will hold title to the facilities; the State of Michigan will make all annual lease payments to the SBA from operating appropriations; and the university will pay all operating and maintenance costs of the facilities. At the expiration of the leases, the SBA has agreed to sell each facility to the university for the sum of one dollar.

In the normal course of its activities and operations, the university is a party in various legal and administrative actions. The university has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, for which General Counsel provides oversight, the university is of the opinion that the outcome thereof will not have a material effect on the financial statements.

There were no settlement amounts exceeding insurance coverage for each of the past three fiscal years.

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## NOTES TO THE STATE OF MICHIGAN ACFR (continued)

### Central Michigan University

#### NOTE 26--RISK MANAGEMENT

The university participates with other Michigan public universities in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.). This corporation's purpose is to provide insurance coverage for errors and omissions liability, commercial general liability, automobile physical damage and automobile liability. M.U.S.I.C. retains the first layer of coverage for losses exceeding retention levels in a group risk-sharing pool, and they purchase additional layers of excess insurance through commercial carriers for the aforementioned coverages. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the liability risk exposures and claims experience of each university.

Additionally, the university either self-insures or purchases commercially available coverage for exposures outside of the M.U.S.I.C. program, some of which are: property insurance, medical malpractice, workers compensation, fiduciary, and cyber insurance. The university has reserve accounts from which it pays its retention amounts for losses related to errors and omissions, commercial general liability, auto and property claims.

There were no settlement amounts exceeding insurance coverage for each of the past three fiscal years.

#### Professional Liability Insurance

CMEP was self-insured for professional medical malpractice through December 31, 2010 for claims based on occurrences on or before December 31, 2010. In connection with the self-insurance program, CMEP has:

- Determined aggregate limits of \$100,000/\$300,000 for residents and \$200,000/\$600,000 for doctors.
- Established a trust fund and placed the management of the fund in the hands of an independent fiduciary who has legal title to it and is responsible for its proper administration and control.

	<u>June 30, 2022</u>
Estimated professional liability under self-insurance	\$ 200,000
Less: Investments under professional liability funding arrangement – held by the trustee, at fair value	<u>(895,663)</u>
Estimated over funding of liability	<u>\$ (695,663)</u>

Claim losses based upon occurrences prior to July 1, 1986 remain insured under prior insurance policies subject to the policy limits.

Effective November 1, 2012, CMEP purchased commercial insurance coverage for professional medical malpractice. Coverage consists of \$2,000,000 per occurrence with an annual aggregate \$12,000,000.

Malpractice and other claims have been asserted against CMEP by various claimants. Such claims are in various stages of processing and some may be litigated. Accordingly, management and counsel cannot determine the ultimate outcome of the actions commenced. In the opinion of management, all such matters are adequately covered by prior and existing insurance policies and the Self-Insurance Trust Fund.

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**NOTES TO THE STATE OF MICHIGAN ACFR (continued)****Central Michigan University**

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**NOTE 28--DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

For the year ended June 30, 2022, the university reported deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Accumulated fair value of hedging derivatives	\$ 2,901,521	
Gain or Loss on Defeasance of Debt	1,959,616	\$ 669,436
Split Interest Agreements		5,167,672
Lease Agreements		8,955,056
Pension Related:		
Net difference between projected and actual earnings on pension plan assets		18,746,090
Contributions subsequent to the measurement date	8,707,469	
OPEB Related:		
Net difference between projected and actual earnings on OPEB plan assets		6,071,483
Contributions subsequent to the measurement date	2,512,048	
Total	<u>\$ 16,080,654</u>	<u>\$ 39,609,737</u>

Deferred outflows of resources and deferred inflows of resources do not include \$24,373,453 of UAAL stabilization funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date.

**NOTE 29--SUBSEQUENT EVENTS**

None