

**Central Michigan University**

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State of Michigan ACFR Financial Schedules

June 30, 2023

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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, 2023 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 28, 2023, which contained an unmodified opinion on the financial statements of Central Michigan University. Our audit was performed for the purpose of forming opinions 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 28, 2023.

### ***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.

*Plante & Moran, PLLC*

December 13, 2023

**STATE OF MICHIGAN**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNIT**  
June 30, 2023

CENTRAL  
MICHIGAN  
UNIVERSITY

<b>ASSETS</b>	
Current Assets:	
Cash	\$ 46,518,707
Equity in common cash (Note 5)	
Amounts due from component units	
Amounts due from primary government	63,215,757
Amounts due from federal government	2,738,716
Amounts due from local units	
Inventories	2,858,621
Investments (Note 8)	3,880,615
Other current assets*	27,830,434
Total Current Assets	147,042,850
Noncurrent Assets:	
Restricted Assets:	
Cash and cash equivalents	9,442,753
Investments	
Mortgages and loans receivable	
Advances to primary government	
Amounts due from local units	
Mortgages and loans receivable	
Investments (Note 8)	455,227,595
Land and property held for resale	
Capital and Lease Assets (Note 9):	
Land and other non-depreciable assets	14,826,132
Buildings, equipment, and other depreciable assets	1,091,556,795
Less accumulated depreciation	(568,300,890)
Infrastructure	
Construction in progress	8,860,889
Total capital and lease assets	546,942,926
Other noncurrent assets*	21,318,289
Total Noncurrent assets	1,032,931,563
Total Assets	1,179,974,413
<b>DEFERRED OUTFLOWS OF RESOURCES (Note 28)</b>	13,617,324
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable and other liabilities	82,467,937
Amounts due to component units	
Amounts due to primary government	2,900,972
Bonds and notes payable (Note 14)	7,628,000
Vendor financing obligations (Note 12)**	4,443,731
Interest payable	1,472,714
Unearned revenue	20,834,493
Current portion of other long-term obligations	205,684
Total Current Liabilities	119,953,531
Long-Term Liabilities:	
Unearned revenue	
Bonds and notes payable (Note 14)	147,199,000
Vendor financing obligations (Note 12)**	11,730,733
Noncurrent portion of other long-term obligations	92,792,255
Total Long-Term Liabilities	251,721,988
Total Liabilities	371,675,519
<b>DEFERRED INFLOWS OF RESOURCES (Note 28)</b>	15,217,784
<b>NET POSITION</b>	
Net investment in capital assets	370,611,589
Restricted For:	
Education	30,632,970
Construction and debt service	12,780,925
Other purposes	
Funds Held as Permanent Investments:	
Expendable	61,794,091
Nonexpendable	78,261,407
Unrestricted	252,617,452
Total Net Position	\$ 806,698,434

\*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, 2023

	University	Discrete	Eliminations	Total	Adjustments and		SOMACFR
	Financial	Component		University	Reclassifications		
	Report	Units			Debit	Credit	
<b>ASSETS</b>							
<b>CURRENT ASSETS:</b>							
Cash and cash equivalents	\$ 41,208,587	\$ 5,310,120		\$ 46,518,707		\$ 46,518,707	1
Investments		3,880,615		3,880,615		3,880,615	1
Accounts receivable, net	23,132,127	3,945,611	\$ (1,353,701)	25,724,037		25,724,037	2
State appropriations receivable, SBA	0	0		0		0	2
State appropriations receivable, operations	16,575,004	0		16,575,004		16,575,004	2
State appropriations receivable, Charter Schools	46,304,188	0		46,304,188		46,304,188	2
Inventories	2,799,282	59,339		2,858,621		2,858,621	1
Other assets	3,638,564	1,543,114		5,181,678		5,181,678	2
<b>Total current assets</b>	<b>133,657,752</b>	<b>14,738,799</b>	<b>(1,353,701)</b>	<b>147,042,850</b>			
<b>CURRENT ASSETS</b>							
Cash				\$ 46,518,707	1		\$ 46,518,707
Amounts due from primary government				63,215,757	2		63,215,757
Amounts due from federal government				2,738,716	2		2,738,716
Amounts due from local units							
Inventories				2,858,621	1		2,858,621
Investments (Note 8)				3,880,615	1		3,880,615
Securities lending collateral							
Other Current Assets				27,830,434	2		27,830,434
<b>Total Current Assets</b>	<b>133,657,752</b>	<b>14,738,799</b>	<b>(1,353,701)</b>	<b>147,042,850</b>	<b>147,042,850</b>	<b>147,042,850</b>	<b>147,042,850</b>
<b>NONCURRENT ASSETS:</b>							
Restricted cash and cash equivalents	9,442,753	0		9,442,753		9,442,753	1
Pledges receivable, net	3,835,959	0		3,835,959		3,835,959	1
Leases receivable, net	8,160,499	0		8,160,499		8,160,499	1
Endowment investments	245,105,237	0		245,105,237		245,105,237	3
Other assets		13,540		13,540		13,540	1
Other long-term investments	204,118,189	6,004,169		210,122,358		210,122,358	3
Net OPEB asset	9,308,291	0		9,308,291		9,308,291	1
Lease and SBITA assets, net	10,883,743	5,862,755		16,746,498		16,746,498	4
Capital assets, net	523,594,260	6,602,168		530,196,428		530,196,428	4
<b>RESTRICTED ASSETS</b>							
Cash and cash equivalents				9,442,753	1		9,442,753
<b>INVESTMENTS</b>				455,227,595	3		455,227,595
<b>CAPITAL AND LEASE ASSETS:</b>							
Land and other non depreciable assets				14,826,132	4		14,826,132
Buildings, equipment and other depreciable assets				1,091,556,795	4		1,091,556,795
Less accumulated depreciation						568,300,890	(568,300,890)
Construction in progress				8,860,889	4		8,860,889
<b>Net capital and lease assets</b>							546,942,926
Other noncurrent assets				21,318,289	1		21,318,289
<b>Total noncurrent assets</b>	<b>1,014,448,931</b>	<b>18,482,632</b>		<b>1,032,931,563</b>	<b>1,601,232,453</b>	<b>1,601,232,453</b>	<b>1,032,931,563</b>
<b>TOTAL ASSETS</b>	<b>1,148,106,683</b>	<b>33,221,431</b>	<b>(1,353,701)</b>	<b>1,179,974,413</b>	<b>1,748,275,303</b>	<b>1,748,275,303</b>	<b>1,179,974,413</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Accumulated change in fair value of hedging derivatives and deferred on bond refunding	3,618,976			3,618,976			3,618,976
Deferred outflow related to CMU's proportionate share of the MPSERS net pension & OPEB liability	10,015,792			10,015,792		17,444	9,998,348
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>13,634,768</b>			<b>13,634,768</b>		<b>17,444</b>	<b>13,617,324</b>

See notes to supplemental financial statements.

STATE OF MICHIGAN  
STATEMENT OF NET POSITION

EXHIBIT I

COMPONENT UNIT-CENTRAL MICHIGAN UNIVERSITY

June 30, 2023

	University	Discrete	Eliminations	Total	Adjustments and		SOMACFR	
	Financial	Component		University	Reclassifications			
	Report	Units			Debit	Credit		Format
<b>LIABILITIES:</b>								
<b>CURRENT LIABILITIES</b>								
Accounts payable and accrued liabilities	81,837,991	5,491,977	(1,353,701)	85,976,267	85,976,267	5		
Unearned revenue	18,789,327	2,045,166		20,834,493	20,834,493	1		
Deposits	865,356	0		865,356	865,356	5		
Long term liabilities - current portion	11,223,698	1,053,717		12,277,415	12,277,415	6		
<b>Total Current Liabilities</b>	<b>112,716,372</b>	<b>8,590,860</b>	<b>(1,353,701)</b>	<b>119,953,531</b>				
<b>CURRENT LIABILITIES</b>								
Accounts payable and other liabilities							82,467,937	5 82,467,937
Amounts due to primary government							2,900,972	5 2,900,972
Bond and notes payable							7,628,000	6 7,628,000
Lease & SBITA obligations							4,443,731	6 4,443,731
Interest payable							1,472,714	5 1,472,714
Unearned revenue							20,834,493	1 20,834,493
Other long term obligations - current portion							205,684	6 205,684
<b>Total Current Liabilities</b>	<b>112,716,372</b>	<b>8,590,860</b>	<b>(1,353,701)</b>	<b>119,953,531</b>	<b>119,953,531</b>		<b>119,953,531</b>	<b>119,953,531</b>
Amounts due to CMU		0	0					
<b>NONCURRENT LIABILITIES:</b>								
Long-term debt, hedging instruments and other obligations	162,083,470	4,964,322		167,047,792	167,047,792	7		
Net Pension Liability	79,382,848			79,382,848	79,382,848	7		
Net OPEB Liability	0			0	0	7		
Unearned Revenue		0		0				0
Bonds and notes payable							147,199,000	7 147,199,000
Lease & SBITA obligations		0		0			11,730,733	7 11,730,733
Noncurrent portion of other long-term obligations		5,291,348		5,291,348			87,500,907	7 92,792,255
<b>TOTAL LIABILITIES</b>	<b>354,182,690</b>	<b>18,846,530</b>	<b>(1,353,701)</b>	<b>371,675,519</b>	<b>366,384,171</b>		<b>366,384,171</b>	<b>371,675,519</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflow on bond refunding	511,922			511,922				511,922
Deferred inflow related to CMU's proportionate share of the MPSERS net pension & OPEB liability	17,444			17,444	17,444	9		0
Deferred inflow related to Split Interest Agreements	5,658,507			5,658,507				5,658,507
Deferred inflow related to Lease Agreements	9,047,355			9,047,355				9,047,355
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>15,235,228</b>			<b>15,235,228</b>	<b>17,444</b>			<b>15,217,784</b>
<b>NET POSITION</b>								
Net investment in capital assets	370,611,589			370,611,589	370,611,589	1		
Restricted for:								
Expendable								
Scholarships, fellowships, research and other	69,092,140			69,092,140	69,092,140	8		
Instructional department uses	23,334,921			23,334,921	23,334,921	8		
Capital projects and debt service	12,780,925			12,780,925	12,780,925	1		
Nonexpendable								
Scholarships, fellowships, and research	78,261,407			78,261,407	78,261,407	8		
Unrestricted	238,242,551	14,374,901		252,617,452	252,617,452	1		
<b>Total net position</b>	<b>792,323,533</b>	<b>14,374,901</b>		<b>806,698,434</b>	<b>806,698,434</b>			
<b>NET POSITION</b>								
Net investment in capital assets							370,611,589	1 370,611,589
Restricted for:								
Education							30,632,970	8 30,632,970
Construction and debt service							12,780,925	1 12,780,925
Other Purposes							0	1 0
Funds Held as Permanent Investments								
Expendable							61,794,091	8 61,794,091
Nonexpendable							78,261,407	8 78,261,407
Unrestricted Net Position							252,617,452	1 252,617,452
<b>TOTAL NET POSITION</b>	<b>\$ 792,323,533</b>	<b>\$ 14,374,901</b>		<b>\$ 806,698,434</b>	<b>\$ 806,698,434</b>		<b>\$ 806,698,434</b>	<b>\$ 806,698,434</b>

See notes to supplemental financial statements.

STATE OF MICHIGAN  
RECLASSIFYING ENTRIES FOR STATEMENT OF NET POSITION  
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY  
JUNE 30, 2023

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	\$ 25,724,037		
State appropriations receivable, SBA			
State appropriations receivable, operations	16,575,004		
State appropriations receivable, Charter Schools	46,304,188		
State Appropriations - SBA			
State Appropriations - operations	(16,575,004)	\$ 16,575,004	
State Appropriations - Charter Schools	(46,304,188)	46,304,188	
State Grants	(336,565)	336,565	
Federal Agencies	<u>(2,738,716)</u>		<u>\$ 2,738,716</u>
	22,648,756	<u>\$ 63,215,757</u>	<u>\$ 2,738,716</u>
Other current assets	5,181,678		
	<u>\$ 27,830,434</u>		

3) Reclassify investments

	<u>Investments</u>
Endowment investments	\$ 245,105,237
Other long-term investments (includes component units)	210,122,358
Investments	<u>\$ 455,227,595</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	\$ 14,826,132		\$ 14,826,132
Buildings, equipment, and other depreciable assets	1,063,857,440	\$ 27,699,355	1,091,556,795
Construction in progress	8,860,889		8,860,889
Total	<u>1,087,544,461</u>	<u>27,699,355</u>	<u>1,115,243,816</u>
Less accumulated depreciation	553,066,458	15,234,432	568,300,890
Capital Assets, net	<u>\$ 534,478,003</u>	<u>\$ 12,464,923</u>	<u>\$ 546,942,926</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	\$ 85,976,267		
Deposits	865,356		
Mich income tax	(50,748)	\$ 50,748	
Payroll Floor UAAL Payment	(2,760,292)	2,760,292	
Sec 236(4) UAAL Payment	(3,172)	3,172	
MPSERS Member Payments on Accrued Payroll	(54,279)	54,279	
Mich sales tax owed	(32,481)	32,481	
Interest	(1,472,714)		\$ 1,472,714
	<u>\$ 82,467,937</u>	<u>\$ 2,900,972</u>	<u>\$ 1,472,714</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	\$ 12,277,415		
Bonds and notes payable	(7,628,000)	\$ 7,628,000	
Lease & SBITA obligations	<u>(4,443,731)</u>		<u>\$ 4,443,731</u>
	<u>\$ 205,684</u>	<u>\$ 7,628,000</u>	<u>\$ 4,443,731</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	\$ 167,047,792		
Long-term bonds and notes payable	(147,199,000)	\$ 147,199,000	
Long-term lease & SBITA obligations	(11,730,733)		\$ 11,730,733
Net Pension Liability	79,382,848		
Net OPEB Liability	0		
	<u>\$ 87,500,907</u>	<u>\$ 147,199,000</u>	<u>\$ 11,730,733</u>

8) Combine restricted net position

	<u>Restricted for Endowments</u>	<u>Restricted for Education</u>
Restricted for:		
Nonexpendable-scholarships, fellowships, research	\$ 78,261,407	
Expendable-scholarships, fellowships, research	61,794,091	\$ 7,298,049
Instructional department uses		23,334,921
	<u>\$ 140,055,498</u>	<u>\$ 30,632,970</u>

9) Reclassify Pension Related State Approps Deferred Inflows

	<u>Deferred Outflow</u>	<u>Deferred Inflow</u>
Pension & OPEB Related Deferreds	\$ 10,015,792	\$ 17,444
Def Inflows-State Approps Contributions Subsq to Msrmt Date	(17,444)	(17,444)
	<u>\$ 9,998,348</u>	<u>\$ 0</u>

See notes to supplemental financial statements.

STATE OF MICHIGAN  
STATEMENT OF ACTIVITIES  
COMPONENT UNIT  
June 30, 2023

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			GENERAL REVENUES			CHANGE IN NET POSITION	RESTATED NET POSITION BEGINNING OF YEAR	NET POSITION END OF YEAR
	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE	INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN			
Central Michigan University	\$ 519,836,217	\$ 319,269,456	\$ 51,262,788	\$ (1,017,464)	\$ 14,684,869	\$ 191,008,669	\$ 18,025,051	\$ 733,301,282	\$ 806,698,434
Total	\$ 519,836,217	\$ 319,269,456	\$ 51,262,788	\$ (1,017,464)	\$ 14,684,869	\$ 191,008,669	\$ 18,025,051	\$ 733,301,282	\$ 806,698,434
								PRIOR YEAR ENDING NET POSITION	
								\$ 733,376,335	
								RESTATEMENT FOR GASB 96	
								\$(75,053)	
								<u>\$ 733,301,282</u>	
								<u>\$ 733,301,282</u>	



STATE OF MICHIGAN  
STATEMENT OF ACTIVITIES  
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY  
June 30, 2023

EXHIBIT II

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMACFR Format
					Debit	Credit	
OPERATING REVENUES							
Tuition and fees	\$ 161,212,036			\$ 161,212,036	\$ 161,212,036	1	
Federal grants and contracts	10,426,416	\$ 524,467		10,950,883	10,950,883	2	
State and local grants and contracts	696,739			696,739	696,739	2	
Private grants and contracts	8,017,790			8,017,790	8,017,790	2	
Sales and services of educational activities	33,489,306	5,585,537	\$ (245,860)	38,828,983	38,828,983	1	
Auxiliary enterprises	59,941,194	59,287,243		119,228,437	119,228,437	1	
Total operating revenues	273,783,481	65,397,247	(245,860)	338,934,868	338,934,868		
OPERATING EXPENSES	448,284,975	65,938,035	(745,860)	513,477,150		\$ 513,477,150	3
NONOPERATING REVENUES (EXPENSES)							
State appropriations	191,008,669	500,000	(500,000)	191,008,669	191,008,669	4	
Gifts and pledges net of allowance	10,089,792	804,187		10,893,979	10,893,979	2	
Investment income net of expense	27,619,078	515,371		28,134,449	28,134,449	2,5	
Interest on capital assets related debt	(6,359,067)			(6,359,067)			6,359,067 3
Federal Pell grant program	15,697,681			15,697,681	15,697,681	6	
Governmental Coronavirus Support programs	1,129,947	0		1,129,947	1,129,947	6	
Other nonoperating revenue (expense)	1,187,362	10,061		1,197,423	1,197,423	6	
Net nonoperating revenues	240,373,462	1,829,619	(500,000)	241,703,081	248,062,148		6,359,067
OTHER							
Capital appropriations				0	0	4	
Capital grants and gifts	(1,017,464)			(1,017,464)	(1,017,464)	7	
Additions to permanent endowments	7,253,817			7,253,817	7,253,817	2	
Total other revenues	6,236,353			6,236,353	6,236,353		
Increase in net position	72,108,321	1,288,831	0	73,397,152	593,233,369		519,836,217
EXPENSES					519,836,217	3	3 \$ 519,836,217
PROGRAM REVENUES							
Charges for services							319,269,456 1 319,269,456
Operating grants/contributions							51,262,788 2 51,262,788
Capital grants/contributions							(1,017,464) 7 (1,017,464)
TOTAL PROGRAM REVENUES							369,514,780 369,514,780
NET (EXPENSE) REVENUE							(150,321,437)
GENERAL REVENUES							
Interest and investment earnings							14,684,869 5 14,684,869
Payments from State of Michigan							191,008,669 4 191,008,669
Other							18,025,051 6 18,025,051
TOTAL GENERAL REVENUES							223,718,589 223,718,589
Change in net position	72,108,321	1,288,831		73,397,152			73,397,152
Prior Year Ending Net Position:	720,290,265	13,086,070		733,376,335			733,376,335
GASB 96 restatement:	(75,053)	0		(75,053)			(75,053)
Beginning Net Position:	720,215,212	13,086,070		733,301,282			733,301,282
Ending Net Position	\$ 792,323,533	\$ 14,374,901	\$ 0	\$ 806,698,434	\$ 0	\$ 0	\$ 806,698,434

See notes to supplemental financial statements.

STATE OF MICHIGAN  
RECLASSIFYING ENTRIES FOR STATEMENT OF ACTIVITIES  
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY  
JUNE 30, 2023

EXHIBIT II

1)	Charges for services	Charges for Services
	Tuition and fees	\$ 161,212,036
	Sales and services of educational activities	38,828,983
	Auxiliary enterprises	119,228,437
		<u>\$ 319,269,456</u>
2)	Operating grants/contributions	Operating Grants/Contributions
	Federal grants and contracts	\$ 10,950,883
	State and local grants and contracts	696,739
	Private grants and contracts	8,017,790
	Gifts and pledges net of allowance	10,893,979
	Additions to permanent endowments	7,253,817
	Investment Income - Exp Rest Fund	298
	Investment Income - Endowment Fund	13,449,282
		<u>\$ 51,262,788</u>
3)	Expenses	Expenses
	Operating expenses - CMU	\$ 448,284,975
	Operating expenses - CMU to component unit	(745,860)
	Operating expenses - component unit (CMEP)	58,661,940
	Operating expenses - component unit IEE	7,276,095
	Interest on capital assets, net of related debt	6,359,067
		<u>\$ 519,836,217</u>
4)	Revenue from State of Michigan	Revenue from State of Michigan
	State appropriations	\$ 91,028,554
	Capital appropriations	
	Section 236(4) retirement contribution	99,980,115
		<u>\$ 191,008,669</u>
5)	Interest and investment earnings	Investment Income
	Investment Income - Exp Rest Fund	\$ 28,134,449
	Investment Income - Endowment Fund	(298)
		(13,449,282)
		<u>\$ 14,684,869</u>
6)	Other Revenues	Other Revenues
	Federal Pell Grant Program	\$ 15,697,681
	Governmental Coronavirus Support Programs	1,129,947
	Other nonoperating revenues	1,197,423
		<u>\$ 18,025,051</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 \$1,835,627 at June 30, 2023. Also included in deferred outflows is the gain or loss on the defeasance of three General Revenue Bonds Series: Series 2005 valued at \$661,635, net of amortization, at June 30, 2023; Series 2006 valued at \$143,961, net of amortization, at June 30, 2023 and Series 2012 valued at \$977,753, net of amortization, at June 30, 2023. The value of deferred outflows related to the MPERS plan for pensions was \$9,200,260 as of June 30, 2023, and for other post-employment benefits (OPEB) was \$815,532 as of June 30, 2023. 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 \$511,922, net of amortization, at June 30, 2023. Deferred inflows of resources applicable to split-interest agreements include \$5,658,507 at June 30, 2023. At June 30, 2023, deferred inflows related to leasing agreements was \$9,047,355. There were no deferred inflows related to changes in the pension or OPEB portion of the MPERS plan at June 30, 2023. Deferred inflows of resources at June 30, 2023 also include \$17,444 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

On May 11, 2023, the national emergency status of the COVID-19 global pandemic officially expired. The university continues to monitor guidance from the Centers for Disease Control, however most operations have returned to pre-pandemic service levels with expanded options for online and remote interactions. For the year ended June 30, 2023 there was no funding provided to the university to support student financial aid or institutional costs under the Higher Education Emergency Relief Funds (HEERF), however the university received \$1.1 million from federally authorized coronavirus support programs for various grant initiatives.

#### NOTE 4—ACCOUNTING CHANGES AND RESTATEMENTS

##### Adoption of New Standard

During the current year, the university adopted GASB Statement No. No. 96 *Subscription-Based Information Technology Arrangements* (SBITAs). 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 that will be recognized over the term of the subscription agreement. SBITA activity is further described in Note 12. The financial statements for the year ended June 30, 2022 have been restated in order to adopt GASB Statement No. 96.

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

	<u>June 30, 2022</u>
Net position - As previously reported	\$ 720,290,265
Adjustment for GASB Statement No. 96	<u>(75,053)</u>
Net position - As restated	<u>\$ 720,215,212</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, 2023:

	Fair Market Value	Investment Maturities (in Years)		N/A
		Less Than or Equal To 1	Greater Than 1 to 5	
Time deposits	\$ 69,718,384	\$ 69,718,384		
Money market accounts	71,812	71,812		
Commercial paper				
Repurchase agreements				
Government securities				
Insured mortgage backed securities				
Government backed securities				
Investment agreements				
Corporate bonds and notes				
Equities	113,839,148	113,839,148		
Real estate	27,417	27,417		
Venture capital & leveraged buyouts				
Mutual bond/equity funds	233,965,369	6,662,793		\$ 227,302,576
Guaranteed Investment Contracts				
Pooled investment funds				
Other Investments	97,447,540		\$ 92,079,062	5,368,478
Total Investments	<u>\$ 515,069,670</u>	<u>\$ 190,319,554</u>	<u>\$ 92,079,062</u>	<u>\$ 232,671,054</u>
Less Investments Reported as "Cash" on Statement of Net Position	<u>55,961,460</u>			
Total Investments	<u>\$ 459,108,210</u>			
<u>As Reported on the Statement of Net Position</u>				
Current Investments	3,880,615			
Noncurrent Restricted Investments				
Noncurrent Investments	<u>455,227,595</u>			
Total Investments	<u>\$ 459,108,210</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, 2023, 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, 2023 are as follows:

Investment Type	June 30, 2023				
	Fixed Income Investment Maturities				
	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
US Treasury/TIPS	\$ 205,389	\$ 11,064,462	\$ 6,516,424	\$ 2,614,039	\$ 20,400,314
Core Fixed Income	2,076,406	11,877,992	12,603,893	7,361,175	33,919,466
Short Duration Fixed Income	8,244,239	29,725,866	437,421	52,460	38,459,986
Global Multi-Sector Fixed Income	(110,972)	5,713,030	3,833,572	652,716	10,088,346
Absolute Return Fixed Income	3,792,010	13,520,315	9,715,760	4,505,862	31,533,947
Total	\$ 14,207,072	\$ 71,901,665	\$ 33,107,070	\$ 15,186,252	\$ 134,402,059

### 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 8.6% or more of total investments at June 30, 2023.

### Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2023, 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 \$39,537,308 at June 30, 2023. The deposits were reflected in the accounts of the banks at \$43,757,043 at June 30, 2023. Of the bank balance, \$43,257,043 at June 30, 2023 was uninsured and uncollateralized.

For CMEP deposits reflected in the accounts of the banks were \$3,901,499 at June 30, 2023. Of the bank balance, \$3,381,905 at June 30, 2023, was uninsured and uncollateralized.

For IEE deposits reflected in the accounts of the banks were \$1,409,922 at June 30, 2023. All of the bank balance was fully insured as of June 30, 2023.

Total deposits as of June 30, 2023 are as follows:

Carrying Amount	Bank Balance	Uninsured, uncollateralized	Insured
\$ 44,847,428	\$ 49,068,464	\$ 46,638,948	\$ 2,429,516

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 \$206.7 million at June 30, 2023, 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, 2023:

	Ending Balance June 30, 2023
Capital and lease assets, not being depreciated:	
Land	\$ 12,927,599
Land Improvements and Other	1,898,533
Construction in progress	8,860,889
Total non-depreciated capital assets	<u>23,687,021</u>
Capital and lease assets, being depreciated:	
Land Improvements and Other	129,617,492
Equipment, Furniture, Leasehold Improvements	87,820,851
Buildings	846,505,809
Infrastructure	
Right-to-Use Leased Buildings	13,315,472
Right-to-Use Leased Equipment & Vehicles	794,467
Right-to-Use Leased Land	337,674
Right-to-Use PPP assets	
Right-to-Use subscriptions	13,165,030
Total capital assets, being depreciated	<u>1,091,556,795</u>
Less accumulated depreciation and amortization for:	
Land Improvements and Other	97,083,693
Equipment, Furniture, Leasehold Improvements	71,706,974
Buildings	388,644,078
Infrastructure	
Right-to-Use Leased Buildings	3,985,776
Right-to-Use Leased Equipment & Vehicles	344,700
Right-to-Use Leased Land	44,826
Right-to-Use PPP assets	
Right-to-Use subscriptions	6,490,843
Total accumulated depreciation and amortization	<u>568,300,890</u>
Total capital assets, being depreciated, net	<u>523,255,905</u>
Capital and Lease Assets, Net	<u>\$ 546,942,926</u>
As Reported on the Statement of Activities	
Lease Revenue	725,510
Interest Revenue	365,669
Other lease-related revenue	723
Total Lease-Related Revenue	<u>\$ 1,091,902</u>



## 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 2023 are summarized as follows:

	All Other		TIAA-CREF Contributions	Covered Payroll
	Non-TIAA or Fidelity Contributions	Fidelity Contributions		
Pension Contributions	82,272,948		15,820,863	163,603,682

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 \$356,294 for fiscal year 2023 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 2023, 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 and OPEB 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 \$56,894,810 for fiscal year 2023. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

	Unfunded		Normal Health Rate	Unfunded Health Rate
	Normal Pension Rate	Pension Rate		
10/01/22 – 06/30/23	6.52%	10.00%	0.92%	0.00%
10/01/21 – 09/30/22	6.52%	19.86%	0.92%	5.87%

## **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 \$489,981 in fiscal year 2023. Required employee contributions were \$301,370 in fiscal year 2023. The university's contributions to the unfunded MPSERS defined benefit pensions totaled \$7,325,980 in fiscal year 2023. The university also recorded \$74,450,275 of stabilization rate revenue from the State of Michigan to assist in funding the MPSERS pension UAAL for the year ended June 30, 2023. The university's contributions toward the MPSERS defined contribution plan totaled \$6,712 in fiscal year 2023.

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

At June 30, 2023, the university reported a liability of \$79,382,848 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 2023 was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, which used update procedures to roll forward the estimated liability to September 30, 2022. 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, 2022, the university's proportion was 24.83 percent, of the universities reporting unit.

For the year ended June 30, 2023, the university recognized pension expense of \$27,525,924. At June 30, 2023, the university also reported a payable of \$3,172 for the outstanding amount of contributions to the pension plan required for the year-ended June 30, 2023.

At June 30, 2023, 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 21, 2023, Michigan Act No. 103 of Public Acts of 2023 was approved. The Act's section 236(h) provides total appropriations of \$200,000,000 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, 2023 the university reported an asset of \$9,308,291 for its proportionate share of the net OPEB asset calculated for the universities reporting unit of MPSERS. The net OPEB asset for fiscal year 2023 was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021, that used update procedures to roll forward the estimated liability to September 30, 2022. 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, 2022 the university's proportion was 24.86 percent of the universities reporting unit.

For the year ended June 30, 2023 the university recognized OPEB expense of \$(2,192,267).

At June 30, 2023, 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—VENDOR FINANCING

##### Lessee Agreements and Subscription-Based Information Technology Arrangements

The university and its component units lease certain assets from various third parties. The assets leased include land, buildings, equipment and vehicles. The university also has subscription-based information technology arrangements (SBITA) for the right-to-use various information technology software. 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 and SBITA assets, net of amortization, consist of the following as of June 30, 2023:

	Beginning Balance July 1, 2022 <u>(as Restated)</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance June 30, 2023
Lease and SBITA Assets				
Land	\$ 337,674			\$ 337,674
Buildings	14,363,674	\$ 677,451	\$ 1,725,653	13,315,472
Equipment	588,447	48,605		637,052
Vehicles	74,518	124,390	41,493	157,415
SBITA	8,084,679	5,774,069	693,718	13,165,030
Less accumulated amortization:				
Land		44,826		44,826
Buildings	2,905,910	1,992,508	912,642	3,985,776
Equipment	163,607	137,983		301,590
Vehicles	38,045	40,796	35,731	43,110
SBITA	3,102,820	3,877,738	489,715	6,490,843
Lease and SBITA Assets, Net	<u>\$ 17,238,610</u>	<u>\$ 530,664</u>	<u>\$ 1,022,776</u>	<u>\$ 16,746,498</u>

At June 30, 2023, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the lease liability:

	<u>Variable Payments</u>	<u>Termination Penalties</u>
June 30, 2023	\$ 4,000	

Future principal and interest payments related to the for the university and its component unit's lease liability at June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,153,895	\$ 304,553	\$ 2,458,448
2025	1,903,255	233,257	2,136,512
2026	1,427,004	174,458	1,601,462
2027	1,021,952	129,625	1,151,577
2028	359,913	330,769	690,682
2029-2033	1,826,820	263,665	2,090,485
2034-2038	1,057,907	143,820	1,201,727
2039-2043	139,783	117,102	256,885
2044-2048	109,165	93,928	203,093
Thereafter	399,414	89,391	488,805
Total	<u>\$ 10,399,108</u>	<u>\$ 1,880,568</u>	<u>\$ 12,279,676</u>

As of June 30, 2023, the university had no commitments related to leases for which the lease term had not commenced.

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

### Central Michigan University

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At June 30, 2023, the university recognized the following outflows as a result of certain items that were properly excluded from the initial measurement of the SBITA liability:

	June 30, 2023
Variable Payments	\$ 183,278

Future principal and interest payments related to the university's SBITA liability at June 30, 2023 are as follows:

	Principal	Interest	Total
2024	\$ 2,289,836	\$ 225,521	\$ 2,515,357
2025	1,909,913	115,019	2,024,932
2026	744,906	56,798	801,704
2027	609,624	22,366	631,990
2028	191,026	6,148	197,174
2029-2033	30,051	2,149	32,200
Total	\$ 5,775,356	\$ 428,001	\$ 6,203,357

As of June 30, 2023, the university has \$361,786 in commitments related to subscription-based information technology arrangements for which the term has not commenced.

#### 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, 2023, the university recognized the following lease revenue, lease interest revenue, and inflows related to its lessor agreements:

	June 30, 2023
Lease Revenue	\$ 725,510
Lease Interest Revenue	\$ 365,669
Variable Revenue	\$ 723

#### Public-Private and Public-Public Partnerships

As of June 30, 2023, the university had no Public-Private or Public-Public Partnership agreement arrangements.

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

**Central Michigan University**

**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, 2023:

	Beginning Balance July 1, 2022 (as Restated)	Additions	Reductions	Ending Balance June 30, 2023	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 19,315,000		\$ 655,000	\$ 18,660,000	\$ 605,000
Series 2014:					
Series Bonds	34,725,000		1,950,000	32,775,000	2,050,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	6,052,000		272,000	5,780,000	272,000
Series 2016 Series Bonds	16,365,000		860,000	15,505,000	890,000
Series 2016 Unamortized Premium	2,067,000		156,000	1,911,000	156,000
Series 2019 Series Bonds	20,925,000		2,335,000	18,590,000	2,585,000
Series 2019 Unamortized Premium	3,577,000		292,000	3,285,000	292,000
Series 2021 Series Bonds	29,790,000		580,000	29,210,000	530,000
Series 2021 Unamortized Premium	7,254,000		248,000	7,006,000	248,000
Total Long-Term Debt	162,175,000		7,348,000	154,827,000	7,628,000
Other Obligations:					
Lease Obligations	6,289,546	\$ 6,334,449	2,224,887	10,399,108	2,153,895
SBITA Obligations	3,896,165	5,635,302	3,756,111	5,775,356	2,289,836
Hedging Instruments	2,901,521		1,065,894	1,835,627	
Compensated Absences	5,987,978	80,247	3,956	6,064,269	202,468
Retirement Service Programs	503,727		82,680	421,047	416
Other Obligations	769	58,093	56,062	2,800	2,800
Total	\$ 181,754,706	\$ 12,108,091	\$ 14,537,590	\$ 179,325,207	\$ 12,277,415

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, 2023 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
2024	\$ 6,660,000	\$ 7,022,266	\$ 6,660,000	\$ 7,022,266	\$	
2025	7,010,000	6,929,673	7,010,000	6,929,673		
2026	7,315,000	6,587,263	7,315,000	6,587,263		
2027	7,690,000	6,220,672	7,690,000	6,220,672		
2028	7,915,000	5,770,280	7,915,000	5,770,280		
2029-2033	47,630,000	20,429,021	47,630,000	20,429,021		
2034-2038	27,055,000	7,480,925	27,055,000	7,480,925		
2039-2043	14,050,000	3,644,425	14,050,000	3,644,425		
2044-2048	8,460,000	1,103,200	8,460,000	1,103,200		
2049-2053	3,060,000	250,800	3,060,000	250,800		
Total	136,845,000	\$ 65,438,525	\$ 136,845,000	\$ 65,438,525	\$	\$
Unamortized Premium	17,982,000					
Total	\$ 154,827,000					
	\$ 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, 2023.

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

### Central Michigan University

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#### HEDGING INSTRUMENTS

The university has one pay-fixed, receive-variable, interest rate swap at June 30, 2023. The objective of this swap is to hedge interest rate risk on the Series 2008A bonds. A description of the swap is as follows:

The university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the Secured Overnight Financing Rate (SOFR) plus seven basis points (3.466324% at June 30, 2023). The swap agreement matures on October 1, 2032. The university received \$3,806,000 from the second 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 remained unchanged. Effective June 2, 2023, the swap agreement was assumed by PNC Bank. The key swap provisions and termination date remain unchanged, except for a conversion of the benchmark variable rate from the London Interbank Offering Rate (LIBOR) to SOFR.

As of June 30, 2023, the swap agreement had a notional amount of \$18,550,000 and was in a negative position of \$1,835,627. 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 \$1,065,894 for fiscal year 2023. The accumulated change in fair value of (\$1,835,627) is recorded in deferred outflows at June 30, 2023.

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 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, 2023, 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, 2023, 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.

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

### **Central Michigan University**

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#### **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, 2023, 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 of the agreement, the university has an available credit limit in the amount of \$8 million as of June 30, 2023. 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 \$1,536,705 as of June 30, 2023 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 \$18,838,932 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.

#### **LEASE AND SBITA OBLIGATIONS**

The university leases certain assets from various third parties. The assets leased include land, buildings, equipment, and vehicles. The university also has subscription-based information technology arrangements (SBITA) for the right-to-use various information technology software. See Note 12 for additional information on lease and SBITA obligations.

#### **Other Obligations**

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

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

### Central Michigan University

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#### 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, 2023 primarily consists of the construction costs for the Powerhouse upgrade to the 1250 ton absorption chiller of \$1.8 million, the Bush Theater Lighting Upgrade project of \$0.7 million, the lower level renovation of Foust Hall of \$0.6 million and other projects including maintenance and remodeling of approximately \$5.8 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 \$28.6 million as of June 30, 2023.

The university entered into 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 agreements between the SBA, the State of Michigan and the university. During the agreement term, the SBA will hold title to the facilities; the State of Michigan will make all annual 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 agreements, 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 educators' legal 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 educators' legal liability, 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, 2023</u>
Estimated professional liability under self-insurance	\$ 200,000
Less: Investments under professional liability funding arrangement – held by the trustee, at fair value	<u>(973,239)</u>
Estimated over funding of liability	<u>\$ (773,239)</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, 2023, 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	\$ 1,835,627	
Gain or Loss on Defeasance of Debt	1,783,349	\$ 511,922
Split Interest Agreements		5,658,507
Lease Agreements		9,047,355
Pension Related:		
Net difference between projected and actual earnings on pension plan assets	4,246,896	
Contributions subsequent to the measurement date	4,935,920	
OPEB Related:		
Net difference between projected and actual earnings on OPEB plan assets	763,017	
Contributions subsequent to the measurement date	52,515	
Total	<u>\$ 13,617,324</u>	<u>\$ 15,217,784</u>

Deferred outflows of resources and deferred inflows of resources do not include \$17,444 of UAAL stabilization funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date.

**NOTE 29--SUBSEQUENT EVENTS**

None