

Central Michigan University

State of Michigan ACFR Financial Schedules

June 30, 2024

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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, 2024 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 26, 2024, 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), which represent all of the balances of the assets, net assets, and revenue of the discretely presented component unit. 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, 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 26, 2024.

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.

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.

Plante & Moran, PLLC

November 20, 2024

**STATE OF MICHIGAN
STATEMENT OF NET POSITION
COMPONENT UNIT**

June 30, 2024

CENTRAL
MICHIGAN
UNIVERSITY

ASSETS

Current Assets:

Cash	\$	46,055,309
Equity in common cash (Note 5)		
Amounts due from component units		
Amounts due from primary government		66,573,494
Amounts due from federal government		3,585,932
Amounts due from local units		
Inventories		2,591,330
Investments (Note 8)		4,525,515
Other current assets*		31,020,425
Total Current Assets		<u>154,352,005</u>

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents		22,051
Investments		
Mortgages and loans receivable		
Advances to primary government		
Amounts due from local units		
Mortgages and loans receivable		
Investments (Note 8)		512,899,068
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		1,088,692,636
Less accumulated depreciation		(588,812,331)
Infrastructure		
Construction in progress		9,882,810
Total capital and lease assets		<u>524,589,247</u>
Other noncurrent assets*		31,369,428
Total Noncurrent assets		<u>1,068,879,794</u>

Total Assets 1,223,231,799

DEFERRED OUTFLOWS OF RESOURCES (Note 28) 4,850,051

LIABILITIES

Current Liabilities:

Accounts payable and other liabilities		82,188,887
Amounts due to component units		
Amounts due to primary government		980,221
Bonds and notes payable (Note 14)		7,978,000
Interest payable		1,379,439
Unearned revenue		24,362,060
Vendor financing obligations (Note 12)**		5,991,433
Current portion of other long-term obligations		70,047
Total Current Liabilities		<u>122,950,087</u>

Long-Term Liabilities:

Unearned revenue		
Bonds and notes payable (Note 14)		139,221,000
Vendor financing obligations (Note 12)**		10,412,921
Noncurrent portion of other long-term obligations		18,589,691
Total Long-Term Liabilities		<u>168,223,612</u>

Total Liabilities 291,173,699

DEFERRED INFLOWS OF RESOURCES (Note 28) 15,228,733

NET POSITION

Net investment in capital assets		359,348,829
Restricted For:		
Education		28,436,872
Construction and debt service		3,000,153
Other purposes		20,849,165
Funds Held as Permanent Investments:		
Expendable		74,315,932
Nonexpendable		82,783,217
Unrestricted		352,945,250
Total Net Position	\$	<u>921,679,418</u>

*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, 2024

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMACFR Format	
					Debit	Credit		
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	\$ 44,688,027	\$ 1,367,282		\$ 46,055,309		\$ 46,055,309	1	
Investments		4,525,515		4,525,515		4,525,515	1	
Accounts receivable, net	28,174,655	3,059,274	\$ (459,373)	30,774,556		30,774,556	2	
State appropriations receivable, SBA	0	0		0		0	2	
State appropriations receivable, operations	17,347,960	0		17,347,960		17,347,960	2	
State appropriations receivable, Charter Schools	48,780,666	0		48,780,666		48,780,666	2	
Inventories	2,591,330	0		2,591,330		2,591,330	1	
Other assets	3,155,825	1,120,844		4,276,669		4,276,669	2	
Total current assets	144,738,463	10,072,915	(459,373)	154,352,005				
CURRENT ASSETS								
Cash					\$ 46,055,309	1	\$ 46,055,309	
Amounts due from primary government					66,573,494	2	66,573,494	
Amounts due from federal government					3,585,932	2	3,585,932	
Amounts due from local units								
Inventories					2,591,330	1	2,591,330	
Investments (Note 8)					4,525,515	1	4,525,515	
Securities lending collateral								
Other Current Assets					31,020,425	2	31,020,425	
Total Current Assets	144,738,463	10,072,915	(459,373)	154,352,005	154,352,005		154,352,005	
NONCURRENT ASSETS:								
Restricted cash and cash equivalents	22,051	0		22,051		22,051	1	
Pledges receivable, net	3,129,393	0		3,129,393		3,129,393	1	
Leases receivable, net	7,377,330	0		7,377,330		7,377,330	1	
Endowment investments	263,438,743	0		263,438,743		263,438,743	3	
Other assets		13,540		13,540		13,540	1	
Other long-term investments	242,208,315	7,252,010		249,460,325		249,460,325	3	
Net OPEB asset	20,849,165	0		20,849,165		20,849,165	1	
Lease and SBITA assets, net	11,783,973	5,325,823		17,109,796		17,109,796	4	
Capital assets, net	504,589,713	2,889,738		507,479,451		507,479,451	4	
RESTRICTED ASSETS								
Cash and cash equivalents					22,051	1	22,051	
INVESTMENTS					512,899,068	3	512,899,068	
CAPITAL AND LEASE ASSETS:								
Land and other non depreciable assets					14,826,132	4	14,826,132	
Buildings, equipment and other depreciable assets					1,088,692,636	4	1,088,692,636	
Less accumulated depreciation						588,812,331	4	(588,812,331)
Construction in progress					9,882,810	4	9,882,810	
Net capital and lease assets							524,589,247	
Other noncurrent assets					31,369,428	1	31,369,428	
Total noncurrent assets	1,053,398,683	15,481,111		1,068,879,794	1,657,692,125	1,657,692,125	1,068,879,794	
TOTAL ASSETS	1,198,137,146	25,554,026	(459,373)	1,223,231,799	1,812,044,130	1,812,044,130	1,223,231,799	
DEFERRED OUTFLOWS OF RESOURCES								
Accumulated change in fair value of hedging derivatives and deferred on bond refunding	2,944,682			2,944,682			2,944,682	
Deferred outflow related to CMU's proportionate share of the MPSERS net pension & OPEB liability	1,905,369			1,905,369		0	9	1,905,369
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,850,051			4,850,051		0	4,850,051	

See notes to supplemental financial statements.

STATE OF MICHIGAN

STATEMENT OF NET POSITION

EXHIBIT I

COMPONENT UNIT-CENTRAL MICHIGAN UNIVERSITY

June 30, 2024

	University	Discrete	Eliminations	Total	Adjustments and		SOMACFR
	Financial	Component		University	Reclassifications		
	Report	Units			Debit	Credit	
LIABILITIES:							
CURRENT LIABILITIES							
Accounts payable and accrued liabilities	\$ 79,250,316	\$ 4,786,008	\$ (459,373)	\$ 83,576,951	\$ 83,576,951	5	
Unearned revenue	23,927,201	434,859		24,362,060	24,362,060	1	
Deposits	971,596	0		971,596	971,596	5	
Long term liabilities - current portion	13,107,236	932,244		14,039,480	14,039,480	6	
Total Current Liabilities	117,256,349	6,153,111	(459,373)	122,950,087			
CURRENT LIABILITIES							
Accounts payable and other liabilities							\$ 82,188,887 5 82,188,887
Amounts due to primary government							980,221 5 980,221
Bond and notes payable							7,978,000 6 7,978,000
Lease & SBITA obligations							5,991,433 6 5,991,433
Interest payable							1,379,439 5 1,379,439
Unearned revenue							24,362,060 1 24,362,060
Other long term obligations - current portion							70,047 6 70,047
Total Current Liabilities	117,256,349	6,153,111	(459,373)	122,950,087	122,950,087		122,950,087
Amounts due to CMU		0	0				
NONCURRENT LIABILITIES:							
Long-term debt, hedging instruments and other obligations	151,642,589	4,393,579		156,036,168	156,036,168	7	
Net Pension Liability	5,735,757			5,735,757	5,735,757	7	
Net OPEB Liability	0			0	0	7	
Unearned Revenue		0		0			0
Bonds and notes payable							139,221,000 7 139,221,000
Lease & SBITA obligations		0		0			10,412,921 7 10,412,921
Noncurrent portion of other long-term obligations		6,451,687		6,451,687			12,138,004 7 18,589,691
TOTAL LIABILITIES	274,634,695	16,998,377	(459,373)	291,173,699	284,722,012		291,173,699
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow on bond refunding	354,408			354,408			354,408
Deferred inflow related to CMU's proportionate share of the MPSERS net pension & OPEB liability	469,465			469,465	0	9	469,465
Deferred inflow related to Split Interest Agreements	6,113,922			6,113,922			6,113,922
Deferred inflow related to Lease Agreements	8,290,938			8,290,938			8,290,938
TOTAL DEFERRED INFLOWS OF RESOURCES	15,228,733			15,228,733	0		15,228,733
NET POSITION							
Net investment in capital assets	359,348,829			359,348,829	359,348,829	1	
Restricted for:							
Expendable							
Scholarships, fellowships, research and other	81,652,866			81,652,866	81,652,866	8	
Instructional department uses	21,099,938			21,099,938	21,099,938	8	
Capital projects and debt service	3,000,153			3,000,153	3,000,153	1	
OPEB	20,849,165			20,849,165	20,849,165	1	
Nonexpendable							
Scholarships, fellowships, and research	82,783,217			82,783,217	82,783,217	8	
Unrestricted	344,389,601	8,555,649		352,945,250	352,945,250	1	
Total net position	913,123,769	8,555,649		921,679,418	921,679,418		
NET POSITION							
Net investment in capital assets							359,348,829 1 359,348,829
Restricted for:							
Education							28,436,872 8 28,436,872
Construction and debt service							3,000,153 1 3,000,153
Other Purposes							20,849,165 1 20,849,165
Funds Held as Permanent Investments							
Expendable							74,315,932 8 74,315,932
Nonexpendable							82,783,217 8 82,783,217
Unrestricted Net Position							352,945,250 1 352,945,250
TOTAL NET POSITION	\$ 913,123,769	\$ 8,555,649		\$ 921,679,418	\$ 921,679,418		\$ 921,679,418

See notes to supplemental financial statements.

STATE OF MICHIGAN
RECLASSIFYING ENTRIES FOR STATEMENT OF NET POSITION
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY
 JUNE 30, 2024

EXHIBIT I

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

2) Reclassify current receivables

	Other Receivables	Due from Primary Government	Due from Federal Government
Accounts receivable, net	\$ 30,774,556		
State appropriations receivable, SBA			
State appropriations receivable, operations	17,347,960		
State appropriations receivable, Charter Schools	48,780,666		
State Appropriations - SBA			
State Appropriations - operations	(17,347,960)	\$ 17,347,960	
State Appropriations - Charter Schools	(48,780,666)	48,780,666	
State Grants	(444,868)	444,868	
Federal Agencies	(3,585,932)		\$ 3,585,932
	26,743,756	\$ 66,573,494	\$ 3,585,932
Other current assets	4,276,669		
	<u>\$ 31,020,425</u>		

3) Reclassify investments

	Investments
Endowment investments	\$ 263,438,743
Other long-term investments (includes component units)	249,460,325
Investments	<u>\$ 512,899,068</u>

4) Reclassify capital assets

	University Capital Assets	Discrete CU Capital Assets	Total Capital Assets
Land and other nondepreciable assets	\$ 14,826,132		\$ 14,826,132
Buildings, equipment, and other depreciable assets	1,073,227,820	\$ 15,464,816	1,088,692,636
Construction in progress	9,882,810		9,882,810
Total	<u>1,097,936,762</u>	<u>15,464,816</u>	<u>1,113,401,578</u>
Less accumulated depreciation	581,563,076	7,249,255	588,812,331
Capital Assets, net	<u>\$ 516,373,686</u>	<u>\$ 8,215,561</u>	<u>\$ 524,589,247</u>

5) Reclassify current liabilities

	Accounts Payable and Other Liabilities	Due to Primary Government	Interest Payable
Accounts payable and accrued liabilities	\$ 83,576,951		
Deposits	971,596		
Mich income tax	(53,635)	\$ 53,635	
Payroll Floor UAAL Payment	(833,783)	833,783	
Sec 236(4) UAAL Payment	0	0	
MPERS Member Payments on Accrued Payroll	(53,387)	53,387	
Mich sales tax owed	(39,416)	39,416	
Interest	(1,379,439)		\$ 1,379,439
	<u>\$ 82,188,887</u>	<u>\$ 980,221</u>	<u>\$ 1,379,439</u>

6) Reclassify current portion of debt obligation

	Long Term Liab Current portion	Bonds & Notes Payable	Lease Obligations
Current portions of long term obligations	\$ 14,039,480		
Bonds and notes payable	(7,978,000)	\$ 7,978,000	
Lease & SBITA obligations	(5,991,433)		\$ 5,991,433
	<u>\$ 70,047</u>	<u>\$ 7,978,000</u>	<u>\$ 5,991,433</u>

7) Reclassify noncurrent liabilities

	Other Long-Term Liabilities	Bonds & Notes Payable	Lease Obligations
Long-term debt and other obligations	\$ 156,036,168		
Long-term bonds and notes payable	(139,221,000)	\$ 139,221,000	
Long-term lease & SBITA obligations	(10,412,921)		\$ 10,412,921
Net Pension Liability	5,735,757		
Net OPEB Liability	0		
	<u>\$ 12,138,004</u>	<u>\$ 139,221,000</u>	<u>\$ 10,412,921</u>

8) Combine restricted net position

	Restricted for Endowments	Restricted for Education
Restricted for:		
Nonexpendable-scholarships, fellowships, research	\$ 82,783,217	
Expendable-scholarships, fellowships, research	74,315,932	\$ 7,336,934
Instructional department uses		21,099,938
	<u>\$ 157,099,149</u>	<u>\$ 28,436,872</u>

9) Reclassify Pension Related State Approps Deferred Inflows

	Deferred Outflow	Deferred Inflow
Pension & OPEB Related Deferrals	\$ 1,905,369	\$ 469,465
Def Inflows-State Approps Contributions Subsq to Msrmt Date	0	0
	<u>\$ 1,905,369</u>	<u>\$ 469,465</u>

See notes to supplemental financial statements.

STATE OF MICHIGAN
STATEMENT OF ACTIVITIES
COMPONENT UNIT
June 30, 2024

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			GENERAL REVENUES					NET POSITION BEGINNING OF YEAR	RESTATEMENTS AND ADJUSTMENTS	NET POSITION END OF YEAR		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS/ CONTRIBUTIONS	CAPITAL GRANTS/ CONTRIBUTIONS	NET (EXPENSE) REVENUE	INTEREST AND INVESTMENT EARNINGS (LOSS)	PAYMENTS FROM STATE OF MICHIGAN	OTHER				EXTRAORDINARY ITEMS	CHANGE IN NET POSITION
Central Michigan University	\$ 470,385,748	\$ 333,615,824	\$ 56,134,211	\$ 2,692,906	\$ (77,942,807)	\$ 22,205,748	\$ 154,877,696	\$ 20,790,361	\$ -	\$ 119,930,998	\$ 806,698,434	\$ (4,950,014)	\$ 921,679,418
Total	\$ 470,385,748	\$ 333,615,824	\$ 56,134,211	\$ 2,692,906	\$ (77,942,807)	\$ 22,205,748	\$ 154,877,696	\$ 20,790,361	\$ -	\$ 119,930,998	\$ 806,698,434	\$ (4,950,014)	\$ 921,679,418

STATE OF MICHIGAN
STATEMENT OF ACTIVITIES
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY
June 30, 2024

EXHIBIT II

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMACFR Format
					Debit	Credit	
OPERATING REVENUES							
Tuition and fees	\$ 172,131,791			\$ 172,131,791	\$ 172,131,791	1	
Federal grants and contracts	12,376,405	\$ 0		12,376,405	12,376,405	2	
State and local grants and contracts	618,000			618,000	618,000	2	
Private grants and contracts	9,196,552			9,196,552	9,196,552	2	
Sales and services of educational activities	34,651,264	0	\$ (466,551)	34,184,713	34,184,713	1	
Auxiliary enterprises	69,017,966	58,281,354		127,299,320	127,299,320	1	
Total operating revenues	297,991,978	58,281,354	(466,551)	355,806,781	355,806,781		
OPERATING EXPENSES	405,103,964	59,941,596	(466,551)	464,579,009		\$ 464,579,009	3
NONOPERATING REVENUES (EXPENSES)							
State appropriations	154,877,696	0		154,877,696	154,877,696	4	
Gifts and pledges net of allowance	9,657,354	0		9,657,354	9,657,354	2	
Investment income net of expense	41,186,536	797,934		41,984,470	41,984,470	2,5	
Interest on capital assets related debt	(5,806,739)			(5,806,739)			5,806,739 3
Federal Pell grant program	16,843,757			16,843,757	16,843,757	6	
Governmental Coronavirus Support programs	1,076,210	0		1,076,210	1,076,210	6	
Other nonoperating revenue (expense)	2,877,324	(6,930)		2,870,394	2,870,394	6	
Net nonoperating revenues	220,712,138	791,004	0	221,503,142	227,309,881		5,806,739
OTHER							
Capital appropriations				0	0	4	
Capital grants and gifts	2,692,906			2,692,906	2,692,906	7	
Additions to permanent endowments	4,507,178			4,507,178	4,507,178	2	
Total other revenues	7,200,084			7,200,084	7,200,084		
Increase in net position	120,800,236	(869,238)	0	119,930,998	590,316,746		470,385,748
EXPENSES					470,385,748	3	3 \$ 470,385,748
PROGRAM REVENUES							
Charges for services							333,615,824 1
Operating grants/contributions							56,134,211 2
Capital grants/contributions							2,692,906 7
TOTAL PROGRAM REVENUES							392,442,941
NET (EXPENSE) REVENUE							(77,942,807)
GENERAL REVENUES							
Interest and investment earnings							22,205,748 5
Payments from State of Michigan							154,877,696 4
Other							20,790,361 6
TOTAL GENERAL REVENUES							197,873,805
Change in net position	120,800,236	(869,238)		119,930,998			119,930,998
Prior Year Ending Net Position:	792,323,533	14,374,901		806,698,434			806,698,434
Discontinuance IEE		(4,950,014)		(4,950,014)			(4,950,014)
Beginning Net Position:	792,323,533	9,424,887		801,748,420			801,748,420
Ending Net Position	\$ 913,123,769	\$ 8,555,649	\$ 0	\$ 921,679,418	\$ 0	\$ 0	\$ 921,679,418

See notes to supplemental financial statements.

STATE OF MICHIGAN
RECLASSIFYING ENTRIES FOR STATEMENT OF ACTIVITIES
COMPONENT UNIT - CENTRAL MICHIGAN UNIVERSITY
JUNE 30, 2024

EXHIBIT II

1)	Charges for services	Charges for Services
	Tuition and fees	\$ 172,131,791
	Sales and services of educational activities	34,184,713
	Auxiliary enterprises	127,299,320
		<u>\$ 333,615,824</u>
2)	Operating grants/contributions	Operating Grants/Contributions
	Federal grants and contracts	\$ 12,376,405
	State and local grants and contracts	618,000
	Private grants and contracts	9,196,552
	Gifts and pledges net of allowance	9,657,354
	Additions to permanent endowments	4,507,178
	Investment Income - Exp Rest Fund	382
	Investment Income - Endowment Fund	19,778,340
		<u>\$ 56,134,211</u>
3)	Expenses	Expenses
	Operating expenses - CMU	\$ 405,103,964
	Operating expenses - CMU to component unit	(466,551)
	Operating expenses - component unit (CMEP)	59,941,596
	Interest on capital assets, net of related debt	5,806,739
		<u>\$ 470,385,748</u>
4)	Revenue from State of Michigan	Revenue from State of Michigan
	State appropriations	\$ 102,928,409
	Capital appropriations	0
	Section 236(4) retirement contribution	51,949,287
		<u>\$ 154,877,696</u>
5)	Interest and investment earnings	Investment Income
	Investment Income - Exp Rest Fund	\$ 41,984,470
	Investment Income - Endowment Fund	(382)
		(19,778,340)
		<u>\$ 22,205,748</u>
6)	Other Revenues	Other Revenues
	Federal Pell Grant Program	\$ 16,843,757
	Governmental Coronavirus Support Programs	1,076,210
	Other nonoperating revenues	2,870,394
		<u>\$ 20,790,361</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

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 one discretely presented component unit, Central Health Advancement Solutions (CHAS). 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 CMEP 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 and CMEP 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

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.

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 \$1,337,600 at June 30, 2024. Also included in deferred outflows is the gain or loss on the defeasance of three General Revenue Bonds Series: Series 2005 valued at \$602,823, net of amortization, at June 30, 2024; Series 2006 valued at \$132,209, net of amortization, at June 30, 2024 and Series 2012 valued at \$872,050, net of amortization, at June 30, 2024. The value of deferred outflows related to the MPERS plan for pensions was \$1,825,277 as of June 30, 2024, and for other post-employment benefits (OPEB) was \$80,092 as of June 30, 2024. 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, 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 \$354,408, net of amortization, at June 30, 2024. Deferred inflows of resources applicable to split-interest agreements include \$6,113,922 at June 30, 2024. See Note 28 for additional information on deferred inflows related to split-interest agreements. At June 30, 2024, deferred inflows related to leasing agreements was \$8,290,938. See Note 12 for additional information on leases. At June 30, 2024, the value related to changes in the pension portion of the MPERS plan was \$451,323 and the value related to changes in the OPEB portion of the MPERS plan was \$18,142. 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, insurance proceeds, gifts and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient university department within the guidelines of donor restrictions, if any.

NOTES TO THE STATE OF MICHIGAN ACFR (continued)

Central Michigan University

NOTE 4—ACCOUNTING CHANGES AND RESTATEMENTS

Removal of Discretely Presented Component Unit - IEE

During the current year, Central Michigan University, a discretely presented component unit, decreased its beginning net position by \$4.95 million to reflect a change in the classification of balances associated with the discontinuance of the university's relationship with Institute of Excellence in Education (IEE). In fiscal year 2024, the university no longer had a voting majority and discontinued providing financial resources to IEE. Due to the change, IEE no longer meets the requirements for inclusion as a discretely presented component unit for the fiscal year ended June 30, 2024. The effect of this change is to remove IEE from the financial statements of the university. The total assets, liabilities, and net assets of IEE for the year ended June 30, 2023, were \$6,336,131, \$1,386,117, and \$4,950,014, respectively, and are no longer discretely presented in the university financial statements.

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

	June 30, 2023
Net position - As previously reported	\$ 806,698,434
Adjustment for Component Unit Removal	(4,950,014)
Net position - As restated	<u>\$ 801,748,420</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, 2024:

	Fair Market Value	Investment Maturities (in Years)		N/A
		Less Than or Equal To 1	Greater Than 1 to 5	
Time deposits	58,542,068	\$ 58,542,068		
Money market accounts	112,496	112,496		
Commercial paper				
Repurchase agreements				
Government securities				
Insured mortgage backed securities				
Government backed securities				
Investment agreements				
Corporate bonds and notes				
Equities	129,770,343	129,770,343		
Real estate	19,294	19,294		
Venture capital & leveraged buyouts				
Mutual bond/equity funds	272,784,385	7,788,981		\$ 264,995,404
Guaranteed Investment Contracts				
Pooled investment funds				
Other Investments	102,273,357		\$ 96,904,879	5,368,478
Total Investments	<u>\$ 563,501,943</u>	<u>\$ 196,233,182</u>	<u>\$ 96,904,879</u>	<u>\$ 270,363,882</u>
Less Investments Reported as "Cash" on Statement of Net Position	<u>(46,077,360)</u>			
Total Investments	<u>\$ 517,424,583</u>			
<u>As Reported on the Statement of Net Position</u>				
Current Investments	4,525,515			
Noncurrent Restricted Investments				
Noncurrent Investments	<u>512,899,068</u>			
Total Investments	<u>\$ 517,424,583</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, 2024, the weighted average of all university debt instruments fell within the Standard & Poor's credit rating range of AAA to B.

NOTES TO THE STATE OF MICHIGAN ACFR (continued)

Central Michigan University

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 managing its exposure to fair value losses arising from increasing interest rates. The maturities of fixed income investments as of June 30, 2024, are as follows:

Investment Type	June 30, 2024				
	Fixed Income Investment Maturities				Total
	Less than 1 year	1-5 years	5-10 years	More than 10 years	
US Treasury/TIPS	\$ 38,371	\$ 11,957,421	\$ 6,580,549	\$ 2,474,900	\$ 21,051,241
Core Fixed Income	1,798,983	10,518,764	14,307,254	12,198,165	38,823,166
Short Duration Fixed Income	8,414,101	40,665,144	2,382,330	55,470	51,517,045
Global Multi-Sector Fixed Income	661,540	5,406,189	4,292,417	484,768	10,844,914
Absolute Return Fixed Income	2,609,263	14,392,833	7,559,741	4,074,012	28,635,849
Total	\$ 13,522,258	\$ 82,940,351	\$ 35,122,291	\$ 19,287,315	\$ 150,872,215

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 10.7% or more of total investments at June 30, 2024.

Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2024, 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 \$42,600,179 at June 30, 2024. The deposits were reflected in the accounts of the banks at \$47,539,233 at June 30, 2024. Of the bank balance, \$47,039,233 at June 30, 2024 was uninsured and uncollateralized.

For CMEP deposits reflected in the accounts of the banks were \$1,365,782 at June 30, 2024. Of the bank balance, \$975,099 at June 30, 2024, was uninsured and uncollateralized.

Total deposits as of June 30, 2024 are as follows:

Carrying Amount	Bank Balance	Uninsured, uncollateralized	Insured
\$ 43,967,461	\$ 48,905,015	\$ 48,014,332	\$ 890,683

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 \$226.8 million at June 30, 2024, 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, 2024:

	6/30/2024 Ending Balance
Capital assets, not being depreciated:	
Land	12,927,599
Land improvements and other assets	1,898,533
Construction in progress	9,882,810
Total capital assets, not being depreciated	<u>\$ 24,708,942</u>
Capital assets, being depreciated:	
Land improvements and other assets	118,607,539
Equipment, furniture, leasehold improvements	85,209,465
Buildings	850,942,009
Infrastructure	
Right-to-use leased buildings	12,722,316
Right-to-use leased equipment and vehicles	1,297,004
Right-to-use leased land	252,549
Right-to-use subscriptions	19,661,754
Total capital assets, being depreciated	<u>\$ 1,088,692,636</u>
Less accumulated depreciation for:	
Land improvements and other assets	93,841,392
Equipment, furniture, leasehold improvements	70,581,727
Buildings	407,565,385
Infrastructure	
Right-to-use leased buildings	5,384,324
Right-to-use leased equipment and vehicles	579,517
Right-to-use leased land	45,482
Right-to-use subscriptions	10,814,504
Total accumulated depreciation	<u>\$ 588,812,331</u>
Total capital assets, being depreciated, net	<u>\$ 499,880,305</u>
Capital assets, net	<u>\$ 524,589,247</u>
<u>As Reported on the Statement of Activities</u>	
Lease revenue	747,573
Interest revenue	359,651
Other lease-related revenue	(1,021)
Total Lease-Related Revenue	<u>\$ 1,106,203</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 2024 are summarized as follows:

	Non-TIAA or Fidelity	Fidelity	TIAA-CREF	Covered
	Contributions	Contributions	Contributions	Payroll
Pension Contributions	52,625,251		16,383,135	168,624,531

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 \$301,651 for fiscal year 2024 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 2024, 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 \$58,032,625 for fiscal year 2024. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

NOTES TO THE STATE OF MICHIGAN ACFR (continued)

Central Michigan University

	Normal Pension Rate	Unfunded Pension Rate	Normal Health Rate	Unfunded Health Rate
10/01/23 – 06/30/24	8.67%	2.27%	1.53%	0.00%
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%

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 MPERS normal pension costs, totaled \$557,275 in fiscal year 2024. Required employee contributions were \$274,326 in fiscal year 2024. The university's contributions to the unfunded MPERS defined benefit pensions totaled \$2,438,837 in fiscal year 2024. The university also recorded \$49,621,997 of stabilization rate revenue from the State of Michigan to assist in funding the MPERS pension UAAL for the year ended June 30, 2024. The university's contributions toward the MPERS defined contribution plan totaled \$7,142 in fiscal year 2024.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2024, the university reported a liability of \$5,735,757 for its proportionate share of the net pension liability as calculated for the universities reporting unit of MPERS. The net pension liability for fiscal year 2024 was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022, which used update procedures to roll forward the estimated liability to September 30, 2023. 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, 2023, the university's proportion was 24.87 percent of the universities reporting unit.

For the year ended June 30, 2024, the university recognized pension expense (recovery) of \$(13,154,814). At June 30, 2024, the university also reported no obligatory payable for the outstanding amount of contributions to the pension plan required for the year-ended June 30, 2024.

At June 30, 2024, 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.

Net OPEB Asset, Deferrals, and OPEB Expense

At June 30, 2024 the university reported an asset of \$20,849,165 for its proportionate share of the net OPEB asset calculated for the universities reporting unit of MPERS. The net OPEB asset for fiscal year 2024 was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2022, that used update procedures to roll forward the estimated liability to September 30, 2023. 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, 2023 the university's proportion was 24.66 percent of the universities reporting unit.

For the year ended June 30, 2024 the university recognized OPEB expense (recovery) of \$(10,697,928).

At June 30, 2024, 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.

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 asset.

Lease and SBITA assets, net of amortization, consist of the following as of June 30, 2024:

	Beginning Balance July 1, 2023 (as Restated)	Additions	Reductions	Ending Balance June 30, 2024
Lease and SBITA Assets				
Land	\$ 337,674		\$ 85,125	\$ 252,549
Buildings	12,976,803		254,487	12,722,316
Equipment	637,052	\$ 501,231		\$ 1,138,283
Vehicles	157,415	15,833	14,527	158,721
SBITA	13,165,030	6,887,891	391,167	19,661,754
Less accumulated amortization:				
Land	44,826	14,348	13,692	45,482
Buildings	3,921,997	1,716,814	254,487	5,384,324
Equipment	301,590	205,245		506,835
Vehicles	43,110	44,099	14,527	72,682
SBITA	6,490,843	4,714,828	391,167	10,814,504
Lease and SBITA Assets, Net	\$ 16,471,608	\$ 709,621	\$ 71,433	\$ 17,109,796

Future principal and interest payments related to the for the university and its component unit's lease liability at June 30, 2024 are as follows:

	Principal	Interest	Total
2025	2,083,719	110,760	2,194,479
2026	1,452,600	208,601	1,661,201
2027	1,039,411	169,512	1,208,923
2028	458,114	136,906	595,020
2029	414,408	124,278	538,686
2030-2034	1,689,845	400,563	2,090,408
2035-2039	842,647	214,482	1,057,129
2040-2044	114,209	112,108	226,317
2045-2049	119,921	89,264	209,185
Thereafter	370,880	73,579	444,459
Total	\$ 8,585,754	\$ 1,640,053	\$ 10,225,807

As of June 30, 2024, 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

At June 30, 2024, 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, 2024
Variable Payments	\$ 155,808

Future principal and interest payments related to the university's SBITA liability at June 30, 2024 are as follows:

	Principal	Interest	Total
2025	3,907,714	270,148	4,177,862
2026	2,421,107	117,572	2,538,679
2027	995,476	41,560	1,037,036
2028	464,252	10,172	474,424
2029	30,051	2,149	32,200
Total	\$ 7,818,600	\$ 441,601	\$ 8,260,201

As of June 30, 2024, the university has \$777,186 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, 2024, the university recognized the following lease revenue, lease interest revenue, and inflows related to its lessor agreements:

	June 30, 2024
Lease Revenue	\$ 747,573
Lease Interest Revenue	\$ 359,651
Variable Revenue	\$ (1,021)

Public-Private and Public-Public Partnerships

As of June 30, 2024, 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, 2024:

	Beginning Balance July 1, 2023 (as Restated)	Additions	Reductions	Ending Balance June 30, 2024	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 18,660,000		\$ 605,000	\$ 18,055,000	\$ 730,000
Series 2014:					
Series Bonds	32,775,000		2,050,000	30,725,000	2,160,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	5,780,000		272,000	5,508,000	272,000
Series 2016 Series Bonds	15,505,000		890,000	14,615,000	925,000
Series 2016 Unamortized Premium	1,911,000		156,000	1,755,000	156,000
Series 2019 Series Bonds	18,590,000		2,585,000	16,005,000	2,510,000
Series 2019 Unamortized Premium	3,285,000		292,000	2,993,000	292,000
Series 2021 Series Bonds	29,210,000		530,000	28,680,000	685,000
Series 2021 Unamortized Premium	7,006,000		248,000	6,758,000	248,000
Total Long-Term Debt	154,827,000		7,628,000	147,199,000	7,978,000
Other Obligations:					
Lease Obligations	10,123,349	\$ 32,751	1,570,346	8,585,754	2,083,719
SBITA Obligations	5,775,356	6,476,739	4,433,495	7,818,600	3,907,714
Hedging Instruments	1,835,627		1,835,627		
Compensated Absences	5,909,854	190,425		6,100,279	64,076
Retirement Service Programs	421,047		55,003	366,044	
Other Obligations	2,800	61,263	58,092	5,971	5,971
Total	\$ 178,895,033	\$ 6,761,178	\$ 15,580,563	\$ 170,075,648	\$ 14,039,480

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, 2024 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	BONDS PAYABLE					
	Direct Placement Debt		All Other Debt		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2025			7,010,000	5,777,527	7,010,000	5,777,527
2026			7,315,000	5,472,084	7,315,000	5,472,084
2027			7,690,000	5,117,247	7,690,000	5,117,247
2028			7,915,000	4,742,995	7,915,000	4,742,995
2029			8,520,000	4,356,792	8,520,000	4,356,792
Five Year Total	0	0	38,450,000	25,466,645	38,450,000	25,466,645
2030-2034			48,120,000	15,231,718	48,120,000	15,231,718
2035-2039			20,615,000	6,310,125	20,615,000	6,310,125
2040-2044			14,645,000	3,047,525	14,645,000	3,047,525
2045-2049			6,015,000	836,250	6,015,000	836,250
2050-2054			2,340,000	142,800	2,340,000	142,800
2030 - Thereafter						
Total	0	0	91,735,000	25,568,418	91,735,000	25,568,418
Total	0	0	130,185,000	51,035,063	130,185,000	51,035,063
					Unamortized Premium Plus / (Less)	17,014,000
					Total Debt Principal Plus/(Less) Items Listed Above	147,199,000
					Current Portion of Unamortized	968,000

There are no notes payable outstanding as of June 30, 2024.

NOTES TO THE STATE OF MICHIGAN ACFR (continued)

Central Michigan University

Hedging Instruments

Until May 30, 2024, the university had one pay-fixed, receive-variable, interest rate swap. The objective of the swap was to hedge interest rate risk on the Series 2008A bonds. A description of the swap is as follows:

The university paid the counterparty a fixed payment of 4.44% and received a variable payment of 67% of the Secured Overnight Financing Rate (SOFR) plus seven basis points (3.637951% at May 17, 2024). The swap agreement matured 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. On May 30, 2024, the swap was terminated with a negative value of \$1,337,600.

As of May 30, 2024, the swap agreement had a notional amount of \$17,950,000 and was in a negative position of \$1,337,600. As long as the variable rate portion of the swap being received by the university was less than the fixed rate being paid, the university was in a negative position on the swap.

The pay-fixed, receive-variable, interest rate swap was considered a cash flow hedge. The change in fair value was a decrease to deferred outflows of \$498,027 for fiscal year 2024. The accumulated change in fair value of (\$1,337,600) is recorded in deferred outflows at June 30, 2024.

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

On May 30, 2024, the hedging derivative instrument was terminated and therefore the university is not exposed to the credit risk of its swap counterparty as of June 30, 2024.

Interest Rate Risk

Interest payments on the variable-rate debt are generally expected to increase (decrease) as SIFMA rate increases (decreases). As of June 30, 2024, the university planned to call the variable-rate debt with a redemption date of August 1, 2024. The university's interest rate risk exposure period is limited to 60 days from June 1, 2024 through August 1, 2024.

Basis Risk

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

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Central Michigan University

Termination Risk

The university terminated its hedging instrument on May 30, 2024, therefore the university is not exposed to termination risk by its counterparty.

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.

NOTE 15--OTHER LONG-TERM OBLIGATIONS

Net Pension & OPEB Liabilities

The university reported a net pension liability of \$5.7 million and a net OPEB asset of \$20.8 million related to participating in the Michigan Public Schools Employees Retirement System (MPSERS). See Note 10 for additional information on retirement plans

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, 2024. 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 \$1,314,277 as of June 30, 2024 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 \$18,228,130 to provide credit enhancement and liquidity support for certain General Revenue Refunding Bonds, Series 2008A. In June of 2024, the letter of credit agreement was amended to extend the expiration date to July 3, 2025.

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

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, 2024 primarily consists of the construction costs for the Powerhouse upgrade to the 1250 ton absorption chiller of \$1.9 million, the Bennett track multi-use facility resurfacing project of \$1.6 million, the McGuirk arena video project of \$0.8 million and other projects including maintenance and remodeling of approximately \$5.6 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 \$20.7 million as of June 30, 2024.

On February 28, 2024, a fire damaged university capital assets at a CMU public broadcasting site in Atlanta, Michigan. A building and the broadcasting equipment inside and around the building were declared a complete loss. The broadcasting tower, also on the site, was inspected and determined to have not been damaged. Service capacity for the tower has temporarily declined due to the loss of the building and broadcasting equipment required to fully utilize the tower's capability. The university intends to restore the site and replace the building and equipment in order to return operation to full capacity. The capital assets which were destroyed were written off and had an acquisition value of \$1.2 million and accumulated depreciation of \$1.1 million for a reported loss of approximately \$100,000 as of June 30, 2024. Reconstruction is ongoing and insurance proceeds of \$1.6 million have been received to date.

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.

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NOTE 26--RISK MANAGEMENT

The university participates with other Michigan public universities in the Michigan Universities Self-Insurance Corporation (MUSIC) which provides indemnity to its members against comprehensive general liability, educators' legal liability, and property damage losses commonly covered by insurance. Loss coverages are structured on a three-layer basis with each member retaining a portion of its losses. MUSIC 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 MUSIC 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, 2024</u>
Estimated professional liability under self-insurance	\$ 200,000
Less: Investments under professional liability funding arrangement – held by the trustee, at fair value	<u>(1,091,829)</u>
Estimated over funding of liability	<u>\$ (891,829)</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 of \$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

NOTE 28--DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

For the year ended June 30, 2024, the university reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Accumulated fair value of hedging derivatives	\$ 1,337,600	
Gain or Loss on Defeasance of Debt	1,607,082	\$ 354,408
Split Interest Agreements		6,113,922
Lease Agreements		8,290,938
Pension Related:		
Net difference between projected and actual earnings on pension plan assets		451,323
Contributions subsequent to the measurement date	1,825,277	
OPEB Related:		
Net difference between projected and actual earnings on OPEB plan assets		18,142
Contributions subsequent to the measurement date	80,092	
Total	<u>\$ 4,850,051</u>	<u>\$ 15,228,733</u>

NOTE 29--SUBSEQUENT EVENTS

Subsequent to June 30, 2024, the university issued \$52,575,000 in General Revenue Bonds, Series 2024A. The outstanding bonds bear an interest rate of 5.00% and mature in fiscal years 2026 through 2040. The proceeds from the issuance will be used to refinance \$18,055,000 of outstanding General Revenue Bonds, Series 2008A, \$28,565,000 of Series 2014, and \$9,820,000 of Term 2014. The proceeds will also be used to pay the termination value of \$1,337,600 of the interest rate swap held as an effective hedge to the General Revenue Bonds, Series 2008A variable rate bonds. The interest rate swap was terminated as of May 30, 2024 with payment due subsequent to June 30, 2024.