

Independent Auditors' Communication with Those Charged with Governance

October 19, 2023

Board of Trustees
North Central Michigan College
Petoskey, Michigan

We have audited the financial statements of **North Central Michigan College** (the "College") as of and for the year ended June 30, 2023, and have issued our report thereon dated October 19, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 2, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the College solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our professional services plan dated June 2, 2023.



Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the risks of management override of internal control, revenue recognition, and the completeness of subscription-based information technology arrangements (SBITAs) as significant risks, and have obtained an understanding of the College's related controls, including control activities, relevant to such risks.

Qualitative Aspects of the College's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the College is included in Note 1 to the financial statements.

As described in Notes 1, 5 and 10 to the financial statements, the College changed accounting policies related to subscription-based information technology arrangements (SBITAs) by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, *Subscription-Based Information Technology Arrangements*. The change was applied retrospectively on July 1, 2021.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectible receivable balances is based on past experience and future expectation for collection of various account balances.

- Management's estimate of the accrued benefits payable.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

In addition, the financial statements include net pension and other postemployment benefits liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

The schedule of adjustments passed is included with management's written representations in *Attachment B* to this letter, and summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the College's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in *Attachment B* to this letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the College, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the College's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, *Attachment A* to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of **North Central Michigan College** and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

NORTH CENTRAL MICHIGAN COLLEGE

Attachment A – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2023 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the College in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the College. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 100 ■ Accounting Changes and Error Corrections

Effective 06/15/2024 (your FY 2024)

This standard clarifies the presentation and disclosure requirements for prior period adjustments to beginning net position. We do not expect this standard to have any significant effect on the College.

GASB 101 ■ Compensated Absences

Effective 12/15/2024 (your FY 2025)

This standard revises the liability governments record for compensated absences payable to include any sick, vacation, personal time, or other PTO reasonably expected to be used by employees or paid out to them at termination.



NORTH CENTRAL MICHIGAN COLLEGE

■ Attachment B – Management Representations

For the June 30, 2023 Audit

The following pages contain the written representations that we requested from management.



October 19, 2023

Rehmann Robson
107 S. Cass Street, Suite A
Traverse City, MI 49684

This representation letter is provided in connection with your audits of the financial statements of **North Central Michigan College** (the "College"), as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the College in conformity with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 19, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 2, 2023, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect non-attest services you provided, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.

5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All components of net position and fund balance classifications have been properly reported.
15. All revenues within the statement of revenues, expenses, and changes in net position have been properly classified.
16. All expenses have been properly classified in or allocated to functions and programs in the statement of revenues, expenses, and changes in net position, and allocations, if any, have been made on a reasonable basis.
17. All interfund and intra-entity transactions and balances have been properly classified and reported.
18. Special items and extraordinary items have been properly classified and reported.
19. Deposit and investment risks have been properly and fully disclosed.
20. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
21. All required supplementary information is measured and presented within the prescribed guidelines.

22. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
23. We are responsible for the fair presentation of the College's proportionate share of the net pension and OPEB liabilities of the Michigan Public School Employees Retirement System (MPSERS) and related amounts. We provided MPSERS with complete and accurate information regarding the College's participation in the plan and have reviewed the information provided by MPSERS for inclusion in the College's financial statements.
24. In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which cannot be reasonably predicted at this time. In response to the pandemic, the College was awarded \$5,667,066 during 2021, from the Federal Coronavirus Response and Relief Supplemental Appropriations Act and American Rescue Plan Act and \$876,879 during 2020 from the Coronavirus Aid, Relief, and Economic Security Act. The College recognized revenue from these awards of \$820,884 and \$4,229,648 during 2023 and 2022, respectively. While management reasonably expects the COVID-19 outbreak to impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Information Provided

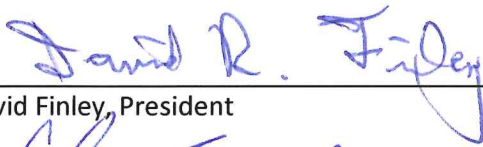
25. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
26. All transactions have been recorded in the accounting records and are reflected in the financial statements.
27. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
28. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others where the fraud could have a material effect on the financial statements.
29. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.

30. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
31. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
32. We have a process to track the status of audit findings and recommendations.
33. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
34. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
35. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
36. We have disclosed to you the identity of the College's related parties and all the related party relationships and transactions of which we are aware.
37. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
38. The College has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
39. We have disclosed to you all guarantees, whether written or oral, under which the College is contingently liable.
40. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
41. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
42. The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
43. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
44. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the statement of net position date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or

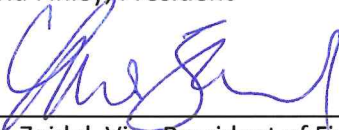
geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Required Supplementary Information

45. With respect to the required supplementary information accompanying the financial statements:
- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



David Finley, President



Tom Zeidel, Vice President of Finance and Facilities



Troy Slater, Director of Business Services

NORTH CENTRAL MICHIGAN COLLEGE

Schedule of Adjustments Passed

For the June 30, 2023 Audit

In accordance with generally accepted auditing standards, we have prepared the following schedule of proposed audit adjustments, which we believe are immaterial both individually and in the aggregate. We are providing this schedule to both management and those charged with governance to receive their assurance that they agree that the amounts listed below are not material to the financial statements, either individually or in the aggregate, and do not need to be recorded.

	Effect of Passed Adjustment - Debit / (Credit)				
	Assets	Liabilities	Net Position	Revenues	Expenses/ Expenditures
Effect of not recording right-of-use lease assets in accordance with GASB 87	\$ 101,078	\$ (101,078)	\$ -	\$ -	\$ -
Total financial statement base	<u>\$ 63,676,977</u>	<u>\$ 19,315,098</u>	<u>\$ 44,882,513</u>	<u>\$ 22,678,515</u>	<u>\$ 21,762,346</u>
Net adjustments as a percentage of financial statement base	<u>0.2%</u>	<u>-0.5%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>