

## INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 21, 2021

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, 2021, and have issued our report thereon dated October 21, 2021. 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 10, 2021, our responsibility, as described by professional standards, is to form and following descri~~37~~(and); 2021.

### **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.

### **Qualitative Aspects of the College's Significant Accounting Practices**

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.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

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.

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 accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

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.



## 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, to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) 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.

Very truly yours,



# NORTH CENTRAL MICHIGAN COLLEGE

## Attachment A Comments and Recommendations

For the June 30, 2021 Audit

### Cyber Security (repeat comment)

Phishing attacks by hackers are continuing to occur at an alarming rate. Hackers will often use information available to the public on websites to aid in their attacks. As the College places employees' e mail addresses on it's website, it allows the hackers to use these legitimate e -

**NORTH CENTRAL MICHIGAN COLLEGE**

**■ Attachment B – Upcoming Changes in Accounting**

# NORTH CENTRAL MICHIGAN COLLEGE

## Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

GASB 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements

GASB 96 Subscription-Based Information Technology Arrangements

GASB 97 Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

The following pronouncements of the Financial Accounting Standards Board (“FASB”) have been released recently and may be applicable to the Foundation in the near future. We encourage management to review the following information and determine which standards may be applicable to the Foundation. For the

*Effective FY 2022*

# NORTH CENTRAL MICHIGAN COLLEGE

## Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

For non public entities, the amendments are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted.

### *ASU No. 2019 03, Not for Profit Entities (Topic 958): Updating the Definition of Collections*

These amendments modify the definition of the term collections and require that a collection holding entity

*Effective FY 2023*

*ASU No. 2016 02, Leases (Topic 842)*



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The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off balance sheet financing.

Nonpublic business entities should apply the amendments for fiscal y

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## NORTH CENTRAL MICHIGAN COLLEGE

### ■ Attachment B – Upcoming Changes in Accounting Standards / Regulations

For the June 30, 2021 Audit

Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances.

The ASU requires enhanced disclosures to help investors and other financial statement users better

October 21, 2021

Rehman, Ghossein  
107 S. Cass Street Suite A  
Traverse City, MI 49684

This representation letter is provided in connection with your review of the financial statements of North Central Michigan College (the "College") as of and for the years ended June 30, 2021 and 2020, related statements of revenues, expenses and capital assets, positions and cash flows for the years then ended, 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 aspects, the financial position, results of operations, and cash flows of the College in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are considered material, regardless of size, if they involve fraud or misstatement of accounting information that, in the light of surrounding circumstances, a reasonable person relying on the information would be expected to be influenced by the omission or misstatement.

We have conducted such inquiries and procedures as we considered necessary for the purpose of our review in accordance with PCAOB Rule 3101.

### Financial Statements

1. We have fulfilled our obligations under the terms of the engagement agreement as of June 10, 2021, for the preparation and fair presentation of the financial statements of the opinion units 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. With respect to the preparation and presentation of the financial statements, we have:
  - a. Made all necessary inquiries of management and other personnel;
  - 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;
  - e. Established and maintained internal controls, including monitoring compliance.
4. We acknowledge our responsibility to the College for the preparation and fair presentation of financial statements that are free from material misstatement, whether or not caused by fraud or error.

5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions used in making accounting estimates, including those related to fair value, are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP. For the purposes of this policy, related parties include the members of the governing body; board members, past and present; immediate family members of administrative officials, board members, and members of the governing body; and any other individuals affiliated with or owned by such individuals.
8. All events subsequent to the date of the financial statements and to which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
9. The effects of any subsequent events have been accounted for and disclosed in accordance with U.S. GAAP.
10. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable, and the appropriate valuation categories are used and the ability to carry out its stated or expected actions.
  - b. The measurement methods and related assumptions used in determining fair values are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, and there are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
11. All component units, as well as joint ventures with an equity interest, are included in the financial statements and related disclosures.
12. All funds and activities are properly classified.
13. All component units are properly classified and have been properly reported.
14. All revenues within the statement of activities have been properly classified and reported. Governmental revenues, non-exchange transactions, and other non-exchange transactions are reported as fund principal.
15. All expenses have been properly classified and reported in the statement of activities and related disclosures, if any, have been made on a reasonable basis.
16. All interfund and intra-fund transactions have been properly classified and reported.
17. Special items and extraordinary items have been properly classified and reported.
18. Deposit activities are properly reported and fully disclosed.
19. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
20. All required supplementary information is presented within the prescribed evidence.
21. We believe that the actuarial assumptions and methods used to measure pension and other post-employment benefit liabilities are reasonable and appropriate in the circumstances.
22. We are responsible for fair presentation of the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS) in the financial statements. We provided MPSERS with complete and accurate information regarding the College's participation.

in the plan and have reviewed the information. We have also reviewed the financial statements.

23. In response to the novel coronavirus outbreak (COVID-19), the Governor issued various temporary Executive Orders that have restricted business activities, including prohibiting non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the College's normal activities. The extent of the disruption is not known at this time. The College's operational and financial performance will be affected. The impact of the outbreak on the College's operations and financial performance cannot be reasonably predicted at this time. The College is taking all appropriate measures to ensure the safety of the environment. While management reasonably expects the COVID-19 outbreak to be resolved by the end of the year, the College officers do not know whether the financial statements will be materially affected.

**Information Provided**

- 24. We have provided you with:
  - a. Access to all information of which we are aware that is relevant to the preparation and presentation of the financial statements of the various subsidiaries, including records, documentation, contracts and other matters;
  - b. Additional information that we have received from the various subsidiaries;
  - c. Unrestricted access to persons within the College for the purpose of carrying out our duties to obtain direct evidence.
- 25. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 26. 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.
- 27. We have disclosed to you all information that we are aware of regarding any fraud or suspected fraud that affects the College and involves:
  - a. Management;
  - b. Employees who have significant roles in internal control;
  - c. Others where there is a reasonable possibility that they may be involved in the financial statements.
- 28. We have no knowledge of any instances that have occurred or that are likely to occur that are in violation and non-compliance with provisions of laws and regulations that have a material effect on the financial statements or other information that we are required to disclose in our audit report or any other instances that warrant the inclusion of a note in the financial statements, whether communicated by employees or former employees or third parties.
- 29. We have no knowledge of any instances that have occurred or that are likely to occur that are in violation and non-compliance with the provisions of control standards or other regulations that have a material effect on the financial statements or other information that we are required to disclose in our audit report or any other instances that warrant the inclusion of a note in the financial statements.

30. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be material to the financial statements or otherwise likely to be material to the audit objectives.
31. We have a process to track the status of audit findings and recommendations.
32. We have identified for you all previous audits, statements or engagements and other matters related to the audit objectives and whether related recommendations have been implemented.
33. We are not aware of any pending or threatened litigation and claims, whose effects should be considered when preparing the financial statements and we have reviewed legal advice concerning litigation.
34. We have disclosed to you the identity of significant related parties and relationships and transactions of which we are aware.
35. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
36. There have been no known or potential intentions to dispose of any significant assets or liabilities.
37. We have disclosed to you all known or potential contingent liabilities.
38. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that have a direct and material effect on financial statements, including legal and other contractual provisions for reporting specific activities or expenditures.
39. There are no:
  - a. Violations or possible violations of laws or regulations, provisions of contracts or grant agreements whose effects should be disclosed 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 should be disclosed in accordance with GASB Statement No. 22, *Modification of Accounting and Financial Reporting Guidance Contained in GASB Statement No. 22*, and AICPA *Accounting and Financial Reporting Guidance*.
  - c. Other liabilities or gain or loss contingencies that are required to be disclosed in the financial statements.
40. The College has satisfactory title to all owned assets, and there are no liens or other encumbrances on such assets nor has any asset for which the College has an obligation to accept or disburse to you.
41. We have complied with all applicable financial reporting standards and net conditions that are required to have a material effect on the financial statements in the event of noncompliance.
42. We have disclosed to you all significant risks that are known to management that are required to be disclosed in accordance with GASB 36, *Statement of Financial Position: Disclosures*, and estimates at the balance sheet date that could change materially within the next year. Contingencies refer to volumes of business, revenues, available sources of financing, or other events or circumstances for which our client could incur that would significantly and potentially reduce within the next year

**Required Supplementary Information.**

43. With respect to the required supplementary information accompanying 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 us, form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of accounting used to present the financial statements are 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 of our assumptions and interpretations, are reasonable and appropriate in the circumstances.



Tommi Zeidel, vice President of Finland Facilities



Troy Slafer, Director of Business Services