# North Central Michigan College

Years Ended
June 30,
2025 and 2024

Financial Statements and Supplementary Information

Rehmann

## NORTH CENTRAL MICHIGAN COLLEGE

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# NORTH CENTRAL MICHIGAN COLLEGE

## Executive Officers and Board of Trustees

# INDEPENDENT AUDITORS' REPORT

Rehmann

## INDEPENDENT AUDITORS' REPORT

October 23, 2025

Board of Trustees
North Central Michigan College
Petoskey, Michigan

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of ***North Central Michigan College*** (the "College"), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of ***North Central Michigan College*** as of June 30, 2025 and 2024, and the changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Implementation of GASB Statement No. 101*

As described in Notes 1, 7, and 14, in fiscal 2025, the College implemented the provisions of GASB Statement No. 101, *Compensated Absences,* effective July 1, 2023. Accordingly, beginning net position of the College was restated. Our opinion is not modified with respect to this matter.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Independent Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for pension and other postemployment benefits plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the combining statement of net position and the combining statement of revenues, expenses, transfers and changes in net position, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated October 23, 2025 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Rehmann Robson LLC

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## Management's Discussion and Analysis

**Introduction**

The North Central Michigan College (the "College") financial report consists of three basic financial statements: the Statements of Net Position which presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the 2025 and 2024 fiscal years; the Statements of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the 2025 and 2024 fiscal years; and the Statements of Cash Flows, which provides information on all of the cash inflows and outflows for the College by major category during the 2025 and 2024 fiscal years. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

In compliance with GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus,"* the North Central Michigan College Foundation (the "Foundation") is reported as a blended component unit of the College.

The following discussion and analysis provides an overview of the financial position and activities of North Central Michigan College for the year ended June 30, 2025. Management has prepared this discussion along with the financial statements, related note disclosures and the required supplemental pension and other postemployment benefits schedules. Following the basic financial statements, notes, and the required supplemental pension and other postemployment benefits schedules, are two supplementary information statements: the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position. Though GASB does not require this supplementary information be present for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College that is not detailed in the basic statements.

**Financial Highlights**

The College's financial position remained strong at June 30, 2025, with assets of $81.9 million and liabilities of $25.1 million. Of the liabilities, $7.3 million are due within one year and $17.8 million are due beyond one year. Of the amount due beyond one year, $9.5 million relates to the net pension liability. This substantial liability is recorded because the GASB requires the College to record its share of the unfunded Michigan Public School Employees' Retirement System ("MPSERS") obligation/liability for employees.

The College continues to face challenges posed by the uncertainty of state appropriations, decreasing student enrollments, rising inflation and rising health care costs. These financial statements reflect College-wide departmental savings in an effort to balance the budget given the potential of further budget reductions.

**The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position**

These two statements will help the reader answer the question, "Is North Central Michigan College as a whole, better or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as North Central Michigan College's operating results.

These two statements report the College's net position and net position changes. One can think of net position – the difference between assets, deferred outflows/inflows of resources, and liabilities – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether the College's financial health is improving or deteriorating. Many other non-financial factors, such as the trend in student enrollment, student retention, condition of the buildings, and strength of the faculty also need to be considered to assess the overall health of the College.

These statements include all assets, deferred outflows/inflows of resources, and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**Statements of Net Position**

Total net position at June 30, 2025, 2024 and 2023 was $55.7 million, $46.0 million, and $44.9 million, respectively. Following is a comparison of the major components of the net position of the College as of June 30, 2025, 2024 and 2023:

**Net Position as of June 30**

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Current and other assets | $ 46,521,867 | $ 40,015,147 | $ 29,680,534 |
| Capital assets, net of depreciation and amortization | 35,404,474 | 34,299,965 | 33,996,443 |
| Total assets | 81,926,341 | 74,315,112 | 63,676,977 |
| Deferred outflows of resources | 4,938,173 | 4,471,649 | 4,734,676 |
| Other liabilities | 6,388,086 | 7,942,240 | 2,704,392 |
| Long-term liabilities | 18,750,093 | 20,460,190 | 16,610,706 |
| Total liabilities | 25,138,179 | 28,402,430 | 19,315,098 |
| Deferred inflows of resources | 6,040,195 | 4,427,863 | 4,214,042 |
| Net position: | | | |
| Net investment in capital assets | 26,444,746 | 24,742,090 | 30,347,655 |
| Restricted-nonexpendable | 8,225,867 | 6,181,117 | 5,628,218 |
| Restricted-expendable | 20,034,820 | 14,900,660 | 8,616,079 |
| Unrestricted (deficit) | 980,707 | 132,601 | 290,561 |
| Total net position | $ 55,686,140 | $ 45,956,468 | $ 44,882,513 |

## Management's Discussion and Analysis

**Statements of Revenue, Expenses, and Changes in Net Position**

The following is a comparative analysis of components of the revenue, expenses, and changes in net position for the years ended June 30, 2025, 2024 and 2023:

**Operating Results for the Years Ended June 30**

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Total operating revenues | $ 8,863,566 | $ 7,343,074 | $ 7,163,085 |
| Total operating expenses | 26,243,301 | 22,802,103 | 21,660,653 |
| Net operating loss | (17,379,735) | (15,459,029) | (14,497,568) |
| Net nonoperating revenues | 19,534,850 | 15,879,045 | 14,984,995 |
| Other revenues | 8,089,200 | 653,939 | 428,742 |
| Change in net position | 10,244,315 | 1,073,955 | 916,169 |
| Net position, beginning of year, as previously reported | 45,956,468 | 44,882,513 | 43,966,344 |
| GASB 101 restatement | (514,643) | - | - |
| Net position, beginning of year, as restated | 45,441,825 | 44,882,513 | 43,966,344 |
| Net position, end of year | $ 55,686,140 | $ 45,956,468 | $ 44,882,513 |

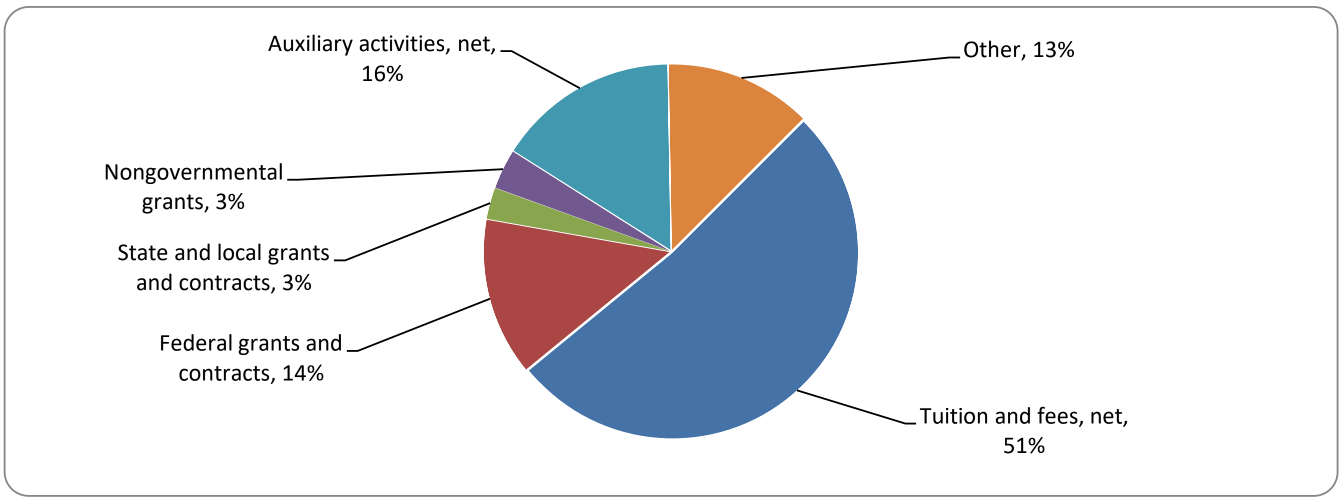
## Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the commissions from the sales of books and supplies, rental revenue of the residence halls and revenue from the cafeteria & conference center. In addition, certain federal, state, and private grants are considered operating revenues, if they are not for capital purposes, and are considered a contract for services.

Operating revenues consisted of the following:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Tuition and fees, net | $ 4,571,640 | $ 3,510,768 | $ 3,479,576 |
| Federal grants and contracts | 1,215,765 | 958,383 | 1,105,515 |
| State and local grants and contracts | 242,669 | 216,715 | 107,744 |
| Nongovernmental grants | 307,129 | 240,600 | 216,986 |
| Auxiliary activities, net | 1,396,047 | 1,213,847 | 1,156,577 |
| Other | 1,130,316 | 1,202,761 | 1,096,687 |
| Total operating revenue | $ 8,863,566 | $ 7,343,074 | $ 7,163,085 |

The following is a graphic illustration of operating revenues for fiscal year 2025:



## Management's Discussion and Analysis

Operating revenue changes for fiscal year 2025 compared to the prior fiscal year were the result of the following factors:

- Net tuition and fees totaled $4,571,640, resulting in a $1,060,872 increase in revenues. The increase results from increases in tuition rates and contact hours enrolled in, and a decrease in scholarship allowances. Beginning with the 2025 fiscal year, the College implemented the National Association of College and University Business Officers (NACUBO) Advisory Report 2023-01 for computing the scholarship allowance. This computation results in a $247,732 decrease in the scholarship allowance compared to the prior fiscal year.
- Other operating revenues consist mainly of non-credit course offerings, including Fast Track programming and general corporate training activities coordinated by our Workforce and Continuing Education department. These revenues decreased by $72,445 compared to the prior fiscal year due to slight decreases in corporate training and use of State funded employer training programs.

Operating revenue changes for fiscal year 2024 compared to the prior fiscal year were the result of the following factors:

- Net tuition and fees totaled $3,510,768, resulting in a $31,192 increase in revenues. This revenue source stayed relatively stable with a 5% increase in tuition due to increases in tuition rates and contact hours enrolled in, offset by a 10% increase in scholarship allowances.
- Other operating revenues consist mainly of non-credit course offerings. These revenues increased by $148,797 compared to the prior fiscal year due to Fast Track programming and general corporate training activities coordinated by our Corporate and Community Education department.

**Operating Expenses**

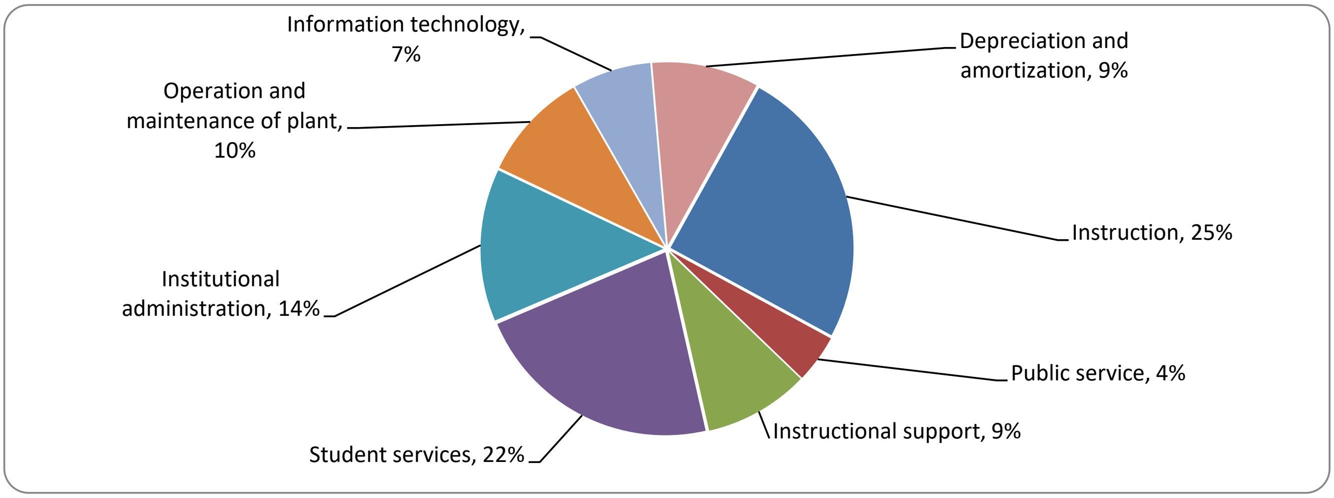
Operating expenses are all the costs necessary to provide services and conduct the programs of the College.

Operating expenses consisted of the following:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Instruction | $ 6,523,618 | $ 5,916,502 | $ 6,379,916 |
| Public service | 1,119,188 | 368,470 | 394,982 |
| Instructional support | 2,436,516 | 2,558,018 | 2,093,553 |
| Student services | 5,806,853 | 4,735,658 | 4,519,726 |
| Institutional administration | 3,537,673 | 3,176,262 | 2,500,074 |
| Operation and maintenance of plant | 2,534,498 | 1,787,878 | 1,816,031 |
| Information technology | 1,812,960 | 1,817,625 | 1,628,511 |
| Depreciation and amortization | 2,471,995 | 2,441,690 | 2,327,860 |
| Total operating expenses | $ 26,243,301 | $ 22,802,103 | $ 21,660,653 |

## Management's Discussion and Analysis

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2025:




Operating expense changes for fiscal year 2025 were the result of the following factors:

- The instruction operating expense category increased by $607,116 compared to the prior fiscal year. During the current fiscal year, faculty received their 2024 salary increases and their full annual step increases as a result of their collective bargaining agreement being finalized.
- The public service operating expense category increased by $750,718 compared to the prior fiscal year. This is mainly because of increases in grant-funded expenses related to the new Early Learning Center. Also, the pension and OPEB portion related to the public service category had less of a negative impact compared to the prior year.
- The student services operating expense category increased by $1,071,195 compared to the prior fiscal year. This is mainly because of increases in financial aid for students. This includes Pell grants increasing by approximately $500,000, State of Michigan grant funding for areas such as emergency medical service (EMS) workforce support and mental health services, and increases in Foundation scholarships.

Operating expense changes for fiscal year 2024 were the result of the following factors:

- The instruction operating expense category decreased by $463,414 compared to the prior fiscal year. Faculty did not receive their 2024 salary increases and only a portion of their annual step increases due to ongoing contract negotiations.
- The information technology operating expense category increased by $189,114 compared to the prior fiscal year. This is mainly because of increases in software licensing fees and technology infrastructure upgrades. These fees are necessary for supporting student success.

## Management's Discussion and Analysis

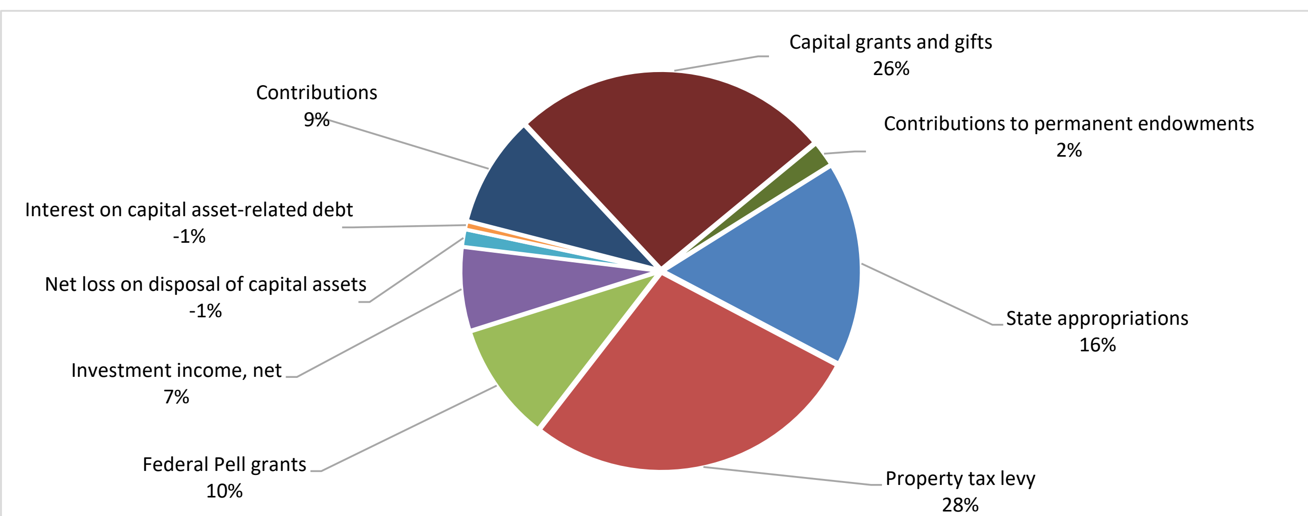
**Net Nonoperating and Other Revenues**

The College receives substantial nonoperating support from state appropriations, property tax revenue, Pell grants, and contributions. Additionally, in fiscal year 2023, the College received $820,884 from the Federal Higher Education Emergency Relief Fund grant as part of the federal CARES Act passed by the U.S. Congress in response to the COVID-19 pandemic. These nonoperating revenue sources mitigate the normal operating losses as tuition and fees alone are not adequate to cover operating expenses. Nonoperating revenues and expenses are an integral component in determining the increase or decrease in net position.

Net nonoperating and other revenue consisted of the following:

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| State appropriations | $ 4,786,221 | $ 4,294,094 | $ 3,968,089 |
| Property tax levy | 7,999,008 | 7,439,309 | 6,883,114 |
| Federal Higher Education Emergency Relief Fund grants | - | - | 820,884 |
| Federal Pell grants | 2,780,189 | 2,266,463 | 1,816,508 |
| Investment income, net | 1,956,213 | 1,475,764 | 418,662 |
| Net loss on disposal of capital assets | (402,550) | (231,052) | - |
| Interest on capital asset-related debt | (189,907) | (98,270) | (101,693) |
| Bond issuance costs | - | (87,385) | - |
| Contributions | 2,605,676 | 820,122 | 1,179,431 |
| Capital grants and gifts | 7,492,049 | - | - |
| Capital State appropriations | - | 470,700 | - |
| Contributions to permanent endowments | 597,151 | 183,239 | 428,742 |
| Net nonoperating and other revenue | $ 27,624,050 | $ 16,532,984 | $ 15,413,737 |

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2025:



Net nonoperating revenue changes for fiscal year 2025 compared to the prior fiscal year were the result of the following factors:

- State appropriations increased by $492,127 due primarily to one-time amounts from the State. These one-time amounts totaled $353,754 and relate to the Michigan Public School Employees' Retirement System (MPSERS) Section 147a(4) cost offset for the reduced UAAL rate cap, and the Section 147g employee healthcare reimbursement. Also, the State appropriation for operations increased by approximately 6%, from $3,615,900 in the prior fiscal year to $3,868,800 in the current fiscal year.
- Property tax levy revenue increased by $559,699 due primarily to increases in property tax values.
- Pell grants increased by $513,726 due primarily to student eligibility and increases in full-time student enrollment.
- Donations received by the Foundation were $2,605,676 and were for various causes such as scholarships and athletics.
- Capital grants and gifts were $7,492,049 and relate to the ongoing CATEE project.

Net nonoperating revenue changes for fiscal year 2024 compared to the prior fiscal year were the result of the following factors:

- State appropriations increased by $326,005 due primarily to amounts provided by the State. This is an 8.2% increase over the prior fiscal year.
- Property tax levy revenue increased by $556,195 due primarily to increases in property tax values.
- Pell grants increased by $449,955 due primarily to student eligibility.
- Donations received by the Foundation were $820,122 and were for various causes such as scholarships and athletics.

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College. During the current fiscal year, other revenues resulted from capital grants and gifts of $7,492,049 due primarily to the ongoing construction of the Career and Technical Education Enhancement project (CATEE). Also, other revenues of $597,151 resulted from contributions to permanent endowments made to the Foundation for the promotion of the College's educational and cultural activities.

**Statements of Cash Flows**

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statements of Cash Flows also may help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

**Cash Flows for the Years Ended June 30**

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Net change in cash and cash equivalents from: | | | |
| Operating activities | $ (18,639,327) | $ (9,965,566) | $ (12,880,783) |
| Noncapital financing activities | 13,951,702 | 15,299,486 | 14,656,358 |
| Capital and related financing activities | 2,764,692 | 3,262,007 | (3,003,884) |
| Investing activities | 2,570,457 | 1,404,647 | (265,184) |
| Net change in cash and cash equivalents | 647,524 | 10,000,574 | (1,493,493) |
| Cash and cash equivalents, beginning of year | 20,169,062 | 10,168,488 | 11,661,981 |
| Cash and cash equivalents, end of year | 20,816,586 | 20,169,062 | 10,168,488 |

Net cash used for operating activities totaled $18.6 million for the fiscal year ending June 30, 2025. This was financed by $14.0 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash provided by capital and related financing activities totaled $2.8 million. This includes capital asset purchases of $4.1 million and debt principal and interest payments (including SBITAs) of $0.7 million. Net cash provided by investing activities totaled $2.6 million. This includes interest received of $1.0 million, the sale and maturities of investments totaling $17.3 million and the purchase of investments of $15.8 million. The net result of all cash flows resulted in an increase in the College's cash of $0.6 million from prior year.

**Capital Assets**

At June 30, 2025, the College had approximately $35.4 million invested in capital assets, net of accumulated depreciation of $31 million. Depreciation and amortization charges totaled approximately $2.5 million for the current fiscal year.

| | 2025 | 2024 | 2023 |
|---|---|---|---|
| Land | $ 78,306 | $ 78,306 | $ 33,306 |
| Construction in progress | 3,728,350 | 1,002,974 | 1,493,142 |
| Sculptures | 522,609 | 522,609 | 522,609 |
| Capital assets not being depreciated or amortized | 4,329,265 | 1,603,889 | 2,049,057 |
| Buildings and improvements | 48,375,232 | 49,211,645 | 46,413,328 |
| Infrastructure | 4,040,515 | 3,433,183 | 3,433,183 |
| Furniture, fixtures, and equipment | 7,967,715 | 8,086,239 | 7,504,990 |
| Library materials | 113,704 | 189,279 | 256,810 |
| Software | 876,899 | 888,574 | 1,397,614 |
| Subscription assets | 661,114 | 958,255 | 1,009,665 |
| Capital assets being depreciated or amortized | 62,035,179 | 62,767,175 | 60,015,590 |
| Total capital assets | 66,364,444 | 64,371,064 | 62,064,647 |
| Less accumulated depreciation and amortization | 30,959,970 | 30,071,099 | 28,068,204 |
| Total capital assets, net | $ 35,404,474 | $ 34,299,965 | $ 33,996,443 |

The cost of major capital additions this fiscal year consist of the following:

| | | |
|---|---|---|
| Campus exterior wayfinding signage | $ | 534,868 |
| Administrative parking lot and main drive pavement replacement | | 118,760 |
| Replace four rooftop air system units on Student Center building | | 98,947 |

Construction in progress of $3,728,350 consists of expenses incurred by June 30, 2025 for the following projects: The Early Learning Center Renovation project ($268,893); and the Career and Technical Education Enhancement ("CATEE") project ($3,459,457).

More detailed information about the College's capital assets is presented in the notes to the financial statements.

**Debt**

The College had $7,985,000 in bond debt outstanding at June 30, 2025. Debt principal repayments of $370,000 were made on this debt during the year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

**Economic Factors That Will Affect the Future**

The economic position of the College is always impacted by the actions of the State of Michigan. Over the past few years, the College has had to adjust to uncertain State funding to maintain a balanced budget. Economic factors that will affect the future of the College include:

1. State of Michigan appropriations represent 19% of the total General Fund revenue for fiscal year 2025. This represents a decrease from 24% in the prior year.

2. Property tax revenue for the fiscal year ending June 30, 2025 represents 40% of the General Fund revenues. Taxable property values in Emmet County continue to increase year over year, and the outlook remains strong for property tax revenue increases in the future. In 2026, the College's voted millage will be up for renewal.

3. At the January 28, 2025 meeting, the Board of Trustees approved a 2.70% increase for in-district tuition rates and a 4.00% increase for out-of-district tuition rates beginning with the Fall 2025 semester. The Board of Trustees considers multiple factors when considering any tuition increase including the financial impact on students and their families, the rising cost of services offered by the College, and State tuition restraint policies.

4. Based on area demographics, recruiting and retaining new traditional-aged students will continue to be challenging for the College:

   a. Area high school class enrollments are expected to remain flat or decline over the next decade resulting in a shrinking pool of dual enrollment and early college applicants. The College's strategy is to focus on increasing market share for new students and increasing persistence rates for current students.

   b. The development of new programs and career opportunities in such areas as the health sciences, technology, and the trades will be important for the future of the College. The development of these new programs is expected to contribute to expanded student recruitment efforts beyond the traditional areas. With limited housing options available in the local area, the College will need to look at additional campus housing.

5. In September 2023, the College entered into a $9.872 million agreement with the Michigan Economic Development Corporation. This agreement will provide funding for facility additions and renovations as part of the College's Career and Technical Education Enhancement (CATEE) project. The goal is to expand health science, public safety, technology, manufacturing and skilled trades training for students. Also, an additional $2 million of federal funding for the CATEE project has been secured. In addition, $6.5 million was raised for the project through a 2024 bond issue. In addition, donor support in excess of $3 million was contributed to the project. Construction for the Martin Jahn Technology Center and the Health Sciences Phase II Nursing Expansion began in summer 2025.

6. The need for public and private investment in higher education remains strong. As the College expands and develops programming to advance opportunities for learners and better meet local workforce needs, it will rely on public grants as well as gifts from individuals, corporations, and foundations to make important and necessary investments in facilities, equipment, programs, and other student success needs.

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business office, North Central Michigan College, 1515 Howard Street, Petoskey, Michigan 49770.

# FINANCIAL STATEMENTS

## NORTH CENTRAL MICHIGAN COLLEGE

### Statements of Net Position

| | June 30 | |
|---|---|---|
| | 2025 | 2024 |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 6,598,709 | $ 4,930,862 |
| Restricted short-term investments | - | 1,000,000 |
| Receivables, net | 1,609,506 | 1,675,490 |
| Pledges receivable | 998,390 | 364,100 |
| Inventories | 11,843 | 12,758 |
| Prepaids and other current assets | 471,170 | 410,178 |
| **Total current assets** | **9,689,618** | **8,393,388** |
| **Noncurrent assets** | | |
| Restricted cash | 14,217,877 | 15,238,200 |
| Investments | 19,242,442 | 15,748,636 |
| Pledges receivable, net | 1,523,483 | 428,689 |
| Net OPEB asset | 1,848,447 | 206,234 |
| Capital assets not being depreciated/amortized | 4,329,265 | 1,603,889 |
| Capital assets being depreciated/amortized, net | 31,075,209 | 32,696,076 |
| **Total noncurrent assets** | **72,236,723** | **65,921,724** |
| **Total assets** | **81,926,341** | **74,315,112** |
| **Deferred outflows of resources** | | |
| Deferred charge on refunding | 61,069 | 75,203 |
| Deferred pension amounts | 3,891,336 | 3,528,438 |
| Deferred OPEB amounts | 985,768 | 868,008 |
| **Total deferred outflows of resources** | **4,938,173** | **4,471,649** |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable | 921,380 | 1,044,699 |
| Accrued payroll and related liabilities | 566,820 | 517,308 |
| Unearned tuition revenue | 292,618 | 327,483 |
| Unearned grant revenue | 4,404,928 | 5,899,402 |
| Due to depositors | 145,022 | 135,781 |
| Interest payable | 57,318 | 17,567 |
| Current portion of compensated absences | 323,100 | 101,607 |
| Current portion of subscription-based IT arrangement liabilities | 114,951 | 174,781 |
| Current portion of long-term obligations | 504,478 | 370,000 |
| **Total current liabilities** | **7,330,615** | **8,588,628** |
| **Noncurrent liabilities** | | |
| Net pension liability | 9,538,997 | 11,130,085 |
| Compensated absences, net of current portion | 298,484 | 93,866 |
| Subscription-based IT arrangement liabilities, net of current portion | - | 115,290 |
| Long-term obligations, net of current portion | 7,970,083 | 8,474,561 |
| **Total noncurrent liabilities** | **17,807,564** | **19,813,802** |
| **Total liabilities** | **25,138,179** | **28,402,430** |
| **Deferred inflows of resources** | | |
| Deferred pension amounts | 3,562,692 | 2,571,124 |
| Deferred OPEB amounts | 2,477,503 | 1,856,739 |
| **Total deferred inflows of resources** | **6,040,195** | **4,427,863** |
| **Net position** | | |
| Net investment in capital assets | 26,444,746 | 24,742,090 |
| Restricted for: | | |
| Nonexpendable endowments | 8,225,867 | 6,181,117 |
| Expendable OPEB | 1,848,447 | 206,234 |
| Expendable scholarships and grants | 8,533,301 | 4,370,992 |
| Expendable construction and debt service | 9,653,072 | 10,323,434 |
| Unrestricted | 980,707 | 132,601 |
| **Total net position** | **$ 55,686,140** | **$ 45,956,468** |

The accompanying notes are an integral part of these financial statements.

## NORTH CENTRAL MICHIGAN COLLEGE

### Statements of Revenues, Expenses and Changes in Net Position

| | Year Ended June 30 | |
|---|---|---|
| | **2025** | **2024** |
| **Operating revenues** | | |
| Tuition and fees | $ 7,365,518 | $ 6,552,378 |
| Scholarship allowance | (2,793,878) | (3,041,610) |
| Net tuition and fees | 4,571,640 | 3,510,768 |
| Federal grants and contracts | 1,215,765 | 958,383 |
| State and local grants and contracts | 242,669 | 216,715 |
| Nongovernmental grants | 307,129 | 240,600 |
| Auxiliary activities, net of scholarship allowance of $151,939 ($125,738 for 2024) | 1,396,047 | 1,213,847 |
| Other operating revenues | 1,130,316 | 1,202,761 |
| **Total operating revenues** | **8,863,566** | **7,343,074** |
| **Operating expenses** | | |
| Instruction | 6,523,618 | 5,916,502 |
| Public service | 1,119,188 | 368,470 |
| Instructional support | 2,436,516 | 2,558,018 |
| Student services | 5,806,853 | 4,735,658 |
| Institutional administration | 3,537,673 | 3,176,262 |
| Operation and maintenance of plant | 2,534,498 | 1,787,878 |
| Information technology | 1,812,960 | 1,817,625 |
| Depreciation and amortization | 2,471,995 | 2,441,690 |
| **Total operating expenses** | **26,243,301** | **22,802,103** |
| **Operating loss** | **(17,379,735)** | **(15,459,029)** |
| **Nonoperating revenues (expenses)** | | |
| State appropriations | 4,786,221 | 4,294,094 |
| Property tax levy | 7,999,008 | 7,439,309 |
| Federal Pell grants | 2,780,189 | 2,266,463 |
| Investment income, net | 1,956,213 | 1,475,764 |
| Net loss on disposal of capital assets | (402,550) | (231,052) |
| Interest on capital asset-related debt | (189,907) | (98,270) |
| Bond issuance costs | - | (87,385) |
| Contributions | 2,605,676 | 820,122 |
| **Net nonoperating revenues** | **19,534,850** | **15,879,045** |
| **Other revenues** | | |
| Capital grants and gifts | 7,492,049 | - |
| Capital State appropriations | - | 470,700 |
| Contributions to permanent endowments | 597,151 | 183,239 |
| **Total other revenues** | **8,089,200** | **653,939** |
| **Change in net position** | **10,244,315** | **1,073,955** |
| Net position, beginning of year, as previously reported | 45,956,468 | 44,882,513 |
| GASB 101 restatement | (514,643) | - |
| Net position, beginning of year, as restated | 45,441,825 | 44,882,513 |
| **Net position, end of year** | **$ 55,686,140** | **$ 45,956,468** |

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows

| | Year Ended June 30 | |
|---|---|---|
| | **2025** | **2024** |
| **Cash flows from operating activities** | | |
| Tuition and fees | $ 4,518,356 | $ 3,547,268 |
| Grants and other contracts | 265,755 | 6,092,385 |
| Auxiliary enterprise receipts | 1,359,705 | 1,188,040 |
| Payments to employees | (12,166,843) | (10,639,007) |
| Payments to suppliers | (13,746,616) | (11,357,013) |
| Other receipts | 1,130,316 | 1,202,761 |
| **Net change in cash from operating activities** | **(18,639,327)** | **(9,965,566)** |
| **Cash flows from noncapital financing activities** | | |
| State appropriations | 4,806,812 | 4,203,004 |
| Local property taxes | 7,999,008 | 7,439,309 |
| Federal Pell grants | 2,780,189 | 2,266,463 |
| Federal direct lending receipts | 796,703 | 760,337 |
| Federal direct lending disbursements | (796,703) | (760,337) |
| Contributions | (2,231,458) | 1,183,994 |
| Contributions to permanent endowments | 597,151 | 183,239 |
| Other | - | 23,477 |
| **Net change in cash from noncapital financing activities** | **13,951,702** | **15,299,486** |
| **Cash flows from capital and related financing activities** | | |
| Purchase of capital assets | (4,066,112) | (2,975,637) |
| Proceeds from sale of capital assets | 19,897 | - |
| Federal and private capital grants and gifts | 7,492,049 | - |
| Principal paid on long-term debt | (370,000) | (365,000) |
| Interest paid on capital asset-related debt | (136,022) | (76,497) |
| Subscription-based IT agreements principal payments | (175,120) | (240,235) |
| Capital State appropriations receipts | - | 470,700 |
| Proceeds from issuance of long-term debt | - | 6,499,561 |
| Payment of bond issuance costs | - | (50,885) |
| **Net change in cash from capital and related financing activities** | **2,764,692** | **3,262,007** |
| **Cash flows from investing activities** | | |
| Proceeds from sales and maturities of investments | 17,339,794 | 5,883,563 |
| Interest received on investments | 1,044,571 | 456,449 |
| Purchase of investments | (15,813,908) | (4,935,365) |
| **Net change in cash from investing activities** | **2,570,457** | **1,404,647** |
| **Net change in cash and cash equivalents** | **647,524** | **10,000,574** |
| Cash and cash equivalents, beginning of year | 20,169,062 | 10,168,488 |
| **Cash and cash equivalents, end of year** | **$ 20,816,586** | **$ 20,169,062** |
| **Reconciliation to Statements of Net Position** | | |
| Cash and cash equivalents | $ 6,598,709 | $ 4,930,862 |
| Restricted cash | 14,217,877 | 15,238,200 |
| **Cash and cash equivalents, end of year** | **$ 20,816,586** | **$ 20,169,062** |

continued…

## Statements of Cash Flows (Concluded)

| | Year Ended June 30 | |
|---|---|---|
| | **2025** | **2024** |
| **Reconciliation of operating loss to net cash used in operating activities** | | |
| Operating loss | $ (17,379,735) | $ (15,459,029) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation and amortization | 2,471,995 | 2,441,690 |
| Provision for uncollectible accounts | 114,729 | 142,460 |
| Change in operating assets and liabilities which provided (used) cash | | |
| Receivables | (69,336) | (471,645) |
| Inventories | 915 | 3,911 |
| Prepaid expenses and other current assets | (60,992) | (4,196) |
| Accounts payable | (56,158) | 77,993 |
| Accrued payroll and related liabilities | 49,512 | (67,413) |
| Unearned tuition revenue | (34,865) | 78,652 |
| Unearned grant revenue | (1,494,474) | 5,067,207 |
| Due to depositors | 9,241 | 13,166 |
| Compensated absences | (88,532) | 23,477 |
| Change in net pension liability | (1,591,088) | (1,359,391) |
| Change in net OPEB asset/liability | (1,642,213) | (915,162) |
| Change in pension deferred inflows | 991,568 | 235,972 |
| Change in pension deferred outflows | (362,898) | 189,598 |
| Change in OPEB deferred inflows | 620,764 | (22,151) |
| Change in OPEB deferred outflows | (117,760) | 59,295 |
| **Net cash used in operating activities** | **$ (18,639,327)** | **$ (9,965,566)** |
| **Non-cash capital and related financing activity** | | |
| Donation of investments | $ 3,108,050 | $ - |
| Payables related to the acquisition of capital assets | (67,161) | 627 |

concluded

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

## 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

***Reporting Entity***

***North Central Michigan College*** (the "College") is a community college offering courses at its main campus in Petoskey, Michigan, as well as its centers in Gaylord and Cheboygan, Michigan and other locations in northwest lower Michigan. The College is governed by a seven-member Board of Trustees elected at large by Emmet County voters.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board ("GASB") for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has determined that North Central Michigan College Foundation (the "Foundation") meets the criteria of a component unit. The Foundation is a legally separate, tax-exempt not-for-profit organization that was formed for the purpose of receiving funds for the sole benefit of the College. The Foundation is blended into the College's financial statements because the College is the sole member of the Foundation.

The financial statements include the operations of the College and the Foundation, collectively known as the College's financial statements. All significant accounts and transactions between the Foundation and the College have been eliminated.

The condensed financial information for the Foundation as of June 30, is as follows:

| | 2025 | 2024 |
|---|---|---|
| **Condensed statements of financial position** | | |
| Cash and cash equivalents | $ 1,564,909 | $ 532,601 |
| Investments | 16,755,226 | 11,718,567 |
| Other | 2,515,414 | 792,624 |
| Total assets | 20,835,549 | 13,043,792 |
| Accounts payable (equal to total liabilities) | - | 5,095 |
| **Total net position** | **$ 20,835,549** | **$ 13,038,697** |

| | 2025 | 2024 |
|---|---|---|
| **Condensed statements of revenues, expenses and changes in net position** | | |
| Operating expenses | | |
| Institutional administration | $ 1,979,279 | $ 1,485,869 |
| Nonoperating and other revenues | | |
| Contributions | 2,605,676 | 820,122 |
| Contributions to permanent endowments | 597,151 | 183,239 |
| Investment income, net | 1,352,037 | 1,201,561 |
| Capital grants and gifts | 5,042,680 | - |
| In-kind expenses | 267,852 | - |
| Distributions to College | (89,265) | (248,021) |
| Change in net position | 7,796,852 | 471,032 |
| Net position, beginning of year | 13,038,697 | 12,567,665 |
| **Net position, end of year** | **$ 20,835,549** | **$ 13,038,697** |

| | 2025 | 2024 |
|---|---|---|
| Condensed statements of cash flows | | |
| Net cash in from: | | |
| Operating activities | $ (5,330,956) | $ 10,924 |
| Investing activities | 723,433 | 208,402 |
| Financing activities | 5,639,831 | - |
| Net change in cash and cash equivalents | 1,032,308 | 219,326 |
| Cash and cash equivalents, beginning of year | 532,601 | 313,275 |
| **Cash and cash equivalents, end of year** | **$ 1,564,909** | **$ 532,601** |

## Notes to Financial Statements

***Basis of Presentation***

The College's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities and the State of Michigan Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001.* The College follows all applicable GASB pronouncements and the "business-type activities" reporting requirements of GASB Statement No. 35.

***Significant Accounting Policies***

Significant accounting policies followed by the College and Foundation are described below to enhance the usefulness of the financial statements to the reader:

**Accrual Basis**

The financial statements of the College have been presented using the economic resources measurement focus on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts in demand deposits, cash on hand, money market accounts, and all highly liquid investments with an initial maturity of three months or less.

**Restricted Cash**

Restricted cash consists of cash held for capital improvements and capital master plan projects.

**Receivables**

Accounts receivable are stated at the amount management expects to collect on outstanding balances at year end. Management provides for probable uncollectible amounts through a provision for bad debt when necessary. Balances that are still uncollected after management has used reasonable collection efforts are written off through a charge to the allowance.

**Investments**

The College and Foundation carry their investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

Real estate held for investment is carried at fair market value, determined annually by an appraisal.

**Fair Value Measurements**

Fair value refers to the price that would be received upon sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the College or Foundation transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurement, refer to Note 3 to the financial statements.

**Gifts and Pledges**

Gifts are recorded at estimated fair values when received, and pledges are recorded at their net present value when all eligibility requirements have been met. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, creditworthiness of donors and other relevant information. Pledges receivable consist of pledges for the Building Tomorrow Together campaign and for providing nursing scholarships.

**Inventories**

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consists of food service supplies.

**Capital Assets and Depreciation/Amortization**

Capital assets are recorded at cost or, if acquired by gift, at the estimated fair value as of the date of donation. Depreciation and amortization are provided for capital assets on a straight-line basis over the estimated useful life of the assets. The College's capitalization policy is to capitalize individual amounts of $5,000 or more. The following estimated useful lives are used to compute depreciation/amortization:

| | |
|---|---|
| Buildings/building improvements | 40 years |
| Library materials | 10 years |
| Infrastructure | 15-20 years |
| Furniture, fixtures and equipment | 3-20 years |
| Software (including SBITAs) | 3-10 years |

**Subscription-Based Information Technology Arrangements (SBITA)**

The College has noncancellable subscription-based information technology agreements. The College recognizes a subscription liability and an intangible right-to-use subscription asset in the basic financial statements. The College recognizes subscription liabilities with an initial, individual value of $5,000 or more.

At the commencement of a subscription, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over the term of the agreement or its useful life.

Key estimates and judgments related to subscriptions include how the College determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments. The College uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the College generally uses its estimated incremental borrowing rate as the discount rate. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the College is reasonably certain to exercise.

The College monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

**Compensated Absences**

The College recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled through payment upon separation from employment. Based on these criteria, two types of leave qualify for liability recognition for compensated absences - *sick and personal leave* . The liability for compensated absences includes salary-related benefits, where applicable.

**Revenue Recognition**

Revenue from state appropriations are recognized in accordance with the accounting method prescribed in the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001.* Student tuition and related revenues and expenses of an academic semester are allocated to the fiscal year in which the program is conducted. Property tax revenue is recognized in the year in which taxes are received (see Note 2).

Operating revenues of the College consist of tuition and fees, certain grants and contracts, and sales and services of educational activities. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, property taxes, and Federal Pell grants are components of nonoperating and other revenues. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Revenues received prior to year end that are related to the next fiscal year are recorded as unearned revenues. Unearned tuition revenue relates primarily to student tuition and fees for the summer semester, student deposits, and deposits of diverted Michigan income tax withholding from employers contracting with the College under the Michigan New Jobs Training Program to be used for future employee trainings. Unearned grant revenue relates to amounts received in advance related to the Career and Technical Education Enhancement ("CATEE") project.

**Scholarship Allowance**

Student tuition and fee revenue, and certain other revenue from students, is reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for services provided by the College and the amount that is paid by the students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

During the fiscal year ended June 30, 2025, the College revised its methodology for estimating scholarship allowances applied against tuition and fee revenue. Previously, the College employed an allocation-based approach, which utilized summary-level financial aid data due to limitations in system capabilities. In alignment with updated guidance from the National Association of College and University Business Officers (NACUBO Advisory Report 2023-01), and following enhancements to the student information system, the College adopted a high-level estimation by fiscal year methodology (Method C). This change allows for more precise identification and classification of discountable student financial aid transactions and improves the accuracy of scholarship allowance estimates. The change in estimate resulted in a decrease in the reported scholarship allowance and a corresponding increase in net tuition revenue. Management believes this change provides a more faithful representation of financial aid activity and complies with GASB Statements No. 34 and 35.

**Operating Expenses**

Operating expenses include the cost of services, administrative expenses, and depreciation/amortization on capital assets. All expenses not meeting this definition are reported as nonoperating.

**Deferred Outflows of Resources**

In addition to assets, the statements of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts, as well as for the deferred change on refunding. A deferred change on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. More detailed information can be found in Notes 6 and 9.

**Deferred Inflows of Resources**

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 9.

**Pension Liability and Other Postemployment Benefits ("OPEB") Asset**

For the purpose of measuring the net pension liability and OPEB asset, their respective deferred outflows and deferred inflows of resources, their respective expenses, and the following information regarding the fiduciary net position of the Michigan Public School Employees' Retirement System ("MPSERS"), including additions to/deductions from MPSERS fiduciary net position, have been determined on the same basis as they are reported by MPSERS.

MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Accordingly, contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

**Unemployment Insurance**

The College reimburses the State of Michigan Unemployment Agency (the "Agency") for the actual amount of unemployment benefits disbursed by the Agency on behalf of the College. Billings received for amounts paid by the Agency through June 30 are accrued.

**Internal Services Activities**

In the process of aggregating data for the statements of net position and statements of revenues, expenses and changes in net position, some amounts reported as internal activity and balances have been eliminated on the statements of revenues, expenses and changes in net position.

### Income Taxes

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income" ("UBTI"). The Foundation has been classified as not a private foundation. The College is also subject to UBTI.

The Foundation considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Foundation determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

The Foundation has evaluated fiscal years 2022 through 2025, the years which remain subject to examination by major tax jurisdictions as of June 30, 2025, for uncertain tax positions. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2025 or 2024, and it is not aware of any claims for such amounts by federal or state income tax authorities.

### Change in Accounting Principle

During fiscal 2025, the College adopted GASB Statement No. 101, *Compensated Absences,* on a retrospective basis. This new standard replaces the existing guidance in GASB Statement No. 16 and establishes a more uniform approach for accounting and financial reporting of compensated absences, such as vacation, sick leave, and similar benefits. Under GASB 101, the College is required to recognize a liability for leave time that is attributable to services already rendered, is accumulated, and is more likely than not to be used. Additional information can be found in Note 7. The implementation of the standard effective July 1, 2023, and as of and for the year ended June 30, 2024, did not have a significant impact on the College's liabilities, net position, or expenses. As a result, management elected not to apply the standard retrospectively to the earliest period presented. There was a cumulative change adjustment recorded as of July 1, 2024 in the amount of $514,643 to reflect the additional obligation required under the provisions of the standard as of that date.

## 2. PROPERTY TAXES

Property tax revenue is recognized in the year in which taxes are received. The College has determined that there would not be a significant difference if recognized in the year for which taxes have been levied, as required by GASB.

During the years ended June 30, 2025 and 2024, $1.9686 and $1.9958, respectively, per $1,000 of taxable property value in the College taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $7,999,008 and $7,439,309 for the years ended June 30, 2025 and 2024, respectively.

## 3. CASH, INVESTMENTS AND FAIR VALUE MEASUREMENTS

***Bank Deposits and Investments***

State of Michigan ("State") statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which are members of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state which are rated prime by at least one of the standard rating services.

The investment policy of the Foundation established by the Foundation's Board of Directors authorizes investments in a diversified portfolio of equities, fixed income securities and short-term fixed income instruments (i.e. securities with maturities under three years). The overall investment objective is to maximize growth while generating sufficient income and maintaining adequate cash reserves to meet stated distribution requirements as established from time to time by the Foundation Board. Mutually agreed upon allocation parameters among these types of investments are established at least annually with the Foundation's investment advisor. Short sales; put and call option strategies; margin purchases; commodities (futures); securities of the Investment Manager's corporation or parent corporation; direct investments in tangible assets such as real estate, oil and gas, precious metals, in excess of 5 percent of the total portfolio; and derivatives as a yield enhancement not as a hedge are prohibited unless specific written permission is received from the Foundation Board.

Investments in real estate are recorded at fair value on a recurring basis. Fair value measurement is based upon an annual valuation appraisal conducted by an independent, third-party professional real estate appraiser.

***Interest Rate Risk***

As of June 30, 2025, the College and Foundation had the following investments and maturities:

| | Fair Value | Less Than One Year | 1-3 Years | More Than 3 Years |
|---|---|---|---|---|
| U.S. Agencies | $ 594,873 | $ 594,873 | $ - | $ - |
| U.S. Treasuries | 1,888,484 | 492,311 | 1,396,173 | - |
| Bond mutual funds | 8,274,922 | - | - | 8,274,922 |
| Equity mutual funds | 7,964,163 | - | - | - |
| **Total investment securities** | **$ 18,722,442** | **$ 1,087,184** | **$ 1,396,173** | **$ 8,274,922** |
| **Investment in real estate** | **$ 520,000** | **$ -** | **$ -** | **$ -** |

As of June 30, 2024, the College and Foundation had the following investments and maturities:

| | Fair Value | Less Than One Year | 1-3 Years | More Than 3 Years |
|---|---|---|---|---|
| U.S. Agencies | $ 1,999,271 | $ 1,431,419 | $ 567,852 | $ - |
| U.S. Treasuries | 2,229,385 | 99,854 | 1,789,460 | 340,071 |
| Certificates of deposit | 1,000,000 | 1,000,000 | - | - |
| Bond mutual funds | 4,570,109 | 264,220 | 935,152 | 3,370,737 |
| Equity mutual funds | 6,949,871 | - | - | - |
| **Total investment securities** | **$ 16,748,636** | **$ 2,795,493** | **$ 3,292,464** | **$ 3,710,808** |

The College does not have specific investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Foundation investment policy states that the average weighted value of the portfolio should not exceed ten years.

As of June 30, 2025 and 2024, the average weighted value of the portfolio in fixed income securities does not exceed ten years. The Foundation invests in mutual equity funds with a long-term objective to preserve principal and provide appreciation. Therefore, the interest rate risk is not considered in its decisions.

The maturities of certain mutual bond funds are based on the average weighted maturity method. Certain other mutual bond funds have no weighted average maturity statistics because they are heavily invested in preferred stocks. These mutual bond funds are therefore classified as having a maturity of more than three years.

***Credit Risk***

The College and Foundation are exposed to credit risk for investments in certain debt securities and mutual bond funds. Credit quality ratings are established by nationally recognized statistical rating organizations (NRSROs). Where more than one rating exists, and those ratings are conflicting, the rating with the greatest degree of risk is disclosed.

As of June 30, 2025, the credit quality ratings for these types of investments and credit risk exposure as a percent of these types of investments are as follows:

| | Credit Quality Rating | Percent |
|---|---|---|
| U.S. Agencies | AA | 7 |
| Bond mutual funds | Not Rated | 93 |

As of June 30, 2024, the credit quality ratings for these types of investments and credit risk exposure as a percent of these types of investments are as follows:

| | Credit Quality Rating | Percent |
|---|---|---|
| U.S. Agencies | Aaa | 30 |
| Bond mutual funds | Not Rated | 70 |

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the College's and Foundation's deposits may not be returned to them. The College and Foundation do not have a deposit policy for custodial credit risk. At June 30, 2025, the bank balance was $7,385,207 of which $6,885,146 was uninsured and uncollateralized. At June 30, 2024, the bank balance was $12,225,809 of which $11,725,742 was uninsured and uncollateralized.

***Custodial Credit Risk of Investments***

Custodial credit risk for an investment is the risk that the College or Foundation will not be able to recover the value of their investments that are in the possession of an outside party, should a failure of that party occur. State law does not require, nor do the College and Foundation investment policies address custodial credit risk. However, all of the investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased.

***Concentration Credit Risk***

Neither the College nor Foundation places a limit on the amount that may be invested in any one issuer. Five percent or more of the College's and Foundation's investments at June 30, 2025 and 2024 were invested as follows:

| | 2025 | 2024 |
|---|---|---|
| U.S. Treasury Notes | 6% | 9% |
| Fannie Mae | 1% | 6% |
| SPDR S&P 500 ETF Trust | 0% | 6% |
| ISHARES CORE S&P 500 | 8% | 0% |
| Doubleline Core Fixed Income | 8% | 0% |
| Dodge & Cox Income Fund | 8% | 4% |

***Fair Value Measurements***

The following is a description of the valuation methodology used for assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2025 or 2024.

*Mutual funds:* Shares held in mutual funds are valued at quoted market prices that represent the net asset value ("NAV") of shares held by the Foundation at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

*U.S. government obligations:* U.S. government obligation fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded and are classified as Level 1.

*Certificates of deposit:* Valued at face value plus accrued interest earned and classified as Level 1.

*Real estate:* Fair value measurement is based upon a valuation appraisal conducted by an independent, third-party professional real estate appraiser.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College and Foundation believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the College's and Foundation's investments measured at fair value on a recurring basis as of June 30:

| | Assets at Fair Value | | | |
|---|---|---|---|---|
| **2025** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| U.S. government obligations | $ 2,483,357 | $ - | $ - | $ 2,483,357 |
| Bond mutual funds | 8,274,922 | - | - | 8,274,922 |
| Equity mutual funds | 7,964,163 | - | - | 7,964,163 |
| Real estate | - | 520,000 | - | 520,000 |
| **Total investments at fair value** | **$ 18,722,442** | **$ 520,000** | **$ -** | **$ 19,242,442** |

| | Assets at Fair Value | | | |
|---|---|---|---|---|
| **2024** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| U.S. government obligations | $ 4,228,656 | $ - | $ - | $ 4,228,656 |
| Bond mutual funds | 4,570,109 | - | - | 4,570,109 |
| Certificates of deposit | 1,000,000 | - | - | 1,000,000 |
| Equity mutual funds | 6,949,871 | - | - | 6,949,871 |
| **Total investments at fair value** | **$ 16,748,636** | **$ -** | **$ -** | **$ 16,748,636** |

## 4. RECEIVABLES, NET AND PLEDGES RECEIVABLE, NET

Receivables, net consist of the following at June 30:

| | 2025 | 2024 |
|---|---|---|
| State appropriations | $ 877,089 | $ 897,680 |
| Federal grants and contracts | 519,330 | 408,198 |
| Auxiliary activities | 55,481 | 27,455 |
| Corporate and community education | 24,138 | 13,412 |
| Student | 102,936 | 187,351 |
| Other | 54,432 | 160,230 |
| **Total** | **1,633,406** | **1,694,326** |
| Less allowance for doubtful accounts | 23,900 | 18,836 |
| **Receivables, net** | **$ 1,609,506** | **$ 1,675,490** |

Pledges receivable consist of pledges for the Building Tomorrow Together campaign and for providing nursing scholarships. They have been discounted at 5.60% and 4.20% annual rate of interest for the years ended June 30, 2025 and 2024, respectively. Pledges receivable, representing unconditional promises to give, are as follows at June 30:

| | 2025 | 2024 |
|---|---|---|
| Receivable in less than one year | $ 998,390 | $ 364,100 |
| Receivable in one to five years | 1,828,607 | 540,750 |
| Less present value discount | (305,124) | (112,061) |
| **Pledges receivable, net** | **$ 2,521,873** | **$ 792,789** |

## Notes to Financial Statements

### 5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2025, was as follows:

| | Balance July 1, 2024 | Additions | Retirements | Transfers | Balance June 30, 2025 |
|---|---|---|---|---|---|
| Capital assets not being depreciated/amortized | | | | | |
| Land | $ 78,306 | $ - | $ - | $ - | $ 78,306 |
| Construction in progress | 1,002,974 | 3,349,249 | - | (623,874) | 3,728,350 |
| Sculptures | 522,609 | - | - | - | 522,609 |
| **Subtotal nondepreciable assets** | **1,603,889** | **3,349,249** | **-** | **(623,874)** | **4,329,265** |
| Capital assets being depreciated/amortized | | | | | |
| Building and improvements | 49,211,645 | - | (836,413) | - | 48,375,232 |
| Infrastructure | 3,433,183 | 211,584 | (139,120) | 534,868 | 4,040,515 |
| Furniture, fixtures and equipment | 8,086,239 | 431,516 | (639,046) | 89,006 | 7,967,715 |
| Library materials | 189,279 | 6,601 | (82,176) | - | 113,704 |
| Software | 888,574 | - | (11,675) | - | 876,899 |
| Subscription assets | 958,255 | - | (297,141) | - | 661,114 |
| **Subtotal depreciable assets** | **62,767,175** | **649,701** | **(2,005,571)** | **623,874** | **62,035,179** |
| Less accumulated depreciation and amortization | | | | | |
| Building and improvements | 21,475,039 | 1,518,139 | (439,384) | - | 22,553,794 |
| Infrastructure | 2,893,819 | 76,960 | (139,120) | - | 2,831,659 |
| Furniture, fixtures and equipment | 4,202,937 | 628,840 | (617,737) | - | 4,214,040 |
| Library materials | 124,156 | 11,040 | (78,067) | - | 57,129 |
| Software | 825,486 | 25,861 | (11,675) | - | 839,672 |
| Subscription assets | 549,662 | 211,155 | (297,141) | - | 463,676 |
| **Total accumulated depreciation and amortization** | **30,071,099** | **2,471,995** | **(1,583,124)** | **-** | **30,959,970** |
| **Capital assets being depreciated/amortized, net** | **32,696,076** | **(1,822,294)** | **(422,447)** | **623,874** | **31,075,209** |
| **Capital assets, net** | **$ 34,299,965** | **$ 1,526,955** | **$ (422,447)** | **$ -** | **$ 35,404,474** |

Capital assets activity for the year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Additions | Retirements | Transfers | Balance June 30, 2024 |
|---|---|---|---|---|---|
| Capital assets not being depreciated/amortized | | | | | |
| Land | $ 33,306 | $ 45,000 | $ - | $ - | $ 78,306 |
| Construction in progress | 1,493,142 | 1,673,691 | - | (2,163,859) | 1,002,974 |
| Sculptures | 522,609 | - | - | - | 522,609 |
| **Subtotal nondepreciable assets** | **2,049,057** | **1,718,691** | **-** | **(2,163,859)** | **1,603,889** |
| Capital assets being depreciated/amortized | | | | | |
| Building and improvements | 46,413,328 | 764,183 | (33,754) | 2,067,888 | 49,211,645 |
| Infrastructure | 3,433,183 | - | - | - | 3,433,183 |
| Furniture, fixtures and equipment | 7,504,990 | 485,278 | - | 95,971 | 8,086,239 |
| Library materials | 256,810 | 8,112 | (75,643) | - | 189,279 |
| Software | 1,397,614 | - | (509,040) | - | 888,574 |
| Subscription assets | 1,009,665 | - | (51,410) | - | 958,255 |
| **Subtotal depreciable assets** | **60,015,590** | **1,257,573** | **(669,847)** | **2,163,859** | **62,767,175** |
| Less accumulated depreciation and amortization | | | | | |
| Building and improvements | 20,035,940 | 1,443,512 | (4,413) | - | 21,475,039 |
| Infrastructure | 2,817,260 | 76,559 | - | - | 2,893,819 |
| Furniture, fixtures and equipment | 3,619,720 | 583,217 | - | - | 4,202,937 |
| Library materials | 179,393 | 16,624 | (71,861) | - | 124,156 |
| Software | 1,064,445 | 72,152 | (311,111) | - | 825,486 |
| Subscription assets | 351,446 | 249,626 | (51,410) | - | 549,662 |
| **Total accumulated depreciation and amortization** | **28,068,204** | **2,441,690** | **(438,795)** | **-** | **30,071,099** |
| **Capital assets being depreciated/amortized, net** | **31,947,386** | **(1,184,117)** | **(231,052)** | **2,163,859** | **32,696,076** |
| **Capital assets, net** | **$ 33,996,443** | **$ 534,574** | **$ (231,052)** | **$ -** | **$ 34,299,965** |

Construction in progress of $3,728,350 consists of expenses incurred by June 30, 2025 for the following projects: The Early Learning Center Renovation project ($268,893); and the Career and Technical Education Enhancement ("CATEE") project ($3,459,457).

Construction contract commitments include amounts unexpended as of June 30, 2025 for the following projects: CATEE project ($14,383,598); Dental Hygiene Clinic ($41,650); Early Learning Center ($55,000). All of these projects are expected to be completed and put into service during the fiscal year ended June 30, 2026 other than the CATEE project, which is expected to be completed during the fiscal year ended June 30, 2027.

During the year ended June 30, 2013, the College entered into an agreement with the State of Michigan as part of the Capital Outlay program offered by the Michigan State Building Authority (MSBA). The State appropriated approximately $5,200,000 toward the construction of the College's Health Education and Science Center. The appropriations were funded by the issuance of bonds financed by the MSBA. The MSBA bond issue was secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the MSBA, the State of Michigan and the College. The original agreement included the following: a lease term not to exceed 40 years; title to the building held by the MSBA; all lease payments made by the State of Michigan (out of the State's general operating budget) to the MSBA; and the College paying all operating and maintenance costs. The cost and accumulated depreciation for the building were included in the College's capital assets as the College will obtain title to the building at the end of the lease. No corresponding obligations have been recorded since there are no payments due by the College under this original lease agreement. At the expiration of the lease, which is when bonds are paid off, the MSBA has agreed to convey the title to the College for one dollar.

During the year ending June 30, 2025, the State amended the lease to convey a portion of the property back to the College so that the Federal Government can obtain interest in the property. This conveyance will allow the College to receive funds from a $2M Congressionally Directed Spending construction grant awarded by the US Department of Health and Human Services, Health Resources & Services Administration. The terms of the original agreement remain in effect for the remainder of the lease term.

During the year ended June 30, 2023, the College entered into an agreement with the State of Michigan as part of the Capital Outlay program offered by the Michigan State Building Authority (MSBA). The State appropriated approximately $3,400,000 toward the College's AD/CL Classroom Renovation and Expanded Learning Space project. The appropriations were funded by the issuance of bonds financed by the MSBA. The MSBA bond issue is secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the MSBA, the State of Michigan and the College. During the lease term, which is not to exceed 35 years, the MSBA will hold title to the building, the State of Michigan will make all lease payments to the MSBA and the College will pay all operating and maintenance costs. These lease payments are made out of the State of Michigan general operating budget. The cost and accumulated depreciation for the building are included in the College's capital assets as the College will obtain title to the building at the end of the lease. No corresponding obligations have been recorded since there are no payments due by the College under this lease agreement. At the expiration of the lease, which is when bonds are paid off, the MSBA has agreed to convey the title to the College for one dollar.

## 6. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2025, was as follows:

| | Balance July 1, 2024 | Additions | Reductions | Balance June 30, 2025 | Current Portion |
|---|---|---|---|---|---|
| **Bonds payable** | | | | | |
| Series 2017 | $ 2,345,000 | $ - | $ (370,000) | $ 1,975,000 | $ 380,000 |
| Series 2024 | 6,010,000 | - | - | 6,010,000 | 100,000 |
| Total bonds payable | 8,355,000 | - | (370,000) | 7,985,000 | 480,000 |
| **Deferred amounts** | | | | | |
| Unamortized bond premium | 489,561 | - | - | 489,561 | 24,478 |
| **Total long-term obligations** | **$ 8,844,561** | **$ -** | **$ (370,000)** | **$ 8,474,561** | **$ 504,478** |

Long-term obligation activity for the year ended June 30, 2024, was as follows:

| | Balance July 1, 2023 | Additions | Reductions | Balance June 30, 2024 | Current Portion |
|---|---|---|---|---|---|
| **Bonds payable** | | | | | |
| Series 2017 | $ 2,710,000 | $ - | $ (365,000) | $ 2,345,000 | $ 370,000 |
| Series 2024 | - | 6,010,000 | - | 6,010,000 | - |
| Total bonds payable | 2,710,000 | 6,010,000 | (365,000) | 8,355,000 | 370,000 |
| **Deferred amounts** | | | | | |
| Unamortized bond premium | - | 489,561 | - | 489,561 | - |
| **Total long-term obligations** | **$ 2,710,000** | **$ 6,499,561** | **$ (365,000)** | **$ 8,844,561** | **$ 370,000** |

***College Building and Site and Refunding Bonds, Series 2017***

At June 30, 2025, general obligation bonds totaling $1,975,000 were outstanding with an interest rate of 2.198 percent. Principal payments are due annually in May with payments for the upcoming year of $380,000. Interest payments are due semiannually in May and November over the remaining life of the bonds with amounts ranging from approximately $30,000 to $4,500. These bonds are insured and mature in 2030.

***College Building and Site Bonds, Series 2024***

At June 30, 2025, general obligation bonds totaling $6,010,000 were outstanding with an interest rate of 5.000 percent. Principal payments are due annually in May with payments for the upcoming year of $100,000. Interest payments are due semiannually in May and November over the remaining life of the bonds with amounts ranging from approximately $150,000 to $13,000. These bonds are insured and mature in 2044.

Future debt service requirements on bonds payable for years ending after June 30, 2024 are as follows:

| | Debt Obligations | | |
|---|---|---|---|
| **Year Ending June 30,** | **Principal** | **Interest** | **Total** |
| 2026 | $ 480,000 | $ 343,911 | $ 823,911 |
| 2027 | 490,000 | 330,558 | 820,558 |
| 2028 | 505,000 | 316,846 | 821,846 |
| 2029 | 515,000 | 302,664 | 817,664 |
| 2030 | 530,000 | 288,262 | 818,262 |
| 2031-2035 | 1,550,000 | 1,218,750 | 2,768,750 |
| 2036-2040 | 1,960,000 | 792,000 | 2,752,000 |
| 2040-2044 | 1,955,000 | 250,250 | 2,205,250 |
| **Totals** | **$ 7,985,000** | **$ 3,843,241** | **$ 11,828,241** |

## 7. COMPENSATED ABSENCES

The following is a summary of the changes in compensated absences (including current portion) of the College for the years ended June 30, 2025 and 2024:

| | Balance July 1, 2024* | Additions | Deductions | Balance June 30, 2025 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 710,116 | $ - | $ (88,532) | $ 621,584 | $ 323,100 |

* The College implemented the provisions of GASB No. 101, *Compensated Absences*, in the current year. In accordance with this Statement, an additional liability of $514,643 has been added to the beginning balance shown above.

| | Balance July 1, 2023 | Additions | Deductions | Balance June 30, 2024 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated absences | $ 171,996 | $ 23,477 | $ - | $ 195,473 | $ 101,607 |

The change reported above for compensated absences is the net change for the year.

## 8. NET POSITION CLASSIFICATIONS

***Net Investment in Capital Assets***

The following is a summary of the net investment in capital assets as of June 30:

| | 2025 | 2024 |
|---|---|---|
| Capital assets, not being depreciated/amortized | $ 4,329,265 | $ 1,603,889 |
| Capital assets, being depreciated/amortized | 31,075,209 | 32,696,076 |
| Deferred charge on refunding | 61,069 | 75,203 |
| Subscription-based IT arrangement liabilities - current | (114,951) | (174,781) |
| Subscription-based IT arrangement liabilities - noncurrent | - | (115,290) |
| Accounts payable related to the acquisition of capital assets | (431,285) | (498,446) |
| Long-term obligations - current | (504,478) | (370,000) |
| Long-term obligations - noncurrent | (7,970,083) | (8,474,561) |
| **Total net investment in capital assets** | **$ 26,444,746** | **$ 24,742,090** |

***Restricted Net Position***

The Board of Directors of the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted net position (a) the original value of gifts donated as permanent or term endowment, (b) the original value of subsequent gifts to the permanent or term endowment, and (c) accumulations to the permanent or term endowment made in accordance with the direction of the applicable donor's gift instruction at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowments that isn't included in permanent or term endowment funds is classified as restricted net position until those amounts are expended by the Foundation, in accordance with donor restrictions.

*Nonexpendable* - This represents the portion of net position whose use by the College and Foundation is subject to externally imposed constraints that require the amounts be retained in perpetuity.

*Expendable* - This represents the portion of net position whose use by the College and Foundation is subject to externally imposed constraints that can be fulfilled by actions of the College and Foundation pursuant to those constraints or that expire by the passage of time.

***Unrestricted Net Position***

This represents the portion of net position that is not subject to externally imposed constraints.

The College's and Foundation's unrestricted net position consists of the following at June 30:

| | 2025 | 2024 |
|---|---|---|
| College designated for specific purpose: | | |
| Future capital outlay and major maintenance | $ 2,874,038 | $ 1,633,420 |
| Auxiliary activities | 376,677 | 231,401 |
| Equipment purchases, sabbaticals and other programs | 3,032,889 | 3,788,377 |
| | 6,283,604 | 5,653,198 |
| Pension and OPEB liability fund deficit | (10,702,088) | (11,161,502) |
| Undesignated, College | 2,170,253 | 2,251,374 |
| Undesignated, Foundation | 3,228,938 | 3,389,531 |
| | (5,302,897) | (5,520,597) |
| **Total unrestricted net position** | **$ 980,707** | **$ 132,601** |

## 9. RETIREMENT PLANS

**Defined Benefit Plan**

***Plan Description***

The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

***Pension Benefits Provided***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

***Other Postemployment Benefits Provided***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

***Contributions***

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2023 valuation will be amortized over a 15-year period beginning October 1, 2023 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2025, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 10.58% - 17.02% on prior year covered payroll:

| Benefit Structure | Member Rates | Employer Rates |
|---|---|---|
| Basic | 0.00% - 4.00% | 23.03% - 30.11% |
| Member Investment Plan (MIP) | 3.00% - 7.00% | 23.03% - 30.11% |
| Pension Plus | 3.00% - 6.40% | 19.17% - 26.27% |
| Pension Plus 2 | 6.20% | 20.10% - 27.16% |
| Defined Contribution | 0.00% | 13.90% - 20.96% |

Required contributions to the pension plan from the College were $1,609,019, $1,547,615 and $1,588,759 for the years ended June 30, 2025, 2024 and 2023, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2025:

| Benefit Structure | Member Rates | Employer Rates |
|---|---|---|
| Premium Subsidy | 3.00% | 1.25% - 8.31% |
| Personal Healthcare Fund (PHF) | 0.00% | 0.00% - 7.06% |

Required contributions to the OPEB plan from the College were $442,681, $366,466 and $311,832 for the years ended June 30, 2025, 2024 and 2023, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2025:

| Benefit Structure | Member Rates | Employer Rates |
|---|---|---|
| Defined Contribution | 0.00% - 3.00% | 0.00% - 7.00% |
| Personal Healthcare Fund (PHF) | 0.00% - 2.00% | 0.00% - 2.00% |

For the years ended June 30, 2025, 2024 and 2023, required and actual contributions from the College for those members with a defined contribution benefit were $65,707, $59,285 and $37,454, respectively.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2025 and 2024, the College reported a liability of $9,538,997 and $11,130,085, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023 and 2022. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the College's proportion was 0.03896%, which was an increase of 0.00457% points from its proportion measured as of September 30, 2023 of 0.03439%.

For the year ended June 30, 2025, the College recognized pension expense of $728,159. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2025 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ 258,800 | $ 103,643 | $ 155,157 |
| Changes in assumptions | 994,497 | 698,907 | 295,590 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,820,445 | (1,820,445) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,271,931 | 341,956 | 929,975 |
| | 2,525,228 | 2,964,951 | (439,723) |
| College contributions subsequent to the measurement date | 1,366,108 | - | 1,366,108 |
| Pension portion of Sec 147c state aid award subsequent to the measurement date | - | 597,741 | (597,741) |
| **Total** | **$ 3,891,336** | **$ 3,562,692** | **$ 328,644** |

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset in the year ending June 30, 2026. The amount reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2026 | $ (156,500) |
| 2027 | 379,028 |
| 2028 | (330,703) |
| 2029 | (331,548) |
| **Total** | **$ (439,723)** |

For the year ended June 30, 2024, the College recognized pension expense of $804,879. At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| 2024 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ 351,343 | $ 17,050 | $ 334,293 |
| Changes in assumptions | 1,508,177 | 869,581 | 638,596 |
| Net difference between projected and actual earnings on pension plan investments | - | 227,758 | (227,758) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 282,099 | 773,153 | (491,054) |
| | 2,141,619 | 1,887,542 | 254,077 |
| College contributions subsequent to the measurement date | 1,386,819 | - | 1,386,819 |
| Pension portion of Sec 147c state aid award subsequent to the measurement date | - | 683,582 | (683,582) |
| **Total** | **$ 3,528,438** | **$ 2,571,124** | **$ 957,314** |

***OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2025 and 2024, the College reported an asset of $1,848,447 and $206,234, respectively, for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024 and 2023, and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations rolled forward from September 30, 2023 and 2022. The College's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, the College's proportion was 0.04294%, which was an increase of 0.00648% points from its proportion measured as of September 30, 2023 of 0.03646%.

For the year ended June 30, 2025, the College recognized an OPEB benefit of $739,442. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| 2025 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ - | $ 1,958,790 | $ (1,958,790) |
| Changes in assumptions | 403,728 | 46,405 | 357,323 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 349,932 | (349,932) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 243,029 | 122,376 | 120,653 |
| | 646,757 | 2,477,503 | (1,830,746) |
| College contributions subsequent to the measurement date | 339,011 | - | 339,011 |
| **Total** | **$ 985,768** | **$ 2,477,503** | **$ (1,491,735)** |

The amount reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Amount |
|---|---|
| 2026 | $ (663,142) |
| 2027 | (367,019) |
| 2028 | (334,663) |
| 2029 | (292,184) |
| 2030 | (146,709) |
| Thereafter | (27,029) |
| **Total** | **$ (1,830,746)** |

For the year ended June 30, 2024, the College recognized an OPEB benefit of $535,572. At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| 2024 | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|---|---|---|---|
| Differences between expected and actual experience | $ - | $ 1,558,410 | $ (1,558,410) |
| Changes in assumptions | 459,113 | 55,286 | 403,827 |
| Net difference between projected and actual earnings on OPEB plan investments | 629 | - | 629 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 113,366 | 243,043 | (129,677) |
| | 573,108 | 1,856,739 | (1,283,631) |
| College contributions subsequent to the measurement date | 294,900 | - | 294,900 |
| **Total** | **$ 868,008** | **$ 1,856,739** | **$ (988,731)** |

***Actuarial Assumptions***

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total pension and OPEB (assets) liabilities in the September 30, 2023 and 2022 actuarial valuations (for the fiscal years ended June 30, 2025 and 2024) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Actuarial cost method | Entry age, normal |
| Wage inflation rate | 2.75% |
| Investment rate of return: | |
| MIP and Basic plans (non-hybrid) | 6.00% |
| Pension Plus plan (hybrid) | 6.00% |
| Pension Plus 2 plan (hybrid) | 6.00% |
| OPEB plans | 6.00% |
| Projected salary increases | 2.75% - 11.55%, including wage inflation at 2.75% |
| Cost of living adjustments | 3% annual non-compounded for MIP members |
| Healthcare cost trend rate | Pre-65: 7.25% Year 1 graded to 3.5% Year 15 (7.50% Year 1 graded to 3.5% Year 15 in 2022)<br>Post-65: 6.50% Year 1 graded to 3.5% Year 15 (6.25% Year 1 graded to 3.5% Year 15 in 2022) |
| Mortality | Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.<br>Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. |
| Other OPEB assumptions: | |
| Opt-out assumptions | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan. |
| Survivor coverage | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death. |
| Coverage election at retirement | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents. |

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2024, are based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4612 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2834 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2023, are based on the results of an actuarial valuation date of September 30, 2022, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4406 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.5099 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

*Changes in assumptions - September 30, 2023 Valuation.* The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.

*Changes in assumptions - September 30, 2022 Valuation.* The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.

***Long-Term Expected Return on Pension and OPEB Plan Assets***

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plan's target asset allocation as of September 30, 2024 and 2023, are summarized in the following tables:

***Pension***

| 2024<br>Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
|---|---|---|---|
| Domestic equity pools | 25.00% | 5.02% | 1.26% |
| Private equity pools | 16.00% | 8.53% | 1.36% |
| International equity pools | 15.00% | 6.16% | 0.92% |
| Fixed income pools | 13.00% | 2.08% | 0.27% |
| Real estate and infrastructure pools | 10.00% | 6.73% | 0.67% |
| Absolute return pools | 9.00% | 4.93% | 0.44% |
| Real return/opportunistic pools | 10.00% | 6.54% | 0.65% |
| Short-term investment pools | 2.00% | 1.33% | 0.03% |
| | 100.00% | | 5.60% |
| Inflation | | | 2.30% |
| Risk adjustment | | | -1.90% |
| **Investment rate of return** | | | **6.00%** |

***OPEB***

| 2024<br>Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
|---|---|---|---|
| Domestic equity pools | 25.00% | 5.02% | 1.26% |
| Private equity pools | 16.00% | 8.53% | 1.36% |
| International equity pools | 15.00% | 6.16% | 0.92% |
| Fixed income pools | 13.00% | 1.88% | 0.24% |
| Real estate and infrastructure pools | 10.00% | 6.73% | 0.67% |
| Absolute return pools | 9.00% | 4.93% | 0.44% |
| Real return/opportunistic pools | 10.00% | 6.54% | 0.65% |
| Short-term investment pools | 2.00% | 1.33% | 0.03% |
| | 100.00% | | 5.57% |
| Inflation | | | 2.30% |
| Risk adjustment | | | -1.87% |
| **Investment rate of return** | | | **6.00%** |

***Pension and OPEB***

| 2023<br>Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
|---|---|---|---|
| Domestic equity pools | 25.00% | 5.43% | 1.36% |
| Private equity pools | 16.00% | 8.99% | 1.44% |
| International equity pools | 15.00% | 6.37% | 0.95% |
| Fixed income pools | 13.00% | 1.22% | 0.16% |
| Real estate and infrastructure pools | 10.00% | 5.99% | 0.60% |
| Absolute return pools | 9.00% | 4.49% | 0.40% |
| Real return/opportunistic pools | 10.00% | 6.83% | 0.68% |
| Short-term investment pools | 2.00% | 0.28% | 0.01% |
| | 100.00% | | 5.60% |
| Inflation | | | 2.70% |
| Risk adjustment | | | -2.30% |
| **Investment rate of return** | | | **6.00%** |

***Rate of Return***

For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount Rate***

For the fiscal year ended September 30, 2024 and 2023, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

***Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2025:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| College's proportionate share of the net pension liability | $ 13,984,272 | $ 9,538,997 | $ 5,837,450 |

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2024:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| College's proportionate share of the net pension liability | $ 15,036,712 | $ 11,130,085 | $ 7,877,677 |

***Sensitivity of the College's Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount***

The following presents the College's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2025:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| College's proportionate share of the net OPEB asset | $ (1,428,495) | $ (1,848,447) | $ (2,211,540) |

The following presents the College's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2024:

| | 1% Decrease (5.00%) | Current Discount Rate (6.00%) | 1% Increase (7.00%) |
|---|---|---|---|
| College's proportionate share of the net OPEB (asset) liability | $ 213,803 | $ (206,234) | $ (567,214) |

***Sensitivity of the College's Proportionate Share of the Net OPEB (Asset) Liability to Healthcare Cost Trend Rate***

The following presents the College's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2025:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| College's proportionate share of the net OPEB asset | $ (2,211,544) | $ (1,848,447) | $ (1,459,028) |

The following presents the College's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB (asset) liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2024:

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|---|
| College's proportionate share of the net OPEB (asset) liability | $ (568,114) | $ (206,234) | $ 185,439 |

***Pension and OPEB Plans Fiduciary Net Position***

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

***Payable to the Pension Plan***

At June 30, 2025, the College reported a payable of $88,956 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025. At June 30, 2024, the College reported a payable of $124,286 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

***Payable to the OPEB Plan***

At June 30, 2025 and 2024, the College did not have any outstanding amounts related to its OPEB contributions to the Plan required for the years ended June 30, 2025 and 2024.

**Defined Contribution Plan**

Effective January 1, 2000, existing professional MPSERS members and new professional employees of the College may elect to participate in an Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association (TIAA). As of June 30, 2025 and 2024, the plan had 58 and 49 members respectively. Under ORP, the College contributes 11.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were $571,878 and $521,971 for the years ended June 30, 2025 and 2024, respectively. Total contributions by employees were $207,956 and $189,808 for the years ended June 30, 2025 and 2024, respectively.

## 10. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation), and medical benefits provided to employees. The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk pool for claims relating to auto, property, and liability. The College is insured for workers' compensation benefits through School Employers Trust and School Employers Group (SET SEG). Settled claims of both MCCRMA and SET SEG have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MCCRMA risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MCCRMA, which MCCRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

The College also purchases commercial insurance for other risks of loss, including employee health and accident insurance.

## 11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in 12 agreements that qualify as long-term subscription-based information technology arrangements (SBITAs). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the College has the control of the right to use another party's IT software and the noncancelable term of the arrangement surpasses one year. The present values are discounted using an incremental borrowing rate of 3.5%.

| **Asset Type** | **Remaining Term of Agreements** |
|---|---|
| Subscription assets | 1 year |

The assets acquired through subscription-based information technology arrangements are summarized as follows at June 30:

| | **2025** | **2024** |
|---|---|---|
| Subscription assets | $ 661,114 | $ 958,255 |
| Less accumulated amortization | (463,676) | (549,662) |
| **Net book value** | **$ 197,438** | **$ 408,593** |

The net present value of future minimum payments for the year ended June 30, 2026 are $114,951 and $4,374 for principal and interest, respectively.

Subscription liability activity for the years ended June 30, 2025 and 2024, was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Subscription liability | $ 290,071 | $ - | $ (175,120) | $ 114,951 | $ 114,951 |

Subscription liability activity for the year ended June 30, 2024, was as follows:

| | Beginning Balance | Additions | Deductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Subscription liability | $ 530,306 | $ - | $ (240,235) | $ 290,071 | $ 174,781 |

## 12. COMMITMENTS AND CONTINGENCIES

The College receives significant financial assistance from State and Federal agencies in the form of grants and awards. The use of these funds generally requires compliance with grantor terms and conditions and is subject to audit by the grantor agency.

Disallowed expenditures resulting from grantor audits could become a liability of the College, however, management believes that any future disallowances, if any, would not have a material effect on the College's financial statements.

## 13. RELATED PARTY TRANSACTIONS

Pledge receivables include amounts from a board member totaling approximately $100,000 during the year ended June 30, 2024. There were no related party pledge receivables during the year ended June 30, 2025.

Aside from the transaction described above and herein with the Foundation, the College has entered into no related party transactions during fiscal years 2025 and 2024.

## 14. RESTATEMENT TO BEGINNING NET POSITION

For the year ended June 30, 2025, the College had the following restatement to beginning net position for the implementation of GASB 101.

| | |
|---|---|
| Net position, beginning of year, as previously reported | $ 45,956,468 |
| Change in accounting principle - implementation of new standard | (514,643) |
| Net position, beginning of year, as restated | $ 45,441,825 |

■ ■ ■ ■ ■

# REQUIRED SUPPLEMENTARY INFORMATION
# MPSERS COST-SHARING MULTIPLE-EMPLOYER PLANS

## Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Pension Liability

| | Year Ended June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| College's proportionate share of the net pension liability | $ 9,538,997 | $ 11,130,085 | $ 12,489,476 | $ 8,479,029 | $ 13,154,594 | $ 13,765,010 | $ 13,740,626 | $ 12,740,104 | $ 12,855,123 | $ 12,487,412 |
| College's proportion of the net pension liability | 0.03896% | 0.03439% | 0.03321% | 0.03581% | 0.03829% | 0.04157% | 0.04571% | 0.04916% | 0.05153% | 0.05113% |
| College's covered payroll | $ 4,588,499 | $ 3,640,976 | $ 3,251,418 | $ 3,053,831 | $ 3,214,254 | $ 3,451,326 | $ 3,673,644 | $ 4,051,511 | $ 4,254,349 | $ 4,720,050 |
| College's proportionate share of the net pension liability as a percentage of its covered payroll | 207.89% | 305.69% | 384.12% | 277.65% | 409.26% | 398.83% | 374.03% | 314.45% | 302.16% | 264.56% |
| Plan fiduciary net position as a percentage of the total pension liability | 74.44% | 65.91% | 60.77% | 72.60% | 59.72% | 60.31% | 62.36% | 64.21% | 63.27% | 63.17% |

See notes to required supplementary information.

## NORTH CENTRAL MICHIGAN COLLEGE

### Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the College's Pension Contributions

| | Year Ended June 30 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Statutorily required contribution | $ 1,500,539 | $ 1,547,615 | $ 1,588,759 | $ 1,105,100 | $ 1,074,899 | $ 1,058,148 | $ 1,092,564 | $ 1,289,708 | $ 1,155,318 | $ 1,152,041 |
| Contributions in relation to the statutorily required contribution | (1,500,539) | (1,547,615) | (1,588,759) | (1,105,100) | (1,074,899) | (1,058,148) | (1,092,564) | (1,289,708) | (1,155,318) | (1,152,041) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll | $ 5,035,192 | $ 4,245,837 | $ 3,582,993 | $ 3,303,768 | $ 3,108,016 | $ 3,344,640 | $ 3,533,055 | $ 3,870,695 | $ 4,096,466 | $ 4,054,090 |
| Contributions as a percentage of covered payroll | 29.80% | 36.45% | 44.34% | 33.45% | 34.58% | 31.64% | 30.92% | 33.32% | 28.20% | 28.42% |

See notes to required supplementary information.

## Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefit (Asset) Liability

| | Year Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| College's proportionate share of the net OPEB (asset) liability | $ (1,848,447) | $ (206,234) | $ 708,928 | $ 517,900 | $ 1,946,268 | $ 2,835,924 | $ 3,433,136 | $ 4,364,577 |
| College's proportion of the net OPEB (asset) liability | 0.04294% | 0.03646% | 0.03347% | 0.03393% | 0.03633% | 0.03951% | 0.04319% | 0.04929% |
| College's covered payroll | $ 4,588,499 | $ 3,640,976 | $ 3,251,418 | $ 3,053,831 | $ 3,214,254 | $ 3,451,326 | $ 3,673,644 | $ 4,051,511 |
| College's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -40.28% | -5.66% | 21.80% | 16.96% | 60.55% | 82.17% | 93.45% | 107.73% |
| Plan fiduciary net position as a percentage of the total OPEB (asset) liability | 143.08% | 105.04% | 83.09% | 87.33% | 59.44% | 48.46% | 42.95% | 36.39% |

See notes to required supplementary information.

## NORTH CENTRAL MICHIGAN COLLEGE

### Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefit Contributions

| | Year Ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| Statutorily required contribution | $ 442,681 | $ 366,466 | $ 311,832 | $ 267,936 | $ 260,287 | $ 274,801 | $ 280,071 | $ 286,745 |
| Contributions in relation to the statutorily required contribution | (442,681) | (366,466) | (311,832) | (267,936) | (260,287) | (274,801) | (280,071) | (286,745) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| College's covered payroll | $ 5,035,192 | $ 4,245,837 | $ 3,582,993 | $ 3,303,768 | $ 3,108,016 | $ 3,344,640 | $ 3,533,055 | $ 3,870,695 |
| Contributions as a percentage of covered payroll | 8.79% | 8.63% | 8.70% | 8.11% | 8.37% | 8.22% | 7.93% | 7.41% |

See notes to required supplementary information.

## Notes to Required Supplementary Information

**Pension Information**

The amounts presented in the schedule of the College's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

## Notes to Required Supplementary Information

### OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net OPEB Asset/Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method. In addition, healthcare cost trend rates for pre-65 decreased from 7.50% to 7.25% and post-65 increased from 6.25% to 6.50%.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation. Finally, healthcare cost trend rates for pre-65 decreased from 7.75% to 7.50% and post-65 increased from 5.25% to 6.25%.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00%.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%. The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased to 7.75%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

# OTHER INFORMATION

## Combining Statement of Net Position

June 30, 2025 (Unaudited)
(with comparative totals for 2024)

| | General Fund | Pension and OPEB Fund | Designated Fund | Auxiliary Activities Fund | Restricted Fund | Plant Fund | Agency Fund | College Total June 30, 2025 | Foundation | Combined Total June 30, 2025 | Combined Total June 30, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | | |
| **Current assets** | | | | | | | | | | | |
| Cash and cash equivalents | $ 1,323,363 | $ - | $ 1,807,728 | $ 415,461 | $ - | $ 1,339,757 | $ 147,491 | $ 5,033,800 | $ 1,564,909 | $ 6,598,709 | $ 4,930,862 |
| Restricted short-term investments | - | - | - | - | - | - | - | - | - | - | 1,000,000 |
| Receivables, net | 1,034,695 | - | - | 55,481 | 519,330 | - | - | 1,609,506 | - | 1,609,506 | 1,675,490 |
| Pledges receivable | - | - | - | - | - | - | - | - | 998,390 | 998,390 | 364,100 |
| Inventories | - | - | - | 11,843 | - | - | - | 11,843 | - | 11,843 | 12,758 |
| Prepaids and other current assets | 454,670 | - | - | - | 16,500 | - | - | 471,170 | - | 471,170 | 410,178 |
| Due from (to) other funds | 1,079,877 | - | (616,385) | (79,531) | (1,535,405) | 1,160,372 | (2,469) | 6,459 | (6,459) | - | - |
| **Total current assets** | **3,892,605** | **-** | **1,191,343** | **403,254** | **(999,575)** | **2,500,129** | **145,022** | **7,132,778** | **2,556,840** | **9,689,618** | **8,393,388** |
| **Noncurrent assets** | | | | | | | | | | | |
| Restricted cash | - | - | - | - | 4,564,805 | 9,653,072 | - | 14,217,877 | - | 14,217,877 | 15,238,200 |
| Investments | - | - | 2,487,216 | - | - | - | - | 2,487,216 | 16,755,226 | 19,242,442 | 15,748,636 |
| Pledges receivable, net | - | - | - | - | - | - | - | - | 1,523,483 | 1,523,483 | 428,689 |
| Net OPEB asset | - | 1,848,447 | - | - | - | - | - | 1,848,447 | - | 1,848,447 | 206,234 |
| Capital assets not being depreciated/amortized | - | - | - | - | - | 4,329,265 | - | 4,329,265 | - | 4,329,265 | 1,603,889 |
| Capital assets being depreciated/amortized, net | - | - | - | - | - | 31,075,209 | - | 31,075,209 | - | 31,075,209 | 32,696,076 |
| **Total noncurrent assets** | **-** | **1,848,447** | **2,487,216** | **-** | **4,564,805** | **45,057,546** | **-** | **53,958,014** | **18,278,709** | **72,236,723** | **65,921,724** |
| **Total assets** | **3,892,605** | **1,848,447** | **3,678,559** | **403,254** | **3,565,230** | **47,557,675** | **145,022** | **61,090,792** | **20,835,549** | **81,926,341** | **74,315,112** |
| **Deferred outflows of resources** | | | | | | | | | | | |
| Deferred charge on refunding | - | - | - | - | - | 61,069 | - | 61,069 | - | 61,069 | 75,203 |
| Deferred pension amounts | - | 3,891,336 | - | - | - | - | - | 3,891,336 | - | 3,891,336 | 3,528,438 |
| Deferred OPEB amounts | - | 985,768 | - | - | - | - | - | 985,768 | - | 985,768 | 868,008 |
| **Total deferred outflows of resources** | **-** | **4,877,104** | **-** | **-** | **-** | **61,069** | **-** | **4,938,173** | **-** | **4,938,173** | **4,471,649** |
| **Liabilities** | | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | | |
| Accounts payable | 906,759 | - | - | 6,818 | 7,745 | 58 | - | 921,380 | - | 921,380 | 1,044,699 |
| Accrued payroll and related liabilities | 566,820 | - | - | - | - | - | - | 566,820 | - | 566,820 | 517,308 |
| Unearned tuition revenue | 248,773 | - | 24,086 | 19,759 | - | - | - | 292,618 | - | 292,618 | 327,483 |
| Unearned grant revenue | - | - | - | - | 4,404,928 | - | - | 4,404,928 | - | 4,404,928 | 5,899,402 |
| Due to depositors | - | - | - | - | - | - | 145,022 | 145,022 | - | 145,022 | 135,781 |
| Interest payable | - | - | - | - | - | 57,318 | - | 57,318 | - | 57,318 | 17,567 |
| Current portion of compensated absences | - | - | 323,100 | - | - | - | - | 323,100 | - | 323,100 | 101,607 |
| Current portion of subscription-based IT arrangement liabilities | - | - | - | - | - | 114,951 | - | 114,951 | - | 114,951 | 174,781 |
| Current portion of long-term obligations | - | - | - | - | - | 504,478 | - | 504,478 | - | 504,478 | 380,000 |
| **Total current liabilities** | **1,722,352** | **-** | **347,186** | **26,577** | **4,412,673** | **676,805** | **145,022** | **7,330,615** | **-** | **7,330,615** | **8,598,628** |
| **Noncurrent liabilities** | | | | | | | | | | | |
| Net pension liability | - | 9,538,997 | - | - | - | - | - | 9,538,997 | - | 9,538,997 | 11,130,085 |
| Compensated absences, net of current portion | - | - | 298,484 | - | - | - | - | 298,484 | - | 298,484 | 93,866 |
| Subscription-based IT arrangement liabilities, net of current portion | - | - | - | - | - | - | - | - | - | - | 115,290 |
| Long-term obligations, net of current portion | - | - | - | - | - | 7,970,083 | - | 7,970,083 | - | 7,970,083 | 8,464,561 |
| **Total noncurrent liabilities** | **-** | **9,538,997** | **298,484** | **-** | **-** | **7,970,083** | **-** | **17,807,564** | **-** | **17,807,564** | **19,803,802** |
| **Total liabilities** | **1,722,352** | **9,538,997** | **645,670** | **26,577** | **4,412,673** | **8,646,888** | **145,022** | **25,138,179** | **-** | **25,138,179** | **28,402,430** |
| **Deferred inflows of resources** | | | | | | | | | | | |
| Deferred pension amounts | - | 3,562,692 | - | - | - | - | - | 3,562,692 | - | 3,562,692 | 2,571,124 |
| Deferred OPEB amounts | - | 2,477,503 | - | - | - | - | - | 2,477,503 | - | 2,477,503 | 1,856,739 |
| **Total deferred inflows of resources** | **-** | **6,040,195** | **-** | **-** | **-** | **-** | **-** | **6,040,195** | **-** | **6,040,195** | **4,427,863** |
| **Net position (deficit)** | | | | | | | | | | | |
| Net investment in capital assets | - | - | - | - | - | 26,444,746 | - | 26,444,746 | - | 26,444,746 | 24,742,090 |
| Restricted for: | | | | | | | | | | | |
| Nonexpendable endowments | - | - | - | - | - | - | - | - | 8,225,867 | 8,225,867 | 6,181,117 |
| Expendable OPEB | - | 1,848,447 | - | - | - | - | - | 1,848,447 | - | 1,848,447 | 206,234 |
| Expendable scholarships and grants | - | - | - | - | (847,443) | - | - | (847,443) | 9,380,744 | 8,533,301 | 4,370,992 |
| Expendable construction and debt service | - | - | - | - | - | 9,653,072 | - | 9,653,072 | - | 9,653,072 | 10,323,434 |
| Unrestricted (deficit) | 2,170,253 | (10,702,088) | 3,032,889 | 376,677 | - | 2,874,038 | - | (2,248,231) | 3,228,938 | 980,707 | 132,601 |
| **Total net position (deficit)** | **$ 2,170,253** | **$ (8,853,641)** | **$ 3,032,889** | **$ 376,677** | **$ (847,443)** | **$ 38,971,856** | **$ -** | **$ 34,850,591** | **$ 20,835,549** | **$ 55,686,140** | **$ 45,956,468** |

## NORTH CENTRAL MICHIGAN COLLEGE

### Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position

Year Ended June 30, 2025 (Unaudited)
(with comparative totals for 2024)

| | General Fund | Pension and OPEB Fund | Designated Fund | Auxiliary Activities Fund | Restricted Fund | Plant Fund | College Total June 30, 2025 | Foundation | Eliminations | Combined Total June 30, 2025 | Combined Total June 30, 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating revenues** | | | | | | | | | | | |
| Tuition and fees, net of scholarship allowance of $2,793,878 | $ 6,441,595 | $ - | $ 923,923 | $ - | $ - | $ - | $ 7,365,518 | $ - | $ (2,793,878) | $ 4,571,640 | $ 3,510,768 |
| Federal grants and contracts | - | - | - | - | 1,215,765 | - | 1,215,765 | - | - | 1,215,765 | 958,383 |
| State and local grants and contracts | - | - | - | - | 242,669 | - | 242,669 | - | - | 242,669 | 216,715 |
| Nongovernmental grants | - | - | - | - | 736,066 | - | 736,066 | - | (428,937) | 307,129 | 240,600 |
| Auxiliary activities, net of scholarship allowance $151,939 | 57,352 | - | - | 1,490,634 | - | - | 1,547,986 | - | (151,939) | 1,396,047 | 1,213,847 |
| Other operating revenues | 1,020,976 | - | 263,328 | - | 200,209 | 46,810 | 1,531,323 | - | (401,007) | 1,130,316 | 1,202,761 |
| **Total operating revenues** | **7,519,923** | **-** | **1,187,251** | **1,490,634** | **2,394,709** | **46,810** | **12,639,327** | **-** | **(3,775,761)** | **8,863,566** | **7,343,074** |
| **Operating expenses** | | | | | | | | | | | |
| Instruction | 7,664,534 | (1,135,894) | 5,742 | - | 78,628 | - | 6,613,010 | - | (89,392) | 6,523,618 | 5,916,502 |
| Public service | 236,790 | (32,662) | - | 319,889 | 596,331 | - | 1,120,348 | - | (1,160) | 1,119,188 | 368,470 |
| Instructional support | 2,383,009 | (355,777) | 118,025 | - | 305,460 | - | 2,450,717 | - | (14,201) | 2,436,516 | 2,558,018 |
| Student services | 3,730,006 | (418,132) | 45,393 | 975,469 | 4,375,409 | - | 8,708,145 | - | (2,901,292) | 5,806,853 | 4,735,658 |
| Institutional administration | 2,990,106 | (398,967) | 123,126 | - | 30,799 | - | 2,745,064 | 1,979,279 | (1,186,670) | 3,537,673 | 3,176,262 |
| Operations and maintenance of plant | 2,058,174 | (200,023) | 185,289 | - | 200,937 | 291,019 | 2,535,396 | - | (898) | 2,534,498 | 1,787,878 |
| Information technology | 947,099 | (157,913) | 1,023,774 | - | - | - | 1,812,960 | - | - | 1,812,960 | 1,817,625 |
| Depreciation and amortization | - | - | - | - | - | 2,471,995 | 2,471,995 | - | - | 2,471,995 | 2,441,690 |
| **Total operating expenses** | **20,009,718** | **(2,699,368)** | **1,501,349** | **1,295,358** | **5,587,564** | **2,763,014** | **28,457,635** | **1,979,279** | **(4,193,613)** | **26,243,301** | **22,802,103** |
| **Operating (loss) income** | **(12,489,795)** | **2,699,368** | **(314,098)** | **195,276** | **(3,192,855)** | **(2,716,204)** | **(15,818,308)** | **(1,979,279)** | **417,852** | **(17,379,735)** | **(15,459,029)** |
| **Nonoperating revenues (expenses)** | | | | | | | | | | | |
| State appropriations | 5,383,962 | (597,741) | - | - | - | - | 4,786,221 | - | - | 4,786,221 | 4,294,094 |
| Property tax levy | 7,999,008 | - | - | - | - | - | 7,999,008 | - | - | 7,999,008 | 7,439,309 |
| Federal Pell grants | - | - | - | - | 2,780,189 | - | 2,780,189 | - | - | 2,780,189 | 2,266,463 |
| Investment income, net | 52 | - | 210,690 | - | - | 393,434 | 604,176 | 1,352,037 | - | 1,956,213 | 1,475,764 |
| Net loss on disposal of capital assets | - | - | - | - | - | (402,550) | (402,550) | - | - | (402,550) | (231,052) |
| Interest on capital asset-related debt | - | - | - | - | - | (189,907) | (189,907) | - | - | (189,907) | (98,270) |
| Bond issuance costs | - | - | - | - | - | - | - | - | - | - | (87,385) |
| In-kind contributions | - | - | - | - | - | - | - | 267,852 | (267,852) | - | - |
| Contributions | - | - | - | - | - | - | - | 2,605,676 | - | 2,605,676 | 820,122 |
| **Net nonoperating revenues (expenses)** | **13,383,022** | **(597,741)** | **210,690** | **-** | **2,780,189** | **(199,023)** | **15,577,137** | **4,225,565** | **(267,852)** | **19,534,850** | **15,879,045** |
| **Other revenues** | | | | | | | | | | | |
| Capital grants and gifts | - | - | - | - | 1,430,101 | 1,019,268 | 2,449,369 | 5,042,680 | - | 7,492,049 | - |
| Other nonoperating revenue | - | - | - | - | - | 150,000 | 150,000 | - | (150,000) | - | - |
| Capital State appropriation | - | - | - | - | - | - | - | - | - | - | 470,700 |
| Contributions to permanent endowments | - | - | - | - | - | - | - | 597,151 | - | 597,151 | 183,239 |
| **Total other revenues** | **-** | **-** | **-** | **-** | **1,430,101** | **1,169,268** | **2,599,369** | **5,639,831** | **(150,000)** | **8,089,200** | **653,939** |
| **Increase (decrease) in net position before transfers** | 893,227 | 2,101,627 | (103,408) | 195,276 | 1,017,435 | (1,745,959) | 2,358,198 | 7,886,117 | - | 10,244,315 | 1,073,955 |
| Transfers (out) in | (974,348) | - | (137,437) | (50,000) | (2,767,821) | 4,018,871 | 89,265 | (89,265) | - | - | - |
| **Increase (decrease) in net position** | **(81,121)** | **2,101,627** | **(240,845)** | **145,276** | **(1,750,386)** | **2,272,912** | **2,447,463** | **7,796,852** | **-** | **10,244,315** | **1,073,955** |
| Net position (deficit), beginning of year, as previously reported | 2,251,374 | (10,955,268) | 3,788,377 | 231,401 | 902,943 | 36,698,944 | 32,917,771 | 13,038,697 | - | 45,956,468 | 44,882,513 |
| GASB 101 restatement | - | - | (514,643) | - | - | - | (514,643) | - | - | (514,643) | - |
| Net position (deficit), beginning of year, as restated | 2,251,374 | (10,955,268) | 3,273,734 | 231,401 | 902,943 | 36,698,944 | 32,403,128 | 13,038,697 | - | 45,441,825 | 44,882,513 |
| **Net position (deficit), end of year** | **$ 2,170,253** | **$ (8,853,641)** | **$ 3,032,889** | **$ 376,677** | **$ (847,443)** | **$ 38,971,856** | **$ 34,850,591** | **$ 20,835,549** | **$ -** | **$ 55,686,140** | **$ 45,956,468** |