Northwestern Michigan College

Financial Report
with Supplementary Information
June 30, 2024

Contents

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Independent Auditor's Report

To the Board of Trustees
Northwestern Michigan College

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of Northwestern Michigan College (the "College") as of and for the years ended June 30, 2024 and 2023 and the related notes to the financial statements, which collectively comprise Northwestern Michigan 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 respective financial position of the business-type activities and discretely presented component unit of Northwestern Michigan College as of June 30, 2024 and 2023 and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 *Auditor's Responsibilities for the Audits 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 opinions. The discretely presented component unit was not audited under *Government Auditing Standards*.

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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audits 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 auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits 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 judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Northwestern Michigan College

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits 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 judgment, 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of pension contributions, schedule of the College's proportionate share of the net OPEB liability (asset), and schedule of OPEB contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwestern Michigan College's basic financial statements. The combining statement of net position and combining statement of revenue, expenses, and changes in net position are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Additional Information

Management is responsible for the accompanying listing of board of trustees and administrative officials, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the financial statements do not cover such information, and we do not express an opinion or any form of assurance thereon.

To the Board of Trustees
Northwestern Michigan College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2024 on our consideration of Northwestern Michigan College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Northwestern Michigan 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 Northwestern Michigan College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 21, 2024

The discussion and analysis of Northwestern Michigan College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2024. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College’s administration.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities.*

Northwestern Michigan College Foundation (the “Foundation”) is included within these statements as a discretely presented component unit of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

This annual financial report includes the management's discussion and analysis, the report of independent auditors, the basic financial statements, notes to the financial statements, required supplementary information, and supplementary information.

Financial Highlights

The College’s net position increased by $19.4 million in fiscal year 2024 including activity recognized to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The College’s net position increased by $13.1 million before the adjustments required under those standards. The increase in net position stems largely from the timing of $8.0 million in Employee Retention Credit (ERC) claims that the College recognized in the current fiscal year per generally accepted accounting principles that recommend recognition in the year that eligibility criteria is overcome; the ERC claim is still subject to review by the Internal Revenue Service (IRS). More information about the ERC claim can be found in Note 5 to the financial statements. Aside from the ERC claim, the increase to net position this fiscal year is also the result of increased revenues from state appropriations, property taxes, tuition, and investment income.

Operating property taxes increased 8.7% due to a 9.6% increase in taxable values, offset by tax abatements and millage rate erosion due to the Headlee Amendment. The College had no debt-related property tax revenue in fiscal years 2024 or 2023, as the College’s debt millage expired in fiscal year 2020 after the underlying debt was paid. State appropriations for general operations were $10.6 million in fiscal year 2024, an increase of $0.5 million or 4.8%. State appropriations passed through the College for the MPSERS Unfunded Actuarial Accrued Liability (UAAL) payments were $2.8 million, a decrease of $1.2 million from prior year. The College received an additional $846,000 in support from the State to offset mandatory increases in MPSERS employer contribution rates in fiscal year 2024. This compares with $423,000 in fiscal year 2023, an increase of $423,000. Also included in State appropriations is the State’s payment in lieu of personal property taxes, which the State abolished as of December 31, 2015. This formula-based reimbursement was $207,000 for fiscal year 2024, a $22,000 increase from prior year. With the above, total state appropriations increased $1.0 million in fiscal year 2024 compared to prior year. In fiscal year 2024, the College also received $1.1 million in one-time support from the State for Infrastructure, Technology, Equipment, and Maintenance (ITEM) funding and $143,000 in one-time support from the State for Critical Incident Mapping (CIM) funding.

The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the College's net position and changes therein. These statements include all assets, liabilities, and deferred inflows and outflows using the accrual basis of accounting.

The statements of net position include the College's net pension and OPEB liabilities recognized in accordance with GASB 68 and 75, respectively. The College's total net position at June 30, 2024, 2023, and 2022 without the accounting required by GASB 68 and GASB 75 was $98.0 million, $84.9 million, and $87.0 million, respectively. Summaries of the College's statements of net position at June 30, 2024, 2023, and 2022 are as follows:

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2024	2023	2022
Current assets	$ 30,169	$ 24,480	$ 24,383
Noncurrent assets:			
Capital assets, net	78,338	76,107	78,218
Other noncurrent assets	23,218	17,689	18,670
Total assets	131,725	118,276	121,271
Deferred outflows of resources	15,587	20,436	10,280
Current liabilities	9,666	8,340	8,602
Noncurrent liabilities:			
Net pension liability	46,672	56,452	38,026
Net OPEB liability	(825)	3,197	2,391
Other noncurrent liabilities	24,099	25,019	25,693
Total liablities	79,612	93,008	74,712
Deferred inflows of resources	18,743	16,129	28,403
Net position:			
Net investment in capital assets	57,993	55,029	56,298
Restricted deficit	2,541	-	-
Unrestricted deficit	(11,577)	(25,454)	(27,862)
Total net position	$ 48,957	$ 29,575	$ 28,436

Statements of Net Position

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2024 and 2023 are as follows:

- Current assets increased $5.7 million, including a $9.5 million increase in receivables and a $4.9 million decrease in cash and cash equivalents. The increase in receivables is primarily due to the College's one-time ERC filing claim of $8.0 million in fiscal year 2024. This was supplemented by the timing of other grant related receivables and an increased receivable from the Northwestern Michigan College Foundation (Component Unit) outstanding as of the end of the fiscal year 2024. The College's decrease in cash is due to a decreased amount of cash in more liquid, cash equivalent investments; offset by an increased amount of cash in longer-term government agency securities, impacting the increase in other noncurrent assets.

- Capital asset additions totaled $7.4 million, including $3.4 million for purchase of an apartment complex, $811,000 for IT port system upgrades, $456,000 for upgrades to the University Center building, $368,000 in GLMA simulators, $278,000 in video security system upgrades, and $348,000 in Milliken Auditorium lighting upgrades. These additions were offset by current year depreciation of $4.9 million. As a result, net capital assets increased by $2.2 million. Other noncurrent assets increased $5.5 million primarily due to an increased investment in government agency securities as mentioned above.

- Current liabilities increased $1.4 million primarily due to a higher accounts payable balance at the end of fiscal year 2024.

- The College's net pension liability decreased $9.8 million primarily due to the difference between the projected and actual earnings on pension plan investments based on the market as of September 30, 2023 as well as a change in the proportionate share allocated to the College. The College's net OPEB asset increased $4.0 million from fiscal year 2023 due to changes in the actuarial health care cost trends rate for members over age 65.

- Deferred inflows is the acquisition of net position that applies to future reporting periods. Deferred outflows is the consumption of net position that applies to future reporting periods. The College's deferred inflows and outflows, and changes therein, stem primarily from the MPSERS plan and include changes in actuarial assumptions, differences between expected and actual experience, changes in the proportionate share of the pension and OPEB liabilities, and contributions to the plan subsequent to the measurement date.

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2023 and 2022 are as follows:

- Current assets increased $0.1 million, including a $2.0 million decrease in receivables and a $1.7 million increase in cash and cash equivalents. The decrease in receivables is primarily due to a decrease of $1.4 million in receivables from the Northwestern Michigan College Foundation (Component Unit) outstanding in fiscal year 2023 compared to fiscal year 2022. This was partially offset by the timing other grant related receivables, tuition and fee receivables, and change in estimate for allowance for doubtful accounts at the end of the 2023 fiscal year. The College's increase in cash is due to an increased amount of cash in more liquid, cash equivalent investments.

- Capital asset additions totaled $2.9 million, including $526,000 for new aircraft purchases, $516,000 for a dewatering project in the Timothy J. Nelson Innovation Center, $276,000 for roof restorations, $174,000 in Milliken Auditorium lighting upgrades, and $120,000 for upgrades to Great Lakes Maritime Academy simulators. These additions were offset by current year depreciation of $5.0 million. As a result, net capital assets decreased by $2.1 million. Other noncurrent assets decreased $1.0 million primarily due to a decrease in investment of surplus cash during the year.

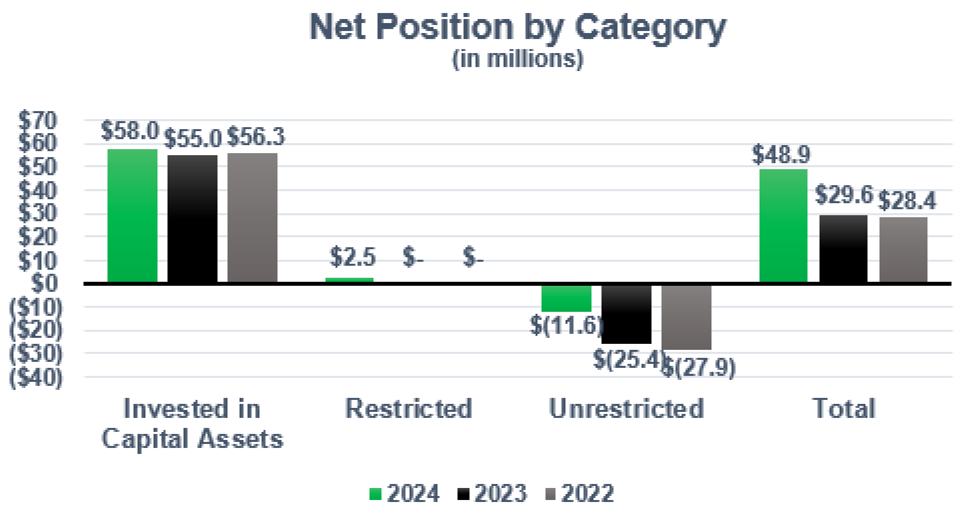
- Current liabilities decreased $0.3 million primarily due to the timing of year end accrued wages and benefits recognized between fiscal year 2022 and fiscal year 2023 which was impacted by the timing of payroll dates crossing over each respective fiscal year; this was partially offset by a higher accounts payable balance at the end of fiscal year 2023.

- The College's net pension liability increased $18.4 million primarily due to the difference between the projected and actual earnings on pension plan investments based on the market as of September 30, 2022 as well as a change in the proportionate share allocated to the College. The College's net OPEB liability increased $0.8 million due to an increase in the actuarial health care cost trends rate for members over age 65. Other noncurrent liabilities decreased due to current year payments on outstanding bond debt.

- Deferred inflows is the acquisition of net position that applies to future reporting periods. Deferred outflows is the consumption of net position that applies to future reporting periods. The College's deferred inflows and outflows, and changes therein, stem primarily from the MPSERS plan and include changes in actuarial assumptions, differences between expected and actual experience, changes in the proportionate share of the pension and OPEB liabilities, and contributions to the plan subsequent to the measurement date.

Net Position

The following chart provides a graphic breakdown of net position by category as of June 30, 2024, 2023, and 2022:



The College's net position was $49.0 million as of June 30, 2024, an increase of $19.4 million from prior year. Net position increased by $13.1 million in fiscal year 2024 before the effects of GASB 68 and 75 and increased by $5.1 million in fiscal year 2024 before the combined effects of the one-time ERC claim and GASB 68 and 75. The College's net position was $29.6 million as of June 30, 2023, an increase of $1.2 million from prior year. Net position decreased by $1.9 million in fiscal year 2023 before the effects of GASB 68 and 75.

Statements of Revenues, Expenses and Changes in Net Position

Following is a comparison of the major components of the College's operating results for the years ended June 30, 2024, 2023, and 2022:

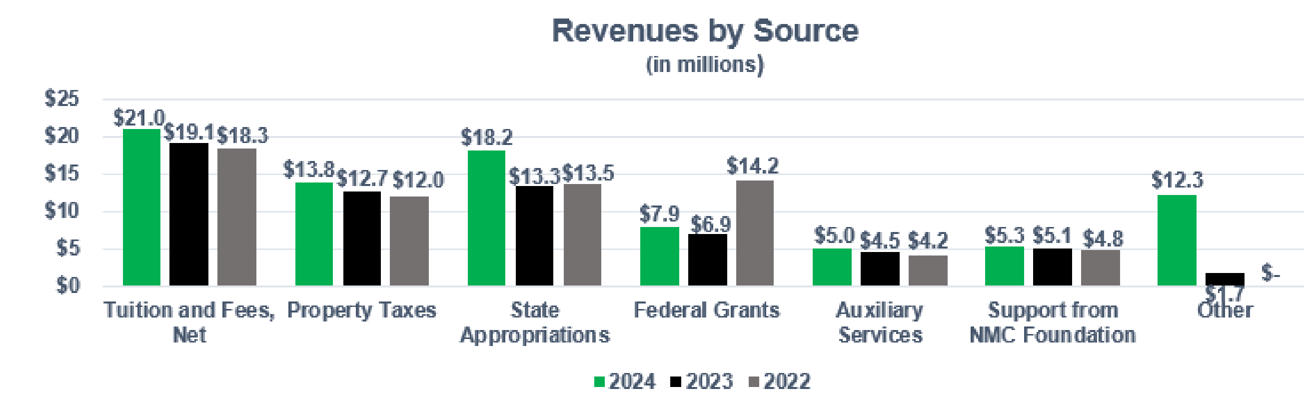
	Operating Results for the Years Ended June 30 (in thousands)		
	2024	2023	2022
Total operating revenues	$ 33,653	$ 28,730	$ 26,753
Total operating expenses	65,301	61,451	58,886
Operating loss	(31,648)	(32,721)	(32,133)
Net nonoperating revenues and capital contributions	51,030	33,861	38,925
Change in net position	19,382	1,140	6,792
Net position – beginning of yea	29,575	28,435	21,643
Net position – end of year	$ 48,957	$ 29,575	$ 28,435

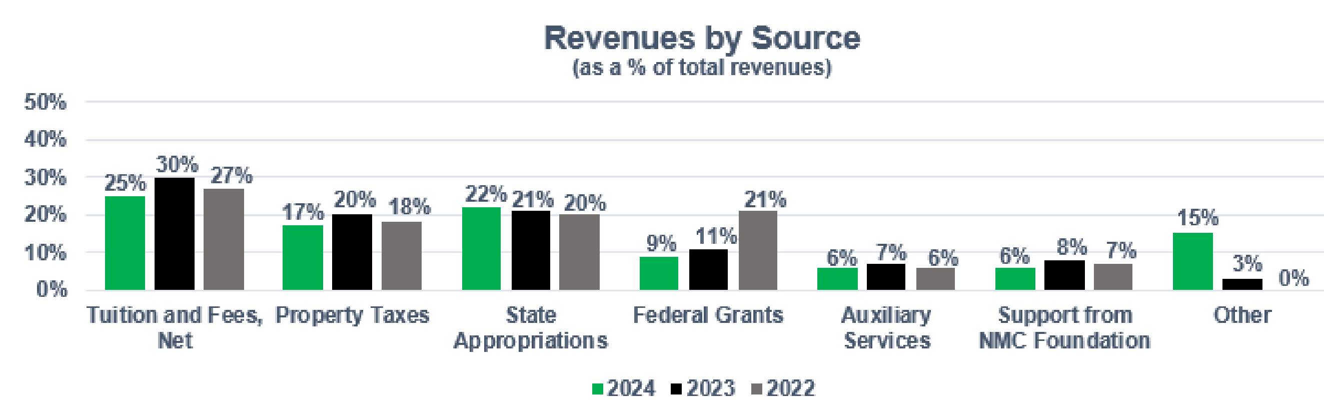
Total Revenues

Total revenues increased $20.2 million in fiscal year 2024 primarily due to the College’s one-time ERC claim filing of $8.0 which was recognized in fiscal year 2024 and an increase of $3.9 million in state appropriations in fiscal year 2024. This is supplemented by a $1.5 million increase in investment income, a $2.0 million increase in tuition revenue, a $1.1 million increase in operating property tax revenues, and $1.9 million in state grant funding toward the College’s aviation hangar expansion project that was recognized in fiscal year 2024. Operating property tax revenues increased due to increases in underlying taxable values, offset by abatements and millage reductions due to the Headlee Amendment. Debt-related property tax revenue remained at $0 in 2024.

Total revenues decreased $5.1 million in fiscal year 2023 primarily due to the timing of the final use and recognition of $7.5 million in federal COVID-19 funding that was recognized in fiscal year 2022; this is partially offset by a $1.8 million increase in investment income, a $0.8 million increase in tuition revenue, and a $0.7 million increase in operating property tax revenues. Operating property tax revenues increased due to increases in underlying taxable values, offset by abatements and millage reductions due to the Headlee Amendment. Debt-related property tax revenue remained at $0 in 2023 as the College made final payments on remaining debt service obligations during fiscal year 2021. Support from component unit decreased primarily due to additional Foundation support provided for the Dennos Museum in fiscal year 2022. Federal grant revenue decreased due to the final rounds of HEERF (II and III) funding recognized in fiscal year 2022.

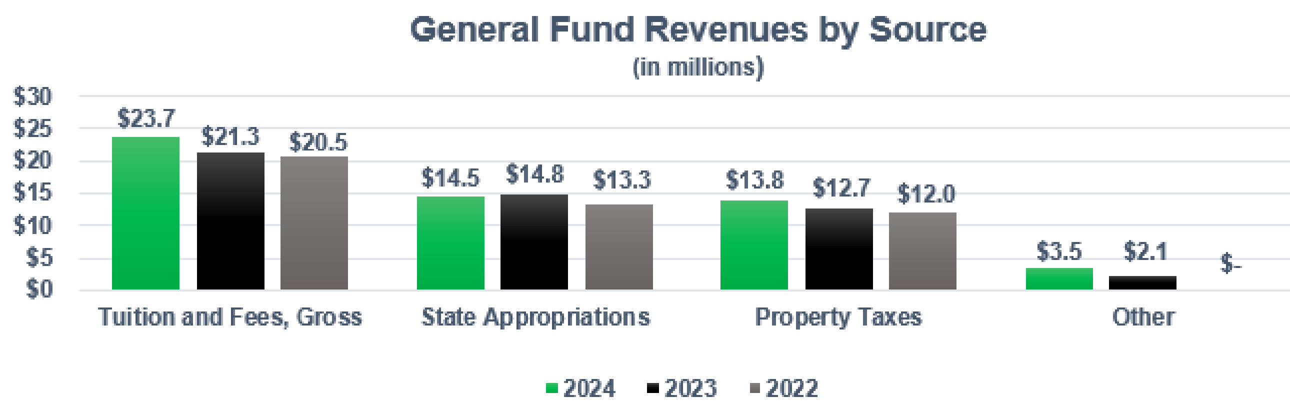
The following graphs illustrate total revenues by source, by dollars and percentages, for the years ended June 30, 2024, 2023, and 2022:

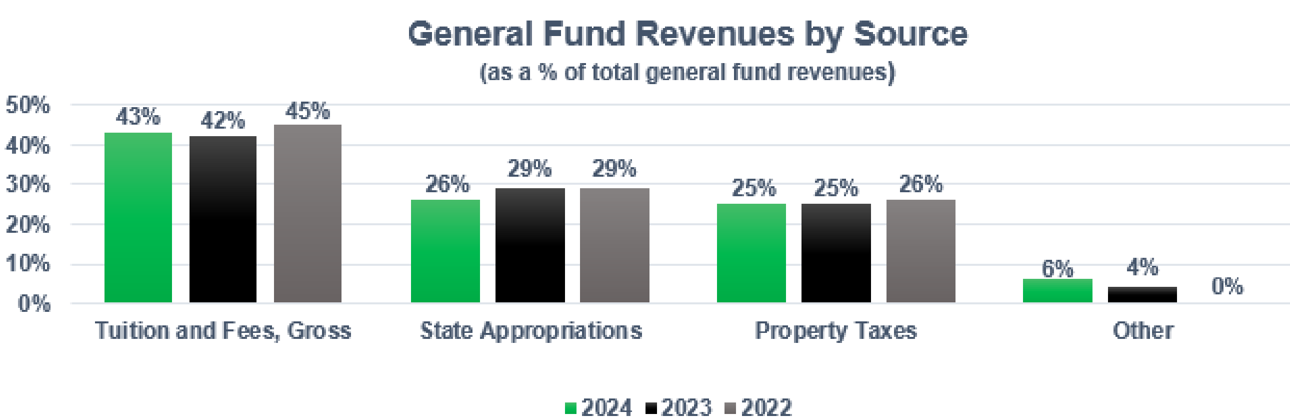




General Fund Revenues

The College accounts for its primary operations and programs within its General Fund. The primary General Fund revenue sources are tuition and fees, state appropriations, property taxes, federal grants, and support from the NMC Foundation. The following graphs illustrate total General Fund revenues by source, by dollars and percentages, for the years ended June 30, 2024, 2023, and 2022:





Operating Revenues

The College classifies as operating revenues any sales or receipts derived from primary operations of the College such as tuition, fees, housing, and other auxiliary operations. In addition, certain Federal, State, and private grants are considered operating if they are not for capital purposes and are deemed a contract for services. The following table shows the sources of operating revenues for the years ended June 30, 2024, 2023, and 2022:

Operating Revenues by Source Years Ended June 30 (in thousands)	2024	2023	2022
Tuition and fees, net	$ 21,052	$ 19,146	$ 18,259
Federal grants	3,811	3,436	3,037
State grants	1,249	181	211
Auxiliary services	4,955	4,519	4,169
Other operating	2,586	1,448	1,077
Total operating revenues	$ 33,653	$ 28,730	$ 26,753

Changes in operating revenues for fiscal year 2024 were as follows:

- Tuition and fees increased $2.0 million primarily due to increased enrollment leading to a $1.5 million increase in academic course revenue and fees. Also impacted by increased aviation flight fees ($251,000) and increased offerings and related revenue for the College's non-credit enrichment program ($293,000).
- State grant revenue from operations increased $1.2 million primarily due to support received for the Michigan Reconnect and Michigan Achievement programs in fiscal year 2024; partially offset by support received from the Michigan Wraparound program in fiscal year 2023 which also ended in that year.
- Auxiliary and other operating sources continue to increase due to a continued growth in revenue activity in multiple areas.

Changes in operating revenues for fiscal year 2023 were as follows:

- Tuition and fees increased $887,000 primarily due to increased aviation flight fees ($569,000) and increased offerings and related revenue for the College's non-credit enrichment program ($182,000).
- Federal grant revenue from operations increased $0.4 million due primarily to an increase in the direct support from MARAD for the Great Lakes Maritime Academy of $646,000 from the prior year.
- Auxiliary and other operating sources continue to increase due to the ability to return to the normal activities following the impacts of COVID-19 in prior years.

Nonoperating Revenues and Capital Contributions

Nonoperating revenues are non-exchange in nature, meaning that the College receives value without directly giving equal value in return. Nonoperating revenues include state appropriations, Federal Pell grants, property taxes, support from component unit, and investment income. Capital contributions include state capital appropriations. The following table shows the amounts of these sources of nonoperating revenues for the years ended June 30, 2024, 2023, and 2022:

	Nonoperating Revenues and Capital Contributions by Source Years Ended June 30 (in thousands)		
	2024	2023	2022
State appropriations	$ 17,006	$ 13,145	$ 13,100
Pell grants	4,109	3,529	3,609
Federal COVID Funding	-	-	7,526
Employer Retention Credit	8,037	-	-
Property taxes	13,772	12,664	11,962
Support from the Foundation	5,265	5,124	4,758
Investment loss (income)	1,640	129	(1,705)
State capital appropriations	-	-	408
Total nonoperating revenues and capital contributions	$ 49,829	$ 34,591	$ 39,658

Nonoperating revenue and capital contribution changes included the following factors for fiscal year 2024:

- Employee Retention Credit increased to $8.0 million in fiscal year 2024 because the College filed for and recognized, but did not receive, the revenue for this credit filing with the IRS in 2024 which is still subject to review by the IRS. Additional information on the Employee Retention Credit claim can be found in Note 5 to the financial statements.

- Property tax revenue increased by $1.1 million, or 8.7%, due to a 9.6% increase in taxable values, offset by tax abatements and millage rate erosion due to the Headlee Amendment.

- State appropriations increased $3.9 million primarily due to a $1.6 million increase in MPSERS UAAL payments in fiscal year 2024 plus one-time funding received from the State for ITEM and Critical Incident Mapping funding of $1.1 million and $143,000, respectively.

- Investment income increased by $1.5 million due to continued investment in liquid investments and favorable market conditions during fiscal year 2024. The College recognized unrealized gains of $412,000 in fiscal year 2024 and unrealized losses of $532,000 in fiscal year 2023; a net increase of $944,000. Increasing interest rates in the market for the majority of the fiscal year resulted in interest income of $1.2 million, an increase of $570,000 from prior year.

Nonoperating revenue and capital contribution changes included the following factors for fiscal year 2023:

- Federal COVID Funding decreased to $0 in fiscal year 2023 because the College disbursed and used all remaining federal COVID Funding during fiscal year 2022.

- Property tax revenue increased by $0.7 million, or 5.9%, due to a 9.1% increase in taxable values, offset by tax abatements and millage rate erosion due to the Headlee Amendment.

- Northwestern Michigan College Foundation support included $1.7 million for scholarships, an increase of $239,000 from the prior year. The remaining support of $3.4 million was for debt service payments on sponsored projects, the Dennos Museum, instructional programs, board strategic initiatives, and general support.

- Investment income increased by $1.8 million due in large to an increase in liquid investments and favorable market conditions during fiscal year 2023. The College recognized unrealized losses of $532,000 and $1.9 million in fiscal years 2023 and 2022, respectively; a net increase of $1.3 million. Increasing interest rates in the market for the majority of the fiscal year resulted in interest income of $653,000, an increase of $474,000 from prior year.

- The decrease in state capital appropriations revenue is the result of the completion of the Timothy J. Nelson Innovation Center building project in fiscal year 2022 in which funds were recognized.

Operating Expenses

Operating expenses include all the costs necessary to perform and conduct the programs and primary functions of the College such as wages and benefits, professional services, software and technology maintenance, utilities, staff development, and depreciation expense. In the College's external financial statements, these expenses are categorized by function in accordance with the *Michigan Community College Data Inventory Report* requirements. Total operating expenses increased by $3.8 million (6.3%) for fiscal year 2024 after increasing by $2.5 million (3.6%) in fiscal year 2023. The following table summarizes operating expenses by function for the years ended June 30, 2024, 2023, and 2022:

	Operating Expenses by Function Years Ended June 30 (in thousands)		
	2024	2023	2022
Instruction	$ 19,777	$ 18,411	$ 16,147
Public service	2,214	1,979	1,541
Academic support	7,264	7,368	6,819
Student services	14,013	11,858	14,406
Institutional administration	8,145	7,463	6,460
Operation and maintenance of pla	4,854	4,998	4,633
Depreciation	5,233	5,517	5,011
Information technology	3,801	3,856	3,869
Total operating expenses	$ 65,301	$ 61,451	$ 58,886

Highlights of the major changes between fiscal years 2024 and 2023 by category are as follows:

- Instruction costs increased due primarily to an increase in MPSERS UAAL activity in addition to positive adjustment for changes in OPEB liabilities and their related deferred inflows and outflows.

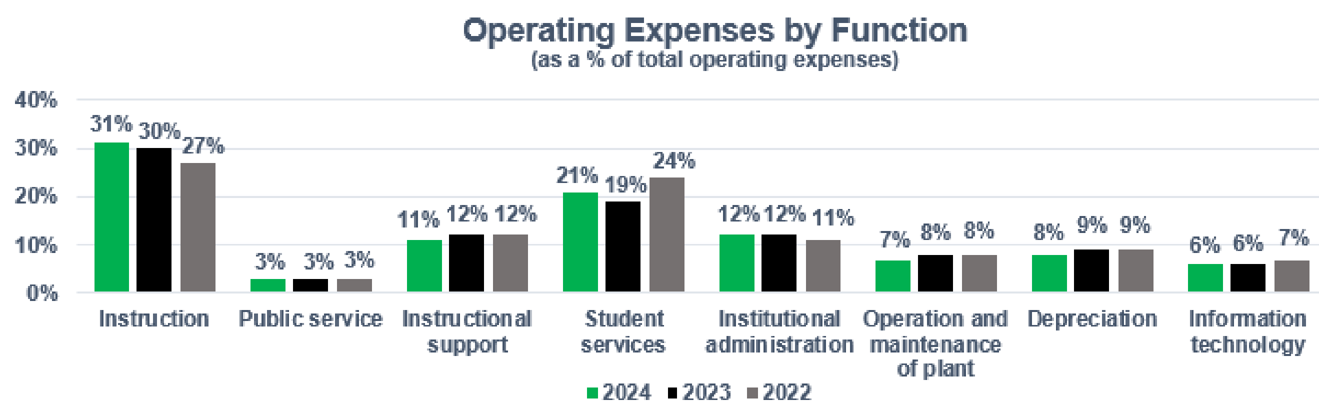
- Student services increased primarily due to the acquisition of an apartment complex in fiscal year 2024 and increased financial aid awards in fiscal year 2024.

Highlights of the major changes between fiscal years 2023 and 2022 by category are as follows:

- Instruction costs increased due primarily to an increase in MPSERS UAAL activity in addition to positive adjustment for changes in OPEB liabilities and their related deferred inflows and outflows.

- Student services decreased primarily due to the timing of ARPA student awards which were fully disbursed by the end of fiscal year 2022 leaving no ARPA student awards to disburse in fiscal year 2023.

For external reporting purposes, the College's funds are consolidated and internal expenses are eliminated. The following graph illustrates the composition of operating expenses for the years ended June 30, 2024, 2023, and 2022:



Statements of Cash Flows

Another way to assess the College's financial health is by analyzing the statements of cash flows. This statement's primary purpose is to provide relevant information about the cash inflows and outflows of the College during a period of time. This statement also helps users assess the following:

- The College's ability to generate future cash flows
- Its ability to meet existing obligations as they come due
- Its needs for external financing

A summary of the College's cash flows for the years ended June 30, 2024, 2023, and 2022 is as follows:

	Cash Flows Years Ended June 30 (in thousands)		
	2024	2023	2022
Cash (used in) provided by:			
Operating activities	$ (30,119)	$ (31,574)	$ (32,954)
Noncapital financing activities	38,238	37,520	38,847
Capital financing activities	(7,072)	(4,747)	(3,831)
Investing activities	(6,385)	152	185
Net (decrease) increase in cash	(5,338)	1,351	2,247
Cash and cash equivalents, beginning of yea	17,447	16,096	13,849
Cash and cash equivalents, end of year	$ 12,109	$ 17,447	$ 16,096

Cash inflows from operating activities include receipts for tuition and fees, grants, contracts, and auxiliary activities, which include student housing, the Dennos Museum, University Center, Hagerty Center, and the Bookstore. These cash inflows are offset by outflows for vendor and employee payroll payments. For fiscal year 2024, net cash used in operating activities decreased primarily due to increases in receipts for tuition and fees and grants and partially offset by higher personnel costs. For fiscal year 2023, net cash used in operating activities decreased primarily due to increases in personnel costs and vendor expenses which was partially offset by increased receipts for tuition and fees.

Cash inflows provided by noncapital financing activities primarily include receipts for the College's nonoperating revenues such as state appropriations, property taxes, Pell grants, and support from the Foundation for purposes other than capital. The increase in fiscal year 2024 is primarily due to higher property tax revenue, state appropriations, and federal Pell grants. The decrease in fiscal year 2023 is due primarily to the timing of federal COVID funding which was completed in fiscal year 2022 and partially offset by increased receipts in noncapital state appropriations and noncapital gifts and contributions.

Cash used in capital and related financing activities increased in fiscal year 2024 compared to fiscal year 2023 primarily due to the increase in purchased capital assets; partially offset by recognition of capital grant funds received in fiscal year 2024 for the aviation hangar expansion project. Cash used in capital and related financing activities increased in fiscal year 2023 compared to fiscal year 2022 primarily due to the increase in purchased capital assets.

Cash provided by or used in investing activities fluctuates depending on the timing of purchases and sales of investments. Cash used by investing activities decreased in 2024 due to higher investment income and a decrease in both maturities and purchases of investments. Cash used by investing activities decreased slightly in 2023 due to higher investment purchase and sales activity and a more favorable investment market which resulted in higher interest revenue and lower unrealized losses.

Capital Assets

At June 30, 2024, the College had $182 million invested in capital assets before accumulated depreciation of $104.6 million. Depreciation charges totaled $4.9 million for the current fiscal year. Details of these assets are as follows:

	Capital Assets as of June 30 (in thousands)		
	2024	2023	2022
Land and land improvements	$ 10,830	$ 10,543	$ 10,408
Infrastructure	7,943	7,943	7,924
Buildings and improvements	125,392	121,200	120,096
Furniture, fixtures, and equipment	38,306	35,878	34,582
Construction in progress	515	324	29
Capital assets	$ 182,986	$ 175,887	$ 173,039

Additional information regarding capital assets can be found in Note 6 to the financial statements.

Debt Administration

The College's most recent bond rating by Standard & Poor's was AA. The College's most recent bond rating by Moody's was A1. The College had the following outstanding debt balances at June 30, 2024, 2023, and 2022:

	Debt Outstanding as of June 30 (in thousands)		
	2024	2023	2022
Bonds payable	$ 21,736	$ 22,942	$ 24,108

Additional information regarding the College's debt can be found in Note 7 to the financial statements.

Economic Factors That Will Affect the Future

The economic outlook for the College is strongly tied to national and state economic conditions. Although federal and state appropriations have been determined for the upcoming fiscal year, it is important to note that in times of financial constraint, such funding can be adversely impacted. The College currently faces uncertainty due to the continued impacts of the current economic conditions in the U.S., as the Federal Reserve seeks to stimulate the economy through potential additional interest rate cuts during calendar year 2024 and their delayed impacts to interest rates in calendar year 2025. While there are signs of positive changes happening in the national economy, increases in operational costs as well as wages and benefits are continuing to impact the College.

Although the College is beginning to experience increases in enrollment, regional, state, and national data all indicate declining trends in birth rates and numbers of high school graduates. The College is combatting these trends through it's strategic plan, which addresses the decline in student enrollment by investing in our distinctive programs, student success, and future focused education. The strategic plan seeks to expand flexible learning options and programs that can attract students from outside the region, including our expansion of the aviation program. The plan also provides a diverse learning experience for regional students, which may lead to increases in the College's market share. The College maintains adequate operating reserves to address economic volatility that could impact its operations.

The College will receive a 2.5% increase in state appropriations for general operations during fiscal year 2025 based on the baseline appropriations for fiscal year 2024, 1.5% of which is ongoing and 1.0% is one-time funding. The College's fiscal year 2024 budget also includes increased property tax revenue of 8.4% for expected increases in taxable values. For tuition, the College charges rates based on the primary residence of the student, including categories for in-district, in-state, out of state, or international. Further, the College uses a tiered structure to accommodate higher-cost programs such as its maritime, culinary, automotive, audio-technology, and nursing programs. To offset inflation and rising labor costs, the Board of Trustees approved a 3.0% rate increase for General, Tier I, and Tier II courses and a 5.0% rate increase for Tier III courses for the 2024-2025 academic year. The College's Fall 2024 contact hours increased 11.1% against a budgeted 1.0% increase.

With the guidance of GASB 68 and GASB 75, the College now reports its proportionate share of the net pension and net OPEB liabilities related to the MPSERS plans on its statements of net position. While the implementation of these standards have impacted the College's net position, their application has not impacted the College's bond rating, cash position, nor its ability to meet current obligations. The State is projecting that the unfunded actuarial accrued liability will be fully-funded in approximately 25 years.

The College is self-funded for its employee health benefit costs. Employees are required to contribute to the plan with the enactment of Public Act 152 of 2011. The College's healthcare costs have stabilized in recent years.

The College has reviewed its cash flow data and reserve funds. Northwestern Michigan College is financially positioned to continue normal operations.

Board of Trustees and Administrative Officials

June 30, 2024

Business and Finance Staff

Lindsey Lipke
Controller

President

Nick Nissley, Ed. D.
President

Vice Presidents

Troy Kierczynski
Vice President of Finance and Administration

Jason Slade
Vice President for Strategic Initiatives

Stephen N. Siciliano
Vice President for Educational Services

Todd Neibauer
Vice President of Student Services and Technology

Statement of Net Position

June 30, 2024 and 2023

	College		Component Unit - Foundation	
	2024	2023	2024	2023
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	$ 10,717,665	$ 15,613,884	$ 3,278,274	$ 11,751,823
Receivables - Net (Note 5)	16,241,374	6,668,343	983,228	764,988
Prepaid expenses and other assets	3,210,113	2,198,203	-	350
Total current assets	30,169,152	24,480,430	4,261,502	12,517,161
Noncurrent assets:				
Restricted cash and cash equivalents - Unspent bond proceeds (Note 3)	1,391,446	1,833,402	-	-
Receivables - Net	-	-	556,414	1,110,506
Investments (Note 3)	21,826,229	15,854,935	59,500,269	45,119,826
Net OPEB asset (Note 8)	824,683	-	-	-
Capital assets - Net (Note 6)	78,337,953	76,107,420	-	-
Cash surrender value - Life insurance	-	-	667,088	629,841
Total noncurrent assets	102,380,311	93,795,757	60,723,771	46,860,173
Total assets	132,549,463	118,276,187	64,985,273	59,377,334
Deferred Outflows of Resources (Note 8)	15,587,135	20,436,130	-	-
Liabilities				
Current liabilities:				
Accounts payable	2,612,670	1,481,790	100,425	56,100
Due to Northwestern Michigan College	-	-	2,191,843	1,734,435
Accrued liabilities and other:				
Accrued wages and benefits	2,327,424	2,133,241	-	-
Accrued interest payable	110,598	118,113	-	-
Unearned revenue	1,927,847	2,091,307	-	-
Current portion of annuity obligations	-	-	3,780	3,780
Long-term obligations - Current (Note 7)	2,687,230	2,515,674	-	-
Total current liabilities	9,665,769	8,340,125	2,296,048	1,794,315
Noncurrent liabilities:				
Annuity obligations - Net of current portion	-	-	28,084	32,825
Net pension liability (Note 8)	46,671,580	56,452,154	-	-
Net OPEB liability (Note 8)	-	3,196,794	-	-
Long-term obligations - Net of current portion (Note 7)	20,695,186	22,039,889	-	-
Deposits	3,403,837	2,979,383	-	-
Total noncurrent liabilities	70,770,603	84,668,220	28,084	32,825
Total liabilities	80,436,372	93,008,345	2,324,132	1,827,140
Deferred Inflows of Resources (Note 8)	18,742,727	16,128,588	48,637	22,091

See notes to financial statements.

Statement of Net Position (Continued)

June 30, 2024 and 2023

	College		Component Unit - Foundation	
	2024	2023	2024	2023
Net Position				
Net investment in capital assets	$ 58,023,894	$ 55,029,443	$ -	$ -
Restricted:				
Nonexpendable - With donor restrictions	-	-	18,787,351	18,679,064
Expendable - College programs and student scholarships	-	-	38,290,135	34,528,641
Expendable - Capital projects	1,716,533	-	-	-
Expendable - Net OPEB asset	824,683	-	-	-
Unrestricted (deficit) (Note 9)	(11,607,611)	(25,454,059)	5,535,018	4,320,398
Total net position	**$ 48,957,499**	**$ 29,575,384**	**$ 62,612,504**	**$ 57,528,103**

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2024 and 2023

	College		Component Unit - Foundation	
	2024	2023	2024	2023
Operating Revenue				
Student tuition and fees - Net of scholarship allowance of $2,636,150 and $2,190,050 for 2024 and 2023, respectively	$ 21,052,412	$ 19,145,530	$ -	$ -
Federal grants and contributions	3,810,821	3,436,067	-	-
State grants and contributions	1,248,741	180,785	-	-
Private gifts, grants, and contracts	570,408	68,251	-	-
Other sources	2,015,743	1,380,276	-	-
Sales and services of auxiliary activities	4,954,677	4,518,933	-	-
Total operating revenue	33,652,802	28,729,842	-	-
Operating Expenses				
Instruction	19,777,517	18,411,613	-	-
Public service	2,213,967	1,978,956	-	-
Academic support	7,264,303	7,367,940	-	-
Student services	14,013,335	11,858,321	-	-
Institutional administration	8,144,853	7,462,851	34,203	58,067
Operation and maintenance of plant	4,853,685	4,998,417	-	-
Depreciation	5,232,320	5,516,552	-	-
Information technology	3,801,263	3,856,246	-	-
Fundraising expense	-	-	557,868	534,742
Total operating expenses	65,301,243	61,450,896	592,071	592,809
Operating Loss	(31,648,441)	(32,721,054)	(592,071)	(592,809)
Nonoperating Revenue (Expense)				
State appropriations	17,005,917	13,145,162	-	-
Federal Pell Grants	4,109,210	3,529,096	-	-
Employee Retention Credit (Note 5)	8,037,442	-	-	-
Property taxes	13,771,898	12,663,865	-	-
Support from component unit	5,264,761	5,123,637	(4,729,229)	(4,298,421)
Contributions and special event revenue	-	-	3,206,707	1,843,428
Investment income	1,640,189	129,156	6,992,262	4,982,578
Bond issuance and amortization costs	29,874	30,374	-	-
Interest expense on capital-related debt	(703,735)	(760,396)	-	-
Total nonoperating revenue	49,155,556	33,860,894	5,469,740	2,527,585
Income - Before capital grants and gifts	17,507,115	1,139,840	4,877,669	1,934,776
Capital Grants and Gifts	1,875,000	-	-	-
Additions to Permanent Endowments	-	-	206,732	1,083,011
Change in Net Position	19,382,115	1,139,840	5,084,401	3,017,787
Net Position - Beginning of year	29,575,384	28,435,544	57,528,103	54,510,316
Net Position - End of year	**$ 48,957,499**	**$ 29,575,384**	**$ 62,612,504**	**$ 57,528,103**

Years Ended June 30, 2024 and 2023

	College		Component Unit - Foundation	
	2024	2023	2024	2023
Cash Flows from Operating Activities				
Tuition and fees	$ 21,986,248	$ 19,892,910	$ -	$ -
Grants and contracts	4,874,113	3,839,815	-	-
Payments to suppliers	(33,254,935)	(32,339,699)	(543,717)	(576,178)
Payments to employees	(29,919,162)	(29,079,485)	-	-
Auxiliary activities receipts	4,954,677	4,518,933	-	-
Other	1,239,989	1,593,449	-	-
Federal direct lending receipts	5,354,956	5,596,125	-	-
Federal direct lending disbursements	(5,354,956)	(5,596,125)	-	-
Net cash and cash equivalents used in operating activities	(30,119,070)	(31,574,077)	(543,717)	(576,178)
Cash Flows from Noncapital Financing Activities				
Property taxes	13,771,898	12,663,865	-	-
Gifts and contributions for other than capital purposes	4,818,411	6,520,741	3,108,865	2,886,473
State appropriations	15,538,480	14,717,968	-	-
Pell Grants	4,109,210	3,529,096	-	-
Federal COVID-19 funding	-	88,284	-	-
Payments to annuitants	-	-	(3,580)	(3,580)
Other receipts	-	-	226,962	168,600
Gifts and grants to Northwestern Michigan College	-	-	(4,276,200)	(5,766,464)
Net cash and cash equivalents provided by (used in) noncapital financing activities	38,237,999	37,519,954	(943,953)	(2,714,971)
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(7,099,760)	(2,848,682)	-	-
Principal paid on capital debt	(1,175,000)	(1,135,000)	-	-
Interest paid on capital debt	(671,890)	(763,169)	-	-
Capital grants received	1,875,000	-	-	-
Contributions for endowment purposes	-	-	206,732	1,083,011
Net cash and cash equivalents (used in) provided by capital and related financing activities	$ (7,071,650)	$ (4,746,851)	$ 206,732	$ 1,083,011

Statement of Cash Flows (Continued)

Years Ended June 30, 2024 and 2023

	College		Component Unit - Foundation	
	2024	2023	2024	2023
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	$ 15,748,309	$ 20,776,912	$ 9,065,187	$ 12,582,683
Interest and investment gain (loss) - Net	1,226,029	(401,266)	1,722,263	919,051
Purchase of investments - Net	(23,359,792)	(20,223,382)	(17,980,061)	(6,492,501)
Net cash and cash equivalents (used in) provided by investing activities	(6,385,454)	152,264	(7,192,611)	7,009,233
Net (Decrease) Increase in Cash and Cash Equivalents	(5,338,175)	1,351,290	(8,473,549)	4,801,095
Cash and Cash Equivalents - Beginning of year	17,447,286	16,095,996	11,751,823	6,950,728
Cash and Cash Equivalents - End of year	**$ 12,109,111**	**$ 17,447,286**	**$ 3,278,274**	**$ 11,751,823**
Classification of Cash and Cash Equivalents				
Cash and cash equivalents	$ 10,717,665	$ 15,613,884	$ 3,278,274	$ 11,751,823
Restricted cash and cash equivalents	1,391,446	1,833,402	-	-
Total cash and cash equivalents	**$ 12,109,111**	**$ 17,447,286**	**$ 3,278,274**	**$ 11,751,823**
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities				
Operating loss	$ (31,648,441)	$ (32,721,054)	$ (592,071)	$ (592,809)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:				
Depreciation	5,232,320	5,516,552	-	-
Loss on disposal of assets	1,530	24,386	-	-
Changes in assets and liabilities:				
Receivables	(858,769)	639,299	-	-
Prepaid expenses and other assets	(1,011,910)	(439,395)	(350)	350
Deferred outflows of resources	4,848,995	(10,155,641)	-	-
Accounts payable	1,130,880	528,610	48,704	16,281
Accrued liabilities and other	194,183	(763,471)	-	-
Unearned revenue	260,994	475,966	-	-
Compensated absences	32,727	13,052	-	-
Net pension liability	(9,780,574)	18,426,006	-	-
Net OPEB liability/asset	(2,372,111)	805,796	-	-
Deferred inflows of resources	3,851,106	(13,924,183)	-	-
Net cash and cash equivalents used in operating activities	**$ (30,119,070)**	**$ (31,574,077)**	**$ (543,717)**	**$ (576,178)**

Note 1 - Significant Accounting Policies

Reporting Entity

Northwestern Michigan College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles, as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35.

The accompanying financial statements have been prepared in accordance with criteria established by the 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 the application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationship with the College.

Northwestern Michigan College Foundation (the "Foundation") is a separate legal entity established as a 501(c)(3) corporation to solicit, collect, hold, and invest donations made for the promotion of educational activities at the College and to augment the facilities of the College. The Foundation's board members are appointed by the College's board of trustees, creating a voting majority, and upon dissolution of the Foundation, its remaining assets will be distributed to the College. Although the College does not necessarily control the timing or amount of receipts from the Foundation, the majority of resources, or income earned thereon, and the Foundation's holdings and investments are restricted by the donors for the activities of the College. Because of these factors, the Foundation is considered a component unit of the College.

The Foundation follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. Other organizations, including not-for-profit organizations, are considered governmental and are required to comply with GASB if one or more of the following characteristics are met: (i) popular election of officers or appointment (or approval) of a controlling majority of the members of the organization's governing body by officials of one or more state or local governments, (ii) the potential for unilateral dissolution by a government with the net assets reverting to a government, or (iii) the power to enact and enforce a tax levy. Separate financial statements of the Foundation may be obtained by contacting Northwestern Michigan College Foundation, 1701 East Front Street, Traverse City, MI 49686.

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

Basis of Accounting

The financial statements of the College use the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less when acquired.

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of revenue, expenses, and changes in net position as investment income. During fiscal years 2024 and 2023, the College recognized $414,160 and $(530,422), respectively, of unrealized gains (losses) on investments. The Foundation recognized unrealized gains of $4,812,388 and $4,063,527 during fiscal years 2024 and 2023, respectively.

Restricted Cash and Cash Equivalents

The proceeds of the 2016 Community College Facilities Bonds are held in cash and investments and are restricted for capital projects.

Capital Assets

Capital assets are recorded at cost or, if donated, the acquisition value at the time of donation. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land and the art collection. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Interest incurred during the construction of capital assets of business-type activities is expensed as incurred. Management reviews capital assets for impairment annually.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings/Building improvements	30-40
Land improvements and infrastructure	15
Furniture, fixtures, and equipment	4-10
Docks	10

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue or deposits. The balance consists of approximately $142,000 and $150,000 for the 2024 and 2023 fall semester, respectively, and approximately $1,024,000 and $998,000 for the 2024 and 2023 summer semesters, respectively. Grants received prior to qualifying expenses of approximately $847,000 and $1,005,000 for 2024 and 2023, respectively, are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Note 1 - Significant Accounting Policies (Continued)

Pension

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and 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. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs

For the purpose of measuring the net other postemployment benefit (OPEB) (asset) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of MPSERS and 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. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity of one year or less at the time of purchase, which are reported at cost.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or expense reduction) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan’s investments. More detailed information can be found in Note 8. The Foundation has deferred inflows of resources related to future revenue streams related to charitable gift annuities.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Unrestricted net position represents net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees. Net investment in capital assets consists of capital assets, net of accumulated depreciation and related debt.

Tuition and Fees

The academic programs are offered in traditional fall and spring semesters. Revenue from tuition and student fees is recognized during the academic term. Revenue from the summer semester, which commences in May and ends in August, is split and recognized proportionally to the number of days of the semester within the fiscal year. Tuition revenue is reported at established rates net of institutional financial aid and discounts provided by the College to the students.

Note 1 - Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

Student tuition, fee revenue, and certain other revenue from students are reported net of scholarship discounts and allowances in the statement of revenue, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, and the amount that is paid by 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 discount and allowance.

Grants and Contributions

The College is often awarded grants from the federal government, the State of Michigan, and other agencies. Revenue from grants is recognized when all eligibility requirements, including time requirements, are met. Grants may be restricted for specific operating or capital purposes. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Federal Supplemental Educational Opportunity Grants (SEOG) grants, Federal Work-Study, and Federal Direct Lending programs. Federal programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *Compliance Supplement*.

During the years ended June 30, 2024 and 2023, the College distributed $5,354,956 and $5,596,125, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Sales and Services of Auxiliary Activities

Auxiliary activities primarily represent revenue generated from housing, dining, conferences, and various other departmental activities that provide services to the student body, faculty, staff, and general public.

Operating and Nonoperating Revenue and Expenses

Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the College's principal ongoing operations. However, revenue that is considered to be nonexchange, such as property tax revenue, state appropriations, federal COVID-19 funding, and Pell Grants, is classified as nonoperating revenue.

Internal Service Activities

Revenue and expenses related to internal service activities, including conference services, postage, and telecommunications, have been eliminated.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2025.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2026.

Subsequent Events

On August 26, 2024, the College's board approved the issuance of the 2024 College Facilities Bonds (General Obligation - Limited Tax) not to exceed $11 million.

Note 2 - Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied.

Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships and cities within the College's taxing district, are collected through February 28. Uncollected real property taxes of the College are turned over to the county in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the county's tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2024 and 2023, 2.0574 mills of tax per $1,000 of taxable property value in the College’s taxing district were levied for general operating purposes on all property. Total operating property tax revenue was $13,771,898 and $12,663,865 for the years ended June 30, 2024 and 2023, respectively.

Note 2 - Property Taxes (Continued)

The College's property tax revenue is affected by tax abatements entered into by other governments. The College's property tax revenue was reduced as follows for the years ended June 30, 2024 and 2023:

	2024	2023
City of Traverse City, Michigan	$ 176,569	$ 166,435
Blair Township	8,980	8,687
East Bay Township	1,716	1,634
Fife Lake Township	1,140	1,063
Garfield Township	100,946	84,825
Green Lake Township	1,086	3,864
Acme Township	411	411
Paradise Township	1,473	728
Long Lake Township	3,173	3,022
Peninsula Township	1,089	1,089
Total	$ 296,583	$ 271,758

Note 3 - Deposits and Investments

Deposits and investments of the College and Foundation are reported in the financial statements as follows:

	College		Foundation	
	2024	2023	2024	2023
Cash and cash equivalents	$ 10,717,665	$ 15,613,884	$ 3,278,274	$ 11,751,823
Investments	21,826,229	15,854,935	59,500,269	45,119,826
Restricted cash and cash equivalents	1,391,446	1,833,402	-	-
Total	$ 33,935,340	$ 33,302,221	$ 62,778,543	$ 56,871,649

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The College is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, state obligations, commercial paper of corporations located in this state rated prime at the time of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

The College has designated Huntington Bank and Chase Bank for the deposit of its funds.

The College's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College's deposits. The College thoroughly examines the banks with which it chooses to deposit funds for the following qualifications: federally chartered, State of Michigan qualified depository, Federal Reserve System, FDIC member, compliance with Community Reinvestment Act, Bauer bank rating of adequate to good, and Bankrate rating of sound to performing. As of June 30, 2024, the College's operations and debt deposit balances of $5,481,363 had bank deposits of $4,981,363 (checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2023, the College's operations and debt deposit balances of $6,697,898 had bank deposits of $6,197,898 (checking and savings accounts) that were uninsured and uncollateralized.

Note 3 - Deposits and Investments (Continued)

Deposits of the Foundation were reflected in the accounts of the banks at $3,479,809 and $11,751,823 as of June 30, 2024 and 2023, respectively. The Foundation had $3,229,809 and $11,501,823 exposed to custodial credit risk because the deposits were uninsured or uncollateralized as of June 30, 2024 and 2023, respectively.

The College and the Foundation believe that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the College will do business using the criteria established in the investment policy. All investment securities that are uninsured and unregistered are held by counterparties.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The College's and the Foundation's policies minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Credit Risk

State law limits investments in commercial paper to prime ratings issued by nationally recognized statistical rating organizations. The College's investment policy does not further limit its investment choices.

Concentration of Credit Risk

The College’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized.

Note 3 - Deposits and Investments (Continued)

At year end, the College had the following investments, cash equivalents, and maturities subject to credit risk:

	2024			
Description	Carrying Value	Less Than 1 Year	1-5 Years	6-10 Years
Money market accounts	$ 1,077,141	$ 1,077,141	$ -	$ -
Commercial paper	3,008,989	3,008,989	-	-
U.S. government agency securities	21,826,229	-	12,998,453	8,827,776
Certificates of deposit	261,575	261,575	-	-
Total	$ 26,173,934	$ 4,347,705	$ 12,998,453	$ 8,827,776

	2023			
	Carrying Value	Less Than 1 Year	1-5 Years	6-10 Years
Money market accounts	$ 4,220,034	$ 4,220,034	$ -	$ -
Commercial paper	6,615,993	6,615,993	-	-
U.S. government agency securities	15,854,935	-	8,656,050	7,198,885
Certificates of deposit	250,000	250,000	-	-
Total	$ 26,940,962	$ 11,086,027	$ 8,656,050	$ 7,198,885

At year end, the Foundation had the following investments, cash equivalents, and maturities subject to credit risk:

	2024			
Description	Carrying Value	Less Than 1 Year	1-5 Years	6-10 Years
Mutual funds - Fixed income	$ 3,607,887	$ 3,607,887	$ -	$ -

	2023			
	Carrying Value	Less Than 1 Year	1-5 Years	6-10 Years
Mutual funds - Fixed income	$ 3,607,887	$ 3,607,887	$ -	$ -

At June 30, 2024 and 2023, the College's investments (commercial paper and U.S. government agency securities) subject to credit risk (interest rate fluctuations) and related ratings consisted of the following:

	June 30, 2024 S&P Quality Ratings			
Investment	Aaa	AA+	A1+	A1
U.S. government agency securities	$ 3,174,366	$ 18,651,863	$ -	$ -
Commercial paper	-	-	741,514	2,267,475
Total	$ 3,174,366	$ 18,651,863	$ 741,514	$ 2,267,475

Note 3 - Deposits and Investments (Continued)

	June 30, 2023 S&P Quality Ratings				
Investment	Aaa	AA+	A1+	A1	A2
U.S. government agency securities	$ 3,104,985	$ 12,749,950	$ -	$ -	$ -
Commercial paper	-	-	3,319,262	1,145,601	2,151,130
Total	$ 3,104,985	$ 12,749,950	$ 3,319,262	$ 1,145,601	$ 2,151,130

The nationally recognized statistical rating organization (NRSRO) utilized by the College is primarily Standard & Poor's Rating Services.

At June 30, 2024 and 2023, the Foundation had no investments subject to credit risk.

The nationally recognized statistical rating organization utilized by the Foundation is primarily Moody's Rating Services.

More than 5 percent of the College's investments at June 30 were invested as follows:

	2024	2023
Federal Home Loan Mortgage Corporation term notes	12.00 %	12.00 %
Federal National Mortgage Association bonds	51.00	48.00
DNB Bank ASA commercial paper	-	6.00
Johnson & Johnson commercial paper	-	6.00
Federal Home Loan Consolidated	11.00	-
Federal Farm CR BKS Cons Systemwide bonds	11.00	-
Suncorp-Metway LTD commercial paper	6.00	-

More than 5 percent of the Foundation's investments at June 30 were invested as follows:

	2024	2023
Vanguard Institutional Index	36.00 %	40.00 %
Vanguard Total International Stock Index	10.00	11.00
Vanguard Total Bond Market Index	6.00	-
iShares Russell 250 ETF	6.00	7.00
Total	58.00 %	58.00 %

Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. All of the College's and Foundation's foreign investments at June 30, 2024 and 2023 are valued in U.S. dollars; therefore, they are not subject to foreign currency risk.

Note 4 - Fair Value Measurements

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

Note 4 - Fair Value Measurements (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

U.S. government agency securities totaling $21,826,229 and $15,854,935, commercial paper totaling $3,008,989 and $6,615,993, and certificates of deposit totaling $261,575 and $250,000 at June 30, 2024 and 2023, respectively, are valued on a recurring basis using quoted market prices (Level 1 inputs). Money market accounts totaling $1,077,141 and $4,220,034 at June 30, 2024 and 2023, respectively, are valued at amortized cost and are not subject to fair value measurements.

The following tables present information about the Foundation's assets measured at fair value on a recurring basis at June 30, 2024 and 2023:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2024			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2024
Assets				
Mutual funds:				
Domestic equity	$ 42,883,865	$ -	$ -	$ 42,883,865
Fixed income	9,840,066	-	-	9,840,066
Total	$ 52,723,931	$ -	$ -	52,723,931
Investments measured at NAV:				
Private equity				4,715,127
Real estate				998,142
Multistrategy				1,063,069
Total investments measured at NAV				6,776,338
Total assets				$ 59,500,269

Note 4 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Assets				
Mutual funds:				
Domestic equity	$ 35,636,249	$ -	$ -	$ 35,636,249
Fixed Income	3,607,887	-	-	3,607,887
Total	$ 39,244,136	$ -	$ -	39,244,136
Investments measured at NAV:				
Private equity				3,912,550
Real estate				983,858
Multistrategy				979,282
Total investments measured at NAV				5,875,690
Total assets				$ 45,119,826

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments in Entities that Calculate Net Asset Value per Share

The Foundation holds shares or interests in investment companies, the fair values of which are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

As of June 30, 2024 and 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	June 30, 2024	June 30, 2023	June 30, 2024		
	Fair Value	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Private equity funds	$ 4,715,127	$ 3,912,550	$ 180,741	Monthly or Quarterly	Quarterly
Real estate fund	998,142	983,858	-	Monthly	Monthly
Multistrategy hedge fund	1,063,069	979,282	-	Monthly	Monthly
Total investments measured at NAV	$ 6,776,338	$ 5,875,690	$ 180,741		

The private equity funds class includes several private equity funds that invest in a diverse portfolio of companies. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The real estate fund invests directly into a diverse portfolio of private real estate. The fair values of the investments in this class have been estimated using net asset value per share of the investments.

The multistrategy funds class invests in funds that pursue multiple strategies to diversify risks and reduce volatility. The fair values of the investments in this in this class have been estimated using net asset value per share of the investments.

Note 5 - Accounts and Contributions Receivable

The following is the detail of accounts and contributions receivable:

	College		Foundation	
	2024	2023	2024	2024
Student	$ 2,535,895	$ 2,320,646	$ -	$ -
Grants and contracts	987,077	389,213	-	-
State appropriations	2,622,548	2,392,078	-	-
Foundation	2,191,843	1,745,493	-	-
Third party and other	596,667	534,766	-	-
Contributions	-	-	1,636,799	2,053,468
Employee Retention Credit	8,037,442	-	-	-
Gross accounts receivable	16,971,472	7,382,196	1,636,799	2,053,468
Allowance for doubtful accounts	(730,098)	(713,853)	(40,000)	(25,000)
Allowance for net present value discount	-	-	(57,157)	(152,974)
Total accounts receivable - Net	$ 16,241,374	$ 6,668,343	$ 1,539,642	$ 1,875,494

The Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020 introduced the Employee Retention Credit (ERC) as pandemic relief for eligible organizations. The ERC is a refundable credit against certain employment taxes and qualifies as a government grant. Under generally accepted accounting principles, government grants are recognized as revenue in the period in which an organization substantially overcomes all eligibility criteria to be entitled to the funding.

Management has determined that the eligibility criteria that must be overcome for entitlement to the ERC funding are qualifying for the credit based on meeting the threshold for gross receipts decline in 2021 compared to 2019 and incurring eligible payroll expenses, and the College filed for the credit on January 31, 2024. For the year ended June 30, 2024, the College determined these eligibility criteria have been met and recognized $8,037,442 of ERC revenue within Employee Retention Credit grant on the statement of revenue, expenses, and changes in net position, along with a corresponding receivable within accounts receivable on the statement of net position.

The College’s ERC claim is subject to review by the Internal Revenue Service (IRS) within the applicable statute of limitations. If after payment by the IRS, a portion or all of the ERC is determined to be ineligible upon IRS review, the College would be required to return the ineligible portion on demand and could potentially be subject to penalties and interest on unpaid employment taxes.

The contributions receivable for the Foundation are due to be received as follows:

	2024	2023
Current receivables	$ 983,228	$ 764,988
Noncurrent receivables	556,414	1,110,506
Total	$ 1,539,642	$ 1,875,494

Note 6 - Capital Assets

Capital asset activity for the years ended June 30, 2024 and 2023 was as follows:

	Balance July 1, 2023	Additions	Disposals	Transfers	Balance June 30, 2024
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	323,540	515,299	(1,530)	(322,010)	515,299
Art collection	1,863,541	13,465	-	-	1,877,006
Subtotal	6,813,123	528,764	(1,530)	(322,010)	7,018,347
Capital assets being depreciated:					
Infrastructure	7,943,394	-	-	-	7,943,394
Buildings and improvements	121,199,559	4,192,167	-	-	125,391,726
Docks	2,359,401	-	-	-	2,359,401
Furniture, fixtures, and equipment	31,654,558	2,415,470	-	-	34,070,028
Land improvements	5,917,160	286,900	-	-	6,204,060
Subtotal	169,074,072	6,894,537	-	-	175,968,609
Accumulated depreciation:					
Infrastructure	7,390,155	100,850	-	-	7,491,005
Buildings and improvements	57,489,210	3,193,762	-	-	60,682,972
Docks	2,075,001	51,709	-	-	2,126,710
Furniture, fixtures, and equipment	27,452,290	1,436,540	-	-	28,888,830
Land improvements	5,373,119	86,367	-	-	5,459,486
Subtotal	99,779,775	4,869,228	-	-	104,649,003
Net capital assets being depreciated	69,294,297	2,025,309	-	-	71,319,606
Capital assets - Net	$ 76,107,420	$ 2,554,073	$ (1,530)	$ (322,010)	$ 78,337,953

Note 6 - Capital Assets (Continued)

	Balance July 1, 2022	Additions	Disposals	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	28,806	322,010	(24,386)	(2,890)	323,540
Art collection	1,848,766	14,775	-	-	1,863,541
Subtotal	6,503,614	336,785	(24,386)	(2,890)	6,813,123
Capital assets being depreciated:					
Infrastructure	7,923,604	19,790	-	-	7,943,394
Buildings and improvements	120,095,539	1,104,020	-	-	121,199,559
Docks	2,359,401	-	-	-	2,359,401
Furniture, fixtures, and equipment	30,374,380	1,280,178	-	-	31,654,558
Land improvements	5,781,976	135,184	-	-	5,917,160
Subtotal	166,534,900	2,539,172	-	-	169,074,072
Accumulated depreciation:					
Infrastructure	7,275,452	114,703	-	-	7,390,155
Buildings and improvements	54,329,521	3,159,689	-	-	57,489,210
Docks	2,023,292	51,709	-	-	2,075,001
Furniture, fixtures, and equipment	25,901,801	1,550,489	-	-	27,452,290
Land improvements	5,290,711	82,408	-	-	5,373,119
Subtotal	94,820,777	4,958,998	-	-	99,779,775
Net capital assets being depreciated	71,714,123	(2,419,826)	-	-	69,294,297
Capital assets - Net	$ 78,217,737	$ (2,083,041)	$ (24,386)	$ (2,890)	$ 76,107,420

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2024 and 2023 can be summarized as follows:

	2024				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2016 Community College Facilities Bonds	$ 16,575,000	$ -	$ (870,000)	$ 15,705,000	$ 900,000
2018 Community College Facilities Bonds	5,920,000	-	(305,000)	5,615,000	315,000
Total principal outstanding	22,495,000	-	(1,175,000)	21,320,000	1,215,000
Unamortized bond premiums	447,253	-	(30,874)	416,379	30,874
Total bonds payable	22,942,253	-	(1,205,874)	21,736,379	1,245,874
Accrued vacation and sick leave	1,592,510	1,359,652	(1,426,481)	1,525,681	1,321,000
Voluntary separation plan	20,800	240,712	(141,156)	120,356	120,356
Total long-term obligations	$ 24,555,563	$ 1,600,364	$ (2,773,511)	$ 23,382,416	$ 2,687,230

Note 7 - Long-term Obligations (Continued)

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2016 Community College Facilities Bonds	$ 17,415,000	$ -	$ (840,000)	$ 16,575,000	$ 870,000
2018 Community College Facilities Bonds	6,215,000	-	(295,000)	5,920,000	305,000
Total principal outstanding	23,630,000	-	(1,135,000)	22,495,000	1,175,000
Unamortized bond premiums	478,126	-	(30,873)	447,253	30,874
Total bonds payable	24,108,126	-	(1,165,873)	22,942,253	1,205,874
Accrued vacation and sick leave	1,570,220	1,332,750	(1,310,460)	1,592,510	1,289,000
Voluntary separation plan	52,000	-	(31,200)	20,800	20,800
Total long-term debt	$ 25,730,346	$ 1,332,750	$ (2,507,533)	$ 24,555,563	$ 2,515,674

The College has no direct borrowings.

Community College Facilities Bonds, 2016

The College issued $20,890,000 in Limited Tax General Obligation Bonds with an interest rate of 2.78 percent. The 2016 bonds are payable from operating revenue of the College in installments ranging from $405,000 to $1,405,000 and mature at varying amounts through 2038. The net proceeds of $20,788,154 (after payment of $101,846 in underwriting fees and other issuance cost) are being used to construct residence housing, renovations to the museum, a new library, and various other campus infrastructure projects.

Community College Facilities Bonds, 2018

The College issued $7,300,000 in Limited Tax General Obligation Bonds with an interest rate of 3.25 percent to 3.50 percent. The 2018 bonds are payable from operating revenue of the College in installments ranging from $260,000 to $495,000 and mature at varying amounts through 2038. The net proceeds of $7,130,750 (after payment of $169,250 in underwriting fees and other issuance cost) were used to finance the West Hall Innovation Center renovation.

Accrued Vacation and Sick Leave

The College provides vacation benefits to employees, as defined by each respective labor contract and administrative policy. The liability has been recorded based on the number of days available for each employee. Additionally, the College accrues unused sick days for those union employees who have met the conditions of the plan at year end.

Voluntary Separation Plan

The College offered a voluntary separation plan to certain employees. The liability and expense are recognized when the employee accepts the offer and the amounts can be estimated.

Note 7 - Long-term Obligations (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2025	$ 1,215,000	$ 659,413	$ 1,874,413
2026	1,265,000	622,175	1,887,175
2027	1,310,000	583,400	1,893,400
2028	1,360,000	543,250	1,903,250
2029	1,410,000	501,575	1,911,575
2030-2034	7,870,000	1,826,588	9,696,588
2035-2038	6,890,000	527,175	7,417,175
Total	$ 21,320,000	$ 5,263,576	$ 26,583,576

Note 8 - Retirement Plans

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain college employees also receive defined contribution retirement and health care benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The System, and all assumptions therein, is administered by the Office of Retirement Services (ORS). The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at http://www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care 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 pension plan and the postemployment health care plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension but is permanently reduced by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Note 8 - Retirement Plans (Continued)

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits but with an actuarial reduction.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years in which investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The College's contributions are determined based on employee elections. There are multiple pension and health care benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

The ranges of rates are as follows:

	Pension	OPEB
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%
October 1, 2023 - September 30, 2024	13.90% - 23.03%	7.06% - 8.31%

Note 8 - Retirement Plans (Continued)

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the years ended June 30, 2024 and 2023 were $5,923,033 and $6,948,497, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $2,785,787 and $4,022,754 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2024 and 2023, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2024 and 2023 were $1,298,151 and $1,323,949, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2024 and 2023, the College reported a liability of $46,671,580 and $56,452,154, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2022 and 2021, which used update procedures to roll forward the estimated liability to September 30, 2023 and 2022. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023, 2022, and 2021, the College's proportion was 0.144199 percent, 0.150104 percent, and 0.160615 percent, respectively, representing a change of (3.933933) and (6.543998) percent, respectively.

Net OPEB (Asset) Liability

At June 30, 2024 and 2023, the College reported an (asset) liability of $(824,683) and $3,196,794, respectively, for its proportionate share of the net OPEB (asset) liability. The net OPEB (asset) liability was measured as of September 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation as of September 30, 2022 and 2021, which used update procedures to roll forward the estimated liability to September 30, 2023 and 2022. The College’s proportion of the net OPEB (asset) liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2023, 2022, and 2021, the College’s proportion was 0.145781 percent, 0.150930 percent, and 0.156645 percent, respectively, representing a change of (3.411515) and (3.648473) percent, respectively.

Note 8 - Retirement Plans (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended June 30, 2024 and 2023, the College recognized pension expense of $3,637,568 and $4,783,253, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2024 and 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,473,279	$ (71,493)	$ 564,719	$ (126,221)
Changes in assumptions	6,324,211	(3,646,397)	9,700,503	-
Net difference between projected and actual earnings on pension plan investments	-	(955,052)	132,380	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	51,705	(3,859,605)	310	(4,261,929)
The College's contributions to the plan subsequent to the measurement date	5,017,407	-	6,040,156	-
Total	$ 12,866,602	$ (8,532,547)	$ 16,438,068	$ (4,388,150)

The $2,785,787 and $4,022,754 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the years ended June 30, 2024 and 2023, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2025	$ (684,432)
2026	(517,932)
2027	1,369,556
2028	(850,544)
Total	$ (683,352)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the years ended June 30, 2024 and 2023, the College recognized OPEB recovery of $1,919,237 and $1,738,919, respectively.

Note 8 - Retirement Plans (Continued)

At June 30, 2024 and 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024		2023	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (6,231,730)	$ -	$ (6,261,294)
Changes in assumptions	1,835,889	(221,076)	2,849,405	(232,015)
Net difference between projected and actual earnings on OPEB plan investments	2,514	-	249,855	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	9,433	(971,587)	13,007	(1,224,375)
Employer contributions to the plan subsequent to the measurement date	872,697	-	885,795	-
Total	$ 2,720,533	$ (7,424,393)	$ 3,998,062	$ (7,717,684)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future pension expense):

Years Ending	Amount
2025	$ (1,881,434)
2026	(1,692,055)
2027	(693,955)
2028	(625,659)
2029	(456,653)
Thereafter	(226,801)
Total	$ (5,576,557)

Note 8 - Retirement Plans (Continued)

Actuarial Assumptions

The total pension and OPEB liabilities as of September 30, 2023 and 2022 are based on the results of an actuarial valuation as of September 30, 2022 and 2021, respectively, and rolled forward. The total liabilities were determined using the following actuarial assumptions:

	2024	2023
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return - Pension	6.00 percent (net of investment expenses based on the groups)	6.00 percent (net of investment expenses based on the groups)
Investment rate of return - OPEB	6.00 percent (net of investment expenses based on the groups)	6.00 percent (net of investment expenses based on the groups)
Salary increases	2.75 percent - 11.55 percent (including wage inflation of 2.75 percent)	2.75 percent - 11.55 percent (including wage inflation of 2.75 percent)
Health care cost trend rate	6.25 percent - 7.50 percent (year 1 graded to 3.5 percent year 15)	5.25 percent - 7.75 percent (year 1 graded to 3.5 percent year 12)
Mortality basis	PubT-2010 Male and Female Employee Mortality Tables, scaled 100 percent (retirees: 116 percent for males and 116 percent for females) and adjusted for mortality improvements using projection scale MP-2021 from 2010	RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00 percent (Annual noncompounded for MIP members)	3.00 percent (Annual noncompounded for MIP members)

Assumption changes as a result of an experience study for the periods from 2017 to 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation.

Significant assumption changes since the measurement date, September 30, 2023, for the OPEB plans include a decrease in the health care cost trend rate of 0.25 percentage points for members under 65 and an increase of 1.0 percentage point for members over 65. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2022.

Significant assumption changes since the measurement date, September 30, 2022, for both the pension and OPEB plan include a decrease in discount rate by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. The investment rate of return decreased by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan. There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2021.

Note 8 - Retirement Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability and OPEB (asset)/liability was 6.00 percent as of September 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB (asset)/liability.

The long-term expected rate of return on pension plan 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 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2024		2023	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.80 %	25.00 %	5.10 %
Private equity pools	16.00	9.60	16.00	8.70
International equity pools	15.00	6.80	15.00	6.70
Fixed-income pools	13.00	1.30	13.00	(0.20)
Real estate and infrastructure pools	10.00	6.40	10.00	5.30
Absolute return pools	9.00	4.80	9.00	2.70
Real return/Opportunistic pools	10.00	7.30	10.00	5.80
Short-term investment pools	2.00	0.30	2.00	(0.50)

Long-term rates of return are net of administrative expense and inflation of 2.7 and 2.25 percent for September 30, 2023 and 2022, respectively.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2024		
	1.00 Percentage Point Decrease (5.00%)	Current Discount Rate (6.00%)	1.00 Percentage Point Increase (7.00%)
Net pension liability of the College	$ 63,053,167	$ 46,671,580	$ 33,033,315

	2023		
	1.00 Percentage Point Decrease	Current Discount Rate	1.00 Percentage Point Increase
Net pension liability of the College	$ 74,495,872	$ 56,452,154	$ 41,583,319

Note 8 - Retirement Plans (Continued)

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Discount Rate

The following presents the net OPEB (asset) liability of the College, calculated using the current discount rate. It also reflects what the College's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2024		
	1.00 Percentage Point Decrease	Current Discount Rate	1.00 Percentage Point Increase
Net OPEB liability (asset) of the College	$ 854,949	$ (824,683)	$ (2,268,162)

	2023		
	1.00 Percentage Point Decrease	Current Discount Rate	1.00 Percentage Point Increase
Net OPEB liability of the College	$ 5,362,314	$ 3,196,794	$ 1,373,157

Sensitivity of the Net OPEB (Asset) Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB (asset) liability of the College, calculated using the current health care cost trend rate. It also reflects what the College's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2024		
	1.00 Percentage Point Decrease	Current Rate	1.00 Percentage Point Increase
Net OPEB (asset) liability of the College	$ (2,271,761)	$ (824,683)	$ 741,529

	2023		
	1.00 Percentage Point Decrease	Current Rate	1.00 Percentage Point Increase
Net OPEB liability of the College	$ 1,338,664	$ 3,196,794	$ 5,282,581

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan

At June 30, 2024, the College reported a payable of $690,290 and $71,871 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2024.

At June 30, 2023, the College reported a payable of $679,422 and $99,854 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023.

Note 8 - Retirement Plans (Continued)

Defined Contribution Pension Plan

Full-time faculty, administrators, and other employees providing professional services in the discharge of the educational and administrative functions 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 qualified defined contribution plan under IRC Section 401(a) administered by the Teachers' Insurance and Annuity Association (TIAA). The College has elected to contribute 11.5 percent of the participant's compensation for the years ended June 30, 2024 and 2023. The College's contributions to the plan were $1,259,774 and $1,194,011 for the years ended June 30, 2024 and 2023, respectively.

Note 9 - Unrestricted Net Deficit

The College, through application of the board-approved resources guidelines, reserved the use of unrestricted net deficit as follows at June 30:

	2024	2023
Reserved for General Operating Fund	$ 12,801,665	$ 11,692,916
Reserved for maintenance and replacement after bond commitments	6,097,267	4,889,048
Reserved for auxiliary expenses	8,135,936	10,052,594
Reserved for GLMA equipment and vessel	512,401	512,401
Reserved for transformation	1,255,255	1,405,660
Reserved for strategic projects	1,015,481	970,614
Reserved for wellness initiatives	364,114	364,114
Employee retention credit (Note 5)	8,037,442	-
Total reserves before pension and OPEB activity	38,219,561	29,887,347
Reserved for OPEB fund deficit	(4,703,860)	(6,916,416)
Reserved for pension fund deficit	(45,123,312)	(48,424,990)
Total	$ (11,607,611)	$ (25,454,059)

Note 10 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors, omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The College participates in risk management pools for claims relating to auto, property, workers' compensation, errors, omissions, and liability.

Risk-sharing Programs

The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk management pool for auto, property, and liability claims and in the SET-SEG risk management pool for workers' compensation claims, errors, and omissions coverage. Both programs operate as claims servicing pools for amounts up to member retention limits and operate as common risk-sharing management programs for losses in excess of member retention amounts. Although premiums are paid annually to the pools, which the pools use to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

Note 10 - Risk Management (Continued)

Self-insurance

The College is self-insured for unemployment compensation and health benefits. The College estimates the liability for self-insured claims that have been incurred through the end of the fiscal year, including both those claims that have been reported and those that have not yet been reported. The estimated liabilities for unemployment compensation for the fiscal years ended June 30, 2024 and 2023 were insignificant. Changes in the estimated liability for the fiscal years ended June 30, 2024, 2023, and 2022 for health benefits were as follows:

	Medical Claims		
	2024	2023	2022
Unpaid claims - Beginning of year	$ 158,329	$ 129,486	$ 240,813
Incurred claims, including claims incurred but not reported	(659,726)	3,367,391	3,032,430
Claim payments	736,353	(3,338,548)	(3,143,757)
Unpaid claims - End of year	$ 234,956	$ 158,329	$ 129,486

Note 11 - Contingent Liabilities and Commitments

The College is subject to various legal proceedings and claims that arise in the ordinary course of its activities. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

In June 2024, the College made a $3 million commitment to the development of The Freshwater Center, a not-for-profit organization being created. At June 30, 2024, none of the commitment had been paid.

Note 12 - Dennos Museum Center

Dennos Museum Center operates as an auxiliary function of the College. Revenue and expenses for Dennos Museum Center for the years ended June 30 were as follows:

	2024	2023
Revenue		
Sales and services	$ 368,387	$ 337,127
Federal grants and contracts	-	11,800
State grants and contracts	10,200	26,250
Support from component unit	1,016,367	622,344
Other sources	36,870	35,530
Total revenue	1,431,824	1,033,051
Operating and Capital Expenses		
Public service	1,248,941	978,057
Operations and maintenance of plant	84,598	104,824
Total operating and capital expenses	1,333,539	1,082,881
Change in Net Position before Nonoperating Revenue and Transfers	98,285	(49,830)
Nonoperating Revenue - Private gifts, grants, and contracts	10,000	-
Transfers Out	(122,076)	(127,867)
Change in Net Position	(13,791)	(177,697)
Net Position - Beginning of year	20,466	198,163
Net Position - End of year	$ 6,675	$ 20,466

Required Supplementary Information

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Ten Plan Years

Plan Years Ended September 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.14420 %	0.15010 %	0.16061 %	0.16534 %	0.17481 %	0.18127 %	0.18535 %	0.18849 %	0.18036 %	0.17962 %
College's proportionate share of the net pension liability	$ 46,671,580	$ 56,452,154	$ 38,026,148	$ 56,797,390	$ 57,892,016	$ 54,492,788	$ 48,031,699	$ 47,027,079	$ 44,052,461	$ 39,564,005
College's covered payroll	$ 14,813,238	$ 14,902,492	$ 14,371,428	$ 14,416,413	$ 15,079,019	$ 15,354,013	$ 15,460,385	$ 16,077,647	$ 15,446,667	$ 15,420,406
College's proportionate share of the net pension liability as a percentage of its covered payroll	315.07 %	378.81 %	264.60 %	393.98 %	383.92 %	354.91 %	310.68 %	292.50 %	285.19 %	256.57 %
Plan fiduciary net position as a percentage of total pension liability	65.91 %	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	63.17 %	66.20 %

Benefit changes - There were no changes of benefit terms for the plan years ended September 30.

Changes in assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

2023 - The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

2022 - The discount rate used in the September 30, 2022 actuarial valuation decreased by 0.80 percentage points.

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.

2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percentage points.

Required Supplementary Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Ten Fiscal Years

Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 5,685,980	$ 6,711,860	$ 5,070,861	$ 4,818,835	$ 4,571,582	$ 4,688,968	$ 4,683,462	$ 4,397,619	$ 4,112,085	$ 4,726,013
Contributions in relation to the contractually required contribution	5,685,980	6,711,860	5,070,861	4,818,835	4,571,582	4,688,968	4,683,462	4,397,619	4,112,085	4,726,013
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
College's Covered Payroll	$ 14,664,103	$ 15,286,828	$ 14,879,380	$ 14,250,782	$ 14,429,193	$ 15,279,724	$ 15,376,191	$ 15,454,034	$ 15,593,732	$ 15,479,214
Contributions as a Percentage of Covered Payroll	38.77 %	43.91 %	34.08 %	33.81 %	31.68 %	30.69 %	30.46 %	28.46 %	26.37 %	30.53 %

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability (Asset)
Michigan Public School Employees' Retirement System

Last Seven Plan Years

Plan Years Ended September 30

	2024	2023	2022	2021	2020	2019	2018
College's proportion of the net OPEB (asset) liability	0.14578 %	0.15093 %	0.15665 %	0.16096 %	0.17119 %	0.17928 %	0.18655 %
College's proportionate share of the net OPEB (asset) liability	$ (824,683)	$ 3,196,794	$ 2,390,998	$ 8,622,821	$ 12,287,488	$ 14,250,585	$ 16,520,072
College's covered payroll	$ 14,813,238	$ 14,902,492	$ 14,371,428	$ 14,416,413	$ 15,079,019	$ 15,354,013	$ 15,460,385
College's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(5.57)%	21.45 %	16.64 %	59.81 %	81.49 %	92.81 %	106.85 %
Plan fiduciary net position as a percentage of total OPEB liability	105.04 %	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes - There were no changes of benefit terms for the plan years ended September 30.

Changes in assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

2023 - The health care cost trend rate used in the September 30, 2023 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased 1.00 percentage point for members over 65. In addition, actual per person health benefit costs were lower than projected. The valuation includes the impact of an updated experience study for periods from 2017 to 2022.

2022 - The discount rate and investment rate of return used in the September 30, 2022 actuarial valuation decreased by 0.95 percentage points. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points, and actual per person health benefit costs were lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Required Supplementary Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last Seven Fiscal Years

Years Ended June 30

	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 1,159,087	$ 1,181,825	$ 1,178,001	$ 1,164,378	$ 1,148,856	$ 1,192,398	$ 1,109,834
Contributions in relation to the statutorily required contribution	1,159,087	1,181,825	1,178,001	1,164,378	1,148,856	1,192,398	1,109,834
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
College's Covered Payroll	$ 14,664,103	$ 15,286,828	$ 14,879,380	$ 14,250,782	$ 14,429,193	$ 15,279,724	$ 15,376,191
Contributions as a Percentage of Covered Payroll	7.90 %	7.73 %	7.92 %	8.17 %	7.96 %	7.80 %	7.22 %

GASB Statement No. 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Other Supplementary Information

Other Supplementary Information
Combining Statement of Net Position

June 30, 2024
(with comparative totals for 2023)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Agency Fund	2024	2023
Assets										
Current assets:										
Cash and cash equivalents	$ 10,712,839	$ -	$ 4,626	$ -	$ 200	$ -	$ -	$ -	$ 10,717,665	$ 15,613,884
Receivables - Net	6,882,889	8,037,442	237,267	-	948,335	-	120,237	15,204	16,241,374	6,668,343
Prepaid expenses and other assets	1,333,455	-	1,606,781	-	67,095	202,782	-	-	3,210,113	2,198,203
Due (to) from other funds	(24,013,696)	4,416,849	8,028,547	-	3,892,199	6,156,890	(120,237)	1,639,448	-	-
Total current assets	(5,084,513)	12,454,291	9,877,221	-	4,907,829	6,359,672	-	1,654,652	30,169,152	24,480,430
Noncurrent assets:										
Restricted cash and cash equivalents	-	-	-	-	-	1,391,446	-	-	1,391,446	1,833,402
Investments	21,826,229	-	-	-	-	-	-	-	21,826,229	15,854,935
Net OPEB asset	-	-	-	824,683	-	-	-	-	824,683	-
Capital assets - Net	-	-	-	-	-	78,337,953	-	-	78,337,953	76,107,420
Total noncurrent assets	21,826,229	-	-	824,683	-	79,729,399	-	-	102,380,311	93,795,757
Total assets	16,741,716	12,454,291	9,877,221	824,683	4,907,829	86,089,071	-	1,654,652	132,549,463	118,276,187
Deferred Outflows of Resources	-	-	-	15,587,135	-	-	-	-	15,587,135	20,436,130
Liabilities										
Current liabilities:										
Accounts payable	912,815	59,715	1,373,936	-	87,645	122,817	-	55,742	2,612,670	1,481,790
Accrued liabilities and other:										
Accrued wages and benefits	1,212,610	-	-	-	-	-	-	1,114,814	2,327,424	2,133,241
Accrued interest payable	1,884	-	-	-	-	108,714	-	-	110,598	118,113
Unearned revenue	957,457	-	123,029	-	847,331	-	-	30	1,927,847	2,091,307
Long-term obligations - Current	1,441,356	-	-	-	-	1,245,874	-	-	2,687,230	2,515,674
Total current liabilities	4,526,122	59,715	1,496,965	-	934,976	1,477,405	-	1,170,586	9,665,769	8,340,125
Noncurrent liabilities:										
Net pension liability	-	-	-	46,671,580	-	-	-	-	46,671,580	56,452,154
Net OPEB liability	-	-	-	-	-	-	-	-	-	3,196,794
Long-term obligations - Net of current portion	204,681	-	-	-	-	20,490,505	-	-	20,695,186	22,039,889
Deposits	419,131	-	244,320	-	2,256,320	-	-	484,066	3,403,837	2,979,383
Total noncurrent liabilities	623,812	-	244,320	46,671,580	2,256,320	20,490,505	-	484,066	70,770,603	84,668,220
Total liabilities	5,149,934	59,715	1,741,285	46,671,580	3,191,296	21,967,910	-	1,654,652	80,436,372	93,008,345
Deferred Inflows of Resources	-	-	-	18,742,727	-	-	-	-	18,742,727	16,128,588

June 30, 2024
(with comparative totals for 2023)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Agency Fund	2024	2023
Net Position (Deficit)										
Net investment in capital assets	$ -	$ -	$ -	$ -	$ -	$ 58,023,894	$ -	$ -	$ 58,023,894	$ 55,029,443
Restricted:										
Expendable - Capital projects	-	-	-	-	1,716,533	-	-	-	1,716,533	-
Expendable - Net OPEB asset	-	-	-	824,683	-	-	-	-	824,683	-
Unrestricted	11,591,782	12,394,576	8,135,936	(49,827,172)	-	6,097,267	-	-	(11,607,611)	(25,454,059)
Total net position (deficit)	**$ 11,591,782**	**$ 12,394,576**	**$ 8,135,936**	**$ (49,002,489)**	**$ 1,716,533**	**$ 64,121,161**	**$ -**	**$ -**	**$ 48,957,499**	**$ 29,575,384**

Other Supplementary Information
Combining Statement of Revenue, Expenses, and Changes in Net Position

Year Ended June 30, 2024
(with comparative totals for 2023)

	Current Funds								
	General Fund	Board-designated Fund	Auxiliary Fund	Pension and OPEB Liability Fund	Restricted Fund	Plant Fund	Eliminations	2024	2023
Operating Revenue									
Student tuition and fees	$ 23,655,079	$ -	$ 33,483	$ -	$ -	$ -	$ (2,636,150)	$ 21,052,412	$ 19,145,530
Federal grants and contributions	9,200	-	-	-	3,801,621	-	-	3,810,821	3,436,067
State grants and contributions	-	-	10,200	-	1,238,541	-	-	1,248,741	180,785
Private gifts, grants, and contracts	57,500	-	-	-	512,908	-	-	570,408	68,251
Expended for plant facilities	-	-	-	-	-	6,908,001	(6,908,001)	-	-
Sales and services of auxiliary activities	12,160	-	4,942,517	-	-	-	-	4,954,677	4,518,933
Other sources	603,220	-	1,311,988	-	1,370	99,165	-	2,015,743	1,380,276
Total operating revenue	24,337,159	-	6,298,188	-	5,554,440	7,007,166	(9,544,151)	33,652,802	28,729,842
Operating Expenses									
Instruction	21,065,995	22,407	36	(2,408,943)	1,228,524	186,326	(316,828)	19,777,517	18,411,613
Public service	257,607	8,283	2,693,598	(180,995)	151,078	10,000	(725,604)	2,213,967	1,978,956
Academic support	7,860,338	3,440	-	(858,147)	696,077	-	(437,405)	7,264,303	7,367,940
Student services	5,272,935	201,182	6,898,864	(669,553)	8,284,462	366,274	(6,340,829)	14,013,335	11,858,321
Institutional administration	8,027,862	162,046	278,396	(328,045)	8,594	-	(4,000)	8,144,853	7,462,851
Operation and maintenance of plant	4,828,317	-	391,461	(408,650)	-	681,383	(638,826)	4,853,685	4,998,417
Depreciation	363,093	-	-	-	-	4,869,227	-	5,232,320	5,516,552
Information technology	3,649,518	1,179	-	(247,617)	-	1,478,842	(1,080,659)	3,801,263	3,856,246
Total operating expenses	51,325,665	398,537	10,262,355	(5,101,950)	10,368,735	7,592,052	(9,544,151)	65,301,243	61,450,896
Operating (Loss) Income	(26,988,506)	(398,537)	(3,964,167)	5,101,950	(4,814,295)	(584,886)	-	(31,648,441)	(32,721,054)
Nonoperating Revenue (Expense)									
State appropriations	14,490,237	-	-	1,236,967	1,278,713	-	-	17,005,917	13,145,162
Federal Pell Grants	-	-	-	-	4,109,210	-	-	4,109,210	3,529,096
Employee Retention Credit	-	8,037,442	-	-	-	-	-	8,037,442	-
Property taxes	13,771,898	-	-	-	-	-	-	13,771,898	12,663,865
Support from component unit	1,290,072	-	1,236,871	-	1,587,567	1,150,251	-	5,264,761	5,123,637
Investment income	1,560,988	-	-	-	-	79,201	-	1,640,189	129,156
Bond issuance and amortization costs	-	-	-	-	-	29,874	-	29,874	30,374
Interest expense on capital-related debt	(14,246)	-	-	-	-	(689,489)	-	(703,735)	(760,396)
Total nonoperating revenue	31,098,949	8,037,442	1,236,871	1,236,967	6,975,490	569,837	-	49,155,556	33,860,894
Capital Grants and Gifts	-	-	-	-	1,875,000	-	-	1,875,000	-
Transfers (Out) In	(3,079,392)	293,000	835,324	-	(2,297,526)	4,248,594	-	-	-
Change in Net Position	1,031,051	7,931,905	(1,891,972)	6,338,917	1,738,669	4,233,545	-	19,382,115	1,139,840
Net Position (Deficit) - Beginning of year	10,560,731	4,462,671	10,027,908	(55,341,406)	(22,136)	59,887,616	-	29,575,384	28,435,544
Net Position (Deficit) - End of year	**$ 11,591,782**	**$ 12,394,576**	**$ 8,135,936**	**$ (49,002,489)**	**$ 1,716,533**	**$ 64,121,161**	**$ -**	**$ 48,957,499**	**$ 29,575,384**