

North Central
Michigan College



Years Ended
June 30,
2024 and 2023

Financial
Statements
and
Supplementary
Information

Rehmann

NORTH CENTRAL MICHIGAN COLLEGE

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NORTH CENTRAL MICHIGAN COLLEGE

Executive Officers and Board of Trustees

Executive Officers

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

October 17, 2024

Board of Trustees
North Central Michigan College
Petoskey, Michigan

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of **North Central Michigan College** (the "College"), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of **North Central Michigan College** as of June 30, 2024 and 2023, and the changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 17, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Introduction

The North Central Michigan College (the "College") financial report consists of three basic financial statements: the Statements of Net Position which presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the 2024 and 2023 fiscal years; the Statements of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the 2024 and 2023 fiscal years; and the Statements of Cash Flows, which provides information on all of the cash inflows and outflows for the College by major category during the 2024 and 2023 fiscal years. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

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

The following discussion and analysis provides an overview of the financial position and activities of North Central Michigan College for the year ended June 30, 2024. Management has prepared this discussion along with the financial statements, related note disclosures and the required supplemental pension and other postemployment benefits schedules. Following the basic financial statements, notes, and the required supplemental pension and other postemployment benefits schedules, are two supplementary information statements: the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position. Though GASB does not require this supplementary information be present for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College that is not detailed in the basic statements.

Financial Highlights

The College's financial position remained strong at June 30, 2024, with assets of \$74.3 million and liabilities of \$28.4 million. Of the liabilities, \$8.5 million are due within one year and \$19.9 million are due beyond one year. Of the amount due beyond one year, \$11.1 million relates to the net pension liability. This substantial liability is recorded because the GASB requires the College to record its share of the unfunded Michigan Public School Employees' Retirement System ("MPERS") obligation/liability for employees.

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

The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position

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

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

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

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

Statement of Net Position

Total net position at June 30, 2024, 2023 and 2022 was \$46.0 million, \$44.9 million, and \$44.0 million, respectively. Following is a comparison of the major components of the net position of the College as of June 30, 2024, 2023 and 2022:

Net Position as of June 30 (in millions)

	2024	2023	2022
Current and other assets	\$ 40.0	\$ 29.7	\$ 30.6
Capital assets, net of depreciation and amortization	34.3	34.0	33.6
Total assets	<u>74.3</u>	<u>63.7</u>	<u>64.2</u>
Deferred outflows of resources	<u>4.5</u>	<u>4.7</u>	<u>2.4</u>
Other liabilities	7.9	2.7	2.4
Long-term liabilities	20.5	16.6	12.8
Total liabilities	<u>28.4</u>	<u>19.3</u>	<u>15.2</u>
Deferred inflows of resources	<u>4.4</u>	<u>4.2</u>	<u>7.4</u>
Net position:			
Net investment in capital assets	24.8	30.4	30.1
Restricted-nonexpendable	6.2	5.6	5.2
Restricted-expendable	14.9	8.6	8.1
Unrestricted (deficit)	0.1	0.3	0.7
Total net position	<u>\$ 46.0</u>	<u>\$ 44.9</u>	<u>\$ 44.0</u>

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Statement of Revenue, Expenses, and Changes in Net Position

The following is a comparative analysis of components of the revenue, expenses, and changes in net position for the years ended June 30, 2024, 2023 and 2022:

Operating Results for the Years Ended June 30 (in millions)

	2024	2023	2022
Total operating revenues			
Tuition and fees, net	\$ 3.5	\$ 3.5	\$ 3.5
Federal grants and contracts	1.0	1.1	0.8
State and local grants and contracts	0.2	0.1	0.2
Nongovernmental grants	0.2	0.2	0.3
Auxiliary activities, net	1.2	1.2	0.8
Other	1.2	1.1	0.6
Total operating revenues	<u>7.3</u>	<u>7.2</u>	<u>6.2</u>
Total operating expenses	<u>22.8</u>	<u>21.7</u>	<u>21.2</u>
Net operating loss	<u>(15.5)</u>	<u>(14.5)</u>	<u>(15.0)</u>
Nonoperating revenues (expenses)			
State appropriations	4.3	4.0	3.9
Property tax levy	7.4	6.9	6.6
Federal Higher Education Emergency Relief Funds grant	-	0.8	4.2
Pell grants	2.3	1.8	1.6
Investment income, net	1.5	0.4	(1.1)
Net loss on disposal of capital assets	(0.2)	-	-
Interest on capital related debt	(0.1)	(0.1)	(0.1)
Bond issuance costs	(0.1)	-	-
Contributions	0.8	1.2	3.5
Net nonoperating revenues	<u>15.9</u>	<u>15.0</u>	<u>18.6</u>
Other revenues			
State capital grants	-	-	0.7
Capital State appropriation	0.5	-	-
Contributions to permanent endowments	0.2	0.4	(0.5)
Total other revenues	<u>0.7</u>	<u>0.4</u>	<u>0.2</u>
Change in net position	1.1	0.9	3.8
Net position – beginning of year	44.9	44.0	40.2
Net position – end of year	<u>\$ 46.0</u>	<u>\$ 44.9</u>	<u>\$ 44.0</u>

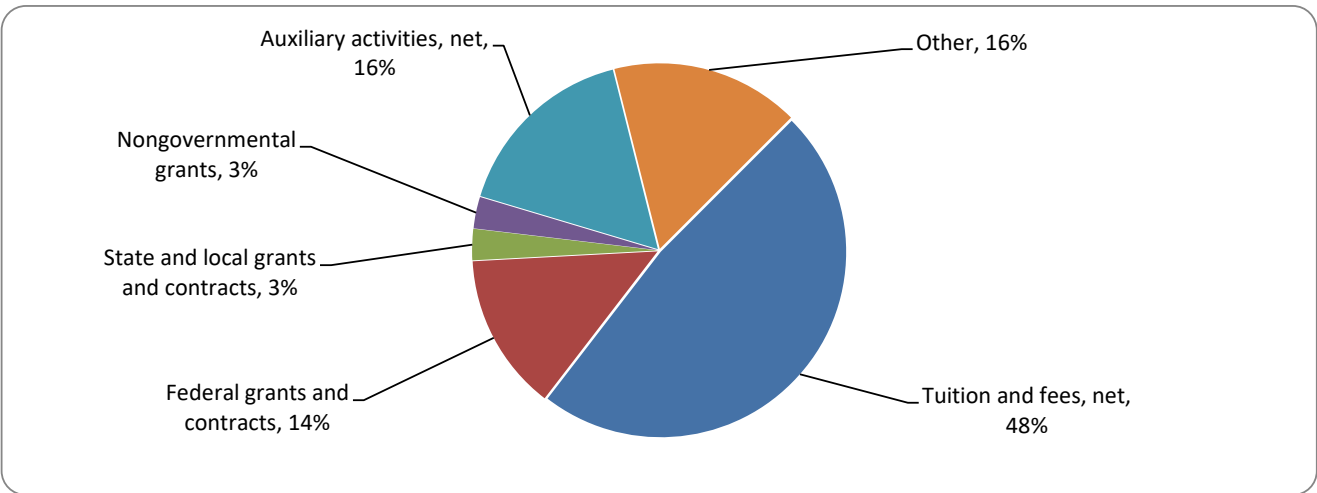
NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Operating Revenue

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

The following is a graphic illustration of operating revenues for fiscal year 2024:



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

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

Operating revenue changes for fiscal year 2023 compared to the prior fiscal year were the result of the following factors:

- Net tuition and fees totaled \$3,479,576, resulting in a \$24,456 decrease in revenues. This revenue source stayed relatively stable as a decrease in enrollment contact hours was offset by the annual increase in tuition rates.
- Other operating revenues consist mainly of non-credit course offerings. These revenues increased by \$477,538 compared to the prior fiscal year due to new Fast Track programming coordinated by our Corporate and Community Education department.

NORTH CENTRAL MICHIGAN COLLEGE

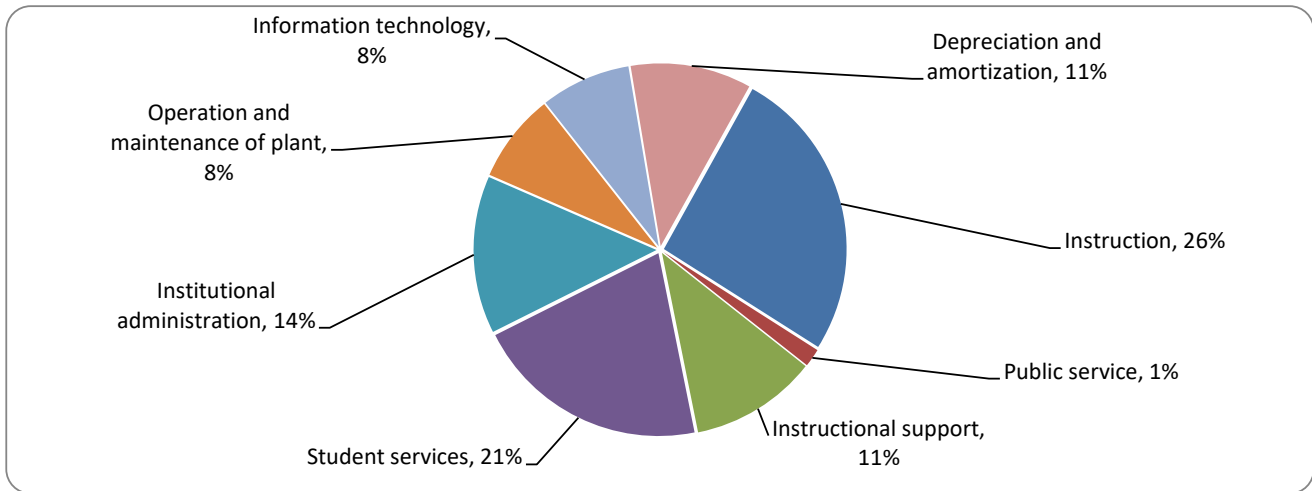
Management's Discussion and Analysis

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

Operating Expenses

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

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2024:



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

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

Operating expense changes for fiscal year 2023 were the result of the following factors:

- The instruction operating expense category increased by \$1,077,517 compared to the prior fiscal year. This increase was mainly due to additional personnel costs. This includes five faculty positions that were filled and employed the entire year, annual increases in salary rates, and increasing costs for employee benefits.
- The information technology operating expense category increased by \$228,516 compared to the prior fiscal year. This is mainly because of increases in software licensing fees. These fees are necessary for supporting student success.

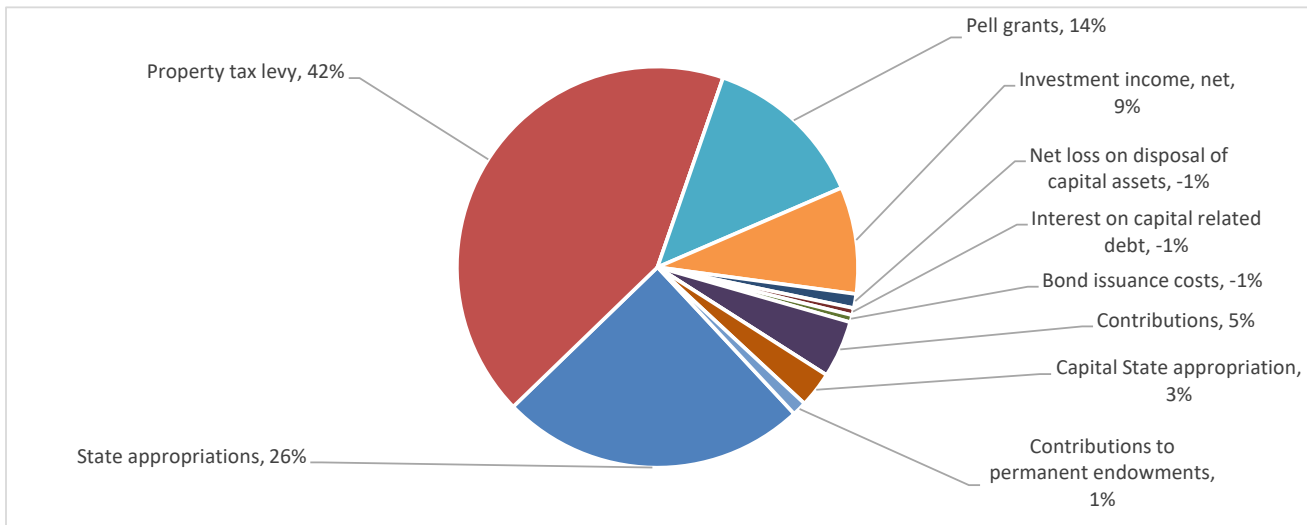
NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Net Nonoperating and Other Revenue

Net nonoperating revenues represent all revenue sources that are primarily non-exchange in nature less interest on capital asset-related debt. They consist primarily of state appropriations, property tax revenue, Pell grants, donations and investment income (including realized and unrealized gains and losses).

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2024:



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

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

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Net nonoperating revenue changes for fiscal year 2023 compared to the prior fiscal year were the result of the following factors:

- State appropriations increased by \$54,041 due primarily to amounts provided by the State. This is a 1.4% increase over the prior fiscal year.
- Property tax levy revenue increased by \$278,451 due primarily to increases in property tax values.
- Pell grants increased by \$199,607 due primarily to student eligibility.
- Federal Higher Education Emergency Relief Funds (HEERF) continued to be utilized to assist the College with challenges caused by the COVID-19 pandemic. These funds were recognized as nonoperating revenues when they were expended. During the fiscal year, the remaining \$820,884 of HEERF funds were expended on categories such as campus safety and operations; equipment and software to enable distance learning for students; and partially funding the Borra Learning Center heating, ventilation and air conditioning upgrade.
- Donations received by the Foundation were \$1,360,704. Despite the Building Tomorrow Together fundraising campaign's conclusion, significant funds continued to be received for various causes such as scholarships and athletics.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College. During the current fiscal year, Capital State appropriations of \$470,700 resulted from the State of Michigan's ITEMS grant. These were the grant monies for infrastructure, technology, equipment, maintenance and safety.

Additionally, other revenues of \$183,239 resulted from contributions to permanent endowments made to the Foundation for the promotion of the College's educational and cultural activities.

Statement of Cash Flows

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Cash Flows for the Years Ended June 30 (in millions)

	2024	2023	2022
Cash provided by (used for):			
Operating activities	\$ (10.0)	\$ (12.9)	\$ (14.4)
Noncapital financing activities	15.3	14.7	20.2
Capital and related financing activities	3.3	(3.0)	(2.9)
Investing activities	1.4	(0.3)	(2.6)
Net increase (decrease) in cash	10.0	(1.5)	0.3
Cash, beginning of year	10.2	11.7	11.4
Cash, end of year	\$ 20.2	\$ 10.2	\$ 11.7

Net cash used for operating activities totaled \$10 million for the fiscal year ending June 30, 2024. This was financed by \$15.3 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash provided by capital and related financing activities totaled \$3.3 million. This includes proceeds of \$6.5 million from the issuance of long term debt, capital asset purchases of \$3.0 million, debt principal and interest payments of \$0.7 million and receipts from Capital State appropriations of \$0.5 million. Net cash provided by investing activities totaled \$1.4 million. This includes interest received of \$0.5 million, the sale and maturities of investments totaling \$5.9 million and the purchase of investments of \$4.9 million. The net result of all cash flows resulted in an increase in the College's cash of \$10.0 million from last year.

Capital Assets

At June 30, 2024, the College had approximately \$34.3 million invested in capital assets, net of accumulated depreciation of \$30.1 million. Depreciation and amortization charges totaled approximately \$2.4 million for the current fiscal year.

	2024	2023	2022
Land	\$ 78,306	\$ 33,306	\$ 33,306
Construction in progress	1,002,974	1,493,142	1,228,736
Sculptures	522,609	522,609	522,609
Capital assets not being depreciated or amortized	1,603,889	2,049,057	1,784,651
Buildings and improvements	49,211,645	46,413,328	46,413,328
Infrastructure	3,433,183	3,433,183	3,032,360
Furniture, fixtures, and equipment	8,086,239	7,504,990	5,797,938
Library materials	189,279	256,810	449,672
Software	888,574	1,397,614	1,307,608
Subscription assets	958,255	1,009,665	870,084
Capital assets being depreciated or amortized	62,767,175	60,015,590	57,870,990
Total capital assets	64,371,064	62,064,647	59,655,641
Less accumulated depreciation and amortization	30,071,099	28,068,204	26,035,836
Total capital assets, net	\$ 34,299,965	\$ 33,996,443	\$ 33,619,805

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

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

Borra Learning Center HVAC upgrade	\$ 2,067,888
1418 Howard Street house	382,899
1420 Howard Street house	301,241

Construction in progress of \$1,002,974 consists of expenses incurred by June 30, 2024 for the following projects: Campus exterior wayfinding signage project (\$534,868); Career and Technical Education Enhancement project (\$386,439); and Gym speaker and A/V upgrades (\$81,667).

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

Debt

The College had \$8,355,000 in bond debt outstanding at June 30, 2024. Debt principal repayments of \$365,000 were made on this debt during the year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

Economic Factors That Will Affect the Future

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

1. State of Michigan appropriations represent 24% of the total General Fund revenue for 2023-24. We are projecting a 3% to 4% increase in State appropriations including a 1.5% one-time increase.
2. Property tax revenue budgeted for the fiscal year ending June 30, 2024 represents 39% of General Fund revenues. Taxable property values in Emmet County continue to increase year over year with an approximate 8% increase occurring between 2023 and 2024. Another 7.5% increase is expected between 2024 and 2025. Local and state economies have rebounded significantly in the last few years fueling increases in residential property values. The outlook remains strong for property tax revenue increases in the future.
3. At the January 23, 2024 meeting, the Board of Trustees approved a 2.78% increase for in-district tuition rates and 4.17% increase for out-district tuition rates beginning with the Fall 2024 semester. The Board of Trustees considers multiple factors when considering any tuition increase including the financial impact on students and their families, the rising cost of services offered by the College, and State tuition restraint policies.
4. Based on the demographics of the area, recruiting and retaining new traditional-aged students over the next decade will be challenging for the College:
 - a. Area high school senior classes are expected to continue to decline over the next decade resulting in a shrinking pool of dual enrollment and early college applicants. The College's strategy is to focus on increasing market share for new students and increasing persistence rates for current students.
 - b. Competition among area community colleges and four-year institutions has intensified as they compete for fewer students. The development of new programs and career opportunities in such areas as the health sciences, technology and the trades will be important for the future success of the College.

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

Offsetting these challenging trends is the State of Michigan's targeted support for students through such programs as the MI Reconnect and the Michigan Community College Guarantee.

Nonetheless, the College will need to innovate and create new, exciting, and relevant programs to be able to compete for students in the future. In addition, the College will need to continue to expand student recruitment efforts beyond the district. With limited housing options available in the local area, the College will need to look at new campus housing opportunities for these students.

5. In September 2023, the College entered into a \$9.872 million agreement with the Michigan Economic Development Corporation. This agreement will provide funding for facility additions and renovations as part of the College's Career and Technical Education Enhancement (CATEE) project. The goal is to expand health science, public safety, technology, manufacturing and skilled trades training for students. Also, an additional \$2 million of federal funding for the CATEE project has been secured. In addition, \$6.5 million was raised for the project through a 2024 bond issue.
6. The College introduced a Nursing Licensed Practical Nurse (LPN) program in 2023-24. This program will provide additional opportunities students wanting to pursue a career in the health sciences.
7. Since 2022, the College has been working to develop streamlined workforce training opportunities, known as Fast Track programs. This provides another avenue for students to learn and secure industry credentials in the fields of health care, manufacturing, information technology, business, and the trades.
8. The need for public and private investment in higher education remains strong. As the College expands and develops programming to advance opportunities for learners and better meet local workforce needs, it will rely on public grants as well as gifts from individuals, corporations, and foundations to make important and necessary investments in facilities, equipment, programs, and other student success needs.

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

FINANCIAL STATEMENTS

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Net Position

	June 30	
	2024	2023
Assets		
Current assets		
Cash and cash equivalents	\$ 4,930,862	\$ 4,653,601
Restricted short-term investments	1,000,000	-
Receivables, net	1,675,490	1,255,215
Pledges receivable	364,100	33,000
Inventories	12,758	16,669
Prepays and other current assets	410,178	405,982
Total current assets	8,393,388	6,364,467
Noncurrent assets		
Restricted cash	15,238,200	5,514,887
Investments	15,748,636	16,677,519
Pledges receivable, net of current portion	428,689	1,123,661
Net OPEB asset	206,234	-
Capital assets not being depreciated/amortized	1,603,889	2,049,057
Capital assets being depreciated/amortized, net	32,696,076	31,947,386
Total noncurrent assets	65,921,724	57,312,510
Total assets	74,315,112	63,676,977
Deferred outflows of resources		
Deferred charge on refunding	75,203	89,337
Deferred pension amounts	3,528,438	3,718,036
Deferred OPEB amounts	868,008	927,303
Total deferred outflows of resources	4,471,649	4,734,676
Liabilities		
Current liabilities		
Accounts payable	1,044,699	929,579
Accrued payroll and related liabilities	517,308	561,244
Unearned tuition revenue	327,483	248,831
Unearned grant revenue	5,899,402	832,195
Due to depositors	135,781	122,615
Interest payable	17,567	9,928
Current portion of subscription-based IT arrangement liabilities	174,781	230,555
Current portion of long-term obligations	380,000	375,000
Total current liabilities	8,497,021	3,309,947
Noncurrent liabilities		
Net pension liability	11,130,085	12,489,476
Net OPEB liability	-	708,928
Subscription-based IT arrangement liabilities, net of current portion	115,290	299,751
Long-term obligations, net of current portion	8,660,034	2,506,996
Total noncurrent liabilities	19,905,409	16,005,151
Total liabilities	28,402,430	19,315,098
Deferred inflows of resources		
Deferred pension amounts	2,571,124	2,335,152
Deferred OPEB amounts	1,856,739	1,878,890
Total deferred inflows of resources	4,427,863	4,214,042
Net position		
Net investment in capital assets (Note 7)	24,742,090	30,347,655
Restricted for:		
Nonexpendable endowments	6,181,117	5,628,218
Expendable OPEB	206,234	-
Expendable scholarships and grants	4,370,992	4,266,948
Expendable construction and debt service	10,323,434	4,349,131
Unrestricted (Note 7)	132,601	290,561
Total net position	\$ 45,956,468	\$ 44,882,513

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

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2024	2023
Operating revenues		
Tuition and fees	\$ 6,552,378	\$ 6,230,954
Scholarship allowance	(3,041,610)	(2,751,378)
Net tuition and fees	<u>3,510,768</u>	<u>3,479,576</u>
Federal grants and contracts	958,383	1,105,515
State and local grants and contracts	216,715	107,744
Nongovernmental grants	240,600	216,986
Auxiliary activities, net of scholarship allowance of \$125,738 (\$129,940 for 2023)	1,213,847	1,156,577
Other operating revenues	<u>1,202,761</u>	<u>1,096,687</u>
Total operating revenues	<u>7,343,074</u>	<u>7,163,085</u>
Operating expenses		
Instruction	5,916,502	6,379,916
Public service	368,470	394,982
Instructional support	2,558,018	2,093,553
Student services	4,735,658	4,519,726
Institutional administration	3,176,262	2,500,074
Operation and maintenance of plant	1,787,878	1,816,031
Information technology	1,817,625	1,628,511
Depreciation and amortization	<u>2,441,690</u>	<u>2,327,860</u>
Total operating expenses	<u>22,802,103</u>	<u>21,660,653</u>
Operating loss	<u>(15,459,029)</u>	<u>(14,497,568)</u>
Nonoperating revenues (expenses)		
State appropriations	4,294,094	3,968,089
Property tax levy	7,439,309	6,883,114
Federal Higher Education Emergency Relief Funds grant	-	820,884
Federal Pell grants	2,266,463	1,816,508
Investment income, net	1,475,764	418,662
Net loss on disposal of capital assets	(231,052)	-
Interest on capital asset-related debt	(98,270)	(101,693)
Bond issuance costs	(87,385)	-
Contributions	<u>820,122</u>	<u>1,179,431</u>
Net nonoperating revenues	<u>15,879,045</u>	<u>14,984,995</u>
Other revenues		
Capital State appropriations	470,700	-
Contributions to permanent endowments	<u>183,239</u>	<u>428,742</u>
Change in net position	1,073,955	916,169
Net position, beginning of year	<u>44,882,513</u>	<u>43,966,344</u>
Net position, end of year	<u>\$ 45,956,468</u>	<u>\$ 44,882,513</u>

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

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2024	2023
Cash flows from operating activities		
Tuition and fees	\$ 3,547,268	\$ 3,463,322
Grants and other contracts	6,092,385	1,987,317
Auxiliary enterprise receipts	1,188,040	1,169,231
Payments to employees	(10,639,007)	(9,341,287)
Payments to suppliers	(11,357,013)	(11,256,053)
Other receipts	1,202,761	1,096,687
Net cash used in operating activities	(9,965,566)	(12,880,783)
Cash flows from noncapital financing activities		
State appropriations	4,203,004	3,925,047
Local property taxes	7,439,309	6,883,114
Federal Pell grants	2,266,463	1,816,508
Federal Higher Education Emergency Relief Funds grants	-	820,884
Federal direct lending receipts	760,337	845,440
Federal direct lending disbursements	(760,337)	(845,440)
Contributions	1,183,994	1,179,431
Contributions to permanent endowments	183,239	39,704
Other	23,477	(8,330)
Net cash provided by noncapital financing activities	15,299,486	14,656,358
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,975,637)	(2,321,660)
Principal paid on long-term debt	(365,000)	(355,000)
Interest paid on capital asset-related debt	(76,497)	(102,993)
Subscription-based IT agreements principal payments	(240,235)	(224,231)
Capital State appropriations receipts	470,700	-
Proceeds from issuance of long-term debt	6,499,561	-
Payment of bond issuance costs	(50,885)	-
Net cash provided by (used in) capital and related financing activities	3,262,007	(3,003,884)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	5,883,563	6,615,719
Interest received on investments	456,449	78,584
Purchase of investments	(4,935,365)	(6,959,487)
Net cash provided by (used in) investing activities	1,404,647	(265,184)
Net increase (decrease) in cash and cash equivalents	10,000,574	(1,493,493)
Cash and cash equivalents, beginning of year	10,168,488	11,661,981
Cash and cash equivalents, end of year	\$ 20,169,062	\$ 10,168,488
Reconciliation to Statements of Net Position		
Cash and cash equivalents	\$ 4,930,862	\$ 4,653,601
Restricted cash	15,238,200	5,514,887
Cash and cash equivalents, end of year	\$ 20,169,062	\$ 10,168,488

continued...

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2024	2023
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (15,459,029)	\$ (14,497,568)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,441,690	2,327,860
Provision for uncollectible accounts	142,460	94,965
Change in operating assets and liabilities which provided (used) cash:		
Receivables	(471,645)	492,422
Inventories	3,911	(9,077)
Prepaid expenses and other current assets	(4,196)	(182,469)
Accounts payable	77,993	103,168
Accrued payroll and related liabilities	(43,936)	111,434
Unearned tuition revenue	78,652	44,217
Unearned grant revenue	5,067,207	-
Due to depositors	13,166	16,833
Change in net pension liability	(1,359,391)	4,010,447
Change in net OPEB asset/liability	(915,162)	191,028
Change in pension deferred inflows	235,972	(2,492,129)
Change in pension deferred outflows	189,598	(2,097,283)
Change in OPEB deferred inflows	(22,151)	(703,509)
Change in OPEB deferred outflows	59,295	(291,122)
Net cash used in operating activities	\$ (9,965,566)	\$ (12,880,783)
Non-cash capital and related financing activity		
Subscription assets and related liabilities	\$ -	\$ 167,949
Payables related to the acquisition of capital assets	498,446	497,819

concluded

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

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

	2024	2023
Condensed statements of financial position		
Cash and cash equivalents	\$ 532,601	\$ 313,275
Investments	11,718,567	11,102,881
Other	792,624	1,151,509
Total assets	<u>13,043,792</u>	<u>12,567,665</u>
Accounts payable (equal to total liabilities)	<u>5,095</u>	<u>-</u>
Total net position	<u>\$ 13,038,697</u>	<u>\$ 12,567,665</u>
Condensed statements of revenues, expenses and changes in net position		
Operating expenses		
Institutional administration	\$ 1,485,869	\$ 951,565
Nonoperating and other revenues		
Contributions	820,122	1,179,431
Contributions to permanent endowments	183,239	428,742
Investment income, net	1,201,561	424,368
Distributions to College	<u>(248,021)</u>	<u>(200,041)</u>
Change in net position	471,032	880,935
Net position - beginning of year	<u>12,567,665</u>	<u>11,686,730</u>
Net position - end of year	<u>\$ 13,038,697</u>	<u>\$ 12,567,665</u>
Condensed statements of cash flows		
Net cash provided by (used in)		
Operating activities	\$ 10,924	\$ (771,278)
Investing activities	208,402	(256,282)
Noncapital financing activities	<u>-</u>	<u>1,088,714</u>
Net increase in cash and cash equivalents	219,326	61,154
Beginning cash and cash equivalents	<u>313,275</u>	<u>252,121</u>
Ending cash and cash equivalents	<u>\$ 532,601</u>	<u>\$ 313,275</u>

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Basis of Presentation

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

Significant Accounting Policies

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

Accrual Basis

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

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

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

Receivables

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Investments

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

Fair Value Measurements

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

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

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

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

Gifts and Pledges (Foundation)

Contributions, including unconditional promises to give, are recorded when received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions upon which they depend have been met. Non-cash gifts are recorded at estimated fair value when received. Unconditional pledges due within one year are recorded at amount pledged and unconditional pledges due after one year are recorded at their present value when it is determined that the collection of the gift is probable. Pledges receivable consist of pledges for the Building Tomorrow Together campaign and for providing nursing scholarships.

Inventories

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Capital Assets and Depreciation/Amortization

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

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

Subscription-Based Information Technology Arrangements (SBITA)

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

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

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

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

Accrued Compensated Absences

Accrued compensated absences represents the accumulated liability to be paid under the College's current sick and personal day policy. Under the College's policy, employees earn sick and personal time based on years of service with the College. Accrued compensated absences are included in the long-term obligations amount on the statements of net position. More detailed information can be found in Note 6.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Revenue Recognition

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

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

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

Operating Expenses

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts, as well as for the deferred change on refunding. A deferred change on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. More detailed information can be found in Note 8.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 8.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Pension and Other Postemployment Benefits ("OPEB") Assets/Liabilities

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

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

Unemployment Insurance

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

Internal Services Activities

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

Income Taxes

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

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

The Foundation has evaluated fiscal years 2021 through 2024, the years which remain subject to examination by major tax jurisdictions as of June 30, 2024, for uncertain tax positions. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2024 or 2023, and it is not aware of any claims for such amounts by federal or state income tax authorities.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

2. PROPERTY TAXES

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

For each of the years ended June 30, 2024 and 2023, \$1.9958 mills of tax per \$1,000 of taxable property value in the College's taxing district was levied for general operating purposes on all property. Total operating property tax revenue was \$7,439,309 and \$6,883,114 for the years ended June 30, 2024 and 2023, respectively.

3. CASH, INVESTMENTS AND FAIR VALUE MEASUREMENTS

Bank Deposits and Investments

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

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

Interest Rate Risk

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

	Fair Value	Less Than One Year	1-3 Years	More Than 3 Years
U.S. Agencies	\$ 1,999,271	\$ 1,431,419	\$ 567,852	\$ -
U.S. Treasuries	2,229,385	99,854	1,789,460	340,071
Certificates of deposit	1,000,000	1,000,000	-	-
Mutual bond funds	4,570,109	264,220	935,152	3,370,737
Total investments in debt securities	9,798,765	\$ 2,795,493	\$ 3,292,464	\$ 3,710,808
Mutual equity funds	6,949,871			
Total investments	\$ 16,748,636			

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

As of June 30, 2023, the College and Foundation had the following investments and maturities:

	Fair Value	Less Than One Year	1-3 Years	More Than 3 Years
U.S. Agencies	\$ 2,224,111	\$ 294,687	\$ 1,929,424	\$ -
U.S. Treasuries	3,156,821	319,413	822,212	2,015,196
Mutual bond funds	4,420,811	-	818,057	3,602,754
Total investments in debt securities	9,801,743	\$ 614,100	\$ 3,569,693	\$ 5,617,950
Mutual equity funds	6,875,776			
Total investments	\$ 16,677,519			

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

As of June 30, 2024 and 2023, the average weighted value of the portfolio in fixed income securities does not exceed ten years. The Foundation invests in mutual equity funds with a long-term objective to preserve principal and provide appreciation. Therefore, the interest rate risk is not considered in its decisions.

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

Credit Risk

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

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

	Credit Quality Rating	Percent
U.S. Agencies	Aaa	30
Mutual bond funds	Not Rated	70

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

As of June 30, 2023, the credit quality ratings for these types of investments and credit risk exposure as a percent of these types of investments are as follows:

	Credit Quality Rating	Percent
U.S. Agencies	Aaa	33
Mutual bond funds	Not Rated	67

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's and Foundation's deposits may not be returned to them. The College and Foundation do not have a deposit policy for custodial credit risk. At June 30, 2024, the bank balance was \$12,225,809 of which \$11,725,742 was uninsured and uncollateralized. At June 30, 2023, the bank balance was \$10,386,558 of which \$9,667,885 was uninsured and uncollateralized.

Custodial Credit Risk of Investments

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

Concentration Credit Risk

Neither the College nor Foundation places a limit on the amount that may be invested in any one issuer. Five percent or more of the College's and Foundation's investments at June 30, 2024 and 2023 were invested as follows:

	2024	2023
U.S. Treasury Notes	9%	19%
Fannie Mae	6%	8%
SPDR S&P 500 ETF Trust	6%	8%
Fidelity 500 Index FD	4%	7%
Doubleline Total Return Bond	4%	5%
Dodge & Cox Income Fund	4%	5%

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Fair Value Measurements

The following is a description of the valuation methodology used for assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2024 or 2023.

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

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

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

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

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

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

2023	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ 5,380,932	\$ -	\$ -	\$ 5,380,932
Mutual bond funds	4,420,811	-	-	4,420,811
Mutual equity funds	6,875,776	-	-	6,875,776
Total investments at fair value	\$ 16,677,519	\$ -	\$ -	\$ 16,677,519

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

4. RECEIVABLES, NET AND PLEDGES RECEIVABLE, NET

Receivables, net consist of the following at June 30:

	2024	2023
State appropriations	\$ 897,680	\$ 806,590
Federal grants and contracts	408,198	57,321
Auxiliary activities	27,455	10,583
Corporate and community education	13,412	8,821
Student	187,351	325,193
Other	160,230	120,587
	<u>1,694,326</u>	<u>1,329,095</u>
Total	1,694,326	1,329,095
Less allowance for doubtful accounts	18,836	73,880
	<u>18,836</u>	<u>73,880</u>
Receivables, net	<u>\$ 1,675,490</u>	<u>\$ 1,255,215</u>

Pledges receivable consist of pledges for the Building Tomorrow Together campaign and for providing nursing scholarships. They have been discounted at 5.60% and 4.20% annual rate of interest for the years ended June 30, 2024 and 2023, respectively. Pledges receivable, representing unconditional promises to give, are as follows at June 30:

	2024	2023
Receivable in less than one year	\$ 364,100	\$ 33,000
Receivable in one to five years	540,750	1,276,460
Less present value discount	(112,061)	(152,799)
	<u>792,789</u>	<u>1,156,661</u>
Pledges receivable, net	<u>\$ 792,789</u>	<u>\$ 1,156,661</u>

During the year ended June 30, 2021, the Foundation received a conditional promise to give in the amount of \$150,000 which is contingent upon the completion of the signage at the entrance of campus. This construction is expected to be completed during fiscal year 2025. Conditional promises to give are not recognized in the statement of financial position until the conditions have been met.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

5. CAPITAL ASSETS

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Capital assets activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets not being depreciated/amortized					
Land	\$ 33,306	\$ -	\$ -	\$ -	\$ 33,306
Construction in progress	1,228,736	1,249,557	-	(985,151)	1,493,142
Sculptures	522,609	-	-	-	522,609
Subtotal nondepreciable assets	1,784,651	1,249,557	-	(985,151)	2,049,057
Capital assets being depreciated/amortized					
Building and improvements	46,413,328	-	-	-	46,413,328
Infrastructure	3,032,360	231,707	-	169,116	3,433,183
Furniture, fixtures and equipment	5,797,938	919,184	(28,167)	816,035	7,504,990
Library materials	449,672	22,625	(215,487)	-	256,810
Software	1,307,608	90,006	-	-	1,397,614
Subscription assets	870,084	191,419	(51,838)	-	1,009,665
Subtotal depreciable assets	57,870,990	1,454,941	(295,492)	985,151	60,015,590
Less accumulated depreciation and amortization					
Building and improvements	18,548,037	1,487,903	-	-	20,035,940
Infrastructure	2,781,662	35,598	-	-	2,817,260
Furniture, fixtures and equipment	3,184,627	463,260	(28,167)	-	3,619,720
Library materials	366,721	28,159	(215,487)	-	179,393
Software	984,475	79,970	-	-	1,064,445
Subscription assets	170,314	232,970	(51,838)	-	351,446
Total accumulated depreciation and amortization	26,035,836	2,327,860	(295,492)	-	28,068,204
Capital assets being depreciated/amortized, net	31,835,154	(872,919)	-	985,151	31,947,386
Capital assets, net	\$ 33,619,805	\$ 376,638	\$ -	\$ -	\$ 33,996,443

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Construction in progress of \$1,002,974 consists of expenses incurred by June 30, 2024 for the following projects: Campus exterior wayfinding signage project (\$534,868); Career and Technical Education Enhancement project (\$386,439); and Gym speaker and A/V upgrades (\$81,667).

Construction contract commitments include amounts unexpended as of June 30, 2024 for the following projects: CATEE project (\$2,666,866); Parking lot paving project (\$118,760); Air handling units for Iron Horse Cafe building (\$98,947); and Parking lot re-sealing project (\$45,500). All of these projects are expected to be completed and put into service during the fiscal year ended June 30, 2025 other than the CATEE project which is expected to be completed during the fiscal year ended June 30, 2027.

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

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

During the year ended June 30, 2024, the College entered into a \$9.872 million agreement with the Michigan Economic Development Corporation. This agreement will provide funding for facility additions and renovations as part of the College's Career and Technical Education Enhancement (CATEE) project. The goal is to expand manufacturing and skilled trades training for students. An additional \$2 million of federal funding for the CATEE project was applied for and received during the year ended June 30, 2024.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

6. LONG-TERM OBLIGATIONS

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

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Bonds payable					
Series 2017	\$ 2,710,000	\$ -	\$ (365,000)	\$ 2,345,000	\$ 370,000
Series 2024	-	6,010,000	-	6,010,000	-
Total bonds payable	2,710,000	6,010,000	(365,000)	8,355,000	370,000
Deferred amounts					
Unamortized bond premium	-	489,561	-	489,561	-
Other long-term obligations					
Accrued employee benefits payable	171,996	23,477	-	195,473	10,000
Total long-term obligations	\$ 2,881,996	\$ 6,523,038	\$ (365,000)	\$ 9,040,034	\$ 380,000

Long-term obligation activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion
Bonds payable					
Series 2017	\$ 3,065,000	\$ -	\$ (355,000)	\$ 2,710,000	\$ 365,000
Other long-term obligations					
Accrued employee benefits payable	180,326	-	(8,330)	171,996	10,000
Total long-term obligations	\$ 3,245,326	\$ -	\$ (363,330)	\$ 2,881,996	\$ 375,000

College Building and Site and Refunding Bonds, Series 2017

At June 30, 2024, general obligation bonds totaling \$2,345,000 were outstanding with an interest rate of 2.198 percent. Principal payments are due annually in May with payments for the upcoming year of \$370,000. Interest payments are due semiannually in May and November over the remaining life of the bonds with amounts ranging from approximately \$30,000 to \$4,500. These bonds are insured and mature in 2030.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

College Building and Site Bonds, Series 2024

At June 30, 2024, general obligation bonds totaling \$6,010,000 were outstanding with an interest rate of 5.000 percent. Principal payments are due annually in May beginning in fiscal year 2026. Interest payments are due semiannually in May and November over the remaining life of the bonds with amounts ranging from approximately \$150,000 to \$13,000. These bonds are insured and mature in 2044.

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

Year Ending June 30,	Debt Obligations		
	Principal	Interest	Total
2025	\$ 370,000	\$ 311,142	\$ 681,142
2026	480,000	343,911	823,911
2027	490,000	330,558	820,558
2028	505,000	316,846	821,846
2029	515,000	302,664	817,664
2030-2034	1,740,000	1,294,262	3,034,262
2035-2039	1,870,000	885,500	2,755,500
2040-2044	2,385,000	369,500	2,754,500
Totals	\$ 8,355,000	\$ 4,154,382	\$ 12,509,382

7. NET POSITION CLASSIFICATIONS

Net Investment in Capital Assets

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

	2024	2023
Capital assets, not being depreciated/amortized	\$ 1,603,889	\$ 2,049,057
Capital assets, being depreciated/amortized	32,696,076	31,947,386
Deferred charge on refunding	75,203	89,337
Subscription-based IT arrangement liabilities - current	(174,781)	(230,555)
Subscription-based IT arrangement liabilities - noncurrent	(115,290)	(299,751)
Accounts payable related to the acquisition of capital assets	(498,446)	(497,819)
Long-term obligations - current	(370,000)	(365,000)
Long-term obligations - noncurrent	(8,474,561)	(2,345,000)
Total net investment in capital assets	\$ 24,742,090	\$ 30,347,655

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Restricted Net Position

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

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

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

Unrestricted Net Position

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

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

	2024	2023
College designated for specific purpose:		
Future capital outlay and major maintenance	\$ 1,633,420	\$ 3,095,032
Auxiliary activities	231,401	185,571
Equipment purchases, sabbaticals and other programs	<u>3,788,377</u>	<u>4,658,757</u>
	<u>5,653,198</u>	<u>7,939,360</u>
Pension and OPEB liability fund deficit	(11,161,502)	(12,767,107)
Undesignated, College	2,251,374	1,997,080
Undesignated, Foundation	<u>3,389,531</u>	<u>3,121,228</u>
	<u>(5,520,597)</u>	<u>(7,648,799)</u>
Total unrestricted net position	<u>\$ 132,601</u>	<u>\$ 290,561</u>

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

8. RETIREMENT PLANS

Defined Benefit Plan

Plan Description

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

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

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

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

Pension Benefits Provided

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

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

Other Postemployment Benefits Provided

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

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2024, which excludes supplemental MPERS UAAL employer stabilization contributions that are passed through the College to MPERS based on rates ranging from 16.65% - 16.89% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	20.16% - 23.03%
Member Investment Plan (MIP)	3.00% - 7.00%	20.16% - 23.03%
Pension Plus	3.00% - 6.40%	17.24% - 19.17%
Pension Plus 2	6.20%	19.95% - 20.10%
Defined Contribution	0.00%	13.75% - 13.90%

Required contributions to the pension plan from the College were \$1,547,615, \$1,588,759 and \$1,105,100 for the years ended June 30, 2024, 2023 and 2022, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2024:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	8.07% - 8.31%
Personal Healthcare Fund (PHF)	0.00%	7.06% - 7.21%

Required contributions to the OPEB plan from the College were \$366,466, \$311,832 and \$267,936 for the years ended June 30, 2024, 2023 and 2022, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2024:

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

For the years ended June 30, 2024, 2023 and 2022, required and actual contributions from the College for those members with a defined contribution benefit were \$59,285, \$37,454 and \$28,093, respectively.

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

At June 30, 2024 and 2023, the College reported a liability of \$11,130,085 and \$12,489,476, respectively, for its proportionate share of the MPSERS 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 rolled forward from September 30, 2022 and 2021. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the College's proportion was 0.03439%, which was an increase of 0.00118% points from its proportion measured as of September 30, 2022 of 0.03321%.

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025. The amount reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	\$ (118,551)
2026	2,825
2027	496,649
2028	<u>(126,846)</u>
Total	<u>\$ 254,077</u>

For the year ended June 30, 2023, the College recognized pension expense of \$639,180. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 124,938	\$ 27,925	\$ 97,013
Changes in assumptions	2,146,139	-	2,146,139
Net difference between projected and actual earnings on pension plan investments	29,288	-	29,288
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,448	1,429,193	(1,427,745)
	<u>2,301,813</u>	<u>1,457,118</u>	<u>844,695</u>
College contributions subsequent to the measurement date	1,416,223	-	1,416,223
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	878,034	(878,034)
Total	<u>\$ 3,718,036</u>	<u>\$ 2,335,152</u>	<u>\$ 1,382,884</u>

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

OPEB (Assets) Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024 and 2023, the College reported an (asset) liability of \$(206,234) and \$708,928, respectively, for its proportionate share of the MPSERS net OPEB (asset) liability. The net OPEB (asset) liability was measured as of September 30, 2023 and 2022, and the total OPEB (asset) liability used to calculate the net OPEB (asset) liability was determined by actuarial valuations rolled forward from September 30, 2022 and 2021. The College's proportion of the net OPEB (asset) liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the College's proportion was 0.03646%, which was an increase of 0.00299% points from its proportion measured as of September 30, 2022 of 0.03347%.

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

The amount reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2025	\$ (476,278)
2026	(409,704)
2027	(151,781)
2028	(120,472)
2029	(83,339)
Thereafter	<u>(42,057)</u>
Total	<u>\$ (1,283,631)</u>

For the year ended June 30, 2023, the College recognized an OPEB benefit of \$511,788. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,388,518	\$ (1,388,518)
Changes in assumptions	631,890	51,452	580,438
Net difference between projected and actual earnings on OPEB plan investments	55,408	-	55,408
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,160	438,920	(434,760)
	<u>691,458</u>	<u>1,878,890</u>	<u>(1,187,432)</u>
College contributions subsequent to the measurement date	235,845	-	235,845
Total	<u>\$ 927,303</u>	<u>\$ 1,878,890</u>	<u>\$ (951,587)</u>

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Actuarial Assumptions

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

The total pension and OPEB (assets) liabilities in the September 30, 2022 and 2021 actuarial valuations (for the fiscal years ended June 30, 2024 and 2023) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.50% Year 1 graded to 3.5% Year 15 (7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 in 2021) Post-65: 6.25% Year 1 graded to 3.5% Year 15 (5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120 in 2021)
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010. (In 2021, RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.)
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

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

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2018 valuation. The total pension and OPEB liabilities as of September 30, 2022, are based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.3922 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2250 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

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

Changes in assumptions - September 30, 2021 Valuation. The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, 6.00% for the Pension Plus Plan, and 6.00% for OPEB.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Long-Term Expected Return on Pension and OPEB Plan Assets

The long-term expected rate of return on pension and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension/OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension and OPEB plan's target asset allocation as of September 30, 2023 and 2022, are summarized in the following tables:

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

2022			
	Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
	Domestic equity pools	25.00%	4.77%
	Private equity pools	16.00%	8.13%
	International equity pools	15.00%	6.26%
	Fixed income pools	13.00%	-0.19%
	Real estate and infrastructure pools	10.00%	4.95%
	Absolute return pools	9.00%	2.52%
	Real return/opportunistic pools	10.00%	5.42%
	Short-term investment pools	2.00%	-0.47%
		<u>100.00%</u>	
			4.67%
	Inflation		2.20%
	Risk adjustment		<u>-0.87%</u>
	Investment rate of return		<u>6.00%</u>

Rate of Return

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 8.29% and 7.94%, respectively. For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was -4.18% and -4.99%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

For the fiscal years ended September 30, 2023 and 2022, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB (assets) liabilities.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

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

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

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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College's proportionate share of the net pension liability	\$ 15,036,712	\$ 11,130,085	\$ 7,877,677
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The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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College's proportionate share of the net pension liability	\$ 16,481,468	\$ 12,489,476	\$ 9,199,894
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Sensitivity of the College's Proportionate Share of the Net OPEB (Asset) Liability to Changes in the Discount Rate

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

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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College's proportionate share of the net OPEB liability (asset)	\$ 213,803	\$ (206,234)	\$ (567,214)
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The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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College's proportionate share of the net OPEB liability	\$ 1,189,159	\$ 708,928	\$ 304,514
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NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

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

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

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

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$ 296,865	\$ 708,928	\$ 1,171,477

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2024, the College reported a payable of \$124,286 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024. At June 30, 2023, the College reported a payable of \$98,658 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2024 and 2023, the College did not have any outstanding amounts related to its OPEB contributions to the Plan required for the years ended June 30, 2024 and 2023.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

Defined Contribution Plan

Effective January 1, 2000, existing professional MPSERS members and new professional employees of the College may elect to participate in an Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association (TIAA). As of June 30, 2024 and 2023, the plan had 49 members. Under ORP, the College contributes 11.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were \$521,971 and \$532,184 for the years ended June 30, 2024 and 2023, respectively. Total contributions by employees were \$189,808 and \$192,591 for the years ended June 30, 2024 and 2023, respectively.

9. RISK MANAGEMENT

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

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

10. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

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

Asset Type	Remaining Term of Agreements
Subscription assets	1 to 2 years

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

	2024	2023
Subscription assets	\$ 958,255	\$ 1,009,665
Less accumulated amortization	(549,662)	(351,446)
Net book value	\$ 408,593	\$ 658,219

The net present value of future minimum payments as of June 30, 2023, were as follows:

Year Ended June 30,	Principal	Interest
2024	174,781	9,710
2025	115,290	4,374
Total	\$ 290,071	\$ 14,084

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

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

Subscription liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Subscription liability	\$ 586,588	\$ 167,949	\$ (224,231)	\$ 530,306	\$ 230,555

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Financial Statements

11. COMMITMENTS AND CONTINGENCIES

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

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

12. RISKS AND ECONOMIC UNCERTAINTIES

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. In response to the pandemic, the College was allocated funding from the Higher Education Emergency Relief Fund (HEERF) in the amount of \$6,543,945 for student emergency grants and institutional funding through three federal stimulus packages passed in March 2020, December 2020 and March 2021. During 2023, the College incurred \$820,884 in institutional HEERF and closed out the HEERF grant.

13. RELATED PARTY TRANSACTIONS

Pledge receivables include amounts from a board member and a Company owned by the spouse of a board member totaling approximately \$100,000 and \$205,000 during the years ended June 30, 2024 and 2023, respectively.

Aside from the transaction described above and herein with the Foundation, the College has entered into no related party transactions during fiscal years 2024 and 2023.



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

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the College's Proportionate Share of the Net Pension Liability

	Year Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 11,130,085	\$ 12,489,476	\$ 8,479,029	\$ 13,154,594	\$ 13,765,010	\$ 13,740,626	\$ 12,740,104	\$ 12,855,123	\$ 12,487,412	\$ 11,006,813
College's proportion of the net pension liability	0.03439%	0.03321%	0.03581%	0.03829%	0.04157%	0.04571%	0.04916%	0.05153%	0.05113%	0.04997%
College's covered payroll	\$ 3,640,976	\$ 3,251,418	\$ 3,053,831	\$ 3,214,254	\$ 3,451,326	\$ 3,673,644	\$ 4,051,511	\$ 4,254,349	\$ 4,720,050	\$ 4,317,801
College's proportionate share of the net pension liability as a percentage of its covered payroll	305.69%	384.12%	277.65%	409.26%	398.83%	374.03%	314.45%	302.16%	264.56%	254.92%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

NORTH CENTRAL MICHIGAN COLLEGE

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

	Year Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,547,615	\$ 1,588,759	\$ 1,105,100	\$ 1,074,899	\$ 1,058,148	\$ 1,092,564	\$ 1,289,708	\$ 1,155,318	\$ 1,152,041	\$ 956,347
Contributions in relation to the statutorily required contribution	(1,547,615)	(1,588,759)	(1,105,100)	(1,074,899)	(1,058,148)	(1,092,564)	(1,289,708)	(1,155,318)	(1,152,041)	(956,347)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 4,245,837	\$ 3,582,993	\$ 3,303,768	\$ 3,108,016	\$ 3,344,640	\$ 3,533,055	\$ 3,870,695	\$ 4,096,466	\$ 4,054,090	\$ 4,840,737
Contributions as a percentage of covered payroll	36.45%	44.34%	33.45%	34.58%	31.64%	30.92%	33.32%	28.20%	28.42%	19.76%

See notes to required supplementary information.

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

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

See notes to required supplementary information.

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan
 Schedule of the College's Other Postemployment Benefit Contributions

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

See notes to required supplementary information.

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Required Supplementary Information

Pension Information

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

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

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

OPEB Information

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

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

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

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

NORTH CENTRAL MICHIGAN COLLEGE

Notes to Required Supplementary Information

- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%. The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased to 7.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATION

NORTH CENTRAL MICHIGAN COLLEGE

Combining Statement of Net Position
 June 30, 2024 (Unaudited)
 (with comparative totals for 2024)

	General Fund	Pension and OPEB Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund	Plant Fund	Agency Fund	College Total June 30, 2024	Foundation	Combined Total June 30, 2024	Combined Total June 30, 2023
Assets											
Current assets											
Cash and cash equivalents	\$ 2,562,263	\$ -	\$ 54,184	\$ 225,376	\$ -	\$ 1,416,222	\$ 140,216	\$ 4,398,261	\$ 532,601	\$ 4,930,862	\$ 4,653,601
Restricted short-term investments	-	-	-	-	-	1,000,000	-	1,000,000	-	1,000,000	-
Receivables, net	1,220,815	-	-	27,455	408,520	18,700	-	1,675,490	-	1,675,490	1,255,215
Pledges receivable	-	-	-	-	-	-	-	-	364,100	364,100	33,000
Inventories	-	-	-	12,758	-	-	-	12,758	-	12,758	16,669
Prepays and other current assets	410,178	-	-	-	-	-	-	410,178	-	410,178	405,982
Due from (to) other funds	(125,621)	-	(77,815)	(18,433)	526,287	(299,818)	(4,435)	165	(165)	-	-
Total current assets	4,067,635	-	(23,631)	247,156	934,807	2,135,104	135,781	7,496,852	896,536	8,393,388	6,364,467
Noncurrent assets											
Restricted cash	-	-	-	-	5,897,199	9,341,001	-	15,238,200	-	15,238,200	5,514,887
Investments	-	-	4,030,069	-	-	-	-	4,030,069	11,718,567	15,748,636	16,677,519
Pledges receivable, net of current portion	-	-	-	-	-	-	-	-	428,689	428,689	1,123,661
Net OPEB asset	-	206,234	-	-	-	-	-	206,234	-	206,234	-
Capital assets not being depreciated/amortized	-	-	-	-	-	1,603,889	-	1,603,889	-	1,603,889	2,049,057
Capital assets being depreciated/amortized, net	-	-	-	-	-	32,696,076	-	32,696,076	-	32,696,076	31,947,386
Total noncurrent assets	-	206,234	4,030,069	-	5,897,199	43,640,966	-	53,774,468	12,147,256	65,921,724	57,312,510
Total assets	4,067,635	206,234	4,006,438	247,156	6,832,006	45,776,070	135,781	61,271,320	13,043,792	74,315,112	63,676,977
Deferred outflows of resources											
Deferred charge on refunding	-	-	-	-	-	75,203	-	75,203	-	75,203	89,337
Deferred pension amounts	-	3,528,438	-	-	-	-	-	3,528,438	-	3,528,438	3,718,036
Deferred OPEB amounts	-	868,008	-	-	-	-	-	868,008	-	868,008	927,303
Total deferred outflows of resources	-	4,396,446	-	-	-	75,203	-	4,471,649	-	4,471,649	4,734,676
Liabilities											
Current liabilities											
Accounts payable	1,017,542	-	-	7,601	14,331	130	-	1,039,604	5,095	1,044,699	929,579
Accrued payroll and related liabilities	501,978	-	-	-	15,330	-	-	517,308	-	517,308	561,244
Unearned tuition revenue	296,741	-	22,588	8,154	-	-	-	327,483	-	327,483	248,831
Unearned grant revenue	-	-	-	-	5,899,402	-	-	5,899,402	-	5,899,402	832,195
Due to depositors	-	-	-	-	-	-	135,781	135,781	-	135,781	122,615
Interest payable	-	-	-	-	-	17,567	-	17,567	-	17,567	9,928
Current portion of subscription-based IT arrangement liabilities	-	-	-	-	-	174,781	-	174,781	-	174,781	230,555
Current portion of long-term obligations	-	-	10,000	-	-	370,000	-	380,000	-	380,000	375,000
Total current liabilities	1,816,261	-	32,588	15,755	5,929,063	562,478	135,781	8,491,926	5,095	8,497,021	3,309,947
Noncurrent liabilities											
Net pension liability	-	11,130,085	-	-	-	-	-	11,130,085	-	11,130,085	12,489,476
Net OPEB liability	-	-	-	-	-	-	-	-	-	-	708,928
Subscription-based IT arrangement liabilities, net of current portion	-	-	-	-	-	115,290	-	115,290	-	115,290	299,751
Long-term obligations, net of current portion	-	-	185,473	-	-	8,474,561	-	8,660,034	-	8,660,034	2,506,996
Total noncurrent liabilities	-	11,130,085	185,473	-	-	8,589,851	-	19,905,409	-	19,905,409	16,005,151
Total liabilities	1,816,261	11,130,085	218,061	15,755	5,929,063	9,152,329	135,781	28,397,335	5,095	28,402,430	19,315,098
Deferred inflows of resources											
Deferred pension amounts	-	2,571,124	-	-	-	-	-	2,571,124	-	2,571,124	2,335,152
Deferred OPEB amounts	-	1,856,739	-	-	-	-	-	1,856,739	-	1,856,739	1,878,890
Total deferred inflows of resources	-	4,427,863	-	-	-	-	-	4,427,863	-	4,427,863	4,214,042
Net position (deficit)											
Net investment in capital assets	-	-	-	-	-	24,742,090	-	24,742,090	-	24,742,090	30,347,655
Restricted for:											
Nonexpendable endowments	-	-	-	-	-	-	-	-	6,181,117	6,181,117	5,628,218
Expendable OPEB	-	206,234	-	-	-	-	-	206,234	-	206,234	-
Expendable scholarships and grants	-	-	-	-	902,943	-	-	902,943	3,468,049	4,370,992	4,266,948
Expendable construction and debt service	-	-	-	-	-	10,323,434	-	10,323,434	-	10,323,434	4,349,131
Unrestricted (deficit)	2,251,374	(11,161,502)	3,788,377	231,401	-	1,633,420	-	(3,256,930)	3,389,531	132,601	290,561
Total net position (deficit)	\$ 2,251,374	\$ (10,955,268)	\$ 3,788,377	\$ 231,401	\$ 902,943	\$ 36,698,944	\$ -	\$ 32,917,771	\$ 13,038,697	\$ 45,956,468	\$ 44,882,513

NORTH CENTRAL MICHIGAN COLLEGE

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

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

	General Fund	Pension and OPEB Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund	Plant Fund	College Total June 30, 2024	Foundation	Eliminations	Combined Total June 30, 2024	Combined Total June 30, 2023
Operating revenues											
Tuition and fees, net of scholarship allowance of \$3,041,610	\$ 5,763,386	\$ -	\$ 788,992	\$ -	\$ -	\$ -	\$ 6,552,378	\$ -	\$ (3,041,610)	\$ 3,510,768	\$ 3,479,576
Federal grants and contracts	-	-	-	-	958,383	-	958,383	-	-	958,383	1,105,515
State and local grants and contracts	-	-	-	-	216,715	-	216,715	-	-	216,715	107,744
Nongovernmental grants	-	-	-	-	580,670	-	580,670	-	(340,070)	240,600	216,986
Auxiliary activities	2,680	-	-	1,336,905	-	-	1,339,585	-	(125,738)	1,213,847	1,156,577
Other operating revenues	1,102,871	-	426,202	-	183,513	8,795	1,721,381	-	(518,620)	1,202,761	1,096,687
Total operating revenues	6,868,937	-	1,215,194	1,336,905	1,939,281	8,795	11,369,112	-	(4,026,038)	7,343,074	7,163,085
Operating expenses											
Instruction	6,851,677	(974,712)	9,944	-	87,685	-	5,974,594	-	(58,092)	5,916,502	6,379,916
Public service	234,493	(373,564)	-	256,485	251,856	-	369,270	-	(800)	368,470	394,982
Instructional support	2,382,144	(184,162)	135,757	-	239,715	-	2,573,454	-	(15,436)	2,558,018	2,093,553
Student services	3,547,327	(33,688)	25,718	954,590	3,360,142	-	7,854,089	-	(3,118,431)	4,735,658	4,519,726
Institutional administration	2,790,668	(409,499)	135,634	-	25,201	-	2,542,004	1,485,869	(851,611)	3,176,262	2,500,074
Operations and maintenance of plant	1,974,587	(368,573)	50,578	-	64,122	148,832	1,869,546	-	(81,668)	1,787,878	1,816,031
Information technology	914,334	(151,223)	1,054,514	-	-	-	1,817,625	-	-	1,817,625	1,628,511
Depreciation and amortization	-	-	-	-	-	2,441,690	2,441,690	-	-	2,441,690	2,327,860
Total operating expenses	18,695,230	(2,495,421)	1,412,145	1,211,075	4,028,721	2,590,522	25,442,272	1,485,869	(4,126,038)	22,802,103	21,660,653
Operating (loss) income	(11,826,293)	2,495,421	(196,951)	125,830	(2,089,440)	(2,581,727)	(14,073,160)	(1,485,869)	100,000	(15,459,029)	(14,497,568)
Nonoperating revenues (expenses)											
State appropriations	4,977,676	(683,582)	-	-	-	-	4,294,094	-	-	4,294,094	3,968,089
Property tax levy	7,439,309	-	-	-	-	-	7,439,309	-	-	7,439,309	6,883,114
Higher Education Emergency Relief Fund grants	-	-	-	-	-	-	-	-	-	-	820,884
Federal Pell grants	-	-	-	-	2,266,463	-	2,266,463	-	-	2,266,463	1,816,508
Investment income, net	79	-	211,875	-	-	62,249	274,203	1,201,561	-	1,475,764	418,662
Net loss on disposal of capital assets	-	-	-	-	-	(231,052)	(231,052)	-	-	(231,052)	-
Interest on capital asset-related debt	-	-	-	-	-	(98,270)	(98,270)	-	-	(98,270)	(101,693)
Bond issuance costs	-	-	-	-	-	(87,385)	(87,385)	-	-	(87,385)	-
Contributions	-	-	-	-	-	-	-	820,122	-	820,122	1,179,431
Net nonoperating revenues (expenses)	12,417,064	(683,582)	211,875	-	2,266,463	(354,458)	13,857,362	2,021,683	-	15,879,045	14,984,995
Other revenues											
State capital grants	-	-	-	-	-	100,000	100,000	-	(100,000)	-	-
Capital State appropriation	-	-	-	-	470,700	-	470,700	-	-	470,700	-
Contributions to permanent endowments	-	-	-	-	-	-	-	183,239	-	183,239	428,742
Total other revenues	-	-	-	-	470,700	100,000	570,700	183,239	(100,000)	653,939	428,742
Increase (decrease) in net position before transfers	590,771	1,811,839	14,924	125,830	647,723	(2,836,185)	354,902	719,053	-	1,073,955	916,169
Transfers (out) in	(336,477)	-	(885,304)	(80,000)	(193,509)	1,743,311	248,021	(248,021)	-	-	-
Increase (decrease) in net position	254,294	1,811,839	(870,380)	45,830	454,214	(1,092,874)	602,923	471,032	-	1,073,955	916,169
Net position (deficit), beginning of year	1,997,080	(12,767,107)	4,658,757	185,571	448,729	37,791,818	32,314,848	12,567,665	-	44,882,513	43,966,344
Net position (deficit), end of year	\$ 2,251,374	\$ (10,955,268)	\$ 3,788,377	\$ 231,401	\$ 902,943	\$ 36,698,944	\$ 32,917,771	\$ 13,038,697	\$ -	\$ 45,956,468	\$ 44,882,513