North Central Michigan College

Years Ended June 30, 2026 and 2025

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

Rehmann

INDEPENDENT AUDITORS' REPORT

October 22, 2026

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, 2026 and 2025, 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, 2026 and 2025, and the changes in financial position and cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Implementation of GASB Statement No. 103

As described in Note 1, during the year ended June 30, 2026, the College implemented the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements,* effective July 1, 2024. Our opinion is not modified with respect to this matter.

HLB We are an independent member of THE GLOBAL ADVISORY AND ACCOUNTING NETWORK

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 22, 2026 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.



MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTH CENTRAL MICHIGAN COLLEGE

Management's Discussion and Analysis

The discussion and analysis of ***North Central Michigan College's*** (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2026, 2025 and 2024. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management. This section is intended to assist readers in understanding the College's financial performance and condition and should be read in conjunction with the accompanying financial statements and notes.

If you have questions about this report or require further information, contact the Business Office, North Central Michigan College, 1515 Howard Street, Petoskey, Michigan 49770.

Overview of the Financial Statements

The College issues basic financial statements for a special-purpose government engaged only in business-type activities. The basic statements comprise the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, along with notes that are an integral part of the statements. These statements present the financial position, operating results, and cash flow activities of the College's business-type activities.

The financial statements of the College are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and follow the financial reporting model established by the Governmental Accounting Standards Board ("GASB") Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities,* and Statement No. 103, *Financial Reporting Model Improvements.*

Financial Summary

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

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

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

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

Management's Discussion and Analysis

Statements of Net Position

The College's statements of net position at June 30, 2026, 2025, and 2024 are summarized as follows:

	2026	2025	2024
Current and other assets	$ 45,312,335	$ 46,521,867	$ 40,015,147
Capital assets, net of depreciation and amortization	46,548,350	35,404,474	34,299,965
Total assets	**91,860,685**	**81,926,341**	**74,315,112**
Deferred outflows of resources	**5,105,841**	**4,938,173**	**4,471,649**
Other liabilities	4,078,034	6,388,086	7,942,240
Long-term liabilities	19,246,316	18,750,093	20,460,190
Total liabilities	**23,324,350**	**25,138,179**	**28,402,430**
Deferred inflows of resources	**5,612,974**	**6,040,195**	**4,427,863**
Net position:			
Net investment in capital assets	41,325,543	32,129,095	24,742,090
Restricted-nonexpendable	11,529,006	8,225,867	6,181,117
Restricted-expendable	13,694,744	14,350,471	14,900,660
Unrestricted	1,479,909	980,707	132,601
Total net position	**$ 68,029,202**	**$ 55,686,140**	**$ 45,956,468**

Statements of Revenue, Expenses, and Changes in Net Position

The College's major components of operating results for the years ended June 30, 2026, 2025 and 2024 are summarized as follows:

	2026	2025	2024
Operating revenues			
Tuition and fees, net	$ 5,188,216	$ 4,571,640	$ 3,510,768
Grants and contracts	4,497,576	4,545,752	3,682,161
Auxiliary activities, net	1,656,540	1,396,047	1,213,847
Other	883,519	1,130,316	1,202,761
Total operating revenue	**12,225,851**	**11,643,755**	**9,609,537**

Management's Discussion and Analysis

	2026	2025	2024
Operating expenses			
Instruction	$ 7,019,408	$ 6,523,618	$ 5,916,502
Public service	1,165,877	1,119,188	368,470
Instructional support	2,921,062	2,436,516	2,558,018
Student services	6,514,880	5,806,853	4,735,658
Institutional administration	3,336,404	3,537,673	3,176,262
Operation and maintenance of plant	2,622,184	2,534,498	1,787,878
Information technology	2,158,588	1,812,960	1,817,625
Depreciation and amortization	2,457,634	2,471,995	2,441,690
Total operating expenses	**28,196,037**	**26,243,301**	**22,802,103**
Operating loss	**(15,970,186)**	**(14,599,546)**	**(13,192,566)**
Noncapital subsidies			
State appropriations	4,646,961	4,786,221	4,294,094
Property tax levy	8,577,581	7,999,008	7,439,309
Contributions	987,836	2,605,676	820,122
Total noncapital subsidies	**14,212,378**	**15,390,905**	**12,553,525**
Operating loss and noncapital subsidies	**(1,757,808)**	**791,359**	**(639,041)**
Other nonoperating revenues (expenses)			
Investment income, net	2,970,812	1,956,213	1,475,764
Capital grants and gifts	11,204,061	7,492,049	-
Contributions to permanent endowments	228,793	597,151	183,239
Net loss on disposal of capital assets	(15,456)	(402,550)	(231,052)
Interest on capital asset-related debt	(287,340)	(189,907)	(98,270)
Bond issuance costs	-	-	(87,385)
Capital State appropriations	-	-	470,700
Net other nonoperating revenues	**14,100,870**	**9,452,956**	**1,712,996**
Change in net position	**12,343,062**	**10,244,315**	**1,073,955**
Net position, beginning of year, as previously reported	55,686,140	45,956,468	44,882,513
GASB 101 restatement	-	(514,643)	-
Net position, beginning of year, as restated	55,686,140	45,441,825	44,882,513
Net position, end of year	**$ 68,029,202**	**$ 55,686,140**	**$ 45,956,468**

Management's Discussion and Analysis

Statements of Cash Flows

The following is a summary of the sources and uses of cash for the years ended June 30, 2026, 2025 and 2024:

	2026	2025	2024
Net change in cash and cash equivalents from:			
Operating activities	$ (21,072,975)	$ (18,639,327)	$ (9,965,566)
Noncapital financing activities	17,298,963	13,951,702	15,299,486
Capital and related financing activities	(1,412,376)	2,764,692	3,262,007
Investing activities	354,061	2,570,457	1,404,647
Net change in cash, cash equivalents, and restricted cash	**(4,832,327)**	**647,524**	**10,000,574**
Cash, cash equivalents, and restricted cash, beginning of year	20,816,586	20,169,062	10,168,488
Cash, cash equivalents, and restricted cash, end of year	**$ 15,984,259**	**$ 20,816,586**	**$ 20,169,062**

Detailed Analyses

Financial Position

2025-2026 Analysis

The College's financial position remained strong at June 30, 2026, with assets of $91.9 million and liabilities of $23.3 million. Total assets increased by $9.9 million, mainly because of the College's investment in new buildings and equipment, which will be summarized in the Significant Capital Asset and Long-term Financing Activity section of the management's discussion and analysis. Of the liabilities, $5.0 million are due within one year and $18.3 million are due beyond one year. Of the amount due beyond one year, $9.0 million relates to the net pension liability. This substantial liability is recorded because the GASB requires the College to record its proportionate share of the unfunded Michigan Public School Employees' Retirement System ("MPSERS") obligation/liability for employees. The change in unearned grant revenue liabilities primarily relates to the Michigan Economic Development Corporation grant for the purpose of funding the Career and Technical Education Enhancement ("CATEE") project. Approximately $2.8 million that was recorded as unearned revenue in 2025 was recognized as revenue during 2026 and therefore decreasing the liability.

2024-2025 Analysis

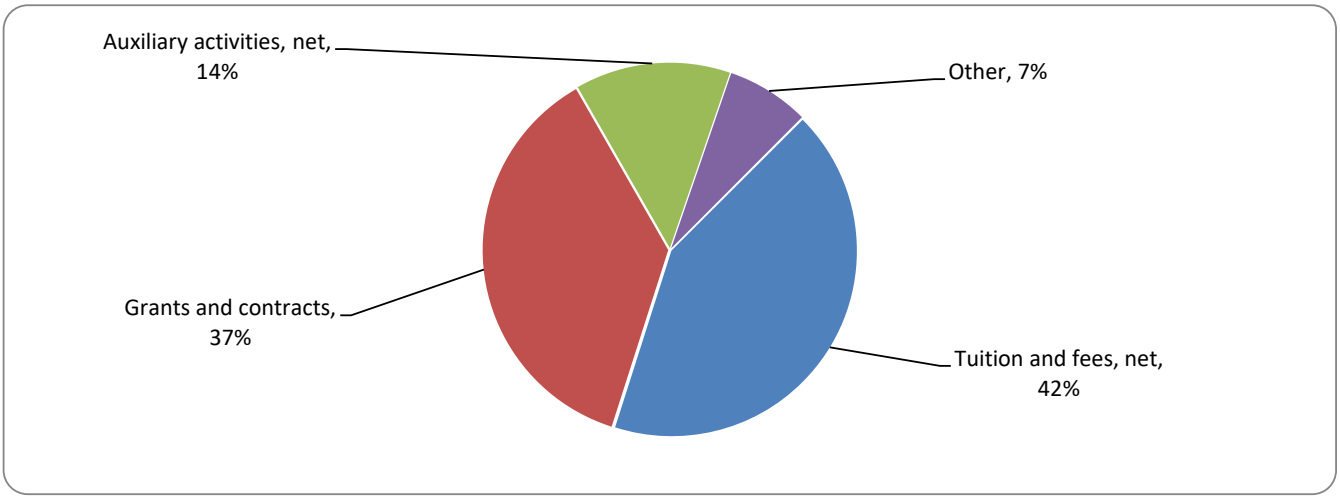
The College's financial position remained strong at June 30, 2025, with assets of $81.9 million and liabilities of $25.1 million. Of the liabilities, $7.3 million are due within one year and $17.8 million are due beyond one year. Of the amount due beyond one year, $9.5 million relates to the net pension liability. This substantial liability is recorded because the GASB requires the College to record its share of the unfunded MPSERS obligation/liability for employees. The change in liabilities primarily relates to the Michigan Economic Development Corporation grant for the purpose of funding the CATEE project. Approximately $1.5 million that was recorded as unearned revenue in 2024 was recognized as revenue during 2025 and therefore decreasing the liability.

Management's Discussion and Analysis

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the commissions from the sales of books and supplies, rental revenue of the residence halls and revenue from the cafeteria and conference center. In addition, 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 2026:



Operating revenue changes for fiscal year 2026 compared to the prior fiscal year were the result of the following factors:

- Net tuition and fees totaled $5,188,216, resulting in a $616,576 increase in revenues. The increase results from increases in tuition rates and a slight decrease in scholarship allowances. Contact hours were consistent as compared to the prior fiscal year.
- Grants and contracts consist mainly of Federal (including Federal Pell grant aid for students), State, local and nongovernmental grants. These totaled $4,497,576, and were consistent as compared to the prior fiscal year.

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

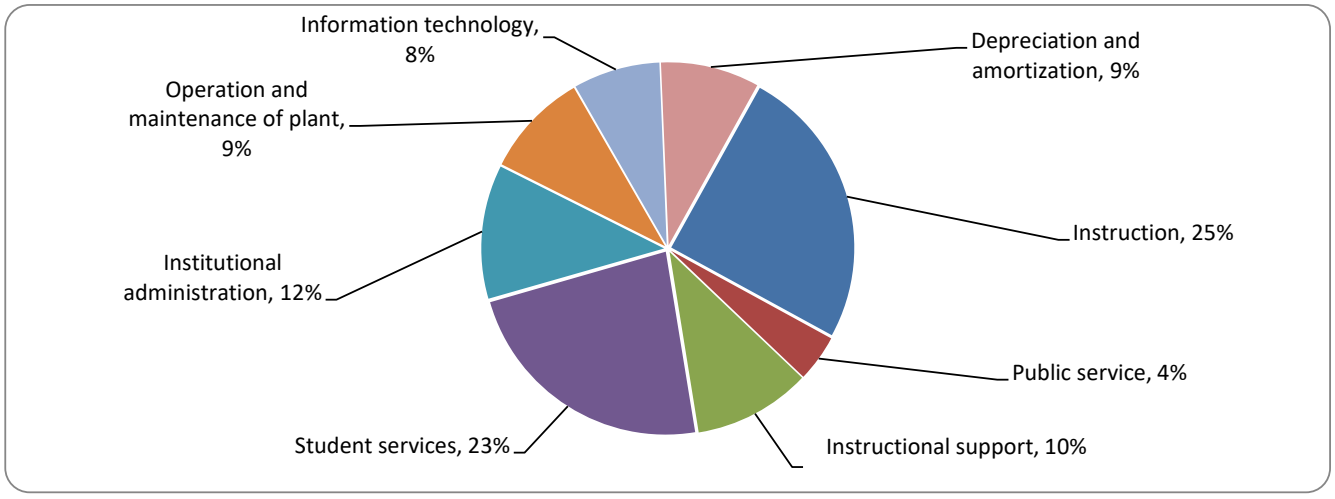
- Net tuition and fees totaled $4,571,640, resulting in a $1,060,872 increase in revenues. The increase results from increases in tuition rates and contact hours enrolled in, and a decrease in scholarship allowances. Beginning with the 2025 fiscal year, the College implemented the National Association of College and University Business Officers ("NACUBO") Advisory Report 2023-01 for computing the scholarship allowance. This computation results in a $247,732 decrease in the scholarship allowance compared to the prior fiscal year.
- Federal Pell grants increased by $513,726 due primarily to student eligibility and increases in full-time student enrollment.
- Other operating revenues consist mainly of non-credit course offerings, including Fast Track programming and general corporate training activities coordinated by our Workforce and Continuing Education department. These revenues decreased by $72,445 compared to the prior fiscal year due to slight decreases in corporate training and use of State funded employer training programs.

Management's Discussion and Analysis

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, 2026:



Operating expense changes for fiscal year 2026 were the result of the following factors:

- Instruction increased by $495,790 compared to the prior fiscal year. This increase is the result of annual step and wage increases, benefits increases, and filling open positions.
- Student services, which includes financial aid for students, increased by $708,027 compared to the prior fiscal year. This is mainly because of continued increases in State of Michigan grant funding for areas such as emergency medical service (EMS) workforce support and mental health services, and in North Central Michigan College Foundation (the "Foundation") scholarships.

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

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

Management's Discussion and Analysis

Noncapital Subsidies and Other Nonoperating Revenues

The College receives substantial noncapital subsidies from state appropriations, property tax revenue, and contributions. The College also receives other nonoperating revenues from investment income (mainly generated by the Foundation), capital grants and gifts, and various other nonoperating revenue sources. Noncapital subsidies and other nonoperating revenues mitigate the normal operating losses as tuition and fees alone are not adequate to cover operating expenses. Noncapital subsidies and nonoperating revenues and expenses are therefore an integral component in determining the increase or decrease in net position.

Noncapital subsidies and other nonoperating revenue changes for fiscal year 2026 compared to the prior fiscal year were the result of the following factors:

- State appropriations decreased by $139,260. This was mainly because the prior fiscal year (as discussed below) included certain one-time amounts. State appropriations specifically for operations increased by approximately 2% from $3,868,800 in the prior fiscal year to $3,947,700 in the current fiscal year.
- Property tax levy revenue increased by $578,573 due primarily to continued increases in property tax values.
- Contributions received by the Foundation were $987,836 and were for various causes such as scholarships and athletics.
- Capital grants and gifts were $11,204,061 and relate to the ongoing CATEE project, the Federal ADN to BSN Nursing grant program, and the Dental Hygiene Clinic project. The funding sources for the CATEE project primarily include 1) a $9.872 million grant through the Michigan Economic Development Corporation in which $7,932,518 was recognized as revenue in the current fiscal year, and 2) a $2.0 million Federal grant received from the U.S. Department of Health and Human Services' Health Resources and Services Administration in which $1,436,872 was recognized as revenue in the current fiscal year.

Noncapital subsidies and other nonoperating revenue changes for fiscal year 2025 compared to the prior fiscal year were the result of the following factors:

- State appropriations increased by $492,127 due primarily to one-time amounts from the State. These one-time amounts totaled $353,754 and relate to the MPSERS Section 147a(4) cost offset for the reduced Unfunded Actuarial Accrued Liability ("UAAL") rate cap, and the Section 147g employee healthcare reimbursement. Also, the State appropriation for operations increased by approximately 6%, from $3,615,900 in the prior fiscal year to $3,868,800 in the current fiscal year.
- Property tax levy revenue increased by $559,699 due primarily to increases in property tax values.
- Contributions received by the Foundation were $2,605,676 and were for various causes such as scholarships and athletics.
- Capital grants and gifts were $11,204,061 and relate to the ongoing CATEE project, the Federal ADN to BSN Nursing grant program, and the Dental Hygiene Clinic project. The funding sources for the CATEE project primarily included a 1) $9.872 million grant through the Michigan Economic Development Corporation in which $7,932,518 was recognized as revenue in the current fiscal year and 2) a $2 million Federal grant received from the U.S. Department of Health and Human Services' Health Resources and Services Administration in which $1,436,872 was recognized as revenue in the current fiscal year.

Management's Discussion and Analysis

Overall Change in Net Position

Net position increased by $12.3 million in fiscal year 2026, following an increase of $10.2 million in fiscal year 2025. The increases in both years reflect strong nonoperating revenue streams, favorable pension and OPEB related adjustments, and effective financial management.

Significant Capital Asset and Long-term Financing Activity

Capital Assets

At June 30, 2026, the College had approximately $46.5 million invested in capital assets, net of accumulated depreciation of $33.1 million. Depreciation and amortization charges totaled approximately $2.5 million for the current fiscal year.

Construction in progress of $13,886,711 consists of expenses incurred prior to June 30, 2026 for the following projects: CATEE building and related equipment ($13,665,392); Dental Hygiene Clinic ($116,319); and cameras and card access ($105,000).

Besides the construction in progress, the College's capital asset activity for fiscal year 2026 included the capitalization of a building purchased to house the Dental Hygiene Clinic. This purchase was for approximately $2.5 million, which was financed by a $1.5 million land contract with the seller. Capital assets being depreciated or amortized therefore had a net increase mainly due to this building purchase. Depreciation expense remained consistent with the prior year, but is expected to increase in future years when the CATEE project and Dental Hygiene Clinic building are fully in service.

During fiscal year 2025, capital asset activity included nearly $3.5 million for the CATEE project construction in progress. Another major capital asset addition was the $534,868 campus exterior wayfinding signage project. Depreciation expense was consistent from 2024 to 2025.

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

Long-Term Financing Activity

The College had $7,505,000 in bond debt outstanding at June 30, 2026. Debt principal repayments of $480,000 were made on this debt during the 2026 fiscal year. Additionally, a land contract of approximately $1.5 million was executed in the current fiscal year. This was to finance a building that will house the Dental Hygiene Clinic. More detailed information about the College's long-term financing activity is presented in the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

The College is aware of the following items that will impact future finances:

Growth in the Local Property Tax Base

Property tax revenue increased by $0.6 million in fiscal year 2026, reflecting continued expansion within the College's tax district. Property tax revenues are a key component of the College's long-term financial stability, and future economic conditions in the region will directly influence this revenue source.

Management's Discussion and Analysis

Expected Budgetary Changes

The College's approved fiscal year 2027 budget reflects stable enrollment trends and continued growth in property tax revenues, supported by increases in taxable values within the district. In addition, the College has implemented cost containment measures and identified operational efficiencies. As a result, the College expects an increase in net position for the upcoming fiscal year. This increase will strengthen financial reserves and provide flexibility to address future capital needs and strategic initiatives. However, State appropriations are increasing at lower rates than in previous years, which will result in more modest increases going forward. Annual increases in technology-related costs, such as software licensing and multi-year subscription arrangements, will continue to create strain on the College's Designated Fund as well as the General Fund Operating Budget.

Fiscal Year 2027 Contractual Obligations

Salaries and benefits for fiscal year 2026-27 include a 3% salary and wage increase for all employee groups plus applicable step increases. New positions and salary dollars include a full-time welding instructor, a full-time nursing instructor which was funded with a grant the prior year, an additional Admission Outreach Recruiter position, partial salary dollars for two grant-funded positions, and an athletics coaching position moved from part-time to full-time by adding academic advising for athletes to the job duties. The College pays the State of Michigan hard cap for health benefits; the hard cap increased 3% for calendar year 2027.

Capital Outlay Planning Authorization

As part of Public Act 21 of 2026, the College received capital outlay planning authorization for the Skilled Trades Education Pathways Center project. The College has until September 30, 2028 to receive construction authorization for design development, bidding, and any construction-related activities.

BASIC FINANCIAL STATEMENTS

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Net Position

	June 30	
	2026	2025
Assets		
Current assets		
Cash and cash equivalents	$ 6,719,782	$ 6,598,709
Short-term investments	3,191,498	-
Receivables, net	1,720,632	1,609,506
Pledges receivable	1,512,232	998,390
Inventories	9,738	11,843
Prepaids and other current assets	888,108	471,170
Total current assets	**14,041,990**	**9,689,618**
Noncurrent assets		
Restricted cash and cash equivalents	9,264,477	14,217,877
Investments	18,741,241	19,242,442
Pledges receivable, net	799,435	1,523,483
Net OPEB asset	2,465,192	1,848,447
Capital assets not being depreciated/amortized	14,737,626	4,329,265
Capital assets being depreciated/amortized, net	31,810,724	31,075,209
Total noncurrent assets	**77,818,695**	**72,236,723**
Total assets	**91,860,685**	**81,926,341**
Deferred outflows of resources		
Deferred charge on refunding	46,935	61,069
Deferred pension amounts	4,183,245	3,891,336
Deferred OPEB amounts	875,661	985,768
Total deferred outflows of resources	**5,105,841**	**4,938,173**
Liabilities		
Current liabilities		
Accounts payable	1,301,556	921,380
Accrued payroll and related liabilities	625,208	566,820
Unearned tuition revenue	432,943	292,618
Unearned grant revenue	1,495,335	4,404,928
Due to depositors	167,899	145,022
Interest payable	55,093	57,318
Current portion of compensated absences	409,970	323,100
Current portion of subscription-based IT arrangement liabilities	-	114,951
Current portion of long-term obligations	533,083	504,478
Total current liabilities	**5,021,087**	**7,330,615**
Noncurrent liabilities		
Net pension liability	8,955,305	9,538,997
Compensated absences, net of current portion	357,994	298,484
Long-term obligations, net of current portion	8,934,006	7,970,083
Other noncurrent liabilities	55,958	-
Total noncurrent liabilities	**18,303,263**	**17,807,564**
Total liabilities	**23,324,350**	**25,138,179**
Deferred inflows of resources		
Deferred pension amounts	3,499,030	3,562,692
Deferred OPEB amounts	2,113,944	2,477,503
Total deferred inflows of resources	**5,612,974**	**6,040,195**
Net position		
Net investment in capital assets	41,325,543	32,129,095
Restricted for:		
Endowments, nonexpendable	11,529,006	8,225,867
OPEB asset	2,465,192	1,848,447
Scholarships and grants	8,151,327	8,533,301
Construction and debt service	3,078,225	3,968,723
Unrestricted	1,479,909	980,707
Total net position	**$ 68,029,202**	**$ 55,686,140**

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	
	2026	2025
Operating revenues		
Tuition and fees	$ 7,814,733	$ 7,365,518
Scholarship allowance	(2,626,517)	(2,793,878)
Net tuition and fees	5,188,216	4,571,640
Federal Pell grants	2,788,828	2,780,189
Other Federal grants and contracts	609,862	1,215,765
State and local grants and contracts	471,247	242,669
Nongovernmental grants	627,639	307,129
Auxiliary activities, net of scholarship allowance of $158,822 ($151,939 for 2025)	1,656,540	1,396,047
Other operating revenues	883,519	1,130,316
Total operating revenues	**12,225,851**	**11,643,755**
Operating expenses		
Instruction	7,019,408	6,523,618
Public service	1,165,877	1,119,188
Instructional support	2,921,062	2,436,516
Student services	6,514,880	5,806,853
Institutional administration	3,336,404	3,537,673
Operation and maintenance of plant	2,622,184	2,534,498
Information technology	2,158,588	1,812,960
Depreciation and amortization	2,457,634	2,471,995
Total operating expenses	**28,196,037**	**26,243,301**
Operating loss	**(15,970,186)**	**(14,599,546)**
Noncapital subsidies		
State appropriations	4,646,961	4,786,221
Property tax levy	8,577,581	7,999,008
Contributions	987,836	2,605,676
Total noncapital subsidies	**14,212,378**	**15,390,905**
Operating loss and noncapital subsidies	**(1,757,808)**	**791,359**
Other nonoperating revenues (expenses)		
Investment income, net	2,970,812	1,956,213
Capital grants and gifts	11,204,061	7,492,049
Contributions to permanent endowments	228,793	597,151
Net loss on disposal of capital assets	(15,456)	(402,550)
Interest on capital asset-related debt	(287,340)	(189,907)
Net other nonoperating revenues	**14,100,870**	**9,452,956**
Change in net position	**12,343,062**	**10,244,315**
Net position, beginning of year, as previously reported	55,686,140	45,956,468
GASB 101 restatement	-	(514,643)
Net position, beginning of year, as restated	55,686,140	45,441,825
Net position, end of year	**$ 68,029,202**	**$ 55,686,140**

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

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2026	**2025**
Cash flows from operating activities		
Tuition and fees	$ 5,023,517	$ 4,518,356
Grants and other contracts	(1,125,221)	265,755
Auxiliary enterprise receipts	1,658,902	1,359,705
Payments to employees	(12,299,078)	(12,166,843)
Payments to suppliers	(15,214,614)	(13,746,616)
Other receipts	883,519	1,130,316
Net change in cash from operating activities	**(21,072,975)**	**(18,639,327)**
Cash flows from noncapital financing activities		
State appropriations	4,579,265	4,806,812
Federal Pell grants	2,788,828	2,780,189
Local property taxes	8,577,581	7,999,008
Federal direct lending receipts	794,514	796,703
Federal direct lending disbursements	(794,514)	(796,703)
Contributions	1,124,496	(2,231,458)
Contributions to permanent endowments	228,793	597,151
Net change in cash from noncapital financing activities	**17,298,963**	**13,951,702**
Cash flows from capital and related financing activities		
Purchase of capital assets	(13,284,041)	(4,066,112)
Proceeds from sale of capital assets	9,500	19,897
Federal, State and private capital grants and gifts	11,204,061	7,492,049
Principal paid on long-term debt	(482,994)	(370,000)
Interest paid on capital asset-related debt	(243,951)	(136,022)
Subscription-based IT agreements principal payments	(114,951)	(175,120)
Proceeds from issuance of long-term debt	1,500,000	-
Net change in cash from capital and related financing activities	**(1,412,376)**	**2,764,692**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	7,501,782	17,339,794
Interest received on investments	1,789,652	1,044,571
Purchase of short-term and long-term investments	(8,937,373)	(15,813,908)
Net change in cash from investing activities	**354,061**	**2,570,457**
Net change in cash and cash equivalents	**(4,832,327)**	**647,524**
Cash, cash equivalents, and restricted cash, beginning of year	20,816,586	20,169,062
Cash, cash equivalents, and restricted cash, end of year	**$ 15,984,259**	**$ 20,816,586**
Reconciliation to Statements of Net Position		
Cash and cash equivalents	$ 6,719,782	$ 6,598,709
Restricted cash and cash equivalents	9,264,477	14,217,877
Cash, cash equivalents, and restricted cash, end of year	**$ 15,984,259**	**$ 20,816,586**

continued…

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2026	2025
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (15,970,186)	$ (14,599,546)
Adjustments to reconcile operating loss to net cash used in operating activities		
Federal Pell grants	(2,788,828)	(2,780,189)
Depreciation and amortization	2,457,634	2,471,995
Provision for uncollectible accounts	206,485	114,729
Change in operating assets and liabilities which provided (used) cash		
Receivables	(249,915)	(69,336)
Inventories	2,105	915
Prepaid expenses and other current assets	(416,938)	(60,992)
Accounts payable	37,751	(56,158)
Accrued payroll and related liabilities	58,388	49,512
Unearned tuition revenue	140,325	(34,865)
Unearned grant revenue	(2,909,593)	(1,494,474)
Due to depositors	22,877	9,241
Compensated absences	146,380	(88,532)
Change in net pension liability	(583,692)	(1,591,088)
Change in net OPEB asset	(616,745)	(1,642,213)
Change in pension deferred inflows	(63,662)	991,568
Change in pension deferred outflows	(291,909)	(362,898)
Change in OPEB deferred inflows	(363,559)	620,764
Change in OPEB deferred outflows	110,107	(117,760)
Net change in cash from operating activities	**$ (21,072,975)**	**$ (18,639,327)**
Non-cash capital and related financing activity		
Change in donation of investments	$ (3,034,504)	$ 3,108,050
Change in payables related to the acquisition of capital assets	342,425	(67,161)
Change in interest payable on bond arbitrage	55,958	-

concluded

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

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

	2026	2025
Condensed statements of financial position		
Cash and cash equivalents	$ 2,757,834	$ 1,564,909
Investments	18,741,241	16,755,226
Other	2,182,321	2,515,414
Total assets	23,681,396	20,835,549
Total net position	**$ 23,681,396**	**$ 20,835,549**

Notes to Financial Statements

	2026	2025
Condensed statements of revenues, expenses and changes in net position		
Operating expenses		
Institutional administration	$ 2,158,004	$ 1,979,279
Noncapital subsidies		
Contributions	987,836	2,605,676
Other nonoperating revenues (expenses)		
Investment income, net	2,570,801	1,352,037
Contributions to permanent endowments	228,793	597,151
Capital grants and gifts	1,177,120	5,042,680
In-kind contributions	343,662	267,852
Distributions to College	(304,361)	(89,265)
Change in net position	2,845,847	7,796,852
Net position, beginning of year	20,835,549	13,038,697
Net position, end of year	**$ 23,681,396**	**$ 20,835,549**

	2026	2025
Condensed statements of cash flows		
Net cash flows from:		
Operating activities	$ 1,773,027	$ 429,136
Noncapital financing activities	228,793	597,151
Capital and related financing activities	1,177,120	5,042,680
Investing activities	(1,986,015)	(5,036,659)
Net change in cash and cash equivalents	1,192,925	1,032,308
Cash and cash equivalents, beginning of year	1,564,909	532,601
Cash and cash equivalents, end of year	**$ 2,757,834**	**$ 1,564,909**

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,* and GASB Statement No. 103, *Financial Reporting Model Improvements.* The College follows all applicable GASB pronouncements and the "business-type activities" reporting requirements of GASB Statement No. 35 and GASB No. 103.

Notes to Financial Statements

Change in Accounting Principle

For 2026, the College adopted GASB Statement No. 103, *Financial Reporting Model Improvements,* on a retrospective basis. This new standard introduces targeted enhancements to key components of the financial reporting model in order to improve clarity, consistency, and decision-usefulness of governmental financial statements. As part of the implementation, Management's Discussion and Analysis content is now streamlined to focus on prescribed sections with clearer analytical explanations and reduced duplication. The College has updated reporting processes and presentation formats to comply with these requirements. The adoption of GASB 103, effective July 1, 2024, and as of and for the year ended June 30, 2026, did not have an impact on the College's net position, changes in net position, or overall financial reporting results.

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

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents consists of cash and unspent bond proceeds, which are restricted for capital improvements and capital master plan projects.

Notes to Financial Statements

Receivables

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

Investments

The College and Foundation carry most 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. The College also participates in an external investment pool with the Michigan Liquid Asset Fund ("MILAF"). In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* , the College's shares of the MILAF Plus is carried at amortized cost, which approximates fair value and reflects the amount invested plus accrued earnings, less withdrawals. The MILAF Plus Max Class investment portfolio has a Standard & Poor's AAAm stable rating. All of the College's investments are classified as short or long term investments based on the instrument's maturity date.

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

Fair Value Measurements

Fair value refers to the price that would be received upon sale of an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the College 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.

Notes to Financial Statements

Contributions and Pledges

Contributions are recorded at estimated fair values when received, and pledges are recorded at their net present value when all eligibility requirements have been met. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as prior collection history, type of contribution, creditworthiness of donors and other relevant information. Pledges receivable consists of pledges to athletics, the Career and Technical Education Enhancement ("CATEE") project, Dental Hygiene Clinic, Skilled Trades Education Pathways ("STEP") Center, and various scholarships and program funds.

Inventories

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

Capital Assets and Depreciation/Amortization

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

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

Subscription-Based Information Technology Arrangements (SBITA)

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

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

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

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

Compensated Absences

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

Revenue Recognition

Operating revenues of the College consist of net tuition and fees, certain grants and contracts, federal Pell grants, and auxiliary activities. Amounts received from another party are considered a noncapital subsidy if it is unrelated to the services provided by the College and keeps the fees charged at the same amount or lower if the subsidy was not received. Noncapital subsidies consist of property taxes, state appropriations, and contributions. Transactions related to capital and financing activities, noncapital financing activities, and investing activities are components of noncapital subsidies and other nonoperating revenues. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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. State appropriation revenue is recognized in the period for which it is appropriated. Property tax revenue is recognized in the year in which taxes are received (see Note 2).

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. Unearned grant revenue relates primarily to amounts received in advance for the CATEE project 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.

Notes to Financial Statements

Scholarship Allowance

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

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

Operating Expenses

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

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Notes to Financial Statements

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

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

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

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 2023 through 2026, the years which remain subject to examination by major tax jurisdictions as of June 30, 2026, 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, 2026 or 2025, and it is not aware of any claims for such amounts by federal or state income tax authorities.

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, 2026 and 2025, $1.9686 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 $8,577,581 and $7,999,008 for the years ended June 30, 2026 and 2025, respectively.

3. CASH, INVESTMENTS AND FAIR VALUE MEASUREMENTS

Bank Deposits and Investments

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

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

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

The College's shares in the Michigan Liquid Asset Fund (MILAF) external investment pool are recorded at amortized cost, which approximates fair value.

The College had the following investments in the MILAF as of June 30, 2026:

Investment	Maturity	Amortized Cost	Rating
Michigan Liquid Asset Fund Plus	n/a	$ 3,191,498	S&P AAAm

Interest Rate Risk

As of June 30, 2026, the College and Foundation had the following investments and maturities:

	Fair Value	Less Than One Year	1-3 Years	More Than 3 Years
Bond mutual funds	$ 5,791,565	$ -	$ -	$ 5,791,565
Equity mutual funds	12,949,676	12,949,676	-	-
Total investment securities	**$ 18,741,241**	**$ 12,949,676**	**$ -**	**$ 5,791,565**

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

	Fair Value	Less Than One Year	1-3 Years	More Than 3 Years
U.S. Agencies	$ 594,873	$ 594,873	$ -	$ -
U.S. Treasuries	1,888,484	492,311	1,396,173	-
Bond mutual funds	8,274,922	-	-	8,274,922
Equity mutual funds	7,964,163	7,964,163	-	-
Total investment securities	**$ 18,722,442**	**$ 9,051,347**	**$ 1,396,173**	**$ 8,274,922**
Investment in real estate	**$ 520,000**	**$ -**	**$ -**	**$ -**

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, 2026 and 2025, 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.

Notes to Financial Statements

As of June 30, 2026, 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
Bond mutual funds	Not Rated	100

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

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

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, 2026, the bank balance was $12,649,518 of which $12,149,457 was uninsured and uncollateralized. At June 30, 2025, the bank balance was $7,385,207 of which $6,885,146 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.

Notes to Financial Statements

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, 2026 and 2025 were invested as follows:

	2026	2025
U.S. Treasury Notes	0%	6%
Fannie Mae	0%	1%
ISHARES CORE S&P 500	17%	8%
Doubleline Core Fixed Income	7%	8%
Dodge & Cox Income Fund	7%	8%
Schwab US Large CAP	7%	0%
ISHARES US TREASURY BOND	7%	0%

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, 2026 or 2025.

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.

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

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

Notes to Financial Statements

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:

2026	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Bond mutual funds	$ 5,791,565	$ -	$ -	$ 5,791,565
Equity mutual funds	12,949,676	-	-	12,949,676
Total investments at fair value	**$ 18,741,241**	**$ -**	**$ -**	**$ 18,741,241**

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

4. RECEIVABLES, NET AND PLEDGES RECEIVABLE, NET

Receivables, net consist of the following at June 30:

	2026	2025
State appropriations	$ 944,785	$ 877,089
Grants and contracts	403,212	519,330
Auxiliary activities	42,947	55,481
Corporate and community education	34,001	24,138
Student	217,065	102,936
Other	94,926	54,432
Total	**1,736,936**	**1,633,406**
Less allowance for doubtful accounts	(16,304)	(23,900)
Receivables, net	**$ 1,720,632**	**$ 1,609,506**

Notes to Financial Statements

Pledges receivable consists of pledges to athletics, the Career and Technical Education Enhancement ("CATEE") project, Dental Hygiene Clinic, Skilled Trades Education Pathways ("STEP") Center, and various scholarships and program funds. They have been discounted at a 5.00% annual rate of interest for each of the years ended June 30, 2026 and 2025. Pledges receivable, representing unconditional promises to give, are as follows at June 30:

	2026	2025
Receivable in less than one year	$ 1,512,232	$ 998,390
Receivable in one to five years	876,803	1,828,607
Less present value discount	(77,368)	(305,124)
Pledges receivable, net	**$ 2,311,667**	**$ 2,521,873**

Notes to Financial Statements

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2026, was as follows:

	Balance July 1, 2025	Additions	Retirements	Transfers	Balance June 30, 2026
Capital assets not being depreciated/amortized					
Land	$ 78,306	$ 250,000	$ -	$ -	$ 328,306
Construction in progress	3,728,350	10,427,254	-	(268,893)	13,886,711
Sculptures	522,609	-	-	-	522,609
Subtotal nondepreciable assets	**4,329,265**	**10,677,254**	**-**	**(268,893)**	**14,737,626**
Capital assets being depreciated/amortized					
Building and improvements	48,375,232	2,245,308	-	268,893	50,889,433
Infrastructure	4,040,515	-	-	-	4,040,515
Furniture, fixtures and equipment	7,967,715	694,174	(122,158)	-	8,539,731
Library materials	113,704	9,730	(16,648)	-	106,786
Software	876,899	-	-	-	876,899
Subscription assets	661,114	-	(181,631)	-	479,483
Subtotal depreciable assets	**62,035,179**	**2,949,212**	**(320,437)**	**268,893**	**64,932,847**
Less accumulated depreciation and amortization					
Building and improvements	22,553,794	1,527,375	-	-	24,081,169
Infrastructure	2,831,659	92,534	-	-	2,924,193
Furniture, fixtures and equipment	4,214,040	673,460	(98,035)	-	4,789,465
Library materials	57,129	10,192	(15,815)	-	51,506
Software	839,672	25,861	-	-	865,533
Subscription assets	463,676	128,212	(181,631)	-	410,257
Total accumulated depreciation and amortization	**30,959,970**	**2,457,634**	**(295,481)**	**-**	**33,122,123**
Capital assets being depreciated/amortized, net	**31,075,209**	**491,578**	**(24,956)**	**268,893**	**31,810,724**
Capital assets, net	**$ 35,404,474**	**$ 11,168,832**	**$ (24,956)**	**$ -**	**$ 46,548,350**

Notes to Financial Statements

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

	Balance July 1, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Capital assets not being depreciated/amortized					
Land	$ 78,306	$ -	$ -	$ -	$ 78,306
Construction in progress	1,002,974	3,349,250	-	(623,874)	3,728,350
Sculptures	522,609	-	-	-	522,609
Subtotal nondepreciable assets	**1,603,889**	**3,349,250**	**-**	**(623,874)**	**4,329,265**
Capital assets being depreciated/amortized					
Building and improvements	49,211,645	-	(836,413)	-	48,375,232
Infrastructure	3,433,183	211,584	(139,120)	534,868	4,040,515
Furniture, fixtures and equipment	8,086,239	431,516	(639,046)	89,006	7,967,715
Library materials	189,279	6,601	(82,176)	-	113,704
Software	888,574	-	(11,675)	-	876,899
Subscription assets	958,255	-	(297,141)	-	661,114
Subtotal depreciable assets	**62,767,175**	**649,701**	**(2,005,571)**	**623,874**	**62,035,179**
Less accumulated depreciation and amortization					
Building and improvements	21,475,039	1,518,139	(439,384)	-	22,553,794
Infrastructure	2,893,819	76,960	(139,120)	-	2,831,659
Furniture, fixtures and equipment	4,202,937	628,840	(617,737)	-	4,214,040
Library materials	124,156	11,040	(78,067)	-	57,129
Software	825,486	25,861	(11,675)	-	839,672
Subscription assets	549,662	211,155	(297,141)	-	463,676
Total accumulated depreciation and amortization	**30,071,099**	**2,471,995**	**(1,583,124)**	**-**	**30,959,970**
Capital assets being depreciated/amortized, net	**32,696,076**	**(1,822,294)**	**(422,447)**	**623,874**	**31,075,209**
Capital assets, net	**$ 34,299,965**	**$ 1,526,956**	**$ (422,447)**	**$ -**	**$ 35,404,474**

Notes to Financial Statements

Construction in progress of $13,886,711 consists of expenses incurred prior to June 30, 2026, for the following projects: Dental Hygiene Clinic project ($116,319); Tech and HESC Renovations project ($105,000); and the Career and Technical Education Enhancement ("CATEE") project ($13,665,392).

Construction contract commitments include amounts unexpended as of June 30, 2026 for the following projects: CATEE project ($6,946,280); Dental Hygiene Clinic project ($232,215); and the Internal Signage project ($8,348). The CATEE and Internal Signage projects are expected to be completed and put into service during the fiscal year ended June 30, 2027. The Dental Hygiene Clinic project will be placed into service during the fiscal year ended June 30, 2028.

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

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

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

6. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2026, was as follows:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Bonds payable					
Series 2017	$ 1,975,000	$ -	$ (380,000)	$ 1,595,000	$ 385,000
Series 2024	6,010,000	-	(100,000)	5,910,000	105,000
Total bonds payable	7,985,000	-	(480,000)	7,505,000	490,000
Direct borrowings					
Land contract	-	1,500,000	(2,994)	1,497,006	18,605
Subtotal	7,985,000	1,500,000	(482,994)	9,002,006	508,605
Deferred amounts					
Unamortized bond premium	489,561	-	(24,478)	465,083	24,478
Total long-term obligations	**$ 8,474,561**	**$ 1,500,000**	**$ (507,472)**	**$ 9,467,089**	**$ 533,083**

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

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

College Building and Site and Refunding Bonds, Series 2017

At June 30, 2026, general obligation bonds totaling $1,595,000 were outstanding with an interest rate of 2.198 percent. Principal payments are due annually in May with payments for the upcoming year of $385,000. 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.

Notes to Financial Statements

College Building and Site Bonds, Series 2024

At June 30, 2026, general obligation bonds totaling $5,910,000 were outstanding with an interest rate of 5.000 percent. Principal payments are due annually in May with payments for the upcoming year of $105,000. Interest payments are due semiannually in May and November over the remaining life of the bonds with amounts ranging from approximately $150,000 to $13,000. These bonds are insured and mature in 2044.

Land Contract

At June 30, 2026, the College had a land contract outstanding totaling $1,497,006 with an interest rate of 6.000 percent. Principal payments are due monthly with payments for the upcoming year totaling $18,605. Interest and principal are payable in monthly installments of $8,993 over the remaining term of the agreement. The land contract matures in 2029, at which time any remaining unpaid principal and accrued interest become due.

Future debt service requirements on bonds payable and the land contract for years ending after June 30, 2026 are as follows:

	Debt Obligations		
Year Ending June 30,	**Principal**	**Interest**	**Total**
2027	$ 508,605	$ 419,872	$ 928,477
2028	524,752	405,013	929,765
2029	1,973,649	360,770	2,334,419
2030	530,000	288,262	818,262
2031	280,000	273,250	553,250
2032-2036	1,625,000	1,141,250	2,766,250
2037-2041	2,060,000	694,000	2,754,000
2042-2044	1,500,000	152,500	1,652,500
Totals	**$ 9,002,006**	**$ 3,734,917**	**$ 12,736,923**

Notes to Financial Statements

7. COMPENSATED ABSENCES

The following is a summary of the changes in compensated absences (including current portion) of the College for the years ended June 30, 2026 and 2025:

	Balance July 1, 2025	Additions	Deductions	Balance June 30, 2026	Due Within One Year
Compensated absences	$ 621,584	$ 146,380	$ -	$ 767,964	$ 409,970

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

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

8. NET POSITION CLASSIFICATIONS

Net Investment in Capital Assets

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

	2026	2025
Capital assets, not being depreciated/amortized	$ 14,737,626	$ 4,329,265
Capital assets, being depreciated/amortized	31,810,724	31,075,209
Unspent bond proceeds	4,971,057	5,684,349
Deferred charge on refunding	46,935	61,069
Subscription-based IT arrangement liabilities - current	-	(114,951)
Accounts payable related to the acquisition of capital assets	(773,710)	(431,285)
Long-term obligations - current	(533,083)	(504,478)
Long-term obligations - noncurrent	(8,934,006)	(7,970,083)
Total net investment in capital assets	**$ 41,325,543**	**$ 32,129,095**

During 2026 and 2025, the College reclassified $4,971,057 and $5,684,349 of unspent bond proceeds, respectively, from restricted expendable net position to net investment in capital assets, resulting in a corresponding increase to net investment in capital assets and decrease to restricted expendable net position.

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 as permanent or term endowment, (b) the original value of subsequent gifts to the permanent or term endowment, and (c) accumulations to the permanent or term endowment made in accordance with the direction of the applicable donor's gift instruction at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowments that isn't included in permanent or term endowment funds is classified as restricted net position until those amounts are expended by the Foundation, in accordance with donor restrictions.

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

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

Unrestricted Net Position

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

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

	2026	2025
College designated for specific purpose:		
Future capital outlay and major maintenance	$ 1,590,086	$ 2,874,038
Auxiliary activities	559,961	376,677
Equipment purchases, sabbaticals and other programs	2,589,350	3,032,889
	4,739,397	6,283,604
Pension liability fund deficit	(9,509,373)	(10,702,088)
Undesignated, College	2,098,576	2,170,253
Undesignated, Foundation	4,151,309	3,228,938
	(3,259,488)	(5,302,897)
Total unrestricted net position	**$ 1,479,909**	**$ 980,707**

Notes to Financial Statements

9. RETIREMENT PLANS

Defined Benefit Plan

Plan Description

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

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

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

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

Pension Benefits Provided

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

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

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

Other Postemployment Benefits Provided

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

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

Notes to Financial Statements

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2024 valuation will be amortized over a 14-year period beginning October 1, 2024 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2026, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 10.58% - 15.02% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	26.08% - 30.11%
Member Investment Plan (MIP)	3.00% - 7.00%	26.08% - 30.11%
Pension Plus	3.00% - 6.40%	21.34% - 26.27%
Pension Plus 2	6.00% - 6.20%	21.41% - 27.16%
Defined Contribution	0.00%	15.21% - 20.96%

Required contributions to the pension plan from the College were $1,620,185, $1,609,019 and $1,547,615 for the years ended June 30, 2026, 2025 and 2024, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2026:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	0.00% - 3.00%	1.25% - 3.83%
Personal Healthcare Fund (PHF)	0.00%	0.00%

Required contributions to the OPEB plan from the College were $452,788, $442,681 and $366,466 for the years ended June 30, 2026, 2025 and 2024, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2026:

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

For the years ended June 30, 2026, 2025 and 2024, required and actual contributions from the College for those members with a defined contribution benefit were $71,927, $59,285 and $37,454, respectively.

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

At June 30, 2026 and 2025, the College reported a liability of $8,955,305 and $9,538,997, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2024 and 2023. 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, 2025, the College's proportion was 0.0447%, which was an increase of 0.00574% points from its proportion measured as of September 30, 2024 of 0.03896%.

Notes to Financial Statements

For the year ended June 30, 2026, the College recognized pension expense of $927,457. At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2026	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 346,865	$ 79,764	$ 267,101
Changes in assumptions	321,432	473,309	(151,877)
Net difference between projected and actual earnings on pension plan investments	-	2,140,126	(2,140,126)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,126,106	85,018	2,041,088
	2,794,403	2,778,217	16,186
College contributions subsequent to the measurement date	1,388,842	-	1,388,842
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	720,813	(720,813)
Total	**$ 4,183,245**	**$ 3,499,030**	**$ 684,215**

The amount reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as an adjustment to the net pension asset in the year ending June 30, 2027. 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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2026	$ 559,613
2027	(258,303)
2028	(229,963)
2029	(55,161)
Total	**$ 16,186**

Notes to Financial Statements

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

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

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

At June 30, 2026 and 2025, the College reported an asset of $2,465,192 and $1,848,447, respectively, for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025 and 2024, and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations rolled forward from September 30, 2024 and 2023. The College's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the College's proportion was 0.04055%, which was a decrease of 0.00239% points from its proportion measured as of September 30, 2024 of 0.04294%.

Notes to Financial Statements

For the year ended June 30, 2026, the College recognized an OPEB benefit of $817,798. At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2026	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 1,687,788	$ (1,687,788)
Changes in assumptions	329,006	26,146	302,860
Net difference between projected and actual earnings on OPEB plan investments	-	346,413	(346,413)
Changes in proportion and differences between employer contributions and proportionate share of contributions	193,303	53,597	139,706
	522,309	2,113,944	(1,591,635)
College contributions subsequent to the measurement date	353,352	-	353,352
Total	**$ 875,661**	**$ 2,113,944**	**$ (1,238,283)**

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, 2027. 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
2027	$ (446,492)
2028	(414,522)
2029	(374,014)
2030	(237,125)
2031	(89,500)
Thereafter	(29,982)
Total	**$ (1,591,635)**

Notes to Financial Statements

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

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

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.

Notes to Financial Statements

The total pension liabilities and OPEB assets in the September 30, 2024 and 2023 actuarial valuations (for the fiscal years ended June 30, 2026 and 2025) 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: 7.75% Year 1 graded to 3.5% Year 15 (7.25% Year 1 graded to 3.5% Year 15 in 2023) Post-65: 6.50% Year 1 graded to 3.5% Year 15 (6.50% Year 1 graded to 3.5% Year 15 in 2023)
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.
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 electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	Of those not opting out, 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2023 valuation. The total pension and OPEB liabilities as of September 30, 2025, are based on the results of an actuarial valuation date of September 30, 2024, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4524 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.4654 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

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 liabilities as of September 30, 2024, are based on the results of an actuarial valuation date of September 30, 2023, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4612 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 6.2834 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Changes in assumptions - September 30, 2024 Valuation. Healthcare cost trend rates for pre-65 increased from 7.25% to 7.75%.

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

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, 2025 and 2024, are summarized in the following tables:

Pension

2025 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	21.00%	5.48%	1.15%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	14.00%	5.29%	0.74%
Fixed income pools	15.00%	2.36%	0.35%
Real estate and infrastructure pools	8.00%	6.61%	0.53%
Absolute return pools	13.00%	4.15%	0.54%
Real return/opportunistic pools	9.00%	6.61%	0.59%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		5.35%
Inflation			2.40%
Risk adjustment			-1.75%
Investment rate of return			**6.00%**

Notes to Financial Statements

OPEB

2025 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	16.00%	5.48%	0.88%
Private equity pools	16.00%	8.78%	1.40%
International equity pools	11.00%	5.29%	0.58%
Fixed income pools	26.00%	2.36%	0.61%
Real estate and infrastructure pools	5.00%	6.61%	0.33%
Absolute return pools	15.00%	4.15%	0.62%
Real return/opportunistic pools	7.00%	6.61%	0.46%
Short-term investment pools	4.00%	1.23%	0.05%
	100.00%		4.93%
Inflation			2.40%
Risk adjustment			-1.33%
Investment rate of return			**6.00%**

Pension

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

OPEB

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

Rate of Return

For the fiscal year ended September 30, 2025, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 9.81% and 9.24%, respectively. For the fiscal year ended September 30, 2024, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 15.47% and 15.45%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

For the fiscal year ended September 30, 2025 and 2024, a discount rate of 6.00% was used to measure the total pension and OPEB liabilities. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.00%. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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, 2026:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	$ 14,131,966	$ 8,955,305	$ 4,643,810

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

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

Sensitivity of the College's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB asset calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2026:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB asset	$ (2,123,919)	$ (2,465,192)	$ (2,763,880)

Notes to Financial Statements

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB asset	$ (1,428,945)	$ (1,848,447)	$ (2,211,540)

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

The following presents the College's proportionate share of the net OPEB asset calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB asset would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2026:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB asset	$ (2,761,155)	$ (2,465,192)	$ (2,154,442)

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

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

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2026, the College reported a payable of $131,056 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2026. At June 30, 2025, the College reported a payable of $88,956 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025.

Payable to the OPEB Plan

At June 30, 2026 and 2025, the College did not have any outstanding amounts related to its OPEB contributions to the Plan required for the years ended June 30, 2026 and 2025.

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, 2026 and 2025, the plan had 56 and 58 members respectively. Under ORP, the College contributes 11.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were $624,802 and $571,878 for the years ended June 30, 2026 and 2025, respectively. Total contributions by employees were $224,201 and $207,956 for the years ended June 30, 2026 and 2025, respectively.

10. RISK MANAGEMENT

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

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

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

Notes to Financial Statements

11. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in 11 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%.

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

	2026	2025
Subscription assets	$ 479,483	$ 661,114
Less accumulated amortization	(410,257)	(463,676)
Net book value	**$ 69,226**	**$ 197,438**

Subscription liability activity for the year ended June 30, 2026, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Subscription liability	$ 114,951	$ -	$ (114,951)	$ -	$ -

Subscription liability activity for the year ended June 30, 2025, was as follows:

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

12. COMMITMENTS AND CONTINGENCIES

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

Disallowed expenses 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.

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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									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
College's proportionate share of the net pension liability	$ 8,955,305	$ 9,538,997	$ 11,130,085	$ 12,489,476	$ 8,479,029	$ 13,154,594	$ 13,765,010	$ 13,740,626	$ 12,740,104	$ 12,855,123
College's proportion of the net pension liability	0.04470%	0.03896%	0.03439%	0.03321%	0.03581%	0.03829%	0.04157%	0.04571%	0.04916%	0.05153%
College's covered payroll	$ 4,991,282	$ 4,588,499	$ 3,640,976	$ 3,251,418	$ 3,053,831	$ 3,214,254	$ 3,451,326	$ 3,673,644	$ 4,051,511	$ 4,254,349
College's proportionate share of the net pension liability as a percentage of its covered payroll	179.42%	207.89%	305.69%	384.12%	277.65%	409.26%	398.83%	374.03%	314.45%	302.16%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

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									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contribution	$ 1,620,185	$ 1,500,539	$ 1,547,615	$ 1,588,759	$ 1,105,100	$ 1,074,899	$ 1,058,148	$ 1,092,564	$ 1,289,708	$ 1,155,318
Contributions in relation to the statutorily required contribution	(1,620,185)	(1,500,539)	(1,547,615)	(1,588,759)	(1,105,100)	(1,074,899)	(1,058,148)	(1,092,564)	(1,289,708)	(1,155,318)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 5,207,055	$ 5,035,192	$ 4,245,837	$ 3,582,993	$ 3,303,768	$ 3,108,016	$ 3,344,640	$ 3,533,055	$ 3,870,695	$ 4,096,466
Contributions as a percentage of covered payroll	31.12%	29.80%	36.45%	44.34%	33.45%	34.58%	31.64%	30.92%	33.32%	28.20%

See notes to required supplementary information.

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB (asset) liability	$ (2,465,192)	$ (1,848,447)	$ (206,234)	$ 708,928	$ 517,900	$ 1,946,268	$ 2,835,924	$ 3,433,136	$ 4,364,577
College's proportion of the net OPEB (asset) liability	0.04055%	0.04294%	0.03646%	0.03347%	0.03393%	0.03633%	0.03951%	0.04319%	0.04929%
College's covered payroll	$ 4,991,282	$ 4,588,499	$ 3,640,976	$ 3,251,418	$ 3,053,831	$ 3,214,254	$ 3,451,326	$ 3,673,644	$ 4,051,511
College's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-49.39%	-40.28%	-5.66%	21.80%	16.96%	60.55%	82.17%	93.45%	107.73%
Plan fiduciary net position as a percentage of the total OPEB (asset) liability	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefit Contributions

	Year Ended June 30,								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 452,788	$ 442,681	$ 366,466	$ 311,832	$ 267,936	$ 260,287	$ 274,801	$ 280,071	$ 286,745
Contributions in relation to the statutorily required contribution	(452,788)	(442,681)	(366,466)	(311,832)	(267,936)	(260,287)	(274,801)	(280,071)	(286,745)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 5,207,055	$ 5,035,192	$ 4,245,837	$ 3,582,993	$ 3,303,768	$ 3,108,016	$ 3,344,640	$ 3,533,055	$ 3,870,695
Contributions as a percentage of covered payroll	8.70%	8.79%	8.63%	8.70%	8.11%	8.37%	8.22%	7.93%	7.41%

See notes to required supplementary information.

Notes to Required Supplementary Information

Pension Information

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

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

- 2026 - There have been no material changes in the valuation assumptions.
- 2025 - The method for amortizing UAAL transitioned from the level percent of payroll to the level dollar method.
- 2024 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2025 and 2026 employer contributions decreased from 2.00% to 1.50% and 1.50% to 0.75%, respectively. In addition, the PubT-2010 mortality tables were used in the September 2022 valuation compared to the RP-2014 mortality tables used in the September 2021 valuation.
- 2023 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2024 employer contributions decreased from 2.5% to 2.0%. Additionally, the discount rate used in the September 30, 2021 actuarial valuation decreased to 6.00% for the MIP and Basic plans, and 6.00% for the Pension Plus Plan.
- 2022 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2023 employer contributions decreased from 3.0% to 2.5%.
- 2021 - The payroll growth assumption for amortization purposes used in determining the fiscal year 2022 employer contributions decreased from 3.5% to 3.0%.
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 Plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus Plan.

Notes to Required Supplementary Information

OPEB Information

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

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

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

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

OTHER INFORMATION

NORTH CENTRAL MICHIGAN COLLEGE

Combining Statement of Net Position

June 30, 2026 (Unaudited)
(with comparative totals for 2025)

	General Fund	Pension and OPEB Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund	Plant Fund	Agency Fund	College Total June 30, 2026	Foundation	Combined Total June 30, 2026	Combined Total June 30, 2025
Assets											
Current assets											
Cash and cash equivalents	$ 2,588,042	$ -	$ -	$ 642,144	$ -	$ 565,945	$ 165,817	$ 3,961,948	$ 2,757,834	$ 6,719,782	$ 6,598,709
Short-term investments	-	-	3,191,498	-	-	-	-	3,191,498	-	3,191,498	-
Receivables, net	1,266,010	-	-	46,410	408,212	-	-	1,720,632	-	1,720,632	1,609,506
Pledges receivable	-	-	-	-	-	-	-	-	1,512,232	1,512,232	998,390
Inventories	-	-	-	9,738	-	-	-	9,738	-	9,738	11,843
Prepaids and other current assets	859,478	-	3,039	-	25,591	-	-	888,108	-	888,108	471,170
Due from (to) other funds	(319,554)	-	197,926	(109,299)	(3,417)	361,608	2,082	129,346	(129,346)	-	-
Total current assets	**4,393,976**	**-**	**3,392,463**	**588,993**	**430,386**	**927,553**	**167,899**	**9,901,270**	**4,140,720**	**14,041,990**	**9,689,618**
Noncurrent assets											
Restricted cash and cash equivalents	-	-	-	-	1,215,195	8,049,282	-	9,264,477	-	9,264,477	14,217,877
Investments	-	-	-	-	-	-	-	-	18,741,241	18,741,241	19,242,442
Pledges receivable, net	-	-	-	-	-	-	-	-	799,435	799,435	1,523,483
Net OPEB asset	-	2,465,192	-	-	-	-	-	2,465,192	-	2,465,192	1,848,447
Capital assets not being depreciated/amortized	-	-	-	-	-	14,737,626	-	14,737,626	-	14,737,626	4,329,265
Capital assets being depreciated/amortized, net	-	-	-	-	-	31,810,724	-	31,810,724	-	31,810,724	31,075,209
Total noncurrent assets	**-**	**2,465,192**	**-**	**-**	**1,215,195**	**54,597,632**	**-**	**58,278,019**	**19,540,676**	**77,818,695**	**72,236,723**
Total assets	**4,393,976**	**2,465,192**	**3,392,463**	**588,993**	**1,645,581**	**55,525,185**	**167,899**	**68,179,289**	**23,681,396**	**91,860,685**	**81,926,341**
Deferred outflows of resources											
Deferred charge on refunding	-	-	-	-	-	46,935	-	46,935	-	46,935	61,069
Deferred pension amounts	-	4,183,245	-	-	-	-	-	4,183,245	-	4,183,245	3,891,336
Deferred OPEB amounts	-	875,661	-	-	-	-	-	875,661	-	875,661	985,768
Total deferred outflows of resources	**-**	**5,058,906**	**-**	**-**	**-**	**46,935**	**-**	**5,105,841**	**-**	**5,105,841**	**4,938,173**
Liabilities											
Current liabilities											
Accounts payable	1,288,136	-	-	13,294	-	126	-	1,301,556	-	1,301,556	921,380
Accrued payroll and related liabilities	625,208	-	-	-	-	-	-	625,208	-	625,208	566,820
Unearned tuition revenue	382,056	-	35,149	15,738	-	-	-	432,943	-	432,943	292,618
Unearned grant revenue	-	-	-	-	1,495,335	-	-	1,495,335	-	1,495,335	4,404,928
Due to depositors	-	-	-	-	-	-	167,899	167,899	-	167,899	145,022
Interest payable	-	-	-	-	-	55,093	-	55,093	-	55,093	57,318
Current portion of compensated absences	-	-	409,970	-	-	-	-	409,970	-	409,970	323,100
Current portion of subscription-based IT arrangement liabilities	-	-	-	-	-	-	-	-	-	-	114,951
Current portion of long-term obligations	-	-	-	-	-	533,083	-	533,083	-	533,083	504,478
Total current liabilities	**2,295,400**	**-**	**445,119**	**29,032**	**1,495,335**	**588,302**	**167,899**	**5,021,087**	**-**	**5,021,087**	**7,330,615**
Noncurrent liabilities											
Net pension liability	-	8,955,305	-	-	-	-	-	8,955,305	-	8,955,305	9,538,997
Compensated absences, net of current portion	-	-	357,994	-	-	-	-	357,994	-	357,994	298,484
Long-term obligations, net of current portion	-	-	-	-	-	8,934,006	-	8,934,006	-	8,934,006	7,970,083
Other liabilities	-	-	-	-	-	55,958	-	55,958	-	55,958	-
Total noncurrent liabilities	**-**	**8,955,305**	**357,994**	**-**	**-**	**8,989,964**	**-**	**18,303,263**	**-**	**18,303,263**	**17,807,564**
Total liabilities	**2,295,400**	**8,955,305**	**803,113**	**29,032**	**1,495,335**	**9,578,266**	**167,899**	**23,324,350**	**-**	**23,324,350**	**25,138,179**
Deferred inflows of resources											
Deferred pension amounts	-	3,499,030	-	-	-	-	-	3,499,030	-	3,499,030	3,562,692
Deferred OPEB amounts	-	2,113,944	-	-	-	-	-	2,113,944	-	2,113,944	2,477,503
Total deferred inflows of resources	**-**	**5,612,974**	**-**	**-**	**-**	**-**	**-**	**5,612,974**	**-**	**5,612,974**	**6,040,195**
Net position (deficit)											
Net investment in capital assets	-	-	-	-	-	41,325,543	-	41,325,543	-	41,325,543	32,129,095
Restricted for:											
Endowments, nonexpendable	-	-	-	-	-	-	-	-	11,529,006	11,529,006	8,225,867
OPEB asset	-	2,465,192	-	-	-	-	-	2,465,192	-	2,465,192	1,848,447
Scholarships and grants	-	-	-	-	150,246	-	-	150,246	8,001,081	8,151,327	8,533,301
Construction and debt service	-	-	-	-	-	3,078,225	-	3,078,225	-	3,078,225	3,968,723
Unrestricted (deficit)	2,098,576	(9,509,373)	2,589,350	559,961	-	1,590,086	-	(2,671,400)	4,151,309	1,479,909	980,707
Total net position (deficit)	**$ 2,098,576**	**$ (7,044,181)**	**$ 2,589,350**	**$ 559,961**	**$ 150,246**	**$ 45,993,854**	**$ -**	**$ 44,347,806**	**$ 23,681,396**	**$ 68,029,202**	**$ 55,686,140**

NORTH CENTRAL MICHIGAN COLLEGE

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

Year Ended June 30, 2026 (Unaudited)
(with comparative totals for 2025)

	General Fund	Pension and OPEB Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund	Plant Fund	College Total June 30, 2026	Foundation	Eliminations	Combined Total June 30, 2026	Combined Total June 30, 2025
Operating revenues											
Tuition and fees, net of scholarship allowance of $2,626,517	$ 6,769,254	$ -	$ 1,045,479	$ -	$ -	$ -	$ 7,814,733	$ -	$ (2,626,517)	$ 5,188,216	$ 4,571,640
Federal Pell grants	-	-	-	-	2,788,828	-	2,788,828	-	-	2,788,828	2,780,189
Federal grants and contracts	-	-	-	-	609,862	-	609,862	-	-	609,862	1,215,765
State and local grants and contracts	-	-	-	-	471,247	-	471,247	-	-	471,247	242,669
Nongovernmental grants	-	-	-	-	1,157,639	-	1,157,639	-	(530,000)	627,639	307,129
Auxiliary activities, net of scholarship allowance $158,822	38,450	-	-	1,776,912	-	-	1,815,362	-	(158,822)	1,656,540	1,396,047
Other operating revenues	955,954	-	680,487	-	115,885	22,791	1,775,117	-	(891,598)	883,519	1,130,316
Total operating revenues	**7,763,658**	**-**	**1,725,966**	**1,776,912**	**5,143,461**	**22,791**	**16,432,788**	**-**	**(4,206,937)**	**12,225,851**	**11,643,755**
Operating expenses											
Instruction	8,155,925	(1,069,799)	16,542	-	7,797	-	7,110,465	-	(91,057)	7,019,408	6,523,618
Public service	277,670	(29,604)	-	605,896	312,443	-	1,166,405	-	(528)	1,165,877	1,119,188
Instructional support	2,781,773	(361,070)	297,280	-	246,925	-	2,964,908	-	(43,846)	2,921,062	2,436,516
Student services	3,628,296	(373,974)	24,720	987,732	4,857,429	-	9,124,203	-	(2,609,323)	6,514,880	5,806,853
Institutional administration	3,261,979	(366,890)	95,649	-	-	-	2,990,738	2,158,004	(1,812,338)	3,336,404	3,537,673
Operations and maintenance of plant	2,152,720	(173,577)	67,265	-	62,407	557,240	2,666,055	-	(43,871)	2,622,184	2,534,498
Information technology	1,045,381	(155,359)	1,268,674	-	-	-	2,158,696	-	(108)	2,158,588	1,812,960
Depreciation and amortization	-	-	-	-	-	2,457,634	2,457,634	-	-	2,457,634	2,471,995
Total operating expenses	**21,303,744**	**(2,530,273)**	**1,770,130**	**1,593,628**	**5,487,001**	**3,014,874**	**30,639,104**	**2,158,004**	**(4,601,071)**	**28,196,037**	**26,243,301**
Operating (loss) income	**(13,540,086)**	**2,530,273**	**(44,164)**	**183,284**	**(343,540)**	**(2,992,083)**	**(14,206,316)**	**(2,158,004)**	**394,134**	**(15,970,186)**	**(14,599,546)**
Noncapital subsidies											
State appropriations	5,367,774	(720,813)	-	-	-	-	4,646,961	-	-	4,646,961	4,786,221
Property tax levy	8,577,581	-	-	-	-	-	8,577,581	-	-	8,577,581	7,999,008
In-kind contributions	-	-	-	-	-	-	-	343,662	(343,662)	-	-
Contributions	-	-	-	-	-	-	-	987,836	-	987,836	2,605,676
Net noncapital subsidies	**13,945,355**	**(720,813)**	**-**	**-**	**-**	**-**	**13,224,542**	**1,331,498**	**(343,662)**	**14,212,378**	**15,390,905**
Operating (loss) income and noncapital subsidies	**405,269**	**1,809,460**	**(44,164)**	**183,284**	**(343,540)**	**(2,992,083)**	**(981,774)**	**(826,506)**	**50,472**	**(1,757,808)**	**791,359**
Other nonoperating revenues (expenses)											
Investment income, net	22	-	153,495	-	-	246,494	400,011	2,570,801	-	2,970,812	1,956,213
Capital grants and gifts	-	-	-	-	7,932,518	2,094,423	10,026,941	1,177,120	-	11,204,061	7,492,049
Other nonoperating revenue	-	-	-	-	-	50,472	50,472	-	(50,472)	-	-
Contributions to permanent endowments	-	-	-	-	-	-	-	228,793	-	228,793	597,151
Net loss on disposal of capital assets	-	-	-	-	-	(15,456)	(15,456)	-	-	(15,456)	(402,550)
Interest on capital asset-related debt	-	-	-	-	-	(287,340)	(287,340)	-	-	(287,340)	(189,907)
Net other nonoperating revenues (expenses)	**22**	**-**	**153,495**	**-**	**7,932,518**	**2,088,593**	**10,174,628**	**3,976,714**	**(50,472)**	**14,100,870**	**9,452,956**
Transfers (out) in	(476,968)	-	(552,870)	-	(6,591,289)	7,925,488	304,361	(304,361)	-	-	-
Change in net position	**(71,677)**	**1,809,460**	**(443,539)**	**183,284**	**997,689**	**7,021,998**	**9,497,215**	**2,845,847**	**-**	**12,343,062**	**10,244,315**
Net position (deficit), beginning of year, as previously reported	2,170,253	(8,853,641)	3,032,889	376,677	(847,443)	38,971,856	34,850,591	20,835,549	-	55,686,140	45,956,468
GASB 101 restatement	-	-	-	-	-	-	-	-	-	-	(514,643)
Net position (deficit), beginning of year, as restated	2,170,253	(8,853,641)	3,032,889	376,677	(847,443)	38,971,856	34,850,591	20,835,549	-	55,686,140	45,441,825
Net position (deficit), end of year	**$ 2,098,576**	**$ (7,044,181)**	**$ 2,589,350**	**$ 559,961**	**$ 150,246**	**$ 45,993,854**	**$ 44,347,806**	**$ 23,681,396**	**$ -**	**$ 68,029,202**	**$ 55,686,140**