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# Lake Michigan College

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**Financial Report  
with Supplementary Information  
June 30, 2025**

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## **Independent Auditor's Report**

To the Board of Trustees  
Lake Michigan College

### **Report on the Audits of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the business-type activities and discretely presented component unit of Lake Michigan College (the "College") as of and for the years ended June 30, 2025 and 2024 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Lake Michigan College as of June 30, 2025 and 2024 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Lake Michigan College Foundation, the discretely presented component unit, were not audited under *Government Auditing Standards*.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audits of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees  
Lake Michigan College

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

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

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

### ***Required Supplementary Information***

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

### ***Supplementary Information***

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

To the Board of Trustees  
Lake Michigan College

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025 on our consideration of Lake Michigan College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Lake Michigan College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Michigan College's internal control over financial reporting and compliance.

*Plante & Moreau, PLLC*

October 27, 2025

## **Management's Discussion and Analysis – Unaudited**

### **Using This Report**

This financial report includes the report of the independent auditors, management's discussion and analysis (MD&A), basic financial statements, notes to the financial statements, required supplementary schedules, and supplemental information.

Following the basic financial statements, notes to the financial statements, and required supplementary schedules are supplemental information: the Combining Schedule of Net Position and the Combining Schedule of Revenues, Expenses, Transfers & Changes in Net Position. Although the Governmental Accounting Standards Board (GASB) does not require this supplemental information be present for a fair and complete presentation, the supplemental information does provide more detail regarding the funds and activities of Lake Michigan College (the "College") that is not disclosed in the basic financial statements.

### **Management's Discussion & Analysis (MD&A) – Unaudited**

The MD&A that follows provides an overview of the College's financial activities for the year ended June 30, 2025 with comparative information for the years ended June 30, 2024 and 2023, as well as a brief discussion of "forward-looking" information relating to fiscal year (FY) 2026 and beyond.

Management of the College has prepared the financial statements and related notes to the financial statements along with the MD&A. Responsibility for the completeness and accuracy of this information rests solely with management. For ease in reading, all amounts within this section are rounded to the nearest thousand.

### **Statement of Net Position**

The Statement of Net Position shows the College's financial standing by listing assets (what the College owns), liabilities (what it owes), and deferred inflows and outflows of resources. This statement is prepared using the accrual basis of accounting. This means that revenues and assets are recorded when goods or services are provided, and expenses and liabilities are recorded when obligations arise, regardless of when cash changes hands.

Net Position, which reflects the difference between total assets and total liabilities, is one key measure of financial health.

Following are the major components of assets, liabilities, and net position as of June 30:

## Management's Discussion and Analysis – Unaudited

|                                     | <u>2025</u>           | <u>2024</u>           | <u>2023</u>           |
|-------------------------------------|-----------------------|-----------------------|-----------------------|
| <b><u>Assets</u></b>                |                       |                       |                       |
| Cash & investments (short-term)     | \$ 43,085,000         | \$ 42,032,000         | \$ 38,018,000         |
| Receivables                         | 4,503,000             | 4,362,000             | 3,823,000             |
| Prepaid expenses & other            | 1,241,000             | 1,092,000             | 940,000               |
| Capital assets, net of depreciation | 88,484,000            | 83,427,000            | 89,248,000            |
| Deferred pension & OPEB outflows    | 8,907,000             | 8,617,000             | 9,302,000             |
| <b>Total Assets</b>                 | <b>\$ 146,220,000</b> | <b>\$ 139,530,000</b> | <b>\$ 141,331,000</b> |
| <b><u>Liabilities</u></b>           |                       |                       |                       |
| Accounts payable                    | \$ 4,558,000          | \$ 3,221,000          | \$ 2,835,000          |
| Accrued liabilities                 | 2,445,000             | 2,254,000             | 2,300,000             |
| Unearned revenue                    | 445,000               | 760,000               | 512,000               |
| Interest payable                    | 149,000               | 170,000               | 189,000               |
| Debt                                | 22,830,000            | 26,947,000            | 30,662,000            |
| Net OPEB and pension liability      | 14,283,000            | 18,995,000            | 22,420,000            |
| Deferred pension & OPEB inflows     | 8,435,000             | 6,272,000             | 5,281,000             |
| <b>Total Liabilities</b>            | <b>\$ 53,145,000</b>  | <b>\$ 58,619,000</b>  | <b>\$ 64,199,000</b>  |
| <b><u>Net Position</u></b>          |                       |                       |                       |
| Investment in capital assets, net   | \$ 66,668,000         | \$ 57,562,000         | \$ 59,722,000         |
| Restricted for Net OPEB asset       | 2,558,000             | 344,000               | -                     |
| Unrestricted (deficit)              | 23,849,000            | 23,005,000            | 17,410,000            |
| <b>Total</b>                        | <b>\$ 93,075,000</b>  | <b>\$ 80,911,000</b>  | <b>\$ 77,132,000</b>  |

Significant changes from year to year include:

- **Cash & investment** increased \$1.1 million in FY25 due almost entirely to funds reserved for capital projects that were not expended in the year originally planned. The \$4 million increase in FY24 primarily reflects additional funds held in Board-designated reserves for future obligations, along with State supplemental funding and capital millage funds received in advance of planned use.
- **Receivables** increased \$141,000 in FY25 due to receivables from the State of Michigan for the statewide [Michigan's Community College Guarantee](#) and [Michigan Reconnect](#) Expansion programs. Receivables increase \$539,000 in FY24 due to timing of collections of routine receivables.
- **Prepaid expenses** increased \$149,000 in FY25 due to an increase in software licenses and payment schedules. The increase of \$152,000 in FY24 was due to routine fluctuations in costs and timing of payments.

## Management's Discussion and Analysis – Unaudited

- **Capital assets** consist of long-lived assets net of the depreciation that accumulates over the life of the asset. Net capital assets – which includes assets in service and those in process, as well as related depreciation – increased \$5.1 million in FY25 due to increased number of capital projects including athletic field reconstruction, welding lab HVAC upgrades, and Mendel Center HVAC renovations. The FY24 decrease of \$5.8 million was primarily due to normal depreciation expense along with the transfer of Niles Campus to Berrien RESA to create the Berrien Innovation Center.

Starting in FY23, the College adopted GASB 96 *Subscription-Based Information Technology Arrangements (SBITAs)*, which requires the College to recognize a right-to-use subscription asset and corresponding subscription liability for such IT software licensing contracts with a specified term. In FY25, the result was a \$413,000 net "Right of Use IT Asset" being recorded. In FY24, the net total was \$526,000.

- **Deferred pension and OPEB outflows, deferred pension and OPEB inflows, and net pension and OPEB liability** arose upon adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) in 2015 and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75) in 2018. Both pronouncements require reporting of net related liabilities along with respective deferred outflows and inflows.

The College's net pension and OPEB liability is its respective proportionate share of the total net liabilities of the Michigan Public School Employees Retirement System (MPERS) plan. Deferred outflows of resources occur because of changes in assumptions to the net pension and OPEB liability and College contributions to MPERS subsequent to the plan's measurement date. Deferred inflows of resources represent the difference between projected and actual earnings on pension plan investments. See the footnotes to the financial statements for more information.

- **Accounts payable** represents amounts due to vendors and others and will naturally fluctuate from year to year based on timing of invoice receipt and payments. In FY25 and FY24, the totals increased \$1.3 million and \$386,000, respectively. The FY25 increase was due to additional construction related payables. In FY24, the increase was largely due to amounts reserved as payable in connection with an ongoing property tax litigation.
- **Accrued liabilities** include primarily employee compensation and related amounts as well as ticket sales collected on behalf of the Mendel Center's Jenkins Theater rental clients. This balance will fluctuate normally from year to year based on timing of pay dates and Jenkins Theater shows.
- **Unearned revenue** represents student tuition payments collected before the beginning of a



## Management's Discussion and Analysis – Unaudited

term and payments for performances/events received before a show/event.

- **Debt** will normally decrease year over year due to principal payments. In addition, with the adoption of GASB 96, the College recognizes a right-to-use subscription asset and corresponding subscription liability for IT software licensing contracts with a specified term. A net use of these subscriptions reduced the subscription liability in both FY25 and FY24 to \$431,000 and \$558,000, respectively.

**Net Position** represents the residual of all other elements presented in a Statement of Net Position. The College has three types of net position:

- **Net Investment in Capital Assets** represents investment in capital assets, net of depreciation and related debt.
- **Restricted for Net OPEB asset** represents funds restricted to cover MPSERS retiree health and related benefits.
- **Unrestricted Net Position** represents net resources generated by operating activities.

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

The **Statement of Revenues, Expenses, & Changes in Net Position** presents the revenues earned and the expenses incurred during the year. The combined statement is summarized as follows for the years ended June 30:

## Management's Discussion and Analysis – Unaudited

|                                   | <u>FY25</u>          | <u>FY24</u>          | <u>FY23</u>          |
|-----------------------------------|----------------------|----------------------|----------------------|
| <b><u>Revenues</u></b>            |                      |                      |                      |
| Property taxes                    | \$ 28,802,000        | \$ 25,233,000        | \$ 23,484,000        |
| Tuition & fees                    | 12,521,000           | 10,385,000           | 9,577,000            |
| Appropriations                    | 8,456,000            | 9,204,000            | 6,984,000            |
| Grants & contracts                | 5,106,000            | 3,398,000            | 2,650,000            |
| Auxiliary & other (gross)         | 1,828,000            | 2,003,000            | 1,992,000            |
| Investment income                 | 1,032,000            | 1,015,000            | 512,000              |
| Support (to) from Foundation, net | 218,000              | 229,000              | 697,000              |
| Total revenues                    | <b>\$ 57,963,000</b> | <b>\$ 51,467,000</b> | <b>\$ 45,896,000</b> |
| <b><u>Expenses</u></b>            |                      |                      |                      |
| Labor costs                       | \$ 24,004,000        | \$ 23,937,000        | \$ 23,410,000        |
| Services                          | 7,233,000            | 6,742,000            | 6,637,000            |
| Depreciation                      | 4,933,000            | 5,290,000            | 5,221,000            |
| Licensing, travel, & other        | 5,496,000            | 4,511,000            | 3,716,000            |
| (Gain) loss on asset disposal     | (24,000)             | 3,296,000            | (4,000)              |
| Building costs                    | 1,887,000            | 1,805,000            | 1,720,000            |
| Supplies                          | 1,595,000            | 1,323,000            | 1,052,000            |
| Interest expense                  | 674,000              | 784,000              | 873,000              |
| Total expenses                    | <b>\$ 45,798,000</b> | <b>\$ 47,688,000</b> | <b>\$ 42,625,000</b> |
| <b>Increase in net position</b>   | <b>\$ 12,165,000</b> | <b>\$ 3,779,000</b>  | <b>\$ 3,271,000</b>  |

**Revenues** include both operating and non-operating revenues and are presented above in order of magnitude. Significant changes from year to year include:

- **Property taxes** are derived from levies on properties within the College's taxing districts. Changes in property tax revenue typically occur due to fluctuations in taxable values within these districts, as established by local assessors and equalized at the county and state levels.

Property tax collections are also affected by tax capture arrangements that redirect a portion of property tax revenue to designated areas to fund local infrastructure or economic development projects. The number, scope, and financial impact of these arrangements can vary from year to year based on local municipal actions. The College does not control when such arrangements are established by local units of government (e.g., cities, villages, or townships) but excludes its tax levies whenever permitted by state statute.

Other components include:

- Industrial facilities' taxes
- Payment in lieu of taxes from Berrien County and Pokagon Band of Potawatomi

## Management's Discussion and Analysis – Unaudited

- State reimbursement of Renaissance Zone abatements
  - Delinquent taxes and related penalties/interest
  - State reimbursement for personal property tax revenues lost due to 2012 legislation eliminating this tax for certain taxpayers
  - Proceeds from a limited-use capital millage, which totaled \$5.7 million, \$5.3 million, and \$4.9 million in FY25, FY24, and FY23, respectively
- **Tuition & fees** is the second largest component of funding. This revenue is driven by two variables – billing hours, which are based on student contact hours, and tuition/fee rates. The \$2.1 million increase for FY25 was due to a combination of an 8.1% increase in headcount coupled with a 3.4% tuition rate increase. The \$808,000 increase in FY24 was due to a combination of a 3% increase in headcount coupled with a 5% tuition rate increase. Tuition rate increases are based on inflation and capped at 4.5% and 5% for FY25 and FY24, respectively, by the State of Michigan.
  - **Appropriations** are received from the State of Michigan in two forms: operational support through a combination of base and performance funding and support to cover the amount over a legislative cap on MPSERS pension contributions.

Operational support was relatively stable for FY25 and FY24, increasing through typical legislative processes by 1.5% and 5.5%, respectively. Additionally, in FY24 supplemental funding of \$923,000 was received from the State for infrastructure, technology, equipment maintenance, and safety.

- **Grants & contracts** includes Federal, state, and organizational grants, such as those:
  - Awarded to students in need of financial aid (e.g., Federal Supplemental Educational Opportunity Grant, Pell Grant Program, Federal Work-Study Program)
  - Providing outreach and student services programs designed to identify and provide services for individuals from disadvantaged backgrounds (TRIO)
  - Improving career and technical education programs (Perkins)

The most significant component of this funding is normally financial aid grants, which fluctuate with student enrollment and student financial need/eligibility.

The revenue increase of \$1.7 million for FY25 was a result of the [Michigan's Community College Guarantee](#) (\$1.1 million) and the expansion of the [Michigan Reconnect](#) Program (\$402,000). Revenue for FY24 increased \$748,000 primarily due to funding from MCCA Academic Catch-Up Program (\$240,000) and Michigan Achievement Scholarship (\$258,000). All funds were awarded or services provided to students.

## Management's Discussion and Analysis – Unaudited

- **Auxiliary & other** include revenues from auxiliary operations (Beckwith Hall and Mendel Center Operations) as well as miscellaneous income such as rental and certain fees. In FY25 revenue decreased \$175,000 due to Mendel Center construction related space limitations during the final quarter of operations. Revenue remained essentially flat FY24 compared to FY23.
- **Investment income** in FY25 includes earnings on a checking account, short-term certificate of deposit (CD), and an IntraFi Cash Service (ICS) account; earnings on these accounts increased slightly (\$17,000) in FY25. In FY24, investment income included earnings on a checking account and a CD; this revenue increased \$503,000 due to having additional invested for upcoming deferred maintenance needs at a higher interest rate (5.25%).
- Fluctuations in **Support from (to) Foundation, net** are expected due to the timing and nature of transactions with the Lake Michigan College Foundation (the Foundation). These variations reflect differences in payment dates and changes in program funding, scholarships, and operational support, net of amounts the College pays on behalf of the Foundation for its wages, benefits, services, and professional development.

Significant changes from year to year in **Expenses** include:

- **Labor costs** include both wage and benefit costs. For FY25, labor costs increased by \$883,000 due to a compensation study and wage increases for employees; benefits decreased in total by \$816,000 due to a \$2.6 million decrease in the accounting estimate for pension liability (GASB 68) offset by increased actual benefit costs due in part to higher health insurance costs. For FY24, labor costs increased by \$527,000 due to annual wage increases for all employees plus the change in the accounting estimate for GASB 68.
- **Services** include professional services, such as audit, legal, and consulting services, as well as custodial, repair/maintenance, advertising, and temporary personnel services. Fluctuations occur year to year in this expense category depending on the nature and extent of the services the College contracts. The increase in FY25 of \$491,000 is the result of contractual increases for outsourced services such as security and contracted instruction. Minimal contractual changes in FY24 resulted in a minor change of \$105,000.
- **Depreciation** reflects the use of capital assets (fixed assets) by allocating the cost of the asset over its estimated useful life. Depreciation increases when capital assets are placed into service and decreases when capital assets are disposed of or become fully depreciated.
- **Licensing, travel, & other** increased in FY25 and FY24 by \$985,000 and \$795,000, respectively. Increases were primarily driven by additional scholarship opportunities that resulted in an increase in financial aid awards.

## Management's Discussion and Analysis – Unaudited

- In FY25, there were no significant asset disposals. In FY24, the Niles Campus was 'sold' to Berrien RESA to create the Berrien Innovation Center; the sales price was \$1, resulting in a **Loss on Sale of Asset** of \$3,296,000. The College anticipates future annual maintenance savings of at least \$250,000 from this transaction.
- **Building costs** (e.g., rent, utilities, and insurance) remained relatively flat for both FY25 and FY24.
- **Interest expense** fluctuates normally based on bond repayment schedules.

College expenses reported by functional class can be found in Note 7 to the financial statements.

### Statement of Cash Flows

The Statement of Cash Flows is another way to assess financial health. Its primary purpose is to provide information about the cash inflows and outflows during a period, and is typically grouped into the following categories:

- **Cash flows from operating activities** reflects the net of the cash received from tuition and fees, certain grants, and auxiliary operations less the cash paid out to vendors and employees.
- **Cash flows from non-capital financing activities** include cash receipts from property taxes, state appropriations, student Pell grants, gifts, and miscellaneous sources.
- **Cash flows from capital and related financing activities** result from purchasing and selling capital assets, borrowing for new capital assets, and repaying principal and interest on debt.
- **Cash flows from investing activities** consist of investment income – both interest and dividend income and the proceeds from investment sales and maturities – offset by the cash outflow when investments are purchased.

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**Management's Discussion and Analysis – Unaudited**

The statement of cash flows is summarized as follows.

|                                        | <b><u>2025</u></b>   | <b><u>2024</u></b>   | <b><u>2023</u></b>   |
|----------------------------------------|----------------------|----------------------|----------------------|
| <b>Cash provided by (used in):</b>     |                      |                      |                      |
| Operating activities                   | \$ (28,541,000)      | \$ (27,919,000)      | \$ (22,973,000)      |
| Financing activities - non-capital     | 43,281,000           | 38,145,000           | 34,272,000           |
| Financing activities - capital         | (14,719,000)         | (7,228,000)          | (8,122,000)          |
| Investing activities                   | 325,000              | 204,000              | 180,000              |
| <b>Net increase (decrease) in cash</b> | <b>346,000</b>       | <b>3,202,000</b>     | <b>3,357,000</b>     |
| Cash - beginning of year               | 27,602,000           | 24,400,000           | 21,043,000           |
| <b>Cash - end of year</b>              | <b>\$ 27,948,000</b> | <b>\$ 27,602,000</b> | <b>\$ 24,400,000</b> |

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**Forward-Looking Information**

Following is a brief discussion of certain economic factors anticipated to affect the future, focusing on fiscal year 2026 (FY26). The College enters this period from a position of stability, maintaining a strong focus on fiscal stewardship, student success, and continued investment in the people, programs, and facilities that serve the region. Its long-term 'AA+' rating with a stable outlook from S&P Global Ratings reflects sound financial management, effective planning, and a stable operating environment.

- **Property Tax** will continue to serve as the largest and most stable source of operating funding for the College. Funds for operations are from voter-approved operating millages within the taxing district, which includes Berrien County, South Haven School District (in Van Buren and Allegan counties), and Covert Township (in Van Buren County).

Although, under generally accepted accounting principles (GAAP), collections from the 2016 capital millage are recognized as revenue when received, these funds are designated for the purposes outlined in the millage ballot language – such as safety and security improvements, energy upgrades, instructional space renovation, and technology enhancements – and are therefore not available for general operating expenditures.

All property tax collections are reduced by tax capture arrangements such as Downtown Development Authorities (DDAs) and Tax Increment Finance Authorities (TIFs). These programs, which are established by local municipalities, divert a portion of the property tax revenue generated within designated districts to fund infrastructure or economic development projects in those areas, resulting in lower property tax funding to the College.

Taxable values for the College for the current and upcoming fiscal year are shown below. Under Michigan law, taxable values are established by local assessors, equalized at the county and state levels, and used by all taxing entities to determine property tax revenue. The College does not influence or determine these values but uses them as certified by the appropriate authorities.

## Management's Discussion and Analysis – Unaudited

|                | Tax Values            |                       |                    |           |
|----------------|-----------------------|-----------------------|--------------------|-----------|
|                | <u>FY26</u>           | <u>FY25</u>           | <u>Change</u>      |           |
| Berrien        | 10,653,966,000        | 10,300,780,000        | 353,186,000        | 3%        |
| Van Buren      | 1,563,175,000         | 1,486,110,000         | 77,065,000         | 5%        |
| Allegan        | 348,672,000           | 319,406,000           | 29,266,000         | 9%        |
| Captured Taxes | (255,597,000)         | (228,729,000)         | (26,868,000)       | 12%       |
|                | <u>12,310,216,000</u> | <u>11,877,567,000</u> | <u>432,649,000</u> | <u>4%</u> |

- **Tuition & Fees** will likely remain the second-largest source of funding, and is driven by two variables – billing hours, which are based on student contact hours, and tuition rates.

FY26 traditional billing hours (i.e., not direct credit or middle college) are anticipated to increase 5% from FY25, based on the positive trends in applications and enrollments related to [Michigan's Community College Guarantee](#) and [Michigan Reconnect](#) scholarships, among others, and targeted recruitment efforts. Adverse factors include a flat number of traditional in-district high school students, lower regional interest in higher education, and, potentially, confusion over financial aid if the State does not pass a budget in a timely manner.

Middle College and Direct Credit billing hours are anticipated to be generally the same as FY25.

Tuition rates for Academic Year 2025–2026 (AY26) were set in accordance with the established policy and reflect a 2.9% increase over AY25 rates. The College also simplified its tuition rate structure, moving to two basic rates – Domestic and International – to make tuition charges easier for students and families to understand, enhance transparency, and support efforts to attract and retain students in Southwest Michigan. The region, including Berrien County, continues to experience gradual population decline and an aging demographic profile, highlighting the College's proactive role in attracting and educating new residents who strengthen the vitality and long-term growth of Southwest Michigan.

- Each year, the College reinvests a portion of tuition revenue in **Scholarships and Waivers** as a strategic tool to enhance student recruitment, access, and affordability. These include need-based and athletic scholarships, as well as other targeted awards that support student engagement. In addition, the Foundation plans to provide 105 privately funded scholarships totaling more than \$628,000. Together, these scholarships and waivers reflect the College's and Foundation's shared investment in student opportunity and success.
- **Appropriations** remain an important and reliable source of support, recognizing the essential role community colleges play in Michigan's higher education and workforce systems. Appropriations are provided by the State to supplement operations as across-the-board funding to each community college and performance funding based on defined metrics. For FY26, appropriations funding is projected to increase 3%.



## Management's Discussion and Analysis – Unaudited

The State also provides “rate stabilization” funding to offset community college contributions to Michigan’s defined benefit pension plan (MPERS.) This funding reduces required contributions of up to 45% by 15%. Although this funding is not expected to continue indefinitely, it is anticipated that it will be received in FY26.

- The College anticipates receiving **Other Revenue** in FY26, such as:
  - **Interest** from College depository account balances, which are anticipated to remain flat as the College retains funds to address upcoming deferred maintenance and explore opportunities for in-demand student housing.
  - **Workforce Training & Community Education**, which includes non-credit training – such as employer contracted training and individual job training – and personal enrichment offerings. The most significant of these offerings includes commercial driver’s license (CDL) training, Leadership Accelerator, Marine Tech, and Certified Nurse’s Aide (CNA). These programs demonstrate the College’s responsiveness to employer needs and its leadership in advancing regional economic development.
  - **Grants & Contracts** include support from United Way for the Start to Finish program and a student mental health counselor, partner funding for shared employee positions, and the standard indirect recovery provided by federal grants to cover a portion of overhead.
  - **Miscellaneous** includes Barnes & Noble bookstore commissions, rebates (Staples, procurement cards), sale of copying/printing services, student production tickets, and fees (e.g., ID cards, testing, collection.)
  - **Donations** include funding from the Foundation to support certain programs and their operations. (Note that donations received *by* the Foundation are not included in the College’s financial operations, although they are an integral part of the College’s overall financial health.)
- Auxiliary enterprises are designed to be self-supporting, non-instructional activities. The College’s **Auxiliary Operations** are as follows:
  - **Beckwith Hall** includes operating and facility costs for the 194-bed residence hall, which is projected to operate at 95% occupancy. Room rates did not increase from FY25.
  - **Mendel Center Operations** (MCO) includes performances, events, rentals, and speakers in the Mendel Center. Revenue includes tickets, concessions, room/equipment rentals, and grants. Beginning in FY26, the Foundation intends to cover all costs in excess of revenue for MCO.



## Management's Discussion and Analysis – Unaudited

- **Café & Vending** represents the cost to maintain food service options on campus for students and employees and should remain flat.
- **Labor Costs** will continue to represent the College's most significant expense (projected at 65% of total expenses), as is typical for community colleges where the majority of resources are dedicated to serving students through instruction and services to support students. This includes wages (44% of total expenses) and benefits (21%), both of which are largely fixed in the short term. Components are discussed below.
  - Employee wage costs will include pay increases for employees based on collective bargaining agreements and College policy as part of the College's efforts to attract and retain talented employees who deliver high-quality instruction and provide critical support for student achievement.
  - Outsourced staff includes wages and related vendor fees for certain positions, such as adjunct faculty, part-time tutors and coaches, and on-call roles.
  - Health insurance represents the College's employee insurance programs. Because the College is self-insured for health insurance, annual costs are estimated using actuarial projections, with FY26 expenses expected to increase 4% over FY25. Actual results will depend on claims experience.
  - Retirement contributions are paid on behalf of employees into either a defined contribution plan or the state-mandated MPSERS benefit plan. Employer contribution rates for MPSERS range from 15% to 30% of wages. Legislation enacted in 2012 capped the employer contribution rate, with the State covering amounts above the cap; without this funding, institutional rates would be substantially higher.
  - Employer payroll taxes are paid to fund Social Security and Medicare. Employer contribution rates are 6.2% of wages for Social Security and 1.45% for Medicare, totaling 7.65% of wages annually. The amount paid is based upon employee wages.
  - Other benefits include accrued vacation pay and uniform services primarily and are expected to remain flat.
- **Building Costs** will likely increase due to higher utility and insurance costs.
- **Services** are expected to increase marginally due to a multi-state digital marketing campaign highlighting the College's value proposition and distinctive programs. This initiative aligns with the recent move to a simplified tuition rate structure.

## Management's Discussion and Analysis – Unaudited

- **Supplies** are projected to increase approximately 6% due to continued investment in technology and software licensing aimed at streamlining operations, improving efficiency, and enhancing services to students.
- **Training, Travel, & Other** is anticipated to increase by approximately 8% as the College invests in leadership and professional development to strengthen organizational capacity and student outcomes.
- **Depreciation** is the largest non-labor expense category, representing the systematic allocation of the cost of capital assets over their estimated useful lives. As the College continues to invest in and maintain its facilities and equipment, non-cash depreciation expense increases accordingly. Planned capital improvements and replacements funded by operations for FY25 total approximately \$3.2 million, reflecting the College's focus on maintaining a safe, modern, and student-focused learning environment.
- **Interest Expense** reflects the cost of servicing outstanding debt. Capital millage property tax collections are allocated for repayment of the 2018 bond issue, which financed projects approved as part of the capital millage ballot.

| <u>Issue/Purpose</u>                            | <u>Term</u> | <u>Rate</u> | <u>Payments -<br/>FY26 Only</u> | <u>Future<br/>Payments:<br/>Principal</u> | <u>Future<br/>Payments:<br/>Interest</u> | <u>Future<br/>Payments:<br/>TOTAL</u> |
|-------------------------------------------------|-------------|-------------|---------------------------------|-------------------------------------------|------------------------------------------|---------------------------------------|
| <u>Repaid from Operational Funding:</u>         |             |             |                                 |                                           |                                          |                                       |
| 2021 Bonds (refinance older bonds)              | FY21-FY43   | 2.3%        | \$1,206,000                     | \$ 14,840,000                             | \$ 3,228,000                             | \$ 18,068,000                         |
| <u>Repaid from Capital Millage Collections:</u> |             |             |                                 |                                           |                                          |                                       |
| 2018 Facility Bonds                             | FY19-FY27   | 2.7%        | \$ 3,389,000                    | \$ 3,300,000                              | \$ 97,000                                | \$ 3,397,000                          |
|                                                 |             |             | \$ 4,595,000                    | \$ 18,140,000                             | \$ 3,325,000                             | \$ 21,465,000                         |

**June 30, 2025 and 2024**

|                                                           | College              |                      | Component Unit - Foundation |                      |
|-----------------------------------------------------------|----------------------|----------------------|-----------------------------|----------------------|
|                                                           | 2025                 | 2024                 | 2025                        | 2024                 |
| <b>Assets</b>                                             |                      |                      |                             |                      |
| Current assets:                                           |                      |                      |                             |                      |
| Cash and cash equivalents (Note 2)                        | \$ 27,948,266        | \$ 27,601,539        | \$ 4,213,179                | \$ 4,657,207         |
| Short-term investments (Note 2)                           | 15,136,383           | 14,430,020           | -                           | -                    |
| Accounts receivable - Net (Note 4)                        | 4,503,114            | 4,362,343            | -                           | -                    |
| Inventories                                               | 9,510                | 6,708                | -                           | -                    |
| Prepaid expenses and other assets                         | 1,232,015            | 1,085,196            | 31,243                      | 22,032               |
| Contributions receivable                                  | -                    | -                    | 137,328                     | 186,713              |
| Total current assets                                      | 48,829,288           | 47,485,806           | 4,381,750                   | 4,865,952            |
| Noncurrent assets:                                        |                      |                      |                             |                      |
| Investments (Note 2)                                      | -                    | -                    | 17,702,687                  | 15,598,408           |
| Net OPEB asset (Note 15)                                  | 2,558,193            | 343,704              | -                           | -                    |
| Capital assets - Net (Note 5)                             | 88,484,059           | 83,426,601           | -                           | -                    |
| Total assets                                              | 139,871,540          | 131,256,111          | 22,084,437                  | 20,464,360           |
| <b>Deferred Outflows of Resources</b> (Notes 6 and 15)    | 6,348,466            | 8,273,340            | -                           | -                    |
| <b>Liabilities</b>                                        |                      |                      |                             |                      |
| Current liabilities:                                      |                      |                      |                             |                      |
| Accounts payable                                          | 4,558,127            | 3,220,882            | 2,376                       | 2,376                |
| Accrued payroll and related costs                         | 2,100,450            | 1,907,680            | -                           | -                    |
| Interest payable                                          | 149,497              | 169,518              | -                           | -                    |
| Due to Lake Michigan College                              | -                    | -                    | 1,033,817                   | 1,203,649            |
| Unearned revenue                                          | 445,381              | 760,419              | 49,550                      | 39,350               |
| Current portion of long-term debt (Note 6)                | 4,328,726            | 4,324,387            | -                           | -                    |
| Other liabilities                                         | 342,998              | 345,450              | -                           | -                    |
| Total current liabilities                                 | 11,925,179           | 10,728,336           | 1,085,743                   | 1,245,375            |
| Noncurrent liabilities:                                   |                      |                      |                             |                      |
| Net pension liability (Note 15)                           | 14,282,750           | 18,995,272           | -                           | -                    |
| Long-term debt - Net of current portion (Note 6)          | 18,501,098           | 22,623,075           | -                           | -                    |
| Total noncurrent liabilities                              | 32,783,848           | 41,618,347           | -                           | -                    |
| Total liabilities                                         | 44,709,027           | 52,346,683           | 1,085,743                   | 1,245,375            |
| <b>Deferred Inflows of Resources</b> (Note 15)            | 8,435,491            | 6,271,886            | -                           | -                    |
| <b>Net Position</b>                                       |                      |                      |                             |                      |
| Net investment in capital assets                          | 66,668,174           | 57,561,969           | -                           | -                    |
| Restricted:                                               |                      |                      |                             |                      |
| Restricted nonexpendable                                  | -                    | -                    | 8,749,777                   | 8,708,063            |
| Restricted expendable - College programs and scholarships | -                    | -                    | 10,854,042                  | 9,364,873            |
| Restricted expendable - Net OPEB asset                    | 2,558,193            | 343,704              | -                           | -                    |
| Unrestricted                                              | 23,849,121           | 23,005,209           | 1,394,875                   | 1,146,049            |
| Total net position                                        | <u>\$ 93,075,488</u> | <u>\$ 80,910,882</u> | <u>\$ 20,998,694</u>        | <u>\$ 19,218,985</u> |

# Lake Michigan College

## Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2025 and 2024

|                                                  | College              |                      | Component Unit - Foundation |                      |
|--------------------------------------------------|----------------------|----------------------|-----------------------------|----------------------|
|                                                  | 2025                 | 2024                 | 2025                        | 2024                 |
| <b>Operating Revenue</b>                         |                      |                      |                             |                      |
| Student tuition and fees:                        |                      |                      |                             |                      |
| Tuition and fees                                 | \$ 12,059,627        | \$ 10,452,767        | \$ -                        | \$ -                 |
| Scholarships and allowances                      | (5,368,275)          | (3,742,077)          | -                           | -                    |
| Net tuition and fees                             | 6,691,352            | 6,710,690            | -                           | -                    |
| Grants and contracts                             | 5,106,426            | 3,397,789            | -                           | -                    |
| Noncredit tuition and fees                       | 353,186              | 245,066              | -                           | -                    |
| Auxiliary activities and other operating revenue | 1,577,705            | 1,749,757            | 142,921                     | 156,522              |
| Total operating revenue                          | 13,728,669           | 12,103,302           | 142,921                     | 156,522              |
| <b>Operating Expenses</b>                        |                      |                      |                             |                      |
| Salaries and wages                               | 17,133,209           | 16,250,046           | 344,757                     | 281,268              |
| Benefits                                         | 6,870,826            | 7,686,544            | 157,314                     | 127,993              |
| Professional services                            | 7,232,502            | 6,742,339            | 107,110                     | 116,869              |
| Supplies and materials                           | 1,216,530            | 1,093,524            | 35,033                      | 38,237               |
| Travel, communications, and miscellaneous        | 5,498,035            | 4,510,424            | 1,029,212                   | 761,513              |
| Rent, utilities, and insurance                   | 1,887,472            | 1,804,897            | 16,963                      | 24,075               |
| Small capital equipment                          | 378,487              | 229,344              | -                           | -                    |
| Depreciation and amortization                    | 4,933,498            | 5,290,044            | -                           | -                    |
| Total operating expenses                         | 45,150,559           | 43,607,162           | 1,690,389                   | 1,349,955            |
| <b>Operating Loss</b>                            | (31,421,890)         | (31,503,860)         | (1,547,468)                 | (1,193,433)          |
| <b>Nonoperating Revenue (Expense)</b>            |                      |                      |                             |                      |
| State appropriations                             | 8,456,405            | 9,204,362            | -                           | -                    |
| Pell Grants                                      | 5,476,466            | 3,429,124            | -                           | -                    |
| Property taxes (Note 8)                          | 28,802,267           | 25,232,604           | -                           | -                    |
| Support from the Foundation (to the College)     |                      |                      |                             |                      |
| - Net (Note 12)                                  | 217,976              | 228,963              | 502,071                     | (228,963)            |
| Investment income and gains                      | 1,032,398            | 1,015,092            | 1,954,966                   | 1,923,904            |
| Gifts and contributions                          | -                    | -                    | 870,140                     | 3,744,597            |
| Other nonoperating revenue (expense)             | 275,088              | (3,042,749)          | -                           | -                    |
| Interest on capital asset-related debt           | (674,104)            | (784,323)            | -                           | -                    |
| Total nonoperating revenue                       | 43,586,496           | 35,283,073           | 3,327,177                   | 5,439,538            |
| <b>Increase in Net Position</b>                  | 12,164,606           | 3,779,213            | 1,779,709                   | 4,246,105            |
| <b>Net Position - Beginning of year</b>          | 80,910,882           | 77,131,669           | 19,218,985                  | 14,972,880           |
| <b>Net Position - End of year</b>                | <b>\$ 93,075,488</b> | <b>\$ 80,910,882</b> | <b>\$ 20,998,694</b>        | <b>\$ 19,218,985</b> |

Statement of Cash Flows

Years Ended June 30, 2025 and 2024

|                                                                                | 2025                 | 2024                 |
|--------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Cash Flows from Operating Activities</b>                                    |                      |                      |
| Tuition and fees                                                               | \$ 6,498,933         | \$ 7,352,761         |
| Grants and contracts                                                           | 4,949,584            | 3,218,087            |
| Payments to suppliers                                                          | (24,792,040)         | (23,562,418)         |
| Payments to employees                                                          | (16,940,439)         | (16,371,156)         |
| Federal direct lending receipts                                                | 1,613,505            | 1,671,924            |
| Federal direct lending disbursements                                           | (1,613,505)          | (1,671,924)          |
| Auxiliary and other receipts                                                   | 1,746,960            | 1,443,948            |
| Net cash and cash equivalents used in operating activities                     | (28,537,002)         | (27,918,778)         |
| <b>Cash Flows from Noncapital Financing Activities</b>                         |                      |                      |
| Property taxes                                                                 | 28,802,267           | 25,232,604           |
| State appropriations                                                           | 8,533,788            | 9,001,229            |
| Gifts and grants for other than capital purposes                               | 217,976              | 228,963              |
| Pell Grants                                                                    | 5,476,466            | 3,429,124            |
| Other nonoperating receipts                                                    | 250,773              | 253,073              |
| Net cash and cash equivalents provided by noncapital financing activities      | 43,281,270           | 38,144,993           |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |                      |                      |
| Purchase of capital assets and construction                                    | (9,990,956)          | (2,764,682)          |
| Proceeds from sale of assets                                                   | 24,315               | -                    |
| Principal paid on debt, including amounts put in escrow                        | (4,117,638)          | (3,714,181)          |
| Interest paid on capital debt                                                  | (639,297)            | (748,831)            |
| Net cash and cash equivalents used in capital and related financing activities | (14,723,576)         | (7,227,694)          |
| <b>Cash Flows from Investing Activities</b>                                    |                      |                      |
| Investment income                                                              | 1,032,398            | 1,015,092            |
| Purchases of investments                                                       | (15,534,586)         | (14,606,530)         |
| Proceeds from investment sales and maturities                                  | 14,828,223           | 13,794,382           |
| Net cash and cash equivalents provided by investing activities                 | 326,035              | 202,944              |
| <b>Net Increase in Cash and Cash Equivalents</b>                               | 346,727              | 3,201,465            |
| <b>Cash and Cash Equivalents - Beginning of year</b>                           | 27,601,539           | 24,400,074           |
| <b>Cash and Cash Equivalents - End of year</b>                                 | <b>\$ 27,948,266</b> | <b>\$ 27,601,539</b> |

**Statement of Cash Flows (Continued)**

**Years Ended June 30, 2025 and 2024**

|                                                                                | <u>2025</u>                   | <u>2024</u>                   |
|--------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| <b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>  |                               |                               |
| Operating loss                                                                 | \$ (31,421,890)               | \$ (31,503,860)               |
| Adjustments to reconcile operating loss to net cash from operating activities: |                               |                               |
| Depreciation and amortization                                                  | 4,933,498                     | 5,290,044                     |
| Changes in operating assets and liabilities that (used) provided cash:         |                               |                               |
| Accounts receivable - Net                                                      | (218,154)                     | (336,600)                     |
| Inventories, prepaids, and other assets                                        | (149,621)                     | (151,793)                     |
| Deferred outflows of resources                                                 | 1,870,046                     | 973,535                       |
| Accounts payable and accrued liabilities                                       | 1,527,563                     | 339,782                       |
| Unearned revenue                                                               | (315,038)                     | 248,094                       |
| Net OPEB asset                                                                 | (2,214,489)                   | (1,614,449)                   |
| Net pension liability                                                          | (4,712,522)                   | (2,154,341)                   |
| Deferred inflows of resources                                                  | 2,163,605                     | 990,810                       |
| Total adjustments                                                              | <u>2,884,888</u>              | <u>3,585,082</u>              |
| Net cash and cash equivalents used in operating activities                     | <u><u>\$ (28,537,002)</u></u> | <u><u>\$ (27,918,778)</u></u> |

**June 30, 2025 and 2024****Note 1 - Basis of Presentation and Significant Accounting Policies**

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

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the financial statements of Lake Michigan College Foundation have been discretely presented in the College's financial statements.

Lake Michigan College Foundation (the "Foundation") is a legally separate, tax-exempt not-for-profit organization that was formed to solicit, collect, and invest donations made for the promotion of educational activities of the College. The Foundation acts primarily as a fundraising organization of the College to foster educational opportunities for students of the College through student scholarship and loan funds and through support of college programs, departments, or individuals for organizational, instructional, and professional development. Separate financial statements of the Foundation may be obtained by contacting Lake Michigan College, 2755 E. Napier Ave, Benton Harbor, MI 49022.

In accordance with the provisions of GASB Statement No. 61, the Foundation is considered a component unit of the College. The Foundation has been determined to be a discretely presented component unit due to the significance to the College.

The Foundation reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Internal Revenue Service has determined the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

Significant accounting policies followed by the College and the discretely presented component unit are described below to enhance the usefulness of the financial statements to the reader:

***Basis of Accounting***

The financial statements of the College have been prepared using the economic resources measurement focus and accrual basis of accounting, wherein revenue is recognized when earned, and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. The College follows all applicable GASB pronouncements. Certain revenue recognition criteria and disclosure requirements under the GASB are different than under the FASB, which is applicable to the Foundation.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less.

June 30, 2025 and 2024

**Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)*****Accounts Receivable***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off. An allowance for bad debts of approximately \$121,000 and \$114,000 has been established at June 30, 2025 and 2024, respectively.

***Foundation Gifts and Pledges***

Unconditional gifts are recorded at estimated fair value when received, and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

***Short-term Investments***

Short-term investments consist of certificates of deposit with maturities ranging from three months to one year.

***Foundation Investments***

The Foundation maintains investment accounts for its restricted endowments. Investments in marketable equity securities are carried at fair value, which is generally determined by using quoted market prices. Realized and unrealized gains and losses are reflected in the Foundation's statement of activities and changes in net assets.

***Fair Value Measurements***

The Foundation has categorized its investments into a three-level fair value hierarchy based on the nature of inputs used in determining fair value. The hierarchy gives highest priority to quoted prices in active markets for identical assets and lowest priority to unobservable inputs. For further discussion, refer to Note 3.

***Inventories***

Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method. Inventories consist of beverages used in auxiliary operations.

***Capital Assets***

Capital assets are recorded at cost except for gifts of property, which are recorded at acquisition value at the time of receipt. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized, while expenditures for routine repairs and maintenance are expensed as incurred. Management reviews capital assets annually for impairment.

Depreciation is computed using the straight-line method over the estimated useful life of the asset. No depreciation is recorded on land and art, which are considered inexhaustible. The following estimated useful lives are used to compute depreciation:

|                                      | <u>Depreciable Life - Years</u> |
|--------------------------------------|---------------------------------|
| Land improvements and infrastructure | 15-20                           |
| Building and improvements            | 45                              |
| Equipment                            | 7-15                            |
| Furniture and fixtures               | 5-7                             |
| Library materials                    | 5                               |
| Computer hardware                    | 5                               |
| Computer software                    | 3                               |



**June 30, 2025 and 2024****Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)*****Pensions***

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

***Other Postemployment Benefit Costs***

For the purpose of measuring the net other postemployment benefit OPEB asset and liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPERS and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 15. The College also has a loss on defeasance of old debt, which is being amortized over the life of the new debt. More detailed information can be found in Note 6.

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plans' investments. More detailed information can be found in Note 15.

***Bond Premium and Discounts***

Bond premium relates to the value of the bonds issued by the College at the issuance date. The discount on issuance is amortized on a straight-line basis over the life of the related outstanding bond issue.

***Unearned Revenue***

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. Grants received prior to qualifying expenditures are also included in unearned revenue.

**June 30, 2025 and 2024****Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)*****Unrestricted Net Position***

Unrestricted net position represents net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for a specific purpose by action of management or the board of trustees (the "board").

***Restricted Net Position***

Restricted net position represents net position that is subject to externally imposed constraints. Restricted net position may be designated for a specific purpose and be temporary in nature; those restrictions will be met by actions of the College or by the passage of time. Other designations are perpetual in nature, where the restriction will remain in perpetuity.

***Net Investment in Capital Assets***

Net investment in capital assets represents capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

***Subscription Arrangements***

The College obtains the right to use vendors' information technology software through various long-term contracts. The College recognizes a subscription liability and an intangible right-to-use subscription asset. Subscription assets are reported with capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

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 initial implementation costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the College determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term. The College generally uses its estimated incremental borrowing rate as the discount rate.

***Compensated Absences***

It is the College's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay and vacation pay are accrued when incurred. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

***Internal Service Activities***

Both revenue and expenses related to internal service activities (e.g., central duplicating) have been eliminated.

***Federal Financial Assistance Programs***

The College participates in federally funded Pell Grants, the SEOG Program, the Federal Work-Study Program, and federal direct lending programs. During the years ended June 30, 2025 and 2024, the College distributed approximately \$1,615,000 and \$1,670,000, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

**June 30, 2025 and 2024****Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)*****Revenue Recognition***

Revenue from state appropriations is recorded as revenue in the period for which such amounts are appropriated. Tuition and related revenue are reported when earned. Property taxes are recorded as revenue in the year collected.

The College does not recognize as revenue sources held for others (e.g., federal direct loans) where the College serves in a fiduciary capacity. Federal direct loan activity meets an exception to GASB Statement No. 84, which allows the activity to be reported only as an operating activity in the statement of cash flows.

Operating revenue of the College consists of tuition and fees, grants and contracts, sales of educational activities, and auxiliary enterprises' revenue. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, Pell Grants, and property taxes are components of nonoperating and other revenue, as defined by GASB Statement No. 34. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy expenses.

Foundation gifts and contributions of cash and other assets received, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the period in which the gift is received are both reported as support without donor restrictions. Other restricted gifts are reported as with donor restrictions. In addition, the Foundation holds an annual benefit auction for which all the net earnings are unrestricted. The Foundation also holds an annual golf outing for which all the net earnings are restricted for athletic department use.

***Scholarship Discounts and Allowances***

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

Effective for the fiscal year ended 2025, the College changed its accounting methodology for determining scholarship discounts and allowances. This change was implemented following the guidance provided in National Association of College and University Business Officers (NACUBO) Advisory Report 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*, which supersedes prior guidance and provides updated methods for calculating tuition discounts. This change is considered a change in accounting estimate, as defined by GASB Statement No. 100, *Accounting Changes and Error Corrections*.

The College has adopted Method B, an allocation-based approach, for calculating the portion of student financial aid to be recorded as scholarship discounts and allowances. This method leverages the institution's financial and student information systems to more accurately reflect the institution's aid-awarding policies and related business rules. Management believes that this change represents a preferable accounting principle because it results in a more precise and systematic method for determining scholarship discounts, leading to more reliable financial reporting.

This change has been applied prospectively and impacts the following financial statement line items: gross tuition and fees, scholarship allowance, auxiliary enterprises (net of scholarship allowance), and student financial aid. The effect of this change resulted in allocating more student financial aid as scholarship allowance and less to operating expenses as student financial aid expense.

**June 30, 2025 and 2024****Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)*****Adoption of New Accounting Pronouncement***

During the current year, the College adopted GASB Statement No. 101, *Compensated Absences*. As a result, the liability for compensated absences in the statement of net position of the College has been calculated to comply with this new pronouncement. The financial statements for the year ended June 30, 2024 have not been restated in order to adopt GASB Statement No. 101. The accrual related to compensated absences is recorded within accrued payroll and related costs on the statement of net position.

***Upcoming Accounting Pronouncements***

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

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2026.

***Subsequent Events***

The financial statements and related disclosures include evaluation of events up through and including October 27, 2025, which is the date the financial statements were available to be issued.

**Note 2 - Cash and Investments*****Cash and Cash Equivalents***

Investment policies for cash and cash equivalents set by the board allow investment in demand accounts, certificates of deposit, savings accounts, and other interest-earning deposit accounts of banks that are members of the Federal Deposit Insurance Corporation (FDIC).

***Short-term Investments***

Short-term investments are those authorized by Michigan Public Act 331, as amended through 1997, and by policy of the board and include United States (U.S.) certificates of deposit that mature in less than one year. Short-term investments of approximately \$15,100,000 and \$14,400,000 as of June 30, 2025 and 2024, respectively, consisting of certificates of deposit and money market funds and are valued at amortized cost.

***Long-term Investments***

Investment policies set by the College's board allow investments in bonds, bills, or notes of the U.S. or of an agency of a U.S. instrumentality or obligations of the State of Michigan. Funds may be invested in commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC and commercial paper of corporations located in Michigan. Mutual funds, trusts, or investment pools composed entirely of instruments that are legal for direct investment by a community college are also acceptable investments. There were no long-term investments held by the College at June 30, 2025 and 2024.

**June 30, 2025 and 2024****Note 2 - Cash and Investments (Continued)**

The Foundation invests primarily in mutual funds with the objectives of principal preservation and investment appreciation. Due to the long-term nature of the investments, the Foundation's investment policy does not limit investment maturities. See Note 3 for additional information regarding the Foundation's long-term investments.

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

***Interest Rate Risk***

Interest rate risk is the risk of how changes in interest rates will adversely affect the fair value of an investment. The College's investment policy does not limit investment maturities as a means of managing its exposure to fair market value losses arising from increasing interest rates.

***Credit Risk***

State law limits the College's investments. The College's investment policy does not further limit its investment choices. The Foundation's investment policy recommends that the following investment strategies be avoided: commodity contracts, selling securities short, purchasing on margin, and naked options.

***Concentration of Credit Risk***

Certificates of deposit held by the College are not limited to any given financial institution or issuer, nor does the College's investment policy limit investments in U.S. agencies or Treasuries. In addition, the Foundation invests in various mutual fund companies.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that, in the event of a bank failure, college and foundation deposits may not be returned. Cumulative bank deposits for the College and the Foundation were approximately \$32,161,000 and \$32,259,000 as of June 30, 2025 and 2024, respectively. Of those balances, approximately \$31,661,000 and \$31,509,000 was exposed to custodial credit risk due to being uninsured and uncollateralized at June 30, 2025 and 2024, respectively.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the College and the Foundation will not be able to recover the value of their investments that are in the possession of the counterparty.

Custodial credit risk for mutual funds cannot be determined, as these investments are not evidenced by specifically identifiable securities.

State law does not require, and neither the College nor the Foundation has, a policy for custodial credit risk; however, all investments are in the name of the College or the Foundation, as applicable, and the investments are held in trust accounts with the financial institution from which they were purchased. Furthermore, the College holds investments with banks that have a high rating, and the funds are invested only in the most secure investment opportunities, such as certificates of deposit. Foundation investments are primarily mutual funds and are reviewed by the Foundation's investment committee and advisors on a quarterly basis.

June 30, 2025 and 2024

## Note 2 - Cash and Investments (Continued)

### Foreign Currency Risk

The College is not authorized by state law to invest in investments that have this type of risk.

## Note 3 - Fair Value Measurements

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

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

The following sets forth the Foundation's assets by level at fair value as of June 30:

|                                 |    | 2025       |              |         |               |
|---------------------------------|----|------------|--------------|---------|---------------|
|                                 |    | Level 1    | Level 2      | Level 3 | Total         |
| <b>Assets</b>                   |    |            |              |         |               |
| Domestic mutual funds           | \$ | 12,890,203 | \$ -         | \$ -    | \$ 12,890,203 |
| Domestic bond funds             |    | 1,258,591  | -            | -       | 1,258,591     |
| Corporate and municipal bonds   |    | -          | 3,377,954    | -       | 3,377,954     |
| Preferred stock                 |    | 175,939    | -            | -       | 175,939       |
| Total investments at fair value | \$ | 14,324,733 | \$ 3,377,954 | \$ -    | \$ 17,702,687 |
|                                 |    | 2024       |              |         |               |
|                                 |    | Level 1    | Level 2      | Level 3 | Total         |
| <b>Assets</b>                   |    |            |              |         |               |
| Domestic mutual funds           | \$ | 11,147,534 | \$ -         | \$ -    | \$ 11,147,534 |
| Domestic bond funds             |    | 1,159,988  | -            | -       | 1,159,988     |
| Corporate and municipal bonds   |    | -          | 3,256,071    | -       | 3,256,071     |
| Preferred stock                 |    | 34,815     | -            | -       | 34,815        |
| Total investments at fair value | \$ | 12,342,337 | \$ 3,256,071 | \$ -    | \$ 15,598,408 |

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value the investments' relationship to benchmark quoted prices.

June 30, 2025 and 2024

## Note 4 - Receivables

Accounts receivable consist of the following at June 30:

|                                           | 2025                | 2024                |
|-------------------------------------------|---------------------|---------------------|
| Appropriations from State of Michigan     | \$ 1,362,845        | \$ 1,424,231        |
| Due from Lake Michigan College Foundation | 1,033,817           | 1,203,649           |
| Grants receivable                         | 1,231,075           | 1,046,389           |
| Student receivable                        | 429,046             | 219,323             |
| Third party and other                     | 566,831             | 582,251             |
| Total                                     | 4,623,614           | 4,475,843           |
| Less allowance for doubtful accounts      | (120,500)           | (113,500)           |
| Net accounts receivable                   | <u>\$ 4,503,114</u> | <u>\$ 4,362,343</u> |

Foundation contributions receivable consist of the following at June 30:

|                                                    | 2025              | 2024              |
|----------------------------------------------------|-------------------|-------------------|
| Contributions to be received in less than one year | \$ 32,068         | \$ 179,138        |
| Contributions to be received in one to five years  | 110,260           | 12,575            |
| Allowance for doubtful accounts                    | (5,000)           | (5,000)           |
| Total                                              | <u>\$ 137,328</u> | <u>\$ 186,713</u> |

Contributions receivable due between one and five years are not discounted, as management believes discounts would be insignificant.



June 30, 2025 and 2024

## Note 5 - Capital Assets

The following tables present changes in capital assets for the years ended June 30, 2025 and 2024:

|                                                 | Balance<br>July 1, 2024 | Additions    | Transfers and<br>Retirements | Balance<br>June 30, 2025 |
|-------------------------------------------------|-------------------------|--------------|------------------------------|--------------------------|
| Nondepreciable capital assets:                  |                         |              |                              |                          |
| Land                                            | \$ 808,989              | \$ -         | \$ -                         | \$ 808,989               |
| Art collection                                  | 364,383                 | -            | -                            | 364,383                  |
| Construction in progress                        | 1,041,640               | 7,580,292    | (294,034)                    | 8,327,898                |
| Total nondepreciable capital assets             | 2,215,012               | 7,580,292    | (294,034)                    | 9,501,270                |
| Depreciable capital assets:                     |                         |              |                              |                          |
| Land improvements                               | 5,511,663               | -            | -                            | 5,511,663                |
| Buildings and improvements                      | 115,408,160             | 668,830      | 143,058                      | 116,220,048              |
| Equipment                                       | 20,578,323              | 1,380,163    | 72,086                       | 22,030,572               |
| Infrastructure                                  | 3,905,481               | 45,704       | 78,890                       | 4,030,075                |
| Furniture and fixtures                          | 2,975,438               | 71,175       | -                            | 3,046,613                |
| Library materials                               | 3,678,016               | 30,875       | -                            | 3,708,891                |
| Right-to-use assets - IT subscriptions          | 1,173,105               | 213,917      | -                            | 1,387,022                |
| Total depreciable capital assets                | 153,230,186             | 2,410,664    | 294,034                      | 155,934,884              |
| Accumulated depreciation and amortization:      |                         |              |                              |                          |
| Land improvements                               | 4,216,007               | 127,073      | -                            | 4,343,080                |
| Buildings and improvements                      | 43,097,985              | 3,038,142    | -                            | 46,136,127               |
| Equipment                                       | 16,673,483              | 1,117,928    | -                            | 17,791,411               |
| Infrastructure                                  | 1,509,589               | 127,332      | -                            | 1,636,921                |
| Furniture and fixtures                          | 2,271,627               | 169,404      | -                            | 2,441,031                |
| Library materials                               | 3,602,424               | 27,079       | -                            | 3,629,503                |
| Right-to-use assets - IT subscriptions          | 647,482                 | 326,540      | -                            | 974,022                  |
| Total accumulated depreciation and amortization | 72,018,597              | 4,933,498    | -                            | 76,952,095               |
| Net capital assets                              | \$ 83,426,601           | \$ 5,057,458 | \$ -                         | \$ 88,484,059            |



June 30, 2025 and 2024

**Note 5 - Capital Assets (Continued)**

|                                                 | Balance<br>July 1, 2023 | Additions      | Transfers and<br>Retirements | Balance<br>June 30, 2024 |
|-------------------------------------------------|-------------------------|----------------|------------------------------|--------------------------|
| Nondepreciable capital assets:                  |                         |                |                              |                          |
| Land                                            | \$ 966,388              | \$ -           | \$ (157,399)                 | \$ 808,989               |
| Art collection                                  | 364,383                 | -              | -                            | 364,383                  |
| Construction in progress                        | 1,109,088               | 967,582        | (1,035,030)                  | 1,041,640                |
| Total nondepreciable capital assets             | 2,439,859               | 967,582        | (1,192,429)                  | 2,215,012                |
| Depreciable capital assets:                     |                         |                |                              |                          |
| Land improvements                               | 5,627,882               | -              | (116,219)                    | 5,511,663                |
| Buildings and improvements                      | 120,734,457             | 155,620        | (5,481,917)                  | 115,408,160              |
| Equipment                                       | 19,544,554              | 1,060,914      | (27,145)                     | 20,578,323               |
| Infrastructure                                  | 3,364,703               | 361,112        | 179,666                      | 3,905,481                |
| Furniture and fixtures                          | 2,871,276               | 78,784         | 25,378                       | 2,975,438                |
| Library materials                               | 3,650,168               | 27,848         | -                            | 3,678,016                |
| Right-to-use assets - IT subscriptions          | 1,060,283               | 112,822        | -                            | 1,173,105                |
| Total depreciable capital assets                | 156,853,323             | 1,797,100      | (5,420,237)                  | 153,230,186              |
| Accumulated depreciation and amortization:      |                         |                |                              |                          |
| Land improvements                               | 4,152,176               | 135,613        | (71,782)                     | 4,216,007                |
| Buildings and improvements                      | 42,850,431              | 3,430,300      | (3,182,746)                  | 43,097,985               |
| Equipment                                       | 15,681,925              | 1,053,874      | (62,316)                     | 16,673,483               |
| Infrastructure                                  | 1,368,332               | 141,257        | -                            | 1,509,589                |
| Furniture and fixtures                          | 2,105,929               | 165,698        | -                            | 2,271,627                |
| Library materials                               | 3,576,844               | 25,580         | -                            | 3,602,424                |
| Right-to-use assets - IT subscriptions          | 309,760                 | 337,722        | -                            | 647,482                  |
| Total accumulated depreciation and amortization | 70,045,397              | 5,290,044      | (3,316,844)                  | 72,018,597               |
| Net capital assets                              | \$ 89,247,785           | \$ (2,525,362) | \$ (3,295,822)               | \$ 83,426,601            |

A portion of the South Haven campus building and the Todd Center have been financed in part by State Building Authority (SBA) bond issuances, which are secured by a pledge of rentals to be received by the State of Michigan pursuant to an agreement entered into between the SBA, the State of Michigan, and the College. While the SBA bonds are outstanding, the SBA will hold title to the respective buildings, although the College has capitalized the building and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA will transfer the titles of the buildings to the College.

The College obtains the right to use vendors' information technology software through various long-term contracts. The College has recognized an intangible right-to-use subscription asset that is being amortized on a straight-line basis over its useful life.

June 30, 2025 and 2024

## Note 6 - Long-term Liabilities

Long-term debt activity for the years ended June 30, 2025 and 2024 was as follows:

|                                                                  | Balance<br>July 1, 2024 | Additions         | Deductions          | Balance<br>June 30, 2025 | Current Portion     |
|------------------------------------------------------------------|-------------------------|-------------------|---------------------|--------------------------|---------------------|
| 2018 College Building and Site<br>General Obligation Limited Tax | \$ 9,625,000            | \$ -              | \$ 3,125,000        | \$ 6,500,000             | \$ 3,200,000        |
| 2021 College Refunding Bonds                                     | 16,555,000              | -                 | 855,000             | 15,700,000               | 860,000             |
| Unamortized bond premium                                         | 209,879                 | -                 | 10,956              | 198,923                  | 10,956              |
| Subscription arrangements                                        | 557,583                 | 213,918           | 340,600             | 430,901                  | 257,770             |
| Total long-term debt                                             | <u>\$ 26,947,462</u>    | <u>\$ 213,918</u> | <u>\$ 4,331,556</u> | <u>\$ 22,829,824</u>     | <u>\$ 4,328,726</u> |
|                                                                  | Balance<br>July 1, 2023 | Additions         | Deductions          | Balance<br>June 30, 2024 | Current Portion     |
| 2013 College Building and Site<br>General Obligation Limited Tax | \$ 75,000               | \$ -              | \$ 75,000           | \$ -                     | \$ -                |
| 2014 College Building and Site<br>General Obligation Limited Tax | 250,000                 | -                 | 250,000             | -                        | -                   |
| 2018 College Building and Site<br>General Obligation Limited Tax | 12,675,000              | -                 | 3,050,000           | 9,625,000                | 3,125,000           |
| 2021 College Refunding Bonds                                     | 16,660,000              | -                 | 105,000             | 16,555,000               | 855,000             |
| Unamortized bond premium                                         | 220,835                 | -                 | 10,956              | 209,879                  | 10,956              |
| Subscription arrangements                                        | 780,808                 | -                 | 223,225             | 557,583                  | 333,431             |
| Total long-term debt                                             | <u>\$ 30,661,643</u>    | <u>\$ -</u>       | <u>\$ 3,714,181</u> | <u>\$ 26,947,462</u>     | <u>\$ 4,324,387</u> |

Bond principal and interest are payable from the proceeds of ad valorem taxes levied on all taxable property in the district without limitation as to rate or amount.

### 2021 College Refunding Bonds

Bonds issued in the amount of \$16,660,000 were used to advance refund \$3,090,000 of the 2013 Refunding Bonds, \$3,420,000 of the 2013 College Building and Site Bonds, and \$8,875,000 of the 2014 College Building and Site Bonds. The bonds mature in varying amounts through 2043, with interest charged semiannually on March 1 and September 1. Interest rates range from 2.00 percent to 2.75 percent. The bonds were sold at a premium of \$244,573. In conjunction with the issuance, the College established an irrevocable trust with an escrow agent to provide for future debt service payments on the advance refunded bonds until they are callable. As a result, the bonds are considered in substance defeased, and \$15,110,000 in liability for the bonds has been removed from the statement of net position. The bond refunding resulted in a capitalized loss on defeasance of \$1,224,490. The capital loss is being amortized and recognized over the period of repayment of the new debt and has a balance of \$996,041 and \$1,050,869 at June 30, 2025 and 2024, respectively.

### 2018 College Building and Site Bonds

Bonds issued in the amount of \$20,000,000 were used to fund erecting, furnishing, and equipping college facilities and additions thereto. The bonds mature in varying amounts beginning on May 1, 2021 through May 1, 2027, with interest charged semiannually on May 1 and November 1. Interest rates range from 2.35 percent to 2.95 percent, with an effective rate of 2.64 percent.

## Note 6 - Long-term Liabilities (Continued)

### ***2014 College Building and Site Bonds***

Bonds issued in the amount of \$10,435,000 were used to liquidate the outstanding 2013 Bond Anticipation Note, as well as to provide funding for the completion of the student residence hall. These bonds are payable from general revenue, maturing serially through September 1, 2043, with interest due semiannually on March 1 and September 1. Interest-only payments were required until September 1, 2016. Interest rates range from 3.0 percent to 5.0 percent, with an effective rate of 4.16 percent. Upon issuance of the 2021 Refunding Bonds, \$8,875,000 of the bonds for the periods 2024 through 2043 is considered defeased.

### ***2013 College Building and Site Bonds***

Bonds issued in the amount \$3,565,000 were used to fund the construction costs of a student activity center and other campus improvements. The bonds mature serially through September 1, 2044, with interest due semiannually on March 1 and September 1. Interest rates range from 4.0 percent to 5.0 percent, with an effective rate of 4.31 percent. Upon issuance of the 2021 Refunding Bonds, \$3,420,000 of the bonds for the periods 2022 through 2031 has been called.

### ***Subscription Arrangements***

The College has recognized a subscription liability for the right to use vendors' information technology software through various long-term contracts. The liability is measured at an initial amount based on the present value of payments expected to be made during the subscription period.

Total principal and interest requirements on debt obligations as of June 30, 2025 are as follows:

| Years Ending<br>June 30 | Principal            | Interest            | Total                |
|-------------------------|----------------------|---------------------|----------------------|
| 2026                    | \$ 4,317,770         | \$ 546,655          | \$ 4,864,425         |
| 2027                    | 4,226,628            | 431,729             | 4,658,357            |
| 2028                    | 923,000              | 314,863             | 1,237,863            |
| 2029                    | 917,603              | 295,602             | 1,213,205            |
| 2030                    | 935,900              | 276,172             | 1,212,072            |
| 2031-2035               | 3,980,000            | 1,119,849           | 5,099,849            |
| 2036-2040               | 3,880,000            | 709,161             | 4,589,161            |
| 2041-2044               | 3,450,000            | 191,100             | 3,641,100            |
| Total                   | <u>\$ 22,630,901</u> | <u>\$ 3,885,131</u> | <u>\$ 26,516,032</u> |

June 30, 2025 and 2024

**Note 7 - Functional Expense**

The College reports its expenses by natural class versus functional class. The tables below show expense by functional area as follows:

**Year Ended June 30, 2025**

|                                           | Instruction          | Information Technology | Public Service      | Academic Support     | Student Services    | Institutional Support |
|-------------------------------------------|----------------------|------------------------|---------------------|----------------------|---------------------|-----------------------|
| Salaries and benefits                     | \$ 9,567,546         | \$ 1,488,217           | \$ 1,792            | \$ 2,714,162         | \$ 3,053,295        | \$ 3,883,616          |
| Professional services                     | 2,191,792            | 91,937                 | -                   | 324,516              | 482,689             | 1,232,184             |
| Supplies and materials                    | 377,873              | 66,242                 | 22                  | 196,198              | 190,635             | 67,804                |
| Travel, communications, and miscellaneous | 158,026              | 584,996                | -                   | 242,731              | 893,695             | 796,991               |
| Rent, utilities, and insurance            | 13,262               | -                      | -                   | 397                  | 109,632             | 376                   |
| Small capital equipment                   | 37,083               | 11,584                 | 733                 | 128                  | 1,366               | 4,841                 |
| Depreciation and amortization             | -                    | 326,540                | -                   | -                    | -                   | -                     |
| <b>Total</b>                              | <b>\$ 12,345,582</b> | <b>\$ 2,569,516</b>    | <b>\$ 2,547</b>     | <b>\$ 3,478,132</b>  | <b>\$ 4,731,312</b> | <b>\$ 5,985,812</b>   |
|                                           | Maintenance of Plant | Capital/Debt Service   | Auxiliary           | Total Unrestricted   | Grants              | Total                 |
| Salaries and benefits                     | \$ 969,103           | \$ -                   | \$ 1,110,613        | \$ 22,788,344        | \$ 1,215,691        | \$ 24,004,035         |
| Professional services                     | 1,625,575            | -                      | 958,638             | 6,907,331            | 325,171             | 7,232,502             |
| Supplies and materials                    | 41,270               | -                      | 15,511              | 955,555              | 260,975             | 1,216,530             |
| Travel, communications, and miscellaneous | 259,515              | -                      | 40,733              | 2,976,687            | 2,521,348           | 5,498,035             |
| Rent, utilities, and insurance            | 1,289,111            | -                      | 474,574             | 1,887,352            | 120                 | 1,887,472             |
| Small capital equipment                   | 23,014               | -                      | 12,771              | 91,520               | 286,967             | 378,487               |
| Depreciation and amortization             | -                    | 4,606,958              | -                   | 4,933,498            | -                   | 4,933,498             |
| <b>Total</b>                              | <b>\$ 4,207,588</b>  | <b>\$ 4,606,958</b>    | <b>\$ 2,612,840</b> | <b>\$ 40,540,287</b> | <b>\$ 4,610,272</b> | <b>\$ 45,150,559</b>  |

**Year Ended June 30, 2024**

|                                           | Instruction          | Information Technology | Public Service  | Academic Support    | Student Services    | Institutional Support |
|-------------------------------------------|----------------------|------------------------|-----------------|---------------------|---------------------|-----------------------|
| Salaries and benefits                     | \$ 9,113,772         | \$ 1,518,351           | \$ 1,792        | \$ 2,844,509        | \$ 3,375,960        | \$ 3,566,108          |
| Professional services                     | 1,516,577            | 149,692                | -               | 227,364             | 404,365             | 1,525,660             |
| Supplies and materials                    | 369,323              | 59,570                 | 35              | 205,267             | 177,053             | 71,104                |
| Travel, communications, and miscellaneous | 296,319              | 441,026                | -               | 159,454             | 1,255,256           | 908,443               |
| Rent, utilities, and insurance            | 848                  | -                      | -               | 682                 | 94,432              | 852                   |
| Small capital equipment                   | 26,030               | 1,271                  | -               | 1,618               | 111                 | 65                    |
| Depreciation and amortization             | -                    | 337,722                | -               | -                   | -                   | -                     |
| <b>Total</b>                              | <b>\$ 11,322,869</b> | <b>\$ 2,507,632</b>    | <b>\$ 1,827</b> | <b>\$ 3,438,894</b> | <b>\$ 5,307,177</b> | <b>\$ 6,072,232</b>   |

June 30, 2025 and 2024

### Note 7 - Functional Expense (Continued)

|                                              | Maintenance<br>of Plant | Capital/Debt<br>Service | Auxiliary           | Total<br>Unrestricted | Grants              | Total                |
|----------------------------------------------|-------------------------|-------------------------|---------------------|-----------------------|---------------------|----------------------|
| Salaries and benefits                        | \$ 1,079,544            | \$ -                    | \$ 1,216,127        | \$ 22,716,163         | \$ 1,220,427        | \$ 23,936,590        |
| Professional services                        | 1,576,095               | -                       | 1,179,417           | 6,579,170             | 163,169             | 6,742,339            |
| Supplies and materials                       | 32,111                  | -                       | 38,198              | 952,661               | 140,863             | 1,093,524            |
| Travel, communications,<br>and miscellaneous | 261,761                 | -                       | 62,073              | 3,384,332             | 1,126,092           | 4,510,424            |
| Rent, utilities, and<br>insurance            | 1,252,183               | -                       | 455,570             | 1,804,567             | 330                 | 1,804,897            |
| Small capital equipment                      | 4,758                   | -                       | 6,371               | 40,224                | 189,120             | 229,344              |
| Depreciation and<br>amortization             | -                       | 4,952,322               | -                   | 5,290,044             | -                   | 5,290,044            |
| Total                                        | <u>\$ 4,206,452</u>     | <u>\$ 4,952,322</u>     | <u>\$ 2,957,756</u> | <u>\$ 40,767,161</u>  | <u>\$ 2,840,001</u> | <u>\$ 43,607,162</u> |

### Note 8 - Property Taxes

Property tax revenue is recognized in the year the payment is received.

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

During the years ended June 30, 2025 and 2024, 2.2654 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 \$28,802,267 and \$25,232,604 for the years ended June 30, 2025 and 2024, respectively.

### Note 9 - Retirement Plan - Optional Retirement Plan

The College offers all full-time faculty and administrative employees the opportunity to participate in the Optional Retirement Plan (ORP). Funding for the ORP consists of employer contributions of 10 percent or 14.96 percent of employee compensation, as defined, depending on date of hire. All contributions vest immediately. At June 30, 2025 and 2024, the College had approximately 130 participants. Contributions under the ORP were approximately \$1,315,000 and \$1,265,000 for the years ended June 30, 2025 and 2024, respectively.

### Note 10 - Risk Management

The College is exposed to risk of loss related to employee injuries (workers' compensation), employee medical benefits, property, auto, and general liability. The College has purchased insurance for workers' compensation and medical benefits. For property, auto, and general liability, the College participates in the Michigan Association of School Boards - SEG (MASBSEG) risk management pool. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund reserves and the aggregate excess reinsurance coverage, the fund may assess its members on a pro rata basis to cover excess losses. In previous years, the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to its members.

**June 30, 2025 and 2024****Note 10 - Risk Management (Continued)**

There have been no settlements that exceeded insurance coverage for each of the past three fiscal years.

**Note 11 - Related Parties**

College management has operational responsibility for the Foundation, and the Foundation is established to exclusively benefit the College. For this reason, the Foundation is considered a related party to the College. In addition, all distributions made out of the Foundation other than for normal operating expenses are to be made to the College. Upon any dissolution of the Foundation, its remaining assets would be distributed to the College.

LM Vintners, Inc. is a legally separate, tax-exempt entity that was formed in 2015 to support the advancement of educational opportunities at the College through a teaching winery and viticulture business. LM Vintners, Inc. is, therefore, considered a related party to the College. The College provides LM Vintners, Inc. with general management, administrative, and accounting services under a management services agreement (MSA). Revenue recognized by the College under the MSA was approximately \$83,000 and \$81,000 for fiscal years 2025 and 2024, respectively.

**Note 12 - Foundation Endowments**

The Foundation was formed to solicit, collect, and invest donations made for the promotion of educational activities of the College. During the years ended June 30, 2025 and 2024, the Foundation made distributions to and on behalf of the College totaling \$1,091,896 and \$1,291,403, respectively. The distributions for scholarships were \$371,849 and \$653,179 as of June 30, 2025 and 2024, respectively. The distributions for program expenses were \$720,047 and \$638,224 as of June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024, the College provided support to the Foundation totaling \$502,071 and \$409,261, respectively.

The Foundation's net assets primarily include donor-restricted endowment funds, whose purpose is to provide scholarships to students of the College. Net assets associated with these funds are classified and reported based on the existence or absence of donor- or board-imposed restrictions. Nonexpendable scholarship endowment net assets were \$8,749,777 and \$8,708,063 as of June 30, 2025 and 2024, respectively. Excess earnings on the endowments, classified as expendable scholarships and fellowships, were \$10,361,449 and \$8,912,859 as of June 30, 2025 and 2024, respectively. Unrestricted board-designated net assets were \$12,650 as of June 30, 2025 and 2024.

June 30, 2025 and 2024

**Note 12 - Foundation Endowments (Continued)*****Interpretation of Relevant Law***

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

- Duration and preservation of the fund
- Purpose of the Foundation and donor-restricted endowment fund
- General economic conditions
- Possible effect of inflation and deflation
- Expected total return from income and appreciation (depreciation) of investments
- Other resources of the Foundation
- Foundation investment policies

***Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature that were reported in restricted for expendable scholarships and fellowships net position totaled approximately \$10,000 and \$8,000 as of June 30, 2025 and 2024, respectively. Management believes that these deficiencies are temporary in anticipation of a future recovery in the market.

***Return Objectives and Risk Parameters***

The Foundation has adopted investment policies for assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity and board-designated funds. Under this policy, the assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming an average level of investment risk. The Foundation expects its funds, over time, to provide an average rate of return of inflation plus 5 percent. A minimum return equal to the rate of inflation is required to preserve the real purchasing power of the fund, and the additional 5 percent is required to provide for spending and expenses. Specific total rates of return goals are expected to be met on a cumulative basis over three to five years.

***Strategies Employed for Achieving Objectives***

To satisfy its long-term rate of return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.



June 30, 2025 and 2024

**Note 12 - Foundation Endowments (Continued)*****Spending Policy and How the Investment Objectives Relate to Spending Policy***

The Foundation utilizes the total return method for the distribution policy for endowment funds. Under the total return method, the Foundation may spend 3 percent - 5 percent of a rolling 12-quarter average of market values (principal and interest). The Foundation's investment committee evaluates endowment fund performance and recommends to the Foundation's board of directors the percentage to be available for distribution in the following year. Spending may not occur from endowments whose rolling 12-quarter average market value falls below 90 percent of its historic gift value. Any unexpended allocations will be returned to the fund unless otherwise approved by the Foundation's investment committee.

**Note 13 - Self-insurance**

The College is generally self-insured for health care and dental claims. Amounts payable by the College are limited to \$25,000 per employee through the use of stop-loss insurance. Costs incurred but not reported are accrued based on estimates of the aggregate liability for claims incurred plus related run-out costs based upon the College's historical experience. Such accrued costs amounted to approximately \$224,000 and \$248,000 at June 30, 2025 and 2024, respectively, and such costs charged to expense were approximately \$2,940,000 and \$2,740,000 for the years ended June 30, 2025 and 2024, respectively.

**Note 14 - Contingencies**

The College has certain contingent liabilities, most of which are covered by insurance, arising from litigation and other claims incident to the normal course of business. The amount of uninsured liability is considered to be insignificant.

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System*****Plan Description***

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

MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>.

***Benefits Provided***

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care plan.



June 30, 2025 and 2024

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)**

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

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

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

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

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

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

**Contributions**

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

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

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

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)**

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

The ranges of rates are as follows:

|                                      | Pension         | OPEB          |
|--------------------------------------|-----------------|---------------|
| October 1, 2022 - September 30, 2023 | 13.75% - 20.16% | 7.21% - 8.07% |
| October 1, 2023 - September 30, 2024 | 13.90% - 23.03% | 7.06% - 8.31% |
| October 1, 2024 - September 30, 2025 | 20.96% - 30.11% | 0.00% - 1.25% |

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

The College's required and actual pension contributions to the plan for the years ended June 30, 2025 and 2024 were \$2,872,923 and \$2,579,645, respectively, which includes the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of \$630,687 and \$1,160,172 in revenue received from the State of Michigan and remitted to the System to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2025 and 2024, respectively. In addition, for the year ended June 30, 2025, the College received \$206,581 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2025 and 2024 were \$251,839 and \$551,892, respectively, which includes the College's contributions required for those members with a defined contribution benefit.

**Net Pension Liability**

At June 30, 2025 and 2024, the College reported a liability of \$14,282,750 and \$18,995,272, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 and 2022, which used update procedures to roll forward the estimated liability to September 30, 2024 and 2023. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2024, 2023, and 2022, the College's proportion was 0.058340 percent, 0.058689 percent, and 0.056236 percent, respectively.

**Net OPEB Asset**

At June 30, 2025 and 2024, the College reported an asset of \$2,558,193 and \$343,704, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of September 30, 2024 and 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2023 and 2022, which used updated procedures to roll forward the estimated liability to September 30, 2024 and 2023. The College's proportion of the net OPEB asset was based on a projection of its long-term share of contributions to the plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2024, 2023, and 2022, the College's proportion was 0.059432, 0.060758, and 0.059996 percent, respectively.

June 30, 2025 and 2024

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)**

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

For the years ended June 30, 2025 and 2024, the College recognized pension expense of \$1,133,044 and \$2,160,428, respectively, inclusive of payments to fund the MPERS unfunded actuarial accrued liability stabilization rate. At June 30, 2025 and 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                | 2025                                 |                                     | 2024                                 |                                     |
|--------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences between expected and actual experience                             | \$ 387,501                           | \$ (155,184)                        | \$ 599,623                           | \$ (29,098)                         |
| Change of assumptions                                                          | 1,489,061                            | (1,046,474)                         | 2,573,946                            | (1,484,079)                         |
| Net difference between projected and actual earnings on pension plan assets    | -                                    | (2,725,754)                         | -                                    | (388,705)                           |
| Changes in proportion and differences between contributions                    | 414,770                              | (270,453)                           | 585,335                              | (303,098)                           |
| Total amortized deferrals                                                      | 2,291,332                            | (4,197,865)                         | 3,758,904                            | (2,204,980)                         |
| College contributions subsequent to the measurement date                       | 2,250,640                            | -                                   | 2,048,389                            | -                                   |
| Pension portion of SEC 147c state aid award subsequent to the measurement date | -                                    | (837,268)                           | -                                    | (1,160,172)                         |
| Total                                                                          | <u>\$ 4,541,972</u>                  | <u>\$ (5,035,133)</u>               | <u>\$ 5,807,293</u>                  | <u>\$ (3,365,152)</u>               |

The \$837,268 and \$1,160,172 reported as deferred inflows of resources resulting from the pension portion of state aid payments is recognized as state appropriations revenue for the years ended June 30, 2025 and 2024, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending<br>June 30 | Amount                |
|-------------------------|-----------------------|
| 2026                    | \$ (399,089)          |
| 2027                    | 191,896               |
| 2028                    | (973,111)             |
| 2029                    | (726,229)             |
| Total                   | <u>\$ (1,906,533)</u> |

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

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

For the years ended June 30, 2025 and 2024, the College recognized OPEB recovery of \$965,402 and \$717,261, respectively.

June 30, 2025 and 2024

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)**

At June 30, 2025 and 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                                              | 2025                                 |                                     | 2024                                 |                                     |
|--------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                              | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Difference between expected and actual experience                                                            | \$ -                                 | \$ (2,710,903)                      | \$ -                                 | \$ (2,597,208)                      |
| Changes in assumptions                                                                                       | 558,746                              | (64,223)                            | 765,146                              | (92,138)                            |
| Net difference between projected and actual earnings on OPEB plan assets                                     | -                                    | (484,295)                           | 1,048                                | -                                   |
| Changes in proportion and differences between college contributions and proportionate share of contributions | 207,510                              | (140,937)                           | 282,940                              | (217,388)                           |
| Total amortized deferrals                                                                                    | 766,256                              | (3,400,358)                         | 1,049,134                            | (2,906,734)                         |
| College contributions subsequent to the measurement date                                                     | 44,197                               | -                                   | 366,044                              | -                                   |
| Total                                                                                                        | <u>\$ 810,453</u>                    | <u>\$ (3,400,358)</u>               | <u>\$ 1,415,178</u>                  | <u>\$ (2,906,734)</u>               |

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

| Years Ending<br>June 30 | Amount                |
|-------------------------|-----------------------|
| 2026                    | \$ (855,197)          |
| 2027                    | (523,398)             |
| 2028                    | (480,056)             |
| 2029                    | (463,342)             |
| 2030                    | (261,733)             |
| Thereafter              | (50,376)              |
| Total                   | <u>\$ (2,634,102)</u> |

**Actuarial Assumptions**

The total pension liability and total OPEB liability as of September 30, 2024 and 2023 are based on the results of an actuarial valuation as of September 30, 2023 and 2022, respectively, and rolled forward.

June 30, 2025 and 2024

## Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)

The total pension liability and OPEB liability were determined using the following actuarial assumptions for both valuations:

|                                     |                     |                                                                                                                                                                                                                              |
|-------------------------------------|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial cost method               |                     | Entry age normal                                                                                                                                                                                                             |
| Investment rate of return - Pension | 6.00%               | Net of investment expenses based on the groups                                                                                                                                                                               |
| Investment rate of return - OPEB    | 6.00%               | Net of investment expenses based on the groups                                                                                                                                                                               |
| Salary increases                    | 2.75% - 11.55%      | Including wage inflation of 2.75 percent                                                                                                                                                                                     |
| Health care cost trend rate         | 6.25% - 7.50%       | Year 1 graded to 3.5 percent in year 15, 3.0 percent in year 120                                                                                                                                                             |
| Mortality basis                     | Retirees and active | RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) and adjusted for mortality improvements using projection scale MP-2017 from 2006 |
| Cost of living pension adjustments  | 3.00%               | Annual noncompounded for MIP members                                                                                                                                                                                         |

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

Significant assumption changes since the measurement date, September 30, 2023, for the OPEB plan includes the health care cost trend rate used in the September 30, 2024 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.

Significant assumption changes since the measurement date, September 30, 2022, for both the pension and OPEB plan include a reduction of both plans' discount rates to 6.0 percent.

There were no significant benefit terms changes for the pension or OPEB plans since the prior measurement date of September 30, 2023.

### **Discount Rate**

The discount rate used to measure the total pension liability was 6.00 percent as of September 30, 2024 and 2023. The discount rate used to measure the total OPEB liability was 6.00 percent as of September 30, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employee contributions will be made at the current contribution rate and that college contributions will be made at statutorily required rates.

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

June 30, 2025 and 2024

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)**

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

| Investment Category                  | September 30, 2024 |                                        | September 30, 2023 |                                        |
|--------------------------------------|--------------------|----------------------------------------|--------------------|----------------------------------------|
|                                      | Target Allocation  | Long-term Expected Real Rate of Return | Target Allocation  | Long-term Expected Real Rate of Return |
| Domestic equity pools                | 25.00 %            | 5.30 %                                 | 25.00 %            | 5.80 %                                 |
| Private equity pools                 | 16.00              | 9.00                                   | 16.00              | 9.60                                   |
| International equity pools           | 15.00              | 6.50                                   | 15.00              | 6.80                                   |
| Fixed-income pools                   | 13.00              | 2.20                                   | 13.00              | 1.30                                   |
| Real estate and infrastructure pools | 10.00              | 7.10                                   | 10.00              | 6.40                                   |
| Absolute return pools                | 9.00               | 5.20                                   | 9.00               | 4.80                                   |
| Real return/Opportunistic pools      | 10.00              | 6.90                                   | 10.00              | 7.30                                   |
| Short-term investment pools          | 2.00               | 1.40                                   | 2.00               | 0.30                                   |
| Total                                | 100.00 %           |                                        | 100.00 %           |                                        |

Long-term rates of return are net of administrative expense and inflation of 2.2 percent.

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

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

|                       | 2025                                |                               |                                     |
|-----------------------|-------------------------------------|-------------------------------|-------------------------------------|
|                       | 1 Percentage Point Decrease (5.00%) | Current Discount Rate (6.00%) | 1 Percentage Point Increase (7.00%) |
| Net pension liability | \$ 20,938,665                       | \$ 14,282,750                 | \$ 8,740,420                        |
|                       | 2024                                |                               |                                     |
|                       | 1 Percentage Point Decrease (5.00%) | Current Discount Rate (6.00%) | 1 Percentage Point Increase (7.00%) |
| Net pension liability | \$ 25,662,557                       | \$ 18,995,272                 | \$ 13,444,516                       |

June 30, 2025 and 2024

**Note 15 - Retirement Plans - Michigan Public School Employees' Retirement System (Continued)**

***Sensitivity of the Net OPEB Asset to Changes in the Discount Rate***

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

|                            | 2025                                |                               |                                     |
|----------------------------|-------------------------------------|-------------------------------|-------------------------------------|
|                            | 1 Percentage Point Decrease (5.00%) | Current Discount Rate (6.00%) | 1 Percentage Point Increase (7.00%) |
| Net OPEB asset             | \$ 1,976,992                        | \$ 2,558,193                  | \$ 3,060,702                        |
|                            | 2024                                |                               |                                     |
|                            | 1 Percentage Point Decrease (5.00%) | Current Discount Rate (6.00%) | 1 Percentage Point Increase (7.00%) |
| Net OPEB (asset) liability | \$ (356,318)                        | \$ (343,704)                  | \$ 945,305                          |

***Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate***

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

|                            | 2025                        |                    |                             |
|----------------------------|-----------------------------|--------------------|-----------------------------|
|                            | 1 Percentage Point Decrease | Current Trend Rate | 1 Percentage Point Increase |
| Net OPEB asset             | \$ (3,060,707)              | \$ (2,558,193)     | \$ (2,019,249)              |
|                            | 2024                        |                    |                             |
|                            | 1 Percentage Point Decrease | Current Trend Rate | 1 Percentage Point Increase |
| Net OPEB (asset) liability | \$ (946,805)                | \$ (343,704)       | \$ 309,048                  |

***Pension Plan and OPEB Plan Fiduciary Net Position***

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

***Payable to the Pension Plan***

At June 30, 2025, the College reported a payable of \$124,602 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025.

At June 30, 2024, the College reported a payable of \$397,250 and \$33,291 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2024.

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## Required Supplementary Information

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

|                                                                                                          | <b>Last Ten Plan Years</b>           |               |               |               |               |               |               |               |               |               |
|----------------------------------------------------------------------------------------------------------|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                                          | <b>Plan Years Ended September 30</b> |               |               |               |               |               |               |               |               |               |
|                                                                                                          | 2024                                 | 2023          | 2022          | 2021          | 2020          | 2019          | 2018          | 2017          | 2016          | 2015          |
| College's proportion of the collective MPSERS net pension liability - As a percentage                    | 0.05834 %                            | 0.05869 %     | 0.05624 %     | 0.05708 %     | 0.05770 %     | 0.05970 %     | 0.06500 %     | 0.06813 %     | 0.06948 %     | 0.06860 %     |
| College's proportionate share of the net pension liability                                               | \$ 14,282,750                        | \$ 18,995,272 | \$ 21,149,613 | \$ 13,515,097 | \$ 19,819,454 | \$ 19,769,692 | \$ 19,541,000 | \$ 17,654,426 | \$ 17,333,664 | \$ 16,755,295 |
| College's covered payroll                                                                                | \$ 6,418,153                         | \$ 6,167,061  | \$ 5,923,875  | \$ 4,986,357  | \$ 5,163,049  | \$ 4,967,208  | \$ 5,322,316  | \$ 5,697,177  | \$ 5,806,721  | \$ 6,049,721  |
| College's proportionate share of the collective pension liability as a percentage of its covered payroll | 222.54 %                             | 308.01 %      | 357.02 %      | 271.04 %      | 383.87 %      | 398.00 %      | 367.15 %      | 309.88 %      | 298.51 %      | 276.96 %      |
| MPSERS fiduciary net position as a percentage of the total pension liability                             | 74.44 %                              | 65.91 %       | 60.77 %       | 72.32 %       | 59.49 %       | 62.12 %       | 62.12 %       | 63.96 %       | 63.01 %       | 62.92 %       |

Required Supplementary Information  
Schedule of the College's Pension Contributions  
Michigan Public School Employees' Retirement Plan

|                                                                       | <b>Last Ten Fiscal Years</b> |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|-----------------------------------------------------------------------|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                       | <b>Years Ended June 30</b>   |                     |                     |                     |                     |                     |                     |                     |                     |                     |
|                                                                       | 2025                         | 2024                | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                | 2016                |
| Statutorily required contribution                                     | \$ 2,599,162                 | \$ 2,319,315        | \$ 2,660,988        | \$ 1,813,325        | \$ 1,666,717        | \$ 1,534,018        | \$ 1,547,010        | \$ 1,631,510        | \$ 1,612,982        | \$ 1,589,635        |
| Contributions in relation to the<br>statutorily required contribution | 2,599,162                    | 2,319,315           | 2,660,988           | 1,813,325           | 1,666,717           | 1,534,018           | 1,547,010           | 1,631,510           | 1,612,982           | 1,589,635           |
| <b>Contribution Deficiency</b>                                        | <b>\$ -</b>                  | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>         |
| <b>College's Covered Payroll</b>                                      | <b>\$ 6,932,880</b>          | <b>\$ 6,319,954</b> | <b>\$ 6,108,106</b> | <b>\$ 5,493,098</b> | <b>\$ 4,960,754</b> | <b>\$ 5,159,824</b> | <b>\$ 4,985,095</b> | <b>\$ 5,356,197</b> | <b>\$ 5,974,625</b> | <b>\$ 6,008,621</b> |
| <b>Contributions as a Percentage<br/>of Covered Payroll</b>           | <b>37.49 %</b>               | <b>36.70 %</b>      | <b>43.56 %</b>      | <b>33.01 %</b>      | <b>33.60 %</b>      | <b>29.73 %</b>      | <b>31.03 %</b>      | <b>30.46 %</b>      | <b>27.00 %</b>      | <b>26.46 %</b>      |

**Notes to Required Supplementary Information**

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

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

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

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

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

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

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

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

|                                                                                                        | <b>Last Eight Plan Years</b>         |              |              |              |              |              |              |           |
|--------------------------------------------------------------------------------------------------------|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------|
|                                                                                                        | <b>Plan Years Ended September 30</b> |              |              |              |              |              |              |           |
|                                                                                                        | 2024                                 | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         | 2017      |
| College's proportion of the net OPEB (asset) liability - As a percentage                               | 0.05943 %                            | 0.06076 %    | 0.06000 %    | 0.05467 %    | 0.05791 %    | 0.05672 %    | 0.06238 %    | 0.06839 % |
| College's proportionate share of the net OPEB (asset) liability                                        | \$ (2,558,193) \$                    | (343,704) \$ | 1,270,745 \$ | 834,443 \$   | 3,102,282 \$ | 4,071,102 \$ | 4,958,935 \$ | 6,056,540 |
| College's covered payroll                                                                              | \$ 6,418,153 \$                      | 6,167,061 \$ | 5,923,875 \$ | 4,986,357 \$ | 5,163,049 \$ | 4,967,208 \$ | 5,322,316 \$ | 5,697,177 |
| College's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | (39.86)%                             | (5.57)%      | 21.45 %      | 16.73 %      | 60.09 %      | 81.96 %      | 93.17 %      | 106.31 %  |
| MPSERS fiduciary net position as a percentage of the total OPEB liability                              | 143.08 %                             | 105.04 %     | 83.09 %      | 88.87 %      | 59.76 %      | 48.67 %      | 43.10 %      | 36.53 %   |

Required Supplementary Information  
Schedule of College's OPEB Contributions  
Michigan Public School Employees' Retirement Plan

**Last Eight Fiscal Years  
Years Ended June 30**

|                                                                                             | 2025         | 2024         | 2023         | 2022         | 2021         | 2020         | 2019         | 2018         |
|---------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Statutorily required contribution                                                           | \$ 181,295   | \$ 487,163   | \$ 470,642   | \$ 433,944   | \$ 401,672   | \$ 407,440   | \$ 387,271   | \$ 383,616   |
| Contributions in relation to the actuarially determined contractually required contribution | 181,295      | 487,163      | 470,642      | 433,944      | 401,672      | 407,440      | 387,271      | 383,616      |
| <b>Contribution Deficiency</b>                                                              | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| <b>College's Covered Payroll</b>                                                            | \$ 6,932,880 | \$ 6,319,954 | \$ 6,108,106 | \$ 5,493,098 | \$ 4,960,754 | \$ 5,159,824 | \$ 4,985,095 | \$ 5,356,197 |
| <b>Contributions as a Percentage of Covered Payroll</b>                                     | 2.62 %       | 7.71 %       | 7.71 %       | 7.90 %       | 8.10 %       | 7.90 %       | 7.77 %       | 7.16 %       |

**Notes to Required Supplementary Information**

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

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

2024 - The health care cost trend rate used in the September 30, 2024 actuarial valuation decreased by 0.25 percentage points for members under 65 and increased by 0.25 percentage points for members over 65.

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

2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.1 billion in 2022.

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

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

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

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percentage points. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

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## Other Supplementary Information

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# Combining Schedule of Net Position

As of June 30, 2025

|                                                                               | General<br>Fund      | Plant<br>Fund        | Pension Liability<br>Fund | Restricted<br>Fund | Agency<br>Funds  | Total                |
|-------------------------------------------------------------------------------|----------------------|----------------------|---------------------------|--------------------|------------------|----------------------|
| <b>Assets</b>                                                                 |                      |                      |                           |                    |                  |                      |
| Current assets:                                                               |                      |                      |                           |                    |                  |                      |
| Cash and cash equivalents                                                     | \$ 27,948,266        | \$ -                 | \$ -                      | \$ -               | \$ -             | \$ 27,948,266        |
| Short-term investments                                                        | 15,136,383           | -                    | -                         | -                  | -                | 15,136,383           |
| Accounts receivable, net                                                      | 2,391,301            | -                    | -                         | 1,860,083          | 251,730          | 4,503,114            |
| Inventories                                                                   | 9,510                | -                    | -                         | -                  | -                | 9,510                |
| Prepaid expenses and other                                                    | 1,232,015            | -                    | -                         | -                  | -                | 1,232,015            |
| Due from (due to) other funds                                                 | <u>51,917,526</u>    | <u>(50,017,363)</u>  | <u>-</u>                  | <u>(1,749,248)</u> | <u>(150,915)</u> | <u>-</u>             |
| Total current assets                                                          | 98,635,001           | (50,017,363)         | -                         | 110,835            | 100,815          | 48,829,288           |
| Noncurrent assets:                                                            |                      |                      |                           |                    |                  |                      |
| Net capital assets                                                            | 413,003              | 88,071,056           | -                         | -                  | -                | 88,484,059           |
| Net OPEB Asset                                                                | <u>-</u>             | <u>-</u>             | <u>2,558,193</u>          | <u>-</u>           | <u>-</u>         | <u>2,558,193</u>     |
| Total noncurrent assets                                                       | <u>413,003</u>       | <u>88,071,056</u>    | <u>2,558,193</u>          | <u>-</u>           | <u>-</u>         | <u>91,042,252</u>    |
| Total assets                                                                  | 99,048,004           | 38,053,693           | 2,558,193                 | 110,835            | 100,815          | 139,871,540          |
| <b>Deferred Outflows</b> - Deferred OPEB, pension and loss on debt defeasance | <u>-</u>             | <u>996,041</u>       | <u>5,352,425</u>          | <u>-</u>           | <u>-</u>         | <u>6,348,466</u>     |
| <b>Liabilities</b>                                                            |                      |                      |                           |                    |                  |                      |
| Current liabilities:                                                          |                      |                      |                           |                    |                  |                      |
| Accounts payable                                                              | 3,058,160            | 1,481,764            | -                         | 18,181             | 22               | 4,558,127            |
| Accrued payroll and related costs                                             | 2,100,450            | -                    | -                         | -                  | -                | 2,100,450            |
| Interest payable                                                              | -                    | 149,497              | -                         | -                  | -                | 149,497              |
| Unearned revenue                                                              | 397,030              | -                    | -                         | 46,261             | 2,090            | 445,381              |
| Current portion of debt                                                       | 257,770              | 4,070,956            | -                         | -                  | -                | 4,328,726            |
| Other liabilities                                                             | <u>150,765</u>       | <u>47,137</u>        | <u>-</u>                  | <u>46,393</u>      | <u>98,703</u>    | <u>342,998</u>       |
| Total current liabilities                                                     | 5,964,175            | 5,749,354            | -                         | 110,835            | 100,815          | 11,925,179           |
| Noncurrent liabilities:                                                       |                      |                      |                           |                    |                  |                      |
| Net pension liability                                                         | -                    | -                    | 14,282,750                | -                  | -                | 14,282,750           |
| Long-term liabilities - Net of current portion                                | <u>173,131</u>       | <u>18,327,967</u>    | <u>-</u>                  | <u>-</u>           | <u>-</u>         | <u>18,501,098</u>    |
| Total noncurrent liabilities                                                  | <u>173,131</u>       | <u>18,327,967</u>    | <u>14,282,750</u>         | <u>-</u>           | <u>-</u>         | <u>32,783,848</u>    |
| Total liabilities                                                             | <u>6,137,306</u>     | <u>24,077,321</u>    | <u>14,282,750</u>         | <u>110,835</u>     | <u>100,815</u>   | <u>44,709,027</u>    |
| <b>Deferred Inflows</b> -                                                     |                      |                      |                           |                    |                  |                      |
| Deferred OPEB and pension related deferrals                                   | <u>-</u>             | <u>-</u>             | <u>8,435,491</u>          | <u>-</u>           | <u>-</u>         | <u>8,435,491</u>     |
| <b>Net Position</b>                                                           |                      |                      |                           |                    |                  |                      |
| Invested in capital assets - Net of related debt                              | -                    | 66,668,174           | -                         | -                  | -                | 66,668,174           |
| Restricted:                                                                   |                      |                      |                           |                    |                  |                      |
| Net OPEB asset                                                                | -                    | -                    | 2,558,193                 | -                  | -                | 2,558,193            |
| Unrestricted (deficit)                                                        | <u>92,910,698</u>    | <u>(51,695,761)</u>  | <u>(17,365,816)</u>       | <u>-</u>           | <u>-</u>         | <u>23,849,121</u>    |
| Total net position                                                            | <u>\$ 92,910,698</u> | <u>\$ 14,972,413</u> | <u>\$ (14,807,623)</u>    | <u>\$ -</u>        | <u>\$ -</u>      | <u>\$ 93,075,488</u> |

# Combining Schedule of Revenue, Expenses, Transfers, and Changes in Net Position

As of June 30, 2025

|                                                           | General Fund         | Auxiliary Fund | Plant Fund           | Pension Liability<br>Fund | Restricted<br>Fund | Eliminations   | Total                |
|-----------------------------------------------------------|----------------------|----------------|----------------------|---------------------------|--------------------|----------------|----------------------|
| <b>Operating Revenue</b>                                  |                      |                |                      |                           |                    |                |                      |
| Tuition and fees (net of scholarship allowance)           | \$ 12,059,624        | \$ -           | \$ -                 | \$ -                      | \$ -               | \$ (5,368,272) | \$ 6,691,352         |
| Grants and contracts                                      | 353,186              | -              | -                    | -                         | -                  | -              | 353,186              |
| Non-credit tuition and fees                               | 185,913              | -              | -                    | -                         | 5,009,783          | (89,270)       | 5,106,426            |
| Auxiliary activities and other revenue (net of allowance) | 136,027              | 1,555,063      | -                    | -                         | -                  | (113,385)      | 1,577,705            |
| Total operating revenue                                   | 12,734,750           | 1,555,063      | -                    | -                         | 5,009,783          | (5,570,927)    | 13,728,669           |
| <b>Operating Expenses</b>                                 |                      |                |                      |                           |                    |                |                      |
| Salaries and wages                                        | 16,108,082           | 242,720        | -                    | -                         | 782,407            | -              | 17,133,209           |
| Benefits                                                  | 8,882,892            | 125,106        | -                    | (2,570,456)               | 433,284            | -              | 6,870,826            |
| Professional services                                     | 6,082,368            | 824,963        | -                    | -                         | 414,441            | (89,270)       | 7,232,502            |
| Supplies and materials                                    | 940,404              | 15,151         | -                    | -                         | 260,975            | -              | 1,216,530            |
| Travel, communications, and miscellaneous                 | 2,955,817            | 41,976         | -                    | -                         | 7,981,899          | (5,481,657)    | 5,498,035            |
| Rent, utilities, and insurance                            | 1,387,917            | 499,435        | -                    | -                         | 120                | -              | 1,887,472            |
| Small capital equipment                                   | 86,716               | 4,804          | -                    | -                         | 286,967            | -              | 378,487              |
| Depreciation                                              | 326,540              | -              | 4,606,958            | -                         | -                  | -              | 4,933,498            |
| Total operating expenses                                  | 36,770,736           | 1,754,155      | 4,606,958            | (2,570,456)               | 10,160,093         | (5,570,927)    | 45,150,559           |
| <b>Operating (Loss) Income</b>                            | (24,035,986)         | (199,092)      | (4,606,958)          | 2,570,456                 | (5,150,310)        | -              | (31,421,890)         |
| <b>Nonoperating Revenue (Expenses)</b>                    |                      |                |                      |                           |                    |                |                      |
| State appropriations                                      | 8,133,501            | -              | -                    | 322,904                   | -                  | -              | 8,456,405            |
| Pell grants                                               | -                    | -              | -                    | -                         | 5,476,466          | -              | 5,476,466            |
| Property taxes                                            | 28,802,267           | -              | -                    | -                         | -                  | -              | 28,802,267           |
| Support (to) from Foundation                              | (64,179)             | 237,958        | -                    | -                         | 44,197             | -              | 217,976              |
| Investment income and gains                               | 1,032,398            | -              | -                    | -                         | -                  | -              | 1,032,398            |
| Loss on sale of capital assets                            | 250,773              | -              | -                    | -                         | -                  | -              | 250,773              |
| Other nonoperating revenue                                | -                    | -              | 24,315               | -                         | -                  | -              | 24,315               |
| Interest on capital asset-related debt                    | (276,466)            | -              | (397,638)            | -                         | -                  | -              | (674,104)            |
| Net nonoperating revenue (expense)                        | 37,878,294           | 237,958        | (373,323)            | 322,904                   | 5,520,663          | -              | 43,586,496           |
| <b>Income (Loss) Before Transfers</b>                     | 13,842,308           | 38,866         | (4,980,281)          | 2,893,360                 | 370,353            | -              | 12,164,606           |
| <b>Transfers In (Out)</b>                                 | 68,866               | (38,866)       | 340,353              | -                         | (370,353)          | -              | -                    |
| <b>Increase (Decrease) in Net Position</b>                | 13,911,174           | -              | (4,639,928)          | 2,893,360                 | -                  | -              | 12,164,606           |
| <b>Net Position (Deficit) - Beginning of year</b>         | 78,999,524           | -              | 19,612,341           | (17,700,983)              | -                  | -              | 80,910,882           |
| <b>Net Position (Deficit) - End of year</b>               | <u>\$ 92,910,698</u> | <u>\$ -</u>    | <u>\$ 14,972,413</u> | <u>\$ (14,807,623)</u>    | <u>\$ -</u>        | <u>\$ -</u>    | <u>\$ 93,075,488</u> |