

Kirtland
Community
College



Years Ended
June 30,
2025 and 2024

Financial
Statements
and
Supplementary
Information

Rehmann

KIRTLAND COMMUNITY COLLEGE

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KIRTLAND COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

October 23, 2025

Board of Trustees
Kirtland Community College
Grayling, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the discretely presented component unit of **Kirtland Community 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 the discretely presented component unit of the College, as of June 30, 2025 and 2024, and the respective changes in financial position, and, where applicable, 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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Introduction

The discussion and analysis of *Kirtland Community College's* (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2025 and 2024. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

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

This annual financial report includes the management's discussion and analysis, the report of independent auditors, the basic financial statements, and notes to the financial statements. Following the notes to the financial statements are four required supplemental schedules, the combining statement of net position and the combining statement of revenue, expenses, transfers and changes in net position.

Financial Highlights

The College's financial position for fiscal year 2025 performed favorably compared to fiscal year 2024. Net tuition and fees revenue increased by approximately \$484,000 or 9.1 percent. Property taxes increased by approximately \$908,000 or 9.1 percent. Pell grants increased by approximately \$805,000 or 27.6 percent. State appropriations increased by approximately \$348,000 or 8.0 percent. In fiscal year 2025, the portion of UAAL payments received subsequent to the MPSERS plan fiscal year end date of September 30, 2024 are included as deferred inflows and will be recorded as revenue in fiscal year 2026. In fiscal year 2025, operating expenses decreased from fiscal year 2024 by approximately \$1,248,000 or 6.5 percent, due in part to a reduction in pension related costs due to a change in liability assumptions from the previous year, off-set by an increase in depreciation expenses resulting from the capitalization of the College's housing project, the inflationary effects on employee compensation, technology purchases, and other operating costs.

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

The statements of net position and the statements of revenue, expenses, and changes in net position report information on the College's net position and changes therein. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions.

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Total net position at June 30, 2025, 2024 and 2023 is \$35.4 million, \$24.8 million, and \$17.4 million, respectively. The College's statements of net position at June 30 is summarized as follows (in thousands):

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2025	2024	2023
Current and other assets	\$ 30,734	\$ 24,508	\$ 21,058
Capital assets, net	47,488	47,667	48,508
Total assets	78,222	72,175	69,566
Deferred outflows of resources	4,560	6,208	7,648
Other liabilities	1,495	1,936	2,941
Long-term liabilities	35,197	42,157	47,591
Total liabilities	36,692	44,093	50,532
Deferred inflows of resources	10,693	9,535	9,279
Net position:			
Net investment in capital assets	27,360	24,219	25,076
Restricted for			
OPEB	2,423	325	-
Expendable scholarships, grants and earnings	-	-	1
Unrestricted (deficit)	5,614	211	(7,674)
Total net position	\$ 35,397	\$ 24,755	\$ 17,403

Statements of Net Position

The primary changes in assets of the College between 2025 and 2024 include a decrease in cash of approximately \$0.8 million from general fund activity and the early defeasance of the 2015 Limited bonds, as well as the College investing more cash to obtain higher returns, resulting in an increase of investments of approximately \$5.3 million from 2024 to 2025.

The primary changes in the assets of the College between 2024 and 2023 include an approximate \$1.6 million increase in land contract receivable.

The primary changes in the liabilities of the College between 2025 and 2024 include an increase in subscription liabilities of approximately \$0.8 million and a decrease in the net pension liability of approximately \$4.3 million.

The primary changes in the liabilities of the College between 2024 and 2023 include an approximate \$4.1 million decrease in the net pension liability and OPEB (asset) liability.

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Deferred Outflows

Deferred outflows of resources of approximately \$4.6 million were recorded at June 30, 2025, primarily as a result of changes in assumptions to the net pension liability and net OPEB asset and College contributions to the MPSERS plans subsequent to the plan's measurement date. This is a decrease of approximately \$1.6 million from June 30, 2024 due to changes in assumptions.

Deferred Inflows

Deferred inflows of approximately \$10.7 million were recorded at June 30, 2025, primarily as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension and OPEB plan investments, as well as deferred amounts related to the College's construction arrangement. This is an increase of approximately \$1.2 million from June 30, 2024, due to the difference between projected and actual earnings on the pension plan. Additionally, approximately \$2.24 million relates to capital outlay funds received from the State of Michigan to help fund the construction of the Michigan Forest Products Institute, but not recognized as revenue until the years 2020 through 2040.

Net Position

The difference between assets, deferred outflows, liabilities and deferred inflows is one way to measure the financial health or position of the College. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as trends in college applicants, student retention, condition of the buildings and infrastructure, and strength of its human resources to assess the overall health of the College.

Fiscal year 2025, net position of approximately \$35.4 million increased by approximately \$10,642,000. The increase between 2025 and 2024 was in large part attributable to changes in assumptions in the net pension liability and net OPEB asset and increases in Pell grant, property tax, and state appropriation revenue.

Fiscal year 2024 net position of approximately \$24.8 million increased by approximately \$7,352,000. The increase between 2024 and 2023 was in large part attributable to changes in assumptions in the net pension and OPEB (asset) liabilities and increased Pell grant, property tax revenue, and state appropriation revenue.

Although unrestricted net position is not subject to externally imposed restrictions, virtually all of the College's unrestricted net position is designated for purposes to fulfill its mission. These designations include Auxiliary Fund working capital (\$183,955 and \$184,104 for 2025 and 2024, respectively), and future maintenance and capital improvements (\$11,733,169 and \$14,593,718 for 2025 and 2024, respectively) (See Note 1).

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

When assessing the stability of the College's finances, one of the most important questions is, "Is the College better off or worse off as a result of the year's activities?" The statements of revenues, expenses, and changes in net position answers that question. When revenue and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Kirtland Community College's operating results.

The following is a comparison of the major components of operating results of the College for the years ended June 30, 2025, 2024 and 2023 (in thousands):

Operating Results for the Years Ended June 30 (in thousands)			
	2025	2024	2023
Operating revenues			
Tuition and fees, net	\$ 5,788	\$ 5,304	\$ 4,874
Grants and contracts	2,050	1,549	642
Auxiliary activities	327	951	729
Miscellaneous	408	413	447
Total operating revenues	<u>8,573</u>	<u>8,217</u>	<u>6,692</u>
Operating expenses			
Instruction	4,014	4,820	5,395
Public service	32	42	31
Instructional support	2,729	3,154	2,446
Student services	4,029	3,927	2,907
Institutional administration	875	1,713	1,466
Operation and maintenance of physical plant	1,996	1,672	2,183
Information technology	1,163	1,116	960
Depreciation and amortization	2,380	2,022	1,887
Total operating expenses	<u>17,218</u>	<u>18,466</u>	<u>17,275</u>
Net operating loss	<u>(8,645)</u>	<u>(10,249)</u>	<u>(10,583)</u>

continued...

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

	Operating Results for the Years Ended June 30 (in thousands)		
	2025	2024	2023
Nonoperating revenue (expense)			
State appropriations	\$ 4,699	\$ 4,351	\$ 3,976
Federal Pell grant	3,715	2,911	2,265
Property tax levy	10,878	9,970	9,316
Investment income	687	359	134
Gain on sale of assets held for sale	-	293	-
Gain on sale of capital assets	9	28	-
Interest on capital asset-related debt	(653)	(779)	(825)
Contributions between College and Foundation	(48)	46	-
Net nonoperating revenue	<u>19,287</u>	<u>17,179</u>	<u>14,866</u>
Other revenues	<u>-</u>	<u>422</u>	<u>-</u>
Increase in net position	10,642	7,352	4,283
Net position, beginning of year	<u>24,755</u>	<u>17,403</u>	<u>13,120</u>
Net position, end of year	<u>\$ 35,397</u>	<u>\$ 24,755</u>	<u>\$ 17,403</u>

concluded

Total Revenue

Enrollment increased slightly from fiscal year 2024 to 2025. An increase in revenue from 2024 to 2025 can be attributed to incremental increases in tuition, property tax revenues, pell grant revenue and state appropriations.

Operating Revenue

For the College as a whole, operating revenue includes all transactions that result in the sales and/or receipts from goods and services such as tuition, fees, and other auxiliary operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating revenue for fiscal year 2025 was as follows:



Operating revenue changes for 2025 were in part the result of the following factor:

- The financial statements reflect an increase in income due to an increase in federal (Reconnect Age Expansion, and ADN to BSN) grants. This increase was approximately \$501,000.

Operating revenue changes for 2024 were in part the result of the following factor:

- The financial statements reflect an increase in income due to an increase in federal (Title III and ADN to BSN) grants. This increase was approximately \$917,000.

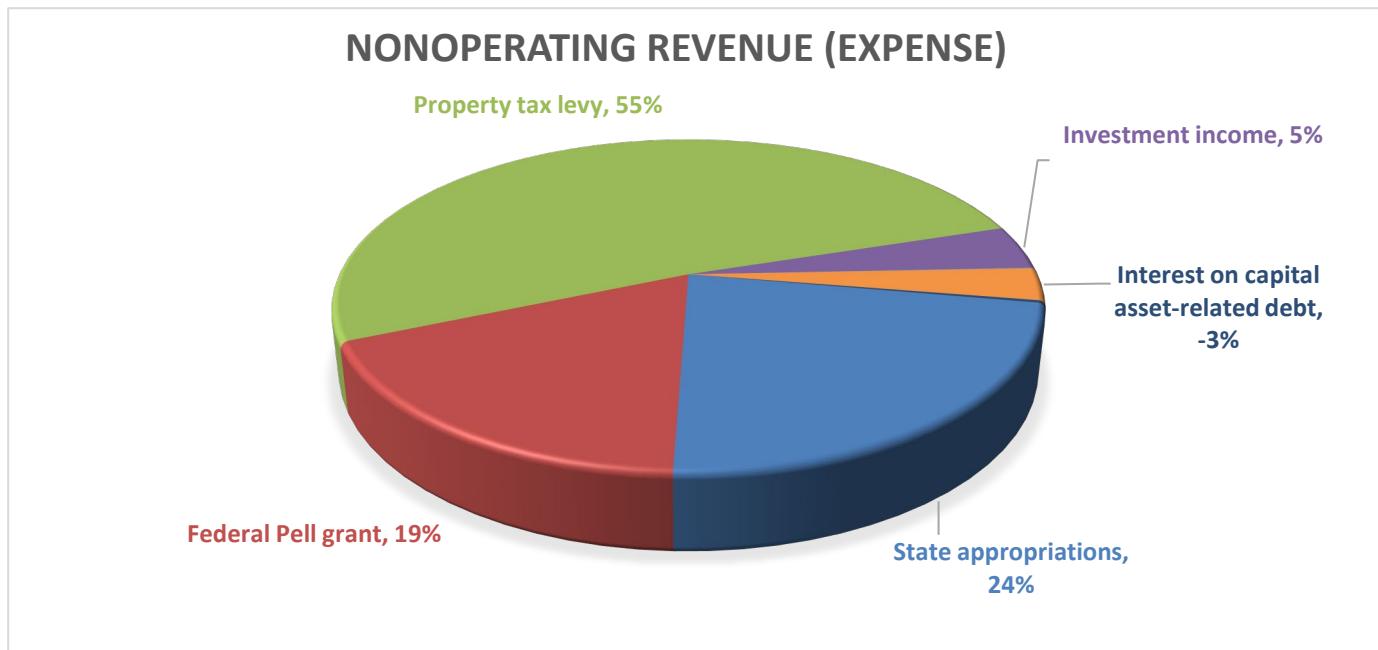
Nonoperating Revenue (Expense)

Nonoperating revenue (expense) is the net of all revenue and expenditure sources that are primarily nonexchange in nature. The nonoperating revenue consists primarily of state appropriations, federal Pell grant, and property tax revenue. The nonoperating expenditures include interest on capital assets. Investment income or losses contribute to either nonoperating revenue or expenditures, depending on how well the investments performed in a year.

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Nonoperating revenue (expense) for fiscal year 2025 was as follows:



Factors affecting changes in nonoperating revenue (expense) for 2025 include:

- Property taxes increased in 2025 by approximately \$908,000 or 9.1 percent.
- Pell grants increased by approximately \$805,000 or 27.6 percent.
- Investment income increased by approximately \$328,000 in 2025 due to an aggressive reallocation of the investment portfolio to take advantage of higher interest rate environment.

Factors affecting changes in nonoperating revenue (expense) for 2024 include:

- Property taxes increased in 2024 by approximately \$654,000 or 7.0 percent.
- Pell grants increased by approximately \$646,000 or 28.5 percent.
- The College sold its Roscommon property held for sale and recognized an approximate gain of \$293,000.
- Investment income increased by approximately \$225,000 in 2024 due to an aggressive reallocation of the investment portfolio to take advantage of higher interest rate environment.

Other Revenues

Other revenues decreased in 2025 by approximately \$422,000 due to the College not receiving any State capital appropriations during 2025, approximately \$422,000 in 2024.

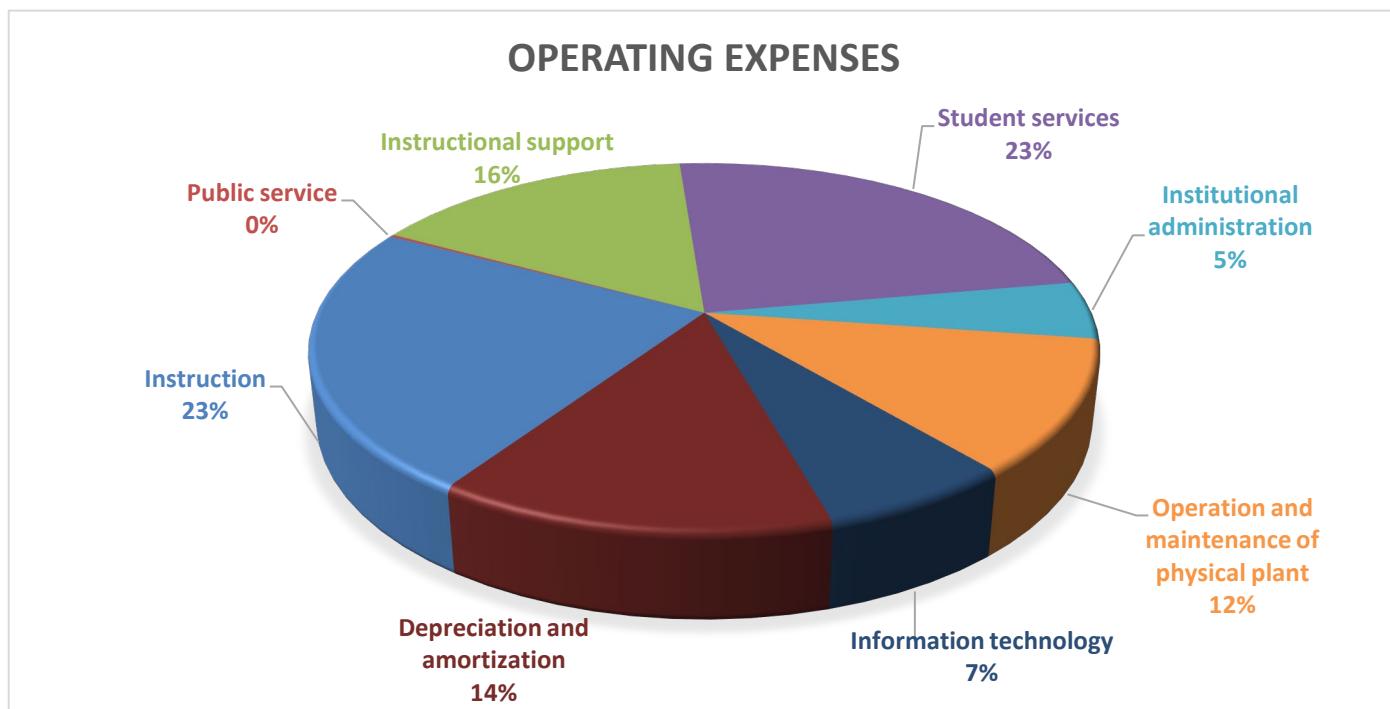
KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries, benefits, utilities, supplies, services, and depreciation/amortization and are then categorized by function. Overall, total operating expenses decreased approximately \$1,248,000 in 2025 and increased approximately \$1,191,000 in 2024. For the purpose of the financial statements reporting, operating expenses are presented according to the State of Michigan's Activities Classification Structure (ACS).

Operating expenses for fiscal year 2025 were as follows:



Factors affecting the decrease in operating expenses in 2025 resulted from the change in assumptions related to pension expense, grant-related expenditures, inflation-induced increases in compensation, technology, and other operational costs.

Factors affecting the increase in operating expenses in 2024 resulted from the change in assumptions related to pension expense, grant-related expenditures, inflation-induced increases in compensation, technology, and other operational costs.

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the statements of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statements of cash flows also help users assess the following:

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

Cash Flows for the Year Ended June 30 (in thousands)			
	2025	2024	2023
Cash flows from:			
Operating activities	\$ (9,529)	\$ (11,853)	\$ (11,091)
Noncapital financing activities	18,913	16,709	15,091
Capital and related financing activities	(5,610)	(2,815)	(4,796)
Investing activities	(4,576)	(3,863)	12
Net change in cash	(802)	(1,822)	(784)
Cash beginning of year	10,085	11,907	12,691
Cash end of year	<u>\$ 9,283</u>	<u>\$ 10,085</u>	<u>\$ 11,907</u>

Major sources of funds from operations came from student tuition, fees, grants, contracts, and auxiliary activities. These sources were offset by expenditures for operations such as payments to employees and suppliers. For fiscal years 2025 and 2024, the cash used in operating activities was financed with \$18.9 million and \$16.7 million, respectively, of net cash flows from noncapital financing activities, including property taxes, Pell grants, and state appropriations.

Cash used in capital and related financing activities for fiscal years 2025 and 2024 of approximately \$5.6 million and \$2.1 million, respectively, was primarily related to two new subscription-based IT arrangements and the payoff of 2015 bonds.

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

At June 30, 2025, 2024 and 2023, the College had approximately \$47.5 million, \$47.7 million, and \$48.5 million invested in capital assets, net of accumulated depreciation/amortization of \$18.4 million, \$16.2 million, and \$14.3 million, respectively. Depreciation and amortization charges totaled approximately \$2,380,000, \$2,022,000, and \$1,887,000 during 2025, 2024 and 2023, respectively.

	Capital Assets as of June 30 (in thousands)		
	2025	2024	2023
Land and land improvements	\$ 3,041	\$ 3,197	\$ 2,847
Buildings and improvements	39,787	41,159	39,855
Furniture, fixtures, and equipment	3,317	3,241	2,814
Leased equipment	165	-	-
Subscription assets	1,089	-	-
Construction in progress	89	70	2,992
 Total	 \$ 47,488	 \$ 47,667	 \$ 48,508

During fiscal year 2024, the College sold its Roscommon campus land, buildings, and associated equipment for a sales price of \$2.5 million through a land contract. Initial payments totaling \$500,000 for principal, interest, and fees were due prior to and at the closing of the transaction with an additional \$500,000 due prior to fiscal 2024 year end. Monthly interest payments per the terms of the land contract are to be paid by the purchaser. A balloon payment for the principal of \$1.5 million is scheduled to be collected in October 2026.

Additional information about the College's capital assets is presented in Note 6 to the financial statements.

Debt

The College had approximately \$19.7 million, \$23.9 million, and \$25.2 million in debt outstanding at June 30, 2025, 2024 and 2023, respectively, net of deferred amounts. See note 7 to the financial statements for more information.

KIRTLAND COMMUNITY COLLEGE

■ Management's Discussion and Analysis

Economic Factors That Will Affect the Future

The economic outlook for the College is tied heavily to national and state economic conditions. The state appropriations, as they pertain to higher education, are negotiated. These negotiations will potentially impact the funding received by the College from year to year. Due to the state's inability to pass a budget before the end of its fiscal year, the College's projected appropriations for fiscal year 2026 is to maintain the same level as compared to fiscal year 2025.

The Fall 2025 enrollment is up 3.4% due largely in part to state-wide changes in student behavior related to college attendance.

Property tax revenue continues to increase over the past few fiscal years, as the housing market in the College's service area continues to show increasing property values.

The College has bolstered its cash and investments over that past several years from a low of \$4.0 million at the end of fiscal 2012 to its current end of year position in 2025 of approximately \$23.9 million. Kirtland Community College remains financially stable and will need to continue effective fiscal management practices in order to preserve adequate cash flow and financial reserves.

FINANCIAL STATEMENTS

KIRTLAND COMMUNITY COLLEGE

Statements of Net Position

	June 30, 2025		June 30, 2024	
	Primary Government	Component Unit	Primary Government	Component Unit
Assets				
Current assets				
Cash and cash equivalents	\$ 8,838,312	\$ 266,674	\$ 9,665,995	\$ 103,175
Short-term investments	11,943,152	-	6,918,129	-
Receivables, net	2,536,524	17,572	2,785,780	23,192
Inventories	145,489	-	151,296	-
Prepaid expenses and other assets	182,794	-	257,829	-
Total current assets	23,646,271	284,246	19,779,029	126,367
Noncurrent assets				
Long-term investments	2,662,884	3,184,429	2,425,427	2,953,902
Restricted cash	445,047	-	419,604	-
Receivables, net	-	38,750	-	39,105
Land contract receivable	1,558,338	-	1,558,338	-
Capital assets not being depreciated/amortized	449,574	-	430,950	-
Capital assets being depreciated/amortized, net	47,038,309	-	47,236,529	-
Net OPEB asset	2,422,707	-	324,895	-
Total noncurrent assets	54,576,859	3,223,179	52,395,743	2,993,007
Total assets	78,223,130	3,507,425	72,174,772	3,119,374
Deferred outflows of resources				
Deferred pension amounts	3,929,090	-	5,039,189	-
Deferred OPEB amounts	631,330	-	1,169,107	-
Total deferred outflows of resources	4,560,420	-	6,208,296	-
Liabilities				
Current liabilities				
Accounts payable	609,906	7,477	530,224	1,154
Accrued payroll	404,889	-	426,286	-
Other accrued liabilities	312,897	-	389,085	-
Unearned revenue	167,546	-	188,238	-
Compensated absences - current portion	789,113	-	619,418	-
Subscription liabilities - current portion	247,696	-	-	-
Long-term obligations - current portion	1,247,649	-	1,422,209	-
Total current liabilities	3,779,696	7,477	3,575,460	1,154
Noncurrent liabilities				
Compensated absences - net of current portion	458,696	-	388,309	-
Subscription liabilities - net of current portion	558,665	-	-	-
Long-term obligations - net of current portion	18,435,412	-	22,378,660	-
Net pension liability	13,460,247	-	17,751,179	-
Total noncurrent liabilities	32,913,020	-	40,518,148	-
Total liabilities	36,692,716	7,477	44,093,608	1,154
Deferred inflows of resources				
Construction arrangement	2,090,272	-	2,239,577	-
Deferred pension amounts	5,243,387	-	4,350,415	-
Deferred OPEB amounts	3,359,839	-	2,944,530	-
Total deferred inflows of resources	10,693,498	-	9,534,522	-
Net position				
Net investment in capital assets	27,360,100	-	24,219,211	-
Restricted for:				
Net OPEB asset	2,422,707	-	324,895	-
Expendable scholarships, grants and earnings	-	1,315,624	-	1,067,832
Nonexpendable scholarships, grants and earnings	-	1,673,457	-	1,575,500
Unrestricted	5,614,529	510,867	210,832	474,888
Total net position	\$ 35,397,336	\$ 3,499,948	\$ 24,754,938	\$ 3,118,220

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

KIRTLAND COMMUNITY COLLEGE

■ Statements of Revenues, Expenses and Changes in Net Position

	Year Ended			
	June 30, 2025		June 30, 2024	
	Primary Government	Component Unit	Primary Government	Component Unit
Operating revenues				
Tuition and fees, net of scholarship allowance of \$2,239,575 and \$1,911,075 for 2025 and 2024, respectively	\$ 5,787,645	\$ -	\$ 5,303,744	\$ -
Federal grants and contracts	1,963,082	-	1,047,399	-
State and local grants and contracts	29,804	-	447,125	-
Private grants and contracts	56,833	-	54,800	-
Auxiliary activities, net	326,981	-	950,467	-
Miscellaneous	408,128	-	413,029	-
Total operating revenues	8,572,473	-	8,216,564	-
Operating expenses				
Instruction	4,014,027	-	4,820,141	-
Public service	32,139	-	42,053	-
Instructional support	2,727,647	-	3,153,916	-
Student services	4,029,153	138,003	3,926,666	83,153
Institutional administration	875,162	181,607	1,712,896	226,176
Operation and maintenance of physical plant	1,996,399	-	1,671,866	-
Information technology	1,162,712	-	1,116,179	-
Depreciation and amortization	2,380,411	-	2,022,011	-
Total operating expenses	17,217,650	319,610	18,465,728	309,329
Operating loss	(8,645,177)	(319,610)	(10,249,164)	(309,329)
Nonoperating revenues (expenses)				
State appropriations	4,699,317	-	4,351,742	-
Federal Pell grant	3,715,217	-	2,910,672	-
Property tax levy	10,877,749	-	9,969,900	-
Gifts	-	91,008	-	71,624
In-kind contributions	-	148,131	-	194,384
Investment and interest income	686,577	352,742	358,813	334,241
Gain on sale of assets held for sale	-	-	292,813	-
Gain on sale of capital assets	9,178	-	27,789	-
Interest on capital asset-related debt	(652,963)	-	(778,895)	-
Contributions from the Foundation	2,500	-	46,422	-
Contributions from College to Foundation	(50,000)	50,000	-	-
Net nonoperating revenues	19,287,575	641,881	17,179,256	600,249
Other revenues				
State capital appropriations	-	-	421,900	-
Contributions allocated to permanent endowments	-	59,457	-	67,400
Total other revenues	-	59,457	421,900	67,400
Increase in net position	10,642,398	381,728	7,351,992	358,320
Net position, beginning of year	24,754,938	3,118,220	17,402,946	2,759,900
Net position, end of year	\$ 35,397,336	\$ 3,499,948	\$ 24,754,938	\$ 3,118,220

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

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2025	2024
Cash flows from operating activities		
Tuition and fees	\$ 5,743,154	\$ 5,290,906
Grants and contracts	2,137,777	1,263,706
Auxiliary activities	326,981	950,467
Other receipts	434,710	438,447
Payments to suppliers	(8,428,179)	(11,162,845)
Payments to employees	<u>(9,743,761)</u>	<u>(8,633,567)</u>
Net change in cash from operating activities	<u>(9,529,318)</u>	<u>(11,852,886)</u>
Cash flows from noncapital financing activities		
Direct lending receipts	2,775,148	3,154,866
Direct lending disbursements	(2,775,148)	(3,154,866)
Property tax levy	10,448,991	9,431,371
Federal Pell grants	3,727,637	3,009,352
State appropriations	4,783,472	4,222,178
Contributions (to) from the Foundation	<u>(47,500)</u>	<u>46,422</u>
Net change in cash from noncapital financing activities	<u>18,912,600</u>	<u>16,709,323</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,101,245)	(1,599,819)
Principal paid on capital asset-related debt	(3,935,000)	(1,285,000)
Principal paid on subscription liabilities	(228,201)	-
Debt property tax levy	490,598	515,415
Interest paid on capital asset-related debt	(835,771)	(867,569)
State capital appropriations	<u>-</u>	<u>421,900</u>
Net change in cash from capital and related financing activities	<u>(5,609,619)</u>	<u>(2,815,073)</u>
Cash flows from investing activities		
Proceeds from sale and maturities of investments	2,868,487	4,402,210
Purchase of short-term and long-term investments	(7,618,987)	(9,159,754)
Principal received on land contract	-	684,475
Interest received on investments and land contract receivable	<u>174,597</u>	<u>210,052</u>
Net change in cash from investing activities	<u>(4,575,903)</u>	<u>(3,863,017)</u>
Net change in cash, cash equivalents and restricted cash	<u>(802,240)</u>	<u>(1,821,653)</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>10,085,599</u>	<u>11,907,252</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,283,359</u>	<u>\$ 10,085,599</u>
Reconciliation to statements of net position		
Cash and cash equivalents	\$ 8,838,312	\$ 9,665,995
Restricted cash	445,047	419,604
Cash, cash equivalents and restricted cash, end of year	<u>\$ 9,283,359</u>	<u>\$ 10,085,599</u>

continued...

KIRTLAND COMMUNITY COLLEGE

■ Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2025	2024
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (8,645,177)	\$ (10,249,164)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	2,380,411	2,022,011
Change in operating assets and liabilities that provided (used) cash		
Receivables, net	90,841	(234,645)
Inventories	5,807	(33,034)
Prepaid expenses and other assets	75,035	(159,696)
Accounts payable	23,852	(588,516)
Accrued payroll	(21,397)	124,706
Other accrued liabilities	(76,188)	4,674
Unearned revenue	(20,692)	(38,393)
Compensated absences	240,082	(10,506)
Change in deferred construction arrangement	(149,305)	(149,305)
Change in net pension liability	(4,290,932)	(2,879,708)
Change in net OPEB (asset) liability	(2,097,812)	(1,505,962)
Change in pension deferred inflows	892,972	452,705
Change in pension deferred outflows	1,110,099	1,095,086
Change in OPEB deferred inflows	415,309	(47,984)
Change in OPEB deferred outflows	<u>537,777</u>	<u>344,845</u>
Net change in cash from operating activities	<u>\$ (9,529,318)</u>	<u>\$ (11,852,886)</u>
Noncash activities		
Trade-in value received on purchase of equipment	\$ 15,007	\$ 46,499
Change in payable related to acquisition of capital assets	55,830	(445,973)
Subscription additions	1,034,562	-
Acquisition of land contract	-	2,500,000
concluded		

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

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Kirtland Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to public colleges and universities outlined in Governmental Accounting Standards Board ("GASB") Statement No. 35 and the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*. 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 College's financial statements have been prepared in accordance with GASB 61, *The Financial Reporting Entity Omnibus*, which requires examination of significant operational or financial relationships with the College. Based on the application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

Kirtland Community College Foundation (the "Foundation") is discretely presented as a separate component unit of the College's reporting entity (although it is legally separate and governed by its own board of trustees) because its sole purpose is to provide support for the College. The Foundation is a private nonprofit organization that 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. Certain modifications have been made to the Foundation's financial information in the College's financial reporting entity for the presentation differences.

Significant Accounting Policies

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

Accrual Basis

The financial statements have been prepared on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPERS pension and OPEB plans.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposits and all highly liquid investments with an initial maturity of three months or less.

Restricted Cash

Restricted cash consists of unspent bond proceeds, which are restricted for capital expenditures related to the Health Sciences Education and Training Center, property tax collections to be used for debt retirement purposes, and for the purpose of erecting, furnishing and equipping a College facility and the State of Michigan workforce development program.

Receivables, net

Receivables are stated at the amount management expects to collect from outstanding balances at year end. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to expense to the allowance and a credit to receivables.

Investments

The College and Foundation carry their investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position as a component of investment income. The Foundation's investment income is reported net of external investment expenses. The College also participates in an external investment pool with the Michigan Liquid Asset Fund ("MILAF"). In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the College's shares of the MILAF Plus is carried at amortized cost. The MILAF Plus portfolio has a Standard & Poor's AAA stable rating. All of the College's investments are classified as short or long term investments based on the instrument's maturity date.

Fair Value Measurements

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

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

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

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

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

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

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

Inventories

Cafeteria, bookstore, print shop, and technology inventories are stated at the lower of cost, principally determined using the first-in, first-out method, or net realizable value.

Land Contract Receivable

Land contract receivable consists of a written land contract in place with a third party resulting from the sale of the College's Roscommon property. Upon closing of the sale, initial payments totaling \$500,000 for principal, interest, and fees were due with an additional \$500,000 due prior to fiscal 2024 year end. Interest only payments are due through October 2026 at which point a balloon payment is due. Management estimates the receivable is collectible as of June 30, 2025. The College holds the deed on the Roscommon property until such time that the land contract is paid in full and thus no valuation allowance has been recorded. During fiscal 2025, the College received \$71,424 in interest payments for the land contract.

Capital Assets and Depreciation

Capital assets are recorded at cost. Gifts of capital assets are recorded at estimated acquisition value at the time gifts are received. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. Land is not depreciated. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Management reviews these assets to determine whether carrying values have been impaired.

The following estimated useful lives are used to compute depreciation:

Classification	Estimated Useful Lives
Land improvements	15-20 years
Building and building improvements	10-40 years
Furniture, fixtures and equipment	5-20 years
Subscription assets	3-5 years
Leased equipment	5 years

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Leases

The College is a lessee for a noncancelable leases of equipment. The College recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the financial statements. The College recognizes lease liabilities with an initial, individual value of \$25,000 or more.

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

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

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

Subscription-Based Information Technology Arrangements (SBITA)

The College has noncancelable subscription-based information technology arrangements. The College recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements. The College recognizes subscription liabilities with an initial, individual value of \$25,000 or more.

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

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

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

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Compensated Absences

The College recognizes a liability for compensated absences for a leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation of employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - *vacation* and *sick leave*. The College uses the last-in-first-out (LIFO) flow assumption for valuing compensated absences. The liability for compensated absences includes salary-related benefits, where applicable.

Vacation - The College's policy permits employees to accumulate earned but unused vacation benefits, to maximum limit annually, which must be used within 12 or 18 months of being earned. All vacation leave lapses when employees leave the employment of the College and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of vacation leave that will be used by employees as time off is included in the liability for compensated absences.

Sick Leave - The College's policy permits employees to accumulate earned but unused sick leave to a maximum limit that can be carried over to subsequent years. Sick leave accumulated at the time of an employee's retirement is payable based on years of service ranging from 50% to 100% of total hours paid out at the employee's current rate. Sick leave lapses when employees leave the employment of the College for other than retirement and, upon separation from service, no monetary obligation exists. However, a liability for estimated value of sick leave that will be used by employees as time off is included in the liability for compensated absences.

Long-Term Obligations

In the College's financial statements, long-term lease obligations, long-term subscription obligations and long-term debt obligations are reported as liabilities on the statements of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

Revenue Recognition

Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. State appropriation revenue is recognized in the period for which it is appropriated. Property taxes are recorded as revenue in the year for which taxes have been levied. Restricted grant revenue is recognized only to the extent expended. Auxiliary revenue is recognized in the period they are earned from exchange transactions and are reported net of discounts. Restricted and unrestricted resources are allocated to the appropriate departments within the College that are responsible for adhering to any donor restrictions. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the College's policy is to first apply restricted net position.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Contributions to the Foundation, including unconditional promises to give in the future, are reported as unrestricted revenue when received unless use of the related assets is limited by donor-imposed restrictions. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Expirations of net assets with donor restrictions (e.g., the donor-stipulated purpose has been fulfilled) are reclassified between the applicable classes of net position. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they depend have been met.

Scholarship Allowance

Effective for fiscal year 2025, the College adopted the updated tuition discounting methodology outlined in NACUBO Advisory Report 2023-01, specifically Method C, to estimate scholarship allowances. This change replaces the previously used estimation approach.

Under Method C, scholarship allowances are calculated using a year-level allocation of discountable student financial aid. This method applies student financial aid first to tuition and fee revenue, followed by auxiliary revenue, with any remaining aid classified as scholarship expense.

As a result of this change in methodology, the College's presentation of tuition and fee, auxiliary activity revenues and student services expenses in the Statement of Revenues, Expenses, and Changes in Net Position has been updated to reflect more accurate estimates of scholarship allowances. The change is intended to improve the consistency and transparency of financial reporting and is not expected to materially misrepresent the College's financial position.

Operating and Nonoperating Revenue

Operating activities reported on the statements of revenues, expenses, and changes in net position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Operating revenues of the College include activities, such as (1) student tuition and fees, net of scholarship allowances; (2) auxiliary activities; and (3) most federal, state, local and private grants and nonoperating revenues of the College include activities that have the characteristics of nonexchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenue, including state appropriations, property taxes, federal Pell grant revenue, and gifts.

Unearned Revenue

Tuition and fees revenue received and related to periods of instruction that will occur after June 30, 2025 and 2024, have been recorded as unearned. Grants received prior to qualifying expenses are also included in unearned revenue.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Classification of Expenses

Expenses are recognized when the service is provided or when materials are received. The College has classified expenses as either operating or nonoperating expenses according to the following criteria:

Operating expenses include activities that have the characteristics of exchange transactions, such as (1) employee salaries, benefits, and related expenses; (2) scholarships and fellowships, net of scholarship allowances; (3) utilities, supplies, and other services; (4) professional fees; and (5) depreciation.

Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset-related debt and other expenses that are defined as nonoperating expenses by governmental accounting standards.

Income Taxes

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

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

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 11.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources related to the Michigan Forest Products Institute Building construction arrangement with the Michigan State Building Authority. More detailed information related to the Michigan Forest Products construction arrangement can be found in Note 14. The College also reports deferred inflows of resources for certain pension and OPEB-related amounts. More detailed information can be found in Note 11.

Pension and Other Postemployment Benefits ("OPEB")

For purposes of measuring the net pension liability and net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB (benefit) expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Internal Service Activities

Both revenue and expenses related to internal service activities, including print shops, office equipment, maintenance, telecommunications, and institutional computing, have been eliminated.

Net Position

GASB Statement No. 35, as amended by GASB Statement No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting into the following net position categories:

- *Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation, unspent bond proceeds, and outstanding liabilities attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Expendable:* Net position whose use by the College and the Foundation is subject to externally imposed constraints that can be fulfilled by actions of the College and the Foundation pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of the Foundation's permanent endowment fund that have not been stipulated by the donor to be reinvested permanently.
- *Restricted Nonexpendable:* Net position subject to externally imposed constraints that they be maintained permanently by the Foundation. Nonexpendable net position includes the corpus portion (historical value) of gifts to the Foundation's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.
- *Unrestricted:* Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees (the "Board"), see Note 16.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

The College's net investment in capital assets consists of the following as of June 30:

	2025	2024
Capital assets not being depreciated	\$ 449,574	\$ 430,950
Capital assets being depreciated	47,038,309	47,236,529
Restricted cash	427,591	362,723
Bonds payable	(18,685,000)	(22,620,000)
Unamortized bond premiums	(998,061)	(1,180,869)
Subscription liabilities	(806,361)	-
Accounts and retainage payable	<u>(65,952)</u>	<u>(10,122)</u>
Total net investment in capital assets	<u>\$ 27,360,100</u>	<u>\$ 24,219,211</u>

The College's unrestricted net position consists of the following as of June 30:

	2025	2024
Auxiliary fund working capital	\$ 183,955	\$ 184,104
Deferred maintenance and replacement	11,733,169	14,593,718
Pension and OPEB liability fund deficit	(17,503,053)	(18,837,828)
Undesignated	8,000,458	4,270,838
Quasi-endowment	<u>3,200,000</u>	-
Total unrestricted net position	<u>\$ 5,614,529</u>	<u>\$ 210,832</u>

Change in Accounting Principle

For 2025, the College adopted GASB Statement No. 101, *Compensated Absences*, on a retrospective basis. This new standard replaces the existing guidance in GASB Statement No. 16 and establishes a more uniform approach for accounting and financial reporting of compensated absences, such as vacation, sick leave, and similar benefits. Under GASB 101, the College is required to recognize a liability for leave time that is attributable to services already rendered, is accumulated and is allowed to be carried over to subsequent years, and is more likely than not to be used or settled during or upon separation from employment. Additional information can be found in Note 10. The implementation of the standard effective July 1, 2023, and as of and for the year ended June 30, 2024, did not have an impact on the College's liabilities, net position or expenses.

Reclassification

Upon adoption of GASB 101, as noted above, certain amounts as reported in the 2024 financial statements have been reclassified from accrued payroll and long-term obligations to compensated absences to conform with the 2025 presentation.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2025, the most recent statement of net position presented herein, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

■ 2. PROPERTY TAXES

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on 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 district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the College 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, \$2.0694 of tax per \$1,000 of taxable property value in the community college taxing district was levied for general operating purposes on all property. Total operating property tax revenue was \$8,778,271 and \$8,001,260 for the years ended June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024, \$0.12 per \$1,000 of taxable property value in the community college taxing district was levied for debt retirement purposes. Total property tax revenue for debt retirement purposes was \$487,416 and \$470,643 for the years ended June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024, \$0.9678 per \$1,000 of taxable property value in the M-Tec and University Center taxing district was levied for general operating purposes. Total property tax revenue was \$1,612,062 and \$1,497,997 for the years ended June 30, 2025 and 2024, respectively.

■ 3. DEPOSITS AND INVESTMENTS AND FAIR VALUE MEASUREMENTS

Deposits and Investments

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the College is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, certain mutual funds and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

The College has designated two banks for deposit of its funds. The College's cash and investments are subject to several types of risk, which are examined in more detail below.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Fair Value Measurements

The College and the Foundation utilize fair value measurements to record fair value adjustments to their investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

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

College

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

U.S. Treasury notes: Valued using observable market inputs, including quoted prices for similar instruments and yield curves. These securities are classified as level 2 due to the use of inputs other than quoted prices in active markets for identical assets.

Asset-backed securities: Valued using observable market inputs, including benchmark yield curves, credit spreads, and pricing from third-party services. These securities are classified as level 2 as their valuation relies on inputs other than quoted prices in active markets for identical instruments.

Foundation

Common stocks: Common stocks are valued based on the closing prices reported on the active markets in which the individual securities are traded and classified as level 1.

Exchange traded funds: Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

Corporate bonds: Level 2 fair value measurement is based on observable market inputs such as benchmark yield curves, credit spreads, and pricing from third-party services. While these inputs are market-based, they do not represent quoted prices in active markets for identical instruments.

U.S. Treasury notes/bonds: Valued using observable market inputs, including quoted prices for similar instruments and yield curves. These securities are classified as level 2 due to the use of inputs other than quoted prices in active markets for identical assets.

Mortgage-backed securities: Securities issued by the Federal National Mortgage Association (Fannie Mae) are valued using observable market inputs, including benchmark yield curves, credit spreads, and pricing from third-party services. These securities are classified as Level 2 as their valuation relies on inputs other than quoted prices in active markets for identical instruments.

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

2025	Assets at Fair Value				Total
	Level 1	Level 2	Level 3		
U.S. government bonds	\$ 115,228	\$ -	\$ -	\$ -	\$ 115,228
U.S. Treasury notes	-	4,641,024	-	-	4,641,024
Asset-backed securities	-	46,498	-	-	46,498
Total investments at fair value	\$ 115,228	\$ 4,687,522	\$ -	\$ -	\$ 4,802,750

2024	Assets at Fair Value				Total
	Level 1	Level 2	Level 3		
U.S. government bonds	\$ 115,170	\$ -	\$ -	\$ -	\$ 115,170
U.S. Treasury notes	-	4,508,837	-	-	4,508,837
Asset-backed securities	-	74,471	-	-	74,471
Total investments at fair value	\$ 115,170	\$ 4,583,308	\$ -	\$ -	\$ 4,698,478

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

2025	Assets at Fair Value				Total
	Level 1	Level 2	Level 3		
Common stocks	\$ 1,492,642	\$ -	\$ -	\$ -	\$ 1,492,642
Equity exchange traded funds	698,425	-	-	-	698,425
Corporate bonds	-	254,887	-	-	254,887
U.S. Treasury notes/bonds	-	264,951	-	-	264,951
Mortgage-backed securities	-	289,638	-	-	289,638
Bond mutual funds	183,886	-	-	-	183,886
Total investments	\$ 2,374,953	\$ 809,476	\$ -	\$ -	\$ 3,184,429

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

2024	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Equity exchange traded funds	\$ 7,292	\$ -	\$ -	\$ 7,292
Bond exchange traded funds	30,783	-	-	30,783
Equity mutual funds	1,913,013	-	-	1,913,013
Bond mutual funds	1,002,814	-	-	1,002,814
Total investments	\$ 2,953,902	\$ -	\$ -	\$ 2,953,902

Interest Rate Risk

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

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

Balance	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. government bonds	\$ 115,228	\$ 115,228	\$ -	\$ -
U.S. Treasury notes	4,641,024	2,024,638	2,616,386	-
Asset-backed securities	46,498	-	11,322	35,176
Michigan Liquid Asset Fund	9,803,286	9,803,286	-	-
Total	\$ 14,606,036	\$ 11,943,152	\$ 2,627,708	\$ 35,176

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

Balance	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. government bonds	\$ 115,170	\$ -	\$ 115,170	\$ -
U.S. Treasury notes	4,508,837	2,273,051	2,235,786	-
Asset-backed securities	74,471	-	24,771	49,700
Michigan Liquid Asset Fund	4,645,078	4,645,078	-	-
Total	\$ 9,343,556	\$ 6,918,129	\$ 2,375,727	\$ 49,700

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be available or returned. The College's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College's deposits. As of June 30, 2025, the College's deposit balances of \$9,453,632 had \$8,572,495 of bank deposits (money markets, checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2024, the College's deposit balances of \$10,650,040 had \$9,900,040 of bank deposits (money markets, checking and savings accounts) that were uninsured and uncollateralized. The College believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As a result, the College evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

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

Credit Risk

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

Foreign Currency Risk

There are no foreign investments held by the College.

Concentration of Credit Risk

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

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

4. RECEIVABLES, NET

Receivables, net consist of the following at June 30:

	2025	2024
State appropriations	\$ 865,123	\$ 949,278
Grants and contracts	1,396,610	1,497,088
Student	225,671	180,118
Property taxes	45,962	107,802
Consumer and other	<u>51,487</u>	<u>78,069</u>
 Total receivables	 2,584,853	 2,812,355
Less allowance for doubtful accounts	<u>(48,329)</u>	<u>(26,575)</u>
 Net receivables	 <u>\$ 2,536,524</u>	 <u>\$ 2,785,780</u>

All amounts deemed to be uncollectible are charged directly against income in the period that determination is made. Management's periodic evaluation of the adequacy of the allowance is based on the College's past collection experience, adverse situations that may affect the student's ability to repay, and current economic conditions.

5. PLEDGES RECEIVABLE - FOUNDATION

Pledges receivable, included in accounts receivable on the accompanying statements of net position, consist of unconditional promises to give toward various scholarships and programs. Pledges receivable consist of the following at June 30:

	2025	2024
Receivable in less than one year	\$ 17,572	\$ 23,192
Receivable in one to five years	<u>38,750</u>	<u>39,105</u>
 Pledges receivable	 <u>\$ 56,322</u>	 <u>\$ 62,297</u>

As of June 30, 2025 and 2024, pledges receivable from employees and board members were \$3,875 and \$15,085, respectively.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

6. CAPITAL ASSETS

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

	Balance July 1, 2024	Additions	Retirements	Transfers	Balance June 30, 2025
Capital assets not being depreciated/amortized:					
Land	\$ 360,900	\$ -	\$ -	\$ -	\$ 360,900
Construction in progress	70,050	18,624	-	-	88,674
Subtotal nondepreciable/ nonamortizable assets	430,950	18,624	-	-	449,574
Capital assets being depreciated/amortized:					
Land improvements	4,051,869	-	-	-	4,051,869
Building and building improvements	50,681,365	-	-	-	50,681,365
Furniture, fixtures and equipment	8,664,262	626,653	(100,534)	-	9,190,381
Leased equipment	-	201,869	-	-	201,869
Subscription assets	-	1,359,498	-	-	1,359,498
Subtotal depreciable/ amortizable assets	63,397,496	2,188,020	(100,534)	-	65,484,982
Total depreciable and nondepreciable assets	63,828,446	2,206,644	(100,534)	-	65,934,556
Less accumulated depreciation/amortization:					
Land improvements	1,215,296	156,480	-	-	1,371,776
Building and building improvements	9,522,619	1,371,800	-	-	10,894,419
Furniture, fixtures and equipment	5,423,052	544,543	(94,705)	-	5,872,890
Leased equipment	-	37,009	-	-	37,009
Subscription assets	-	270,579	-	-	270,579
Total accumulated depreciation/amortization	16,160,967	2,380,411	(94,705)	-	18,446,673
Subtotal capital assets being depreciated/amortized, net	47,236,529	\$ (192,391)	\$ (5,829)	\$ -	47,038,309
Capital assets, net	\$ 47,667,479				\$ 47,487,883

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Construction in progress consists of construction costs for the criminal justice program's firing range at the College's Grayling location. Contractual commitments related to the project approximated \$116,000 as of June 30, 2025.

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

	Balance July 1, 2023	Additions	Retirements	Transfers	Balance June 30, 2024
Capital assets not being depreciated:					
Land	\$ 360,900	\$ -	\$ -	\$ -	\$ 360,900
Construction in progress	2,992,437	481,604	-	(3,403,991)	70,050
Subtotal nondepreciable assets	3,353,337	481,604	-	(3,403,991)	430,950
Capital assets being depreciated:					
Land improvements	3,548,372	81,903	-	421,594	4,051,869
Building and building improvements	48,010,007	45,391	-	2,625,967	50,681,365
Furniture, fixtures and equipment	7,917,637	591,447	(201,252)	356,430	8,664,262
Subtotal depreciable assets	59,476,016	718,741	(201,252)	3,403,991	63,397,496
Total depreciable and nondepreciable assets	62,829,353	1,200,345	(201,252)	-	63,828,446
Less accumulated depreciation:					
Land improvements	1,062,611	152,685	-	-	1,215,296
Building and building improvements	8,155,589	1,367,030	-	-	9,522,619
Furniture, fixtures and equipment	5,103,298	502,296	(182,542)	-	5,423,052
Total accumulated depreciation	14,321,498	2,022,011	(182,542)	-	16,160,967
Subtotal capital assets being depreciated, net	45,154,518	\$ (1,303,270)	\$ (18,710)	\$ 3,403,991	47,236,529
Capital assets, net	<u>\$ 48,507,855</u>				<u>\$ 47,667,479</u>

During fiscal year 2021, the College put its Roscommon campus land, buildings and associated equipment up for sale. In November 2023, the College sold the property under a land contract for a purchase price of \$2,500,000.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

The College has some property that was financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into among the SBA, the State of Michigan, and the College. During the lease term, the SBA will hold title to the property, the State of Michigan will make all lease payments to the SBA, and the College will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer the title of the buildings to the College. The cost and accumulated depreciation for these facilities are included in the accompanying statements of net position.

7. LONG-TERM DEBT OBLIGATIONS

Long-term debt obligation activity related to bonds payable for the year ended June 30, 2025:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
Bond payable					
2019 General Obligation, Limited Bond	\$ 12,645,000	\$ -	\$ (650,000)	\$ 11,995,000	\$ 675,000
2017 General Obligation, Limited Bond	3,940,000	-	(240,000)	3,700,000	245,000
2015 General Obligation, Limited Bond	2,805,000	-	(2,805,000)	-	-
2015 General Obligation, Unlimited Bond	3,230,000	-	(240,000)	2,990,000	250,000
Total bonds payable	22,620,000	-	(3,935,000)	18,685,000	1,170,000
Deferred amounts					
Series 2019 Unamortized Bond Premium	662,270	-	(44,151)	618,119	44,152
Series 2017 Unamortized Bond Premium	292,348	-	(22,489)	269,859	22,489
Series 2015 Unamortized Bond Premium	226,251	-	(116,168)	110,083	11,008
Total long-term obligations	\$ 23,800,869	\$ -	\$ (4,117,808)	\$ 19,683,061	\$ 1,247,649

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Bond payable					
2019 General Obligation, Limited Bond	\$ 13,270,000	\$ -	\$ (625,000)	\$ 12,645,000	\$ 650,000
2017 General Obligation, Limited Bond	4,170,000	-	(230,000)	3,940,000	240,000
2015 General Obligation, Limited Bond	3,005,000	-	(200,000)	2,805,000	205,000
2015 General Obligation, Unlimited Bond	3,460,000	-	(230,000)	3,230,000	240,000
Total bonds payable	23,905,000	-	(1,285,000)	22,620,000	1,335,000
Deferred amounts					
Series 2019 Unamortized Bond Premium	706,421	-	(44,151)	662,270	44,152
Series 2017 Unamortized Bond Premium	314,836	-	(22,488)	292,348	22,488
Series 2015 Unamortized Bond Premium	246,820	-	(20,569)	226,251	20,569
Total long-term obligations	\$ 25,173,077	\$ -	\$ (1,372,208)	\$ 23,800,869	\$ 1,422,209

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

2019 General Obligation, Limited Bond

In November 2019, the College issued \$15,000,000 of 2019 community college facilities general obligation limited bonds for the purpose of erecting, furnishing and equipping a College facility; erecting additions to, remodeling, furnishing and refurbishing and equipping and re-equipping a site. The bonds bear interest ranging from 2.875 to 4.00 percent and require annual payments ranging from \$650,000 to \$1,040,000 through 2039.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

2017 General Obligation, Limited Bond

In November 2017, the College issued \$5,200,000 of 2017 community college facilities general obligation limited bonds for the purpose of funding the expansion of the Health Sciences Education and Training Center. The bonds bear interest at 4.00 percent and require annual payments ranging from \$240,000 to \$380,000 through 2037.

2015 General Obligation, Limited Bond

In May 2015, the College issued \$4,415,000 of 2015 community college facilities general obligation limited bonds for the purpose of funding the construction of a new Health Sciences Education and Training Center. The bonds bear interest at 4.00 percent and require annual payments ranging from \$205,000 to \$305,000 through 2035. In 2025, the College made additional payments and repaid the bond in full.

2015 General Obligation, Unlimited Bond

In May 2015, the College issued \$5,025,000 of 2015 community college facilities general obligation unlimited bonds for the purpose of funding the construction of a new Health Sciences Education and Training Center. The bonds bear interest at 4.00 percent and require annual payments ranging from \$240,000 to \$355,000 through 2035.

Debt Maturity

Total principal and interest maturities on the bond obligations are as follows as of June 30:

Year Ending June 30,	Debt Obligations		
	Principal	Interest	Total
2026	\$ 1,170,000	\$ 648,081	\$ 1,818,081
2027	1,215,000	600,781	1,815,781
2028	1,265,000	551,581	1,816,581
2029	1,315,000	500,381	1,815,381
2030	1,370,000	447,181	1,817,181
2031-2035	7,620,000	1,470,681	9,090,681
2036-2039	4,730,000	285,941	5,015,941
Totals	\$ 18,685,000	\$ 4,504,627	\$ 23,189,627

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in two arrangements as a subscriber that qualify as long-term subscription-based information technology arrangements ("SBITA"). Below is a summary of the nature of these arrangements. These arrangements qualify as intangible, right-to-use subscription assets as the College has the control of the right to use another party's IT software and the noncancelable term of the agreement surpasses one year. The present values are discounted using an interest rate of 2.89% based on the College's incremental borrowing rate at the time the subscription commenced.

Asset Type	Remaining Term of Agreements
Subscription assets	3-4 years

Detailed information regarding the assets acquired and disposed through June 30, 2025 can be referenced in Note 6 Capital Assets.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Subscription liability	\$ -	\$ 1,034,562	\$ 228,201	\$ 806,361	\$ 247,696

The net present value of future minimum payments as of June 30, 2025, were as follows:

Year Ended June 30	Principal	Interest
2026	\$ 247,696	\$ 23,304
2027	268,355	16,145
2028	290,310	8,390
Total	\$ 806,361	\$ 47,839

For fiscal year ended June 30, 2025, total interest charged to expense for subscription-based agreement obligations was \$29,899.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

9. LEASES

The College is involved in one lease agreement as a lessee that qualifies as a long-term lease agreement. Below is a summary of the nature of this agreement. This agreement qualifies as an intangible, right-to-use asset and not a financed purchase, as the College will not own the asset at the end of the contract terms and the noncancelable term of the agreement surpasses one year. The present value is discounted using an interest rate of 2.89% based on the College's incremental borrowing rate at the lease's date of commencement. As the entire lease obligation was prepaid at time of commencement, the statements of net position do not include a lease obligation.

Asset Type	Remaining Term of Agreements
Equipment	4 years

Detailed information regarding the assets acquired and disposed through June 30, 2025 can be referenced in Note 6 Capital Assets.

10. COMPENSATED ABSENCES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,007,727	\$ 798,041	\$ (557,959)	\$ 1,247,809	\$ 789,113

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	\$ 1,018,233	\$ 633,495	\$ (644,001)	\$ 1,007,727	\$ 619,418

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

11. PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Defined Benefit Plan

Plan Description

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

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

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

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

Pension Benefits Provided

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

Other Postemployment Benefits Provided

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Contributions

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

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

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

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

Required contributions to the pension plan from the College were \$2,352,090, \$2,270,091 and \$2,526,557 for the years ended June 30, 2025, 2024 and 2023, respectively.

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

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

Required contributions to the OPEB plan from the College were \$121,938, \$462,697 and \$444,207 for the years ended June 30, 2025, 2024 and 2023, respectively.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

For the years ended June 30, 2025, 2024 and 2023, required and actual contributions from the College for those members with a defined contribution benefit were \$116,226, \$88,615 and \$79,759, respectively.

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

At June 30, 2025 and 2024, the College reported a liability of \$13,460,247 and \$17,751,179, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2024 and 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2023 and 2022. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2024, the College's proportion was 0.05498%, which was an increase of 0.00013% points from its proportion measured as of September 30, 2023 of 0.05485%.

For the year ended June 30, 2025, the College recognized pension expense of \$370,782. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2025	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 365,186	\$ 146,247	\$ 218,939
Changes in assumptions	1,403,311	986,210	417,101
Net difference between projected and actual earnings on pension plan investments	-	2,568,786	(2,568,786)
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,559	762,466	(727,907)
	1,803,056	4,463,709	(2,660,653)
College contributions subsequent to the measurement date	2,126,034	-	2,126,034
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	779,678	(779,678)
Total	\$ 3,929,090	\$ 5,243,387	\$ (1,314,297)

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

Year Ended June 30	Amount
2026	\$ (962,127)
2027	(91,768)
2028	(942,104)
2029	<u>(664,654)</u>
Total	<u>\$ (2,660,653)</u>

For the year ended June 30, 2024, the College recognized pension expense of \$1,326,513. At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 560,351	\$ 27,192	\$ 533,159
Changes in assumptions	2,405,366	1,386,879	1,018,487
Net difference between projected and actual earnings on pension plan investments	-	363,247	(363,247)
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,239	1,490,216	(1,485,977)
	<u>2,969,956</u>	<u>3,267,534</u>	<u>(297,578)</u>
College contributions subsequent to the measurement date	2,069,233	-	2,069,233
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,082,881	(1,082,881)
Total	<u>\$ 5,039,189</u>	<u>\$ 4,350,415</u>	<u>\$ 688,774</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

At June 30, 2025 and 2024, the College reported an asset of \$2,422,707 and \$324,895, respectively, for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2024 and 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2023 and 2022. The College's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2024, the College's proportion was 0.05628%, which was a decrease of 0.00115% points from its proportion measured as of September 30, 2023 of 0.05743%.

For the year ended June 30, 2025, the College recognized an OPEB benefit of \$1,019,933. At June 30, 2025, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2025	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,567,330	\$ (2,567,330)
Change in assumptions	529,154	60,822	468,332
Net difference between projected and actual earnings on OPEB plan investments	-	458,646	(458,646)
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,586	273,041	(206,455)
	<u>595,740</u>	<u>3,359,839</u>	<u>(2,764,099)</u>
College contributions subsequent to the measurement date	35,590	-	35,590
Total	\$ 631,330	\$ 3,359,839	\$ (2,728,509)

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

Year Ended June 30,	Amount
2026	\$ (929,521)
2027	(580,480)
2028	(523,816)
2029	(444,010)
2030	(239,605)
Thereafter	<u>(46,667)</u>
Total	<u>\$ (2,764,099)</u>

For the year ended June 30, 2024, the College recognized an OPEB benefit of \$746,083. At June 30, 2024, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2024	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,455,065	\$ (2,455,065)
Change in assumptions	723,270	87,095	636,175
Net difference between projected and actual earnings on OPEB plan investments	991	-	991
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>66,211</u>	<u>402,370</u>	<u>(336,159)</u>
College contributions subsequent to the measurement date	<u>790,472</u>	<u>2,944,530</u>	<u>(2,154,058)</u>
Total	<u>\$ 1,169,107</u>	<u>\$ 2,944,530</u>	<u>\$ (1,775,423)</u>

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Actuarial Assumptions

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

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

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

Long-term Expected Return on Pension and OPEB Plan Assets

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Pension

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

OPEB

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Pension and OPEB

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

Rate of Return

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

Discount Rate

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	\$ 19,732,867	\$ 13,460,247	\$ 8,237,084

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	\$ 23,981,791	\$ 17,751,179	\$ 12,563,969

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB asset	\$ (1,872,288)	\$ (2,422,707)	\$ (2,898,602)

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
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College's proportionate share of
the net OPEB liability (asset) \$ 336,817 \$ (324,895) \$ (893,570)

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
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College's proportionate share of
the net OPEB asset \$ (2,898,608) \$ (2,422,707) \$ (1,912,306)

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
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College's proportionate share of
the net OPEB (asset) liability \$ (894,988) \$ (324,895) \$ 292,134

Pension and OPEB Plans Fiduciary Net Position

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

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2025, the College reported a payable of \$183,432 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025. At June 30, 2024, the College reported a payable of \$243,098 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024.

Payable to the OPEB Plan

At June 30, 2025, the College reported a payable of \$1,481 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2025. At June 30, 2024, the College reported a payable of \$19,312 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024.

Defined Contribution Plan

Effective January 1, 1999, amended February 8, 2019, administrators and full-time faculty of the College may elect to participate in an Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with VALIC Retirement Services Company. As of June 30, 2025 and 2024, the plan had 9 and 8 participants, respectively. Under ORP, the College contributes 12.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were \$82,927 and \$72,405 for the years ended June 30, 2025 and 2024, respectively. Total contributions by employees were \$27,642 and \$24,135 for the years ended June 30, 2025 and 2024, respectively.

12. CONTINGENCIES

The College receives significant financial assistance from the State and Federal agencies in the form of grants and awards. The use of these funds generally requires compliance with grantor terms and conditions and is subject to audit by the grantor agency. Disallowed expenditures resulting from grantor audits could become a liability of the College, however, management believes that any future disallowances would not have a material effect on the College's financial statements.

In the normal course of its activities, the College is a party in various legal actions. The College and its legal counsel are of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

13. RISK MANAGEMENT

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Risk-Sharing Programs

The College participates in a self-insurance program. This program provides substantially all the insurance needs of the College. The possibility of additional claims exists, but the amount of liability to the College would be immaterial by the time the aggregate stop-loss coverages are triggered. There is also a possibility of a refund due to the College. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The College is self-insured for certain vision and dental benefits paid on behalf of its employees. Effective January 1, 2013, the College is also self-insured for certain medical benefits paid on behalf of its employees. Payments are made to the plan administrator based on actual claims. A startup amount is expected to cover claims which have been incurred but not reported. The College has employed an outside consultant to monitor the plan.

Vision and Dental Liability					
	2025	2024	2023		
Unpaid claims - beginning of year	\$ 9,370	\$ 5,729	\$ 5,333		
Incurred claims	121,585	128,444	117,900		
Claims payments	127,754	124,803	117,504		
Unpaid claims - end of year	\$ 3,201	\$ 9,370	\$ 5,729		
Health Liability					
	2025	2024	2023		
Unpaid claims - beginning of year	\$ 81,695	\$ 97,134	\$ 29,438		
Incurred claims	1,012,789	1,489,609	683,423		
Claims payments	1,062,122	1,505,048	615,727		
Unpaid claims - end of year	\$ 32,362	\$ 81,695	\$ 97,134		

14. MICHIGAN FOREST PRODUCTS INSTITUTE BUILDING PARTNERSHIP

The College entered into an agreement in October 2017 with the Michigan State Building Authority (the "Authority") for the construction of the Michigan Forest Products Institute Building. Under the terms of the Agreement, the total authorized cost of the building is \$6,100,000, of which the Authority will provide funding of \$3,049,900 and the College must fund the remaining balance. Draws from the agreement are recorded as deferred inflows by the College and revenue will be recognized over a 20-year term per the agreement. The College recognized \$149,306 of this revenue during both 2025 and 2024.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

15. KIRTLAND COMMUNITY COLLEGE FOUNDATION

The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and discretely presented in the College's financial statements.

Financial information for the Foundation is reported using accounting principles generally accepted in the United States of America for not-for-profit entities. Specific differences from the College are related to the reporting of promises to give and grants payable, which are reported when they are unconditional. At June 30, 2025 and 2024, the stated value of the net position of the Foundation totaled \$3,499,948 and \$3,118,220, respectively.

During fiscal 2025, the College donated \$50,000 to the Foundation for the Kirtland Legacy Fund with a specified purpose of supplementing future endowments if donors meet certain requirements at the discretion of the Foundation Board of Directors. There were no donations from the College to the Kirtland Legacy Fund during fiscal 2024. During fiscal 2025 and 2024, the Board of Directors authorized \$25,000 and \$40,000, respectively, to be used from the Kirtland Legacy Fund to transfer into donor endowments for the purposes of scholarships. During fiscal 2025 and 2024, \$13,500 and \$46,607, respectively, of funds were transferred to nonexpendable endowments upon reaching the \$10,000 matching threshold required by the Kirtland Legacy Fund. Additionally, during fiscal 2025 and 2024, the Foundation received donations from board members and employees in the amount of \$28,443 and \$21,654, respectively.

In a prior fiscal year, the program for the Center for Performing Arts ended upon the closing of the Roscommon Campus. Based on the terms of the agreements with donors, if the program ends, the Foundation Board of Directors could elect to repurpose any remaining funds for a benevolent purpose. During fiscal 2024, the Foundation Board of Directors voted to designate \$24,993 of amounts to establish a board designated endowment for the purpose of providing grants to College departments.

Restricted net position consists of the following at June 30:

	2025	2024
Expendable for specified purpose		
Scholarships and financial aid	\$ 1,239,059	\$ 1,018,287
Kirtland Legacy Fund	58,250	33,250
Fast Act Student Emergency Fund	<u>18,315</u>	<u>16,295</u>
	<u>1,315,624</u>	<u>1,067,832</u>
Nonexpendable endowments		
Subject to endowment spending policy and appropriation		
Scholarships and financial aid	<u>1,673,457</u>	<u>1,575,500</u>
Total restricted net position	<u>\$ 2,989,081</u>	<u>\$ 2,643,332</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Changes in net assets with donor restrictions, subject to expenditures for specified purpose for the years ended June 30 consist of the following:

	2025	2024
Subject to expenditures for specified purpose, beginning of year	\$ 1,067,832	\$ 930,860
Net investment gain	274,995	249,043
Contributions	141,008	71,624
Kirtland Legacy Fund transfers	(25,000)	(40,000)
Scholarship transfers to endowments	(13,500)	(46,607)
Transfer to board-designated	-	(14,205)
Amounts appropriated for expenditure	<u>(129,711)</u>	<u>(82,883)</u>
 Subject to expenditures for specified purpose, end of year	 \$ 1,315,624	 \$ 1,067,832

16. FOUNDATION ENDOWMENT

The Foundation's permanent endowments consist of 35 and 31 individual, donor-restricted funds established for student scholarships as of June 30, 2025 and 2024, respectively. The Foundation's endowments also includes certain net assets without donor restriction that have been designated for endowment by the Board of Directors.

Interpretation of Relevant Law

The Board of Directors of the Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, net assets with donor restrictions consist of the original value of gifts to the endowment and the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by use in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

From time to time, certain donor-restricted endowment funds may have fair values less than the amounts required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2025 and 2024, the Foundation did not have any underwater endowments.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Endowment net asset composition by type of fund as of June 30:

	2025	2024
Board-designated endowment funds	<u>\$ 27,753</u>	<u>\$ 24,933</u>
Endowment funds with donor restrictions		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	1,673,457	1,575,500
Accumulated investment earnings	<u>1,049,819</u>	<u>817,224</u>
Total restricted endowment funds	<u>2,723,276</u>	<u>2,392,724</u>
Total Funds	<u>\$ 2,751,029</u>	<u>\$ 2,417,657</u>

Changes in endowment net assets for the year ended June 30, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 24,933	\$ 2,392,724	\$ 2,417,657
Contributions	-	59,457	59,457
Kirtland Legacy Fund transfers	-	38,500	38,500
Net investment gain	2,820	274,995	277,815
Amounts appropriated for expenditure	<u>-</u>	<u>(42,400)</u>	<u>(42,400)</u>
Endowment net assets, end of year	<u>\$ 27,753</u>	<u>\$ 2,723,276</u>	<u>\$ 2,751,029</u>

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 2,102,894	\$ 2,102,894
Contributions	-	67,400	67,400
Transfer to board-designated	24,933	(24,933)	-
Kirtland Legacy Fund transfers	-	40,000	40,000
Net investment gain	-	249,043	249,043
Amounts appropriated for expenditure	<u>-</u>	<u>(41,680)</u>	<u>(41,680)</u>
Endowment net assets, end of year	<u>\$ 24,933</u>	<u>\$ 2,392,724</u>	<u>\$ 2,417,657</u>

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment 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. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested to achieve the primary objective of being the safety of principal and secondary objective being income and growth.

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 has implemented the following guidelines to achieve a diversified asset allocation of no more than 10 percent in emerging market funds and total assets will be allocated 60 percent for equity investments and 40 percent fixed income assets. Exposure within each asset class is determined by (1) the Foundation's investment objectives and risk tolerance, (2) the prevailing relative valuation between the primary competing assets classes (fixed income and equities), and (3) the fundamental strength of the economy.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 5 percent of the 20 quarter average of the fair value of investment holdings as of March 31 in the fiscal year in which the distribution is planned. Any donations received during the current year will be held for two years for income growth before each becomes part of the spending calculation or once the fund has reached the target income from an established minimum amount set by the donor. If, at any time, the fair value of the endowments is less than the principal amount, the principal will be held whole and the unrestricted funds may be used for scholarship distributions as well as administration and fundraising expenses. The amount to be distributed as scholarships and grants shall be 5 percent of the average as determined above. The specific amount available for distribution shall be made by the board of directors at the May regularly scheduled meeting. The board of directors shall reserve the right to change the amount to be distributed at any time. The amount determined to be available by the board of directors shall be distributed as follows: 4 percent will be used for scholarships and grants, administration and fundraising expenses and 1 percent may apply to a Kirtland Community College special request at the board's discretion subject to Foundation Board approval.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

17. FOUNDATION LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of net position date, comprise the following for the Foundation as of June 30:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 266,674	\$ 103,175
Receivables, net	56,322	62,297
Investments	3,184,429	2,953,902
Subtotal	3,507,425	3,119,374
 Less amounts unavailable for general expenditures within one year due to:		
Restricted net position	2,989,081	2,643,332
Board designated net assets	27,753	24,933
Subtotal	3,016,834	2,668,265
 Total financial assets available for general use within one year	\$ 490,591	\$ 451,109

The endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Although the Foundation doesn't intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The Foundation has a policy of appropriating for distribution each year 3.5% of the fair value of investment holdings as of the beginning of the year for the fiscal year in which the distribution is planned. This distribution does not have to be taken if the Foundation Board of Directors determines it is not needed. Unspent 3.5% distribution funds can be used in future years if approved by the Board. If, at any time, the fair value of the endowments is less than the principal amount, the principal will be held whole.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

18. FUNCTIONAL ALLOCATION OF EXPENSES - FOUNDATION

The tables below present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification. The Foundation's program services and supporting services expenses are included in student services and institutional administration expenses, respectively, in the accompanying statements of revenues, expenses, and changes in net position.

	Year Ended June 30, 2025					
	Program Services	Supporting Services		Total		
		Management and General	Fundraising			
Scholarships and grants	\$ 138,003	\$ -	\$ -	\$ 138,003		
Professional fees	-	28,605	145,631	174,236		
Supplies	2,500	-	-	2,500		
Travel and meeting	-	2,870	-	2,870		
Other	-	1,849	152	2,001		
Total expenses	\$ 140,503	\$ 33,324	\$ 145,783	\$ 319,610		

	Year Ended June 30, 2024					
	Program Services	Supporting Services		Total		
		Management and General	Fundraising			
Scholarships and grants	\$ 83,153	\$ -	\$ -	\$ 83,153		
Professional fees	-	28,746	147,962	176,708		
Supplies	46,422	-	-	46,422		
Travel and meeting	-	912	-	912		
Other	-	2,134	-	2,134		
Total expenses	\$ 129,575	\$ 31,792	\$ 147,962	\$ 309,329		

KIRTLAND COMMUNITY COLLEGE

■ Notes to Financial Statements

19. IN-KIND CONTRIBUTIONS

The Foundation receives in-kind contributions which consist of donated services from certain personnel at the College and donated supplies to be used for educational purposes at the College. In-kind contributions for the fiscal years ended June 30, 2025 and 2024, included in the financial statements, were as follows:

	2025	2024
Purpose		
Salaries and wages		
Accounting services	\$ 10,212	\$ 9,903
Fundraising	135,419	138,059
Supplies	<u>2,500</u>	<u>46,422</u>
Total in-kind contributions	<u>\$ 148,131</u>	<u>\$ 194,384</u>



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

KIRTLAND COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
College's proportionate share of the net pension liability	\$ 13,460,247	\$ 17,751,179	\$ 20,630,887	\$ 14,657,569	\$ 22,191,091	\$ 22,324,710	\$ 20,915,218	\$ 18,384,023	\$ 19,074,343	\$ 18,701,369
College's proportion of the net pension liability	0.05498%	0.05485%	0.05486%	0.06191%	0.06460%	0.06741%	0.06957%	0.07094%	0.07645%	0.07657%
College's covered payroll	\$ 5,970,031	\$ 5,754,529	\$ 5,439,960	\$ 5,417,113	\$ 5,699,824	\$ 5,723,342	\$ 5,918,399	\$ 5,788,356	\$ 6,331,048	\$ 6,487,088
College's proportionate share of the net pension liability as a percentage of its covered payroll	225.46%	308.47%	379.25%	270.58%	389.33%	390.06%	353.39%	317.60%	301.28%	288.29%
Plan fiduciary net position as a percentage of the total pension liability	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans Schedule of the College's Pension Contributions

	Year Ended June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 2,210,588	\$ 2,270,091	\$ 2,526,557	\$ 1,859,267	\$ 1,860,495	\$ 1,779,713	\$ 1,793,690	\$ 1,906,804	\$ 1,630,652	\$ 1,730,331
Contributions in relation to the statutorily required contributions	<u>(2,210,588)</u>	<u>(2,270,091)</u>	<u>(2,526,557)</u>	<u>(1,859,267)</u>	<u>(1,860,495)</u>	<u>(1,779,713)</u>	<u>(1,793,690)</u>	<u>(1,906,804)</u>	<u>(1,630,652)</u>	<u>(1,730,331)</u>
Contribution deficiency (excess)	<u>\$ -</u>									
College's covered payroll	\$ 6,141,739	\$ 5,929,886	\$ 5,721,861	\$ 5,424,303	\$ 5,450,108	\$ 5,786,053	\$ 5,789,037	\$ 5,915,953	\$ 5,827,938	\$ 6,166,021
Contributions as a percentage of covered payroll	35.99%	38.28%	44.16%	34.28%	34.14%	30.76%	30.98%	32.23%	27.98%	28.06%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30							
	2025	2024	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB (asset) liability	\$ (2,422,707)	\$ (324,895)	\$ 1,181,067	\$ 905,575	\$ 3,419,065	\$ 4,677,411	\$ 5,505,809	\$ 6,316,303
College's proportion of the net OPEB (asset) liability	0.05628%	0.05743%	0.05576%	0.05933%	0.06382%	0.06517%	0.06926%	0.07133%
College's covered payroll	\$ 5,970,031	\$ 5,754,529	\$ 5,439,960	\$ 5,417,113	\$ 5,699,824	\$ 5,723,342	\$ 5,918,399	\$ 5,788,356
College's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	-40.58%	-5.65%	21.71%	16.72%	59.99%	81.73%	93.03%	109.12%
Plan fiduciary net position as a percentage of the total OPEB liability	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Other Postemployment Benefits Contributions

	Year Ended June 30							
	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 121,938	\$ 462,697	\$ 444,207	\$ 424,820	\$ 438,661	\$ 452,325	\$ 446,611	\$ 426,950
Contributions in relation to the statutorily required contributions	(121,938)	(462,697)	(444,207)	(424,820)	(438,661)	(452,325)	(446,611)	(426,950)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 6,141,739	\$ 5,929,886	\$ 5,721,861	\$ 5,424,303	\$ 5,450,108	\$ 5,786,053	\$ 5,789,037	\$ 5,915,953
Contributions as a percentage of covered payroll	1.99%	7.80%	7.76%	7.83%	8.05%	7.82%	7.71%	7.22%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

■ Notes to Required Supplementary Information

Pension Information

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Required Supplementary Information

OPEB Information

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

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

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

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

OTHER INFORMATION

KIRTLAND COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2025 (Unaudited)

(with comparative totals for 2024)

	General Fund	Designated Fund	Auxiliary Activities	Restricted Pension and OPEB Deficit	Expendable Restricted Funds	Maintenance and Repair Fund	Physical Properties Fund	Agency Fund	Quasi-Endowment Fund	Combined Total June 30, 2025	Combined Total June 30, 2024
Assets											
Current assets											
Cash and cash equivalents	\$ 8,837,312	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,838,312	\$ 9,665,995
Short-term investments	11,943,152	-	-	-	-	-	-	-	-	11,943,152	6,918,129
Receivables, net	1,108,807	12,894	12,197	-	1,396,610	-	5,934	82	-	2,536,524	2,785,780
Inventories	52,756	-	92,733	-	-	-	-	-	-	145,489	151,296
Prepaid expenses and other assets	182,794	-	-	-	-	-	-	-	-	182,794	257,829
Due (to) from other funds	(19,420,388)	574,129	115,468	116,032	(1,389,843)	11,733,169	4,941,342	130,091	3,200,000	-	-
Total current assets	2,704,433	587,023	221,398	116,032	6,767	11,733,169	4,947,276	130,173	3,200,000	23,646,271	19,779,029
Noncurrent assets											
Long-term investments	2,662,884	-	-	-	-	-	-	-	-	2,662,884	2,425,427
Restricted cash	-	-	-	-	17,456	-	427,591	-	-	445,047	419,604
Land contract receivable	1,558,338	-	-	-	-	-	-	-	-	1,558,338	1,558,338
Capital assets											
Land	-	-	-	-	-	-	360,900	-	-	360,900	360,900
Construction in progress	-	-	-	-	-	-	88,674	-	-	88,674	70,050
Capital assets not being depreciated/amortized	-	-	-	-	-	-	449,574	-	-	449,574	430,950
Capital assets being depreciated/amortized, net	-	-	-	-	-	-	47,038,309	-	-	47,038,309	47,236,529
Net OPEB asset	-	-	-	2,422,707	-	-	-	-	-	2,422,707	324,895
Total noncurrent assets	4,221,222	-	-	2,422,707	17,456	-	47,915,474	-	-	54,576,859	52,395,743
Total assets	6,925,655	587,023	221,398	2,538,739	24,223	11,733,169	52,862,750	130,173	3,200,000	78,223,130	72,174,772
Deferred outflows of resources											
Deferred pension amounts	-	-	-	3,929,090	-	-	-	-	-	3,929,090	5,039,189
Deferred OPEB amounts	-	-	-	631,330	-	-	-	-	-	631,330	1,169,107
Total deferred outflows of resources	-	-	-	4,560,420	-	-	-	-	-	4,560,420	6,208,296
Liabilities											
Current liabilities											
Accounts payable	469,131	1,165	6,122	116,032	17,456	-	-	-	-	609,906	530,224
Accrued payroll	393,543	933	5,967	-	4,446	-	-	-	-	404,889	426,286
Other accrued liabilities	125,307	-	-	-	2,321	-	55,096	130,173	-	312,897	389,085
Unearned revenue	167,546	-	-	-	-	-	-	-	-	167,546	188,238
Compensated absences - current portion	762,744	1,015	25,354	-	-	-	-	-	-	789,113	619,418
Subscription liabilities - current portion	-	-	-	-	-	-	247,696	-	-	247,696	-
Long-term obligations - current portion	-	-	-	-	-	-	1,247,649	-	-	1,247,649	1,422,209
Total current liabilities	1,918,271	3,113	37,443	116,032	24,223	-	1,550,441	130,173	-	3,779,696	3,575,460
Noncurrent liabilities											
Compensated absences - net of current portion	-	-	-	-	-	-	458,696	-	-	458,696	388,310
Subscription liabilities - net of current portion	-	-	-	-	-	-	558,665	-	-	558,665	-
Long-term obligations - net of current portion	-	-	-	-	-	-	18,435,412	-	-	18,435,412	22,378,659
Net pension liability	-	-	-	13,460,247	-	-	-	-	-	13,460,247	17,751,179
Total noncurrent liabilities	-	-	-	13,460,247	-	-	19,452,773	-	-	32,913,020	40,518,148
Total liabilities	1,918,271	3,113	37,443	13,576,279	24,223	-	21,003,214	130,173	-	36,692,716	44,093,608
Deferred inflows of resources											
Construction arrangement	-	-	-	-	-	-	2,090,272	-	-	2,090,272	2,239,577
Deferred pension amounts	-	-	-	5,243,387	-	-	-	-	-	5,243,387	4,350,415
Deferred OPEB amounts	-	-	-	3,359,839	-	-	-	-	-	3,359,839	2,944,530
Total deferred inflows of resources	-	-	-	8,603,226	-	-	2,090,272	-	-	10,693,498	9,534,522
Net position (deficit)											
Net investment in capital assets	-	-	-	-	-	-	27,360,100	-	-	27,360,100	24,219,211
Restricted expendable - OPEB	-	-	-	2,422,707	-	-	-	-	-	2,422,707	324,895
Unrestricted (deficit)	5,007,384	583,910	183,955	(17,503,053)	-	11,733,169	2,409,164	-	3,200,000	5,614,529	210,832
Total net position (deficit)	\$ 5,007,384	\$ 583,910	\$ 183,955	\$ (15,080,346)	\$ -	\$ 11,733,169	\$ 29,769,264	\$ -	\$ 3,200,000	\$ 35,397,336	\$ 24,754,938

KIRTLAND COMMUNITY COLLEGE

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

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

	General Fund	Designated Fund	Auxiliary Activities Funds	Restricted Pension and OPEB Deficit	Expendable Restricted Funds	Maintenance and Repair Fund	Physical Properties Fund	Quasi-Endowment Fund	Eliminations	Combined Total June 30, 2025	Combined Total June 30, 2024
Operating revenues											
Tuition and fees, net	\$ 8,027,220	\$ -	\$ -	\$ -	\$ 1,963,082	\$ -	\$ -	\$ -	\$ (2,239,575)	\$ 5,787,645	\$ 5,303,744
Federal grants and contracts	-	-	-	-	-	-	-	-	-	1,963,082	1,047,399
State and local grants and contracts	-	-	-	-	29,804	-	-	-	-	29,804	447,125
Private gifts, grants, and contracts	-	-	-	-	56,833	-	-	-	-	56,833	54,800
Auxiliary activities, net	-	-	914,464	-	-	-	-	-	(587,483)	326,981	950,467
Indirect cost recoveries	57,054	-	-	-	-	-	-	-	(57,054)	-	-
Current funds expenditures for equipment and capital improvements	-	-	-	-	-	1,411,552	-	(1,411,552)	-	-	-
Miscellaneous	198,014	60,809	-	-	-	149,305	-	-	-	408,128	413,029
Total operating revenues	8,282,288	60,809	914,464	-	2,049,719	-	1,560,857	-	(4,295,664)	8,572,473	8,216,564
Operating expenses											
Instruction	5,161,671	40,325	-	(1,548,785)	885,469	-	-	-	(524,653)	4,014,027	4,820,141
Public service	44,117	-	-	(11,978)	-	-	-	-	-	32,139	42,053
Instructional support	1,342,634	-	1,474,017	(338,436)	570,655	-	-	-	(321,223)	2,727,647	3,153,916
Student services	3,289,215	-	-	(795,361)	4,306,437	-	71,201	-	(2,842,339)	4,029,153	3,926,666
Institutional administration	1,865,012	-	-	(486,050)	-	-	-	-	(503,800)	875,162	1,712,896
Operation and maintenance of physical plant	2,161,973	-	-	(251,977)	2,375	187,677	-	-	(103,649)	1,996,399	1,671,866
Information technology	1,162,712	-	-	-	-	-	-	-	-	1,162,712	1,116,179
Depreciation and amortization	-	-	-	-	-	2,380,411	-	-	-	2,380,411	2,022,011
Total operating expenses	15,027,334	40,325	1,474,017	(3,432,587)	5,764,936	187,677	2,451,612	-	(4,295,664)	17,217,650	18,465,728
Operating (loss) income	(6,745,046)	20,484	(559,553)	3,432,587	(3,715,217)	(187,677)	(890,755)	-	-	(8,645,177)	(10,249,164)
Nonoperating revenues (expenses)											
State appropriations	4,699,317	-	-	-	-	-	-	-	-	4,699,317	4,351,742
Federal Pell grant	-	-	-	-	3,715,217	-	-	-	-	3,715,217	2,910,672
Property taxes	9,826,111	-	564,222	-	-	-	487,416	-	-	10,877,749	9,969,900
Investment and interest income	115,601	-	-	-	-	424,896	146,080	-	-	686,577	358,813
Gain on sale of assets held for sale	-	-	-	-	-	-	-	-	-	-	292,813
Gain on sale of capital assets	-	-	-	-	-	-	9,178	-	-	9,178	27,789
Interest on capital asset - related debt	-	-	-	-	-	-	(652,963)	-	-	(652,963)	(778,895)
Contributions from the Foundation	-	-	-	-	2,500	-	-	-	-	2,500	46,422
Contributions between College and Foundation	(50,000)	-	-	-	-	-	-	-	-	(50,000)	-
Net nonoperating revenues	14,591,029	-	564,222	-	3,717,717	424,896	(10,289)	-	-	19,287,575	17,179,256
Other revenues											
State capital appropriations	-	-	-	-	-	-	-	-	-	-	421,900
Transfers (out) in	(4,362,369)	-	(4,818)	-	(2,500)	(3,097,768)	4,267,455	3,200,000	-	-	-
Increase (decrease) in net position	3,483,614	20,484	(149)	3,432,587	-	(2,860,549)	3,366,411	3,200,000	-	10,642,398	7,351,992
Net position (deficit), beginning of year	1,523,770	563,426	184,104	(18,512,933)	-	14,593,718	26,402,853	-	-	24,754,938	17,402,946
Net position (deficit), end of year	\$ 5,007,384	\$ 583,910	\$ 183,955	\$ (15,080,346)	\$ -	\$ 11,733,169	\$ 29,769,264	\$ 3,200,000	\$ -	\$ 35,397,336	\$ 24,754,938