Kirtland Community College

Years Ended June 30, 2026 and 2025

Financial Statements and Supplementary Information

Rehmann

KIRTLAND COMMUNITY COLLEGE

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KIRTLAND COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

October 26, 2026

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, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2026 and 2025, 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.

Implementation of GASB Statement No. 103

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

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

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our 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 the 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 (deficit) and the combining statement of revenues, expenses, transfers and changes in net position (deficit), 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 26, 2026 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Rehmann Lohan LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

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, 2026 and 2025. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management. This section is intended to assist readers in understanding the College's financial performance and condition and should be read in conjunction with the accompanying financial statements and notes.

If you have questions about this report or require further information, contact the Business Office at chris.bowman@kirtland.edu or (989)-275-5000.

Overview of the Financial Statements

Kirtland Community College (the "College") issues basic financial statements for a special-purpose government engaged only in business-type activities. The basic financial statements comprise the Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows, along with notes that are an integral part of the statements. The College also reports a discretely presented component unit - the ***Kirtland Community College Foundation*** (the "Foundation"). These statements present the financial position, operating results, and cash flow activities of the College's business-type activities.

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

Management's Discussion and Analysis

Financial Summary

Statements of Net Position

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

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2026	**2025**	**2024**
Current and other assets	$ 36,179	$ 30,735	$ 24,508
Capital assets, net	47,032	47,488	47,667
Total assets	**83,211**	**78,223**	**72,175**
Deferred outflows of resources	3,607	4,560	6,208
Other liabilities	1,340	1,495	1,936
Long-term liabilities	32,037	35,197	42,157
Total liabilities	**33,377**	**36,692**	**44,093**
Deferred inflows of resources	9,242	10,693	9,535
Net position			
Net investment in capital assets	27,809	27,360	24,219
Restricted for OPEB	3,228	2,423	325
Unrestricted	13,162	5,615	211
Total net position	**$ 44,199**	**$ 35,398**	**$ 24,755**

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

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

	Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30 (in thousands)		
	2026	**2025**	**2024**
Operating revenues			
Tuition and fees, net	$ 6,306	$ 5,788	$ 5,304
Grants and contracts	5,801	5,765	4,460
Auxiliary activities, net	330	327	951
Other	346	408	413
Total operating revenues	**12,783**	**12,288**	**11,128**
Operating expenses			
Instruction	4,303	4,014	4,820
Public service	16	32	42
Instructional support	3,181	2,728	3,154
Student services	4,472	4,029	3,927
Institutional administration	1,710	875	1,713
Operation and maintenance of physical plant	2,119	1,996	1,672
Information technology	1,426	1,163	1,116
Depreciation and amortization	2,520	2,380	2,022
Total operating expenses	**19,747**	**17,217**	**18,466**
Operating loss	**(6,964)**	**(4,929)**	**(7,338)**

continued…

Management's Discussion and Analysis

	Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30 (in thousands)		
	2026	**2025**	**2024**
Noncapital subsidies			
State appropriations	$ 4,773	$ 5,075	$ 4,511
Property tax levy - operations	10,445	10,014	9,339
Net contributions from (to) the Foundation	109	(48)	46
Total noncapital subsidies	**15,327**	**15,041**	**13,896**
Operating loss and noncapital subsidies	**8,363**	**10,112**	**6,558**
Other nonoperating revenues (expenses)			
Investment income	502	687	359
Property tax levy - capital debt retirement	515	488	471
Gain on sale of assets	15	9	321
Interest on capital asset-related debt	(594)	(653)	(779)
State capital appropriations	-	-	422
Net other nonoperating (expenses) revenues	**438**	**531**	**794**
Increase in net position	**8,801**	**10,643**	**7,352**
Net position, beginning of year, as restated	35,398	24,755	17,403
Net position, end of year	**$ 44,199**	**$ 35,398**	**$ 24,755**

Concluded

Management's Discussion and Analysis

Statements of Cash Flows

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

	Condensed Statements of Cash Flows for the Years Ended June 30 (in thousands)		
	2026	**2025**	**2024**
Cash flows from:			
Operating activities	$ (12,016)	$ (9,529)	$ (11,853)
Noncapital financing activities	19,080	18,913	16,709
Capital and related financing activities	(2,903)	(5,610)	(2,815)
Investing activities	53	(1,954)	(6,878)
Net change in cash, cash equivalents, and restricted cash	**4,214**	**1,820**	**(4,837)**
Cash, cash equivalents, and restricted cash, beginning of year	8,890	7,070	11,907
Cash, cash equivalents, and restricted cash, end of year	**$ 13,104**	**$ 8,890**	**$ 7,070**

Detailed Analyses

Financial Position

2026-2025 Analysis

Total assets increased by $5.0 million, rising from $78.2 million to $83.2 million. The largest contributor was the $3.8 million increase in cash and cash equivalents, driven by tuition and fee revenues and property tax receipts exceeding budget, while recognized expenses were lower than budget. Investments increased by $0.8 million, driven by management's decision to reposition cash into higher-yield investment instruments.

Capital assets decreased slightly, as depreciation/amortization exceeded current year additions. Overall net capital assets remained consistent with the prior year.

Total liabilities decreased by $3.3 million, driven primarily by a $2.4 million reduction in the net pension liability resulting from updated actuarial assumptions. Long-term obligations also declined due to scheduled debt payments. The subscription liability increased by $0.5 million due to continued investment in information technology under GASB 96.

Deferred inflows decreased by $1.5 million, largely attributable to pension and OPEB investment variances and the deferral of State capital outlay funding until eligibility requirements are met.

As a result of these factors, the College's net position increased by $8.8 million, ending the year at $44.2 million.

Management's Discussion and Analysis

2025-2024 Analysis

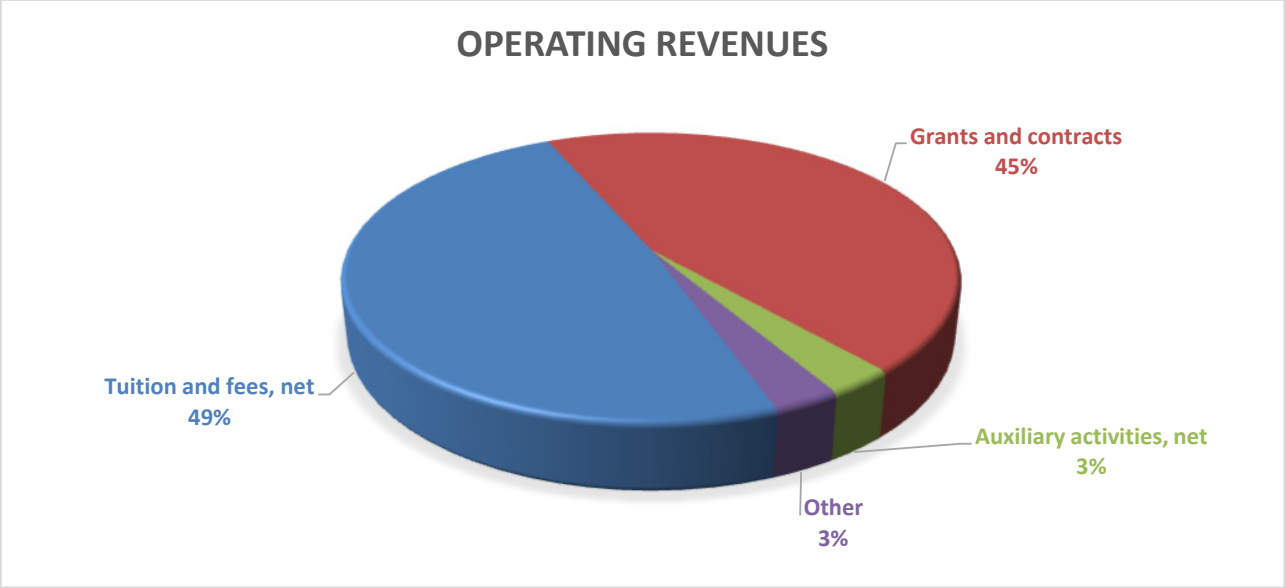
Total assets increased by $6.0 million, rising from $72.2 million to $78.2 million. The largest contributor was the $5.3 million increase in investments, driven by management's decision to reposition cash into higher-yield investment instruments. Cash and cash equivalents decreased by $0.8 million from the early defeasance of the 2015 Limited bonds, while the net OPEB asset increased by $2.1 million due to changes in the assumptions.

Total liabilities decreased by $7.4 million, driven primarily by a $4.3 million reduction in the net pension liability resulting from updated actuarial assumptions. Long-term obligations also declined due to scheduled debt payments and the defeasance noted above. Subscription liabilities increased $0.8 million due to continued investment in information technology under GASB 96.

As a result of these factors, the College's net position increased by $10.6 million, ending the year at $35.4 million.

Operating Revenues

Operating revenues for fiscal year 2026 was as follows:



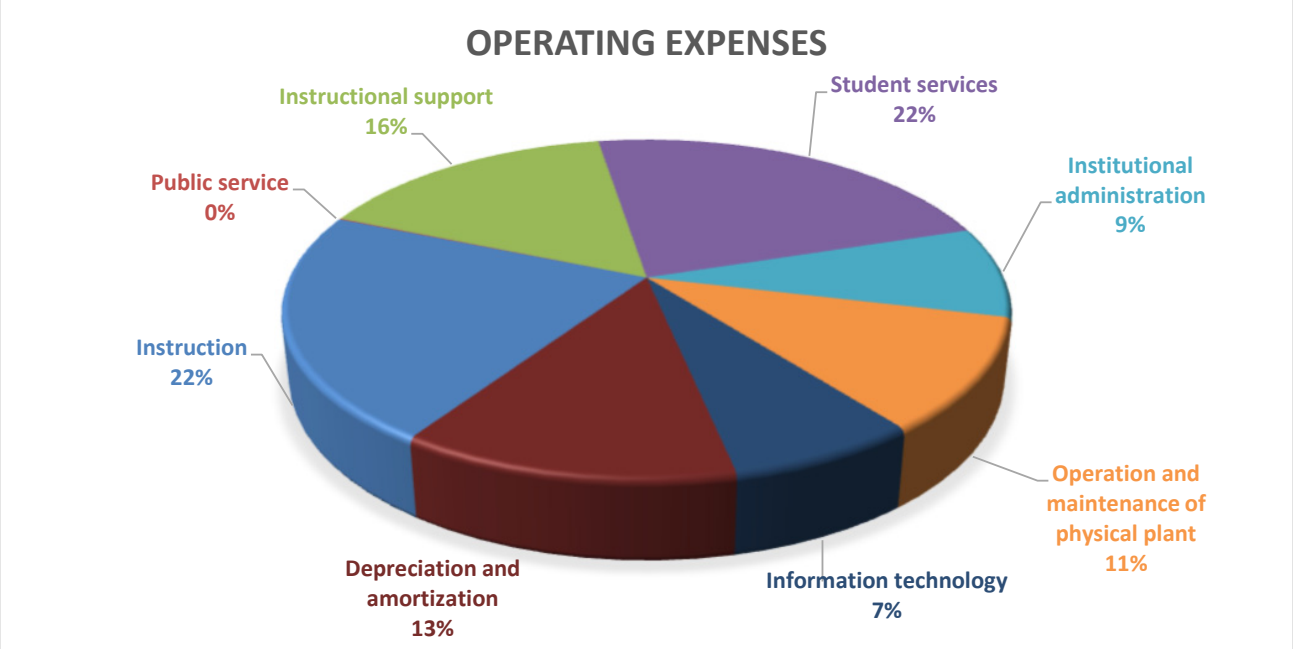
Operating revenues totaled $12.8 million in fiscal year 2026, an increase of $0.5 million from the prior year. The increase was primarily related to an increase of $0.5 million in net tuition and fees, driven by modest enrollment gains and increases in tuition rates. Grants and contracts revenue and other operating revenues remained consistent with the prior year.

In fiscal year 2025, operating revenues increased by $1.2 million, with growth across net tuition and fees and grants offset by a decrease in auxiliary revenues and other operating revenues. The increase was primarily related to an increase of $1.3 million in grants and contracts, driven by a higher distribution of PELL to students and increased usage of the Title III and ADN to BSN grants.

Management's Discussion and Analysis

Operating Expenses

Operating expenses for fiscal year 2026 were as follows:



Operating expenses totaled $19.7 million in fiscal year 2026, an increase of $2.5 million from fiscal year 2025. This increase was primarily due to increases in instruction and student services expenses resulting from filling vacant employee positions not filled the prior year, and a general increase in salaries and benefits, as well as technology costs.

In fiscal year 2025, operating expenses decreased by $1.3 million, driven by a change in assumptions related to pension and OPEB expense, grant-related expenditures, technology, and other operational costs.

Noncapital Subsidies

Noncapital subsidies increased by $0.3 million in fiscal year 2026. Property tax revenue for operations increased by $0.4 million due to an increase in taxable values in the College's taxing districts. State appropriations decreased by $0.3 million due to a one-time distribution from the MPSERS fund in the previous year.

In fiscal year 2025, noncapital subsidies increased by $1.2 million, supported primarily by an increase of $0.7 million in property taxes for operations due to an increase in the millage rate and taxable values of property in the College's taxing districts and an increase of $0.6 million in state appropriations due to a one-time distribution from the MPSERS fund from the State.

Other Nonoperating (Expenses) Revenues

Other nonoperating (expenses) revenues decreased by $0.1 million in fiscal year 2026. Investment income decreased by $0.2 million due to changes in the market.

In fiscal year 2025, other nonoperating (expenses) revenues decreased by $0.3 million, driven by a decrease in gain on sale of assets as the Roscommon property was sold in fiscal year 2024, resulting in a $0.3 million gain recognized.

Overall Change in Net Position

Net position increased by $8.8 million in fiscal year 2026, following an increase of $10.6 million in fiscal year 2025. The increases in both years reflect strong nonoperating revenue streams, favorable pension and OPEB related adjustments, and effective financial management.

Capital Asset and Long-term Financing Activity

Capital Assets

The College's capital asset activity for fiscal year 2026 included the capitalization of the campus security system and renovation projects, along with increased depreciation expenses related to prior capitalization of the campus housing project. Net capital assets decreased slightly from prior year, as depreciation related to existing assets and the housing project slightly exceeded current year additions.

During fiscal year 2025, capital asset activity included the capitalization of the campus housing project, which increased total capital assets and resulted in higher depreciation expense for the year. Net capital assets remained consistent with prior year, as depreciation related to existing assets and the housing project slightly exceeded additions.

Long-Term Financing Activity

Long-term financing liabilities decreased in fiscal year 2026 by $1.3 million related to scheduled principal payments further reducing long-term obligations. Subscription-based IT arrangement liabilities increased by $0.5 million under GASB 96 as the College continued investing in technology modernization.

Long-term financing liabilities decreased in fiscal year 2025 due to several factors. The College completed an early defeasance of the 2012 Limited bonds, reducing outstanding debt and future interest costs. Scheduled principal payments further reduced long-term financing obligations. Subscription-based IT arrangement liabilities increased $0.8 million under GASB 96 as the College continued investing in technology modernization.

Management's Discussion and Analysis

Currently Known Facts, Decisions, or Conditions

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

Growth in the Local Property Tax Base

For fiscal year 2027, property tax revenues are expected to increase at a rate of the inflation multiplier established by the State. Property tax revenues are a key component of the College's long-term financial stability, and future economic conditions in the region will directly influence this revenue source.

Continued Technology Modernization Through Subscription-Based IT Arrangements

Subscription-based IT arrangement (SBITA) liabilities are expected to remain consistent for fiscal year 2027 and are subject to contract renewals rates and terms. These recurring subscription commitments will continue to influence future operating costs.

State Capital Outlay Funding Deferred for Future Recognition

The College reported $1.9 million of State capital outlay funds as deferred inflows in fiscal year 2026. These funds will be recognized as revenue once eligibility requirements are satisfied and may affect the timing of capital projects.

Expected Budgetary Changes

The College's approved fiscal year 2027 budget reflects stable enrollment trends and continued growth in property tax revenues, supported by increases in taxable values within the district. In addition, the College has implemented cost containment measures and identified operational efficiencies. As a result, the College expects an increase in net position for the upcoming fiscal year. This increase will strengthen financial reserves and provide flexibility to address future capital needs and strategic initiatives.

Management is monitoring enrollment trends for Fall 2026. Based on early tuition hour projections for the annual fiscal year 2027 budget, total enrollment is expected to decline approximately 4.3 percent from Fall 2025 levels. However, there has been a 1.8 percent increase in tuition hours sold in Fall 2026 from Fall 2025.

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BASIC FINANCIAL STATEMENTS

KIRTLAND COMMUNITY COLLEGE

Statements of Net Position

	June 30, 2026		June 30, 2025	
	Primary Government	Component Unit	Primary Government	Component Unit
Assets				
Current assets				
Cash and cash equivalents	$ 12,545,276	$ 321,124	$ 8,445,486	$ 266,674
Short-term investments	13,130,119	-	12,335,978	-
Receivables, net	2,516,260	13,111	2,536,524	17,572
Land contract receivable	1,558,338	-	-	-
Inventories	114,481	-	145,489	-
Prepaid expenses and other assets	209,202	-	182,794	-
Total current assets	**30,073,676**	**334,235**	**23,646,271**	**284,246**
Noncurrent assets				
Long-term investments	2,318,430	3,568,132	2,662,884	3,184,429
Restricted cash	558,941	-	445,047	-
Receivables, net	-	34,025	-	38,750
Land contract receivable	-	-	1,558,338	-
Capital assets not being depreciated/amortized	835,718	-	449,574	-
Capital assets being depreciated/amortized, net	46,196,671	-	47,038,309	-
Net OPEB asset	3,228,119	-	2,422,707	-
Total noncurrent assets	**53,137,879**	**3,602,157**	**54,576,859**	**3,223,179**
Total assets	**83,211,555**	**3,936,392**	**78,223,130**	**3,507,425**
Deferred outflows of resources				
Deferred pension amounts	3,021,996	-	3,929,090	-
Deferred OPEB amounts	584,770	-	631,330	-
Total deferred outflows of resources	**3,606,766**	**-**	**4,560,420**	**-**
Liabilities				
Current liabilities				
Accounts payable	444,308	1,338	609,906	7,477
Accrued payroll	369,326	-	404,889	-
Other accrued liabilities	317,359	-	312,897	-
Unearned revenue	209,362	-	167,546	-
Compensated absences - current portion	670,163	-	789,113	-
Subscription liabilities - current portion	615,016	-	247,696	-
Long-term obligations - current portion	1,292,649	-	1,247,649	-
Total current liabilities	**3,918,183**	**1,338**	**3,779,696**	**7,477**
Noncurrent liabilities				
Compensated absences - net of current portion	522,185	-	458,696	-
Subscription liabilities - net of current portion	702,729	-	558,665	-
Long-term obligations - net of current portion	17,142,763	-	18,435,412	-
Net pension liability	11,091,173	-	13,460,247	-
Total noncurrent liabilities	**29,458,850**	**-**	**32,913,020**	**-**
Total liabilities	**33,377,033**	**1,338**	**36,692,716**	**7,477**
Deferred inflows of resources				
Construction arrangement	1,940,967	-	2,090,272	-
Deferred pension amounts	4,431,037	-	5,243,387	-
Deferred OPEB amounts	2,870,274	-	3,359,839	-
Total deferred inflows of resources	**9,242,278**	**-**	**10,693,498**	**-**
Net position				
Net investment in capital assets	27,808,890	-	27,360,100	-
Restricted for:				
Net OPEB asset	3,228,119	-	2,422,707	-
Expendable scholarships, grants and earnings	-	1,640,176	-	1,315,624
Nonexpendable scholarships, grants and earnings	-	1,754,287	-	1,673,457
Unrestricted	13,162,001	540,591	5,614,529	510,867
Total net position	**$ 44,199,010**	**$ 3,935,054**	**$ 35,397,336**	**$ 3,499,948**

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			
	2026		2025	
	Primary Government	Component Unit	Primary Government	Component Unit
Operating revenues				
Tuition and fees, net of scholarship allowance of $2,073,038 and $2,239,575 for 2026 and 2025, respectively	$ 6,306,370	$ -	$ 5,787,645	$ -
Federal Pell grants	3,935,836	-	3,715,217	-
Federal grants and contracts	1,684,356	-	1,963,082	-
State and local grants and contracts	110,281	-	29,804	-
Private grants and contracts	70,939	-	56,833	-
Auxiliary activities, net	330,470	-	326,981	-
Other	346,153	-	408,128	-
Total operating revenues	**12,784,405**	**-**	**12,287,690**	**-**
Operating expenses				
Instruction	4,303,052	-	4,014,027	-
Public service	16,439	-	32,139	-
Instructional support	3,180,852	-	2,727,647	-
Student services	4,471,908	178,549	4,029,153	138,003
Institutional administration	1,709,644	296,327	875,162	167,264
Operation and maintenance of physical plant	2,119,330	-	1,996,399	-
Information technology	1,426,460	-	1,162,712	-
Depreciation and amortization	2,520,469	-	2,380,411	-
Total operating expenses	**19,748,154**	**474,876**	**17,217,650**	**305,267**
Operating loss	**(6,963,749)**	**(474,876)**	**(4,929,960)**	**(305,267)**
Noncapital subsidies				
State appropriations	4,772,415	-	5,075,093	-
Property tax levy - operations	10,445,200	-	10,014,557	-
Contributions to the Foundation	-	-	(50,000)	50,000
Contributions from the Foundation	108,988	-	2,500	-
Gifts	-	126,585	-	91,008
In-kind contributions	-	276,930	-	148,131
Total noncapital subsidies	**15,326,603**	**403,515**	**15,042,150**	**289,139**
Operating loss and noncapital subsidies	**8,362,854**	**(71,361)**	**10,112,190**	**(16,128)**
Other nonoperating revenues (expenses)				
Investment and interest income	502,674	450,637	686,577	338,399
Property tax levy - capital debt retirement	515,236	-	487,416	-
Contributions allocated to permanent endowments	-	55,830	-	59,457
Gain on sale of capital assets	14,500	-	9,178	-
Interest on capital asset-related debt	(593,590)	-	(652,963)	-
Net other nonoperating (expenses) revenues	**438,820**	**506,467**	**530,208**	**397,856**
Increase in net position	**8,801,674**	**435,106**	**10,642,398**	**381,728**
Net position, beginning of year	35,397,336	3,499,948	24,754,938	3,118,220
Net position, end of year	**$ 44,199,010**	**$ 3,935,054**	**$ 35,397,336**	**$ 3,499,948**

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

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2026	2025
Cash flows from operating activities		
Tuition and fees	$ 6,292,620	$ 5,743,154
Grants and contracts	2,133,018	2,137,777
Auxiliary activities	330,470	326,981
Other receipts	338,502	434,710
Payments to suppliers	(10,441,728)	(8,428,179)
Payments to employees	(10,668,900)	(9,743,761)
Net change in cash from operating activities	**(12,016,018)**	**(9,529,318)**
Cash flows from noncapital financing activities		
Federal Pell grants	3,852,070	3,727,637
Direct lending receipts	2,381,568	2,775,148
Direct lending disbursements	(2,381,568)	(2,775,148)
Property tax levy - operations	10,424,470	10,073,215
State appropriations	4,694,279	5,159,248
Contributions from (to) the Foundation	108,988	(47,500)
Net change in cash from noncapital financing activities	**19,079,807**	**18,912,600**
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,575,760)	(1,101,245)
Principal paid on capital asset-related debt	(1,170,000)	(3,935,000)
Principal paid on subscription liabilities	-	(228,201)
Property tax levy - capital debt retirement	513,907	490,598
Interest paid on capital asset-related debt	(671,239)	(835,771)
Net change in cash from capital and related financing activities	**(2,903,092)**	**(5,609,619)**
Cash flows from investing activities		
Proceeds from sale and maturities of investments	27,129,013	5,967,182
Purchase of investments	(27,364,490)	(8,096,007)
Interest received on investments and land contract receivable	288,464	174,597
Net change in cash from investing activities	**52,987**	**(1,954,228)**
Net change in cash, cash equivalents and restricted cash	**4,213,684**	**1,819,435**
Cash, cash equivalents and restricted cash, beginning of year	8,890,533	7,071,098
Cash, cash equivalents and restricted cash, end of year	**$ 13,104,217**	**$ 8,890,533**
Reconciliation to statements of net position		
Cash and cash equivalents	$ 12,545,276	$ 8,445,486
Restricted cash	558,941	445,047
Cash, cash equivalents and restricted cash, end of year	**$ 13,104,217**	**$ 8,890,533**

continued…

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2026	2025
Reconciliation of operating loss to net cash from operating activities		
Operating loss	$ (6,963,749)	$ (4,929,960)
Adjustments to reconcile operating loss to net cash from operating activities		
Federal Pell grants	(3,935,836)	(3,715,217)
Depreciation and amortization	2,520,469	2,380,411
Change in operating assets and liabilities that provided (used) cash		
Receivables, net	204,225	90,841
Inventories	31,008	5,807
Prepaid expenses and other assets	(26,408)	75,035
Accounts payable	(128,929)	23,852
Accrued payroll	(35,563)	(21,397)
Other accrued liabilities	4,462	(76,188)
Unearned revenue	41,816	(20,692)
Compensated absences	(55,461)	240,082
Change in deferred construction arrangement	(149,305)	(149,305)
Change in net pension liability	(2,369,074)	(4,290,932)
Change in net OPEB asset	(805,412)	(2,097,812)
Change in pension deferred inflows	(812,350)	892,972
Change in pension deferred outflows	907,094	1,110,099
Change in OPEB deferred inflows	(489,565)	415,309
Change in OPEB deferred outflows	46,560	537,777
Net change in cash from operating activities	**$ (12,016,018)**	**$ (9,529,318)**
Noncash activities		
Trade-in value received on purchase of equipment	$ 14,500	$ 15,007
Change in payable related to acquisition of capital assets	(36,669)	55,830
Subscription additions	511,384	1,034,562

concluded

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

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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") Statements No. 35 and No. 103, 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:

Change in Accounting Principle

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

Accrual Basis

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

Notes to Financial Statements

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 MPSERS pension and OPEB plans.

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 property tax collections to be used for debt retirement purposes.

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. All of the College's investments are classified as short or long term investments based on the instrument's maturity date.

The College also participates in an external investment pool with the Michigan Liquid Asset Fund Plus ("MILAF"). In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants,* the College's shares of the MILAF Term investments are recorded at fair value and measured at net asset value, while shares of the MILAF Plus portfolio are carried at amortized cost. The MILAF Plus portfolio has a Standard & Poor's AAAm stable rating, while the MILAF Term portfolio has a Fitch Rating's AAAf stable rating.

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.

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, 2026. Management is currently negotiating an extension of the agreement terms. 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 2026 and 2025, the College received $71,424 in interest payments for the land contract.

Capital Assets and Depreciation/Amortization

Capital assets are recorded at cost. Gifts of capital assets are recorded at estimated acquisition value at the time gifts are received. Expenses for maintenance and repairs are expensed as incurred. Depreciation and amortization 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 and amortization:

Classification	Estimated Useful Lives
Land improvements	15-20 years
Building and building improvements	10-40 years
Furniture, fixtures and equipment	5-20 years
Lease equipment	5 years
Subscription assets	3-6.5 years

Leases

The College is a lessee for a noncancellable lease 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 noncancellable 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 noncancellable 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 is 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.

Compensated Absences

The College recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled 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 24 months of being earned. The College has a monetary obligation to pay out the vacation benefit to employees upon separation except when an employee is within the six month probationary period. A liability for the full amount of the vacation time earned by all employees at year end has been 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. The compensated absences liability includes the estimated value of sick leave expected to be paid upon retirement and excludes amounts expected to be used as paid time off, as management has determined those amounts to be insignificant.

Revenue Recognition

Tuition and fees, net of scholarship allowance, 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.

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 position 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

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

During the fiscal year ended June 30, 2025, the College 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 fees, followed by auxiliary activities, with any remaining aid classified as scholarship expense.

As a result of this change in methodology, the College's presentation of tuition and fees, auxiliary activities 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, Noncapital Subsidies, and Other Nonoperating Revenues

The College distinguishes between *operating* revenues and expenses from *nonoperating* revenues and expenses, as well as separately reported *noncapital subsidies* (a type of nonoperating revenue and expense). Nonoperating revenues and expenses are any (1) subsidies received and provided; (2) contributions to permanent and term endowments; (3) finance related revenues and expenses; (4) gain and losses from disposals of capital assets and inventory; and (5) investment income and expenses. A subsidy represents amounts received from or provided to another party or fund of the College. Amounts received from another party are considered a subsidy if it is unrelated to the services provided by the College and keeps the fees charged at the same amount or lower if the subsidy was not received. Amounts provided to the other party are considered a subsidy if it is unrelated to the goods or services provided by those parties and will generally result in the College charging higher fees in the future. All revenues and expenses not meeting the definitions of nonoperating revenues and expenses are reported as operating revenues and expenses.

Unearned Revenue

Tuition and fees revenue received and related to periods of instruction that will occur after June 30, 2026 and 2025, have been recorded as unearned. Grants received prior to qualifying expenses are also included in unearned revenue.

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 and amortization.

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 2023 through 2026, the years which remain subject to examination by major tax jurisdictions as of June 30, 2026, for uncertain tax positions. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2026 or 2025, and it is not aware of any claims for such amounts by federal or state income tax authorities.

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 other OPEB-related amounts. More detailed information can be found in Note 11.

Deferred Inflows of Resources

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources 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 and amortization, restricted cash, 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.

Notes to Financial Statements

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

	2026	2025
Capital assets, net	$ 47,032,389	$ 47,487,883
Restricted cash	558,941	427,591
Bonds payable	(17,515,000)	(18,685,000)
Unamortized bond premiums	(920,412)	(998,061)
Subscription liabilities	(1,317,745)	(806,361)
Accounts and retainage payable	(29,283)	(65,952)
Total net investment in capital assets	**$ 27,808,890**	**$ 27,360,100**

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

	2026	2025
Auxiliary fund working capital	$ 213,108	$ 183,955
Deferred maintenance and replacement	16,567,065	11,733,169
Pension liability fund deficit	(14,785,718)	(17,503,053)
Undesignated	7,906,354	8,000,458
Quasi-endowment	3,261,192	3,200,000
Total unrestricted net position	**$ 13,162,001**	**$ 5,614,529**

Reclassification

Certain amounts reported in the 2025 financial statements have been reclassified to conform with the 2026 presentation. These reclassifications include presentation changes required by GASB Statement No. 103, *Financial Reporting Model Improvements,* as well as other immaterial reclassifications related to the Foundation. The reclassifications had no effect on the previously reported change in net position or total net position.

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, 2026, the most recent statement of net position presented herein, the date these financial statements were available to be issued.

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, 2026 and 2025, $2.04 and $2.0694, respectively, 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 $8,760,014 and $8,402,495 for the years ended June 30, 2026 and 2025, respectively.

During the years ended June 30, 2026 and 2025, $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 $515,236 and $487,416 for the years ended June 30, 2026 and 2025, respectively.

During the years ended June 30, 2026 and 2025, $0.9621 and $0.9678, respectively, 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 $1,685,186 and $1,612,062 for the years ended June 30, 2026 and 2025, 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.

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.

Notes to Financial Statements

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, 2026 or 2025.

College

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

U.S. government bonds: Level 2 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.

Michigan Liquid Asset Fund: The College holds shares in the MILAF Term portfolio whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

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.

Notes to Financial Statements

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

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 assets measured at fair value on a recurring basis as of June 30:

2026	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Cash Equivalents:				
Money market mutual funds	$ 2,379,849	$ -	$ -	$ 2,379,849
Investments:				
U.S. government bonds	-	649,948	-	649,948
U.S. Treasury notes	-	4,282,960	-	4,282,960
Asset-backed securities	-	25,848	-	25,848
Total investments at fair value	**-**	**4,958,756**	**-**	**4,958,756**
Subtotal	**$ 2,379,849**	**$ 4,958,756**	**$ -**	**7,338,605**
Investments measured at NAV				
MILAF Term				10,274,416
Total assets at fair value				**$ 17,613,021**

Notes to Financial Statements

2025	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Cash Equivalents:				
Money market mutual funds	$ 3,200,026	$ -	$ -	$ 3,200,026
Investments:				
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	**-**	**4,802,750**	**-**	**4,802,750**
Total assets at fair value	**$ 3,200,026**	**$ 4,802,750**	**$ -**	**8,002,776**

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

2026	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Cash Equivalents:				
Money market mutual funds	$ 254,815	$ -	$ -	$ 254,815
Investments:				
Common stocks	1,697,561	-	-	1,697,561
Exchange traded funds	765,733	-	-	765,733
Corporate bonds	-	257,633	-	257,633
U.S. Treasury notes/bonds	-	229,154	-	229,154
Mortgage-backed securities	-	368,542	-	368,542
Mutual funds	249,509	-	-	249,509
Total investments at fair value	**2,712,803**	**855,329**	**-**	**3,568,132**
Total assets at fair value	**$ 2,967,618**	**$ 855,329**	**$ -**	**$ 3,822,947**

Notes to Financial Statements

2025	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Cash Equivalents:				
Money market mutual funds	$ 233,567	$ -	$ -	$ 233,567
Investments:				
Common stocks	1,492,642	-	-	1,492,642
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
Mutual funds	183,886	-	-	183,886
Total investments at fair value	**2,374,953**	**809,476**	**-**	**3,184,429**
Total assets at fair value	**$ 2,608,520**	**$ 809,476**	**$ -**	**$ 3,417,996**

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, 2026, the College had the following investments and maturities:

	Balance	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Cash Equivalents:					
Money market mutual funds	$ 2,379,849	$ 2,379,849	$ -	$ -	$ -
Investments:					
U.S. government bonds	649,948	-	649,948	-	-
U.S. Treasury notes	4,282,960	2,638,592	1,644,368	-	-
Asset-backed securities	25,848	1,734	-	-	24,114
MILAF Plus	215,377	215,377	-	-	-
MILAF Term	10,274,416	10,274,416	-	-	-
Total investments	**15,448,549**	**13,130,119**	**2,294,316**	**-**	**24,114**
Total	**$ 17,828,398**	**$ 15,509,968**	**$ 2,294,316**	**$ -**	**$ 24,114**

Notes to Financial Statements

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
Cash Equivalents:					
Money market mutual funds	$ 3,200,026	$ 3,200,026	$ -	$ -	$ -
Investments:					
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
MILAF Plus	10,196,112	10,196,112	-	-	-
Total investments	14,998,862	12,335,978	2,627,708	-	35,176
Total	**$ 18,198,888**	**$ 15,536,004**	**$ 2,627,708**	**$ -**	**$ 35,176**

The MILAF investment pool has no unfunded commitments and requires a minimum investment of $100,000. The MILAF Term Series provides a fixed rate, fixed-term investment with a minimum maturity of 60 days and a maximum maturity of one year. The pool allows the College to set a specific redemption date upon initiation of the investment. Early redemption are permitted; however, an early redemption fee would apply. The investment pool includes investments which the College does not control. The investment pool invests primarily in high quality money market instruments, including certificates of deposit, commercial paper, and U.S. government and agency obligations, to protect the investment principal and provide liquidity.

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, 2026, the College's deposit balances of $10,722,119 had $10,448,446 of bank deposits (money markets, checking and savings accounts) that were uninsured and uncollateralized. 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. 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.

4. RECEIVABLES, NET

Receivables, net consist of the following at June 30:

	2026	2025
State appropriations	$ 943,259	$ 865,123
Grants and contracts	1,212,934	1,396,610
Student	262,070	225,671
Property taxes	68,021	45,962
Consumer and other	59,138	51,487
Total receivables	2,545,422	2,584,853
Less allowance for doubtful accounts	(29,162)	(48,329)
Net receivables	**$ 2,516,260**	**$ 2,536,524**

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, net on the accompanying statements of net position, consist of unconditional promises to give toward various scholarships and programs. The discount on pledges receivable was considered immaterial and, accordingly, has not been recorded in the accompanying financial statements. Pledges receivable consist of the following at June 30:

	2026	2025
Receivable in less than one year	$ 13,111	$ 17,572
Receivable in one to five years	34,025	38,750
Pledges receivable	**$ 47,136**	**$ 56,322**

As of June 30, 2026 and 2025, pledges receivable from employees and board members were $6,315 and $3,875, respectively.

6. CAPITAL ASSETS

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

	Balance July 1, 2025	Additions	Retirements	Transfers	Balance June 30, 2026
Capital assets not being depreciated/amortized:					
Land	$ 360,900	$ -	$ -	$ -	$ 360,900
Construction in progress	88,674	386,144	-	-	474,818
Subtotal nondepreciable/ nonamortizable assets	**449,574**	**386,144**	**-**	**-**	**835,718**
Capital assets being depreciated/amortized:					
Land improvements	4,051,869	-	-	-	4,051,869
Building and building improvements	50,681,365	320,779	-	-	51,002,144
Furniture, fixtures and equipment	9,190,381	542,924	(47,621)	-	9,685,684
Lease equipment	201,869	-	-	-	201,869
Subscription assets	1,359,498	815,128	-	-	2,174,626
Subtotal depreciable/ amortizable assets	**65,484,982**	**1,678,831**	**(47,621)**	**-**	**67,116,192**
Total depreciable and nondepreciable assets	**65,934,556**	**2,064,975**	**(47,621)**	**-**	**67,951,910**
Less accumulated depreciation/amortization:					
Land improvements	1,371,776	154,829	-	-	1,526,605
Building and building improvements	10,894,419	1,370,699	-	-	12,265,118
Furniture, fixtures and equipment	5,872,890	549,198	(47,621)	-	6,374,467
Lease equipment	37,009	40,374	-	-	77,383
Subscription assets	270,579	405,369	-	-	675,948
Total accumulated depreciation/amortization	**18,446,673**	**2,520,469**	**(47,621)**	**-**	**20,919,521**
Subtotal capital assets being depreciated/amortized, net	**47,038,309**	**$ (841,638)**	**$ -**	**$ -**	**46,196,671**
Capital assets, net	**$ 47,487,883**				**$ 47,032,389**

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, the remodel of the Biggby storefront into a student study space at the College's Grayling location, and entryway renovations to the College's Gaylord location. Contractual commitments related to the project approximated $388,000 as of June 30, 2026.

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
Lease equipment	-	201,869	-	-	201,869
Subscription assets	-	1,359,498	-	-	1,359,498
Subtotal depreciable assets/ 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:					
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
Lease 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**

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, 2026:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026	Current Portion
Bond payable					
2019 General Obligation, Limited Bond	$ 11,995,000	$ -	$ (675,000)	$ 11,320,000	$ 700,000
2017 General Obligation, Limited Bond	3,700,000	-	(245,000)	3,455,000	255,000
2015 General Obligation, Unlimited Bond	2,990,000	-	(250,000)	2,740,000	260,000
Total bonds payable	**18,685,000**	**-**	**(1,170,000)**	**17,515,000**	**1,215,000**
Deferred amounts					
Series 2019 Unamortized Bond Premium	618,119	-	(44,152)	573,967	44,152
Series 2017 Unamortized Bond Premium	269,859	-	(22,489)	247,370	22,489
Series 2015 Unamortized Bond Premium	110,083	-	(11,008)	99,075	11,008
Total long-term debt obligations	**$ 19,683,061**	**$ -**	**$ (1,247,649)**	**$ 18,435,412**	**$ 1,292,649**

Notes to Financial Statements

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

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Current Portion
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 debt obligations	**$ 23,800,869**	**$ -**	**$ (4,117,808)**	**$ 19,683,061**	**$ 1,247,649**

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 refurnishing and equipping and re-equipping a site. The bonds bear interest ranging from 2.875 to 4.00 percent and require annual principal payments ranging from $650,000 to $1,040,000 through 2039.

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 principal 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 principal 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 principal 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:

	Debt Obligations		
Year Ending June 30,	**Principal**	**Interest**	**Total**
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	1,425,000	395,881	1,820,881
2032-2036	7,515,000	1,208,003	8,723,003
2037-2039	3,410,000	152,738	3,562,738
Totals	**$ 17,515,000**	**$ 3,856,546**	**$ 21,371,546**

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

The College is involved in seven 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 arrangement 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.

	Remaining Term of Arrangements
Asset Type	
Subscription assets	1-6 years

Detailed information regarding the assets acquired and disposed through June 30, 2026 can be referenced in Note 6, Capital Assets.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Subscription liability	$ 806,361	$ 511,384	$ -	$ 1,317,745	$ 615,016

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, 2026, were as follows:

Year Ended June 30	Principal	Interest
2027	$ 615,016	$ 29,578
2028	395,226	18,885
2029	100,613	7,406
2030	106,483	4,417
2031	100,407	1,460
Total	**$ 1,317,745**	**$ 61,746**

For fiscal year ended June 30, 2026 and 2025, total interest charged to expense for subscription-based agreement obligations was $13,514 and $29,899, respectively.

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	3 years

Detailed information regarding the assets acquired and disposed through June 30, 2026 can be referenced in Note 6, Capital Assets.

10. COMPENSATED ABSENCES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated absences	$ 1,247,809	$ 475,048	$ (530,509)	$ 1,192,348	$ 670,163

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

11. RETIREMENT PLANS

Defined Benefit Plan

Plan Description

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

Notes to Financial Statements

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

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

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

Pension Benefits Provided

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

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

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

Other Postemployment Benefits Provided

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

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

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

Contributions

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

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

Notes to Financial Statements

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

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

Required contributions to the pension plan from the College were $2,398,630, $2,352,090 and $2,270,091 for the years ended June 30, 2026, 2025 and 2024, respectively.

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

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

Required contributions to the OPEB plan from the College were $111,067, $121,938 and $462,697 for the years ended June 30, 2026, 2025 and 2024, respectively.

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

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

For the years ended June 30, 2026, 2025 and 2024, required and actual contributions from the College for those members with a defined contribution benefit were $127,784, $116,226 and $88,615, respectively.

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

At June 30, 2026 and 2025, the College reported a liability of $11,091,173 and $13,460,247, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2025 and 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2024 and 2023. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2025, the College's proportion was 0.05536%, which was an increase of 0.00038% points from its proportion measured as of September 30, 2024 of 0.05498%.

For the year ended June 30, 2026, the College recognized pension expense of $9,696. At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2026	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 429,593	$ 98,788	$ 330,805
Changes in assumptions	398,094	586,195	(188,101)
Net difference between projected and actual earnings on pension plan investments	-	2,650,553	(2,650,553)
Changes in proportion and differences between employer contributions and proportionate share of contributions	113,801	200,641	(86,840)
	941,488	3,536,177	(2,594,689)
College contributions subsequent to the measurement date	2,080,508	-	2,080,508
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	894,860	(894,860)
Total	**$ 3,021,996**	**$ 4,431,037**	**$ (1,409,041)**

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, 2027. The amount reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2027	$ (300,065)
2028	(1,157,646)
2029	(878,243)
2030	(258,735)
Total	**$ (2,594,689)**

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)**

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

At June 30, 2026 and 2025, the College reported an asset of $3,228,119 and $2,422,707, respectively, for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2025 and 2024, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 30, 2024 and 2023. The College's proportion of the net OPEB asset was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2025, the College's proportion was 0.05310%, which was a decrease of 0.00318% points from its proportion measured as of September 30, 2024 of 0.05628%.

For the year ended June 30, 2026, the College recognized an OPEB benefit of $1,131,286. At June 30, 2026, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2026	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	$ -	$ 2,210,123	$ (2,210,123)
Change in assumptions	430,827	34,237	396,590
Net difference between projected and actual earnings on OPEB plan investments	-	453,621	(453,621)
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,164	172,293	(121,129)
	481,991	2,870,274	(2,388,283)
College contributions subsequent to the measurement date	102,779	-	102,779
Total	**$ 584,770**	**$ 2,870,274**	**$ (2,285,504)**

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, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2027	$ (684,096)
2028	(627,944)
2029	(550,762)
2030	(357,785)
2031	(128,431)
Thereafter	(39,265)
Total	**$ (2,388,283)**

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)
	595,740	3,359,839	(2,764,099)
College contributions subsequent to the measurement date	35,590	-	35,590
Total	**$ 631,330**	**$ 3,359,839**	**$ (2,728,509)**

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, 2024 and 2023 actuarial valuations (for the fiscal years ended June 30, 2026 and 2025) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.00%
Pension Plus plan (hybrid)	6.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.00%
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	Pre-65: 7.75% Year 1 graded to 3.5% Year 15 (7.25% Year 1 graded to 3.5% Year 15 in 2023) Post-65: 6.50% Year 1 graded to 3.5% Year 15
Mortality	Retirees: PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010. Active: PubT-2010 Male and Female Employee Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees electing two-person coverage are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	Of those not opting out, 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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

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

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

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

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

Notes to Financial Statements

Pension

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

OPEB

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

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%
	100.00%		5.60%
Inflation			2.30%
Risk adjustment			-1.90%
Investment rate of return			**6.00%**

OPEB

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

Rate of Return

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

Discount Rate

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

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	$ 17,502,482	$ 11,091,173	$ 5,751,372

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

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB asset	$ (2,781,229)	$ (3,228,119)	$ (3,619,245)

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)

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB asset	$ (3,615,676)	$ (3,228,119)	$ (2,821,197)

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

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

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2026, the College reported a payable of $229,934 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2026. At June 30, 2025, the College reported a payable of $183,432 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2025.

Payable to the OPEB Plan

At June 30, 2026, the College reported a payable of $1,478 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2026. 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.

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, 2026 and 2025, the plan had 9 participants. 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 $87,011 and $82,927 for the years ended June 30, 2026 and 2025, respectively. Total contributions by employees were $29,004 and $27,642 for the years ended June 30, 2026 and 2025, 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 expenses 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.

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		
	2026	2025	2024
Unpaid claims, beginning of year	$ 3,201	$ 9,370	$ 5,729
Incurred claims	156,272	121,585	128,444
Claims payments	147,808	127,754	124,803
Unpaid claims, end of year	**$ 11,665**	**$ 3,201**	**$ 9,370**

	Health Liability		
	2026	2025	2024
Unpaid claims, beginning of year	$ 32,362	$ 81,695	$ 97,134
Incurred claims	1,181,408	1,012,789	1,489,609
Claims payments	1,140,743	1,062,122	1,505,048
Unpaid claims, end of year	**$ 73,027**	**$ 32,362**	**$ 81,695**

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 by recognized over a 20-year term per the agreement. The College recognized $149,306 of this revenue during both 2026 and 2025.

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, 2026 and 2025, the stated value of the net position of the Foundation totaled $3,935,054 and $3,499,948, respectively.

In 2022, the Foundation established the Kirtland Legacy Fund for the purpose of supplementing future endowments for donations that meet the $10,000 endowment threshold with $5,000 of matching funds at the discretion of the Foundation Board of Directors. During fiscal 2026, there were no donations from the College to the Kirtland Legacy Fund. During fiscal 2025, the College donated $50,000 to the Foundation for the Kirtland Legacy Fund. Additionally, during fiscal 2026 and 2025, the Foundation received donations from board members and employees in the amount of $13,863 and $28,443, respectively.

Notes to Financial Statements

Restricted net position consists of the following at June 30:

	2026	2025
Expendable net position		
For a specified purpose		
Scholarships and financial aid	$ 1,521,778	$ 1,182,737
Fast Act Student Emergency Fund	28,012	18,315
Kirtland Legacy Fund	43,250	58,250
Accumulated investment gains	1,593,040	1,259,302
Expendable for specified purpose and passage of time		
Pledged scholarships	47,136	56,322
Nonexpendable endowments		
Subject to endowment spending policy and appropriation		
Scholarships and financial aid	1,754,287	1,673,457
Total restricted net position	**$ 3,394,463**	**$ 2,989,081**

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

	2026	2025
Subject to expenditures for specified purpose and passage of time, beginning of year	$ 1,315,624	$ 1,067,832
Net investment gain	382,446	274,995
Contributions	126,585	141,008
Kirtland Legacy Fund matching	(15,000)	(25,000)
Scholarship transfers to endowments	(10,000)	(13,500)
Amounts appropriated for expenditure	(159,479)	(129,711)
Subject to expenditures for specified purpose, end of year	**$ 1,640,176**	**$ 1,315,624**

16. FOUNDATION ENDOWMENTS

The Foundation's permanent endowments consist of 40 and 35 individual, donor-restricted funds established for student scholarships as of June 30, 2026 and 2025, respectively. The Foundation's endowments also includes certain net position 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 position 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, 2026 and 2025, the Foundation did not have any underwater endowments.

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

	2026	2025
Board-designated endowment funds	$ 31,576	$ 27,753
Endowment funds with donor restrictions		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	1,754,287	1,673,457
Accumulated investment earnings	1,383,764	1,049,819
Total restricted endowment funds	3,138,051	2,723,276
Total	**$ 3,169,627**	**$ 2,751,029**

Notes to Financial Statements

Changes in endowment net position for the year ended June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net position, beginning of year	$ 27,753	$ 2,723,276	$ 2,751,029
Contributions	-	55,830	55,830
Kirtland Legacy Fund transfers	-	25,000	25,000
Net investment gain	3,823	382,445	386,268
Amounts appropriated for expenditure	-	(48,500)	(48,500)
Endowment net position, end of year	**$ 31,576**	**$ 3,138,051**	**$ 3,169,627**

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net position, 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	-	(42,400)	(42,400)
Endowment net position, end of year	**$ 27,753**	**$ 2,723,276**	**$ 2,751,029**

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 65 percent for equity investments, 30 percent for fixed income assets, and 5 percent for cash. 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 3.5 percent of the fair value of investment holdings as of the beginning of the fiscal year in which the distribution is planned. Any donations received during the current year will be held for the remainder of that fiscal year plus one additional fiscal year 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 3.5 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.

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:

	2026	2025
Financial assets		
Cash and cash equivalents	$ 321,124	$ 266,674
Pledges receivable	47,136	56,322
Investments	3,568,132	3,184,429
Subtotal	**3,936,392**	**3,507,425**
Less amounts unavailable for general expenditures within one year due to:		
Net position with donor restrictions	3,394,463	2,989,081
Net position with board designations	31,576	27,753
Subtotal	**3,426,039**	**3,016,834**
Total financial assets available for general use within one year	**$ 510,353**	**$ 490,591**

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.

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, 2026			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Scholarships and grants	$ 178,549	$ -	$ -	$ 178,549
Professional fees	-	17,103	167,943	185,046
Supplies	108,988	-	-	108,988
Travel and meeting	-	1,108	-	1,108
Other	-	1,155	30	1,185
Total expenses	**$ 287,537**	**$ 19,366**	**$ 167,973**	**$ 474,876**

	Year Ended June 30, 2025			
		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Scholarships and grants	$ 138,003	$ -	$ -	$ 138,003
Professional fees	-	14,262	145,631	159,893
Supplies	2,500	-	-	2,500
Travel and meeting	-	2,870	-	2,870
Other	-	1,849	152	2,001
Total expenses	**$ 140,503**	**$ 18,981**	**$ 145,783**	**$ 305,267**

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, 2026 and 2025, included in the financial statements, were as follows:

	2026	2025
Purpose		
Salaries and wages		
Accounting services	$ 10,632	$ 10,212
Fundraising	157,310	135,419
Supplies	108,988	2,500
Total in-kind contributions	**$ 276,930**	**$ 148,131**

19. RELATED PARTY TRANSACTIONS

The College has a payable of $1,821 to the Foundation at June 30, 2026 which is included in accounts payable on the statement of net position. Aside from those transactions described herein with the Foundation, the College has entered into no related party transactions.

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									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
College's proportionate share of the net pension liability	$ 11,091,173	$ 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
College's proportion of the net pension liability	0.05536%	0.05498%	0.05485%	0.05486%	0.06191%	0.06460%	0.06741%	0.06957%	0.07094%	0.07645%
College's covered payroll	$ 6,192,594	$ 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
College's proportionate share of the net pension liability as a percentage of its covered payroll	179.10%	225.46%	308.47%	379.25%	270.58%	389.33%	390.06%	353.39%	317.60%	301.28%
Plan fiduciary net position as a percentage of the total pension liability	79.44%	74.44%	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

Required Supplementary Information

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

	Year Ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Statutorily required contributions	$ 2,398,630	$ 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
Contributions in relation to the statutorily required contributions	(2,398,630)	(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)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 6,622,727	$ 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
Contributions as a percentage of covered payroll	36.22%	35.99%	38.28%	44.16%	34.28%	34.14%	30.76%	30.98%	32.23%	27.98%

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								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB (asset) liability	$ (3,228,119)	$ (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	0.05310%	0.05628%	0.05743%	0.05576%	0.05933%	0.06382%	0.06517%	0.06926%	0.07133%
College's covered payroll	$ 6,192,594	$ 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	-52.13%	-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 (asset) liability	164.94%	143.08%	105.04%	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

See notes to required supplementary information.

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								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	$ 111,067	$ 121,938	$ 462,697	$ 444,207	$ 424,820	$ 438,661	$ 452,325	$ 446,611	$ 426,950
Contributions in relation to the statutorily required contributions	(111,067)	(121,938)	(462,697)	(444,207)	(424,820)	(438,661)	(452,325)	(446,611)	(426,950)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 6,622,727	$ 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	1.68%	1.99%	7.80%	7.76%	7.83%	8.05%	7.82%	7.71%	7.22%

See notes to required supplementary information.

Notes to Required Supplementary Information

Pension Information

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

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

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

Notes to Required Supplementary Information

OPEB Information

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

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

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

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

OTHER INFORMATION

KIRTLAND COMMUNITY COLLEGE

Combining Statement of Net Position (Deficit)

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

	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, 2026	Combined Total June 30, 2025
Assets											
Current assets											
Cash and cash equivalents	$ 12,544,276	$ -	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,545,276	$ 8,445,486
Short-term investments	13,130,119	-	-	-	-	-	-	-	-	13,130,119	12,335,978
Receivables, net	1,270,774	9,386	15,800	-	1,212,934	-	7,263	103	-	2,516,260	2,536,524
Land contract receivable	1,558,338	-	-	-	-	-	-	-	-	1,558,338	-
Inventories	22,818	-	91,663	-	-	-	-	-	-	114,481	145,489
Prepaid expenses and other assets	209,202	-	-	-	-	-	-	-	-	209,202	182,794
Due (to) from other funds	(24,542,442)	583,120	136,674	162,700	(1,199,817)	16,596,348	4,971,349	30,876	3,261,192	-	-
Total current assets	**4,193,085**	**592,506**	**245,137**	**162,700**	**13,117**	**16,596,348**	**4,978,612**	**30,979**	**3,261,192**	**30,073,676**	**23,646,271**
Noncurrent assets											
Long-term investments	2,318,430	-	-	-	-	-	-	-	-	2,318,430	2,662,884
Restricted cash	-	-	-	-	-	-	558,941	-	-	558,941	445,047
Land contract receivable	-	-	-	-	-	-	-	-	-	-	1,558,338
Capital assets											
Land	-	-	-	-	-	-	360,900	-	-	360,900	360,900
Construction in progress	-	-	-	-	-	-	474,818	-	-	474,818	88,674
Capital assets not being depreciated/amortized	-	-	-	-	-	-	835,718	-	-	835,718	449,574
Capital assets being depreciated/amortized, net	-	-	-	-	-	-	46,196,671	-	-	46,196,671	47,038,309
Net OPEB asset	-	-	-	3,228,119	-	-	-	-	-	3,228,119	2,422,707
Total noncurrent assets	**2,318,430**	**-**	**-**	**3,228,119**	**-**	**-**	**47,591,330**	**-**	**-**	**53,137,879**	**54,576,859**
Total assets	**6,511,515**	**592,506**	**245,137**	**3,390,819**	**13,117**	**16,596,348**	**52,569,942**	**30,979**	**3,261,192**	**83,211,555**	**78,223,130**
Deferred outflows of resources											
Deferred pension amounts	-	-	-	3,021,996	-	-	-	-	-	3,021,996	3,929,090
Deferred OPEB amounts	-	-	-	584,770	-	-	-	-	-	584,770	631,330
Total deferred outflows of resources	**-**	**-**	**-**	**3,606,766**	**-**	**-**	**-**	**-**	**-**	**3,606,766**	**4,560,420**
Liabilities											
Current liabilities											
Accounts payable	242,077	120	2,552	162,700	7,576	29,283	-	-	-	444,308	609,906
Accrued payroll	356,595	2,157	7,540	-	3,034	-	-	-	-	369,326	404,889
Other accrued liabilities	230,352	-	2,289	-	2,507	-	51,232	30,979	-	317,359	312,897
Unearned revenue	209,362	-	-	-	-	-	-	-	-	209,362	167,546
Compensated absences - current portion	649,500	1,015	19,648	-	-	-	-	-	-	670,163	789,113
Subscription liabilities - current portion	-	-	-	-	-	-	615,016	-	-	615,016	247,696
Long-term obligations - current portion	-	-	-	-	-	-	1,292,649	-	-	1,292,649	1,247,649
Total current liabilities	**1,687,886**	**3,292**	**32,029**	**162,700**	**13,117**	**29,283**	**1,958,897**	**30,979**	**-**	**3,918,183**	**3,779,696**
Noncurrent liabilities											
Compensated absences - net of current portion	-	-	-	-	-	-	522,185	-	-	522,185	458,696
Subscription liabilities - net of current portion	-	-	-	-	-	-	702,729	-	-	702,729	558,665
Long-term obligations - net of current portion	-	-	-	-	-	-	17,142,763	-	-	17,142,763	18,435,412
Net pension liability	-	-	-	11,091,173	-	-	-	-	-	11,091,173	13,460,247
Total noncurrent liabilities	**-**	**-**	**-**	**11,091,173**	**-**	**-**	**18,367,677**	**-**	**-**	**29,458,850**	**32,913,020**
Total liabilities	**1,687,886**	**3,292**	**32,029**	**11,253,873**	**13,117**	**29,283**	**20,326,574**	**30,979**	**-**	**33,377,033**	**36,692,716**
Deferred inflows of resources											
Construction arrangement	-	-	-	-	-	-	1,940,967	-	-	1,940,967	2,090,272
Deferred pension amounts	-	-	-	4,431,037	-	-	-	-	-	4,431,037	5,243,387
Deferred OPEB amounts	-	-	-	2,870,274	-	-	-	-	-	2,870,274	3,359,839
Total deferred inflows of resources	**-**	**-**	**-**	**7,301,311**	**-**	**-**	**1,940,967**	**-**	**-**	**9,242,278**	**10,693,498**
Net position (deficit)											
Net investment in capital assets	-	-	-	-	-	-	27,808,890	-	-	27,808,890	27,360,100
Restricted expendable - OPEB	-	-	-	3,228,119	-	-	-	-	-	3,228,119	2,422,707
Unrestricted (deficit)	4,823,629	589,214	213,108	(14,785,718)	-	16,567,065	2,493,511	-	3,261,192	13,162,001	5,614,529
Total net position (deficit)	**$ 4,823,629**	**$ 589,214**	**$ 213,108**	**$ (11,557,599)**	**$ -**	**$ 16,567,065**	**$ 30,302,401**	**$ -**	**$ 3,261,192**	**$ 44,199,010**	**$ 35,397,336**

KIRTLAND COMMUNITY COLLEGE

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

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

	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, 2026	Combined Total June 30, 2025
Operating revenues											
Tuition and fees, net	$ 8,379,408	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (2,073,038)	$ 6,306,370	$ 5,787,645
Federal Pell grants	-	-	-	-	3,935,836	-	-	-	-	3,935,836	3,715,217
Federal grants and contracts	-	-	-	-	1,684,356	-	-	-	-	1,684,356	1,963,082
State and local grants and contracts	-	-	-	-	110,281	-	-	-	-	110,281	29,804
Private grants and contracts	-	-	-	-	70,939	-	-	-	-	70,939	56,833
Auxiliary activities, net	-	-	881,399	-	-	-	-	-	(550,929)	330,470	326,981
Indirect cost recoveries	73,989	-	-	-	-	-	-	-	(73,989)	-	-
Current funds expenditures for equipment and capital improvements	-	-	-	-	-	-	1,567,103	-	(1,567,103)	-	-
Other	171,839	54,562	-	-	-	-	119,752	-	-	346,153	408,128
Total operating revenues	**8,625,236**	**54,562**	**881,399**	**-**	**5,801,412**	**-**	**1,686,855**	**-**	**(4,265,059)**	**12,784,405**	**12,287,690**
Operating expenses											
Instruction	5,320,089	49,258	-	(1,545,429)	797,911	-	-	-	(318,777)	4,303,052	4,014,027
Public service	21,371	-	-	(4,932)	-	-	-	-	-	16,439	32,139
Instructional support	1,582,838	-	1,466,776	(401,594)	588,363	-	-	-	(55,531)	3,180,852	2,727,647
Student services	3,685,549	-	-	(868,004)	4,413,513	-	63,485	-	(2,822,635)	4,471,908	4,029,153
Institutional administration	2,141,533	-	-	(431,889)	-	-	-	-	-	1,709,644	875,162
Operation and maintenance of physical plant	2,206,730	-	-	(270,899)	1,625	1,249,990	-	-	(1,068,116)	2,119,330	1,996,399
Information technology	1,426,460	-	-	-	-	-	-	-	-	1,426,460	1,162,712
Depreciation and amortization	-	-	-	-	-	-	2,520,469	-	-	2,520,469	2,380,411
Total operating expenses	**16,384,570**	**49,258**	**1,466,776**	**(3,522,747)**	**5,801,412**	**1,249,990**	**2,583,954**	**-**	**(4,265,059)**	**19,748,154**	**17,217,650**
Operating (loss) income	**(7,759,334)**	**5,304**	**(585,377)**	**3,522,747**	**-**	**(1,249,990)**	**(897,099)**	**-**	**-**	**(6,963,749)**	**(4,929,960)**
Noncapital subsidies											
State appropriations	4,772,415	-	-	-	-	-	-	-	-	4,772,415	5,075,093
Property tax levy - operations	9,855,385	-	589,815	-	-	-	-	-	-	10,445,200	10,014,557
Contributions to the Foundation	-	-	-	-	-	-	-	-	-	-	(50,000)
Contributions from the Foundation	-	-	-	-	108,988	-	-	-	-	108,988	2,500
Total noncapital subsidies	**14,627,800**	**-**	**589,815**	**-**	**108,988**	**-**	**-**	**-**	**-**	**15,326,603**	**15,042,150**
Operating (loss) income and noncapital subsidies	**6,868,466**	**5,304**	**4,438**	**3,522,747**	**108,988**	**(1,249,990)**	**(897,099)**	**-**	**-**	**8,362,854**	**10,112,190**
Other nonoperating revenues (expenses)											
Investment and interest income	131,933	-	-	-	-	218,621	90,928	61,192	-	502,674	686,577
Property tax levy - capital debt retirement	-	-	-	-	-	-	515,236	-	-	515,236	487,416
Gain on sale of capital assets	-	-	-	-	-	-	14,500	-	-	14,500	9,178
Interest on capital asset-related debt	-	-	-	-	-	-	(593,590)	-	-	(593,590)	(652,963)
Total other nonoperating revenues (expenses)	**131,933**	**-**	**-**	**-**	**-**	**218,621**	**27,074**	**61,192**	**-**	**438,820**	**530,208**
Transfers (out) in	**(7,184,154)**	**-**	**24,715**	**-**	**(108,988)**	**5,865,265**	**1,403,162**	**-**	**-**	**-**	**-**
(Decrease) increase in net position	**(183,755)**	**5,304**	**29,153**	**3,522,747**	**-**	**4,833,896**	**533,137**	**61,192**	**-**	**8,801,674**	**10,642,398**
Net position (deficit), beginning 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
Net position (deficit), end of year	**$ 4,823,629**	**$ 589,214**	**$ 213,108**	**$ (11,557,599)**	**$ -**	**$ 16,567,065**	**$ 30,302,401**	**$ 3,261,192**	**$ -**	**$ 44,199,010**	**$ 35,397,336**