

Kirtland
Community
College



Years Ended
June 30,
2024 and 2023

Financial
Statements
and
Supplementary
Information

Rehmann

KIRTLAND COMMUNITY COLLEGE

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KIRTLAND COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

October 24, 2024

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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2024 and 2023, 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.

Responsibilities of Management for the Financial Statements

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

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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 24, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Introduction

The discussion and analysis of *Kirtland Community College's* (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2024 and 2023. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

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

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

Financial Highlights

The College's financial position for fiscal year 2024 performed favorably compared to fiscal year 2023. Net tuition and fees revenue increased by approximately \$430,000 or 8.8 percent. Property taxes increased by approximately \$654,000 or 7.0 percent. Pell grants increased by approximately \$646,000 or 28.5 percent. State appropriations increased by approximately \$376,000 or 9.5 percent. In fiscal year 2024, the portion of UAAL payments received subsequent to the MPSERS plan fiscal year end date of September 30, 2023 are included as deferred inflows and will be recorded as revenue in fiscal year 2025. In fiscal year 2024, operating expenses increased from fiscal year 2023 by approximately \$1,191,000 or 6.9 percent, due in part to the increase in depreciation expenses, resulting from the capitalization of the College's housing project, and the inflationary effects on employee compensation, technology, and other operating costs.

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

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

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Total net position at June 30, 2024, 2023 and 2022 is \$24.8 million, \$17.4 million, and \$13.1 million, respectively. The College's statements of net position at June 30 is summarized as follows (in thousands):

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2024	2023	2022
Current and other assets	\$ 24,508	\$ 21,058	\$ 21,339
Capital assets, net	47,667	48,508	47,088
Total assets	<u>72,175</u>	<u>69,566</u>	<u>68,427</u>
Deferred outflows of resources	<u>6,208</u>	<u>7,648</u>	<u>3,928</u>
Other liabilities	1,936	2,941	3,102
Long-term liabilities	42,157	47,591	42,670
Total liabilities	<u>44,093</u>	<u>50,532</u>	<u>45,772</u>
Deferred inflows of resources	<u>9,535</u>	<u>9,279</u>	<u>13,463</u>
Net position:			
Net investment in capital assets	24,219	25,076	22,511
Restricted for:			
OPEB	325	-	-
Expendable scholarships, grants and earnings	-	1	16
Unrestricted (deficit)	211	(7,674)	(9,407)
Total net position	<u>\$ 24,755</u>	<u>\$ 17,403</u>	<u>\$ 13,120</u>

Statements of Net Position

The primary changes in assets of the College between 2024 and 2023 include a decrease in cash of approximately \$1.8 million from general fund activity, as well as the College investing more cash to obtain higher returns, resulting in an increase of investments of approximately \$4.9 million from 2023 to 2024.

The primary changes in the assets of the College between 2023 and 2022 include an approximate \$1.4 million increase in capital assets.

The primary changes in the liabilities of the College between 2024 and 2023 include a decrease in accounts payable of approximately \$1.0 million, a decrease in the net pension liability of approximately \$2.9 million and an approximate fluctuation of \$1.5 million related to net OPEB liability changing to an asset.

The primary changes in the liabilities of the College between 2023 and 2022 include an approximate \$6.3 million increase in the net pension and OPEB liabilities.

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Deferred Outflows

Deferred outflows of resources of approximately \$6.2 million were recorded at June 30, 2024, primarily as a result of changes in assumptions to the net pension liability and net OPEB asset and College contributions to the MPSERS plans subsequent to the plan's measurement date. This is a decrease of approximately \$1.4 million from June 30, 2023 due to changes in assumptions.

Deferred Inflows

Deferred inflows of approximately \$9.5 million were recorded at June 30, 2024, primarily as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension and OPEB plan investments, as well as deferred amounts related to the College's construction arrangement. This is an increase of approximately \$0.3 million from June 30, 2023, due to the difference between projected and actual earnings on the pension plan. Additionally, approximately \$2.24 million relates to capital outlay funds received from the State of Michigan to help fund the construction of the Michigan Forest Products Institute, but not recognized as revenue until the years 2020 through 2040.

Net Position

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

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

Fiscal year 2023 net position of approximately \$17.4 million increased by approximately \$4,283,000. The increase between 2023 and 2022 was in large part attributable to changes in assumptions in the net pension and OPEB liabilities and increased pell grant and property tax revenue.

Although unrestricted net position is not subject to externally imposed restrictions, virtually all of the College's unrestricted net position is designated for purposes to fulfill its mission. These designations include Auxiliary Fund working capital (\$184,104 and \$179,855 for 2024 and 2023, respectively), and future maintenance and capital improvements (\$14,593,718 and \$10,597,588 for 2024 and 2023, respectively) (See Note 1).

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Statements of Revenues, Expenses, and Changes in Net Position

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

The following is a comparison of the major components of operating results of the College for the years ended June 30, 2024, 2023 and 2022 (in thousands):

	Operating Results for the Years Ended June 30 (in thousands)		
	2024	2023	2022
Operating revenues			
Tuition and fees, net	\$ 5,304	\$ 4,874	\$ 4,866
Grants and contracts	1,549	642	535
Auxiliary activities	951	729	570
Miscellaneous	413	447	869
Total operating revenues	<u>8,217</u>	<u>6,692</u>	<u>6,840</u>
Operating expenses			
Instruction	4,820	5,395	4,139
Public service	42	31	141
Instructional support	3,154	2,446	2,540
Student services	3,927	2,907	4,353
Institutional administration	1,713	1,466	2,310
Operation and maintenance of physical plant	1,672	2,183	2,338
Information technology	1,116	960	1,057
Depreciation	2,022	1,887	1,393
Loss on impairment assets held for sale	-	-	1,000
Total operating expenses	<u>18,466</u>	<u>17,275</u>	<u>19,271</u>
Net operating loss	<u>(10,249)</u>	<u>(10,583)</u>	<u>(12,431)</u>

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

	2024	2023	2022
Nonoperating revenue (expense)			
State appropriations	\$ 4,351	\$ 3,976	\$ 3,940
Federal Pell grant	2,911	2,265	2,007
Federal HEERF/Coronavirus Relief Fund grants	-	-	3,289
Property tax levy	9,970	9,316	8,870
Investment income (loss)	359	134	(25)
Gain on sale of assets held for sale	293	-	-
Gain (loss) on sale of capital assets	28	-	(1)
Interest on capital asset-related debt	(779)	(825)	(869)
Contributions between College and Foundation	46	-	(104)
Net nonoperating revenue	<u>17,179</u>	<u>14,866</u>	<u>17,107</u>
Other revenues	<u>422</u>	<u>-</u>	<u>-</u>
Increase in net position	7,352	4,283	4,676
Net position, beginning of year	<u>17,403</u>	<u>13,120</u>	<u>8,444</u>
Net position, end of year	<u>\$ 24,755</u>	<u>\$ 17,403</u>	<u>\$ 13,120</u>

Total Revenue

Enrollment increased slightly from fiscal year 2023 to 2024. An increase in revenue from 2023 to 2024 can be attributed to incremental increases in tuition, property tax revenues, pell grant revenue and state appropriations.

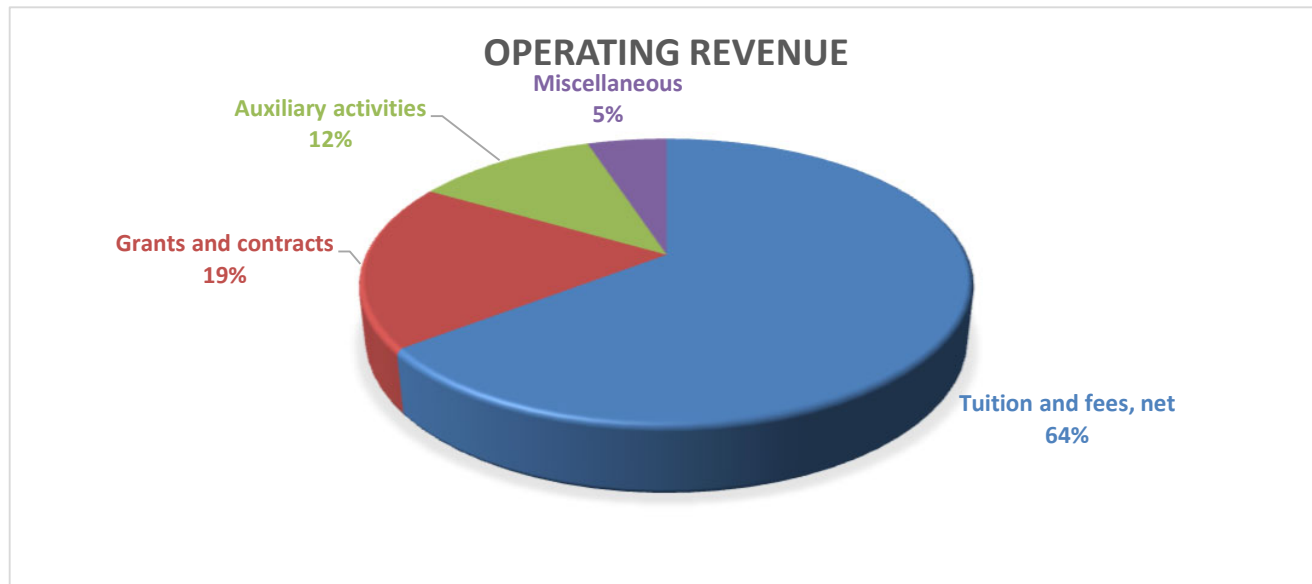
Operating Revenue

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

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating revenue for fiscal year 2024 was as follows:



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

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

Operating revenue changes for 2023 were in part the result of the following factor:

- The financial statements reflect a slight decrease in income due to the sale of a cell tower lease in 2022. This decrease was approximately \$149K.

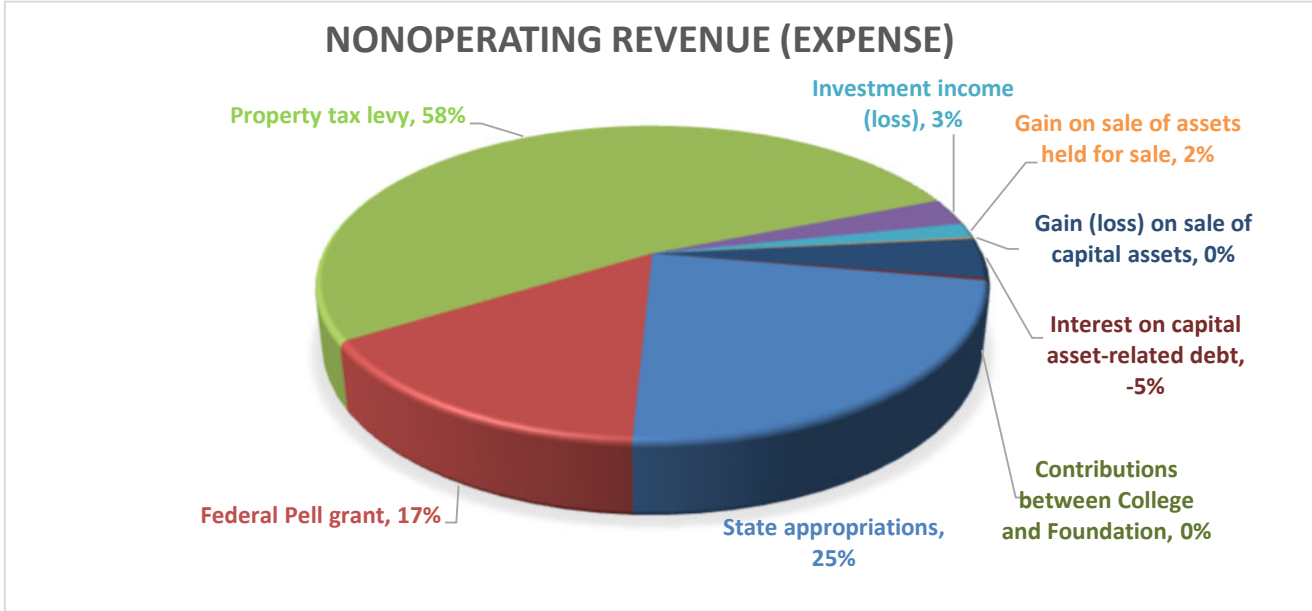
Nonoperating Revenue (Expense)

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

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Nonoperating revenue (expense) for fiscal year 2024 was as follows:



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

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

Factors affecting changes in nonoperating revenue (expense) for 2023 include:

- Property taxes increased in 2023 by approximately \$446,000 or 5.0 percent.
- Pell grants increased by approximately \$258,000 or 12.9 percent.

Other Revenues

Other revenues increased by approximately \$422,000 due to the College receiving State capital appropriations during 2024 and not in prior years.

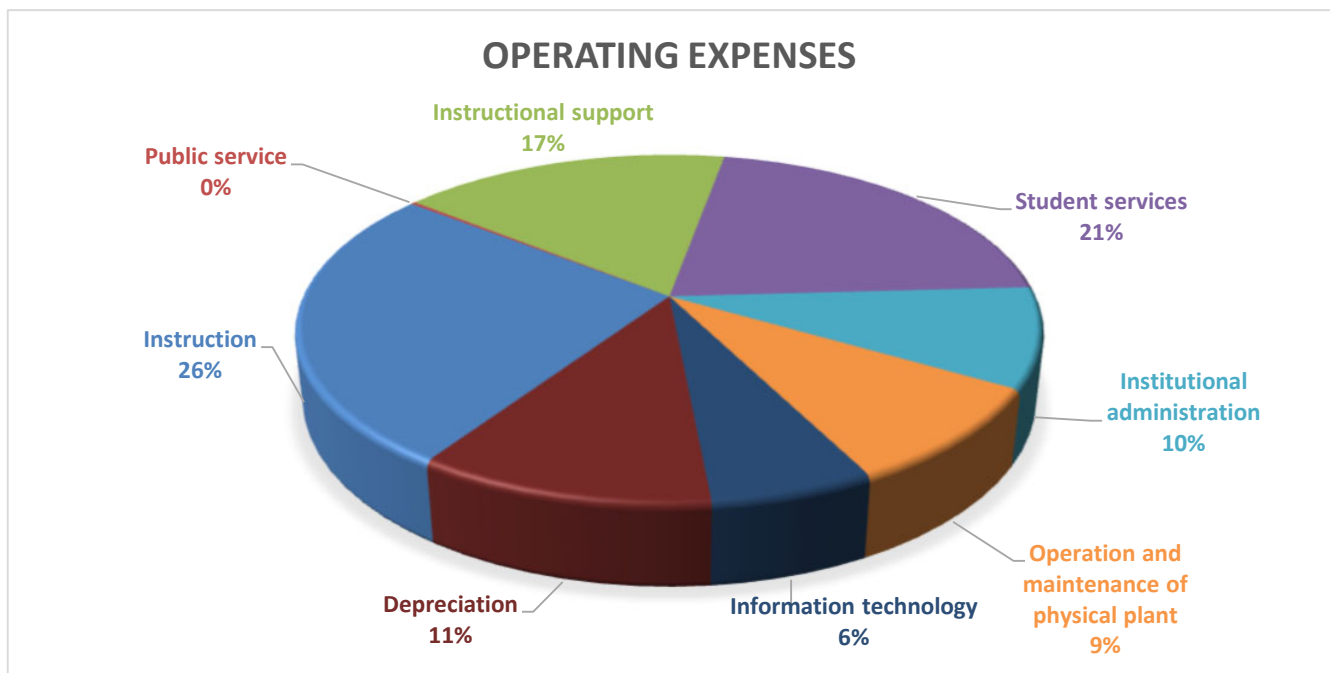
KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries, benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses increased approximately \$1,191,000 in 2024 and decreased approximately \$1,997,000 in 2023. For the purpose of the financial statements reporting, operating expenses are presented according to the State of Michigan's Activities Classification Structure (ACS).

Operating expenses for fiscal year 2024 were as follows:



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

Factors affecting the decrease in operating expenses in 2023 were the result of the change in assumptions related to pension expense and the completion of the HEERF grant in 2022.

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Statement of Cash Flows

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

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

	Cash Flows for the Year Ended June 30 (in thousands)		
	2024	2023	2022
Cash (used for) provided by:			
Operating activities	\$ (11,853)	\$ (11,091)	\$ (12,913)
Noncapital financing activities	16,709	15,091	18,901
Capital and related financing activities	(2,131)	(4,796)	(6,019)
Investing activities	(4,547)	12	620
Net (decrease) increase in cash	(1,822)	(784)	589
Cash beginning of year	11,907	12,691	12,102
Cash end of year	<u>\$ 10,085</u>	<u>\$ 11,907</u>	<u>\$ 12,691</u>

Major sources of funds from operations came from student tuition, fees, grants, contracts, and auxiliary activities. These sources were offset by expenditures for operations such as payments to employees and suppliers. For fiscal years 2024 and 2023, the cash used in operating activities was financed with \$16.7 million and \$15.1 million, respectively, of net cash flows from noncapital financing activities, including property taxes, Pell grants, and state appropriations.

Cash used in capital and related financing activities for fiscal years 2024 and 2023 of approximately \$2.0 million and \$4.8 million, respectively, was primarily related to the construction of student housing and Phase 3 of the Grayling campus.

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Capital Assets and Debt Administration

Capital Assets

At June 30, 2024, 2023 and 2022, the College had approximately \$47.7 million, \$48.5 million, and \$47.1 million invested in capital assets, net of accumulated depreciation of \$16.2 million, \$14.3 million, and \$12.4 million, respectively. Depreciation charges totaled approximately \$2,022,000, \$1,887,000, and \$1,393,000 during 2024, 2023 and 2022, respectively.

	Capital Assets as of June 30 (in thousands)		
	2024	2023	2022
Land and land improvements	\$ 3,197	\$ 2,847	\$ 2,948
Buildings and improvements	41,159	39,855	41,069
Furniture, fixtures, and equipment	3,241	2,814	2,925
Construction in progress	70	2,992	146
Total	<u>\$ 47,667</u>	<u>\$ 48,508</u>	<u>\$ 47,088</u>

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

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

Debt

The College had approximately \$22.6 million, \$23.9 million, and \$25.1 million in debt outstanding at June 30, 2024, 2023 and 2022, respectively. See note 7 to the financial statements for more information.

KIRTLAND COMMUNITY COLLEGE

Management's Discussion and Analysis

Economic Factors That Will Affect the Future

The economic outlook for the College is tied heavily to national and state economic conditions. The state appropriations, as they pertain to higher education, are negotiated. These negotiations will potentially impact the funding received by the College from year to year. The current proposed increase in the state budget reflects a 8.6 percent increase in the College's appropriations for the 2025 fiscal year as compared to the year ended June 30, 2024.

The Fall 2024 enrollment is up 3.6% due largely in part to national changes in student behavior related to college attendance.

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

The College has bolstered its cash and investments over that past several years from a low of \$4 million at the end of fiscal 2012 to its current end of year position in 2024 of approximately \$19 million. Kirtland Community College remains financially stable but will need to continue to address the financial challenges identified above in order to maintain adequate cash flow and financial reserves.

FINANCIAL STATEMENTS

KIRTLAND COMMUNITY COLLEGE

Statements of Net Position

	June 30, 2024		June 30, 2023	
	Primary Government	Component Unit	Primary Government	Component Unit
Assets				
Current assets				
Cash and cash equivalents	\$ 9,665,995	\$ 103,175	\$ 11,134,067	\$ 103,719
Short-term investments	6,918,129	-	4,121,383	-
Receivables, net	2,785,780	23,192	2,497,137	34,457
Inventories	151,296	-	118,262	-
Prepaid expenses and other assets	257,829	-	98,133	1,745
Total current assets	19,779,029	126,367	17,968,982	139,921
Noncurrent assets				
Long-term investments	2,425,427	2,953,902	315,868	2,564,894
Restricted cash	419,604	-	773,185	-
Receivables, net	-	39,105	-	57,315
Land contract receivable	1,558,338	-	-	-
Assets held for sale	-	-	2,000,000	-
Capital assets not being depreciated	430,950	-	3,353,337	-
Capital assets being depreciated, net	47,236,529	-	45,154,518	-
Net OPEB asset	324,895	-	-	-
Total noncurrent assets	52,395,743	2,993,007	51,596,908	2,622,209
Total assets	72,174,772	3,119,374	69,565,890	2,762,130
Deferred outflows of resources				
Deferred pension amounts	5,039,189	-	6,134,275	-
Deferred OPEB amounts	1,169,107	-	1,513,952	-
Total deferred outflows of resources	6,208,296	-	7,648,227	-
Liabilities				
Current liabilities				
Accounts payable	530,224	1,154	1,564,713	2,230
Accrued payroll and vacation	829,151	-	714,951	-
Other accrued liabilities	389,085	-	384,411	-
Unearned revenue	188,238	-	276,631	-
Long-term obligations - current portion	1,638,762	-	1,556,835	-
Total current liabilities	3,575,460	1,154	4,497,541	2,230
Noncurrent liabilities				
Long-term obligations - net of current portion	22,766,969	-	24,222,570	-
Net pension liability	17,751,179	-	20,630,887	-
Net OPEB liability	-	-	1,181,067	-
Total noncurrent liabilities	40,518,148	-	46,034,524	-
Total liabilities	44,093,608	1,154	50,532,065	2,230
Deferred inflows of resources				
Construction arrangement	2,239,577	-	2,388,882	-
Deferred pension amounts	4,350,415	-	3,897,710	-
Deferred OPEB amounts	2,944,530	-	2,992,514	-
Total deferred inflows of resources	9,534,522	-	9,279,106	-
Net position				
Net investment in capital assets	24,219,211	-	25,076,241	-
Restricted for:				
Net OPEB asset	324,895	-	-	-
Expendable scholarships, grants and earnings	-	1,067,832	573	930,860
Nonexpendable scholarships, grants and earnings	-	1,575,500	-	1,448,304
Unrestricted (deficit)	210,832	474,888	(7,673,868)	380,736
Total net position	\$ 24,754,938	\$ 3,118,220	\$ 17,402,946	\$ 2,759,900

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, 2024		June 30, 2023	
	Primary Government	Component Unit	Primary Government	Component Unit
Operating revenues				
Tuition and fees, net of scholarship allowance of \$1,911,075 and \$1,877,657 for 2024 and 2023, respectively	\$ 5,303,744	\$ -	\$ 4,873,734	\$ -
Federal grants and contracts	1,047,399	-	467,315	-
State and local grants and contracts	447,125	-	109,738	-
Private grants and contracts	54,800	-	65,215	-
Auxiliary activities	950,467	-	728,992	-
Miscellaneous	413,029	-	446,812	-
Total operating revenues	8,216,564	-	6,691,806	-
Operating expenses				
Instruction	4,820,141	-	5,394,784	-
Public service	42,053	-	31,356	-
Instructional support	3,153,916	-	2,446,036	-
Student services	3,926,666	83,153	2,906,565	121,954
Institutional administration	1,712,896	226,176	1,466,334	158,187
Operation and maintenance of physical plant	1,671,866	-	2,182,790	-
Information technology	1,116,179	-	959,770	-
Depreciation	2,022,011	-	1,886,977	-
Total operating expenses	18,465,728	309,329	17,274,612	280,141
Operating loss	(10,249,164)	(309,329)	(10,582,806)	(280,141)
Nonoperating revenues (expenses)				
State appropriations	4,351,742	-	3,975,942	-
Federal Pell grant	2,910,672	-	2,264,834	-
Property tax levy	9,969,900	-	9,315,706	-
Gifts	-	71,624	-	17,142
In-kind contributions	-	194,384	-	127,351
Investment and interest income	358,813	334,241	133,870	226,908
Gain on sale of assets held for sale	292,813	-	-	-
Gain on sale of capital assets	27,789	-	-	-
Interest on capital asset-related debt	(778,895)	-	(824,798)	-
Contributions from the Foundation	46,422	-	-	-
Net nonoperating revenues	17,179,256	600,249	14,865,554	371,401
Other revenues				
State capital appropriations	421,900	-	-	-
Contributions allocated to permanent endowments	-	67,400	-	62,500
Total other revenues	421,900	67,400	-	62,500
Increase in net position	7,351,992	358,320	4,282,748	153,760
Net position, beginning of year	17,402,946	2,759,900	13,120,198	2,606,140
Net position, end of year	\$ 24,754,938	\$ 3,118,220	\$ 17,402,946	\$ 2,759,900

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

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2024	2023
Cash flows from operating activities		
Tuition and fees	\$ 5,290,906	\$ 4,940,635
Grants and contracts	1,263,706	375,410
Auxiliary activities	950,467	728,992
Other receipts	438,447	465,880
Payments to suppliers	(11,162,845)	(9,493,948)
Payments to employees	(8,633,567)	(8,107,531)
Net cash used in operating activities	(11,852,886)	(11,090,562)
Cash flows from noncapital financing activities		
Direct lending receipts	3,154,866	2,981,377
Direct lending disbursements	(3,154,866)	(2,981,377)
Property tax levy	9,431,371	8,870,403
Federal Pell grants	3,009,352	2,264,834
State appropriations	4,222,178	3,955,377
Contributions from the Foundation	46,422	-
Net cash provided by noncapital financing activities	16,709,323	15,090,614
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,599,819)	(3,068,914)
Principal received on land contract	684,475	-
Principal paid on capital asset-related debt	(1,285,000)	(1,240,000)
Debt property tax levy	515,415	425,672
Interest paid on capital asset-related debt	(867,569)	(912,630)
State capital appropriations	421,900	-
Net cash used in capital and related financing activities	(2,130,598)	(4,795,872)
Cash flows from investing activities		
Proceeds from sale and maturities of investments	4,402,210	11,786,523
Purchase of short-term and long-term investments	(9,159,754)	(11,832,969)
Interest received on investments and land contract receivable	210,052	58,023
Net cash (used in) provided by investing activities	(4,547,492)	11,577
Net decrease in cash, cash equivalents and restricted cash	(1,821,653)	(784,243)
Cash, cash equivalents and restricted cash, beginning of year	11,907,252	12,691,495
Cash, cash equivalents and restricted cash, end of year	\$ 10,085,599	\$ 11,907,252
Reconciliation to statements of net position		
Cash and cash equivalents	\$ 9,665,995	\$ 11,134,067
Restricted cash	419,604	773,185
Cash, cash equivalents and restricted cash, end of year	\$ 10,085,599	\$ 11,907,252

continued...

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2024	2023
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (10,249,164)	\$ (10,582,806)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,022,011	1,886,977
Change in operating assets:		
Receivables, net	(234,645)	(296,102)
Inventories	(33,034)	1,952
Prepaid expenses and other assets	(159,696)	(46,756)
Change in operating liabilities:		
Accounts payable	(588,516)	(265,158)
Accrued payroll and vacation	114,200	(301,832)
Other accrued liabilities	4,674	56,850
Unearned revenue	(38,393)	111,309
Change in deferred construction arrangement	(149,305)	(149,306)
Change in net pension liability	(2,879,708)	5,973,318
Change in net OPEB (asset) liability	(1,505,962)	275,492
Change in pension deferred inflows	452,705	(3,058,024)
Change in pension deferred outflows	1,095,086	(3,310,824)
Change in OPEB deferred inflows	(47,984)	(976,439)
Change in OPEB deferred outflows	344,845	(409,213)
Net cash used in operating activities	\$ (11,852,886)	\$ (11,090,562)
Noncash activities		
Trade-in value received on purchase of equipment	\$ 46,499	\$ -
Change in payable related to acquisition of capital assets	\$ (445,973)	\$ 456,095
Acquisition of land contract	\$ 2,500,000	\$ -

concluded

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Kirtland Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*. The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The College's financial statements have been prepared in accordance with GASB 61, *The Financial Reporting Entity Omnibus*, which requires examination of significant operational or financial relationships with the College. Based on the application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

Kirtland Community College Foundation (the "Foundation") is discretely presented as a separate component unit of the College's reporting entity (although it is legally separate and governed by its own board of trustees) because its sole purpose is to provide support for the College. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Certain modifications have been made to the Foundation's financial information in the College's financial reporting entity for the presentation differences.

Significant Accounting Policies

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

Accrual Basis

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

Cash and Cash Equivalents

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

Restricted Cash

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Receivables

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

Investments

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

Fair Value Measurements

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

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

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

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

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.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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. 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, 2024. 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 2024, the College received \$500,000 in payments for the land contract which included approximately \$58,000 of interest.

Assets Held for Sale

Assets held for sale consisted of the College's Roscommon campus land, buildings and the associated equipment, which is no longer in use and sold during 2024 under the land contract disclosed above. This asset was measured at the lower of cost (net book value) or market value.

Capital Assets and Depreciation

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

The following estimated useful lives are used to compute depreciation:

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

Revenue Recognition

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

Notes to Financial Statements

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

Scholarship Allowance

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

Operating and Nonoperating Revenue

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

Unearned Revenue

Tuition and fees revenue received and related to periods of instruction that will occur after June 30, 2024 and 2023, have been recorded as unearned. Grants received prior to qualifying expenses are also included in unearned revenue.

Accrued Sick Leave

Accrued sick leave payable represents the accumulated liability to be paid under the College's current sick pay policy, and is included within long-term obligations on the accompanying statements of net position. Under the College's policy, employees earn sick time based on time of service with the College.

Notes to Financial Statements

Classification of Expenses

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

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

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

Income Taxes

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

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

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

Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts, such as differences between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension and OPEB plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Notes to Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources related to the Michigan Forest Products Institute Building construction arrangement with the Michigan State Building Authority. More detailed information related to the Michigan Forest Products construction arrangement can be found in Note 11. The College also reports deferred inflows of resources for certain pension and OPEB-related amounts, such as the difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension and OPEB plan investments, changes in proportion and differences between employer contributions and proportionate share of contributions and state appropriations for pensions received subsequent to the measurement date. More detailed information can be found in Note 8.

Pension and Other Postemployment Benefits ("OPEB")

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

Internal Service Activities

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

Net Position

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

- *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 12.

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

	2024	2023
Capital assets not being depreciated	\$ 430,950	\$ 3,353,337
Capital assets being depreciated	47,236,529	45,154,518
Restricted cash	362,723	197,558
Assets held for sale	-	2,000,000
Bonds payable	(22,620,000)	(23,905,000)
Unamortized bond premiums	(1,180,869)	(1,268,077)
Accounts and retainage payable	(10,122)	(456,095)
Total net investment in capital assets	<u>\$ 24,219,211</u>	<u>\$ 25,076,241</u>

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

	2024	2023
Auxiliary fund working capital	\$ 184,104	\$ 179,855
Deferred maintenance and replacement	14,593,718	10,597,588
Pension and OPEB liability fund deficit	(18,837,828)	(21,053,950)
Undesignated	4,270,838	2,602,639
Total unrestricted net position (deficit)	<u>\$ 210,832</u>	<u>\$ (7,673,868)</u>

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.

Reclassification

Certain amounts as reported in the 2023 financial statements have been reclassified to conform with the 2024 presentation.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2024, the most recent statement of net position presented herein, through October 24, 2024, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

2. PROPERTY TAXES

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships within the College 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, 2024 and 2023, \$2.0899 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 \$8,001,260 and \$7,489,216 for the years ended June 30, 2024 and 2023, respectively.

During the years ended June 30, 2024 and 2023, \$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 \$470,643 and \$424,176 for the years ended June 30, 2024 and 2023, respectively.

During the years ended June 30, 2024 and 2023, \$0.8358 per \$1,000 of taxable property value in the M-Tec taxing district was levied for general operating purposes. Total property tax revenue was \$973,698 and \$911,504 for the years ended June 30, 2024 and 2023, respectively.

Additionally, during the year ended June 30, 2024 and 2023, \$524,299 and \$490,810, respectively, of property tax revenue was collected related to the College's new University Center.

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, certificates of deposits 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.

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, 2024 or 2023.

College

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

US Treasury Notes/Bonds: Valued based on similar date values or market prices and classified as Level 2.

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

Foundation

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.

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

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.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

2024	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ 189,641	\$ -	\$ -	\$ 189,641
US Treasury notes/bonds	-	4,508,837	-	4,508,837
Total investments at fair value	\$ 189,641	\$ 4,508,837	\$ -	\$ 4,698,478

2023	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
U.S. government obligations	\$ 105,014	\$ -	\$ -	\$ 105,014
US Treasury notes/bonds	-	1,174,815	-	1,174,815
Certificates of deposit	3,157,422	-	-	3,157,422
Total investments at fair value	\$ 3,262,436	\$ 1,174,815	\$ -	\$ 4,437,251

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

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

2023	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Equity exchange traded funds	\$ 7,102	\$ -	\$ -	\$ 7,102
Equity mutual funds	1,654,682	-	-	1,654,682
Bond mutual funds	903,110	-	-	903,110
Total investments	\$ 2,564,894	\$ -	\$ -	\$ 2,564,894

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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, 2024, the College had the following investments and maturities:

	Balance	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. government obligations	\$ 189,641	\$ -	\$ 139,941	\$ -	\$ 49,700
US Treasury notes/bonds	4,508,837	2,273,051	2,235,786	-	-
Michigan Liquid Asset Fund	4,645,078	4,645,078	-	-	-
Total	\$ 9,343,556	\$ 6,918,129	\$ 2,375,727	\$ -	\$ 49,700

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

	Balance	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. government obligations	\$ 105,014	\$ -	\$ 41,784	\$ -	\$ 63,230
US Treasury notes/bonds	1,174,815	963,961	210,854	-	-
Certificates of deposit	3,157,422	3,157,422	-	-	-
Total	\$ 4,437,251	\$ 4,121,383	\$ 252,638	\$ -	\$ 63,230

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, 2024, the College's deposit balances of \$10,650,040 had \$9,900,040 of bank deposits (money markets and certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2023, the College's deposit balances of \$15,194,339 had \$14,194,339 of bank deposits (money markets and certificates of deposit and 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.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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:

	2024	2023
State appropriations	\$ 949,278	\$ 819,714
Grants and contracts	1,497,088	1,310,150
Student	180,118	185,643
Property taxes	107,802	84,688
Consumer and other	78,069	103,487
	<hr/>	<hr/>
Total receivables	2,812,355	2,503,682
Less allowance for doubtful accounts	(26,575)	(6,545)
	<hr/>	<hr/>
Net receivables	\$ 2,785,780	\$ 2,497,137

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.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

5. PLEDGES RECEIVABLE - FOUNDATION (INCLUDING RELATED PARTY)

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

	2024	2023
Receivable in less than one year	\$ 23,192	\$ 34,457
Receivable in one to five years	<u>39,105</u>	<u>57,315</u>
Pledges receivable	<u>\$ 62,297</u>	<u>\$ 91,772</u>

As of June 30, 2024 and 2023, pledges receivable from employees and board members were \$15,085 and \$36,490, respectively.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

6. CAPITAL ASSETS (INCLUDING SUBSEQUENT EVENT)

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

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

Construction in progress consists of construction costs for a gun range at the College's M-TEC location. Contractual commitments related to the project approximated \$135,000 as of June 30, 2024.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

In July 2024, the College entered into a Subscription Based IT Arrangement for their accounting software in the amount of \$1,358,000 to be paid over the next five years.

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

	Balance July 1, 2022	Additions	Retirements	Transfers	Balance June 30, 2023
Capital assets not being depreciated:					
Land	\$ 360,900	\$ -	\$ -	\$ -	\$ 360,900
Construction in progress	145,673	2,846,764	-	-	2,992,437
Subtotal nondepreciable assets	506,573	2,846,764	-	-	3,353,337
Capital assets being depreciated:					
Land improvements	3,519,072	29,300	-	-	3,548,372
Building and building improvements	47,921,258	88,749	-	-	48,010,007
Furniture, fixtures and equipment	7,575,443	342,194	-	-	7,917,637
Subtotal depreciable assets	59,015,773	460,243	-	-	59,476,016
Total depreciable and nondepreciable assets	59,522,346	3,307,007	-	-	62,829,353
Less accumulated depreciation:					
Land improvements	931,940	130,671	-	-	1,062,611
Building and building improvements	6,852,215	1,303,374	-	-	8,155,589
Furniture, fixtures and equipment	4,650,366	452,932	-	-	5,103,298
Total accumulated depreciation	12,434,521	1,886,977	-	-	14,321,498
Subtotal capital assets being depreciated, net	46,581,252	\$ (1,426,734)	\$ -	\$ -	45,154,518
Capital assets, net	\$ 47,087,825				\$ 48,507,855

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

During fiscal year 2021, the College put its Roscommon campus land, buildings and associated equipment up for sale. At such time, the assets were no longer depreciated and were classified as assets held for sale on the accompanying 2023 statement of net position. The College recorded an impairment loss of \$1,000,000 in 2022 to reflect the difference between management's estimate of the fair value less costs to sell and the net book value of the assets classified as held for sale. There was no impairment loss recorded in 2023. Fair value was determined based on market analysis performed by management and the College's real estate agent and is considered Level 3 assets. In November 2023, the College sold the property under a land contract for a purchase price of \$2,500,000.

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.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

7. LONG-TERM OBLIGATIONS

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

	Balance July 1, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion
Bond payable					
2019 General Obligation, Limited Bond	\$ 13,270,000	\$ -	\$ (625,000)	\$ 12,645,000	\$ 650,000
2017 General Obligation, Limited Bond	4,165,000	-	(230,000)	3,935,000	240,000
2015 General Obligation, Limited Bond	3,005,000	-	(200,000)	2,805,000	205,000
2015 General Obligation, Unlimited Bond	3,465,000	-	(230,000)	3,235,000	240,000
Total bonds payable	23,905,000	-	(1,285,000)	22,620,000	1,335,000
Deferred amounts					
Series 2019 Unamortized Bond Premium	706,421	-	(44,151)	662,270	44,152
Series 2017 Unamortized Bond Premium	314,836	-	(22,488)	292,348	22,488
Series 2015 Unamortized Bond Premium	246,820	-	(20,569)	226,251	20,569
Other long-term obligations					
Accrued sick leave	606,328	230,630	(232,096)	604,862	216,553
Total long-term obligations	\$ 25,779,405	\$ 230,630	\$ (1,604,304)	\$ 24,405,731	\$ 1,638,762

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

	Balance July 1, 2022		Additions		Reductions	Balance June 30, 2023	Current Portion
Bond payable							
2019 General Obligation, Limited Bond	\$ 13,870,000	\$	-	\$	(600,000)	\$ 13,270,000	\$ 625,000
2017 General Obligation, Limited Bond	4,390,000		-		(225,000)	4,165,000	230,000
2015 General Obligation, Limited Bond	3,200,000		-		(195,000)	3,005,000	200,000
2015 General Obligation, Unlimited Bond	3,685,000		-		(220,000)	3,465,000	230,000
Total bonds payable	25,145,000		-		(1,240,000)	23,905,000	1,285,000
Deferred amounts							
Series 2019 Unamortized Bond Premium	750,572		-		(44,151)	706,421	44,152
Series 2017 Unamortized Bond Premium	337,324		-		(22,488)	314,836	22,488
Series 2015 Unamortized Bond Premium	267,389		-		(20,569)	246,820	20,568
Other long-term obligations							
Accrued sick leave	606,952		269,093		(269,717)	606,328	184,627
Total long-term obligations	\$ 27,107,237	\$	269,093	\$	(1,596,925)	\$ 25,779,405	\$ 1,556,835

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

2019 General Obligation, Limited Bond

In November 2019, the College issued \$15,000,000 of 2019 community college facilities general obligation limited bonds for the purpose of erecting, furnishing and equipping a College facility; erecting additions to, remodeling, furnishing and refurbishing and equipping and re-equipping a site. The bonds bear interest ranging from 2.875 to 3.00 percent and require annual payments ranging from \$625,000 to \$1,040,000 through 2039.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

2017 General Obligation, Limited Bond

In November 2017, the College issued \$5,200,000 of 2017 community college facilities general obligation limited bonds for the purpose of funding the expansion of the Health Sciences Education and Training Center. The bonds bear interest at 4.00 percent and require annual payments ranging from \$230,000 to \$380,000 through 2037.

2015 General Obligation, Limited Bond

In May 2015, the College issued \$4,415,000 of 2015 community college facilities general obligation limited bonds for the purpose of funding the construction of a new Health Sciences Education and Training Center. The bonds bear interest at 4.00 percent and require annual payments ranging from \$200,000 to \$305,000 through 2035.

2015 General Obligation, Unlimited Bond

In May 2015, the College issued \$5,025,000 of 2015 community college facilities general obligation unlimited bonds for the purpose of funding the construction of a new Health Sciences Education and Training Center. The bonds bear interest at 4.00 percent and require annual payments ranging from \$230,000 to \$355,000 through 2035.

Accrued Sick Leave

The College provides sick benefits to employees, as defined by each respective labor contract and administrative policy. The liability has been recorded based on the number of days available for each employee. Additionally, the College accrues sick days payable for those employees who, upon retirement, will have met the conditions of the age and service requirements defined by each respective contract at year end.

Debt Maturity

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

Year Ending June 30,	Debt Obligations		
	Principal	Interest	Total
2025	\$ 1,335,000	\$ 805,981	\$ 2,140,981
2026	1,385,000	752,081	2,137,081
2027	1,440,000	696,181	2,136,181
2028	1,500,000	637,981	2,137,981
2029	1,560,000	577,381	2,137,381
2030-2034	8,735,000	1,958,856	10,693,856
2035-2039	6,665,000	487,147	7,152,147
Totals	\$ 22,620,000	\$ 5,915,608	\$ 28,535,608

8. PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Defined Benefit Plan

Plan Description

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

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

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

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

Pension Benefits Provided

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

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

Notes to Financial Statements

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

Other Postemployment Benefits Provided

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Contributions

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

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

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

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

Required contributions to the pension plan from the College were \$2,270,091, \$2,526,557 and \$1,859,267 for the years ended June 30, 2024, 2023 and 2022, respectively.

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

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

Required contributions to the OPEB plan from the College were \$462,697, \$444,207 and \$424,820 for the years ended June 30, 2024, 2023 and 2022, respectively.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

For the years ended June 30, 2024, 2023 and 2022, required and actual contributions from the College for those members with a defined contribution benefit were \$88,615, \$79,759 and \$73,281, respectively.

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

At June 30, 2024 and 2023, the College reported a liability of \$17,751,179 and \$20,630,887, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2022 and 2021. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2023, the College's proportion was 0.05485%, which was a decrease of 0.00001% points from its proportion measured as of September 30, 2022 of 0.05486%.

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

Year Ended June 30	Amount
2025	\$ (351,937)
2026	(278,703)
2027	590,425
2028	<u>(257,363)</u>
Total	<u>\$ (297,578)</u>

For the year ended June 30, 2023, the College recognized pension expense of \$1,524,260. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 206,381	\$ 46,128	\$ 160,253
Changes in assumptions	3,545,126	-	3,545,126
Net difference between projected and actual earnings on pension plan investments	48,379	-	48,379
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>1,141</u>	<u>2,383,230</u>	<u>(2,382,089)</u>
	3,801,027	2,429,358	1,371,669
College contributions subsequent to the measurement date	2,333,248	-	2,333,248
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,468,352	(1,468,352)
Total	<u>\$ 6,134,275</u>	<u>\$ 3,897,710</u>	<u>\$ 2,236,565</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

OPEB (Asset) Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2024 and 2023, the College reported an (asset) liability of (\$324,895) and \$1,181,067, respectively, for its proportionate share of the MPSERS net OPEB (asset) liability. The net OPEB (asset) liability was measured as of September 30, 2023 and 2022, and the total OPEB liability used to calculate the net OPEB (asset) liability was determined by an actuarial valuation rolled forward from September 30, 2022 and 2021. The College's proportion of the net OPEB (asset) liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2023, the College's proportion was 0.05743%, which was an increase of 0.00167% points from its proportion measured as of September 30, 2022 of 0.05576%.

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

2024	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,455,065	\$ (2,455,065)
Change in assumptions	723,270	87,095	636,175
Net difference between projected and actual earnings on OPEB plan investments	991	-	991
Changes in proportion and differences between employer contributions and proportionate share of contributions	66,211	402,370	(336,159)
	<u>790,472</u>	<u>2,944,530</u>	<u>(2,154,058)</u>
College contributions subsequent to the measurement date	378,635	-	378,635
Total	<u>\$ 1,169,107</u>	<u>\$ 2,944,530</u>	<u>\$ (1,775,423)</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

Year Ended June 30,	Amount
2025	\$ (735,093)
2026	(651,059)
2027	(295,259)
2028	(238,409)
2029	(157,657)
Thereafter	<u>(76,581)</u>
Total	<u>\$ (2,154,058)</u>

For the year ended June 30, 2023, the College recognized a reduction in OPEB expense of \$664,315. At June 30, 2023, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2023	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred (Inflows) Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,313,257	\$ (2,313,257)
Change in assumptions	1,052,723	85,719	967,004
Net difference between projected and actual earnings on OPEB plan investments	92,310	-	92,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,172	593,538	(587,366)
	<u>1,151,205</u>	<u>2,992,514</u>	<u>(1,841,309)</u>
College contributions subsequent to the measurement date	362,747	-	362,747
Total	<u>\$ 1,513,952</u>	<u>\$ 2,992,514</u>	<u>\$ (1,478,562)</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Actuarial Assumptions

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Long-term Expected Return on Pension and OPEB Plan Assets

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

2022	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	25.00%	4.77%	1.19%
	Private equity pools	16.00%	8.13%	1.30%
	International equity pools	15.00%	6.26%	0.94%
	Fixed income pools	13.00%	-0.19%	-0.02%
	Real estate and infrastructure pools	10.00%	4.95%	0.50%
	Absolute return pools	9.00%	2.52%	0.23%
	Real return/opportunistic pools	10.00%	5.42%	0.54%
	Short-term investment pools	2.00%	-0.47%	-0.01%
		<u>100.00%</u>		4.67%
	Inflation			2.20%
	Risk adjustment			<u>-0.87%</u>
	Investment rate of return			<u>6.00%</u>

Rate of Return

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

Discount Rate

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net pension liability	\$ 27,225,107	\$ 20,630,887	\$ 15,196,953

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2023:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
College's proportionate share of the net OPEB liability	\$ 1,981,126	\$ 1,181,067	\$ 507,318

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

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

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

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
College's proportionate share of the net OPEB liability	\$ 494,574	\$ 1,181,067	\$ 1,951,668

Pension and OPEB Plans Fiduciary Net Position

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2024, the College reported a payable of \$243,098 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2024. At June 30, 2023, the College reported a payable of \$204,070 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2023.

Payable to the OPEB Plan

At June 30, 2024, the College reported a payable of \$19,312 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2024. At June 30, 2023, the College reported a payable of \$16,333 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2023.

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, 2024 and 2023, the plan had 8 and 9 participants, respectively. Under ORP, the College contributes 12.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were \$72,405 and \$80,478 for the years ended June 30, 2024 and 2023, respectively. Total contributions by employees were \$24,135 and \$26,826 for the years ended June 30, 2024 and 2023, respectively.

9. CONTINGENCIES

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

10. 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 through the School Employers Group. 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		
	2024	2023	2022
Unpaid claims - beginning of year	\$ 5,729	\$ 5,333	\$ 4,602
Incurred claims	128,444	117,900	98,960
Claims payments	124,803	117,504	98,229
Unpaid claims - end of year	<u>\$ 9,370</u>	<u>\$ 5,729</u>	<u>\$ 5,333</u>
	Health Liability		
	2024	2023	2022
Unpaid claims - beginning of year	\$ 97,134	\$ 29,438	\$ 65,745
Incurred claims	1,489,609	683,423	831,464
Claims payments	1,505,048	615,727	867,771
Unpaid claims - end of year	<u>\$ 81,695</u>	<u>\$ 97,134</u>	<u>\$ 29,438</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

11. MICHIGAN FOREST PRODUCTS INSTITUTE BUILDING PARTNERSHIP

The College entered into an agreement in October 2017 with the Michigan State Building Authority (the "Authority") for the construction of the Michigan Forest Products Institute Building. Under the terms of the Agreement, the total authorized cost of the building is \$6,100,000, of which the Authority will provide funding of \$3,049,900 and the College must fund the remaining balance. Draws from the agreement are recorded as deferred inflows by the College and revenue will be recognized over a 20-year term per the agreement. The College recognized \$149,306 of this revenue during both 2024 and 2023.

12. 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, 2024 and 2023, the stated value of the net position of the Foundation totaled \$3,118,220 and \$2,759,900, respectively.

During fiscal 2022, the College donated \$103,750 to establish the Kirtland Legacy Fund with a specified purpose of supplementing future endowments to the Foundation if donors meet certain requirements at the discretion of the Foundation Board of Directors. During fiscal 2024 and 2023, the Board of Directors authorized \$40,000 and \$30,500, respectively, to be used from the Kirtland Legacy Fund to transfer into donor endowments for the purposes of scholarships. During fiscal 2024, \$60,812 of funds were transferred to nonexpendable endowments upon reaching the \$10,000 matching threshold required by the Kirtland Legacy Fund.

In a prior fiscal year, the program for the Center for Performing Arts ended upon the closing of the Roscommon Campus. Based on the terms of the agreements with donors, if the program ends, the Foundation Board of Directors could elect to repurpose any remaining funds for a benevolent purpose. During fiscal 2024, the Foundation Board of Directors voted to designate \$24,933 of amounts to establish a board designated endowment for the purpose of providing grants to College departments.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Restricted net position consists of the following at June 30:

	2024	2023
Expendable for specified purpose:		
Scholarships and financial aid	\$ 1,018,287	\$ 836,372
Kirtland Legacy Fund	33,250	82,093
Fast Act Student Emergency Fund	16,295	-
Path to Success Program	-	139
Center for Performing Arts	-	12,256
	<u>1,067,832</u>	<u>930,860</u>
Nonexpendable endowments		
Subject to endowment spending policy and appropriation:		
Scholarships and financial aid	1,575,500	1,437,576
Center for Performing Arts	-	10,728
	<u>1,575,500</u>	<u>1,448,304</u>
Total restricted net position	<u>\$ 2,643,332</u>	<u>\$ 2,379,164</u>

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

	2024	2023
Subject to expenditures for specified purpose, beginning of year	\$ 930,860	\$ 868,313
Net investment gain	249,043	194,305
Contributions	71,624	17,142
Kirtland Legacy Fund transfers	(40,000)	(30,500)
Scholarship transfers to endowments	(46,607)	-
Transfer to board-designated	(14,205)	-
Amounts appropriated for expenditure	(82,883)	(118,400)
	<u>(82,883)</u>	<u>(118,400)</u>
Subject to expenditures for specified purpose, end of year	<u>\$ 1,067,832</u>	<u>\$ 930,860</u>

During the years ended June 30, 2024 and 2023, the College made grants and distributions on behalf of the Foundation to be used for scholarships and grants of approximately \$83,000 and \$122,000, respectively.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

13. FOUNDATION ENDOWMENT

The Foundation's permanent endowments consist of 28 and 27 individual, donor-restricted funds established for student scholarships as of June 30, 2024 and 2023, respectively. The Foundation's endowments also includes certain net assets without donor restriction that have been designated for endowment by the Board of Directors.

Interpretation of Relevant Law

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

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

From time to time, certain donor-restricted endowment funds may have fair values less than the amounts required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2024 and 2023, the Foundation did not have any underwater endowments.

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

	2024	2023
Board-designated endowment funds	\$ 24,933	\$ -
Endowment funds with donor restrictions:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	1,575,500	1,448,304
Accumulated investment earnings	817,224	654,590
Total restricted endowment funds	<u>2,392,724</u>	<u>2,102,894</u>
Total Funds	<u>\$ 2,417,657</u>	<u>\$ 2,102,894</u>

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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

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

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 1,882,865	\$ 1,882,865
Contributions	-	62,500	62,500
Kirtland Legacy Fund transfers	-	30,500	30,500
Net investment gain	-	165,904	165,904
Amounts appropriated for expenditure	-	(38,875)	(38,875)
Endowment net assets, end of year	\$ -	\$ 2,102,894	\$ 2,102,894

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity. Under this policy, as approved by the board of directors, the endowment assets are invested to achieve the primary objective of being the safety of principal and secondary objective being income and growth.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation has implemented the following guidelines to achieve a diversified asset allocation of no more than 10 percent in emerging market funds and total assets will be allocated 60 percent for equity investments and 40 percent fixed income assets. Exposure within each asset class is determined by (1) the Foundation's investment objectives and risk tolerance, (2) the prevailing relative valuation between the primary competing assets classes (fixed income and equities), and (3) the fundamental strength of the economy.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

14. 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:

	2024	2023
Financial assets		
Cash and cash equivalents	\$ 103,175	\$ 103,719
Receivables, net	62,297	91,772
Investments	2,953,902	2,564,894
Subtotal	3,119,374	2,760,385
Less amounts unavailable for general expenditures within one year due to:		
Restricted net position	2,643,332	2,379,164
Board designated net assets	24,933	-
Subtotal	2,668,265	2,379,164
Total financial assets available for general use within one year	\$ 451,109	\$ 381,221

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.

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

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.

15. 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, 2024			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships and grants	\$ 83,153	\$ -	\$ -	\$ 83,153
Professional fees	-	28,746	147,962	176,708
Supplies	46,422	-	-	46,422
Travel and meeting	-	912	-	912
Other	-	2,134	-	2,134
Total expenses	\$ 129,575	\$ 31,792	\$ 147,962	\$ 309,329

	Year Ended June 30, 2023			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships and grants	\$ 121,954	\$ -	\$ -	\$ 121,954
Professional fees	-	26,556	127,351	153,907
Travel and meeting	-	1,218	-	1,218
Other	-	3,062	-	3,062
Total expenses	\$ 121,954	\$ 30,836	\$ 127,351	\$ 280,141

KIRTLAND COMMUNITY COLLEGE

Notes to Financial Statements

16. 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, 2024 and 2023, included in the financial statements, were as follows:

	2024	2023
Purpose:		
Salaries and wages:		
Accounting services	\$ 9,903	\$ 11,108
Fundraising	138,059	116,243
Supplies	46,422	-
Total in-kind contributions	\$ 194,384	\$ 127,351



**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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 17,751,179	\$ 20,630,887	\$ 14,657,569	\$ 22,191,091	\$ 22,324,710	\$ 20,915,218	\$ 18,384,023	\$ 19,074,343	\$ 18,701,369	\$ 18,658,349
College's proportion of the net pension liability	0.05485%	0.05486%	0.06191%	0.06460%	0.06741%	0.06957%	0.07094%	0.07645%	0.07657%	0.08471%
College's covered payroll	\$ 5,754,529	\$ 5,439,960	\$ 5,417,113	\$ 5,699,824	\$ 5,723,342	\$ 5,918,399	\$ 5,788,356	\$ 6,331,048	\$ 6,487,088	\$ 7,227,586
College's proportionate share of the net pension liability as a percentage of its covered payroll	308.47%	379.25%	270.58%	389.33%	390.06%	353.39%	317.60%	301.28%	288.29%	258.15%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

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

	Year Ended June 30									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,270,091	\$ 2,526,557	\$ 1,859,267	\$ 1,860,495	\$ 1,779,713	\$ 1,793,690	\$ 1,906,804	\$ 1,630,652	\$ 1,730,331	\$ 1,386,796
Contributions in relation to the statutorily required contributions	<u>(2,270,091)</u>	<u>(2,526,557)</u>	<u>(1,859,267)</u>	<u>(1,860,495)</u>	<u>(1,779,713)</u>	<u>(1,793,690)</u>	<u>(1,906,804)</u>	<u>(1,630,652)</u>	<u>(1,730,331)</u>	<u>(1,386,796)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 5,929,886	\$ 5,721,861	\$ 5,424,303	\$ 5,450,108	\$ 5,786,053	\$ 5,789,037	\$ 5,915,953	\$ 5,827,938	\$ 6,166,021	\$ 6,598,213
Contributions as a percentage of covered payroll	38.28%	44.16%	34.28%	34.14%	30.76%	30.98%	32.23%	27.98%	28.06%	21.02%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

Required Supplementary Information

MPERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30						
	2024	2023	2022	2021	2020	2019	2018
College's proportionate share of the net OPEB (asset) liability	\$ (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	0.05743%	0.05576%	0.05933%	0.06382%	0.06517%	0.06926%	0.07133%
College's covered payroll	\$ 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	-5.65%	21.71%	16.72%	59.99%	81.73%	93.03%	109.12%
Plan fiduciary net position as a percentage of the total OPEB liability	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						
	2024	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 462,697	\$ 444,207	\$ 424,820	\$ 438,661	\$ 452,325	\$ 446,611	\$ 426,950
Contributions in relation to the statutorily required contributions	<u>(462,697)</u>	<u>(444,207)</u>	<u>(424,820)</u>	<u>(438,661)</u>	<u>(452,325)</u>	<u>(446,611)</u>	<u>(426,950)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 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	7.80%	7.76%	7.83%	8.05%	7.82%	7.71%	7.22%

See notes to required supplementary information.

KIRTLAND COMMUNITY COLLEGE

Notes to Required Supplementary Information

Pension Information

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

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

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

OPEB Information

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

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

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

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

KIRTLAND COMMUNITY COLLEGE

Notes to Required Supplementary Information

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

OTHER INFORMATION

KIRTLAND COMMUNITY COLLEGE

Combining Statement of Net Position
 June 30, 2024 (Unaudited)
 (with comparative totals for 2023)

	General Fund	Designated Fund	Auxiliary Activities	Restricted Pension and OPEB Deficit	Expendable Restricted Funds	Maintenance and Repair Fund	Physical Properties Fund	Agency Fund	Combined Total June 30, 2024	Combined Total June 30, 2023
Assets										
Current assets										
Cash and cash equivalents	\$ 9,664,995	\$ -	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,665,995	\$ 11,134,067
Short-term investments	6,918,129	-	-	-	-	-	-	-	6,918,129	4,121,383
Receivables, net	1,234,826	-	44,671	-	1,497,088	-	9,116	79	2,785,780	2,497,137
Inventories	56,477	-	94,819	-	-	-	-	-	151,296	118,262
Prepaid expenses and other assets	257,829	-	-	-	-	-	-	-	257,829	98,133
Due (to) from other funds	(18,746,329)	566,199	86,814	196,886	(1,491,736)	14,593,718	4,860,503	(66,055)	-	-
Total current assets	(614,073)	566,199	227,304	196,886	5,352	14,593,718	4,869,619	(65,976)	19,779,029	17,968,982
Noncurrent assets										
Long-term investments	2,425,427	-	-	-	-	-	-	-	2,425,427	315,868
Restricted cash	-	-	-	-	56,881	-	362,723	-	419,604	773,185
Land contract receivable	1,558,338	-	-	-	-	-	-	-	1,558,338	-
Assets held for sale	-	-	-	-	-	-	-	-	-	2,000,000
Capital assets										
Land	-	-	-	-	-	-	360,900	-	360,900	360,900
Construction in progress	-	-	-	-	-	-	70,050	-	70,050	2,992,437
Capital assets not being depreciated	-	-	-	-	-	-	430,950	-	430,950	3,353,337
Capital assets being depreciated, net	-	-	-	-	-	-	47,236,529	-	47,236,529	45,154,518
Net OPEB asset	-	-	-	324,895	-	-	-	-	324,895	-
Total noncurrent assets	3,983,765	-	-	324,895	56,881	-	48,030,202	-	52,395,743	51,596,908
Total assets	3,369,692	566,199	227,304	521,781	62,233	14,593,718	52,899,821	(65,976)	72,174,772	69,565,890
Deferred outflows of resources										
Deferred pension amounts	-	-	-	5,039,189	-	-	-	-	5,039,189	6,134,275
Deferred OPEB amounts	-	-	-	1,169,107	-	-	-	-	1,169,107	1,513,952
Total deferred outflows of resources	-	-	-	6,208,296	-	-	-	-	6,208,296	7,648,227
Liabilities										
Current liabilities										
Accounts payable	267,934	-	8,523	196,886	56,881	-	-	-	530,224	1,564,713
Accrued payroll and vacation	800,783	2,773	25,595	-	-	-	-	-	829,151	714,951
Other accrued liabilities	372,414	-	9,082	-	5,352	-	68,213	(65,976)	389,085	384,411
Unearned revenue	188,238	-	-	-	-	-	-	-	188,238	276,631
Long-term obligations - current portion	216,553	-	-	-	-	-	1,422,209	-	1,638,762	1,556,835
Total current liabilities	1,845,922	2,773	43,200	196,886	62,233	-	1,490,422	(65,976)	3,575,460	4,497,541
Noncurrent liabilities										
Long-term obligations - net of current portion	-	-	-	-	-	-	22,766,969	-	22,766,969	24,222,570
Net pension liability	-	-	-	17,751,179	-	-	-	-	17,751,179	20,630,887
Net OPEB liability	-	-	-	-	-	-	-	-	-	1,181,067
Total noncurrent liabilities	-	-	-	17,751,179	-	-	22,766,969	-	40,518,148	46,034,524
Total liabilities	1,845,922	2,773	43,200	17,948,065	62,233	-	24,257,391	(65,976)	44,093,608	50,532,065
Deferred inflows of resources										
Construction arrangement	-	-	-	-	-	-	2,239,577	-	2,239,577	2,388,882
Deferred pension amounts	-	-	-	4,350,415	-	-	-	-	4,350,415	3,897,710
Deferred OPEB amounts	-	-	-	2,944,530	-	-	-	-	2,944,530	2,992,514
Total deferred inflows of resources	-	-	-	7,294,945	-	-	2,239,577	-	9,534,522	9,279,106
Net position (deficit)										
Net investment in capital assets	-	-	-	-	-	-	24,219,211	-	24,219,211	25,076,241
Restricted expendable - OPEB	-	-	-	324,895	-	-	-	-	324,895	-
Restricted expendable - grants	-	-	-	-	-	-	-	-	-	573
Unrestricted (deficit)	1,523,770	563,426	184,104	(18,837,828)	-	14,593,718	2,183,642	-	210,832	(7,673,868)
Total net position (deficit)	\$ 1,523,770	\$ 563,426	\$ 184,104	\$ (18,512,933)	\$ -	\$ 14,593,718	\$ 26,402,853	\$ -	\$ 24,754,938	\$ 17,402,946

KIRTLAND COMMUNITY COLLEGE

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

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

	General Fund	Designated Fund	Auxiliary Activities Funds	Restricted Pension and OPEB Deficit	Expendable Restricted Funds	Maintenance and Repair Fund	Physical Properties Fund	Eliminations	Combined Total June 30, 2024	Combined Total June 30, 2023
Operating revenues										
Tuition and fees, net	\$ 7,214,819	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,911,075)	\$ 5,303,744	\$ 4,873,734
Federal grants and contracts	-	-	-	-	1,047,399	-	-	-	1,047,399	467,315
State and local grants and contracts	-	-	-	-	447,125	-	-	-	447,125	109,738
Private gifts, grants, and contracts	-	-	-	-	54,800	-	-	-	54,800	65,215
Auxiliary activities	-	-	950,467	-	-	-	-	-	950,467	728,992
Indirect cost recoveries	14,196	-	-	-	-	-	-	(14,196)	-	-
Current funds expenditures for equipment and capital improvements	-	-	-	-	-	-	718,743	(718,743)	-	-
Miscellaneous	145,090	118,634	-	-	-	-	149,305	-	413,029	446,812
Total operating revenues	7,374,105	118,634	950,467	-	1,549,324	-	868,048	(2,644,014)	8,216,564	6,691,806
Operating expenses										
Instruction	5,066,964	29,697	-	(1,113,789)	1,074,368	-	-	(237,099)	4,820,141	5,394,784
Public service	52,242	-	-	(10,189)	-	-	-	-	42,053	31,356
Instructional support	1,639,127	-	1,284,836	(326,266)	594,571	-	-	(38,352)	3,153,916	2,446,036
Student services	3,234,744	-	-	(577,141)	3,213,530	-	(33,392)	(1,911,075)	3,926,666	2,906,565
Institutional administration	2,035,351	-	-	(322,455)	-	-	-	-	1,712,896	1,466,334
Operation and maintenance of physical plant	2,152,562	-	-	(191,177)	-	167,969	-	(457,488)	1,671,866	2,182,790
Information technology	1,116,179	-	-	-	-	-	-	-	1,116,179	959,770
Depreciation and amortization	-	-	-	-	-	-	2,022,011	-	2,022,011	1,886,977
Total operating expenses	15,297,169	29,697	1,284,836	(2,541,017)	4,882,469	167,969	1,988,619	(2,644,014)	18,465,728	17,274,612
Operating (loss) income	(7,923,064)	88,937	(334,369)	2,541,017	(3,333,145)	(167,969)	(1,120,571)	-	(10,249,164)	(10,582,806)
Nonoperating revenues (expenses)										
State appropriations	4,351,742	-	-	-	-	-	-	-	4,351,742	3,975,942
Federal Pell grant	-	-	-	-	2,910,672	-	-	-	2,910,672	2,264,834
Property taxes	8,974,958	-	524,299	-	-	-	470,643	-	9,969,900	9,315,706
Investment and interest income	115,083	-	-	-	-	206,841	36,889	-	358,813	133,870
Gain on sale of assets held for sale	-	-	-	-	-	-	292,813	-	292,813	-
Gain on sale of capital assets	-	-	-	-	-	-	27,789	-	27,789	-
Interest on capital asset - related debt	-	-	-	-	-	-	(778,895)	-	(778,895)	(824,798)
Contributions from the Foundation	-	-	-	-	46,422	-	-	-	46,422	-
Net nonoperating revenues	13,441,783	-	524,299	-	2,957,094	206,841	49,239	-	17,179,256	14,865,554
Other revenues										
State capital appropriations	-	-	-	-	421,900	-	-	-	421,900	-
Transfers (out) in	(5,407,615)	-	(185,681)	-	(46,422)	3,957,258	1,682,460	-	-	-
Increase (decrease) in net position	111,104	88,937	4,249	2,541,017	(573)	3,996,130	611,128	-	7,351,992	4,282,748
Net position (deficit), beginning of year	1,412,666	474,489	179,855	(21,053,950)	573	10,597,588	25,791,725	-	17,402,946	13,120,198
Net position (deficit), end of year	\$ 1,523,770	\$ 563,426	\$ 184,104	\$ (18,512,933)	\$ -	\$ 14,593,718	\$ 26,402,853	\$ -	\$ 24,754,938	\$ 17,402,946