Kellogg Community College

Financial Report

with Supplementary Information

June 30, 2016

Kellogg Community College

Contents

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Kellogg Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Kellogg Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015 and the related notes to the financial statements, which collectively comprise Kellogg Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kellogg Community College and its discretely presented component unit as of June 30, 2016 and 2015 and the respective changes in its financial position and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Kellogg Community College

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, effective July 1, 2015, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.*

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kellogg Community College's basic financial statements. The other supplementary information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Kellogg Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016 on our consideration of Kellogg Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 Kellogg Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 11, 2016

The discussion and analysis of Kellogg Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2016 and 2015. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

The College's annual financial report includes the report of independent auditors, the management's discussion and analysis, basic financial statements, notes to the financial statements, and supplemental information. The basic financial statements are comprised of three components: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.*

The Kellogg Community College Foundation (the "Foundation"), a separate nonprofit organization, qualifies as a component unit of the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Accordingly, the Foundation's financial activity has been discretely presented within the accompanying financial statements.

Change in Accounting Principle

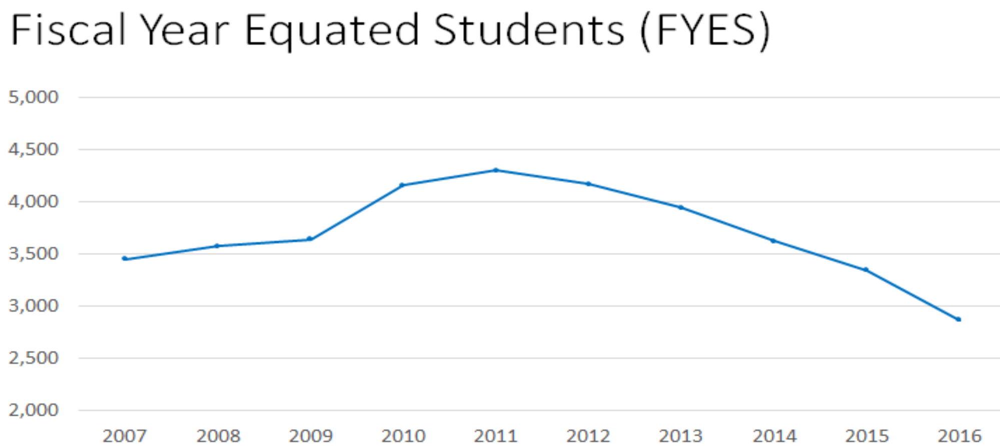
As of June 30, 2015, the College was required to adopt GASB No. 68, which requires governments providing defined benefit pensions through a cost-sharing plan to recognize its portion of any unfunded pension benefit obligation as a liability for the first time, and to more comprehensively measure the annual costs of pension benefits.

As the Michigan Public Schools Employees Retirement System (MPSERS), in which the College is a participating employer, has an unfunded pension liability, the College has reported a change in accounting principle adjustment to unrestricted net position in the amount of $35.8 million as of July 1, 2014, resulting in an unrestricted net deficit of $26.9 million and reducing the College's overall net position to $22.5 million.

Financial Highlights

Despite enduring three consecutive years of declining enrollment, the College's financial position increased during the fiscal years ended June 30, 2016, 2015, and 2014. In 2016 and 2015, the College's net position increased $2.6 million (11 percent) and $1.2 million (2 percent), respectively, from the previous year.

The College's enrollment peaked in 2011 at 4,305 fiscal year equated students (FYES - total credit hours divided by 31). In 2016, as enrollment was challenged across Michigan and the nation, the College's FYES fell to 2,870, a decrease over the past five years of approximately 33 percent.

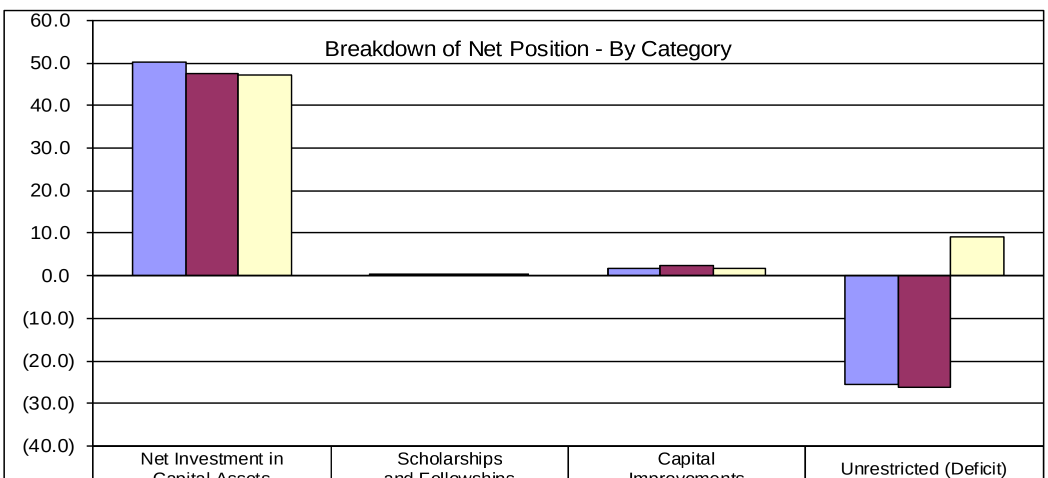


- FYES = Total credit hours divided 31
- ACS Databook through 2015; 2016 per KCC ACS submission

The College believes the decline in enrollment is related to a declining population, an improving economy in which fewer students need training or their skills enhanced, and students reaching the limit on their ability to receive federal financial aid. Federal student aid has steadily decreased each of the past four years from approximately $32.5 million in 2013 to $17.7 million in 2016 (46 percent).

With the enrollment decline, the College did experience decreases in tuition revenue, even after it increased its tuition rates. This was the first time in several years the College was not able to counter declining enrollment with tuition rate increases. However, the College did receive increases in state appropriations and property taxes to help offset the effects of the enrollment. Further, its expenses decreased by over $4 million.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2016, 2015, and 2014:



	Net Investment in Capital Assets	Scholarships and Fellowships	Capital Improvements	Unrestricted (Deficit)
2016	50.1	0.2	1.7	(25.6)
2015	47.4	0.2	2.3	(26.2)
2014	47.3	0.3	1.7	9.0

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

These two statements will help the reader answer the question, “Is Kellogg Community College, as a whole, better or worse off as a result of the year’s activities?” The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. They report the College’s net position and its changes. One can think of net position - the difference between assets and liabilities - as one way to measure the College’s financial health or financial position. Many other nonfinancial factors, such as the trend in admission applicants, student retention, condition of the buildings, and strength of the faculty, need to be considered to assess the overall health of the College. 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. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

The following is a comparison of the major components of the statement of net position of the College for the years ended June 30, 2016, 2015, and 2014:

Statement of Net Position at June 30 (in millions)

	2016	2015	2014
Assets			
Current assets	$ 19.3	$ 21.9	$ 20.9
Restricted cash	-	-	6.4
Long-term investments	4.0	2.1	0.8
Capital assets - Net	58.0	56.4	50.9
Total assets	81.3	80.4	79.0
Deferred Outflows of Resources	4.3	3.5	-
Total assets and deferred outflows of resources	**$ 85.6**	**$ 83.9**	**$ 79.0**
Liabilities			
Current liabilities	9.1	9.9	9.1
Noncurrent liabilities	48.3	46.4	11.6
Total liabilities	57.4	56.3	20.7
Deferred Inflows of Resources	1.9	3.9	-
Total liabilities and deferred inflows of resources	59.3	60.2	20.7
Net Position			
Net investment in capital assets	50.1	47.4	47.3
Expendable restricted for:			
Scholarships and fellowships	0.2	0.2	0.3
Capital improvements	1.7	2.3	1.7
Unrestricted (deficit)	(25.6)	(26.2)	9.0
Total net position	26.3	23.7	58.3
Total liabilities, deferred inflows, and net position	**$ 85.6**	**$ 83.9**	**$ 79.0**

Statement of Net Position

The significant changes in the assets and liabilities of the College are as follows:

- In 2016 and 2015, current assets (decreased) increased ($2.6) million and $1 million, respectively. The decrease in 2016 resulted from using cash to purchase investments, offset by an increase in accounts receivable related to a large receivable on a state grant. The increase in 2015 was due to an increase in cash and accounts receivable.

- The College continued investing in equipment, building, and capital improvement projects in 2016 and 2015, outpacing depreciation of assets each year. The College spent all of its restricted cash, funds received through its 2014 bond sale, on building renovation projects in 2015. Additionally in 2015, the College had more long-term investments.

- Current liabilities decreased $800,000 in 2016 after increasing $800,000 in 2015. In 2016, the College completed construction of a couple projects and paid down its accounts payable by $900,000, offset by an increase in accrued retirements due to offering a retirement incentive to encourage staff to retire to reduce the institution's long-term expenses. The increase in 2015 was due to an increase in unearned revenue resulting from an increase in restricted training funds coming to the College awaiting utilization.

- Long-term liabilities increased $1.9 million primarily as a result in the increase of the College's proportionate share of the MPSERS unfunded liability, net of a reduction in bonds payable and reclassifying some long-term retirement obligations as current as a result of the retirement incentive mentioned above. In 2015, long-term liabilities increased $34.8 million as the College recorded its proportionate share of the unfunded net pension liability of MPSERS as required by GASB No. 68, offset by making its first $1 million bond retirement payment.

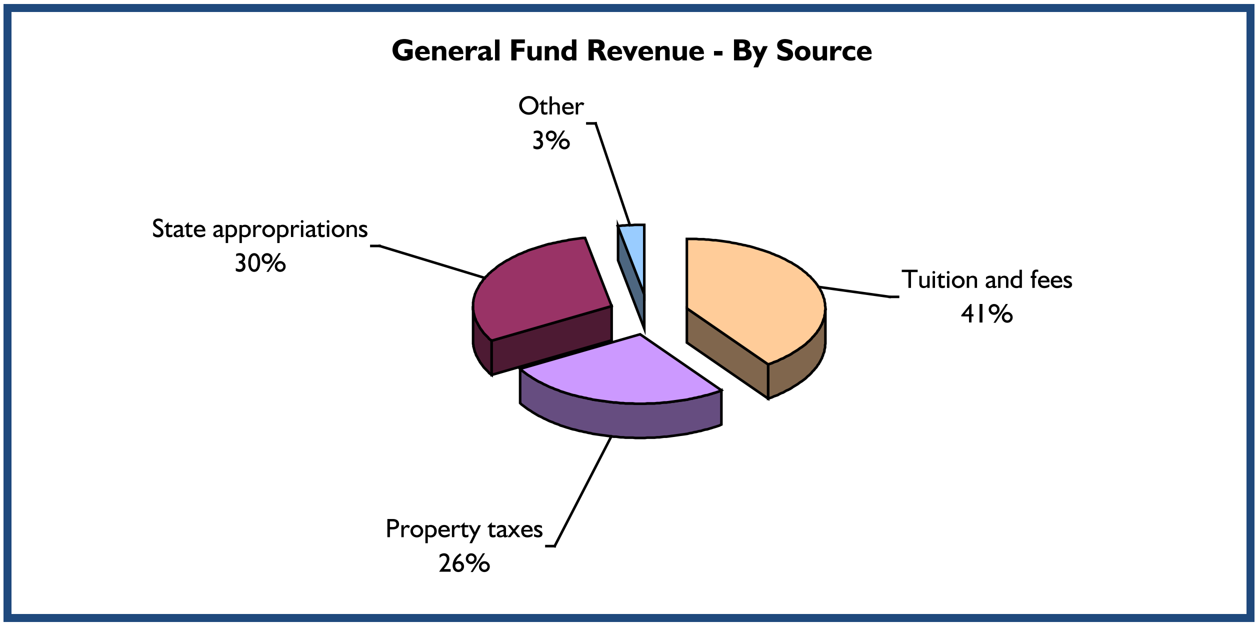
- Deferred outflows and inflows of resources relate to the MPSERS unfunded net pension liability, with the actuarial determination of its funded status as of September 30, 2015, changes in the actuarial assumptions compared to actual results of the plan, the contributions the College makes into the plan and receives from the State of Michigan after the measurement date. These amounts were netted in 2015 and are presented at gross amounts for 2016.

The following is the detail of the major components of operating results of the College for the years ended June 30, 2016, 2015, and 2014:

Operating Results for the Years Ended June 30 (in millions)

	2016	2015	2014
Operating Revenue			
Tuition and fees - Net	$ 11.8	$ 12.8	$ 12.2
Federal grants and contracts	2.0	1.8	2.2
State grants and contracts	2.2	0.7	0.7
Private gifts, grants, and contracts	2.0	2.6	2.3
Sales and services of auxiliary activities	2.0	2.5	2.6
Other sources	1.3	1.3	1.0
Total operating revenue	21.2	21.7	21.0
Operating Expenses			
Instruction	20.4	21.6	20.7
Public service	0.8	0.9	0.9
Instructional support	6.1	6.3	6.3
Student services	10.3	12.5	13.2
Institutional administration	4.1	4.2	4.5
Physical plant operations	4.2	4.6	4.6
Independent operations	1.8	1.9	1.7
Depreciation	2.3	2.1	2.0
Total operating expenses	50.0	54.1	53.9
Operating Loss	(28.8)	(32.4)	(32.9)
Nonoperating Revenue (Expenses)			
State appropriations	10.6	11.2	10.3
Property taxes	12.7	12.3	12.5
Federal Pell grant	7.9	10.4	11.8
Investment income	0.1	0.0	0.0
Loss on disposal of capital assets	(1.2)	(0.1)	-
Interest on capital asset - Related debt	(0.2)	(0.2)	-
Net nonoperating revenue	29.9	33.6	34.6
Other Revenue - Local Capital Appropriations	1.5	-	-
Increase in Net Position	2.6	1.2	1.6
Net Position - Beginning of year	23.7	58.3	56.7
Adjustment for change in accounting principle	-	(35.8)	-
Net Position - Beginning of year, as restated	23.7	22.5	56.7
Net Position - End of year	**$ 26.3**	**$ 23.7**	**$ 58.3**

Internally, the College accounts for its financial statements using fund accounting, which is then reorganized into operating and nonoperating components for the audited financial statements. The College accounts for its primary programs and operations in its General Fund. The General Fund is primarily financed through four sources of revenue - tuition and fees, state appropriations, property taxes, and other. For this report, these sources of revenue are classified as both operating and nonoperating. The following chart shows the percentage of these sources of revenue as they were reported in the General Fund for the year ended June 30, 2016.

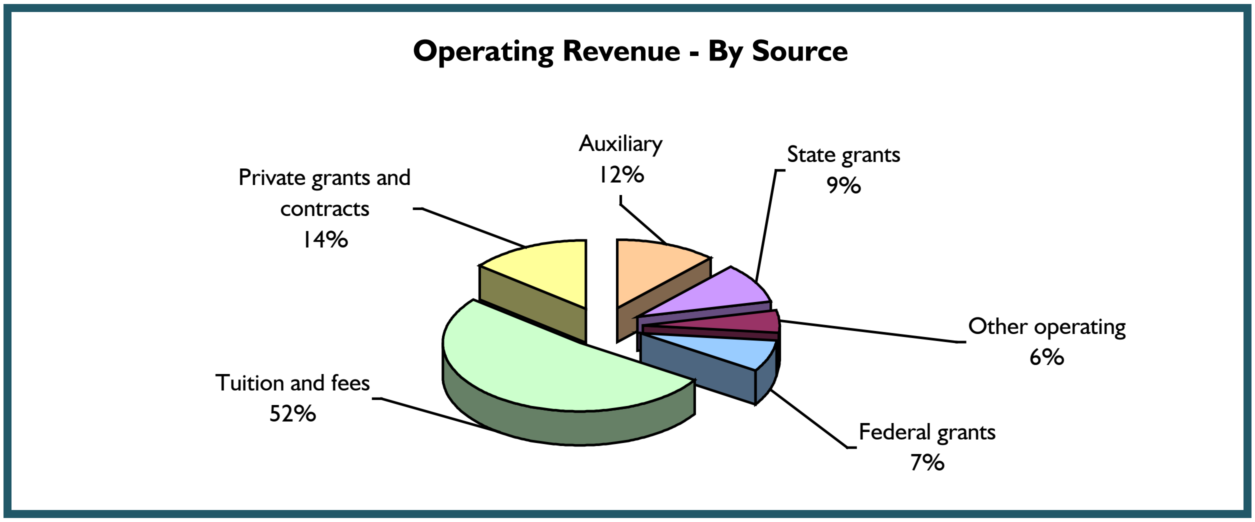


Operating Revenue

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 and 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.

The College's operating revenue decreased by $500,000 (2 percent), in 2016 after a $700,000 increase in 2015 (3 percent). In 2016, the College received $1.6 million more in state grants. These increases were offset by a $1.6 million decrease in private gifts and grants, a $1 million decrease in net tuition and fees and a $500,000 decrease in net sales in the bookstore. The increase in 2015 was the result of increases in net tuition and fees of $600,000 and private gifts and grants of $300,000, offset by a drop in federal grants.

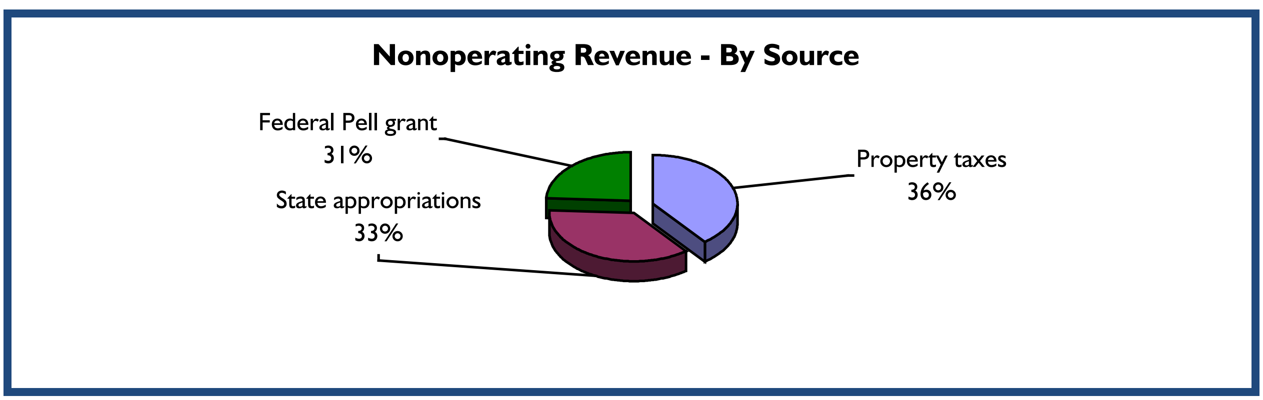
The following is a graphic illustration of operating revenue by source, including all funds of the College:



Nonoperating Revenue

Nonoperating revenue is all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, property taxes, federal Pell grant revenue, and investment income. In 2016, nonoperating revenue decreased $3.7 million, primarily due to a $2.5 million decrease in federal Pell grants and disposal of assets with $1.2 million of book value. These decreases were offset by $500,000 increases in property taxes and $600,000 in state appropriations, with most of the latter relating to increases from the state that get returned to the state to help pay down the unfunded MPSERS liability. Nonoperating revenue decreased by $900,000 in 2015, as Pell grants and property taxes decreased by $1.5 million and $200,000, respectively, offset by an increase in state appropriations of $900,000.

The following is a graphic illustration of nonoperating revenue by source:

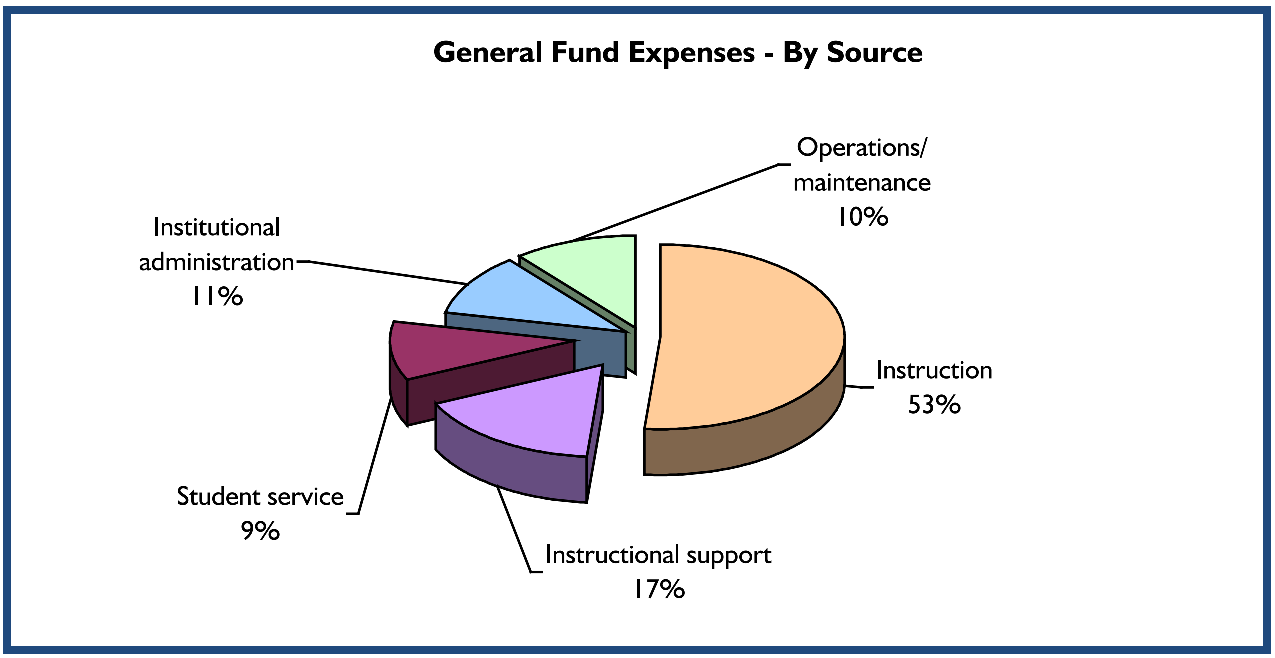


Operating Expenses

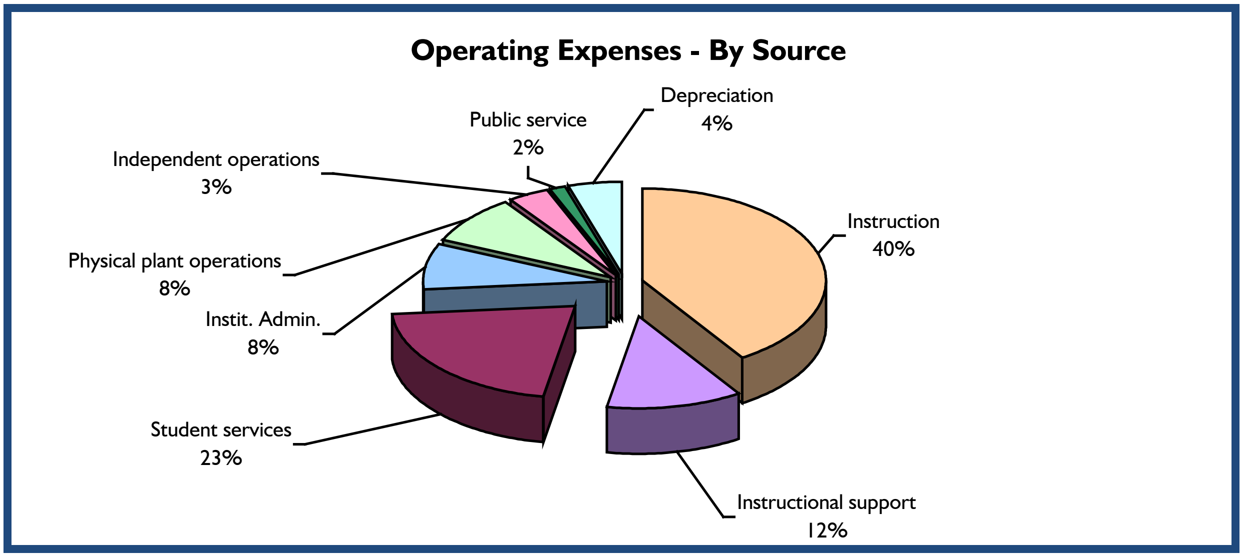
Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries and benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses decreased $4.1 million in 2016 after remaining relatively flat in 2015. Among the reasons for the decrease were $2.7 million reduction in student financial aid (primarily federal Pell grants), $1.2 million related to adjustments resulting from GASB 68 activity, and a $700,000 reduction in instructional costs related to the enrollment decrease.

In 2015, Pell grants decreased $700,000 and were offset by increases in retirement expenses, both through the MPSERS reforms and due to GASB 68, both of which were discussed earlier. The College also experienced increasing costs across most functional areas in 2015. Among the reasons for cost increases were increases in staff, compensation and fringe benefits, and repairs to the College's infrastructure.

The majority of total expenses are reported internally in the College's General Fund. The College spent approximately 76 and 70 percent of its General Fund expenditures on instruction and instructional support in 2016 and 2015, respectively. The following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2016:



For this financial report, the different funds of the College are netted and internal expenditures are eliminated. The following is a graphic illustration of operating expenses by source for the College as a whole at June 30, 2016:



Other

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples would be state capital appropriations, additions to permanent endowments, and transfers from related entities. In 2016, the College received a $1.5 million capital gift from a local governmental agency to help with an addition to one of its facilities. The College had no such revenue in 2015 and 2014.

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the statement 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 statement of cash flows also helps users assess:

- 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 Years Ended June 30 (in millions)			
	2016	2015	2014
Cash (Used in) Provided by			
Operating activities	$ (25.9)	$ (29.2)	$ (31.0)
Noncapital financing activities	28.5	31.0	32.6
Capital and related financing activities	(3.8)	(6.5)	7.0
Investing activities	(2.0)	-	0.7
Net (Decrease) Increase in Cash and Cash Equivalents	(3.2)	(4.7)	9.3
Cash and Cash Equivalents - Beginning of year	13.6	18.3	9.0
Cash and Cash Equivalents - End of year	**$ 10.4**	**$ 13.6**	**$ 18.3**

Major sources of funds from operations came from student tuition and fees, grants and contracts, and auxiliary activities, which includes the bookstore. These sources were offset by expenditures for operations such as payments to employees and suppliers.

Some items of note on the statement of cash flows are as follows:

- The net cash used in operating activities decreased $3.3 million and $1.8 million in 2016 and 2015, respectively. Increases in cash received from grants and contracts and reductions in expenses were primarily the reason for the decrease in 2016 and 2015. Overall, the College still utilizes significant cash in its operating activities.

- Cash provided by noncapital financing activities decreased by $2.5 million and $1.6 in 2016 and 2015, respectively. In 2016, the decrease in Pell grants was partially offset by having more property tax and state appropriations. The decrease in 2015 resulted from less cash received in property taxes and Pell grants, offset by an increase in cash received for state appropriations.

- Cash used in capital and related financing activities approximated $3.9 million and $6.5 million in 2016 and 2015, respectively. In 2016, the College completed $5.6 million worth of capital projects and saw in increase in property taxes restricted for capital projects. The College completed almost $8 million in capital projects and equipment acquisitions during 2015, accounting for most of the increase in cash used on these activities.

Capital Assets

At June 30, 2016, the College had $58.0 million invested in capital assets, net of accumulated depreciation of $41.1 million. Depreciation charges totaled $2.3 million for the current fiscal year.

Capital Assets at June 30 (in millions)			
	2016	2015	2014
Land and land improvements	$ 3.2	$ 3.3	$ 3.4
Buildings and improvements	76.9	72.7	67.7
Furniture, fixtures, and equipment	16.5	14.8	14.1
Construction in progress	2.4	4.9	3.3
Total	**$ 99.1**	**$ 95.7**	**$ 88.5**

The College is now in its second phase of an expansion, facility improvement, and renovation project called the 21st Century Project. This initiative was funded with a 15-year millage levy approved by voters in 1998 and expired with the 2012 tax year. The voters of the College's district approved a 15-year extension of this millage in November 2012 that will generate an estimated $40 million through 2028 to help fund further expansion and improvements to the College's facilities.

Debt

During 2014, the College issued the Kellogg Community College Building and Site Bonds, Series 2014 in the amount of $9.7 million. After making its first payment on the bonds in 2015, the outstanding bonds are noted below.

The table below summarizes this amount by type of debt instrument. The College's bond ratings were AA- by the Standard & Poors' Ratings Services.

Debt Outstanding at June 30 (in millions)			
	2016	2015	2014
Bonds, Series 2014	**$ 7.7**	**$ 8.7**	**$ 9.7**

Economic Factors That Will Affect the Future

The College's ability to attract students will be its most critical economic factor in the near future. The State of Michigan has modestly increased its operation support of the College and continues to increase its support to reduce its educational systems retirement liability, which has certainly been beneficial to the College. Property values and related tax revenue has begun to rebound after decreasing and remaining stagnant in recent years. We are hopeful for that trend to continue in the upcoming years.

However, even with the slight increases in support from the state and local tax base, the enrollment trends mentioned earlier are causing the College to examine its priorities, programs, and structure to make sure it is aligned for future enrollment levels. In 2016, the College offered a retirement incentive to encourage downsizing through attrition. In 2017, this tactic was employed again as more reductions in enrollment were anticipated.

One bright spot impacting enrollment is the growth in the number of high school students enrolling through early college or dual enrollment opportunities. These students increased enrollment 22 percent in 2016, with even further expansion in the upcoming years expected. Taking advantage of this opportunity will certainly help the College maintain stability. Another asset of the College is the voter approved capital millage renewal in 2012. The College is fortunate to have a dedicated resource to support funding most of its future infrastructure needs, as well as retire its bonded indebtedness.

Despite declining enrollment and excluding the effects of implementing GASB No. 68, the College had a favorable year financially, balancing its budget and investing in its infrastructure. Together, with the College's board, management will continue to monitor enrollment trends, programs, the state and local economies, and react with revenue enhancements and/or further expense containment measures as necessary to ensure that the financial health and stability of the College are preserved.

Kellogg Community College

Statement of Net Position

	June 30 2016	June 30 2015
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 10,422,403	$ 13,556,481
Short-term investments (Note 3)	1,288,664	1,106,008
Accounts receivable - Net (Note 5)	6,547,698	5,845,812
Other current assets	1,061,504	1,427,926
Total current assets	19,320,269	21,936,227
Noncurrent assets:		
Long-term investments (Note 3)	3,960,393	2,100,409
Capital assets (Note 6)	58,046,978	56,345,818
Total noncurrent assets	62,007,371	58,446,227
Total assets	81,327,640	80,382,454
Deferred Outflows of Resources (Note 8)	4,258,570	3,541,574
Total assets and deferred outflows of resources	**$ 85,586,210**	**$ 83,924,028**
Liabilities		
Current liabilities:		
Accounts payable	841,463	1,757,940
Accrued payroll and related liabilities	1,812,398	1,724,446
Unearned revenue	3,313,795	3,572,076
Bonds payable - Current (Note 7)	995,000	995,000
Unamortized bond premium - Current (Note 7)	18,129	18,179
Accrued retirement and compensated absences - Current (Note 7)	1,400,000	890,000
Other current liabilities	754,297	909,837
Total current liabilities	9,135,082	9,867,478
Noncurrent liabilities:		
Accrued retirement and compensated absences	2,475,000	2,675,000
Bonds payable - Net of current portion (Note 7)	6,740,000	7,735,000
Unamortized bond premium - Net of current portion (Note 7)	176,924	195,053
Net pension liability (Note 8)	38,858,498	35,772,662
Total noncurrent liabilities	48,250,422	46,377,715
Total liabilities	57,385,504	56,245,193
Deferred Inflows of Resources (Note 8)	1,878,459	3,954,682
Total liabilities and deferred outflows of resources	59,263,963	60,199,875
Net Position		
Net investment in capital assets	50,076,925	47,402,586
Expendable restricted for:		
Expendable scholarships and fellowships	154,056	169,269
Capital improvements	1,678,606	2,346,438
Unrestricted (Deficit)	(25,587,340)	(26,194,140)
Total net position	26,322,247	23,724,153
Total liabilities, deferred inflows, and net position	**$ 85,586,210**	**$ 83,924,028**

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2016	2015
Operating Revenue		
Tuition and fees - Net of scholarship allowance of $4,361,982 and $4,650,022 for 2016 and 2015, respectively	$ 11,772,003	$ 12,802,505
Federal grants and contracts	1,984,402	1,785,698
State grants and contracts	2,150,208	721,856
Private gifts, grants, and contracts	1,990,031	2,551,223
Sales and services of auxiliary activities - Net of scholarship allowance of $649,968 and $945,444 for 2016 and 2015, respectively	1,995,546	2,483,596
Other sources	1,344,238	1,306,871
Total operating revenue	21,236,428	21,651,749
Operating Expenses		
Instruction	20,393,132	21,500,360
Public service	750,219	856,860
Instructional support	6,079,740	6,283,074
Student services	10,326,905	12,521,649
Institutional administration	4,080,832	4,242,451
Physical plant operations	4,291,314	4,604,921
Independent operations	1,816,982	1,900,803
Depreciation	2,295,541	2,132,499
Total operating expenses	50,034,665	54,042,617
Operating Loss	(28,798,237)	(32,390,868)
Nonoperating Revenue (Expenses)		
State appropriations	10,629,083	11,208,138
Property taxes	12,762,091	12,334,789
Pell revenue	7,867,325	10,328,144
Investment income	65,991	44,813
Loss on disposal of capital assets	(1,248,851)	(95,850)
Interest on capital asset - Related debt	(179,308)	(199,258)
Net nonoperating revenue	29,896,331	33,620,776
Other Revenue - Local capital appropriations	1,500,000	-
Increase in Net Position	2,598,094	1,229,908
Net Position - Beginning of year	23,724,153	58,342,054
Adjustment for Change in Accounting Principle (Note 1)	-	(35,847,809)
Net Position - Beginning of year, as restated	23,724,153	22,494,245
Net Position - End of year	**$ 26,322,247**	**$ 23,724,153**

The Accompanying Notes are an Integral Part of This Statement.

Statement of Cash Flows

	Year Ended June 30	
	2016	2015
Cash Flows from Operating Activities		
Tuition and fees	$ 11,345,071	$ 12,594,920
Grants and contracts	6,544,305	5,699,415
Payments to suppliers	(16,467,650)	(15,718,165)
Payments to employees	(31,304,681)	(32,233,298)
Auxiliary enterprise charges - Net	1,995,546	(921,502)
Other	1,998,091	1,394,404
Net cash used in operating activities	(25,889,318)	(29,184,226)
Cash Flows from Noncapital Financing Activities		
Local property taxes	10,113,146	9,750,249
Federal direct lending receipts	9,523,918	15,357,274
Federal direct lending disbursements	(9,523,918)	(15,357,274)
Federal Pell grant	7,867,325	10,199,804
State appropriations	10,522,332	11,052,615
Net cash provided by noncapital financing activities	28,502,803	31,002,668
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(5,245,551)	(7,871,837)
Capital property taxes	2,648,945	2,560,073
Principal paid on capital debt	(995,000)	(995,000)
Interest paid on capital debt	(179,308)	(230,347)
Net cash used in capital and related financing activities	(3,770,914)	(6,537,111)
Cash Flows from Investing Activities		
Sales and maturities of investments	18,401	1,554,857
Purchases of investments	(2,061,041)	(1,578,617)
Interest on investments	65,991	44,813
Net cash (used in) provided by investing activities	(1,976,649)	21,053
Net Decrease in Cash and Cash Equivalents	(3,134,078)	(4,697,616)
Cash and Cash Equivalents - Beginning of year	13,556,481	18,254,097
Cash and Cash Equivalents - End of year	**$ 10,422,403**	**$ 13,556,481**

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2016	2015
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (28,798,237)	$ (32,390,868)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	2,295,541	2,132,499
Change in allowance for bad debts	275,000	350,000
Change in deferred inflows and outflows	(2,793,219)	2,595,840
Change in pension liability	3,085,836	(2,257,879)
(Increase) decrease in assets:		
Accounts receivable	(976,885)	(477,822)
Inventories, prepaids, and other assets	366,422	(188,839)
(Decrease) increase in liabilities:		
Accounts payable	(916,479)	(192,999)
Accrued liabilities and other	330,984	408,595
Deferred revenue	(258,281)	837,247
Net cash used in operating activities	**$ (27,389,318)**	**$ (29,184,226)**

There were no noncash activities during 2016 or 2015.

Discretely Presented Component Unit
Kellogg Community College Foundation

Balance Sheet

	Year Ended May 31	
	2016	2015
Assets		
Cash and cash equivalents	$ 1,533,930	$ 65,000
Contribution receivable	10,000	15,000
Long-term investments	6,849,137	9,084,184
Total assets	**$ 8,393,067**	**$ 9,164,184**
Liabilities - Payable to Kellogg Community College	$ 461,632	$ 588,174
Net Assets		
Unrestricted	2,201,156	2,472,307
Temporarily restricted	1,538,030	2,074,145
Permanently restricted	4,192,249	4,029,558
Total net assets	7,931,435	8,576,010
Total liabilities and net assets	**$ 8,393,067**	**$ 9,164,184**

Statement of Activities

	Year Ended May 31	
	2016	2015
Revenue		
Contributions	$ 377,111	$ 455,887
Contributed services	235,709	-
Special event revenue	95,687	89,708
Investment income	447,953	604,880
Unrealized and realized loss on investments	(1,002,935)	(389,485)
Total revenue	153,525	760,990
Expenses		
Scholarships and grants expense	492,375	575,205
Management and general	153,986	5,367
Fundraising	151,739	55,287
Total expenses	798,100	635,859
Change in Net Assets	(644,575)	125,131
Net Assets - Beginning of year	8,576,010	8,450,879
Net Assets - End of year	**$ 7,931,435**	**$ 8,576,010**

Note 1 - Industry Information and Significant Accounting Policies

Reporting Entity - Kellogg Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles 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 accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the financial statements of Kellogg Community College Foundation have been discretely presented in Kellogg Community College's financial statements.

The Kellogg Community College Foundation (the "Foundation"), a nonprofit organization, was formed to solicit, collect, and invest donations made for the promotion of educational activities and capital campaigns at the College. Separate financial statements of the Foundation may be obtained by contacting Kellogg Community College, 450 North Avenue, Battle Creek, MI 49017.

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. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Internal Revenue Service has determined the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

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

Accrual Basis - The financial statements of Kellogg Community College have been prepared on the accrual basis of accounting, whereby 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 all highly liquid investments with an initial maturity of three months or less.

Investments - Investments are recorded at fair value. Level I investments are based on quoted market prices and Level 2 investments are recorded using a matrix pricing technique. Matrix pricing is used to value the investments' relationship to benchmark quoted prices.

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Property and Equipment - Property and equipment are recorded at cost. Gifts of property are recorded at fair market value at the time gifts are received. Library books are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Land improvements and infrastructure	20 years
Furniture, fixtures, and equipment	5-15 years

Unearned Revenue - Revenue received prior to year end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue consists of approximately $438,000 and $618,000 for the 2016 and 2015 summer semesters, respectively, and approximately $742,000 and $553,000 for the 2016 and 2015 fall semesters, respectively. The remaining amount included in unearned revenue relates to grant funding received during the year that will either be spent in future years or returned to the granting agencies.

Unrestricted Net Position - Unrestricted net position represents net positions that are not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees.

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

Restricted Net Position - Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. The restricted balance consists primarily of funds restricted for student loans, scholarships, capital improvements, and other purposes. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Operating Revenue and Expenses - Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the College's principal ongoing operations. However, most revenue that is considered to be nonexchange, such as tax revenue, federal Pell grant revenue, and state appropriations, is nonoperating revenue.

Revenue Recognition of Tuition and Fees - The academic programs are offered in traditional fall and spring semesters. Revenue from tuition and student fees is recognized during the academic term. Revenue from the summer semester, which commences in May and ends in August, is split and recognized proportionally to the number of days of the semester within the fiscal year. Tuition revenue is reported at established rates net of institutional financial aid and discounts provided directly by the College to students.

Grant Revenue - Revenue from grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

Federal Financial Assistance Programs - The College participates in federally funded Pell grants, SEOG grants, Federal Work Study, and Federal Direct Lending programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

During the years ended June 30, 2016 and 2015, the College distributed $9,523,918 and $15,357,274 respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Reclassifications - Deferred outflows of resources totaling $3,541,574 related to MPSERS, which were presented net with deferred inflows of resources of $3,954,682 in 2015, have been reclassified to their respective deferred outflows of resources lines on the 2015 statement of net position.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Note 1 - Industry Information and Significant Accounting Policies (Continued)

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

Deferred Outflows of Resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2016 and 2015, the College's deferred inflows of resources related to the net pension liability. See Note 8 for more information. Deferred inflows of resources at June 30, 2016 include $1,132,143 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and $746,316 related to the pension plan described in Note 8.

Change in Accounting Principle - The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB No. 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the College has reported a change in accounting principle adjustment to unrestricted net position of $35,847,809, which consists of the net pension liability and related deferred inflows as of July 1, 2014.

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Adoption of New Standard - As of June 30, 2016, the College retrospectively applied Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 provides guidance for determining fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. See Note 4 for additional information.

Note 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 district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2016 and 2015, $2.8636 of tax per $1,000 of taxable property value in the College's taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $10,113,146 and $9,774,716 for the years ended June 30, 2016 and 2015, respectively.

For capital improvement and debt retirement purposes, $.7500 per $1,000 of taxable property value in the College's taxing district was levied for the years ended June 30, 2016 and 2015. Total property tax revenue for the retirement of debt related to the 2014 bond issuances and capital improvement projects was $2,648,945 and $2,560,073 for the years ended June 30, 2016 and 2015, respectively.

Note 3 - Cash and Investments

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2016 and 2015:

	2016	2015
Cash and cash equivalents	$ 10,422,403	$ 13,556,481
Short-term investments	1,288,664	1,106,008
Long-term investments	3,960,393	2,100,409
Total cash and investments	$ 15,671,460	$ 16,762,898

Note 3 - Cash and Investments (Continued)

The amounts in the previous chart are classified in the following categories:

	2016	2015
Cash and cash equivalents	$ 10,415,269	$ 13,549,347
Investments in securities and similar instruments	5,249,057	3,206,417
Petty cash and cash on hand	7,134	7,134
Total cash and investments	$ 15,671,460	$ 16,762,898

As of June 30, 2016 , the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	$ 3,127,028	$ 1,169,355	$ 1,957,673	$ -	$ -
Notes and bonds	2,002,720	-	2,002,720	-	-
Money market	119,309	119,309	-	-	-
Total	$ 5,249,057	$ 1,288,664	$ 3,960,393	$ -	$ -

As of June 30, 2015 , the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	$ 2,710,148	$ 628,140	$ 2,082,008	$ -	$ -
Notes and bonds	18,401	-	-	-	18,401
Money market	477,868	477,868	-	-	-
Total	$ 3,206,417	$ 1,106,008	$ 2,082,008	$ -	$ 18,401

Interest Rate Risk - The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The College does invest in accordance with state law.

Credit Risk - According to state law, the College must limit investments in commercial paper to corporations rated prime by at least one of the standard rating services. The Foundation invests in mutual funds with a long-term growth objective.

Note 3 - Cash and Investments (Continued)

At June 30, 2016 and 2015, the College's investments subject to credit risk (interest rate fluctuations) and related ratings consisted of the following:

	2016		2015	
	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Government National Mortgage Association Bonds	$ -	N/A	$ 18,401	N/A
Federal Home Loan Mortgage Corp., 1.05%, 2/26/18	500,316	Aaa	-	N/A
Federal Farm Credit Bank,1.12%, 2/22/19	500,019	Aaa	-	N/A
Federal Farm Credit Bank,1.00%, 2/22/19	500,235	Aaa	-	N/A
Kent County Bonds, 1.00%, 4/1/18	502,150	Aaa	-	N/A
Total	$ 2,002,720		$ 18,401	

The nationally recognized statistical rating organization (NRSRO) utilized is primarily Moody's Investors Service.

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 does not have a deposit policy for custodial credit risk. At June 30, 2016 and 2015, the carrying amount of the College's deposits was approximately $13,700,000 and $17,200,000, respectively. Of that amount, approximately $2,600,000 and $2,400,000, respectively, was insured by the Federal Deposit Insurance Corporation and National Credit Union Insurance Fund. The remaining $11,100,000 and $14,800,000 at June 30, 2016 and 2015, respectively, was uninsured and uncollateralized. The College does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

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 investment policy does not address custodial credit risk. All of the investments are, however, in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

Note 3 - Cash and Investments (Continued)

More than 5 percent of the College's investments at June 30 were invested as follows:

Issuer	2016	2015
Chemical Bank	5%	8%
Fifth Third Bank	1%	12%
JPMorgan	10%	16%
Kellogg Community Federal Credit Union	10%	17%
Marshall Community Credit Union	5%	8%
Omni Community Credit Union	7%	11%
Post Community Credit Union	5%	8%
Southern Michigan Bank and Trust	5%	8%
United Educational Credit Union	5%	8%
Ally Bank	5%	-
Federal Home Loan Bank	10%	-
Federal Farm Credit Bank	19%	-
Kent County Bonds	10%	-

Foundation Investments - Investments at Kellogg Community College Foundation are as follows:

	2016		2015	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Mutual funds	$ 6,759,560	$ 6,253,191	$ 8,566,624	$ 8,484,546
Exchange-traded products	600,052	595,946	600,052	599,638
Total	$ 7,359,612	$ 6,849,137	$ 9,166,676	$ 9,084,184

The Foundation invests in mutual funds with a long-term objective to preserve principal and provide appreciation. Due to the long-term nature of the investments, the Foundation does not limit investment maturities. The Foundation is also not limited to the investing restrictions imposed on the College by state law.

Note 4 - Fair Value Measurements

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

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

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 2016 and 2015 and the valuation techniques used by the College to determine those values.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Notes and bonds	$ 2,002,720	$ -	$ 2,002,720	$ -

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Notes and bonds	$ 18,401	$ -	$ 18,401	$ -

Note 4 - Fair Value Measurements (Continued)

Investments classified in Level I are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Foundation’s investments are all classified as Level I inputs using quoted prices in active markets for identical assets the Foundation has the ability to access. The following tables represent the Foundation’s assets measured at fair value on a recurring basis at June 30, 2016 and 2015.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2016

	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Mutual funds:				
Equity	$ 1,488,076	$ 1,488,076	$ -	$ -
Fixed income	1,114,175	1,114,175	-	-
Balanced	3,650,940	3,650,940		
Exchange traded funds	595,946	595,946	-	-
Total investments by fair value level	$ 6,849,137	$ 6,849,137	$ -	$ -

Assets Measured at Fair Value on a Recurring Basis at June 30, 2015

	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Mutual funds:				
Equity	$ 3,028,706	$ 3,028,706	$ -	$ -
Fixed income	2,144,104	2,144,104	-	-
Balanced	3,311,736	3,311,736		
Exchange traded funds	599,638	599,638	-	-
Total investments by fair value level	$ 9,084,184	$ 9,084,184	$ -	$ -

Note 5 - Accounts Receivable

Accounts receivable consist of the following:

	2016	2015
Student and third party	$ 3,853,563	$ 3,409,912
Grants and contracts	2,849,364	1,769,028
State appropriations - Operating	2,275,505	2,168,754
Other	594,266	1,248,118
Total accounts receivable	9,572,698	8,595,812
Less allowance for uncollectibles	(3,025,000)	(2,750,000)
Net accounts receivable	$ 6,547,698	$ 5,845,812

The College values accounts receivable at gross realizable value. All amounts deemed to be uncollectible are charged directly against income in the period that determination is made.

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Land improvements	$ 3,068,003	$ -	$ (10,212)	$ 3,057,791
Building and building improvements	72,711,261	5,938,025	(1,708,950)	76,940,336
Furniture, fixtures, and equipment	14,764,385	1,792,812	(100,865)	16,456,332
Subtotal - Depreciable assets	90,543,649	7,730,837	(1,820,027)	96,454,459
Land	290,602	-	-	290,602
Construction in progress	4,889,644	2,315,630	(4,800,916)	2,404,358
Subtotal - Nondepreciable assets	5,180,246	2,315,630	(4,800,916)	2,694,960
Total	95,723,895	10,046,467	(6,620,943)	99,149,419
Less accumulated depreciation:				
Land improvements	1,989,243	86,228	(4,595)	2,070,876
Building and building improvements	25,780,503	1,646,260	(474,708)	26,952,055
Furniture, fixtures, and equipment	11,608,331	563,053	(91,874)	12,079,510
Total accumulated depreciation	39,378,077	$ 2,295,541	$ (571,177)	41,102,441
Capital assets - Net	$ 56,345,818			$ 58,046,978

Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Land improvements	$ 3,068,003	$ -	$ -	$ 3,068,003
Building and building improvements	67,703,198	5,035,831	(27,768)	72,711,261
Furniture, fixtures, and equipment	14,112,067	1,024,727	(372,409)	14,764,385
Subtotal - Depreciable assets	84,883,268	6,060,558	(400,177)	90,543,649
Land	290,602	-	-	290,602
Construction in progress	3,338,509	1,811,279	(260,144)	4,889,644
Subtotal - Nondepreciable assets	3,629,111	1,811,279	(260,144)	5,180,246
Total	88,512,379	7,871,837	(660,321)	95,723,895
Less accumulated depreciation:				
Land improvements	1,900,505	88,738	-	1,989,243
Building and building improvements	24,273,009	1,520,211	(12,717)	25,780,503
Furniture, fixtures, and equipment	11,376,391	523,550	(291,610)	11,608,331
Total accumulated depreciation	37,549,905	$ 2,132,499	$ (304,327)	39,378,077
Capital assets - Net	$ 50,962,474			$ 56,345,818

Note 7 - Long-term Obligations

Long-term obligation activity during the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable -					
College Building and Site Bonds Series 2014	$ 8,730,000	$ -	$ 995,000	$ 7,735,000	$ 995,000
Other Long-term Liabilities					
Accrued retirement and compensated absences	3,565,000	310,000		3,875,000	1,400,000
Unamortized bond premium	213,232	-	18,179	195,053	18,129
Total	$ 12,508,232	$ 310,000	$ 1,013,179	$ 11,805,053	$ 2,413,129

Note 7 - Long-term Obligations (Continued)

Long-term obligation activity during the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable -					
College Building and Site Bonds Series 2014	$ 9,725,000	$ -	$ 995,000	$ 8,730,000	$ 995,000
Other Long-term Liabilities					
Accrued retirement and compensated absences	3,605,000	-	40,000	3,565,000	890,000
Unamortized bond premium	231,361	-	18,129	213,232	18,179
Total	$ 13,561,361	$ -	$ 1,053,129	$ 12,508,232	$ 1,903,179

College Building and Site Bonds, Series 2014 - Bonds issued in March 2014 for $9,750,000. Interest on the bond ranges from 2.00 percent to 3.00 percent and is payable semiannually in April and October. The principal payments range from $490,000 to $995,000 with the final principal installment of $490,000 due on April 1, 2027. The proceeds from the bonds were used for capital projects.

Total principal and interest maturities on the bond payable as of June 30, 2016 are as follows:

Years Ending	Debt Obligations		
June 30	Principal	Interest	Total
2017	$ 995,000	$ 181,313	$ 1,176,313
2018	995,000	161,413	1,156,413
2019	995,000	141,513	1,136,513
2020	995,000	121,613	1,116,613
2021	795,000	101,713	896,713
2022-2025	1,980,000	259,813	2,239,813
2026-2027	980,000	49,000	1,029,000
Total	$ 7,735,000	$ 1,016,378	$ 8,751,378

Accrued Retirement and Compensated Absences - The College provides termination benefits upon departure from the College resulting from unused sick time and years of service and defined by each respective labor contract and administrative policy under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible and certain assumptions are used to determine probability of reaching the criteria required for eligibility. Included in the current portion of the accrual is earned but not used vacation and amounts to be provided to employees that will be retiring in the upcoming fiscal year. Management believes these calculations accurately reflect the College's liability as a result of offering these benefits.

Note 8 - Retirement Plans

Defined Benefit Plan

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

The Michigan Public School Employees Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for MPSERS. That is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671.

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

College contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

July 1, 2014 - September 30, 2014	15.44 - 18.34 percent
October 1, 2014 - September 30, 2015	18.76 - 23.07 percent
October 1, 2015 - June 30, 2016	14.56 - 18.95 percent

Depending on the plan selected, plan member contributions range from 0 percent up to 6.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The College's required and actual contributions to the plan for the years ended June 30, 2016 and 2015 were approximately $3,699,000 and $4,286,000, respectively. Contributions include approximately $1,130,000 and $1,235,000 of revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate for the years ended June 30, 2016 and 2015, respectively. These funds were also remitted to the plan.

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.

Note 8 - Retirement Plans (Continued)

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

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter. Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction. Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense - At June 30, 2016 and 2015, the College reported a liability of approximately $38,900,000 and $35,800,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014 and 2013, respectively, which used updated procedures to roll forward the estimated liability to September 30, 2015 and 2014. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015, the College's proportion was 0.15909 percent, a decrease of 0.00332 percent from its proportion measured as of September 30, 2014. At September 30, 2014, the College's proportion was 0.16241 percent of MPSERS in total, an increase of 0.0 percent from its proportion measured as of September 30, 2013.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of approximately $3,119,000 and $4,606,000 respectively.

Note 8 - Retirement Plans (Continued)

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (128,711)
Changes of assumptions	956,779	-
Net difference between projected and actual earnings on pension plan assets	198,341	-
Changes in proportion and differences between College contributions and proportionate share of contributions	2,969	(617,605)
College contributions subsequent to the measurement date	3,100,481	-
Total	$ 4,258,570	$ (746,316)

	June 30, 2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 1,321,400	$ -
Net difference between projected and actual earnings on pension plan assets	-	(3,954,682)
College contributions subsequent to the measurement date	2,220,174	-
Total	$ 3,541,574	$ (3,954,682)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	$ (56,281)
2018	(56,281)
2019	(108,218)
2020	632,553
Total	$ 411,773

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2017).

Note 8 - Retirement Plans (Continued)

Actuarial Assumptions - The total pension liability as of September 30, 2015 and 2014 is based on the results of an actuarial valuation date of September 30, 2014 and 2013, rolled forward, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 percent to 8.00 percent, net of investment based on the groups
Rate-of-pay increases	3.50 to 12.30 percent, including wage inflation of 3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale AA

The actuarial assumptions used for the September 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 8.00 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension 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 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.

Note 8 - Retirement Plans (Continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	September 30, 2015		September 30, 2014	
Investment Category	Target Allocation Percentage	Long-term Expected Real Rate of Return	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity pools	28.0%	5.9%	28.0%	4.8%
Private equity pools	18.0%	9.2%	18.0%	8.5%
International equity pools	16.0%	7.2%	16.0%	6.1%
Fixed-income pools	10.5%	0.9%	11.0%	1.5%
Real estate and infrastructure pools	10.0%	4.3%	10.0%	5.3%
Real return, opportunistic, and absolute pools	15.5%	6.0%	16.0%	6.3%
Short-term investment pools	2.0%	0.0%	1.0%	-0.2%
Total	100%		100%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the College calculated using the discount rate of 7.00 to 8.00 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2016	1.00 percent decrease (7.00/6.00 percent)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
Net pension liability	$ 50,098,565	$ 38,858,498	$ 29,382,661

2015	1.00 percent decrease (7.00/6.00 percent)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
Net pension liability	$ 47,163,140	$ 35,772,662	$ 26,176,016

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan - At June 30, 2016 and 2015, the College reported a payable of $419,000 and $337,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2016 and 2015, respectively, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2016 and 2015.

Note 8 - Retirement Plans (Continued)

Postemployment Benefits Other than Pension (OPEB) - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 20 percent of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 through September 30, 2014 and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through September 30, 2015 and from 6.40 percent to 6.83 percent of covered payroll for the period from October 1, 2015 through June 30, 2016, dependent upon the employee’s date of hire and plan election as noted above. Members can choose to contribute 3.00 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3.00 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2.00 percent employee contribution into their 457 accounts as of their transition date and create a 2.00 percent employer match into the employees’ 403(b) accounts.

The College’s required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were $734,000, $496,000, and $1,228,000, respectively.

Defined Contribution Plan

As an alternative pension option, the College offers all full-time faculty and administrative employees the opportunity to participate in the Teachers’ Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Funding for the plan consists of employer contributions of 10.5 percent and employee contributions of 4.0 percent of covered compensation for the years ended June 30, 2016 and 2015. Benefits vest immediately. Compensation covered under the plan for the years ended June 30, 2016 and 2015 was approximately $7,144,000 and $6,989,000, respectively, resulting in contributions of approximately $750,000 and $734,000, respectively, for the College and $286,000 and $280,000, respectively, for employees.

Note 9 - Kellogg Community College Foundation

The Foundation was incorporated in 1998 and was organized to provide support exclusively for the objectives and purposes of Kellogg Community College and to augment the facilities of the College in such a manner as may be designated by its board of trustees. During the years ended June 30, 2016 and 2015, the Foundation made grants and distributions to and on behalf of the College totalling $492,375 and $575,205, respectively. If the Foundation was dissolved, its remaining assets would be distributed to the College.

Note 9 - Kellogg Community College Foundation (Continued)

The Foundation's net assets include donor-restricted endowment funds, whose purpose is to provide scholarships to students of the College. Net assets associated with these funds are classified and reported based on the existence or absence of donor- or board-imposed restrictions. Permanently restricted endowment net assets are $4,192,249 and $4,029,558 as of June 30, 2016 and 2015, respectively. Excess earnings on the endowments, classified as temporarily restricted, are $1,538,030 and $2,074,145 as of June 30, 2016 and 2015, respectively.

Note 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 has purchased commercial insurance for property loss, errors and omissions, and medical benefits provided to employees and claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Self-insurance

The College is self-insured for health benefits. The College estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The College has purchased insurance to protect the College for claims in excess of $35,000.

	2016	2015	2014
Estimated liability - Beginning of year	$ 210,000	$ 250,000	$ -
Estimated claims incurred, including changes in estimates	873,593	907,310	424,139
Less claim payments	(933,593)	(947,310)	(174,139)
Estimated liability - End of year	$ 150,000	$ 210,000	$ 250,000

Note 11 - Upcoming Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees Retirement Plan (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement provides guidance for required disclosures regarding tax abatement agreements. This statement will require the College to disclose information such as the names of the governmental entity that entered into the tax abatement agreement, the specific taxes being abated, and the gross dollar amount of taxes being abated during the period. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements year ending June 30, 2017.

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
(Amounts were determined as of September 30 of each fiscal year)

	2016	2015
College's proportion of the collective MPSERS net pension liability:		
As a percentage	0.15909%	0.16241%
Amount	$ 38,858,498	$ 35,772,662
College's covered-employee payroll	$ 13,571,978	$ 13,936,866
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	286.31%	256.68%
MPSERS fiduciary net position as a percentage of the total pension liability	62.92%	66.15%

Schedule of College's Contributions
Michigan Public School Employees Retirement Plan
(Amounts were determined as of June 30 of each fiscal year)

	2016	2015
Statutorily required contribution	$ 3,639,846	$ 4,286,250
Contributions in relation to the actuarially determined contractually required contribution	$ 3,639,846	$ 4,286,250
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 12,846,838	$ 13,800,928
Contributions as a percentage of covered employee payroll	28.33%	31.06%

Notes to Required Supplementary Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan year ended September 30, 2015 and 2014.

Changes of Assumptions - There were no changes to assumptions for the plan year ended September 30, 2015 and 2014.

Supplementary Information

~This Page Intentionally Left Blank ~

	General Fund	MPSERS Fund	Auxiliary Fund
Assets			
Current assets:			
Cash and cash equivalents	$ 10,422,403	$ -	$ -
Short-term investments	1,209,924	-	-
Accounts receivable - Net	3,463,179	-	168,813
Other current assets	494,232	-	567,272
Due (to) from other funds	(5,110,184)	-	1,129,974
Total current assets	10,479,554	-	1,866,059
Noncurrent assets:			
Long-term investments	3,960,393	-	-
Capital assets	-	-	-
Total noncurrent assets	3,960,393	-	-
Total assets	14,439,947	-	1,866,059
Deferred Outflows of Resources	-	4,258,570	-
Total assets and deferred outflows of resources	**$ 14,439,947**	**$ 4,258,570**	**$ 1,866,059**
Liabilities			
Current liabilities:			
Accounts payable	$ 841,463	$ -	$ -
Accrued payroll and related liabilities	1,812,398	-	-
Unearned revenue	1,246,327	-	-
Accrued retirement and compensated absences - Current	1,335,000	-	25,000
Bonds payable - Current	-	-	-
Unamortized bond premium - Current	-	-	-
Other current liabilities	714,251	-	40,046
Total current liabilities	5,949,439	-	65,046
Noncurrent liabilities:			
Accrued retirement and compensated absences - Noncurrent	2,475,000	-	-
Bonds payable - Noncurrent	-	-	-
Unamortized bond premium - Noncurrent	-	-	-
Net pension liability	-	38,858,498	-
Total noncurrent liabilities	2,475,000	38,858,498	-
Total liabilities	8,424,439	38,858,498	65,046
Deferred Inflows of Resources	-	1,878,459	-
Net Position			
Net investment in capital assets	-	-	-
Restricted for:			
Expendable scholarships and fellowships	-	-	-
Capital improvements	-	-	-
Unrestricted (deficit)	6,015,508	(36,478,387)	1,801,013
Total net position	6,015,508	(36,478,387)	1,801,013
Total liabilities, deferred inflows, and net position	**$ 14,439,947**	**$ 4,258,570**	**$ 1,866,059**

Combining Statement of Net Position
June 30, 2016

Restricted Fund	Plant Fund	Total	Eliminations	Combined Total
$ -	$ -	$ 10,422,403	$ -	$ 10,422,403
78,740	-	1,288,664	-	1,288,664
2,790,706	125,000	6,547,698	-	6,547,698
-	-	1,061,504	-	1,061,504
(647,922)	4,628,132	-	-	-
2,221,524	4,753,132	19,320,269	-	19,320,269
-	-	3,960,393	-	3,960,393
40,000	58,006,978	58,046,978	-	58,046,978
40,000	58,006,978	62,007,371	-	62,007,371
2,261,524	62,760,110	81,327,640	-	81,327,640
-	-	4,258,570	-	4,258,570
$ 2,261,524	**$ 62,760,110**	**$ 85,586,210**	**$ -**	**$ 85,586,210**
$ -	$ -	$ 841,463	$ -	$ 841,463
-	-	1,812,398	-	1,812,398
2,067,468	-	3,313,795	-	3,313,795
40,000	-	1,400,000	-	1,400,000
-	995,000	995,000	-	995,000
-	18,129	18,129	-	18,129
-	-	754,297	-	754,297
2,107,468	1,013,129	9,135,082	-	9,135,082
-	-	2,475,000	-	2,475,000
-	6,740,000	6,740,000	-	6,740,000
-	176,924	176,924	-	176,924
-	-	38,858,498	-	38,858,498
-	6,916,924	48,250,422	-	48,250,422
2,107,468	7,930,053	57,385,504	-	57,385,504
-	-	1,878,459	-	1,878,459
-	50,076,925	50,076,925	-	50,076,925
154,056	-	154,056	-	154,056
-	1,678,606	1,678,606	-	1,678,606
-	3,074,526	(25,587,340)	-	(25,587,340)
154,056	54,830,057	26,322,247	-	26,322,247
$ 2,261,524	**$ 62,760,110**	**$ 85,586,210**	**$ -**	**$ 85,586,210**

	General Fund	MPSERS Fund	Auxiliary Fund
Operating Revenue			
Tuition and fees - Net of scholarship allowance	$ 15,337,131	$ -	$ 235,000
Federal grants and contracts	154,777	-	-
State grants and contracts	-	-	-
Private gifts, grants, and contracts	-	-	-
Sales and services of auxiliary activities - Net of scholarship allowance	60,263	-	2,585,251
Other sources	1,131,329	-	148,921
Total operating revenue	16,683,500	-	2,969,172
Operating Expenses			
Instruction	19,279,562	(428,686)	-
Public service	174,978	(3,891)	-
Instructional support	6,217,996	(138,256)	-
Student services	3,869,292	(86,033)	335,072
Institutional administration	4,173,632	(92,800)	-
Physical plant operations	4,041,410	(89,860)	-
Independent operations	-	-	2,466,950
Depreciation	-	-	-
Total operating expenses	37,756,870	(839,526)	2,802,022
Operating (Loss) Income	(21,073,370)	839,526	167,150
Nonoperating Revenue (Expenses)			
State appropriations	11,641,418	(1,132,143)	26,199
Property taxes	10,113,146	-	-
Pell revenue	-	-	-
Investment income	54,542	-	-
Loss on disposal of capital assets	-		-
Interest on capital asset - Related debt	-	-	-
Net nonoperating revenue (expense)	21,809,106	(1,132,143)	26,199
Other Revenue - Local capital appropriations	-	-	-
Increase in Net Position - Before transfers	735,736	(292,617)	193,349
Transfers	(713,670)	-	(175,000)
Increase (Decrease) in Net Position	22,066	(292,617)	18,349
Net Position - Beginning of year	5,993,442	(36,185,770)	1,782,664
Net Position - End of year	**$ 6,015,508**	**$ (36,478,387)**	**$ 1,801,013**

Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2016

Restricted Fund	Plant Fund	Total	Eliminations	Combined Total	Combined Total June 30, 2015
$ 561,854	$ -	$ 16,133,985	$ (4,361,982)	$ 11,772,003	$ 12,802,505
1,829,625	-	1,984,402	-	1,984,402	1,785,698
2,150,208	-	2,150,208	-	2,150,208	721,856
1,990,031	-	1,990,031	-	1,990,031	2,551,223
-	-	2,645,514	(649,968)	1,995,546	2,483,596
63,988	-	1,344,238	-	1,344,238	1,306,871
6,595,706	-	26,248,378	(5,011,950)	21,236,428	21,651,749
1,542,256	-	20,393,132	-	20,393,132	21,500,360
579,132	-	750,219	-	750,219	856,860
-	-	6,079,740	-	6,079,740	6,283,074
10,570,556	-	14,688,887	(4,361,982)	10,326,905	12,521,649
-	-	4,080,832	-	4,080,832	4,242,451
-	339,764	4,291,314	-	4,291,314	4,604,921
-	-	2,466,950	(649,968)	1,816,982	1,900,803
-	2,295,541	2,295,541	-	2,295,541	2,132,499
12,691,944	2,635,305	55,046,615	(5,011,950)	50,034,665	54,042,617
(6,096,238)	(2,635,305)	(28,798,237)	-	(28,798,237)	(32,390,868)
93,609	-	10,629,083	-	10,629,083	11,208,138
-	2,648,945	12,762,091	-	12,762,091	12,334,789
7,867,325	-	7,867,325	-	7,867,325	10,328,144
-	11,449	65,991	-	65,991	44,813
-	(1,248,851)	(1,248,851)	-	(1,248,851)	(95,850)
-	(179,308)	(179,308)	-	(179,308)	(199,258)
7,960,934	1,232,235	29,896,331	-	29,896,331	33,620,776
-	1,500,000	1,500,000	-	1,500,000	-
1,864,696	96,930	2,598,094	-	2,598,094	1,229,908
(1,879,909)	2,768,579	-	-	-	-
(15,213)	2,865,509	2,598,094	-	2,598,094	1,229,908
169,269	51,964,548	23,724,153	-	23,724,153	58,342,054
$ 154,056	**$ 54,830,057**	**$ 26,322,247**	**$ -**	**$ 26,322,247**	**$ 23,724,153**

Kellogg Community College

Schedule of General Fund Expenditures
Year Ended June 30, 2016
(with comparative totals for the year ended June 30, 2015)

	Salaries and Related Expenses	Other Expenses	June 30, 2016 Total	June 30, 2015 Total
Instruction				
General education	$ 6,683,022	$ 691,063	$ 7,374,085	$ 7,001,307
Business and human services	2,918,667	384,807	3,303,474	3,736,546
Technical and industrial trades	1,543,684	400,177	1,943,861	2,129,300
Health occupations	4,431,020	910,081	5,341,101	5,529,522
Developmental and basic skills	1,016,226	68,098	1,084,324	1,197,546
Human development	94,946	6,176	101,122	26,737
Personal interest	123,558	8,037	131,595	136,007
Equipment	-	-	-	213,791
Total instruction	16,811,123	2,468,439	19,279,562	19,970,756
Public Service	163,738	11,240	174,978	174,957
Instructional Support				
Instructional support	5,400,560	817,436	6,217,996	6,218,830
Equipment	-	-	-	8,795
Total instructional support	5,400,560	817,436	6,217,996	6,227,625
Student Services				
Student services programs and administration	2,388,837	315,101	2,703,938	2,678,996
Financial aid	537,924	508,744	1,046,668	703,558
Intercollegiate athletics	111,437	7,249	118,686	112,042
Equipment	-	-	-	7,407
Total student services	3,038,198	831,094	3,869,292	3,502,003
Institutional Administration				
Institutional administration	2,592,279	1,581,353	4,173,632	4,149,219
Equipment	-	-	-	55,792
Total institutional administration	2,592,279	1,581,353	4,173,632	4,205,011
Physical Plant Operations				
Physical plant operations	1,050,605	1,805,087	2,855,692	2,548,414
Energy services	-	777,600	777,600	810,167
Campus security	113,417	294,701	408,118	419,315
Equipment	-	-	-	98,930
Total physical plant operations	1,164,022	2,877,388	4,041,410	3,876,826
Total expenditures	**$ 29,169,920**	**$ 8,586,950**	**$ 37,756,870**	**$ 37,957,178**