# Kellogg Community College

**Financial Report**
**with Supplemental Information**
**June 30, 2018**

# Contents

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# 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, 2018 and 2017 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 opinions 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, 2018 and 2017 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.

### *Emphasis of Matter*

As discussed in Note 1 to the basic financial statements, effective July 1, 2017, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

To the Board of Trustees
Kellogg Community College

***Required Supplemental 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, schedule of the College's pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of the College's OPEB 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 an opinion on the financial statements that collectively comprise Kellogg Community College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018 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 12, 2018

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, 2018 and 2017. 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

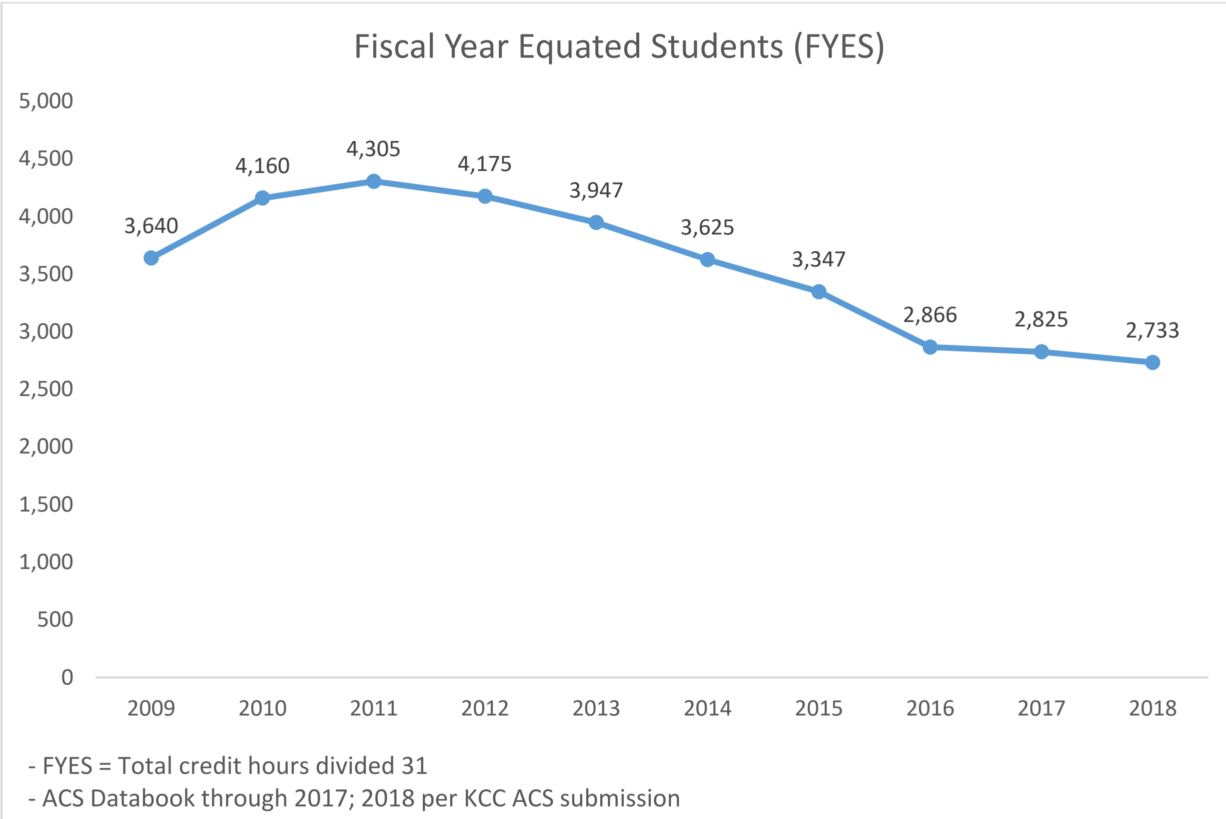
As of June 30, 2018, the College was required to adopt GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard requires 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 MPSERS plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

The OPEB associated with the College's participation in the MPSERS plan has an unfunded liability in which the College possesses a proportionate share. The College has reported a change in accounting principle adjustment to unrestricted net position in the amount of $13.8 million, resulting in an overall net position of $15.5 million as of July 1, 2017.

## Financial Highlights

Despite enduring several consecutive years of declining enrollment, the College's financial position increased during the fiscal years ended June 30, 2018, 2017, and 2016. In 2018 and 2017, the College's net position increased $2.7 million (9 percent) and $3 million (11 percent), respectively, from the previous year (prior to the change in accounting principle adjustment noted above).

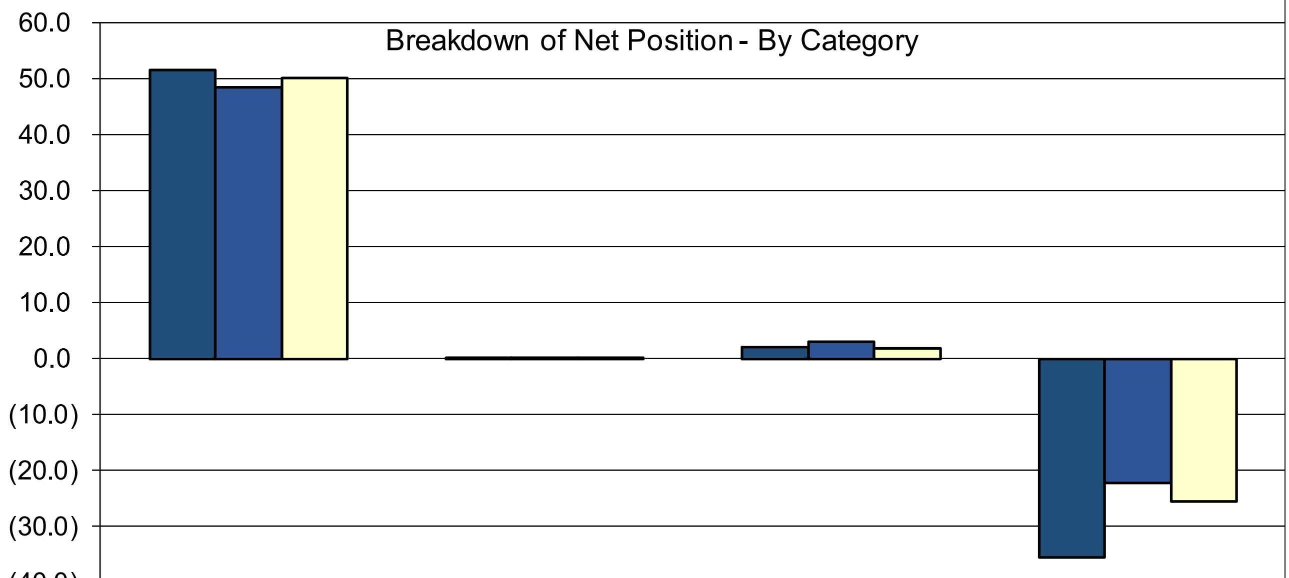
The College's enrollment peaked in 2011 at 4,305 fiscal year equated students (FYES - total credit hours divided by 31). In 2018, as enrollment was challenged across Michigan and the nation, the College's FYES were 2,731, a decrease of approximately 37 percent since the 2011 peak.




The College believes the decline in enrollment is related to a declining population, an improving economy in which students are working more, needless training or their skills enhanced, and reaching the limit on their ability to receive federal financial aid. Federal student financial aid has steadily decreased each of the past four years from approximately $32.5 million in 2013 to $14.9 million in 2018, a decrease of 54 percent.

To counter enrollment decreases over the past several years, as well as to keep up with rising operating costs, the College has modestly increased its tuition rates. When FYES decreased 14 percent in 2016, the College's tuition rate increases were not sufficient to offset the drop in credit hours, resulting in decreasing tuition revenue for the first time in several years. However, in 2018, the College was able to counter the continued enrollment decline with tuition rate increases that resulted in approximately $130,000 more in gross tuition revenue.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2018, 2017, and 2016:




| | Net Investment in Capital Assets | Scholarships and Fellowships | Capital Improvements | Unrestricted (Deficit) |
|---|---|---|---|---|
| 2018 | 51.6 | 0.1 | 2.1 | (35.6) |
| 2017 | 48.5 | 0.1 | 2.9 | (22.2) |
| 2016 | 50.1 | 0.2 | 1.7 | (25.6) |

**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, 2018, 2017, and 2016:

**Statement of Net Position at June 30 (in millions)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $ 25.9 | $ 22.7 | $ 19.3 |
| Restricted cash | 3.0 | 7.6 | - |
| Long-term investments | 2.9 | 4.9 | 4.0 |
| Capital assets - Net | 64.3 | 57.7 | 58.0 |
| Total assets | 96.1 | 92.9 | 81.3 |
| **Deferred Outflows of Resources** | 8.7 | 4.7 | 4.3 |
| Total assets and deferred outflows of resources | **$ 104.8** | **$ 97.6** | **$ 85.6** |
| **Liabilities** | | | |
| Current liabilities | 10.4 | 8.6 | 9.1 |
| Noncurrent liabilities | 70.7 | 57.2 | 48.3 |
| Total liabilities | 81.1 | 65.8 | 57.4 |
| **Deferred Inflows of Resources** | 5.5 | 2.5 | 1.9 |
| Total liabilities and deferred inflows of resources | 86.6 | 68.3 | 59.3 |
| **Net Position** | | | |
| Net investment in capital assets | 51.6 | 48.5 | 50.1 |
| Expendable restricted for: | | | |
| Scholarships and fellowships | 0.1 | 0.1 | 0.2 |
| Capital improvements | 2.1 | 2.9 | 1.7 |
| Unrestricted (deficit) | (35.6) | (22.2) | (25.6) |
| Total net position | 18.2 | 29.3 | 26.3 |
| Total liabilities, deferred inflows, and net position | **$ 104.8** | **$ 97.6** | **$ 85.6** |

### Statement of Net Position

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

- In 2018 and 2017, current assets increased $3.3 million as long-term investments' maturity dates became closer. Also in 2018, restricted cash decreased $4.6 million as bond proceeds were spent on construction projects. In 2017, current assets and restricted cash increased approximately $11 million primarily the result of selling $9.4 million in bonds.

- In 2018, the College had one major construction project and several minor renovation projects underway, resulting in an increase of $6.6 million in capital assets. In 2017, the College's investments in its infrastructure were primarily offset by the depreciation of its existing assets.

- Current liabilities increased by approximately $1.8 million and decreased by $500,000 in 2018 and 2017, respectively. In 2018, the College had ongoing construction projects resulting in an increase accounts payable, higher accrued payroll due to more pay periods ending after year-end and more bond payments becoming due in the coming year. During 2017, the decrease was primarily the result of the College paying the amounts due to employees who accepted the retirement incentive in 2016.

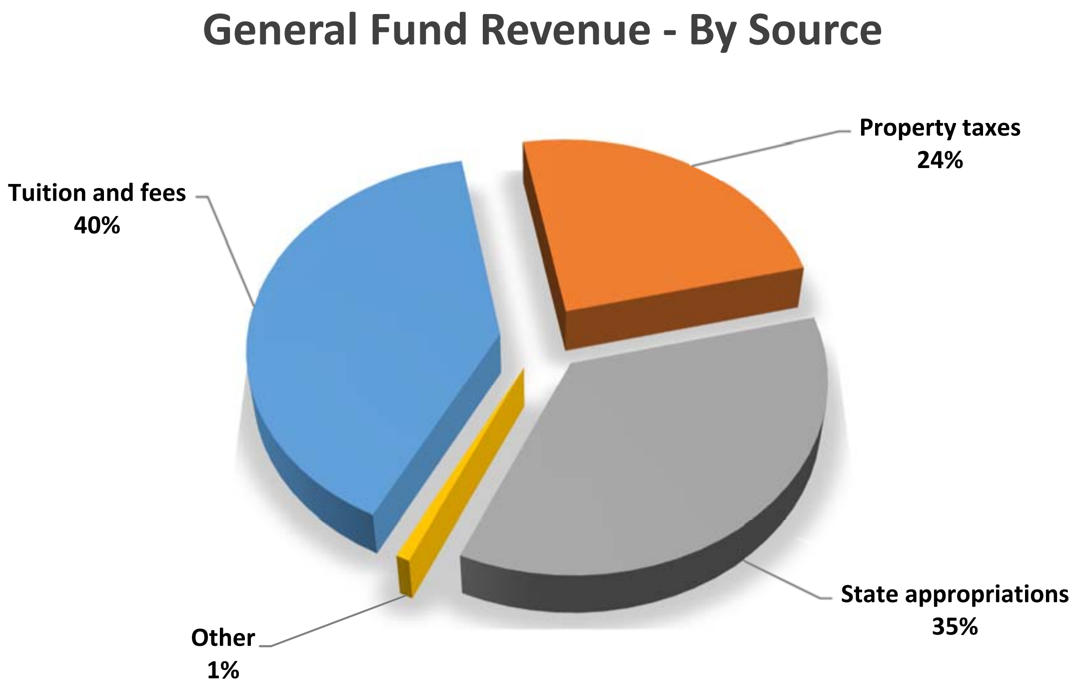
- Long-term liabilities increased by $13.5 million due to the adoption of GASB Statement No. 75. Long-term liabilities increased $8.9 million in 2017 as the College issued $9.4 million in bonds in June 2017 to fund some construction projects. The College also retired $1 million of its 2014 bond issue.
- 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, 2017 and 2016 (the "measurement date"), changes in the actuarial assumptions compared to actual results of the plan, and the contributions the College makes into the plan and receives from the State of Michigan after the measurement date.

The following is the detail of the major components of operating results of the College for the years ended June 30, 2018, 2017, and 2016:

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

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Operating Revenue** | | | |
| Tuition and fees - Net | $ 12.2 | $ 12.3 | $ 11.8 |
| Federal grants and contracts | 1.5 | 2.0 | 2.0 |
| State grants and contracts | - | 0.5 | 2.1 |
| Private gifts, grants, and contracts | 3.0 | 2.0 | 2.0 |
| Sales and services of auxiliary activities | 1.8 | 2.0 | 2.0 |
| Other sources | 0.7 | 1.1 | 1.3 |
| Total operating revenue | 19.2 | 19.9 | 21.2 |
| **Operating Expenses** | | | |
| Instruction | 18.2 | 18.3 | 19.2 |
| Information Technology | 2.0 | 2.2 | 2.2 |
| Public service | 1.8 | 1.2 | 0.8 |
| Instructional support | 6.4 | 6.0 | 5.7 |
| Student services | 8.6 | 8.5 | 9.4 |
| Institutional administration | 4.4 | 4.0 | 3.8 |
| Physical plant operations | 4.7 | 4.0 | 4.2 |
| Auxiliary enterprises | 2.4 | 2.5 | 2.4 |
| Depreciation | 2.5 | 2.4 | 2.3 |
| Total operating expenses | 51.0 | 49.1 | 50.0 |
| **Operating Loss** | (31.8) | (29.2) | (28.8) |
| **Nonoperating Revenue (Expenses)** | | | |
| State appropriations | 15.1 | 13.8 | 10.6 |
| Property taxes | 12.2 | 12.0 | 12.7 |
| Federal Pell grant | 7.0 | 7.0 | 7.9 |
| Investment income | 0.3 | 0.1 | 0.1 |
| Loss on disposal of capital assets | 0.0 | (0.5) | (1.2) |
| Interest on capital asset - Related debt | (0.1) | (0.3) | (0.2) |
| Net nonoperating revenue | 34.5 | 32.1 | 29.9 |
| **Other Revenue** - Local capital appropriations | - | 0.1 | 1.5 |
| **Increase in Net Position** | 2.7 | 3.0 | 2.6 |
| **Net Position** - Beginning of year, as previously reported | 29.3 | 26.3 | 23.7 |
| Adjustment for change in accounting principle | (13.8) | - | - |
| **Net Position** - Beginning of year | 15.5 | 26.3 | 23.7 |
| **Net Position** - End of year | **$ 18.2** | **$ 29.3** | **$ 26.3** |

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, 2018.

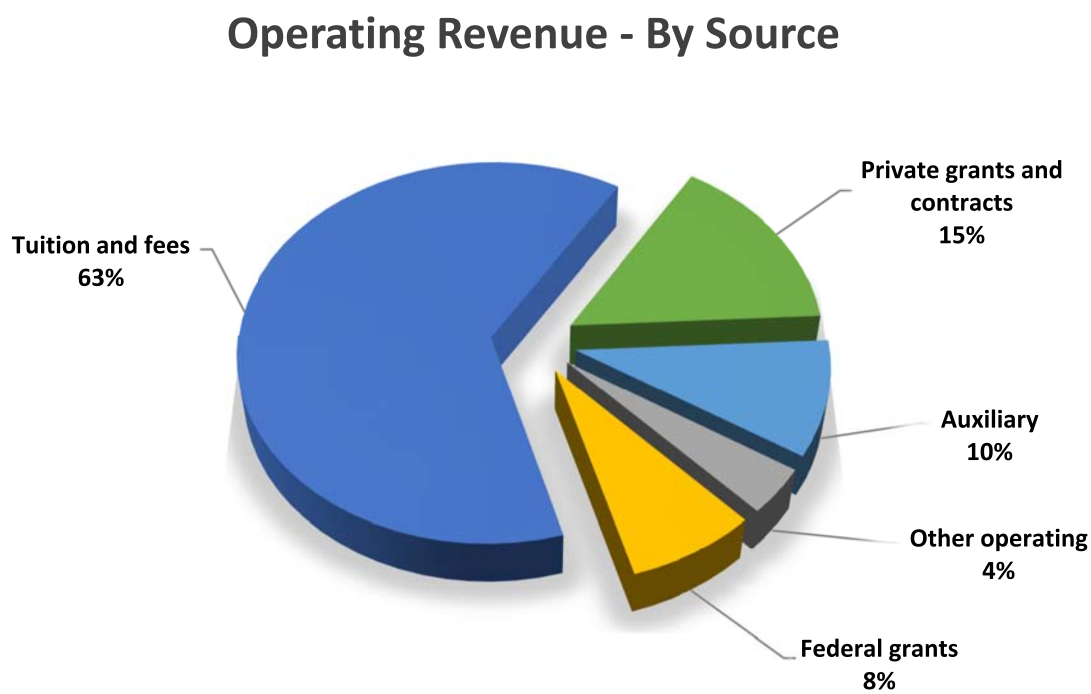



## Operating Revenue

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, such as bookstore sales. 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 approximately $700,000 (4 percent) and $1.3 million (6 percent) in 2018 and 2017, respectively. The decrease in 2018 was primarily due to the declining net tuition and bookstore revenue and the expiration of various State and Federal Grants that were received in 2017, which was partially offset by two large locally-funded grant programs. The decrease in 2017 was primarily due to one-time funding from the State of Michigan in 2016 for training equipment and loss of rental revenue of $300,000, offset by a $500,000 increase in net tuition and fees.

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



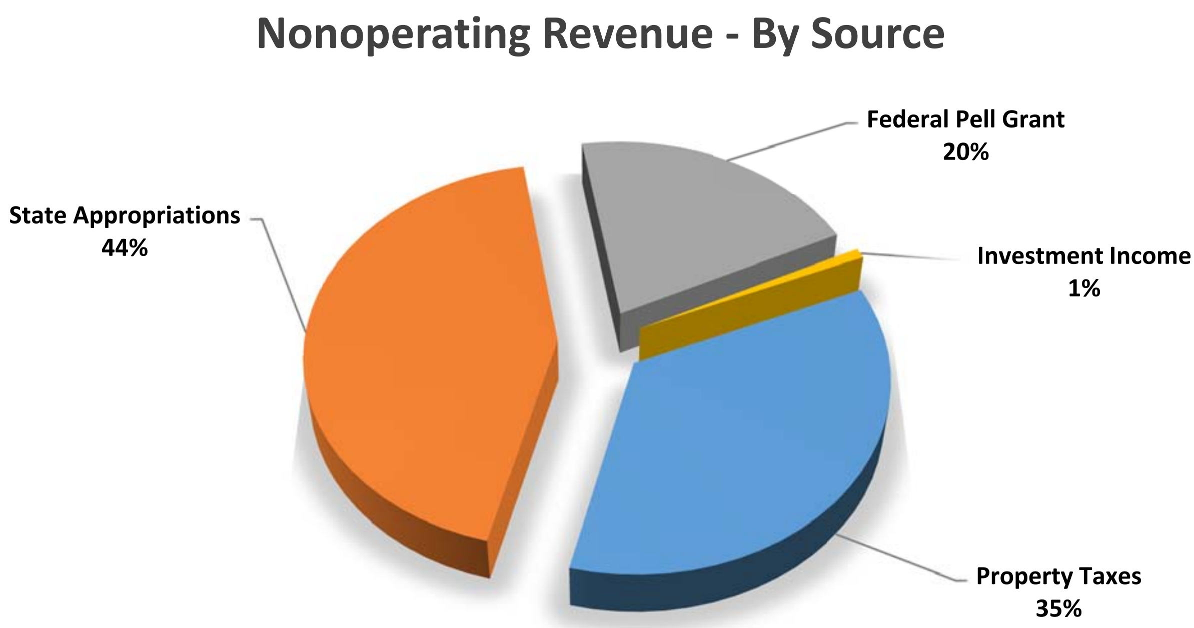

**Nonoperating Revenue**

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. Nonoperating revenue increased $2.4 million in 2018 and increased $2.2 million in 2017.

Due to a number of legislative reforms, the College's state appropriations, which increased $1.3 million in 2018, comes via several different forms. The College received a $3 million reimbursement for lost property tax revenue due to tax reforms while state appropriations for College operations increased only $60,000. Property taxes and investment income also increased $300,000 and $200,000, respectively, as property values and interest rates both increased.

In 2017, the increase was primarily due to the $2 million reimbursement from the State for lost property tax revenue.

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

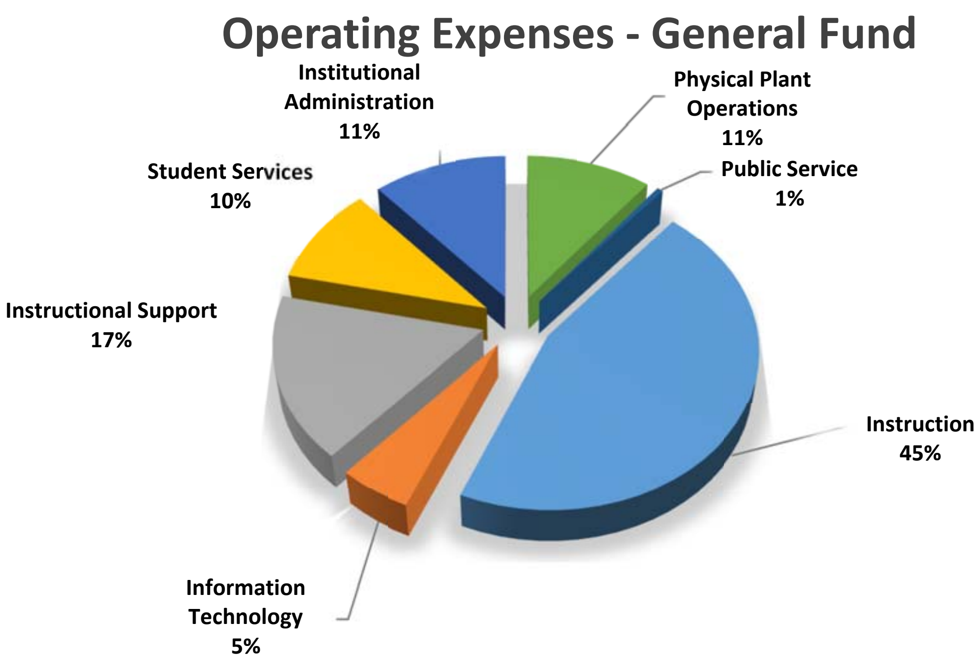



**Operating Expenses**

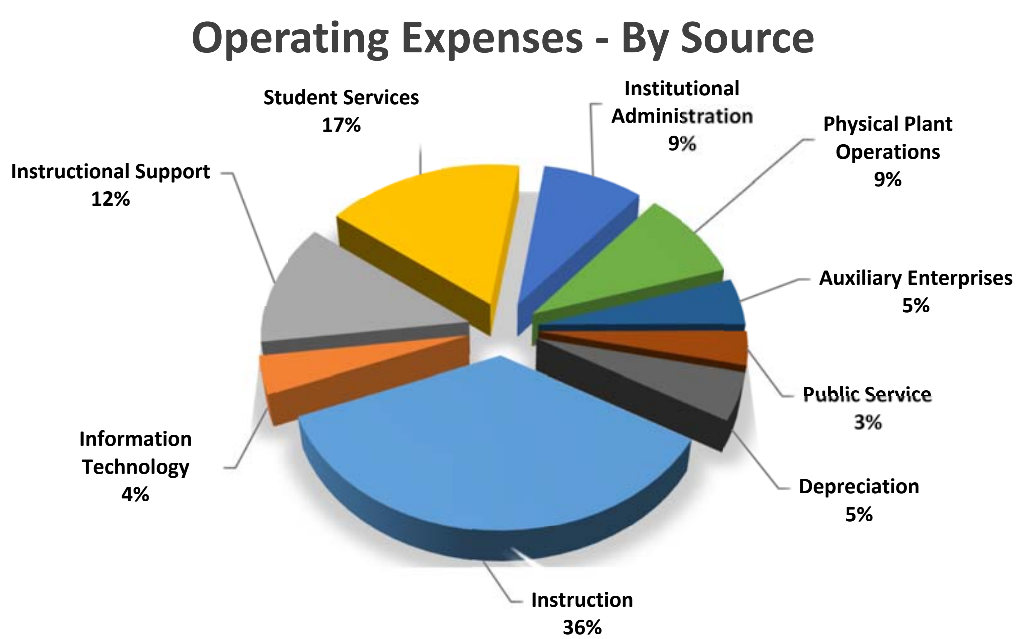
Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries and benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses increased $1.9 million in 2018 and decreased $900,000 in 2017. In 2018, increased grant funding was received to provide diversity and equity training in the community, the College increased resources allocated to accreditation and effectiveness, implemented a compensation study for administrative and support staff, added insurance coverages and partially reimbursed the KCC Foundation for scholarship assistance provided to the College in recent years. In 2017, the declining in enrollment led to an $800,000 decrease in instructional costs, while slight increases in instructional support public service and administration were offset by reductions in student services and facilities costs.

The majority of total expenses are reported internally in the College's General Fund. The College spent approximately 62 percent of its General Fund expenditures on instruction and instructional support in 2018 and 2017, respectively.

The following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2018:




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, 2018:



### 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 2017 and 2016, the College received approximately $80,000 and $1.5 million capital gift from a local governmental agency to help with an addition to one of its facilities. There were no capital appropriations in 2018.

### 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)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Cash (Used in) Provided by** | | | |
| Operating activities | $ (26.1) | $ (25.7) | $ (27.4) |
| Noncapital financing activities | 31.4 | 30.3 | 28.5 |
| Capital and related financing activities | (7.6) | 8.4 | (2.3) |
| Investing activities | (6.3) | (1.7) | (2.0) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (8.6) | 11.3 | (3.2) |
| **Cash and Cash Equivalents** - Beginning of year | 21.7 | 10.4 | 13.6 |
| **Cash and Cash Equivalents** - End of year | **$ 13.1** | **$ 21.7** | **$ 10.4** |

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) increased $0.4 million and $(2.2) million in 2018 and 2017, respectively. In 2018, the increase resulted from higher compensation and operating costs and more grant and contract funding received. In 2017, the decrease was primarily due to increases in cash received from tuition and fees.

- Cash provided by noncapital financing activities increased $1.1 million in 2018 and $1.8 million in 2017. As stated earlier, large increases in state appropriations due to the loss of property tax revenues drove the increases in both 2018 and 2017.

- Cash provided by (used in) capital and related financing activities approximated $(7.8) million and $8 million in 2018 and 2017, respectively. In 2017, the College had a $9.4 million bond issue and in 2018, the proceeds from the issue were being spent on construction and renovation projects.

**Capital Assets**

At June 30, 2018, the College had $64.4 million invested in capital assets, net of accumulated depreciation of $43.9 million. Depreciation charges totaled $2.5 million for the current fiscal year.

**Capital Assets at June 30 (in millions)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Land and land improvements | $ 3.6 | $ 3.5 | $ 3.3 |
| Buildings and improvements | 78.4 | 78.1 | 76.9 |
| Furniture, fixtures, and equipment | 16.4 | 16.5 | 16.5 |
| Construction in progress | 9.8 | 1.8 | 2.4 |
| Total | **$ 108.2** | **$ 99.9** | **$ 99.1** |

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 2017, the College issued the Kellogg Community College Building and Site Bonds, Series 2017 in the amount of $9.4 million. The outstanding bonds are noted below.

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

**Debt Outstanding at June 30 (in millions)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Bonds, Series 2014 | **$ 5.7** | **$ 6.7** | **$ 7.7** |
| Bonds, Series 2017 | **$ 9.4** | **$ 9.4** | **$ -** |

### 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. It is hopeful that the enrollment declines of the past several years have subsided and that growth in student numbers will come to fruition due to implementing enrollment management and student success strategies over the past two years. High school students taking college-level course work has increased dramatically in recent years, positively impacting the College's enrollment and tuition revenue. This trend will likely continue to be a positive driver on the bottom line for at least the next several years. Tuition revenue from these students grew 23 percent in 2018 after a 50 percent increase in 2017 and revenue for the 2018 fall semester is approximately 16 percent higher than in 2017.

The State of Michigan has modestly increased its operational support of the College and continues to maintain funding to reduce its educational system's retirement liability and reimburse the College for lost property tax revenue due to tax reforms enacted in recent years. All funding mechanisms have been beneficial to the College and will be critical for the future. Property values and related tax revenue, after considering the losses due to legislative reforms, has begun to stabilize after decreasing and remaining stagnant in recent years. We are hopeful for that trend to continue in the upcoming years.

However, even with the increases in support from the state and tuition revenue, 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. This led to $1 million in personnel savings in the 2017 budget and further demonstrated the College's ability to quickly respond to emerging trends.

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 and GASB No. 75, the College had a favorable year financially, balancing its budget and investing in its infrastructure and future. 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.

# Statement of Net Position

**June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents (Note 3) | $ 10,131,803 | $ 14,124,439 |
| Short-term investments (Note 3) | 10,378,223 | 2,044,049 |
| Accounts receivable - Net (Note 5) | 4,511,100 | 5,013,322 |
| Other current assets | 854,214 | 1,447,525 |
| Total current assets | 25,875,340 | 22,629,335 |
| Noncurrent assets: | | |
| Restricted cash (Note 3) | 2,973,322 | 7,629,353 |
| Long-term investments (Note 3) | 2,854,742 | 4,897,755 |
| Capital assets (Note 6) | 64,354,608 | 57,720,939 |
| Total noncurrent assets | 70,182,672 | 70,248,047 |
| Total assets | 96,058,012 | 92,877,382 |
| **Deferred Outflows of Resources** (Note 8) | 8,714,170 | 4,701,654 |
| **Liabilities** | | |
| Current liabilities: | | |
| Accounts payable | 2,125,461 | 958,588 |
| Accrued payroll and related liabilities | 2,304,708 | 1,870,231 |
| Unearned revenue | 2,078,714 | 2,877,521 |
| Bonds payable - Current (Note 7) | 1,405,000 | 995,000 |
| Unamortized bond premium - Current (Note 7) | 66,366 | 66,366 |
| Accrued retirement and compensated absences - Current (Note 7) | 865,000 | 1,020,000 |
| Other current liabilities | 1,519,125 | 765,119 |
| Total current liabilities | 10,364,374 | 8,552,825 |
| Noncurrent liabilities: | | |
| Accrued retirement and compensated absences (Note 7) | 3,070,000 | 2,725,000 |
| Bonds payable - Net of current portion (Note 7) | 13,715,000 | 15,120,000 |
| Unamortized bond premium - Net of current portion (Note 7) | 574,798 | 641,164 |
| Net pension liability (Note 8) | 39,698,031 | 38,754,345 |
| Net OPEB liability (Note 8) | 13,627,456 | - |
| Total noncurrent liabilities | 70,685,285 | 57,240,509 |
| Total liabilities | 81,049,659 | 65,793,334 |
| **Deferred Inflows of Resources** (Note 8) | 5,485,661 | 2,447,590 |
| **Net Position** | | |
| Net investment in capital assets | 51,566,766 | 48,527,762 |
| Expendable restricted for: | | |
| Expendable scholarships and fellowships | 108,975 | 129,920 |
| Capital improvements | 2,112,679 | 2,889,021 |
| Unrestricted deficit | (35,551,558) | (22,208,591) |
| Total net position | **$ 18,236,862** | **$ 29,338,112** |

See notes to financial statements.

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

**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Operating Revenue** | | |
| Tuition and fees - Net of scholarship allowance of $4,393,808 and $4,094,961 for 2018 and 2017, respectively | $ 12,161,870 | $ 12,329,412 |
| Federal grants and contracts | 1,470,627 | 2,022,556 |
| State grants and contracts | 5,028 | 455,736 |
| Private gifts, grants, and contracts | 2,948,919 | 1,984,533 |
| Sales and services of auxiliary activities - Net of scholarship allowance of $605,600 and $645,298 for 2018 and 2017, respectively | 1,881,112 | 2,039,102 |
| Other sources | 749,135 | 1,096,693 |
| Total operating revenue | 19,216,691 | 19,928,032 |
| **Operating Expenses** | | |
| Instruction | 18,233,378 | 18,306,887 |
| Information technology | 2,024,991 | 2,227,502 |
| Public service | 1,749,278 | 1,180,292 |
| Instructional support | 6,443,704 | 5,960,343 |
| Student services | 8,608,942 | 8,516,868 |
| Institutional administration | 4,417,357 | 4,038,440 |
| Physical plant operations | 4,694,177 | 4,028,853 |
| Auxiliary enterprises | 2,359,334 | 2,465,867 |
| Depreciation | 2,454,698 | 2,400,775 |
| Total operating expenses | 50,985,859 | 49,125,827 |
| **Operating Loss** | (31,769,168) | (29,197,795) |
| **Nonoperating Revenue (Expenses)** | | |
| State appropriations | 15,079,487 | 13,796,264 |
| Property taxes | 12,216,082 | 11,973,068 |
| Pell revenue | 7,044,364 | 6,961,555 |
| Investment income | 284,022 | 91,531 |
| Loss on disposal of capital assets | (48,016) | (435,141) |
| Interest on capital asset - Related debt | (92,321) | (253,563) |
| Net nonoperating revenue | 34,483,618 | 32,133,714 |
| **Income before Transfers** | 2,714,450 | 2,935,919 |
| **Other Revenue - Local Capital Appropriations** | - | 79,946 |
| **Change in Net Position** | 2,714,450 | 3,015,865 |
| **Net Position** - Beginning of year, as previously reported | 29,338,112 | 26,322,247 |
| **Cumulative Effect of Change in Accounting** (Note 1) | (13,815,700) | - |
| **Net Position** - Beginning of year | 15,522,412 | 26,322,247 |
| **Net Position** - End of year | **$ 18,236,862** | **$ 29,338,112** |

**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Tuition and fees | $ 12,079,337 | $ 12,258,442 |
| Grants and contracts | 3,863,319 | 5,491,838 |
| Payments to suppliers | (12,584,120) | (14,624,735) |
| Payments to employees | (32,293,708) | (32,141,667) |
| Auxiliary enterprise charges - Net | 1,881,112 | 2,245,956 |
| Other | 944,784 | 1,070,932 |
| Net cash used in operating activities | (26,109,276) | (25,699,234) |
| **Cash Flows from Noncapital Financing Activities** | | |
| Local property taxes | 9,680,643 | 9,487,364 |
| Federal direct lending receipts | 7,606,128 | 8,997,897 |
| Federal direct lending disbursements | (7,606,128) | (8,997,897) |
| Federal Pell grant | 7,044,364 | 6,961,555 |
| State appropriations | 14,690,055 | 13,860,905 |
| Net cash provided by noncapital financing activities | 31,415,062 | 30,309,824 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Purchase of capital assets | (8,855,093) | (2,074,736) |
| Capital property taxes | 2,535,439 | 2,485,704 |
| Principal paid on capital debt | (995,000) | (1,013,130) |
| Capital appropriations | - | 79,946 |
| Proceeds from issuance of capital debt | - | 9,375,000 |
| Interest paid on capital debt | (348,638) | (439,238) |
| Net cash (used in) provided by capital and related financing activities | (7,663,292) | 8,413,546 |
| **Cash Flows from Investing Activities** | | |
| Purchases of investments | (6,575,183) | (1,784,278) |
| Interest on investments | 284,022 | 91,531 |
| Net cash used in investing activities | (6,291,161) | (1,692,747) |
| **Net (Decrease) Increase in Cash and Cash Equivalents** | (8,648,667) | 11,331,389 |
| **Cash and Cash Equivalents** - Beginning of year | 21,753,792 | 10,422,403 |
| **Cash and Cash Equivalents** - End of year | **$ 13,105,125** | **$ 21,753,792** |
| **Classification of Cash and Cash Equivalents** | | |
| Cash and investments | $ 10,131,803 | $ 14,124,439 |
| Restricted cash | 2,973,322 | 7,629,353 |
| Total cash and cash equivalents | **$ 13,105,125** | **$ 21,753,792** |

**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Reconciliation of Operating Loss to Net Cash from Operating Activities** | | |
| Operating loss | $ (31,769,168) | $ (29,197,795) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | |
| Depreciation expense | 2,454,698 | 2,400,775 |
| Change in allowance for bad debts | 110,000 | 175,000 |
| Change in deferred inflows and outflows | 974,445 | (78,967) |
| Change in pension and OPEB liability | 755,442 | (104,153) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 240,668 | 1,341,815 |
| Inventories, prepaids, and other assets | (593,311) | (386,021) |
| Accounts payable | 1,163,248 | 117,125 |
| Accrued liabilities and other | 1,353,509 | (61,345) |
| Unamortized bond premium | - | 530,606 |
| Unearned revenue | (798,807) | (436,274) |
| Net cash used in operating activities | **$ (26,109,276)** | **$ (25,699,234)** |

There were no significant noncash activities during 2018 or 2017.

# Discretely Presented Component Unit
# Balance Sheet - Kellogg Community College Foundation

**June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 274,252 | $ 2,014,741 |
| Contributions receivable | 399,917 | 55,000 |
| Long-term investments | 9,609,727 | 7,388,768 |
| Total assets | **$ 10,283,896** | **$ 9,458,509** |
| **Liabilities** | | |
| Payable to Kellogg Community College | $ 259,522 | $ 431,308 |
| Other current liabilities | - | 4,445 |
| Total liabilities | 259,522 | 435,753 |
| **Net Assets** | | |
| Unrestricted | 2,672,086 | 2,406,085 |
| Temporarily restricted | 2,603,478 | 2,499,738 |
| Permanently restricted | 4,748,810 | 4,116,933 |
| Total net assets | 10,024,374 | 9,022,756 |
| Total liabilities and net assets | **$ 10,283,896** | **$ 9,458,509** |

See notes to financial statements.

# Discretely Presented Component Unit
# Statement of Activities - Kellogg Community College Foundation

**Years Ended June 30, 2018 and 2017**

| | 2018 | 2017 |
|---|---|---|
| **Revenue** | | |
| Contributions | $ 1,000,628 | $ 691,326 |
| Contributed services | 316,339 | 273,952 |
| Special event revenue | 104,027 | 96,512 |
| Investment income | 387,445 | 311,070 |
| Unrealized and realized gain on investments | 10,235 | 460,114 |
| Total revenue | 1,818,674 | 1,832,974 |
| **Expenses** | | |
| Scholarship and grants expense | 411,724 | 391,527 |
| Management and general | 203,116 | 178,618 |
| Fundraising | 202,216 | 171,508 |
| Total expenses | 817,056 | 741,653 |
| **Change in Net Assets** | 1,001,618 | 1,091,321 |
| **Net Assets** - Beginning of year | 9,022,756 | 7,931,435 |
| **Net Assets** - End of year | **$ 10,024,374** | **$ 9,022,756** |

## 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 Service Revenue 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 1 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.

***Restricted Cash***

Restricted cash consists of unspent bond proceeds, which are externally restricted for construction or purchase of capital assets.

## 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:

| | Depreciable Life - Years |
|---|---|
| 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 $179,000 and $300,000 for the 2018 and 2017 summer semesters, respectively, and approximately $870,000 and $820,000 for the 2018 and 2017 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 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 2018 and 2017, the College distributed approximately $7,606,128 and $8,997,897, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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.

***Pensions***

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (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 benefit terms. Related plan investments are reported at fair value.

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

***Other Postemployment Benefit Costs***

For the purpose of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Deferred Outflows of Resources***

In addition to assets, the statement of net position 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 will not be recognized as an outflow of resources (expense) until then.

The College reports deferred outflows of resources for certain pension related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

***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.

The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 8.

***Reclassification***

Certain 2017 amounts have been reclassified to conform to the 2018 presentation for the request of the State of Michigan to reflect information technology as a functional expense category.

***Adoption of New Standard***

The GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of $13,815,700, which is the net of both the OPEB liability and related deferred outflows as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

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

### *Upcoming Accounting Pronouncements*

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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 for the year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2021.

## 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's district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2018 and 2017, $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 $9,680,753 and $9,487,364 for the years ended June 30, 2018 and 2017, respectively.

For capital improvement and debt retirement purposes, $0.7500 per $1,000 of taxable property value in the College's taxing district was levied for the years ended June 30, 2018 and 2017. Total property tax revenue for the retirement of debt related to the 2014 and 2017 bond issuance and capital improvements projects was $2,535,329 and $2,485,704 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017:

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | $ 10,131,803 | $ 14,124,439 |
| Short-term investments | 10,378,223 | 2,044,049 |
| Restricted cash | 2,973,322 | 7,629,353 |
| Long-term investments | 2,854,742 | 4,897,755 |
| Total cash and investments | $ 26,338,090 | $ 28,695,596 |

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

| | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | $ 10,123,403 | $ 14,117,105 |
| Investments in securities and similar instruments | 13,232,965 | 6,941,804 |
| Unspent bond proceeds | 2,973,322 | 7,629,353 |
| Petty cash and cash on hand | 8,400 | 7,334 |
| Total cash and investments | $ 26,338,090 | $ 28,695,596 |

As of June 30, 2018, the College had the following investments and maturities:

| | Total | Less Than One Year | 1-5 Years | 6-10 Years | More Than 10 Years |
|---|---|---|---|---|---|
| Certificates of deposit | $ 7,711,649 | $ 4,856,907 | $ 2,854,742 | $ - | $ - |
| Notes and bonds | 4,482,590 | 4,482,590 | - | - | - |
| Money market | 1,038,726 | 1,038,726 | - | - | - |
| Total | $ 13,232,965 | $ 10,378,223 | $ 2,854,742 | $ - | $ - |

As of June 30, 2017, the College had the following investments and maturities:

| | Total | Less Than One Year | 1-5 Years | 6-10 Years | More Than 10 Years |
|---|---|---|---|---|---|
| Certificates of deposit | $ 4,913,044 | $ 1,509,159 | $ 3,403,885 | $ - | $ - |
| Notes and bonds | 1,993,820 | 998,660 | 995,160 | - | - |
| Money market | 34,940 | 34,940 | - | - | - |
| Total | $ 6,941,804 | $ 2,542,759 | $ 4,399,045 | $ - | $ - |

***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, 2018 and 2017, the carrying amount of the College's deposits was $16,922,888 and $27,491,573, respectively. Of that amount, $4,410,346 and $4,131,975, respectively, was insured by the Federal Deposit Insurance Corporation and National Credit Union Insurance Fund. The remaining $12,512,452 and $23,359,598 at June 30, 2018 and 2017, 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.

## Note 3 - Cash and Investments (Continued)

### *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.

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

| | 2018 | 2017 |
|---|---|---|
| Chemical Bank | 4.00 % | 7.00 % |
| JPMorgan | 4.00 | 7.00 |
| Kellogg Community Federal Credit Union | 4.00 | 8.00 |
| Omni Community Credit Union | 3.00 | 5.00 |
| Federal Home Loan Bank | - | 7.00 |
| Federal Farm Credit Bank | 8.00 | 14.00 |
| Kent County Bonds | - | 7.00 |
| Bank of America | - | 7.00 |
| U.S. Treasury Notes | 26.00 | - |
| Michigan Liquid Asset Fund | 23.00 | - |

### *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.

At June 30, 2018 and 2017, the College's investments (notes and bonds) subject to credit risk (interest rate fluctuations) and related ratings consisted of the following:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| Investment | Market Value | NRSRO Rating | Market Value | NRSRO Rating |
| Federal Home Loan Mortgage Corp., 1.05%, 8/10/17 | $ - | | $ 499,950 | Aaa |
| Kent County Bonds, 1.00%, 4/1/18 | - | | 497,005 | Aaa |
| Federal Farm Credit Bank, 1.12%, 2/22/19 | 496,318 | Aaa | 498,155 | Aaa |
| Federal Farm Credit Bank, 1.00%, 8/23/18 | 499,327 | Aaa | 498,710 | Aaa |
| U.S. Treasury Note, 0.625%, 6/30/2018 | 500,000 | Aaa | - | |
| U.S. Treasury Note, 1.50%, 8/31/2018 | 499,660 | Aaa | - | |
| U.S. Treasury Note, 1.25%, 11/30/2018 | 498,280 | Aaa | - | |
| U.S. Treasury Note, 1.50%, 12/31/2018 | 498,320 | Aaa | - | |
| U.S. Treasury Note, 1.125%, 1/31/2019 | 496,915 | Aaa | - | |
| U.S. Treasury Note, 1.50%, 2/28/2019 | 497,560 | Aaa | - | |
| U.S. Treasury Note, 1.25%, 3/31/2019 | 496,210 | Aaa | - | |
| Total | $ 4,482,590 | | $ 1,993,820 | |

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

## Note 3 - Cash and Investments (Continued)

### *Foundation Investments*

Investments at Kellogg Community College Foundation are as follows:

| | 2018 Fair Value | 2017 Fair Value |
|---|---|---|
| Mutual funds | $ 5,282,795 | $ 7,298,954 |
| Exchange-traded funds | 2,337,678 | - |
| Stocks | 1,989,254 | - |
| Corporate bond | - | 89,814 |
| Total | $ 9,609,727 | $ 7,388,768 |

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 assets. Level 1 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.

In instances whereby inputs used to measure fair value fall into different levels in the 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.

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 2018 and 2017 and the valuation techniques used by the College to determine those values.

| | Assets Measured at Fair Value on a Recurring Basis at June 30, 2018 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2018 |
| Notes and bonds | $ - | $ 4,482,590 | $ - | $ 4,482,590 |

| | Assets Measured at Fair Value on a Recurring Basis at June 30, 2017 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2017 |
| Notes and bonds | $ - | $ 1,993,820 | $ - | $ 1,993,820 |

## Note 4 - Fair Value Measurements (Continued)

Investments classified in Level 1 are valued using process 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 classified as Level 1 are valued quoted prices in active markets for identical assets the Foundation has the ability to access. 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 following tables represent the Foundation's assets measured at fair value on a recurring basis at June 30, 2018 and 2017.

| | Assets Measured at Fair Value on a Recurring Basis at June 30, 2018 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2018 |
| **Investments by Fair Value Level** | | | | |
| Mutual funds | $ 5,282,795 | $ - | $ - | $ 5,282,795 |
| Exchange-traded funds | 2,337,678 | - | - | 2,337,678 |
| Stocks | 1,989,254 | - | - | 1,989,254 |
| Total investments by fair value level | $ 9,609,727 | $ - | $ - | $ 9,609,727 |

| | Assets Measured at Fair Value on a Recurring Basis at June 30, 2017 | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Balance at June 30, 2017 |
| **Investments by Fair Value Level** | | | | |
| Mutual funds | $ 7,298,954 | $ - | $ - | $ 7,298,954 |
| Corporate bond | - | 89,814 | - | 89,814 |
| Total investments by fair value level | $ 7,298,954 | $ 89,814 | $ - | $ 7,388,768 |

## Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

| | 2018 | 2017 |
|---|---|---|
| Student and third party | $ 4,179,929 | $ 4,168,362 |
| Grants and contracts | 951,479 | 1,118,065 |
| State appropriations - Operating | 2,216,390 | 2,257,944 |
| Other | 473,302 | 668,951 |
| Less allowance for uncollectibles | 3,310,000 | 3,200,000 |
| Net accounts receivable | $ 4,511,100 | $ 5,013,322 |

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, 2018 was as follows:

| | Beginning Balance | Additions | Disposals and Transfers | Ending Balance |
|---|---|---|---|---|
| Land | $ 290,602 | $ - | $ - | $ 290,602 |
| Construction in progress | 1,826,203 | 8,089,870 | (130,876) | 9,785,197 |
| Subtotal - Nondepreciable assets | 2,116,805 | 8,089,870 | (130,876) | 10,075,799 |
| Land improvements | 3,255,375 | 47,961 | - | 3,303,336 |
| Building and building improvements | 78,052,353 | 384,507 | (27,089) | 78,409,771 |
| Furniture, fixtures, and equipment | 16,459,014 | 744,921 | (751,472) | 16,452,463 |
| Subtotal - Depreciable assets | 97,766,742 | 1,177,389 | (778,561) | 98,165,570 |
| Accumulated depreciation: | | | | |
| Building and building improvements | 27,547,568 | 1,736,205 | (14,527) | 29,269,246 |
| Land improvements | 2,133,545 | 90,200 | - | 2,223,745 |
| Furniture, fixtures, and equipment | 12,481,495 | 628,293 | (716,018) | 12,393,770 |
| Total accumulated depreciation | 42,162,608 | 2,454,698 | (730,545) | 43,886,761 |
| Capital assets - Net | $ 57,720,939 | $ 6,812,561 | $ (178,892) | $ 64,354,608 |

Capital asset activity for the year ended June 30, 2017 was as follows:

| | Beginning Balance | Additions | Disposals and Transfers | Ending Balance |
|---|---|---|---|---|
| Land | $ 290,602 | $ - | $ - | $ 290,602 |
| Construction in progress | 2,404,358 | 1,712,435 | (2,290,590) | 1,826,203 |
| Subtotal - Nondepreciable assets | 2,694,960 | 1,712,435 | (2,290,590) | 2,116,805 |
| Land improvements | 3,057,791 | 221,337 | (23,753) | 3,255,375 |
| Building and building improvements | 76,940,336 | 2,667,670 | (1,555,653) | 78,052,353 |
| Furniture, fixtures, and equipment | 16,456,332 | 248,127 | (245,445) | 16,459,014 |
| Subtotal - Depreciable assets | 96,454,459 | 3,137,134 | (1,824,851) | 97,766,742 |
| Accumulated depreciation: | | | | |
| Building and building improvements | 26,952,055 | 1,718,562 | (1,123,049) | 27,547,568 |
| Land improvements | 2,070,876 | 86,422 | (23,753) | 2,133,545 |
| Furniture, fixtures, and equipment | 12,079,510 | 595,791 | (193,806) | 12,481,495 |
| Total accumulated depreciation | 41,102,441 | 2,400,775 | (1,340,608) | 42,162,608 |
| Capital assets - Net | $ 58,046,978 | $ 2,448,794 | $ (2,774,833) | $ 57,720,939 |

Included in construction in progress for the year ended June 30, 2018 is capitalized interest of $281,290. Remaining commitments at June 30, 2018 for construction was approximately $1 million.

## Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2018 and 2017 can be summarized as follows:

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Bonds Payable** | | | | | |
| College Building and Site Bonds Series 2014 | $ 6,740,000 | $ - | $ (995,000) | $ 5,745,000 | $ 995,000 |
| College Building and Site Bonds Series 2017 | 9,375,000 | - | - | 9,375,000 | 410,000 |
| **Other Long-term Liabilities** | | | | | |
| Accrued retirement and compensated absences | 3,745,000 | 190,000 | - | 3,935,000 | 865,000 |
| Unamortized bond premium Series 2014 | 176,923 | - | (18,129) | 158,794 | 18,129 |
| Unamortized bond premium Series 2017 | 530,607 | - | (48,237) | 482,370 | 48,237 |
| Total | $ 20,567,530 | $ 190,000 | $ (1,061,366) | $ 19,696,164 | $ 2,336,366 |

| | 2017 | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
| **Bonds Payable** | | | | | |
| College Building and Site Bonds Series 2014 | $ 7,735,000 | $ - | $ (995,000) | $ 6,740,000 | $ 995,000 |
| College Building and Site Bonds Series 2017 | - | 9,375,000 | - | 9,375,000 | - |
| **Other Long-term Liabilities** | | | | | |
| Accrued retirement and compensated absences | 3,875,000 | 1,270,000 | (1,400,000) | 3,745,000 | 1,020,000 |
| Unamortized bond premium Series 2014 | 195,053 | - | (18,130) | 176,923 | 18,129 |
| Unamortized bond premium Series 2017 | - | 530,607 | - | 530,607 | 48,237 |
| Total | $ 11,805,053 | $ 11,175,607 | $ (2,413,130) | $ 20,567,530 | $ 2,081,366 |

### *College Building and Site Bonds, Series 2017*

Bonds issued in June 2017 for $9,375,000. 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 $410,000 to $1,320,000 with the final principal installment of $1,320,000 due on April 1, 2028. The proceeds from the bonds are expected to be used for capital projects during the period from July 1, 2017 through June 30, 2019.

### *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.

## Note 7 - Long-term Obligations (Continued)

Total principal and interest maturities on the bonds payable as of June 30, 2018 are as follows:

| Years Ending June 30 | Debt Obligations Principal | Interest | Total |
|---|---|---|---|
| 2019 | $ 1,405,000 | $ 414,463 | $ 1,819,463 |
| 2020 | 1,415,000 | 386,362 | 1,801,362 |
| 2021 | 1,450,000 | 358,062 | 1,808,062 |
| 2022 | 1,495,000 | 320,525 | 1,815,525 |
| 2023 | 1,495,000 | 278,150 | 1,773,150 |
| 2024-2028 | 7,860,000 | 706,288 | 8,566,288 |
| Total | $ 15,120,000 | $ 2,463,850 | $ 17,583,850 |

### *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 - Michigan Public School Employees' Retirement System

### *Plan Description*

The College participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain college employees also receive defined contribution retirement and healthcare benefits through the System. 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.

Kellogg Community College also contributes to the Teachers' Insurance and Annuity Association-College Retirement Equities Fund, a defined contribution pension plan, for certain employees who meet the eligibility requirements. The benefits are administered by Teachers' Insurance and Annuity Association-College Retirement Equities Fund.

### *Benefits Provided*

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

## Note 8 - Michigan Public School Employees' Retirement System (Continued)

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of 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.

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

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

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

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

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

***Contributions***

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

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

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

## Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

The range of rates is as follows:

| | Pension | OPEB |
|---|---|---|
| July 1, 2016 - September 30, 2016 | 14.56% - 18.95% | 6.40% - 6.83% |
| October 1, 2016 - September 30, 2017 | 15.27% - 19.03% | 5.69% - 5.91% |
| October 1, 2017 - June 30, 2018 | 13.54% - 19.74% | 7.42% - 7.67% |

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

The College's required and actual pension contributions to the plan for the years ended June 30, 2018 and 2017 were $4,193,858 and $3,585,329, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $1,610,209 and $1,179,223 in revenue received from the State of Michigan to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2018 and 2017, respectively.

The College's required and actual OPEB contributions to the plan for the year ended June 30, 2018 and 2017 were $912,394 and $765,952, respectively, which include the College's contributions required for those members with a defined contribution benefit.

### *Net Pension Liability*

At June 30, 2018 and 2017, the College reported a liability of $39,698,031 and $38,754,345, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and 2015, respectively, which used updated procedures to roll forward the estimated liability to September 30, 2017 and 2016. 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, 2017 and 2016, the College's proportion was 0.15319 percent and 0.15533 percent, respectively.

### *Net OPEB Liability*

At June 30, 2018, the College reported a liability of $13,627,456 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the College’s proportion was 0.15389 percent of MPSERS in total.

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

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $3,594,826 and $3,328,858, respectively, inclusive of payments to fund the MSPERS UAAL stabilization rate.

## Note 8 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference between expected and actual experience | $ 345,003 | $ (194,790) | $ 482,981 | $ (91,849) |
| Changes of assumptions | 4,349,235 | - | 605,894 | - |
| Net difference between projected and actual earnings on pension plan assets | - | (1,897,827) | 644,097 | - |
| Changes in proportion and differences between college contributions and proportionate share of contributions | 1,193 | (1,296,789) | 2,081 | (1,176,518) |
| College contributions subsequent to the measurement date | 3,292,779 | - | 2,966,601 | - |
| Total | $ 7,988,210 | $ (3,389,406) | $ 4,701,654 | $ (1,268,367) |

The $1,610,209 and $1,179,223 reported as deferred inflows of resources resulting from the pension portion of the state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979) will be recognized as state appropriations revenue for the years ended June 30, 2019 and 2018, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30 | Amount |
|---|---|
| 2019 | $ 203,217 |
| 2020 | 918,239 |
| 2021 | 339,124 |
| 2022 | (154,555) |
| Total | $ 1,306,025 |

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

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

For the year ended June 30, 2018, the College recognized OPEB expense of $905,845.

## Note 8 - Michigan Public School Employees' Retirement System (Continued)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ (145,092) |
| Net difference between projected and actual earnings on pension plan investments | - | (315,615) |
| Changes in proportion and differences between college contributions and proportionate share of contributions | - | (25,339) |
| College contributions subsequent to the measurement date | 725,960 | - |
| Total | $ 725,960 | $ (486,046) |

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

| Years Ending | Amount |
|---|---|
| 2019 | $ (116,994) |
| 2020 | (116,994) |
| 2021 | (116,994) |
| 2022 | (116,994) |
| 2023 | (18,070) |
| Total | $ (486,046) |

### *Actuarial Assumptions*

The total pension liability and total OPEB liability as of September 30, 2017 and 2016 is based on the results of an actuarial valuation date of September 30, 2016 and 2015 and rolled forward. The total pension liability was determined using the following actuarial assumptions:

| | Michigan Public School Employees' Retirement System |
|---|---|
| Actuarial cost method | Entry age normal cost actuarial cost method |
| Investment rate of return - Pension | 7.00 percent to 8.00 percent, net of investment fees based on the groups |
| Investment rate of return - OPEB | 7.50 percent, net of investment expenses based on the groups |
| Salary increases | 3.50 to 12.30 percent, including wage inflation of 3.50 percent |
| Healthcare cost trend rate | 7.50 percent, year one graded to 3.50 percent year 12 |
| Mortality basis | RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale AA |
| Cost of living pension adjustments | 3.00 percent, annual noncompounded for MIP members |

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the system for use in the annual pension valuations beginning with the September 30, 2014 valuation.

## Note 8 - Michigan Public School Employees' Retirement System (Continued)

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent and 7.00 - 8.00 percent as of September 30, 2017 and 2016, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. 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 College contributions will be made at statutorily required rates.

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

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

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

| | September 30, 2017 | | September 30, 2016 | |
|---|---|---|---|---|
| Asset Class | Target Allocation | Long-term Expected Real Rate of Return | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic equity pools | 28.00 % | 5.60 % | 28.00 % | 5.90 % |
| Private equity pools | 18.00 | 8.70 | 18.00 | 9.20 |
| International equity pools | 16.00 | 7.20 | 16.00 | 7.20 |
| Fixed-income pools | 10.50 | (0.10) | 10.50 | 0.90 |
| Real estate and infrastructure pools | 10.00 | 4.20 | 10.00 | 4.30 |
| Real return, opportunistic, and absolute pools | 15.50 | 5.00 | 15.50 | 6.00 |
| Short-term investment pools | 2.00 | (0.90) | 2.00 | - |

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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

The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| | 2018 | | |
|---|---|---|---|
| | 1.00 Percent Decrease (6.50-6.00 percent) | Current Discount Rate (7.50-7.00 percent) | 1.00 Percent Increase (8.50-8.00 percent) |
| Net pension liability | $ 51,713,330 | $ 39,698,031 | $ 29,581,914 |

## Note 8 - Michigan Public School Employees' Retirement System (Continued)

| | 2017 | | |
|---|---|---|---|
| | 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 | $ 49,905,842 | $ 38,754,345 | $ 29,352,561 |

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

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

| | 2018 | | |
|---|---|---|---|
| | 1.00 Percent Decrease (6.50 percent) | Current Discount Rate (7.50 percent) | 1.00 Percent Increase (8.50 percent) |
| Net OPEB liability | $ 15,961,690 | $ 13,627,456 | $ 11,646,422 |

***Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate***

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

| | 2018 | | |
|---|---|---|---|
| | 1.00 Percent Decrease (6.50 percent) | Current Discount Rate (7.50 percent) | 1.00 Percent Increase (8.50 percent) |
| Net OPEB liability | $ 11,540,623 | $ 13,627,456 | $ 15,996,909 |

***Pension Plan and OPEB 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 and OPEB***

At June 30, 2018, the College reported a payable of $874,686 and $251,165 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. At June 30, 2017, the College reported a payable of $443,651 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

***Defined Contribution Plan***

As an alternative pension option, the College offers 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, 2018 and 2017. Benefits vest immediately. Compensation covered under the plan for the years ended June 30, 2018 and 2017 was $7,849,822 and $7,222,976, respectively, resulting in contributions of $821,140 and $767,936, respectively, for the College and $314,533 and $290,583, respectively, for employees.

## Note 9 - Tax Abatements

The College receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities, villages, and townships within Barry, Branch, Calhoun, Hillsdale, Kalamazoo, and St. Joseph counties that impact the College. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the years ended June 30, 2018 and 2017, the College’s property tax revenue was reduced by $72,697 and $57,767, respectively, under these programs.

## Note 10 - 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, 2018 and 2017, the Foundation made grants and distributions to and on behalf of the College totaling $411,724 and $391,527, respectively. If the Foundation was dissolved, its remaining assets would be distributed to the College.

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 $4,748,810 and $4,116,933 as of June 30, 2018 and 2017, respectively. Excess earnings on the endowments, classified as temporarily restricted, are $1,456,031 and $1,418,201 as of June 30, 2018 and 2017, respectively.

## Note 11 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, 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 claims that have been reported and those that have not yet been reported. The College has purchased insurance to protect the College for claims in excess of $35,000.

| | Medical Claims | | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| Estimated liability - Beginning of year | $ 185,000 | $ 150,000 | $ 210,000 |
| Estimated claims incurred, including changes in estimates | (748,649) | (1,001,737) | 873,593 |
| Less claim payments | 988,649 | 1,036,737 | (933,593) |
| Estimated liability - End of year | $ 425,000 | $ 185,000 | $ 150,000 |

# Required Supplemental Information

# Required Supplemental Information
## Schedule of the College's Proportionate Share of the Net Pension Liability
## Michigan Public School Employees' Retirement System

**Last Four Plan Years**

**Amounts Were Determined as of September 30 of Each Year**

| | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|
| College's proportion of the collective MPSERS net pension liability - As a percentage | 0.15319 % | 0.15533 % | 0.15909 % | 0.16241 % |
| Amount | $ 39,698,031 | $ 38,754,345 | $ 38,858,498 | $ 35,772,662 |
| College's covered employee payroll | $ 12,976,426 | $ 13,306,128 | $ 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 | 305.92 % | 291.25 % | 286.31 % | 256.68 % |
| MPSERS fiduciary net position as a percentage of the total pension liability | 63.96 % | 63.01 % | 62.92 % | 66.15 % |

# Required Supplemental Information
# Schedule of College's Pension Contributions
# Michigan Public School Employees' Retirement System

**Last Four Fiscal Years**

**Amounts Were Determined as of June 30 of Each Fiscal Year**

| | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Statutorily required contribution | $ 3,890,197 | $ 3,524,952 | $ 3,639,846 | $ 4,286,250 |
| Contributions in relation to the actuarially determined contractually required contribution | 3,890,197 | 3,524,952 | 3,639,846 | 4,286,250 |
| **Contribution Deficiency (Excess)** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Covered Employee Payroll** | $ 12,632,265 | $ 12,597,901 | $ 12,846,838 | $ 13,800,928 |
| **Contributions as a Percentage of Covered Employee Payroll** | 30.80 % | 27.98 % | 28.33 % | 31.06 % |

**Notes to Required Supplemental Information**

RSI covered payroll - The employers' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of (1) university payroll on which contributions to the plan are based or (2) the required minimum payroll amount required by PA 136 of 2016. For nonuniversity employers, covered payroll represents payroll on which contributions to both plans are based.

Changes of benefit terms - There were no changes of benefit terms for the plan year ended September 30, 2017.

Changes of assumptions - On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.50 percent to 7.50 percent.

# Required Supplemental Information
## Schedule of the College's Proportionate Share of the Net OPEB Liability
## Michigan Public School Employees' Retirement System

**Last One Plan Years**

**Plan Year Ended June 30**

| | 2017 |
|---|---|
| College's proportion of the collective MPSERS net OPEB liability - As a percentage | 0.15389 % |
| Amount | $ 13,627,456 |
| College's covered employee payroll | $ 12,976,426 |
| College's proportionate share of the collective OPEB liability (amount) as a percentage of the College's covered employee payroll | 105.02 % |
| MPSERS fiduciary net position as a percentage of the total OPEB liability | 36.53 % |

# Required Supplemental Information
# Schedule of OPEB Contributions
# Michigan Public School Employees' Retirement System

**Last One Fiscal Years**

**Year Ended June 30**

| | 2018 |
|---|---|
| Statutorily required contribution | $ 912,394 |
| Contributions in relation to the actuarially determined contractually required contribution | 912,394 |
| **Contribution Deficiency (Excess)** | **$ -** |
| **Covered Employee Payroll** | $ 1,263,265 |
| **Contributions as a Percentage of Covered Employee Payroll** | 72.23 % |

RSI covered payroll - The employers' covered payroll to be reported in the required supplemental information is defined by GASB Statement No. 82, *Pension Issues - An Amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based and by GASB Statement No. 85, *Omnibus 2017,* as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of (1) university payroll on which contributions to the plan are based or (2) the required minimum payroll amount required by PA 136 of 2016. For nonuniversity employers, covered payroll represents payroll on which contributions to both plans are based.

Benefit changes - There were no changes of benefit terms for the plan year ended September 30, 2017.

Changes in assumptions - There were no changes of benefit assumptions for the plan year ended September 30, 2017.

# Other Supplemental Information

| | General Fund | MPSERS Fund | Auxiliary Fund | Restricted Fund | Plant Fund | Fund Total | Eliminations |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | $ 10,131,803 | $ - | $ - | $ - | $ - | $ 10,131,803 | $ - |
| Short-term investments | 10,378,223 | - | - | - | - | 10,378,223 | - |
| Accounts receivable - Net | 3,395,512 | - | 149,548 | 966,040 | - | 4,511,100 | - |
| Due from other funds | - | 1,700,000 | 1,528,292 | 232,337 | 6,975,998 | 10,436,627 | (10,436,627) |
| Other current assets | 553,886 | - | 300,328 | - | - | 854,214 | - |
| Total current assets | 24,459,424 | 1,700,000 | 1,978,168 | 1,198,377 | 6,975,998 | 36,311,967 | (10,436,627) |
| Noncurrent assets: | | | | | | | |
| Restricted cash | - | - | - | - | 2,973,322 | 2,973,322 | - |
| Long-term investments | 2,854,742 | - | - | - | - | 2,854,742 | - |
| Capital assets | - | - | - | - | 64,354,608 | 64,354,608 | - |
| Total noncurrent assets | 2,854,742 | - | - | - | 67,327,930 | 70,182,672 | - |
| Total assets | 27,314,166 | 1,700,000 | 1,978,168 | 1,198,377 | 74,303,928 | 106,494,639 | (10,436,627) |
| **Deferred Outflows of Resources** | - | 8,714,170 | - | - | - | 8,714,170 | - |
| **Liabilities** | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | 2,125,461 | - | - | - | - | 2,125,461 | - |
| Due to other funds | 10,436,627 | - | - | - | - | 10,436,627 | (10,436,627) |
| Accrued payroll and related liabilities | 2,304,708 | - | - | - | - | 2,304,708 | - |
| Unearned revenue | 1,049,312 | - | - | 1,029,402 | - | 2,078,714 | - |
| Bonds payable - Current | - | - | - | - | 1,405,000 | 1,405,000 | - |
| Unamortized bond premium - Current | - | - | - | - | 66,366 | 66,366 | - |
| Accrued retirement and compensated absences - Current | 780,000 | - | 25,000 | 60,000 | - | 865,000 | - |
| Other current liabilities | 1,473,515 | - | 45,610 | - | - | 1,519,125 | - |
| Total current liabilities | 18,169,623 | - | 70,610 | 1,089,402 | 1,471,366 | 20,801,001 | (10,436,627) |
| Noncurrent liabilities: | | | | | | | |
| Accrued retirement and compensated absences | 3,070,000 | - | - | - | - | 3,070,000 | - |
| Bonds payable - Net of current portion | - | - | - | - | 13,715,000 | 13,715,000 | - |
| Unamortized bond premium - Net of current portion | - | - | - | - | 574,798 | 574,798 | - |
| Net pension liability | - | 39,698,031 | - | - | - | 39,698,031 | - |
| Net OPEB liability | - | 13,627,456 | - | - | - | 13,627,456 | - |
| Total noncurrent liabilities | 3,070,000 | 53,325,487 | - | - | 14,289,798 | 70,685,285 | - |
| Total liabilities | 21,239,623 | 53,325,487 | 70,610 | 1,089,402 | 15,761,164 | 91,486,286 | (10,436,627) |
| **Deferred Inflows of Resources** | - | 5,485,661 | - | - | - | 5,485,661 | - |
| **Net position** | | | | | | | |
| Net investment in capital assets | - | - | - | - | 51,566,766 | 51,566,766 | - |
| Restricted: | | | | | | | |
| Expendable scholarships and fellowships | - | - | - | 108,975 | - | 108,975 | - |
| Capital improvements | - | - | - | - | 2,112,679 | 2,112,679 | - |
| Unrestricted | 6,074,543 | (48,396,978) | 1,907,558 | - | 4,863,319 | (35,551,558) | - |
| Total net position | **$ 6,074,543** | **$ (48,396,978)** | **$ 1,907,558** | **$ 108,975** | **$ 58,542,764** | **$ 18,236,862** | **$ -** |

**June 30, 2018**
**(with comparative totals for 2017)**

| 2018 | 2017 |
|---|---|
| $ 10,131,803 | $ 14,124,439 |
| 10,378,223 | 2,044,049 |
| 4,511,100 | 5,013,322 |
| - | - |
| 854,214 | 1,447,525 |
| 25,875,340 | 22,629,335 |
| 2,973,322 | 7,629,353 |
| 2,854,742 | 4,897,755 |
| 64,354,608 | 57,720,939 |
| 70,182,672 | 70,248,047 |
| 96,058,012 | 92,877,382 |
| 8,714,170 | 4,701,654 |
| 2,125,461 | 958,588 |
| - | - |
| 2,304,708 | 1,870,231 |
| 2,078,714 | 2,877,521 |
| 1,405,000 | 995,000 |
| 66,366 | 66,366 |
| 865,000 | 1,020,000 |
| 1,519,125 | 765,119 |
| 10,364,374 | 8,552,825 |
| 3,070,000 | 2,725,000 |
| 13,715,000 | 15,120,000 |
| 574,798 | 641,164 |
| 39,698,031 | 38,754,345 |
| 13,627,456 | - |
| 70,685,285 | 57,240,509 |
| 81,049,659 | 65,793,334 |
| 5,485,661 | 2,447,590 |
| 51,566,766 | 48,527,762 |
| 108,975 | 129,920 |
| 2,112,679 | 2,889,021 |
| (35,551,558) | (22,208,591) |
| **$ 18,236,862** | **$ 29,338,112** |

| | General Fund | MPSERS Fund | Auxiliary Fund | Restricted Fund | Plant Fund | Fund Total | Eliminations |
|---|---|---|---|---|---|---|---|
| **Operating Revenue** | | | | | | | |
| Tuition and fees - Net of scholarship allowance | $ 15,994,818 | $ - | $ 235,000 | $ 325,860 | $ - | $ 16,555,678 | $ (4,393,808) |
| Federal grants and contracts | 104,613 | - | - | 1,366,014 | - | 1,470,627 | - |
| State grants and contracts | - | - | - | 5,028 | - | 5,028 | - |
| Private gifts, grants, and contracts | 16,867 | - | - | 2,932,052 | - | 2,948,919 | - |
| Sales and services of auxiliary activities | 41,073 | - | 2,445,639 | - | - | 2,486,712 | (605,600) |
| Other sources | 708,425 | - | - | 40,710 | - | 749,135 | - |
| Total operating revenue | 16,865,796 | - | 2,680,639 | 4,669,664 | - | 24,216,099 | (4,999,408) |
| **Operating Expenses** | | | | | | | |
| Instruction | 17,517,903 | (101,787) | - | 817,262 | - | 18,233,378 | - |
| Information technology | 2,024,991 | - | - | - | - | 2,024,991 | - |
| Public service | 178,362 | (1,056) | - | 1,571,972 | - | 1,749,278 | - |
| Instructional support | 6,481,294 | (37,590) | - | - | - | 6,443,704 | - |
| Student services | 3,871,110 | (22,596) | 419,524 | 9,340,312 | - | 13,608,350 | (4,999,408) |
| Institutional administration | 4,443,121 | (25,764) | - | - | - | 4,417,357 | - |
| Physical plant operations | 4,083,914 | (22,385) | - | - | 632,648 | 4,694,177 | - |
| Auxiliary enterprises | - | - | 2,359,334 | - | - | 2,359,334 | - |
| Depreciation | - | - | - | - | 2,454,698 | 2,454,698 | - |
| Total operating expenses | 38,600,695 | (211,178) | 2,778,858 | 11,729,546 | 3,087,346 | 55,985,267 | (4,999,408) |
| **Operating (Loss) Income** | (21,734,899) | 211,178 | (98,219) | (7,059,882) | (3,087,346) | (31,769,168) | - |
| **Nonoperating Revenue (Expense)** | | | | | | | |
| State appropriations | 14,339,492 | 7,825 | 89,419 | 30,333 | 612,418 | 15,079,487 | - |
| Property taxes | 9,680,753 | - | - | - | 2,535,329 | 12,216,082 | - |
| Pell revenue | - | - | - | 7,044,364 | - | 7,044,364 | - |
| Investment income | 170,248 | - | - | - | 113,774 | 284,022 | - |
| Loss on disposal of capital assets | - | - | - | - | (48,016) | (48,016) | - |
| Interest on capital asset - Related debt | - | - | - | - | (92,321) | (92,321) | - |
| Total nonoperating revenue | 24,190,493 | 7,825 | 89,419 | 7,074,697 | 3,121,184 | 34,483,618 | - |
| **Income (Loss)** - Before other revenue | 2,455,594 | 219,003 | (8,800) | 14,815 | 33,838 | 2,714,450 | - |
| **Other Revenue - Local Capital Appropriations** | - | - | - | - | - | - | - |
| **Transfers** | (2,454,424) | - | - | (35,760) | 2,490,184 | - | - |
| **Change in Net Position** | 1,170 | 219,003 | (8,800) | (20,945) | 2,524,022 | 2,714,450 | - |
| **Net Position** - Beginning of year, as previously reported | 6,073,373 | (34,800,281) | 1,916,358 | 129,920 | 56,018,742 | 29,338,112 | - |
| **Cumulative Effect of Change in Accounting** | - | (13,815,700) | - | - | - | (13,815,700) | - |
| **Net Position** - Beginning of year | 6,073,373 | (48,615,981) | 1,916,358 | 129,920 | 56,018,742 | 15,522,412 | - |
| **Net Position** - End of year | **$ 6,074,543** | **$ (48,396,978)** | **$ 1,907,558** | **$ 108,975** | **$ 58,542,764** | **$ 18,236,862** | **$ -** |

## Other Supplemental Information
## Combining Statement of Revenue, Expenses, and Changes in Net Position

**Year Ended June 30, 2018**
**(with comparative totals for 2017)**

| 2018 | 2017 |
|---|---|
| $ 12,161,870 | $ 12,329,412 |
| 1,470,627 | 2,022,556 |
| 5,028 | 455,736 |
| 2,948,919 | 1,984,533 |
| 1,881,112 | 2,039,102 |
| 749,135 | 1,096,693 |
| 19,216,691 | 19,928,032 |
| 18,233,378 | 18,306,887 |
| 2,024,991 | 2,227,502 |
| 1,749,278 | 1,180,292 |
| 6,443,704 | 5,960,343 |
| 8,608,942 | 8,516,868 |
| 4,417,357 | 4,038,440 |
| 4,694,177 | 4,028,853 |
| 2,359,334 | 2,465,867 |
| 2,454,698 | 2,400,775 |
| 50,985,859 | 49,125,827 |
| (31,769,168) | (29,197,795) |
| 15,079,487 | 13,796,264 |
| 12,216,082 | 11,973,068 |
| 7,044,364 | 6,961,555 |
| 284,022 | 91,531 |
| (48,016) | (435,141) |
| (92,321) | (253,563) |
| 34,483,618 | 32,133,714 |
| 2,714,450 | 2,935,919 |
| - | 79,946 |
| - | - |
| 2,714,450 | 3,015,865 |
| 29,338,112 | 26,322,247 |
| (13,815,700) | - |
| 15,522,412 | 26,322,247 |
| **$ 18,236,862** | **$ 29,338,112** |

# Schedule of General Fund Expenditures

**Year Ended June 30, 2018**
**(with comparative totals for the year ended June 30, 2017)**

| | Salaries and Related Expenses | Other Expenses | Equipment | June 30, 2018 Total | June 30, 2017 Total |
|---|---|---|---|---|---|
| **Instruction** | | | | | |
| General education | $ 6,511,221 | $ 300,367 | $ - | $ 6,811,590 | $ 6,728,876 |
| Business and human services | 2,492,667 | 171,780 | - | 2,664,447 | 2,501,692 |
| Technical and industrial trades | 1,222,685 | 469,640 | - | 1,692,325 | 1,513,341 |
| Health occupations | 4,611,813 | 430,007 | - | 5,041,820 | 4,891,789 |
| Developmental and basic skills | 1,020,734 | 4,547 | - | 1,025,281 | 969,113 |
| Human development | 120,366 | - | - | 120,366 | 55,463 |
| Personal interest | 159,522 | 2,554 | - | 162,076 | 164,285 |
| Total instruction | 16,139,008 | 1,378,895 | - | 17,517,903 | 16,824,559 |
| **Information Technology** | 1,149,413 | 875,578 | - | 2,024,991 | 2,227,502 |
| **Public Service** | 173,395 | 4,967 | - | 178,362 | 166,749 |
| **Instructional Support** | | | | | |
| Instructional support | 5,960,801 | 507,120 | - | 6,467,921 | 5,964,722 |
| Equipment | - | - | 13,373 | 13,373 | - |
| Total instructional support | 5,960,801 | 507,120 | 13,373 | 6,481,294 | 5,964,722 |
| **Student Services** | | | | | |
| Student services programs and administration | 2,522,561 | 300,461 | - | 2,823,022 | 2,666,353 |
| Financial aid | 568,411 | 272,630 | - | 841,041 | 892,706 |
| Intercollegiate athletics | 100,420 | 95,502 | - | 195,922 | 113,328 |
| Equipment | - | - | 11,125 | 11,125 | - |
| Total student services | 3,191,392 | 668,593 | 11,125 | 3,871,110 | 3,672,387 |
| **Institutional Administration** | | | | | |
| Institutional administration | 2,819,254 | 1,613,073 | - | 4,432,327 | 4,036,663 |
| Equipment | - | - | 10,794 | 10,794 | 4,744 |
| Total institutional administration | 2,819,254 | 1,613,073 | 10,794 | 4,443,121 | 4,041,407 |
| **Physical Plant Operations** | | | | | |
| Physical plant operations | 1,011,945 | 1,697,555 | - | 2,709,500 | 2,636,079 |
| Energy services | - | 830,581 | - | 830,581 | 800,562 |
| Campus security | 202,647 | 290,425 | - | 493,072 | 472,904 |
| Equipment | - | - | 50,761 | 50,761 | 4,821 |
| Total physical plant operations | 1,214,592 | 2,818,561 | 50,761 | 4,083,914 | 3,914,366 |
| Total expenditures | **$ 23,537,641** | **$ 6,484,089** | **$ 72,680** | **$ 38,600,695** | **$ 36,811,692** |