Kirtland Community College

KIRTLAND

Years Ended June 30, 2018 and 2017

Financial Statements and Supplementary Information

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KIRTLAND COMMUNITY COLLEGE

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KIRTLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Kirtland Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2018 and 2017. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

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

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

Financial Highlights

The College's financial position for fiscal year 2018 remained stable compared to fiscal year 2017. Net tuition and fees revenue increased by approximately $154,000 or 3.7 percent. Pell grants increased by approximately $64,000 or 2.5 percent. Operating property taxes increased by approximately $373,000 or 5.0 percent. State appropriations support remained consistent from fiscal 2017 to fiscal 2018. In fiscal year 2018 the portion of UAAL payments received subsequent to the MPSERS plan fiscal year end date of September 30, 2017 are included as deferred inflows and will be recorded as revenue in fiscal year 2019. In fiscal year 2018, operating expenses decreased from fiscal year 2017 by approximately $1,106,000 or 5.9 percent, due in large part to the College having to contribute approximately $1,000,000 in matching funds for the Community College Skilled Trades Equipment Program ("CCSTEP") grant in fiscal 2017.

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the College's fiscal year 2018 and establishes new requirements for colleges to report postemployment benefits other than pensions ("OPEB"). Colleges that maintain their own other postemployment benefit plans (either single employer or agent multiple-employer) report a liability for the difference between the total postemployment liability calculated in accordance with GASB 75 and the amount held in the OPEB trust fund. Colleges that participate in a cost sharing plan report a liability for their "proportionate share" of the "net OPEB liability" of the entire system. This standard was implemented in the fiscal year 2018 financial statements.

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

The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College's net position and changes in them. 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.

Total net position at June 30, 2018, 2017, and 2016 is $2.7 million, $6.3 million, and $4.5 million, respectively. The College's statement of net position at June 30 is summarized as follows (in thousands):

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2018	2017	2016
Current assets	$ 11,796	$ 9,144	$ 10,730
Noncurrent assets			
Long-term investments	2,316	2,786	2,662
Restricted cash	5,389	110	1,658
Capital assets, net	25,241	25,370	20,950
Total assets	44,742	37,410	36,000
Deferred outflows of resources	4,243	2,286	2,086
Current liabilities	3,241	3,062	2,865
Noncurrent liabilities			
Net pension and OPEB liabilities	24,700	19,074	18,701
Other noncurrent liabilities	14,542	9,475	9,916
Total liabilities	42,483	31,611	31,482
Deferred inflows of resources	3,831	1,804	2,120
Net position			
Net investment in capital assets	15,904	15,980	12,718
Restricted – Expendable	15	16	18
Unrestricted (deficit)	(13,248)	(9,715)	(8,252)
Total net position	$ 2,671	$ 6,281	$ 4,484

Statement of Net Position

The primary changes in the assets of the College between 2018 and 2017 include an increase in total assets of approximately $7.3 million as a result of a bond issue the College closed on in November of 2017 for approximately $5.3 million. The purpose of the bond proceeds will be to fund a portion of the construction of the Michigan Forest Products Institute at the Kirtland Grayling campus in 2019.

The primary changes in the assets of the College between 2017 and 2016 include a decrease in current assets of approximately $1.6 million as a result of the investment in the capital asset construction of the Health Sciences Education and Training Center, which was completed in the fall of 2016. Capital assets increased approximately $4.4 million with the completion of the aforementioned project.

The primary changes in the liabilities of the College between 2018 and 2017 include an increase in other noncurrent liabilities of approximately $5.1 million as a result of a bond issue the College closed on in November of 2017 for approximately $5.3 million. Additionally, net pension and OPEB liabilities increased approximately $5.6 million primarily as a result of the College's implementation of GASB 75 during the current year.

Total liabilities remained consistent between 2017 and 2016.

Deferred Outflows

Deferred outflows of resources of approximately $4.2 million were recorded at June 30, 2018 as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPSERS plan subsequent to the plan's measurement date. This is an increase of approximately $2.0 million from June 30, 2017 due to changes in assumptions related in the discount rate used and the implementation of GASB 75. Deferred outflows of resources of approximately $2.3 million were recorded at June 30, 2017 as a result of changes in assumptions to the net pension liability and College contributions to the MPSERS plan subsequent to the plan's measurement date. This is an increase of approximately $200,000 from June 30, 2016.

Deferred Inflows

Deferred inflows of approximately $3.8 million were recorded at June 30, 2018 as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension and OPEB plan investments. This is an increase of approximately $2.0 million from June 30, 2017 due to the difference between projected and actual earnings on the pension plan and the implementation of GASB 75. Deferred inflows of approximately $1.8 million were recorded at June 30, 2017 as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension plan investments. This is a decrease of approximately $315,000 from June 30, 2016.

Net Position

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

Fiscal year 2018 net position of approximately $2.7 million increased by approximately $2.6 million from the prior year balance of approximately $107,000, as adjusted for cumulative effect of change in accounting principle. The beginning net position was decreased by approximately $6.2 million as the result of the College recording its proportionate share of the Michigan Public School Employee's Retirement System ("MPSERS") net OPEB liability and related deferred outflows.

Fiscal year 2017 net position increased approximately $1.8 million. The increase between 2017 and 2016 was in large part attributable to the College receiving the Community College Skilled Trades Equipment Program ("CCSTEP") grant money from the state for the new Health Sciences Education and Training Center. Depreciation and amortization of approximately $1.6 million and $1.1 million for 2017 and 2016, respectively, was offset by investments in capital improvements and transfers into the Plant and Operations and Maintenance Funds. Transfers into the Plant Fund were funded by operating and nonoperating revenue in excess of expenses in the General Fund.

Although unrestricted net position is not subject to externally imposed restrictions, virtually all of the College's unrestricted net position is designated for purposes to fulfill its mission. These designations include Auxiliary Fund working capital ($206,598 and $234,792 for 2018 and 2017, respectively), future maintenance and capital improvements ($2,164,622 and $2,201,246 for 2018 and 2017, respectively), and quasi-endowment ($2,000,000 for 2018 and 2017) (Note 1).

A total of $2,000,000 of net position, as seen above, has been set aside in the Quasi-Endowment Fund, by board of trustees' action, for the purpose of interest on investment proceeds being used to help offset the cost of institutional scholarships. Annual investment income, or the amount of Kirtland Community College scholarships, whichever is less, is transferred from this fund to the General Fund at the end of each fiscal year.

Statement of Revenues, Expenses, and Changes in Net Position

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

The following is a comparison of the major components of operating results of the College for the years ended June 30, 2018, 2017, and 2016 (in thousands):

	Operating Results for the Years Ended June 30 (in thousands)		
	2018	2017	2016
Operating Revenue			
Tuition and fees - net	$ 4,361	$ 4,207	$ 3,871
Grants and contracts	374	342	619
Auxiliary activities	1,228	1,158	1,129
Other	311	237	192
Total operating revenue	**6,274**	**5,944**	**5,811**
Operating Expenses			
Instruction	5,168	5,650	5,168
Public service	18	15	43
Instructional support	3,284	3,009	3,168
Student services	2,860	2,964	3,489
Institutional administration	1,751	2,151	2,163
Operation and maintenance of physical plant	1,824	2,013	1,802
Information technology	909	990	960
Depreciation and amortization expense	1,528	1,636	1,100
Loss on impairment of buildings	-	-	1,458
Other expenses	184	204	209
Total operating expenses	**17,526**	**18,632**	**19,560**
Net operating loss	(11,252)	(12,688)	(13,749)
Nonoperating revenue (expense)			
State appropriations	3,591	3,671	3,479
Federal Pell grant	2,611	2,547	2,892
Property tax levy	7,897	7,524	7,323
Gifts	87	120	115
Investment income	61	8	80
Interest on capital asset related debt	(432)	(355)	(331)
Net nonoperating revenue	**13,815**	**13,515**	**13,558**
Other revenue			
State capital grant	**-**	**970**	**1,814**
Increase in net position	**2,563**	**1,797**	**1,623**
Net position beginning of year	6,281	4,484	2,861
Cumulative effect of change in accounting principle	(6,173)	-	-
Net position – beginning of year, as revised	108	4,484	2,861
Net position – end of year	**$ 2,671**	**$ 6,281**	**$ 4,484**

Total Revenue

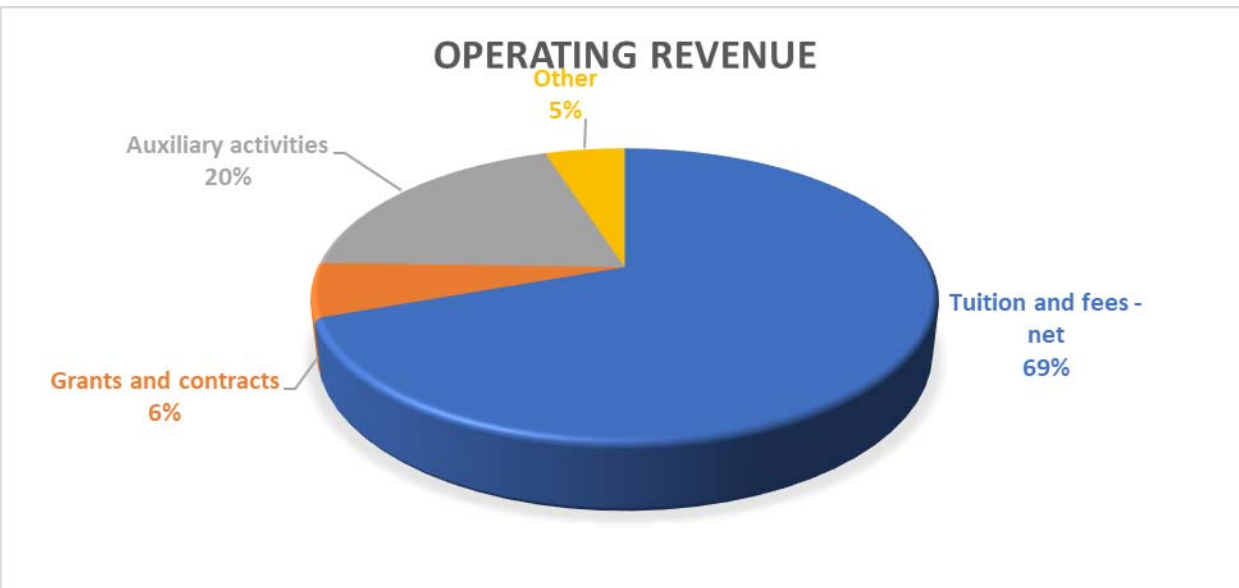
The major changes in revenue for fiscal year 2018 were results of a third straight year of enrollment leveling off. Auxiliary activities increased as a result of a full year of operation of the new community room rentals at the College's Grayling location, as well as a full year of operational control and oversight of the Gaylord University Center.

The major changes in revenue for fiscal year 2017 resulted from a combination of a small increase in tuition and fees and a leveling off in enrollment. Auxiliary activities increased with the College in part taking over operational control and oversight of the Gaylord University Center, which annual operations are approximately $500,000. Also, operations of the College's community room conference center started in the late fall of 2016; this had a positive impact for catering and rental revenues of approximately $10,000 or 10.2%.

Operating Revenue

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

Operating revenue for fiscal year 2018 was as follows:



Some of the operating revenue changes for 2018 were the result of the following factors:

The financial statements reflect an increase in net student tuition and fee revenue of approximately $154,000 and an increase in auxiliary activities of approximately $70,000 related to a stabilization in enrollment, as well as an increase in tuition and fee rates. Auxiliary revenues were higher due to a full year usage of the community room rentals and catering at the Grayling campus.

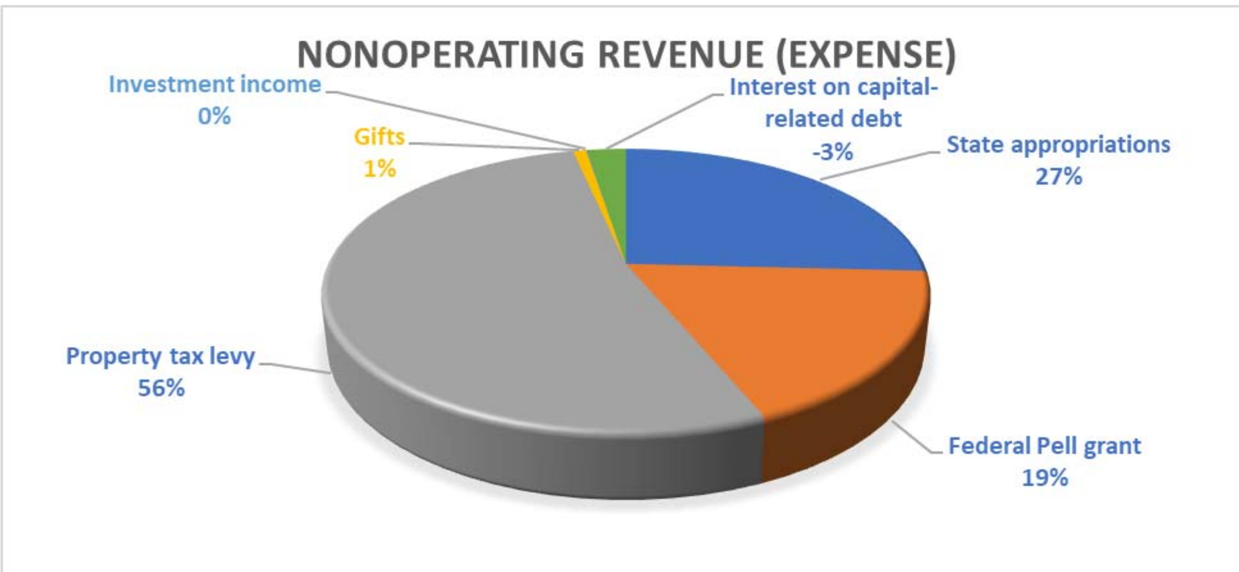
Some of the operating revenue changes for 2017 were the result of the following factors:

The financial statements reflect an increase in net student tuition and fee revenue of approximately $336,000 and an increase in auxiliary activities of approximately $29,000 related to a stabilization in enrollment, as well as an increase in tuition and fee rates.

Nonoperating Revenue (Expense)

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

Nonoperating revenue (expense) for fiscal year 2018 was as follows:



Factors affecting changes in nonoperating revenue (expense) for 2018 include:

- Property taxes increased in 2018 by approximately $373,000 or 5.0 percent.
- Pell grants increased by approximately $64,000 or 2.5 percent

Factors affecting changes in nonoperating revenue (expense) for 2017 include:

- State appropriations increased in 2017 by approximately $192,000 or 5.5 percent.
- Pell grants decreased by approximately $345,000 or 11.9 percent

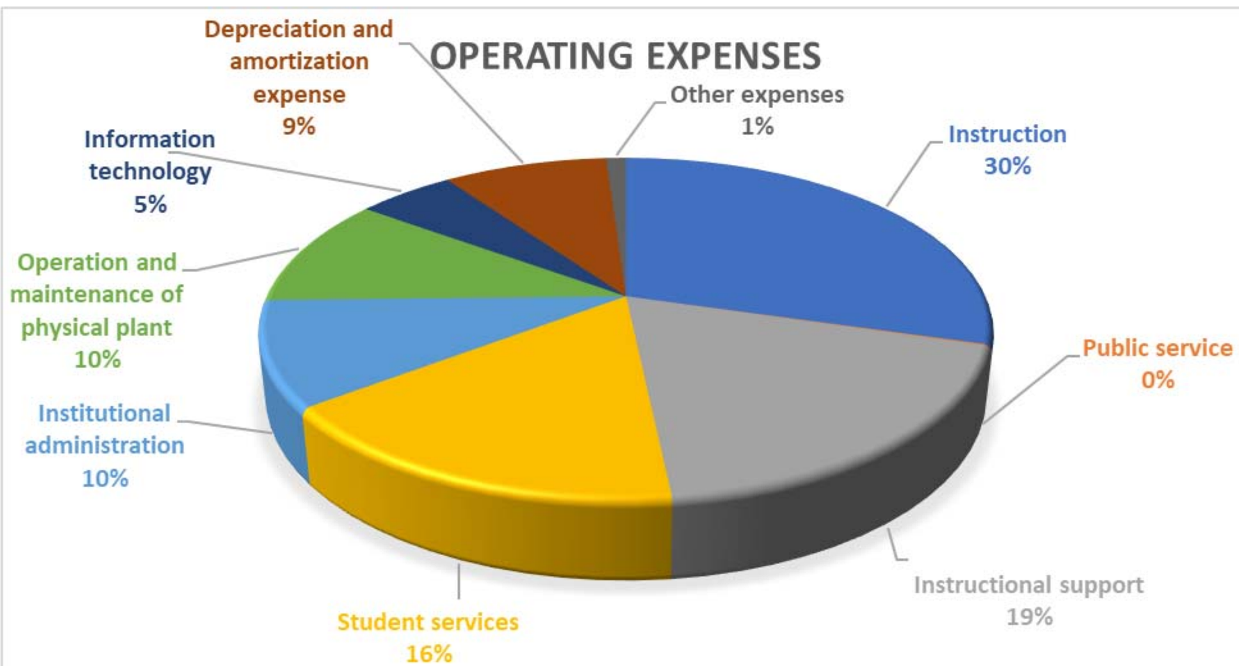
Other Revenues

For 2018, State capital grant decreased by approximately $970,000 or 100.0 percent as a result of the Community College Skilled Trades Equipment Program ("CCSTEP") grant being completed in fiscal 2017. For 2017, State capital grant decreased by approximately $844,000 or 46.5 percent also as a result of the CCSTEP grant as fiscal 2016 was the first year of the grant.

Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries, benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses decreased approximately $1,106,000 (5.9 percent) and $928,000 (4.7 percent) for fiscal years 2018 and 2017, respectively. For the purpose of the audit, operating expenses are presented according to the State of Michigan's Activities Classification Structure (ACS).

Operating expenses for fiscal year 2018 were as follows:



Factors affecting the decrease in operating expenses in 2018 were the results from reductions in the operations and workforce. This initiative has been an ongoing goal for the College since 2011. In 2017 approximately $970,000 of matching funds were spent for the CCSTEP grant.

The major factor affecting the decrease in operating expenses in 2017 is that the College recognized an approximate $1.5 million loss on impairment of buildings in 2016. Most of the departments were also able to maintain or decrease their expenses when compared to 2016.

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 the following:

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

	Cash Flows for the Year Ended June 30 (in thousands)		
	2018	2017	2016
Cash (Used in) Provided by			
Operating activities	$ (9,341)	$ (10,582)	$ (11,814)
Noncapital financing activities	13,830	13,515	13,402
Capital and related financing activities	3,753	(6,449)	(9,101)
Investing activities	(309)	(2,113)	804
Net Increase (Decrease) in Cash	7,933	(5,629)	(6,709)
Cash - Beginning of year	4,103	9,732	16,441
Cash - End of year	**$ 12,036**	**$ 4,103**	**$ 9,732**

Major sources of funds from operations came from student tuition, fees, grants, contracts, auxiliary activities, and the bookstore. These sources were offset by expenditures for operations such as payments to employees and suppliers. For fiscal years 2018 and 2017, the cash used in operating activities was financed with $13.8 million and $13.5 million, respectively, of net cash flows from noncapital financing activities, including property taxes, Pell grants, and state appropriations.

Cash provided by (used in) capital and related financing activities for fiscal years 2018 and 2017 of approximately $3.8 million and ($6.4 million), respectively, was primarily related to the completion of the Grayling campus location. Capital and related financing activities during fiscal 2018 included the sale of $5.6 million in long term bonds, to be used for the construction of the Michigan Forest Products Institute in fiscal 2019.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, 2017, and 2016, the College had $25.2 million, $25.4 million, and $21.0 million invested in capital assets, net of accumulated depreciation of $22.4 million, $20.9 million, and $19.3 million, respectively. Depreciation charges totaled approximately $1,572,000 for the current fiscal year.

	Capital Assets as of June 30 (in thousands)		
	2018	2017	2016
Land and land improvements	$ 2,116	$ 2,246	$ 1,658
Buildings and improvements	18,579	18,927	7,545
Furniture, fixtures, and equipment	3,719	4,197	2,716
Construction in progress	827	-	9,031
Total	**$ 25,241**	**$ 25,370**	**$ 20,950**

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

Debt

The College had $13.95 million, $9.1 million, and $9.5 million in debt outstanding at June 30, 2018, 2017, and 2016, respectively. The table below summarizes this amount by type of debt instrument. See note 7 for more information.

	Debt as of June 30 (in thousands)		
	2018	2017	2016
General obligation bonds	**$ 13,950**	**$ 9,130**	**$ 9,500**

Economic Factors That Will Affect the Future

The economic outlook for the College is tied heavily to national and state economic conditions. The federal appropriations, as they pertain to higher education, are being negotiated. These negotiations will potentially impact the funding received by the College. The current state law reflects a 1 percent increase in the College's appropriations for the 2018-2019 fiscal year as compared to the year ended June 30, 2018.

The fall 2018, 2017 and 2016 enrollments have shown a leveling off as compared to the prior three years. The College expects this stabilizing or a slight decline of enrollment to continue for the remainder of the 2018-2019 fiscal year and looks for small increases to occur in the coming years with the impacts of the new Health Sciences Education and Training Center and the opening of the Michigan Forest Products Institute in the fall of 2019.

Property tax revenue continues to level off over the past few fiscal years, as the housing market in the College's service area has started to rebound.

The College has reviewed its cash flow data and reserve funds. Kirtland Community College remains financially stable, but will need to continue to address the financial challenges identified above in order to maintain adequate cash flow and financial reserve.

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

October 29, 2018

To the Board of Trustees
Kirtland Community College
Roscommon, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of ***Kirtland Community College*** (the "College") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the 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.

Independent Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 financial position of the business-type activities and the discretely presented component unit of ***Kirtland Community College*** as of June 30, 2018 and 2017, and the respective results of their operations and cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Notes 1 and 8, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the current year. Accordingly, beginning net position of business-type activities as of July 1, 2017 was restated. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules for the pension and other postemployment benefits ("OPEB") plans, as listed in the table of contents, 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary combining information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued under separate cover, our report dated October 29, 2018, on our consideration of ***Kirtland Community College's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 Kirtland Community College's internal control over financial reporting and compliance.

Rehmann Robson LLC

FINANCIAL STATEMENTS

KIRTLAND COMMUNITY COLLEGE

Statements of Net Position

	June 30, 2018		June 30, 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
Assets				
Current assets				
Cash and cash equivalents	$ 6,646,731	$ 28,529	$ 3,991,869	$ 55,256
Short-term investments	2,828,668	-	1,988,985	-
Accounts receivable, net	1,929,980	66,000	2,728,292	84,350
Inventories	203,187	-	251,255	-
Prepaid expenses and other assets	187,070	1,733	183,483	1,742
Total current assets	**11,795,636**	**96,262**	**9,143,884**	**141,348**
Noncurrent assets				
Long-term investments	2,315,932	1,893,959	2,786,055	1,812,486
Restricted cash	5,389,212	-	110,428	-
Accounts receivable, net of current portion, net	-	56,711	-	123,611
Capital assets, net	25,241,452	-	25,370,097	-
Total noncurrent assets	**32,946,596**	**1,950,670**	**28,266,580**	**1,936,097**
Total assets	**44,742,232**	**2,046,932**	**37,410,464**	**2,077,445**
Deferred outflows of resources				
Deferred pension and OPEB amounts	4,242,736	-	2,286,367	-
Liabilities				
Current liabilities				
Accounts payable	508,893	10,376	693,043	24,035
Accrued payroll and vacation	921,373	-	841,361	-
Other accrued liabilities	600,611	-	578,671	-
Unearned revenue	404,263	-	330,231	-
Long-term obligations - current portion	805,986	-	618,935	-
Total current liabilities	**3,241,126**	**10,376**	**3,062,241**	**24,035**
Noncurrent liabilities				
Long-term obligations - net of current portion	14,542,218	-	9,474,891	-
Net pension and OPEB liabilities	24,700,326	-	19,074,343	-
Total noncurrent liabilities	**39,242,544**	**-**	**28,549,234**	**-**
Total liabilities	**42,483,670**	**10,376**	**31,611,475**	**24,035**
Deferred inflows of resources				
Deferred pension and OPEB amounts	3,830,534	-	1,804,646	-
Net position				
Net investment in capital assets	15,903,725	-	15,980,294	-
Restricted for:				
Expendable	14,647	132,213	15,579	118,286
Nonexpendable	-	590,922	-	576,469
Unrestricted (deficit)	(13,247,608)	1,313,421	(9,715,163)	1,358,655
Total net position	**$2,670,764**	**$2,036,556**	**$6,280,710**	**$2,053,410**

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

KIRTLAND COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended			
	June 30, 2018		June 30, 2017	
	Primary Government	Component Unit	Primary Government	Component Unit
Operating revenue				
Tuition and fees, net of scholarship allowance of $1,906,453 and $1,763,820 for 2018 and 2017, respectively	$ 4,361,297	$ -	$ 4,207,001	$ -
Federal grants and contracts	299,616	-	284,481	-
State and local grants and contracts	30,372	-	15,033	-
Private grants and contracts	44,174	-	43,038	-
Auxiliary activities	1,228,182	-	1,157,717	-
Miscellaneous	311,127	-	236,398	-
Total operating revenues	**6,274,768**	**-**	**5,943,668**	**-**
Operating expenses				
Instruction	5,167,847	-	5,649,555	-
Public service	18,420	-	14,605	-
Instructional support	3,284,473	-	3,009,181	-
Student services	2,859,935	134,613	2,964,190	164,507
Institutional administration	1,750,866	133,294	2,151,149	126,646
Operation and maintenance of physical plant	1,823,537	-	2,012,991	-
Information technology	908,485		990,502	
Depreciation and amortization	1,528,444	-	1,636,544	-
Other expenses	184,310	-	203,764	-
Total operating expenses	**17,526,317**	**267,907**	**18,632,481**	**291,153**
Operating loss	**(11,251,549)**	**(267,907)**	**(12,688,813)**	**(291,153)**
Nonoperating revenues (expenses)				
State appropriations	3,590,966	-	3,671,376	-
Federal Pell grant	2,611,648	-	2,547,768	-
Contributed services from the College	-	108,871	-	102,743
Property tax levy	7,897,341	-	7,523,512	-
Gifts	86,951	33,497	119,598	46,590
Investment income	60,594	108,685	8,140	152,298
Interest on capital asset-related debt	(432,493)	-	(355,009)	-
Net nonoperating revenues	**13,815,007**	**251,053**	**13,515,385**	**301,631**
Other revenue				
State capital grant	**-**	**-**	**970,113**	**-**
Increase (decrease) in net position	**2,563,458**	**(16,854)**	**1,796,685**	**10,478**
Net position, beginning of year	6,280,710	2,053,410	4,484,025	2,042,932
Cumulative effect of change in accounting principle (Note 1)	(6,173,404)	-	-	-
Adjusted net position, beginning of year	**107,306**	**2,053,410**	**4,484,025**	**2,042,932**
Net position, end of year	**$ 2,670,764**	**$2,036,556**	**$ 6,280,710**	**$2,053,410**

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

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2018	**2017**
Cash flows from operating activities		
Tuition and fees	$ 4,439,936	$ 4,301,933
Grants and contracts	1,210,412	265,872
Auxiliary activities	1,228,182	1,157,717
Other	267,371	282,411
Payments to suppliers	(10,698,758)	(10,936,133)
Payments to employees	(5,788,196)	(5,654,618)
Net cash used in operating activities	**(9,341,053)**	**(10,582,818)**
Cash flows from noncapital financing activities		
Direct lending receipts	2,716,622	2,795,971
Direct lending disbursements	(2,716,622)	(2,795,971)
Property tax levy	7,536,006	7,189,601
Federal Pell grants	2,611,648	2,547,768
State appropriations	3,595,232	3,658,892
Gifts for other than capital purposes	86,951	119,598
Net cash provided by noncapital financing activities	**13,829,837**	**13,515,859**
Cash flows from capital and related financing activities		
Purchase of capital assets	(1,464,404)	(6,106,227)
Proceeds from sale of capital assets	22,680	24,000
Issuance of long-term debt	5,649,765	-
Principal paid on capital debt	(380,000)	(370,000)
Debt property tax levy	358,280	357,872
Interest paid on capital asset-related debt	(432,493)	(355,009)
Net cash provided by (used in) capital and related financing activities	**3,753,828**	**(6,449,364)**
Cash flows from investing activities		
Proceeds from sale and maturities of investments, net	3,455,463	1,363,821
Purchase of short-term and long-term investments	(3,825,023)	(3,485,004)
Interest on investments	60,594	8,140
Net cash used in investing activities	**(308,966)**	**(2,113,043)**
Net increase (decrease) in cash and cash equivalents	**7,933,646**	**(5,629,366)**
Cash and cash equivalents, beginning of year	4,102,297	9,731,663
Cash and cash equivalents, end of year	**$ 12,035,943**	**$ 4,102,297**
Reconciliation to Statements of Net Position		
Cash and cash equivalents	$ 6,646,731	$ 3,991,869
Restricted cash	5,389,212	110,428
Cash and cash equivalents, end of year	**$ 12,035,943**	**$ 4,102,297**

continued…

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

KIRTLAND COMMUNITY COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2018	2017
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (11,251,549)	$ (12,688,813)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,528,444	1,636,544
(Gain) loss on disposal of capital assets	(1,132)	5,167
Change in operating assets:		
Accounts receivable, net	797,101	(104,298)
Inventories	48,068	119,241
Prepaid expenses and other assets	(3,587)	445,359
Change in operating liabilities:		
Accounts payable	(184,150)	122,993
Accrued payroll and vacation	80,012	(38,291)
Unearned revenue	74,032	168,563
Change in net pension and OPEB liabilities and deferred amounts	(477,902)	(142,994)
Other accrued liabilities	49,610	(106,289)
Net cash used in operating activities	**$ (9,341,053)**	**$(10,582,818)**

concluded

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

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Kirtland Community College Foundation (the "Foundation") is discretely presented as a separate component unit of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College. The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Significant Accounting Policies

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

Accrual Basis

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash consists of unspent bond proceeds, which are restricted for capital expenditures related to the Health Sciences Education and Training Center.

Accounts Receivable

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

Investments

The College and Foundation carry their investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

Fair Value Measurements

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

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

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

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

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

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

Inventories

Cafeteria, bookstore, print shop, and technology inventories are stated at the average cost using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost. Gifts of property are recorded at estimated acquisition value at the time gifts are received. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. Land is not depreciated. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Management reviews these assets to determine whether carrying values have been impaired. Management does not believe any assets are imparied in 2018 and 2017.

The following estimated useful lives are used to compute depreciation:

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

Revenue Recognition

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

Contributions of the Foundation, including unconditional promises to give in the future, are reported as unrestricted revenue when received unless use of the related assets is limited by donor-imposed restrictions. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Expirations of temporary restrictions on net assets (e.g., the donor-stipulated purpose has been fulfilled) are reported as reclassifications between the applicable classes of net position. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Scholarship Allowance

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

Operating and Nonoperating Revenue

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

Unearned Revenue

Tuition and fees revenue received and related to periods of instruction that will occur after June 30, 2018 and 2017, have been recorded as unearned. Grants received prior to qualifying expenses are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Accrued Sick Leave

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

Classification of Expenses

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

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

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

Income Taxes

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Foundation analyzes its income tax filing positions in the federal and state jurisdictions where it is required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions. The Foundation has evaluated its income tax filing positions for fiscal years 2014 through 2018, the years which remain subject to examination as of June 30, 2018. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2018 or 2017, and is not aware of any claims for such amounts by federal or state income tax authorities.

Deferred Outflows of Resources

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

Pension and Other Postemployment Benefits ("OPEB")

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

Internal Service Activities

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

Net Position

GASB Statement No, 34, as amended by GASB Statement No. 63, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting into the following net position categories:

- *Net Investment in Capital Assets:* Capital assets, net of accumulated depreciation, unspent bond proceeds, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

- *Restricted Nonexpendable*: Net position subject to externally imposed constraints that they be maintained permanently by the Foundation. Nonexpendable net position includes the corpus portion (historical value) of gifts to the Foundation's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.

- *Restricted Expendable*: Net position whose use by the College and the Foundation is subject to externally imposed constraints that can be fulfilled by actions of the College and the Foundation pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of the Foundation's permanent endowment fund that have not been stipulated by the donor to be reinvested permanently.

- *Unrestricted:* Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties.

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

	2018	2017
Auxiliary fund working capital	$ 206,598	$ 234,792
Deferred maintenance and replacement	2,164,622	2,201,246
Quasi-endowment	2,000,000	2,000,000
Pension and OPEB liability fund deficit	(24,288,124)	(18,592,622)
Undesignated	6,669,296	4,441,421
Total unrestricted net deficit	**$(13,247,608)**	**$ (9,715,163)**

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include but are not limited to the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans and the fair value of investments.

Reclassification

Certain amounts in the prior year financial information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

New Accounting Pronouncement

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits ("OPEB") Other Than Pensions*. This statement requires the College recognize a net OPEB liability on the statement of net position, equal to the College's proportionate share of the net OPEB liability of the Michigan Public School Employees Retirement System ("MPSERS"), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 8. As a result of this change, the College recognized a net OPEB liability of $6,662,300 and deferred outflows of resources of $488,896, which resulted in a decrease in net position of $6,173,404 as of July 1, 2017. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2018, the most recent statement of net position presented herein, through October 29, 2018, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

2. PROPERTY TAXES

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the College is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2018 and 2017, $1.2657 of tax per $1,000 of taxable property value in the community college taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $6,330,705 and $6,215,120 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, $0.12 per $1,000 of taxable property value in the community college taxing district was levied for debt retirement purposes. Total property tax revenue for debt retirement purposes was $357,985 and $353,184 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, $0.8436 per $1,000 of taxable property value in the M-Tec taxing district was levied for general operating purposes. Total property tax revenue was $785,277 and $760,581 for the years ended June 30, 2018 and 2017, respectively.

Additionally, during the year ended June 30, 2018 and 2017, $423,374 and $194,627, respectively, of property tax revenue was collected related to the College’s new University Center.

3. DEPOSITS AND INVESTMENTS AND FAIR VALUE MEASUREMENTS

Deposits and Investments

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

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

Fair Value Measurements

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

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2018 or 2017.

College

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

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

Commercial Paper: The College reviews market pricing and other observable market inputs for the same or similar securities obtained from a number of industry standard data providers. In the event that a transaction is observed for the same or similar security in the marketplace, the price on that transaction reflects the market price and fair value on that day and then follows a revised accretion schedule to determine the fair market value at period end. In the absence of any observable market transactions for a particular security, the fair market value at period end is derived by accreting from the last observable market price. These inputs represent quoted prices for similar assets or these inputs have been derived from observable market data accreted mathematically to par, and result in the classification of these securities as Level 2 of the fair value hierarchy.

Foundation

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

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

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

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

	Assets at Fair Value			
2018	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Government Obligations	$ 1,299,645	$ -	$ -	$ 1,299,645
Certificates of Deposit	2,015,257	-	-	2,015,257
Commercial Paper	-	1,829,698	-	1,829,698
Total investments	$ 3,314,902	$ 1,829,698	$ -	$ 5,144,600

	Assets at Fair Value			
2017	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Government Obligations	$ 1,786,055	$ -	$ -	$ 1,786,055
Certificates of Deposit	1,000,000	-	-	1,000,000
Commercial Paper	-	1,988,985	-	1,988,985
Total investments	$ 2,786,055	$ 1,988,985	$ -	$ 4,775,040

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

	Assets at Fair Value			
2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	$ 541,169	$ -	$ -	$ 541,169
Equity mutual funds	1,157,752	-	-	1,157,752
Bond mutual funds	195,038	-	-	195,038
Total investments	$ 1,893,959	$ -	$ -	$ 1,893,959

	Assets at Fair Value			
2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Common stock	$ 393,271	$ -	$ -	$ 393,271
Equity mutual funds	1,004,160	-	-	1,004,160
Bond mutual funds	415,055	-	-	415,055
Total investments	$ 1,812,486	$ -	$ -	$ 1,812,486

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

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

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Government Obligations	$ 1,299,645	$ -	$ -	$ 268,148	$ 1,031,497
Certificates of Deposit	2,015,257	998,970	1,016,287	-	-
Commercial Paper	1,829,698	1,829,698	-	-	-
Total	$ 5,144,600	$ 2,828,668	$ 1,016,287	$ 268,148	$ 1,031,497

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

	Fair Market Value	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
U.S. Government Obligations	$ 1,786,055	$ -	$ -	$ 352,181	$ 1,433,874
Certificates of Deposit	1,000,000	-	1,000,000	-	-
Commercial Paper	1,988,985	1,988,985	-	-	-
Total	$ 4,775,040	$ 1,988,985	$ 1,000,000	$ 352,181	$ 1,433,874

Custodial Credit Risk of Bank Deposits
Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be available or returned. The College's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College's deposits. As of June 30, 2018, the College's deposit balances of $12,581,115 had $11,831,115 of bank deposits (money markets and certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2017, the College's deposit balances of $5,016,869 had $4,266,869 of bank deposits (money markets and certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The College believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

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

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

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The College's investment policy does not further limit its investment choices. At June 30, 2018, all commercial paper held by the College had a rating of A1 or A2.

At June 30, 2018 and 2017, the College had debt securities with Federal National Mortgage Association, Government National Mortgage Association, and Federal Home Loan Mortgage Corporation invested at Huntington Bank.

Foreign Currency Risk

There are no foreign investments held by the College.

Concentration of Credit Risk

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

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consist of the following at June 30:

	2018	2017
State appropriations	$ 735,472	$ 739,738
Federal and state grants	759,631	1,617,480
Student	180,114	206,867
Property taxes	36,386	33,331
Consumer and other	233,409	168,054
Total accounts receivable	1,945,012	2,765,470
Less allowance for doubtful accounts	(15,032)	(37,178)
Net accounts receivable	$ 1,929,980	$ 2,728,292

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

5. PLEDGES RECEIVABLE - FOUNDATION

Pledges receivable consist of unconditional promises to give toward the Health Sciences Education and Training Center and various scholarships and programs. The Foundation calculated the net realizable value of the pledges based on expected collections over the next five years at a risk-adjusted rate of 1.05% for the years ended June 30:

	2018	2017
Receivable in less than one year	$ 66,000	$ 84,350
Receivable in one to five years	67,640	134,540
Less present value discount	(10,929)	(10,929)
Pledges receivable, net	$ 122,711	$ 207,961

6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 695,242	$ -	$ -	$ -	$ 695,242
Construction in progress	-	826,719	-	-	826,719
Subtotal nondepreciable assets	**695,242**	**826,719**	**-**	**-**	**1,521,961**
Capital assets being depreciated:					
Land improvements	3,419,718	81,661	-	-	3,501,379
Building and building improvements	32,745,525	448,990	-	-	33,194,515
Furniture, fixtures and equipment	9,439,606	107,034	(97,401)	-	9,449,239
Subtotal depreciable assets	**45,604,849**	**637,685**	**(97,401)**	**-**	**46,145,133**
Total depreciable and nondepreciable assets	**46,300,091**	**1,464,404**	**(97,401)**	**-**	**47,667,094**
Less accumulated depreciation:					
Land improvements	1,868,957	211,833	-	-	2,080,790
Building and building improvements	13,818,227	796,879	-	-	14,615,106
Furniture, fixtures and equipment	5,242,810	562,789	(75,853)	-	5,729,746
Total accumulated depreciation	**20,929,994**	**$ 1,571,501**	**$ (75,853)**	**$ -**	**22,425,642**
Capital assets, net	**$ 25,370,097**				**$25,241,452**

Construction in progress consists of construction costs for the Grayling Campus addition. The project is expected to be completed and put into service during fiscal year 2019 at an additional cost of approximately $9,000,000.

Notes to Financial Statements

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

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land	$ 695,242	$ -	$ -	$ -	$ 695,242
Construction in progress	9,031,401	-	-	(9,031,401)	-
Subtotal nondepreciable assets	**9,726,643**	**-**	**-**	**(9,031,401)**	**695,242**
Capital assets being depreciated:					
Land improvements	2,486,760	932,958	-	-	3,419,718
Building and building improvements	19,478,952	4,235,172	-	9,031,401	32,745,525
Furniture, fixtures and equipment	8,536,509	938,097	(35,000)	-	9,439,606
Subtotal depreciable assets	**30,502,221**	**6,106,227**	**(35,000)**	**9,031,401**	**45,604,849**
Total depreciable and nondepreciable assets	**40,228,864**	**6,106,227**	**(35,000)**	**-**	**46,300,091**
Less accumulated depreciation:					
Land improvements	1,795,046	73,911	-	-	1,868,957
Building and building improvements	12,960,386	857,841	-	-	13,818,227
Furniture, fixtures and equipment	4,523,283	725,360	(5,833)	-	5,242,810
Total accumulated depreciation	**19,278,715**	**$ 1,657,112**	**$ (5,833)**	**$ -**	**20,929,994**
Capital assets, net	**$ 20,950,149**				**$25,370,097**

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

7. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bond payable					
2017 General Obligation, Limited Bond	$ -	$ 5,200,000	$ -	$ 5,200,000	$ 195,000
2015 General Obligation, Limited Bond	4,085,000	-	(165,000)	3,920,000	170,000
2015 General Obligation, Unlimited Bond	4,685,000	-	(180,000)	4,505,000	195,000
2010 General Obligation, Limited Bond	360,000	-	(35,000)	325,000	40,000
Total bonds payable	9,130,000	5,200,000	(380,000)	13,950,000	600,000
Deferred amounts					
Series 2017 Unamortized Bond Premium	-	449,765	(22,489)	427,276	22,488
Series 2015 Unamortized Bond Premium	370,231	-	(20,568)	349,663	20,568
Other Long-Term Obligations					
Accrued sick leave	593,595	114,099	(86,429)	621,265	162,930
Total long-term obligations	**$ 10,093,826**	**$ 5,763,864**	**$ (509,486)**	**$ 15,348,204**	**$ 805,986**

Long-term obligation activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bond payable					
2015 General Obligation, Limited Bond	$ 4,250,000	$ -	$ (165,000)	$ 4,085,000	$ 165,000
2015 General Obligation, Unlimited Bond	4,855,000	-	(170,000)	4,685,000	180,000
2010 General Obligation, Limited Bond	395,000	-	(35,000)	360,000	35,000
Total bonds payable	9,500,000	-	(370,000)	9,130,000	380,000
Deferred amounts					
Series 2015 Unamortized Bond Premium	390,800	-	(20,569)	370,231	20,568
Other Long-Term Obligations					
Accrued sick leave	703,866	70,220	(180,491)	593,595	218,367
Total long-term obligations	**$ 10,594,666**	**$ 70,220**	**$ (571,060)**	**$ 10,093,826**	**$ 618,935**

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

2017 General Obligation, Limited Bond

In November 2017, the College issued $5,200,000 of 2017 community college facilities general obligation limited bonds for the purpose of funding the expansion of the Health Sciences Education and Training Center. The bonds bear interest ranging from 3.00 to 4.00 percent and require annual payments ranging from $195,000 to $380,000 through 2037.

2015 General Obligation, Limited Bond

In May 2015, the College issued $4,415,000 of 2015 community college facilities general obligation limited bonds for the purpose of funding the construction of a new Health Sciences Education and Training Center. The bonds bear interest ranging from 2.00 to 4.00 percent and require annual payments ranging from $165,000 to $305,000 through 2035.

2015 General Obligation, Unlimited Bond

In May 2015, the College issued $5,025,000 of 2015 community college facilities general obligation unlimited bonds for the purpose of funding the construction of a new Health Sciences Education and Training Center. The bonds bear interest ranging from 2.00 to 4.00 percent and require annual payments ranging from $170,000 to $355,000 through 2035.

2010 General Obligation, Limited Bond

In July 2010, the College issued $575,000 of 2010 community college facilities general obligation limited bonds for the purpose of funding the construction of a new Children's Learning Center. The bonds bear interest at 3.82 percent and require annual payments ranging from $30,000 to $55,000 through 2025.

Accrued Sick Leave

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

Debt Maturity

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

	Debt Obligations		
Year Ending June 30,	Principal	Interest	Total
2019	$ 600,000	$ 537,865	$ 1,137,865
2020	615,000	517,587	1,132,587
2021	645,000	496,809	1,141,809
2022	660,000	474,990	1,134,990
2023	690,000	452,721	1,142,721
2024-2028	3,670,000	1,858,912	5,528,912
2029-2033	4,345,000	1,080,000	5,425,000
2034-2037	2,725,000	224,200	2,949,200
Totals	**$ 13,950,000**	**$ 5,643,084**	**$ 19,593,084**

8. RETIREMENT PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

Other Postemployment Benefits Provided

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

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56 % to 19.03% of covered payroll for the College's fiscal 2017. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2017.

The table below summarizes pension contribution rates, including UAAL stabilization, in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	27.56% - 29.21%
Member Investment Plan (MIP)	3.00% - 7.00%	27.56% - 29.21%
Pension Plus	3.00% - 6.40%	26.93% - 29.93%
Pension Plus 2	6.20%	31.06%
Defined Contribution	0.00%	23.80% - 24.86%

Required contributions to the pension plan from the College were $1,906,804, $1,630,652 and $1,730,331 for the years ended June 30, 2018, 2017 and 2016, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 9.08%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 8.86%

Required contributions to the OPEB plan from the College were $426,950, $569,834 and $610,208 for the years ended June 30, 2018, 2017 and 2016, respectively.

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

At June 30, 2018 and 2017, the College reported a liability of $18,384,023 and $19,074,343, respectively, for its proportionate share of the MPSERS 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 rolled forward from September 2016 and 2015, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the College's proportion was 0.07094%, which was a decrease of 0.00551% from its proportion measured as of September 30, 2016 of 0.07645%.

For the year ended June 30, 2018, the College recognized pension expense of $1,188,221. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 159,770	$ 90,207	$ 69,563
Changes in assumptions	2,014,116	-	2,014,116
Net difference between projected and actual earnings on pension plan investments	-	878,877	(878,877)
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,613	1,778,750	(1,762,137)
	2,190,499	2,747,834	(557,335)
College contributions subsequent to the measurement date	1,690,130	-	1,690,130
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	869,163	(869,163)
	1,690,130	869,163	820,967
Total	**$ 3,880,629**	**$ 3,616,997**	**$ 263,632**

The $1,690,130 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The $869,163 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	$ (382,437)
2020	40,119
2021	(25,013)
2022	(190,004)
Total	**$ (557,335)**

For the year ended June 30, 2017, the College recognized pension expense of $1,400,655. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 237,717	$ 45,207	$ 192,510
Changes in assumptions	298,212	-	298,212
Net difference between projected and actual earnings on pension plan investments	317,015	-	317,015
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,438	1,177,451	(1,151,013)
	879,382	1,222,658	(343,276)
College contributions subsequent to the measurement date	1,406,985	-	1,406,985
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	581,988	(581,988)
	1,406,985	581,988	824,997
Total	**$ 2,286,367**	**$ 1,804,646**	**$ 481,721**

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

At June 30, 2018, the College reported a liability of $6,316,303 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability 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 rolled forward from September 30, 2016. The College’s proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the College’s proportion was 0.07133%.

For the year ended June 30, 2018, the College recognized OPEB expense of $423,009. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 67,250	$ (67,250)
Net difference between projected and actual earnings on OPEB plan investments	-	146,287	(146,287)
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,356	-	2,356
	2,356	213,537	(211,181)
College contributions subsequent to the measurement date	359,751	-	359,751
Total	**$ 362,107**	**$ 213,537**	**$ 148,570**

$359,751 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ (51,075)
2020	(51,075)
2021	(51,075)
2022	(51,075)
2023	(6,881)
Total	**$ (211,181)**

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	3.5%
Investment rate of return	
MIP and Basic plans (non-hybrid)	7.5% (8.0% for 2015)
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3.0% annual non-compounded for MIP members
Healthcare cost trend	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017 and 2016, is based on the results of an actuarial valuation date of September 30, 2016 and 2015, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on 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. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2017 and 2016, are summarized in the following tables:

2017 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity pools	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

2016 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.90%
Inflation			2.10%
Investment rate of return			8.00%

Discount Rate

A discount rate of 7.5% (8.0% for 2017) was used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% (8.0% for 2017) (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2018:

College's proportionate share of the net pension liability	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
As of June 30, 2018	$ 23,948,268	$ 18,384,023	$ 13,699,284

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2017:

College's proportionate share of the net pension liability	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
As of June 30, 2017	$ 24,562,953	$ 19,074,343	$ 14,446,917

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

The following presents the College's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate of 7.5%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 7,398,216	$ 6,316,303	$ 5,398,097

Sensitivity of College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 5,349,059	$ 6,316,303	$ 7,414,540

Change in Pension Plan Actuarial Assumption

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools' Employees Retirement System Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8.0% to 7.5% effective for the September 30, 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions for fiscal year 2019 and beyond and the net pension liability as of June 30, 2019 and beyond will increase as a result of lowering the assumed investment rate of return.

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the College reported a payable of $192,568 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018. As of June 30, 2017, the College reported a payable of $170,341 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017.

Payable to the OPEB Plan

At June 30, 2018, the College reported a payable of $27,100 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

9. CONTINGENCIES

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

10. RISK MANAGEMENT

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

Risk-sharing Programs

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

The College is self-insured for certain vision and dental benefits paid on behalf of its employees. Effective January 1, 2013, the College is also self-insured for certain medical benefits paid on behalf of its employees. Payments are made to the plan administrator based on actual claims. A startup amount is expected to cover claims which have been incurred but not reported. The College has employed an outside consultant to monitor the plan. Expenses related to the vision and dental plans during the years ended June 30, 2018 and 2017 totaled $109,958 and $111,909, respectively. Expenses related to the medical plan during the years ended June 30, 2018 and 2017 totaled $713,170 and $786,964, respectively, which includes an estimate of claims incurred but not reported at June 30, 2018 and 2017.

	Vision and Dental Liability		
	2018	2017	2016
Unpaid claims - beginning of year	$ -	$ -	$ -
Incurred claims	109,958	111,909	136,250
Claims payments	109,958	111,909	136,250
Unpaid claims - end of year	$ -	$ -	$ -

	Health Liability		
	2018	2017	2016
Unpaid claims - beginning of year	$ 294,107	$ 274,112	$ 210,641
Incurred claims	713,170	786,964	1,191,538
Claims payments	620,471	766,969	1,128,067
Unpaid claims - end of year	$ 386,806	$ 294,107	$ 274,112

11. KIRTLAND COMMUNITY COLLEGE FOUNDATION

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

Financial information for the Foundation is reported using accounting principles generally accepted in the United States of America for not-for-profit entities. Specific differences from the College are related to the reporting of promises to give and grants payable, which are reported when they are unconditional. At June 30, 2018 and 2017, the stated value of the net position of the Foundation totaled $2,036,556 and $2,053,410, respectively.

Unrestricted net position, expendable endowments, scholarships and grants, and nonexpendable endowments are available at June 30, 2018 and 2017 for the following purposes:

	2018			
	Unrestricted Net Position	Expendable Endowments, Scholarships, and Grants	Nonexpendable Endowments	Total June 30, 2018
Foundation designated	$ 1,313,421	$ -	$ -	$ 1,313,421
Center for Performing Arts	-	6,894	10,728	17,622
Scholarships and financial aid	-	125,319	580,194	705,513
Total	$ 1,313,421	$ 132,213	$ 590,922	$ 2,036,556

	2017			
	Unrestricted Net Position	Expendable Endowments, Scholarships, and Grants	Nonexpendable Endowments	Total June 30, 2017
Foundation designated	$ 1,358,655	$ -	$ -	$ 1,358,655
Center for Performing Arts	-	6,894	9,728	16,622
Scholarships and financial aid	-	111,392	566,741	678,133
Total	$ 1,358,655	$ 118,286	$ 576,469	$ 2,053,410

Contributions to and payments on behalf of the College by the Foundation approximated $135,000 and $165,000 in the fiscal years ended June 30, 2018 and 2017, respectively.

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REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLANS

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30,			
	2018	2017	2016	2015
College's proportionate share of the net pension liability	$ 18,384,023	$ 19,074,343	$ 18,701,369	$ 18,658,349
College's proportion of the net pension liability	0.07094%	0.07645%	0.07657%	0.08471%
College's covered payroll	$ 5,788,356	$ 6,331,048	$ 6,487,088	$ 7,227,586
College's proportionate share of the net pension liability as a percentage of its covered payroll	317.60%	301.28%	288.29%	258.15%
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Pension Contributions

	Year Ended June 30,			
	2018	2017	2016	2015
Contractually required contribution	$ 1,906,804	$ 1,630,652	$ 1,730,331	$ 1,386,796
Contributions in relation to the contractually required contribution	(1,906,804)	(1,630,652)	(1,730,331)	(1,386,796)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 5,915,953	$ 5,827,938	$ 6,166,021	$ 6,598,213
Contributions as a percentage of covered payroll	32.23%	27.98%	28.06%	21.02%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2018
College's proportionate share of the net OPEB liability	$ 6,316,303
College's proportion of the net OPEB liability	0.07133%
College's covered payroll	$ 5,788,356
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	109.12%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefits Contributions

	Year Ended June 30, 2018
Contractually required contribution	$ 426,950
Contributions in relation to the contractually required contribution	(426,950)
Contribution deficiency (excess)	$ -
College's covered payroll	$ 5,915,953
Contributions as a percentage of covered payroll	7.22%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SUPPLEMENTARY INFORMATION

KIRTLAND COMMUNITY COLLEGE

Combining Statement of Net Position (Deficit)
June 30, 2018 (Unaudited)
(with comparative totals for 2017)

	General Fund	Pension and OPEB Fund	Restricted MPSERS	Designated Fund	Auxiliary Activities	Expendable Restricted Funds	Unexpended Plant Fund	Maintenance and Repair Fund	Debt Service Fund	Physical Properties Fund	Agency Fund	Quasi-Endowment Fund	Combined Total June 30, 2018	Combined Total June 30, 2017
Assets														
Current assets														
Cash and cash equivalents	$ 6,645,381	$ -	$ -	$ -	$ 1,350	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,646,731	$ 3,991,869
Short-term investments	2,828,668	-	-	-	-	-	-	-	-	-	-	-	2,828,668	1,988,985
Accounts receivable, net	977,046	-	-	106,045	52,665	759,631	2,050	-	32,543	-	-	-	1,929,980	2,728,292
Inventories	23,649	-	-	-	179,538	-	-	-	-	-	-	-	203,187	251,255
Prepaid expenses and other assets	151,666	-	-	1,832	15,429	-	-	18,143	-	-	-	-	187,070	183,483
Due from (to) other funds	(9,923,138)	-	131,090	52,447	226,794	(730,929)	112,924	2,001,676	6,026,294	-	102,842	2,000,000	-	-
Total current assets	**703,272**	**-**	**131,090**	**160,324**	**475,776**	**28,702**	**114,974**	**2,019,819**	**6,058,837**	**-**	**102,842**	**2,000,000**	**11,795,636**	**9,143,884**
Noncurrent assets														
Long-term investments	2,315,932	-	-	-	-	-	-	-	-	-	-	-	2,315,932	2,786,055
Restricted cash	-	-	-	-	-	-	5,389,212	-	-	-	-	-	5,389,212	110,428
Capital assets:														
Land	-	-	-	-	-	-	-	-	-	695,242	-	-	695,242	695,242
Land improvements	-	-	-	-	-	-	-	-	-	3,501,379	-	-	3,501,379	3,419,718
Buildings	-	-	-	-	-	-	-	-	-	34,652,133	-	-	34,652,133	34,203,143
Equipment and books	-	-	-	-	-	-	-	-	-	9,449,239	-	-	9,449,239	9,439,604
Allowance for depreciation	-	-	-	-	-	-	-	-	-	(23,883,260)	-	-	(23,883,260)	(22,387,610)
Construction in progress	-	-	-	-	-	-	826,719	-	-	-	-	-	826,719	-
Total capital assets	-	-	-	-	-	-	826,719	-	-	24,414,733	-	-	25,241,452	25,370,097
Total noncurrent assets	**2,315,932**	**-**	**-**	**-**	**-**	**-**	**6,215,931**	**-**	**-**	**24,414,733**	**-**	**-**	**32,946,596**	**28,266,580**
Total assets	**3,019,204**	**-**	**131,090**	**160,324**	**475,776**	**28,702**	**6,330,905**	**2,019,819**	**6,058,837**	**24,414,733**	**102,842**	**2,000,000**	**44,742,232**	**37,410,464**
Deferred outflows of resources														
Deferred pension and OPEB amounts	-	4,242,736	-	-	-	-	-	-	-	-	-	-	4,242,736	2,286,367
Liabilities														
Current liabilities														
Accounts payable	340,893	-	131,090	8,785	14,804	13,321	-	-	-	-	-	-	508,893	693,043
Accrued payroll and vacation	892,113	-	-	6,736	21,790	734	-	-	-	-	-	-	921,373	841,361
Other accrued liabilities	464,947	-	-	-	3,835	-	-	-	28,987	-	102,842	-	600,611	578,671
Unearned revenue	175,514	-	-	-	228,749	-	-	-	-	-	-	-	404,263	330,231
Long-term obligations - current portion	162,930	-	-	-	-	-	-	-	643,056	-	-	-	805,986	618,935
Total current liabilities	**2,036,397**	**-**	**131,090**	**15,521**	**269,178**	**14,055**	**-**	**-**	**672,043**	**-**	**102,842**	**-**	**3,241,126**	**3,062,241**
Noncurrent liabilities														
Long-term obligations - net of current portion	-	-	-	-	-	-	-	-	14,542,218	-	-	-	14,542,218	9,474,891
Net pension and OPEB liabilities	-	24,700,326	-	-	-	-	-	-	-	-	-	-	24,700,326	19,074,343
Total noncurrent liabilities	**-**	**24,700,326**	**-**	**-**	**-**	**-**	**-**	**-**	**14,542,218**	**-**	**-**	**-**	**39,242,544**	**28,549,234**
Total liabilities	**2,036,397**	**24,700,326**	**131,090**	**15,521**	**269,178**	**14,055**	**-**	**-**	**15,214,261**	**-**	**102,842**	**-**	**42,483,670**	**31,611,475**
Deferred inflows of resources														
Deferred pension and OPEB amounts	-	3,830,534	-	-	-	-	-	-	-	-	-	-	3,830,534	1,804,646
Net position (deficit)														
Net investment in capital assets	-	-	-	-	-	-	6,215,931	-	(14,726,939)	24,414,733	-	-	15,903,725	15,980,294
Restricted - expendable	-	-	-	-	-	14,647	-	-	-	-	-	-	14,647	15,579
Unrestricted (deficit)	982,807	(24,288,124)	-	144,803	206,598	-	114,974	2,019,819	5,571,515	-	-	2,000,000	(13,247,608)	(9,715,163)
Total net position (deficit)	**$ 982,807**	**$(24,288,124)**	**$ -**	**$ 144,803**	**$ 206,598**	**$ 14,647**	**$ 6,330,905**	**$ 2,019,819**	**$ (9,155,424)**	**$ 24,414,733**	**$ -**	**$ 2,000,000**	**$ 2,670,764**	**$ 6,280,710**

KIRTLAND COMMUNITY COLLEGE

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Deficit)
Year Ended June 30, 2018 (Unaudited)
(with comparative totals for 2017)

	General Fund	Pension and OPEB Fund	Restricted MPSERS	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Unexpended Plant Fund	Maintenance and Repair Fund	Debt Service Fund	Physical Properties Fund	Quasi-Endowment Fund	Eliminations	Combined Total June 30, 2018	Combined Total June 30, 2017
Operating revenues														
Tuition and fees, net	$ 6,267,750	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,906,453)	$ 4,361,297	$ 4,207,001
Federal grants and contracts	-	-	-	-	-	299,616	-	-	-	-	-	-	299,616	284,481
State and local grants and contracts	-	-	-	-	-	30,372	-	-	-	-	-	-	30,372	15,033
Private gifts, grants, and contracts	22,575	-	-	-	-	21,599	-	-	-	-	-	-	44,174	43,038
Auxiliary activities	-	-	-	-	1,228,182	-	-	-	-	-	-	-	1,228,182	1,157,717
Indirect cost recoveries	20,597	-		-	-	(180)	-	-	-	-	-	(20,417)	-	-
Current funds expenditures for equipment and capital improvements	-	-	-	-	-	-	-	-	-	637,685	-	(637,685)	-	-
Miscellaneous	95,686	-	-	215,441	-	-	-	-	-	-	-	-	311,127	236,398
Total operating revenues	**6,406,608**	**-**	**-**	**215,441**	**1,228,182**	**351,407**	**-**	**-**	**-**	**637,685**	**-**	**(2,564,555)**	**6,274,768**	**5,943,668**
Operating expenses														
Instruction	4,899,737	(640,932)	413,548	218,694	-	214,292	-	-	108,777	-	-	(46,269)	5,167,847	5,649,555
Public service	15,037	(2,021)	1,304	-	-	4,100	-	-	-	-	-	-	18,420	14,605
Instructional support	2,004,502	(223,478)	144,194	-	1,394,402	18,454	-	-	-	-	-	(53,601)	3,284,473	3,009,181
Student services	2,118,341	(222,940)	143,846	-	-	2,727,141	-	-	-	-	-	(1,906,453)	2,859,935	2,964,190
Institutional administration	1,809,839	(166,228)	107,255	-	-	-	-	-	-	-	-	-	1,750,866	2,151,149
Operation and maintenance of physical plant	1,712,450	(91,466)	59,016	-	-	-	-	698,374	-	-	-	(554,837)	1,823,537	2,012,991
Information technology	908,485	-	-	-	-	-	-	-	-			-	908,485	990,502
Depreciation and amortization	-	-	-	-	-	-	-	-	(43,057)	1,571,501	-	-	1,528,444	1,636,544
Other expenses	-	-	-	-	188,837	-	-	-	-	(1,132)	-	(3,395)	184,310	203,764
Total operating expenses	**13,468,391**	**(1,347,065)**	**869,163**	**218,694**	**1,583,239**	**2,963,987**	**-**	**698,374**	**65,720**	**1,570,369**	**-**	**(2,564,555)**	**17,526,317**	**18,632,481**
Operating (loss) income	**(7,061,783)**	**1,347,065**	**(869,163)**	**(3,253)**	**(355,057)**	**(2,612,580)**	**-**	**(698,374)**	**(65,720)**	**(932,684)**	**-**	**-**	**(11,251,549)**	**(12,688,813)**
Nonoperating revenues (expenses)														
State appropriations	3,590,966	(869,163)	869,163	-	-	-	-	-	-	-	-	-	3,590,966	3,671,376
Federal Pell grant	-	-	-	-	-	2,611,648	-	-	-	-	-	-	2,611,648	2,547,768
Property taxes	7,115,982	-	-	-	423,374	-	-	-	357,985	-	-	-	7,897,341	7,523,512
Gifts	-	-	-	-	-	-	86,951	-	-	-	-	-	86,951	119,598
Investment income - interest	19,649	-	-	-	-	-	13,713	13,788	(1,000)	-	14,444	-	60,594	8,140
Interest on capital asset - related debt	-	-	-	-	-	-	-	-	(432,493)	-	-	-	(432,493)	(355,009)
Net nonoperating revenues (expenses)	**10,726,597**	**(869,163)**	**869,163**	**-**	**423,374**	**2,611,648**	**100,664**	**13,788**	**(75,508)**	**-**	**14,444**	**-**	**13,815,007**	**13,515,385**
Other revenue														
State capital grant	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**970,113**
Transfers (out) in	(3,514,281)	-	-	-	(96,511)	-	2,564,725	651,215	431,976	(22,680)	(14,444)	-	-	-
Increase (decrease) in net position	**150,533**	**477,902**	**-**	**(3,253)**	**(28,194)**	**(932)**	**2,665,389**	**(33,371)**	**290,748**	**(955,364)**	**-**	**-**	**2,563,458**	**1,796,685**
Net position (deficit), beginning of year	832,274	(18,592,622)	-	148,056	234,792	15,579	3,665,516	2,053,190	(9,446,172)	25,370,097	2,000,000	-	6,280,710	4,484,025
Cumulative effect of change in accounting principle	-	(6,173,404)	-	-	-	-	-	-	-	-	-	-	(6,173,404)	-
Adjusted net position (deficit), beginning of year	**832,274**	**(24,766,026)**	**-**	**148,056**	**234,792**	**15,579**	**3,665,516**	**2,053,190**	**(9,446,172)**	**25,370,097**	**2,000,000**	**-**	**107,306**	**4,484,025**
Net position (deficit), end of year	**$ 982,807**	**$(24,288,124)**	**$ -**	**$ 144,803**	**$ 206,598**	**$ 14,647**	**$ 6,330,905**	**$ 2,019,819**	**$ (9,155,424)**	**$ 24,414,733**	**$ 2,000,000**	**$ -**	**$ 2,670,764**	**$ 6,280,710**