

Kirtland  
Community  
College



Years Ended  
June 30, 2020  
and 2019

Financial  
Statements  
and  
Supplementary  
Information

# KIRTLAND COMMUNITY COLLEGE

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# KIRTLAND COMMUNITY COLLEGE



## **Kirtland Community College Board of Trustees**

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*Chairperson*

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*Vice-Chairperson*

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*Trustee*

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*Trustee*

Tom Ritter  
*Trustee*

Alan Bruder  
*Trustee (effective August 2019)*

David Patterson  
*Trustee (through August 2019)*

## **Kirtland Community College Foundation Board of Trustees**

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*Vice-President*

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*Board Member*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Kirtland Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2020 and 2019. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

### Using this Report

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

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

### Financial Highlights

The College's financial position for fiscal year 2020 remained stable compared to fiscal year 2019. Net tuition and fees revenue increased by approximately \$13,000 or 0.3 percent. Operating property taxes increased by approximately \$414,000 or 5.1 percent. Pell grants decreased by approximately \$8,000 or 0.3 percent. State appropriations support was reduced by 11% from fiscal 2019 to 2020 due to cuts at the State level resulting from the COVID-19 pandemic situation. In fiscal year 2020 the portion of UAAL payments received subsequent to the MPSERS plan fiscal year end date of September 30, 2019 are included as deferred inflows and will be recorded as revenue in fiscal year 2021. In fiscal year 2020, operating expenses increased from fiscal year 2019 by approximately \$1.26 million or 6.8 percent, due in part to some additional investments, disposals of capital assets at the Roscommon campus, selling of the West Branch campus, and updates to the Gaylord campus.

GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was effective for the College's fiscal year 2018 and established 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 Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position

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

# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Total net position at June 30, 2020, 2019, and 2018 is \$4.9 million, \$4.3 million, and \$2.7 million, respectively. The College's statements of net position at June 30 is summarized as follows (in thousands):

Condensed Statements of Net Position as of June 30 (in thousands)			
	2020	2019	2018
Current assets	\$ 13,574	\$ 12,944	\$ 11,796
Noncurrent assets			
Long-term investments	706	1,037	2,316
Restricted cash	102	96	5,389
Restricted investments	15,642	-	-
Capital assets, net	35,301	33,603	25,241
Total assets	65,325	47,680	44,742
Deferred outflows of resources	7,429	7,480	4,243
Current liabilities	4,967	3,482	3,241
Noncurrent liabilities			
Net pension and OPEB liabilities	27,002	26,421	24,700
Other noncurrent liabilities	28,156	13,630	14,542
Total liabilities	60,125	43,533	42,483
Deferred inflows of resources	7,690	7,338	3,831
Net position			
Net investment in capital assets	22,025	19,901	15,904
Restricted - Expendable	16	16	15
Unrestricted deficit	(17,102)	(15,628)	(13,248)
Total net position	\$ 4,939	\$ 4,289	\$ 2,671

### Statements of Net Position

The primary changes in the assets of the College between 2020 and 2019 include total additions of approximately \$4 million as a result of completion of the Michigan Forest Products Institute, and restricted unspent bond proceeds of approximately \$15 million, for the Phase 3 Grayling campus addition.

The primary changes in the assets of the College between 2019 and 2018 include an increase in total assets of approximately \$2.9 million as a result of construction in progress in the amount of approximately \$9.1 million related to the addition of the Michigan Forest Products Institute at the Kirtland Grayling campus in 2019, offset by a decrease in restricted cash of approximately \$5.3 million related to unspent bond proceeds in the prior year.

The primary changes in the liabilities of the College between 2020 and 2019 include an increase in total liabilities of approximately \$16.6 million as a result of a bond issue the College closed on in November of 2019 for approximately \$15 million to fund the Phase 3 addition to the Grayling campus.

The primary changes in the liabilities of the College between 2019 and 2018 include an increase in total liabilities of approximately \$1.0 million as a result of increases to the net pension and OPEB liabilities.

# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Deferred Outflows

Deferred outflows of resources of approximately \$7.4 million were recorded at June 30, 2020, as a result of changes in assumptions to the net pension and OPEB liabilities and College contributions to the MPERS plans subsequent to the plan's measurement date. This is a decrease of approximately \$51,000 from June 30, 2019 due to changes in assumptions related in the discount rates.

### Deferred Inflows

Deferred inflows of approximately \$7.7 million were recorded at June 30, 2020 as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension and OPEB plan investments, as well as deferred amounts related to the College's construction arrangement. This is an increase of approximately \$352,000 from June 30, 2019, due to the difference between projected and actual earnings on the pension plan. Additionally, approximately \$2.8 million relates to capital outlay funds received from the State of Michigan to help fund the construction of the Michigan Forest Products Institute, but not recognized as revenue until the years 2020 through 2040.

### Net Position

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

Fiscal year 2020 net position of approximately \$4.9 million increased by approximately \$649,000.

Fiscal year 2019 net position of approximately \$4.3 million increased by approximately \$1.6 million. The increase between 2019 and 2018 was in large part attributable to the timing of the Phase II expansion at the Grayling campus.

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 (\$165,658 and \$225,698 for 2020 and 2019, respectively), future maintenance and capital improvements (\$2,209,663 and \$1,920,060 for 2020 and 2019, respectively), and quasi-endowment (\$2,000,000 for 2020 and 2019) (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.

### Statements of Revenues, Expenses, and Changes in Net Position

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

# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a comparison of the major components of operating results of the College for the years ended June 30, 2020, 2019 and 2018 (in thousands):

	Operating Results for the Years Ended June 30 (in thousands)		
	2020	2019	2018
<b>Operating Revenue</b>			
Tuition and fees - net	\$ 4,413	\$ 4,400	\$ 4,361
Grants and contracts	469	456	375
Auxiliary activities	947	1,087	1,228
Miscellaneous	<u>363</u>	<u>455</u>	<u>311</u>
<b>Total operating revenue</b>	<b><u>6,192</u></b>	<b><u>6,398</u></b>	<b><u>6,275</u></b>
<b>Operating Expenses</b>			
Instruction	5,561	5,502	5,168
Public service	188	98	18
Instructional support	3,105	3,156	3,284
Student services	3,370	2,704	2,860
Institutional administration	2,387	2,095	1,751
Operation and maintenance of physical plant	2,382	2,202	1,824
Information technology	1,016	1,122	909
Depreciation and amortization expense	1,695	1,567	1,572
Other expenses	<u>-</u>	<u>-</u>	<u>185</u>
<b>Total operating expenses</b>	<b><u>19,704</u></b>	<b><u>18,446</u></b>	<b><u>17,571</u></b>
<b>Net operating loss</b>	<b><u>(13,512)</u></b>	<b><u>(12,048)</u></b>	<b><u>(11,296)</u></b>
<b>Nonoperating revenue (expense)</b>			
State appropriations	3,357	3,544	3,591
Federal Pell grant	2,382	2,389	2,611
Federal HEERF grant	483	-	-
Property tax levy	8,584	8,170	7,897
Gifts	67	68	87
Investment income	318	164	61
(Loss) gain on disposal of capital assets	(319)	(159)	1
Interest on capital asset related debt	<u>(710)</u>	<u>(510)</u>	<u>(389)</u>
<b>Net nonoperating revenue</b>	<b><u>14,162</u></b>	<b><u>13,666</u></b>	<b><u>13,859</u></b>
<b>Increase in net position</b>	<b>650</b>	<b>1,618</b>	<b>2,563</b>
Net position beginning of year	4,289	2,671	6,281
Cumulative effect of change in accounting principle	<u>-</u>	<u>-</u>	<u>(6,173)</u>
Net position - beginning of year, as revised	<u>4,289</u>	<u>2,671</u>	<u>108</u>
<b>Net position - end of year</b>	<b><u>\$ 4,939</u></b>	<b><u>\$ 4,289</u></b>	<b><u>\$ 2,671</u></b>



# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Total Revenue

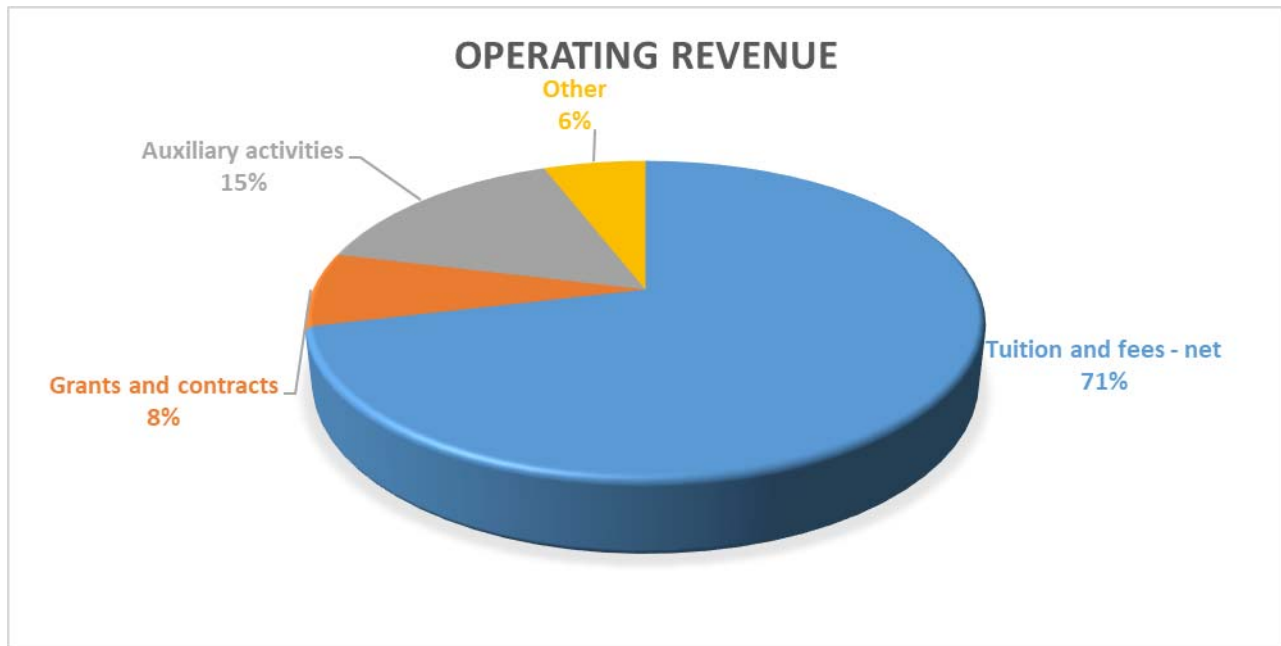
Enrollment remained stable for fiscal year 2020. A slight decrease in revenue can be attributed to a reduction in auxiliary activities primarily due to the COVID-19 pandemic.

Enrollment remained stable for fiscal 2019. A slight increase in revenue can be attributed to higher investment returns and an increase in property tax revenue.

### 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 2020 was as follows:



Some of the operating revenue changes for 2020 were the result of the following factors:

The financial statements reflect a decrease in miscellaneous income over the prior year due to the remodeling costs at the University Center being reimbursed in the amount of \$125,000 in the prior year. A reduction in Auxiliary activity of over \$140,000 was due to the cancellation of all auxiliary events starting in March 2020, due to the COVID-19 pandemic.

Some of the operating revenue changes for 2019 were the result of the following factors:

The financial statements reflect an increase in net student tuition and fee revenue of approximately \$38,000 related to a stabilization in enrollment, as well as an increase in tuition and fee rates. An increase in miscellaneous income of approximately \$144,000 was primarily due to reimbursement for remodeling costs to the University Center from Otsego County in the amount of \$125,000.

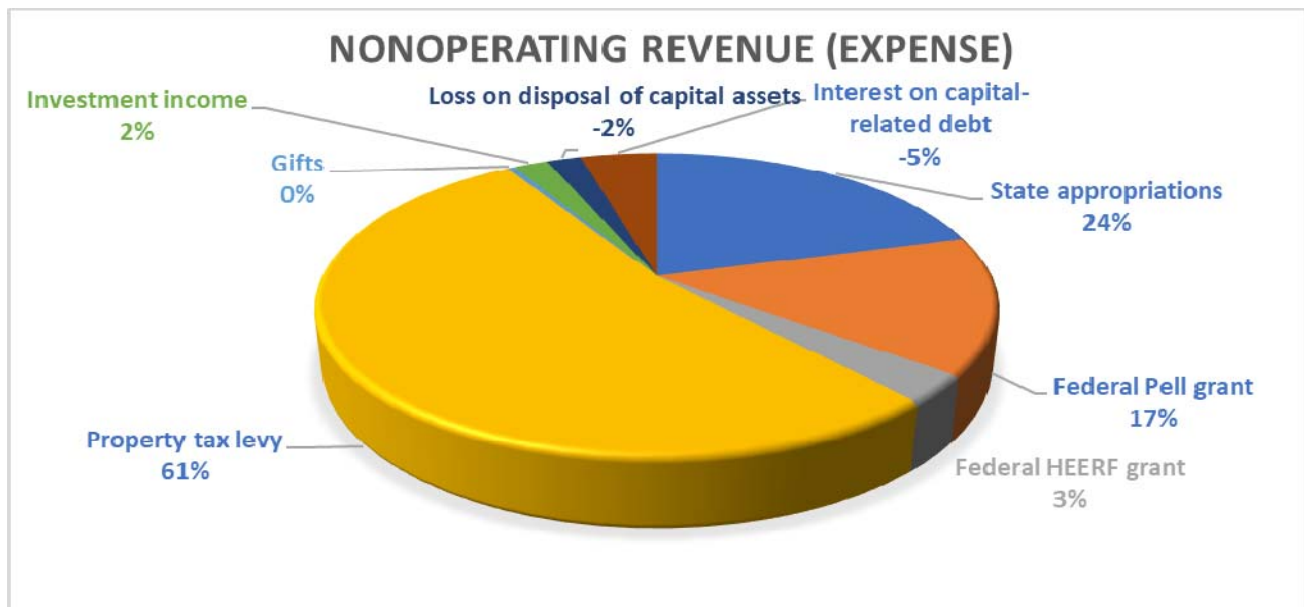
# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 2020 was as follows:



Factors affecting changes in nonoperating revenue (expense) for 2020 include:

- Property taxes increased in 2020 by approximately \$414,000 or 5 percent.
- Pell grants decreased by approximately \$8,000 or .3 percent
- Federal HEERF grant funds received of approximately \$483,000 as a result of the Federal CARES Act funding due to the COVID-19 pandemic.

Factors affecting changes in nonoperating revenue (expense) for 2019 include:

- Property taxes increased in 2019 by approximately \$273,000 or 3.5 percent.
- Pell grants decreased by approximately \$223,000 or 8.5 percent

### Other Revenues

Investment income was approximately \$154,000 higher in 2020 due to a shift in College reserves, and issuance of the 2019 bond funds in November, which were invested in the Michigan Liquid Asset Fund until such time the funds are needed. For 2019, investment income was approximately \$103,000 higher than 2018 due to a shift in investment strategy and increase reserves of the college.

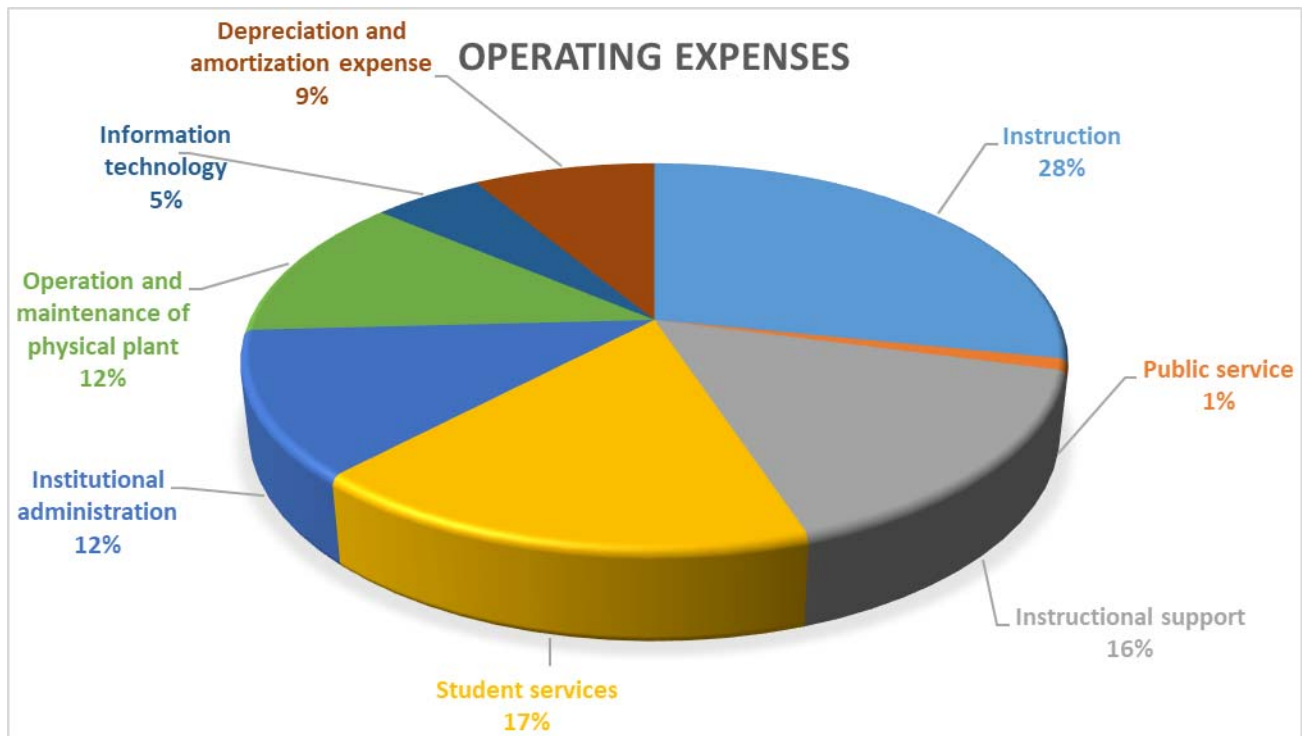
# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries, benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses increased approximately \$1,258,000 in 2020 and \$876,000 in 2019. 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 2020 were as follows:



Factors affecting the increase in operating expenses in 2020 were the result of the disposal of buildings on the Roscommon campus, a loss on the sale of the West Branch Campus, updates to the Gaylord welding labs, and remodeling costs associated with the Biggby coffee franchise location at the Grayling campus.

Factors affecting the increase in operating expenses in 2019 were the results of increased health insurance costs, updates to the welding labs at the Gaylord campus, as well as increases in general operational costs associated with the additional square footage of the new Grayling campus.

# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Statements of Cash Flows

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

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

Cash Flows for the Year Ended June 30 (in thousands)			
	2020	2019	2018
Cash (Used in) Provided by			
Operating activities	\$ (9,332)	\$ (8,451)	\$ (9,341)
Noncapital financing activities	14,793	13,695	13,830
Capital and related financing activities	11,174	(11,165)	3,753
Investing activities	<u>(16,495)</u>	<u>(993)</u>	<u>(309)</u>
Net Increase (Decrease) in Cash	140	(6,914)	7,933
Cash - Beginning of year	<u>5,122</u>	<u>12,036</u>	<u>4,103</u>
Cash - End of year	<u><u>\$ 5,262</u></u>	<u><u>\$ 5,122</u></u>	<u><u>\$ 12,036</u></u>

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 2020 and 2019, the cash used in operating activities was financed with \$14.8 million and \$13.7 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 2020 and 2019 of approximately \$11.2 million and (\$11.2) million, respectively, was primarily related to the sale of \$15 million in long term bonds to be used for the construction of Phase 3 of the Grayling campus, and completion of the Michigan Forest Products Institute.

# KIRTLAND COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2020, 2019 and 2018, the College had approximately \$35.3 million, \$33.6 million, and \$25.2 million invested in capital assets, net of accumulated depreciation of \$24.9 million, \$25.1 million, and \$23.9 million, respectively. Depreciation charges totaled approximately \$1,695,000 for the current fiscal year.

	Capital Assets as of June 30 (in thousands)		
	2020	2019	2018
Land and land improvements	\$ 3,692	\$ 2,884	\$ 2,816
Buildings and improvements	26,157	18,109	18,519
Furniture, fixtures, and equipment	3,099	2,658	3,079
Construction in progress	<u>2,353</u>	<u>9,952</u>	<u>827</u>
Total	<u>\$ 35,301</u>	<u>\$ 33,603</u>	<u>\$ 25,241</u>

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

#### Debt

The College had approximately \$27.5 million, \$13.1 million, and \$13.95 million in debt outstanding at June 30, 2020, 2019 and 2018, 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)		
	2020	2019	2018
General obligation bonds	<u>\$ 27,490</u>	<u>\$ 13,065</u>	<u>\$ 13,950</u>

### 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 proposed decrease in the state budget reflects a 0.1 percent decrease in the College's appropriations for the 2020-2021 fiscal year as compared to the year ended June 30, 2020.

The Fall 2020 enrollment is down 8.4% due largely in part to the uncertainty brought on by the COVID-19 pandemic.

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

The College has bolstered its cash and reserve funds over that past several years from a lower of \$4 million at the end of fiscal 2012 to its current end of year position in 2020 of \$12 million. Kirtland Community College remains financially stable but will need to continue to address the financial challenges identified above in order to maintain adequate cash flow and financial reserve.

## **INDEPENDENT AUDITORS' REPORT**

**INDEPENDENT AUDITORS' REPORT**

October 21, 2020

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, 2020 and 2019, 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 audits 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, 2020 and 2019, 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.

### ***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 and related notes to the schedules, 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 21, 2020, 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 Johnson LLC*



## FINANCIAL STATEMENTS

# KIRTLAND COMMUNITY COLLEGE

## Statements of Net Position

	June 30, 2020		June 30, 2019	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 5,160,127	\$ 114,620	\$ 5,025,236	\$ 77,538
Short-term investments	6,765,982	-	5,264,867	-
Accounts receivable, net	1,407,346	11,670	2,179,342	64,895
Inventories	143,937	-	209,621	-
Prepaid expenses and other assets	96,716	1,744	264,783	3,377
<b>Total current assets</b>	<b>13,574,108</b>	<b>128,034</b>	<b>12,943,849</b>	<b>145,810</b>
<b>Noncurrent assets</b>				
Long-term investments	706,520	1,944,332	1,036,754	1,913,170
Restricted investments	15,641,522	-	-	-
Restricted cash	102,068	-	96,415	-
Accounts receivable, net of current portion, net	-	23,525	-	-
Capital assets, net	35,301,122	-	33,603,493	-
<b>Total noncurrent assets</b>	<b>51,751,232</b>	<b>1,967,857</b>	<b>34,736,662</b>	<b>1,913,170</b>
<b>Total assets</b>	<b>65,325,340</b>	<b>2,095,891</b>	<b>47,680,511</b>	<b>2,058,980</b>
<b>Deferred outflows of resources</b>				
Deferred pension and OPEB amounts	7,429,130	-	7,480,226	-
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	1,740,030	4,723	774,092	3,107
Accrued payroll and vacation	934,384	-	943,688	-
Other accrued liabilities	709,350	-	585,232	-
Unearned revenue	151,094	-	409,942	-
Long-term obligations - current portion	1,432,597	-	769,480	-
<b>Total current liabilities</b>	<b>4,967,455</b>	<b>4,723</b>	<b>3,482,434</b>	<b>3,107</b>
<b>Noncurrent liabilities</b>				
Long-term obligations - net of current portion	28,156,474	-	13,629,766	-
Net pension and OPEB liabilities	27,002,121	-	26,421,027	-
<b>Total noncurrent liabilities</b>	<b>55,158,595</b>	<b>-</b>	<b>40,050,793</b>	<b>-</b>
<b>Total liabilities</b>	<b>60,126,050</b>	<b>4,723</b>	<b>43,533,227</b>	<b>3,107</b>
<b>Deferred inflows of resources</b>				
Construction arrangement	2,836,798	-	2,244,591	-
Deferred pension and OPEB amounts	4,852,977	-	5,093,589	-
<b>Total deferred inflows of resources</b>	<b>7,689,775</b>	<b>-</b>	<b>7,338,180</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	22,025,012	-	19,901,026	-
Restricted for:				
Expendable	15,579	211,568	15,578	147,499
Nonexpendable	-	659,407	-	619,357
Unrestricted (deficit)	(17,101,946)	1,220,193	(15,627,274)	1,289,017
<b>Total net position</b>	<b>\$ 4,938,645</b>	<b>\$ 2,091,168</b>	<b>\$ 4,289,330</b>	<b>\$ 2,055,873</b>

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, 2020		June 30, 2019	
	Primary Government	Component Unit	Primary Government	Component Unit
<b>Operating revenues</b>				
Tuition and fees, net of scholarship allowance of \$1,778,128 and \$1,747,828 for 2020 and 2019, respectively	\$ 4,413,204	\$ -	\$ 4,399,776	\$ -
Federal grants and contracts	315,185	-	316,860	-
State and local grants and contracts	123,613	-	105,513	-
Private grants and contracts	29,602	-	34,101	-
Auxiliary activities	947,301	-	1,087,436	-
Miscellaneous	363,245	-	454,780	-
<b>Total operating revenues</b>	<b>6,192,150</b>	<b>-</b>	<b>6,398,466</b>	<b>-</b>
<b>Operating expenses</b>				
Instruction	5,560,682	-	5,502,610	-
Public service	188,424	-	97,949	-
Instructional support	3,104,833	-	3,155,891	-
Student services	3,369,924	109,229	2,703,789	99,345
Institutional administration	2,386,700	136,170	2,095,070	101,787
Operation and maintenance of physical plant	2,382,079	-	2,201,761	-
Information technology	1,016,649	-	1,122,151	-
Depreciation and amortization	1,695,320	-	1,566,976	-
<b>Total operating expenses</b>	<b>19,704,611</b>	<b>245,399</b>	<b>18,446,197</b>	<b>201,132</b>
<b>Operating loss</b>	<b>(13,512,461)</b>	<b>(245,399)</b>	<b>(12,047,731)</b>	<b>(201,132)</b>
<b>Nonoperating revenues (expenses)</b>				
State appropriations	3,356,588	-	3,543,451	-
Federal Pell grant	2,381,522	-	2,389,084	-
Federal Higher Education Emergency Relief Fund grant	483,260	-	-	-
Contributed services from the College	-	110,832	-	81,049
Property tax levy	8,583,952	-	8,170,223	-
Gifts	67,240	129,846	68,001	57,269
Investment income	317,695	40,016	164,072	82,131
Loss on disposal of capital assets	(319,220)	-	(158,916)	-
Interest on capital asset-related debt	(709,261)	-	(509,618)	-
<b>Net nonoperating revenues</b>	<b>14,161,776</b>	<b>280,694</b>	<b>13,666,297</b>	<b>220,449</b>
<b>Increase in net position</b>	<b>649,315</b>	<b>35,295</b>	<b>1,618,566</b>	<b>19,317</b>
Net position, beginning of year	4,289,330	2,055,873	2,670,764	2,036,556
<b>Net position, end of year</b>	<b>\$ 4,938,645</b>	<b>\$ 2,091,168</b>	<b>\$ 4,289,330</b>	<b>\$ 2,055,873</b>

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

# KIRTLAND COMMUNITY COLLEGE

## Statements of Cash Flows

	Year Ended June 30	
	2020	2019
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 4,235,261	\$ 4,234,184
Grants and contracts	741,212	408,907
Auxiliary activities	947,301	1,087,436
Other receipts	486,048	539,229
Payments to suppliers	(9,697,628)	(8,555,158)
Payments to employees	(6,044,368)	(6,166,119)
<b>Net cash used in operating activities</b>	<b>(9,332,174)</b>	<b>(8,451,521)</b>
<b>Cash flows from noncapital financing activities</b>		
Direct lending receipts	2,419,524	2,475,880
Direct lending disbursements	(2,419,524)	(2,475,880)
Property tax levy	8,270,409	7,719,000
Federal Pell grants	2,381,522	2,389,084
Federal Higher Education Emergency Relief Fund grant	356,370	-
State appropriations	3,717,948	3,519,249
Gifts for other than capital purposes	67,240	68,001
<b>Net cash provided by noncapital financing activities</b>	<b>14,793,489</b>	<b>13,695,334</b>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(4,149,211)	(10,093,733)
Proceeds from sale of capital assets	437,042	5,800
Proceeds from issuance of long-term debt	15,838,874	-
Principal paid on capital debt	(575,000)	(885,000)
Debt property tax levy	374,549	360,452
Interest paid on capital asset-related debt	(752,317)	(552,675)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>11,173,937</b>	<b>(11,165,156)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale and maturities of investments, net	29,228,066	7,149,063
Purchase of short-term and long-term investments	(46,040,469)	(8,306,084)
Interest received on investments	317,695	164,072
<b>Net cash used in investing activities</b>	<b>(16,494,708)</b>	<b>(992,949)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>140,544</b>	<b>(6,914,292)</b>
Cash and cash equivalents, beginning of year	5,121,651	12,035,943
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,262,195</b>	<b>\$ 5,121,651</b>
<b>Reconciliation to statements of net position</b>		
Cash and cash equivalents	\$ 5,160,127	\$ 5,025,236
Restricted cash	102,068	96,415
<b>Cash and cash equivalents, end of year</b>	<b>\$ 5,262,195</b>	<b>\$ 5,121,651</b>

continued...

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

# KIRTLAND COMMUNITY COLLEGE

## Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2020	2019
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (13,512,461)	\$ (12,047,731)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	1,695,320	1,566,976
Change in operating assets:		
Accounts receivable, net	476,520	(134,389)
Inventories	65,684	(6,434)
Prepaid expenses and other assets	168,067	(77,713)
Change in operating liabilities:		
Accounts payable	965,938	265,199
Accrued payroll and vacation	(9,304)	22,315
Unearned revenue	(258,848)	5,679
Change in deferred construction arrangement	592,207	2,244,591
Change in net pension and OPEB liabilities and deferred amounts	391,578	(253,734)
Other accrued liabilities	93,125	(36,280)
<b>Net cash used in operating activities</b>	<b><u>\$ (9,332,174)</u></b>	<b><u>\$ (8,451,521)</u></b>
		concluded

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

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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

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

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

#### Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain operations including on-campus learning during the Winter and Summer 2020 semesters. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on students, employees, and vendors, all of which cannot be reasonably predicted at this time. As a result, the College was awarded approximately \$713,000 from the Education Stabilization Fund through the Federal CARES Act for the Higher Education Emergency Relief Fund (HEERF), which was enacted into law on March 28, 2020. The College additionally recognized a reduction in state appropriation revenue in fiscal 2020 of approximately \$376,000 as a result of the State of Michigan's 11% cut in appropriations. Subsequent to year end these funds were replaced through CARES Act replacement funding, however, the replacement funding has certain restrictions for what the funds can be used for. Additionally, the College transitioned their in-person instruction to an online format and closed its facilities in March 2020. The facilities were reopened in June 2020 and in-person instruction resumed. While management reasonably expects the COVID-19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 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, and for the purpose of erecting, furnishing and equipping a college facility.

#### **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 as a component of investment income. The Foundation's investment income is reported net of external investment expenses.

#### **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.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

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 and Depreciation

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 impaired in 2020 and 2019.

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 net assets with donor restrictions (e.g., the donor-stipulated purpose has been fulfilled) are reclassified between the applicable classes of net position. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are recognized when the conditions on which they depend have been met.



# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### **Scholarship Allowance**

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

### **Operating and Nonoperating Revenue**

Operating activities reported on the statements of revenues, expenses, and changes in net position are those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Operating revenues of the College include activities, such as (1) student tuition and fees, net of scholarship allowances; (2) auxiliary activities; and (3) most federal, state, 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, federal HEERF grant revenue and gifts.

### **Unearned Revenue**

Tuition and fees revenue received and related to periods of instruction that will occur after June 30, 2020 and 2019, 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 statements 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.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### Income Taxes

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

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

The Foundation has evaluated fiscal years 2016 through 2020, the years which remain subject to examination by major tax jurisdictions as of June 30, 2020, for uncertain tax positions. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2020 or 2019, and it is not aware of any claims for such amounts by federal or state income tax authorities.

### Deferred Outflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net 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 differences between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

### Deferred Inflows of Resources

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 related to the Michigan Forest Products Institute Building construction arrangement with the Michigan State Building Authority. More detailed information related to the Michigan Forest Products construction arrangement can be found in Note 11. The College also reports deferred inflows of resources for certain pension and OPEB-related amounts, such as the difference between expected and actual experience, net difference between projected and actual earnings on plan investments and state appropriations for pensions received subsequent to the measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions. More detailed information can be found in Note 8.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### **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 Expendable*: Net position whose use by the College and the Foundation is subject to externally imposed constraints that can be fulfilled by actions of the College and the Foundation pursuant to those constraints or that expire by the passage of time. Expendable net position includes net appreciation of the Foundation's permanent endowment fund that have not been stipulated by the donor to be reinvested permanently.
- *Restricted Nonexpendable*: Net position subject to externally imposed constraints that they be maintained permanently by the Foundation. Nonexpendable net position includes the corpus portion (historical value) of gifts to the Foundation's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.
- *Unrestricted*: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

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

	2020	2019
Auxiliary fund working capital	\$ 165,658	\$ 225,698
Deferred maintenance and replacement	2,209,663	1,920,060
Quasi-endowment	2,000,000	2,000,000
Pension and OPEB liability fund deficit	(24,425,968)	(24,034,390)
Cares Act fund deficit	(182,447)	-
Undesignated	3,131,148	4,261,358
<b>Total unrestricted net deficit</b>	<b>\$ (17,101,946)</b>	<b>\$ (15,627,274)</b>

### 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.

### New Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") has issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*, in June 2018, which was effective for the Foundation for the year ended June 30, 2020, related to contributions received and will be effective for the Foundation for the year ending June 30, 2021 related to contributions made. The amendments in ASU 2018-08 additional guidance for entities to use to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and to determine whether the transaction is conditional. On July 1, 2019, the Foundation adopted the standard on its contributions received and elected to apply the standard only to agreements that were entered into after that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption. Management is evaluating the impact of the adoption of this new standard related to contributions made and its effects on the net position and changes in net position of the Foundation.

### 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, 2020, the most recent statement of financial position presented herein, through October 21, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 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, 2020 and 2019, \$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 \$6,652,626 and \$6,528,213 for the years ended June 30, 2020 and 2019, respectively.

During the years ended June 30, 2020 and 2019, \$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 \$376,699 and \$372,937 for the years ended June 30, 2020 and 2019, respectively.

During the years ended June 30, 2020 and 2019, \$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 \$855,431 and \$810,438 for the years ended June 30, 2020 and 2019, respectively.

Additionally, during the year ended June 30, 2020 and 2019, \$699,196 and \$458,635, 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. At June 30, 2020, the College held investments at the Michigan Liquid Asset Fund Plus ("MILAF). A portion of the investments at MILAF are invested in open market securities, such as US Treasury Notes, which are managed by an investment advisor.

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.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2020 or 2019.

### 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.

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

*Term bonds*: Valued at face value plus accrued interest earned and classified as Level 1.

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

*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.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

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

2020	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
U.S. Government				
Obligations	\$ 706,520	\$ -	\$ -	\$ 706,520
Certificates of Deposit	3,060,664	-	-	3,060,664
Money Market Mutual				
Funds	4,288,802	-	-	4,288,802
Term Bonds	5,070,000	-	-	5,070,000
US Treasury Notes/Bonds	-	6,282,720	-	6,282,720
Commercial Paper	-	3,705,318	-	3,705,318
Total investments	<u>\$ 13,125,986</u>	<u>\$ 9,988,038</u>	<u>\$ -</u>	<u>\$ 23,114,024</u>

2019	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
U.S. Government				
Obligations	\$ 1,036,754	\$ -	\$ -	\$ 1,036,754
Certificates of Deposit	2,000,000	-	-	2,000,000
Commercial Paper	-	3,264,867	-	3,264,867
Total investments	<u>\$ 3,036,754</u>	<u>\$ 3,264,867</u>	<u>\$ -</u>	<u>\$ 6,301,621</u>

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:

2020	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 310,979	\$ -	\$ -	\$ 310,979
Equity Mutual Funds	1,188,373	-	-	1,188,373
Bond Mutual Funds	444,980	-	-	444,980
Total investments	<u>\$ 1,944,332</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,944,332</u>

2019	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 269,536	\$ -	\$ -	\$ 269,536
Equity Mutual Funds	1,155,478	-	-	1,155,478
Bond Mutual Funds	488,156	-	-	488,156
Total investments	<u>\$ 1,913,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,913,170</u>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### Interest Rate Risk

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

As of June 30, 2020, 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	\$ 706,520	\$ -	\$ -	\$ 163,997	\$ 542,523
Certificates of Deposit	3,060,664	3,060,664	-	-	-
Money Market Mutual					
Funds	4,288,802	4,288,802	-	-	-
Term Bonds	5,070,000	5,070,000	-	-	-
US Treasury Notes/Bonds	6,282,720	-	6,282,720	-	-
Commercial Paper	3,705,318	3,705,318	-	-	-
Total	<u>\$ 23,114,024</u>	<u>\$ 16,124,784</u>	<u>\$ 6,282,720</u>	<u>\$ 163,997</u>	<u>\$ 542,523</u>

As of June 30, 2019, 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	\$ 1,036,754	\$ -	\$ -	\$ 215,559	\$ 821,195
Certificates of Deposit	2,000,000	2,000,000	-	-	-
Commercial Paper	3,264,867	3,264,867	-	-	-
Total	<u>\$ 6,301,621</u>	<u>\$ 5,264,867</u>	<u>\$ -</u>	<u>\$ 215,559</u>	<u>\$ 821,195</u>



# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 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, 2020, the College's deposit balances of \$8,367,051 had \$6,867,051 of bank deposits (money markets and certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2019, the College's deposit balances of \$7,232,050 had \$5,732,050 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, 2020, all commercial paper held by the College had a rating of A1 or A2.

At June 30, 2020 and 2019, 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.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 4. ACCOUNTS RECEIVABLE, NET

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

	2020	2019
State appropriations	\$ 398,314	\$ 759,674
Federal and state grants	629,698	795,672
Student	302,145	369,751
Property taxes	66,151	127,157
Consumer and other	57,734	160,486
<b>Total accounts receivable</b>	<b>1,454,042</b>	<b>2,212,740</b>
Less allowance for doubtful accounts	(46,696)	(33,398)
<b>Net accounts receivable</b>	<b>\$ 1,407,346</b>	<b>\$ 2,179,342</b>

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. Pledges Receivable consist of the following at June 30:

	2020	2019
Receivable in less than one year	\$ 11,670	\$ 64,895
Receivable in one to five years	23,525	-
<b>Pledges receivable, net</b>	<b>\$ 35,195</b>	<b>\$ 64,895</b>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 6. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 695,242	\$ -	\$ (200,000)	\$ -	\$ 495,242
Construction in progress	9,951,554	2,352,891	-	(9,951,554)	2,352,891
<b>Subtotal nondepreciable assets</b>	<b>10,646,796</b>	<b>2,352,891</b>	<b>(200,000)</b>	<b>(9,951,554)</b>	<b>2,848,133</b>
Capital assets being depreciated:					
Land improvements	4,947,400	246,537	(84,060)	1,000,191	6,110,068
Building and building improvements	34,416,183	1,146,759	(1,860,536)	8,319,649	42,022,055
Furniture, fixtures and equipment	8,711,451	403,024	(491,574)	631,714	9,254,615
<b>Subtotal depreciable assets</b>	<b>48,075,034</b>	<b>1,796,320</b>	<b>(2,436,170)</b>	<b>9,951,554</b>	<b>57,386,738</b>
<b>Total depreciable and nondepreciable assets</b>	<b>58,721,830</b>	<b>4,149,211</b>	<b>(2,636,170)</b>	<b>-</b>	<b>60,234,871</b>
Less accumulated depreciation:					
Land improvements	2,758,220	197,047	(41,643)	-	2,913,624
Building and building improvements	16,306,521	945,455	(1,387,007)	-	15,864,969
Furniture, fixtures and equipment	6,053,596	552,818	(451,258)	-	6,155,156
<b>Total accumulated depreciation</b>	<b>25,118,337</b>	<b>\$ 1,695,320</b>	<b>\$ (1,879,908)</b>	<b>\$ -</b>	<b>24,933,749</b>
<b>Capital assets, net</b>	<b>\$ 33,603,493</b>				<b>\$ 35,301,122</b>

Construction in progress consists of construction costs for the Michigan Forest Products Institute at the Grayling Campus. The project is expected to be completed and put into service during fiscal year 2022 at an additional cost of approximately \$17,500,000.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 695,242	\$ -	\$ -	\$ 695,242
Construction in progress	826,719	9,124,835	-	9,951,554
<b>Subtotal nondepreciable assets</b>	<b>1,521,961</b>	<b>9,124,835</b>	<b>-</b>	<b>10,646,796</b>
Capital assets being depreciated:				
Land improvements	4,692,389	255,011	-	4,947,400
Building and building improvements	34,099,259	422,306	(105,382)	34,416,183
Furniture, fixtures and equipment	8,811,103	291,581	(391,233)	8,711,451
<b>Subtotal depreciable assets</b>	<b>47,602,751</b>	<b>968,898</b>	<b>(496,615)</b>	<b>48,075,034</b>
<b>Total depreciable and nondepreciable assets</b>	<b>49,124,712</b>	<b>10,093,733</b>	<b>(496,615)</b>	<b>58,721,830</b>
Less accumulated depreciation:				
Land improvements	2,571,551	186,669	-	2,758,220
Building and building improvements	15,580,198	831,705	(105,382)	16,306,521
Furniture, fixtures and equipment	5,731,511	548,602	(226,517)	6,053,596
<b>Total accumulated depreciation</b>	<b>23,883,260</b>	<b>\$ 1,566,976</b>	<b>\$ (331,899)</b>	<b>25,118,337</b>
<b>Capital assets, net</b>	<b>\$ 25,241,452</b>			<b>\$ 33,603,493</b>

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

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 7. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
<b>Bond payable</b>					
2019 General Obligation Limited Bond	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000	\$ 555,000
2017 General Obligation, Limited Bond	5,005,000	-	(200,000)	4,805,000	205,000
2015 General Obligation, Limited Bond	3,750,000	-	(175,000)	3,575,000	185,000
2015 General Obligation, Unlimited Bond	4,310,000	-	(200,000)	4,110,000	210,000
Total bonds payable	13,065,000	15,000,000	(575,000)	27,490,000	1,155,000
<b>Deferred amounts</b>					
Series 2019 Unamortized Bond Premium	-	838,874	-	838,874	44,151
Series 2017 Unamortized Bond Premium	404,788	-	(22,488)	382,300	22,488
Series 2015 Unamortized Bond Premium	329,094	-	(20,568)	308,526	20,568
<b>Other long-term obligations</b>					
Accrued sick leave	600,364	122,969	(153,962)	569,371	190,390
<b>Total long-term obligations</b>	<b>\$ 14,399,246</b>	<b>\$ 15,961,843</b>	<b>\$ (772,018)</b>	<b>\$ 29,589,071</b>	<b>\$ 1,432,597</b>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

Long-term obligation activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
<b>Bond payable</b>					
2017 General Obligation, Limited Bond	\$ 5,200,000	\$ -	\$ (195,000)	\$ 5,005,000	\$ 200,000
2015 General Obligation, Limited Bond	3,920,000	-	(170,000)	3,750,000	175,000
2015 General Obligation, Unlimited Bond	4,505,000	-	(195,000)	4,310,000	200,000
2010 General Obligation, Limited Bond	325,000	-	(325,000)	-	-
Total bonds payable	13,950,000	-	(885,000)	13,065,000	575,000
<b>Deferred amounts</b>					
Series 2017 Unamortized Bond Premium	427,276	-	(22,488)	404,788	22,488
Series 2015 Unamortized Bond Premium	349,663	-	(20,569)	329,094	20,568
<b>Other long-term obligations</b>					
Accrued sick leave	621,265	1,793	(22,694)	600,364	151,424
Total long-term obligations	<u>\$ 15,348,204</u>	<u>\$ 1,793</u>	<u>\$ (950,751)</u>	<u>\$ 14,399,246</u>	<u>\$ 769,480</u>

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

### 2019 General Obligation, Limited Bond

In November 2019, the College issued \$15,000,000 of 2019 community college facilities general obligation limited bonds for the purpose of erecting, furnishing and equipping a College facility; erecting additions to, remodeling, furnishing and refurnishing and equipping and re-equipping a site. The bonds bear interest ranging from 2.875 to 3.00 percent and require annual payments ranging from \$555,000 to \$1,040,000 through 2039.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 2017 General Obligation, Limited Bond

In November 2017, the College issued \$5,200,000 of 2017 community college facilities general obligation limited bonds for the purpose of funding the expansion of the Health Sciences Education and Training Center. The bonds bear interest 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. The College paid this bond in full during 2019.

### 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, 2020 are as follows:

Year Ending June 30,	Debt Obligations		
	Principal	Interest	Total
2021	\$ 1,155,000	\$ 990,531	\$ 2,145,531
2022	1,190,000	947,831	2,137,831
2023	1,240,000	903,781	2,143,781
2024	1,285,000	857,881	2,142,881
2025	1,335,000	805,981	2,140,981
2026-2030	7,510,000	3,178,006	10,688,006
2031-2035	9,045,000	1,645,681	10,690,681
2036-2039	4,730,000	285,941	5,015,941
Totals	<u>\$ 27,490,000</u>	<u>\$ 9,615,633</u>	<u>\$ 37,105,633</u>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 8. RETIREMENT PLAN

#### Defined Benefit Plan

##### *Plan Description*

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

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

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

The System's financial statements are available at the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

##### *Pension Benefits Provided*

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

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



# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

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

### *Other Postemployment Benefits Provided*

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

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

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

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

### *Contributions*

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.21% - 12.41% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from the College were \$1,779,713, \$1,793,690 and \$1,906,804 for the years ended June 30, 2020, 2019 and 2018, respectively.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the College were \$452,325, \$446,611 and \$426,950 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

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

For the years ended June 30, 2020, 2019 and 2018, required and actual contributions from the College for those members with a defined contribution benefit were \$50,952, \$40,953 and \$29,469, respectively.

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

At June 30, 2020 and 2019, the College reported a liability of \$22,324,710 and \$20,915,218, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017, 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, 2019, the College's proportion was 0.06741%, which was a decrease of 0.00216% points from its proportion measured as of September 30, 2018 of 0.06957%.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2020, the College recognized pension expense of \$2,647,123. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 100,066	\$ 93,092	\$ 6,974
Changes in assumptions	4,371,194	-	4,371,194
Net difference between projected and actual earnings on pension plan investments	-	715,469	(715,469)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,075,862	(1,075,862)
	<u>4,471,260</u>	<u>1,884,423</u>	<u>2,586,837</u>
College contributions subsequent to the measurement date	1,579,948	-	1,579,948
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	743,710	(743,710)
	<u>1,579,948</u>	<u>743,710</u>	<u>836,238</u>
<b>Total</b>	<b><u>\$ 6,051,208</u></b>	<b><u>\$ 2,628,133</u></b>	<b><u>\$ 3,423,075</u></b>

The \$1,579,948 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, 2021. The \$743,710 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, 2021. 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
2021	\$ 953,998
2022	804,802
2023	587,672
2024	<u>240,365</u>
<b>Total</b>	<b><u>\$ 2,586,837</u></b>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2019, the College recognized pension expense of \$1,829,066. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 97,051	\$ 151,987	\$ (54,936)
Changes in assumptions	4,843,947	-	4,843,947
Net difference between projected and actual earnings on pension plan investments	-	1,430,069	(1,430,069)
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,831	1,329,067	(1,322,236)
	<u>4,947,829</u>	<u>2,911,123</u>	<u>2,036,706</u>
College contributions subsequent to the measurement date	1,589,855	-	1,589,855
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	789,226	(789,226)
	<u>1,589,855</u>	<u>789,226</u>	<u>800,629</u>
<b>Total</b>	<b><u>\$ 6,537,684</u></b>	<b><u>\$ 3,700,349</u></b>	<b><u>\$ 2,837,335</u></b>

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

At June 30, 2020 and 2019, the College reported a liability of \$4,677,411 and \$5,505,809, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuations rolled forward from September 30, 2018 and 2017, respectively. 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, 2019, the College's proportion was 0.06517%, which was a decrease of 0.00409% points from its proportion measured as of September 30, 2018 of 0.06926%.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2020, the College recognized OPEB expense of \$21,442. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,716,274	\$ (1,716,274)
Change in	1,013,500	-	1,013,500
Net difference between projected and actual earnings on OPEB plan investments	-	81,342	(81,342)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,302	427,228	(425,926)
	<u>1,014,802</u>	<u>2,224,844</u>	<u>(1,210,042)</u>
College contributions subsequent to the measurement date	363,120	-	363,120
<b>Total</b>	<b><u>\$ 1,377,922</u></b>	<b><u>\$ 2,224,844</u></b>	<b><u>\$ (846,922)</u></b>

The \$363,120 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, 2021. 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
2021	\$ (315,952)
2022	(315,952)
2023	(275,600)
2024	(199,220)
2025	<u>(103,318)</u>
<b>Total</b>	<b><u>\$ (1,210,042)</u></b>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

For the year ended June 30, 2019, the College recognized OPEB expense of \$235,200. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 1,024,772	\$ (1,024,772)
Change in Net difference between projected and actual earnings on OPEB plan investments	583,068	-	583,068
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	211,601	(211,601)
	1,829	156,867	(155,038)
	584,897	1,393,240	(808,343)
College contributions subsequent to the measurement date	357,645	-	357,645
<b>Total</b>	<b>\$ 942,542</b>	<b>\$ 1,393,240</b>	<b>\$ (450,698)</b>

### 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, 2018 and 2017 actuarial valuations (for the fiscal years ended June 30, 2020 and 2019) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80% (7.05% for 2017)
Pension Plus plan (hybrid)	6.80% (7.00% for 2017)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95% (7.15% for 2017)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12 (7.5% Year 1 graded to 3.0% Year 12 for 2017)

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

Mortality	2018 RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females. 2017 RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2018, are based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.



# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### *Long-Term Expected Return on Pension Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity pools	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.15%</u>
Investment rate of return			<u><u>6.80%</u></u>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

2018			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.91%</u>
<b>Investment rate of return</b>			<u><b>7.05%</b></u>

### *Long-term Expected return on OPEB Plan Assets*

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	<u>100.00%</u>		5.65%
Inflation			2.30%
Risk adjustment			<u>-1.00%</u>
<b>Investment rate of return</b>			<u><b>6.95%</b></u>

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

2018			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		5.66%
Inflation			2.30%
Risk adjustment			<u>-0.81%</u>
Investment rate of return			<u>7.15%</u>

### Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Discount Rate

A discount rate of 6.80% (7.05% for 2019) was used to measure the total pension liability (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% (7.15% for 2019) was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (7.05% for 2019), 6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan) and 6.95% (7.15% for 2019), respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

## KIRTLAND COMMUNITY COLLEGE

### Notes to Financial Statements

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

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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, 2020:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% /	1% Increase (7.80% / 7.80% / 7.00%)
As of June 30, 2020			

College's proportionate share of the net pension liability	\$ 29,023,552	\$ 22,324,710	\$ 16,771,140
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The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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, 2019:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
As of June 30, 2019			

College's proportionate share of the net pension liability	\$ 27,460,066	\$ 20,915,218	\$ 15,477,514
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#### *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 calculated using the discount rate of 6.95%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2020:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
As of June 30, 2020			

College's proportionate share of the net OPEB liability	\$ 5,737,548	\$ 4,677,411	\$ 3,787,191
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## KIRTLAND COMMUNITY COLLEGE

### Notes to Financial Statements

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

As of June 30, 2019	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
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College's proportionate share of the net OPEB liability	\$ 6,609,612	\$ 5,505,809	\$ 4,577,376
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#### *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 calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30 2020:

As of June 30, 2020	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
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College's proportionate share of the net OPEB liability	\$ 3,749,449	\$ 4,677,411	\$ 5,737,422
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The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30 2019:

As of June 30, 2019	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
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College's proportionate share of the net OPEB liability	\$ 4,528,467	\$ 5,505,809	\$ 6,627,019
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#### *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](http://www.michigan.gov/orsschools).

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### *Payable to the Pension Plan*

As of June 30, 2020, the College reported a payable of \$203,370 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$206,773 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

### *Payable to the OPEB Plan*

At June 30, 2020, the College reported a payable of \$29,498 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$28,334 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

### **Defined Contribution Plan**

Effective January 1, 1999, amended February 8, 2019, administrators and full-time faculty of the College may elect to participate in an Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with VALIC Retirement Services Company. As of June 30, 2020 and 2019, the plan had 6 and 5 participants, respectively. Under ORP, the College contributes 12.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were \$45,784 and \$44,467 for the years ended June 30, 2020 and 2019, respectively. Total contributions by employees were \$15,261 and \$14,822 for the years ended June 30, 2020 and 2019, respectively.

## **9. CONTINGENCIES**

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

## **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.

## KIRTLAND COMMUNITY COLLEGE

### Notes to Financial Statements

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, 2020 and 2019 totaled \$84,035 and \$125,138, respectively. Expenses related to the medical plan during the years ended June 30, 2020 and 2019 totaled \$991,277 and \$907,935, respectively, which includes an estimate of claims incurred but not reported at June 30, 2020 and 2019.

	Vision and Dental Liability		
	2020	2019	2018
Unpaid claims - beginning of year	\$ -	\$ -	\$ -
Incurred claims	84,035	125,138	109,958
Claims payments	84,035	125,138	109,958
Unpaid claims - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	Health Liability		
	2020	2019	2018
Unpaid claims - beginning of year	\$ 487,466	\$ 386,806	\$ 294,107
Incurred claims	991,277	907,935	713,170
Claims payments	737,075	807,275	620,471
Unpaid claims - end of year	<u>\$ 741,668</u>	<u>\$ 487,466</u>	<u>\$ 386,806</u>

#### 11. MICHIGAN FOREST PRODUCTS INSTITUTE BUILDING PARTNERSHIP

The College entered into an agreement in October 2017 with the Michigan State Building Authority (the "Authority") for the construction of the Michigan Forest Products Institute Building. Under the terms of the Agreement, the total authorized cost of the building is \$6,100,000, of which the Authority will provide funding of \$3,049,900 and the College must fund the remaining balance. Draws from the agreement are recorded as deferred inflows by the College and revenue will be recognized over a 20-year term per the agreement. The College recognized \$149,305 of this revenue during 2020. There was no revenue recognized during 2019.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 12. 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, 2020 and 2019, the stated value of the net position of the Foundation totaled \$2,091,168 and \$2,055,873, respectively.

Restricted net position consists of the following at June 30:

	2020	2019
Expendable for specified purpose:		
Scholarships and financial aid	\$ 204,674	\$ 140,605
Center for Performing Arts	6,894	6,894
	<u>211,568</u>	<u>147,499</u>
Nonexpendable endowments		
Subject to endowment spending policy and appropriation:		
Scholarships and financial aid	648,679	608,629
Center for Performing Arts	10,728	10,728
	<u>659,407</u>	<u>619,357</u>
Total restricted net position	<u>\$ 870,975</u>	<u>\$ 766,856</u>

Contributions to and payments on behalf of the College by the Foundation approximated \$109,000 and \$99,000 in the fiscal years ended June 30, 2020 and 2019, respectively.



# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 13. FOUNDATION LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of net position date, comprise the following for the Foundation as of June 30:

	2020	2019
<b>Financial assets</b>		
Cash and cash equivalents	\$ 114,620	77,538
Accounts receivable, net	35,195	64,895
Investments	1,944,332	1,913,170
	<u>2,094,147</u>	<u>2,055,603</u>
<b>Less amounts unavailable for general expenditures within one year due to:</b>		
Net position with donor restrictions	<u>870,975</u>	<u>766,856</u>
<b>Total financial assets available for general use within one year</b>	<u><u>\$ 1,223,172</u></u>	<u><u>\$ 1,288,747</u></u>

The endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Foundation has a policy of appropriating for distribution each year 3.5% of the fair value of investment holdings as of the beginning of the year for the fiscal year in which the distribution is planned. This distribution does not have to be taken if the Foundation Board of Directors determines it is not needed. Unspent 3.5% distribution funds can be used in future years if approved by the Board. If, at any time, the fair value of the endowments is less than the principal amount, the principal will be held whole.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Financial Statements

### 14. FUNCTIONAL ALLOCATION OF EXPENSES - FOUNDATION

The tables below present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification. The Foundation's program services and supporting services expenses are included in student services and institutional administration expenses, respectively, in the accompanying statements of revenues, expenses, and changes in net position.

	Year Ended June 30, 2020			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships and grants	\$ 109,229	\$ -	\$ -	\$ 109,229
Personnel services received from Kirtland Community College	-	110,832	-	110,832
Operations	-	1,546	-	1,546
Professional fees	-	21,157	-	21,157
Travel and meeting	-	2,519	-	2,519
Other	-	116	-	116
<b>Total expenses</b>	<b>\$ 109,229</b>	<b>\$ 136,170</b>	<b>\$ -</b>	<b>\$ 245,399</b>

	Year Ended June 30, 2019			
	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Scholarships and grants	\$ 99,345	\$ -	\$ -	\$ 99,345
Personnel services received from Kirtland Community College	-	81,801	-	81,801
Operations	-	264	-	264
Professional fees	-	18,075	-	18,075
Travel and meeting	-	1,470	-	1,470
Other	-	177	-	177
<b>Total expenses</b>	<b>\$ 99,345</b>	<b>\$ 101,787</b>	<b>\$ -</b>	<b>\$ 201,132</b>

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**REQUIRED SUPPLEMENTARY INFORMATION  
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

## KIRTLAND COMMUNITY COLLEGE

### Required Supplementary Information MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30					
	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 22,324,710	\$ 20,915,218	\$ 18,384,023	\$ 19,074,343	\$ 18,701,369	\$ 18,658,349
College's proportion of the net pension liability	0.06741%	0.06957%	0.07094%	0.07645%	0.07657%	0.08471%
College's covered payroll	\$ 5,723,342	\$ 5,918,399	\$ 5,788,356	\$ 6,331,048	\$ 6,487,088	\$ 7,227,586
College's proportionate share of the net pension liability as a percentage of its covered payroll	390.06%	353.39%	317.60%	301.28%	288.29%	258.15%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

## KIRTLAND COMMUNITY COLLEGE

### Required Supplementary Information

#### MPSERS Cost-Sharing Multiple-Employer Plan

##### Schedule of the College's Pension Contributions

	Year Ended June 30					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 1,779,713	\$ 1,793,690	\$ 1,906,804	\$ 1,630,652	\$ 1,730,331	\$ 1,386,796
Contributions in relation to the statutorily required contribution	<u>(1,779,713)</u>	<u>(1,793,690)</u>	<u>(1,906,804)</u>	<u>(1,630,652)</u>	<u>(1,730,331)</u>	<u>(1,386,796)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 5,786,053	\$ 5,789,037	\$ 5,915,953	\$ 5,827,938	\$ 6,166,021	\$ 6,598,213
Contributions as a percentage of covered payroll	30.76%	30.98%	32.23%	27.98%	28.06%	21.02%

See notes to required supplementary information.

## KIRTLAND COMMUNITY COLLEGE

### Required Supplementary Information

#### MPERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30		
	2020	2019	2018
College's proportionate share of the net OPEB liability	\$ 4,677,411	\$ 5,505,809	\$ 6,316,303
College's proportion of the net OPEB liability	0.06517%	0.06926%	0.07133%
College's covered payroll	\$ 5,723,342	\$ 5,918,399	\$ 5,788,356
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	81.73%	93.03%	109.12%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

# KIRTLAND COMMUNITY COLLEGE

## Required Supplementary Information

### MPERS Cost-Sharing Multiple-Employer Plan

#### Schedule of the College's Other Postemployment Benefits Contributions

	Year Ended June 30		
	2020	2019	2018
Statutorily required contribution	\$ 452,325	\$ 446,611	\$ 426,950
Contributions in relation to the statutorily required contribution	<u>(452,325)</u>	<u>(446,611)</u>	<u>(426,950)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 5,786,053	\$ 5,789,037	\$ 5,915,953
Contributions as a percentage of covered payroll	7.82%	7.71%	7.22%

See notes to required supplementary information.

# KIRTLAND COMMUNITY COLLEGE

## Notes to Required Supplementary Information

### Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

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

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

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

### OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively.

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

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

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.



## **SUPPLEMENTARY INFORMATION**

# KIRTLAND COMMUNITY COLLEGE

## Combining Statement of Net Position

June 30, 2020 (Unaudited)  
(with comparative totals for 2019)

	General Fund	Pension and OPEB Fund	Restricted MPERS	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	CARES Act Fund	Combined Total June 30, 2020	Combined Total June 30, 2019
<b>Assets</b>															
<b>Current assets</b>															
Cash and cash equivalents	\$ 5,159,077	\$ -	\$ -	\$ -	\$ 1,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,160,127	\$ 5,025,236
Short-term investments	6,765,982	-	-	-	-	-	-	-	-	-	-	-	-	6,765,982	5,264,867
Accounts receivable, net	682,209	-	-	2,598	45,463	629,698	201	-	47,177	-	-	-	-	1,407,346	2,179,342
Inventories	23,027	-	-	-	120,910	-	-	-	-	-	-	-	-	143,937	209,621
Prepaid expenses and other assets	96,036	-	-	-	680	-	-	-	-	-	-	-	-	96,716	264,783
Due from (to) other funds	(9,308,279)	-	135,220	273,910	31,294	(168,529)	(16,364,941)	1,934,170	21,564,516	-	85,086	2,000,000	(182,447)	-	-
<b>Total current assets</b>	<b>3,418,052</b>	<b>-</b>	<b>135,220</b>	<b>276,508</b>	<b>199,397</b>	<b>461,169</b>	<b>(16,364,740)</b>	<b>1,934,170</b>	<b>21,611,693</b>	<b>-</b>	<b>85,086</b>	<b>2,000,000</b>	<b>(182,447)</b>	<b>13,574,108</b>	<b>12,943,849</b>
<b>Noncurrent assets</b>															
Long-term investments	706,520	-	-	-	-	-	-	-	-	-	-	-	-	706,520	1,036,754
Restricted investments	-	-	-	-	-	-	15,641,522	-	-	-	-	-	-	15,641,522	-
Restricted cash	-	-	-	-	-	-	102,068	-	-	-	-	-	-	102,068	96,415
Capital assets:															
Land	-	-	-	-	-	-	-	-	-	495,241	-	-	-	495,241	695,242
Land improvements	-	-	-	-	-	-	-	-	-	6,110,068	-	-	-	6,110,068	4,947,400
Buildings	-	-	-	-	-	-	-	-	-	42,022,056	-	-	-	42,022,056	34,416,183
Equipment and books	-	-	-	-	-	-	-	-	-	9,254,615	-	-	-	9,254,615	8,711,451
Allowance for depreciation	-	-	-	-	-	-	-	-	-	(24,933,749)	-	-	-	(24,933,749)	(25,118,337)
Construction in progress	-	-	-	-	-	-	2,352,891	-	-	-	-	-	-	2,352,891	9,951,554
Total capital assets	-	-	-	-	-	-	2,352,891	-	-	32,948,231	-	-	-	35,301,122	33,603,493
<b>Total noncurrent assets</b>	<b>706,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,096,481</b>	<b>-</b>	<b>-</b>	<b>32,948,231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>51,751,232</b>	<b>34,736,662</b>
<b>Total assets</b>	<b>4,124,572</b>	<b>-</b>	<b>135,220</b>	<b>276,508</b>	<b>199,397</b>	<b>461,169</b>	<b>1,731,741</b>	<b>1,934,170</b>	<b>21,611,693</b>	<b>32,948,231</b>	<b>85,086</b>	<b>2,000,000</b>	<b>(182,447)</b>	<b>65,325,340</b>	<b>47,680,511</b>
<b>Deferred outflows of resources</b>															
Deferred pension and OPEB amounts	-	7,429,130	-	-	-	-	-	-	-	-	-	-	-	7,429,130	7,480,226
<b>Liabilities</b>															
<b>Current liabilities</b>															
Accounts payable	1,151,450	-	135,220	-	7,770	445,590	-	-	-	-	-	-	-	1,740,030	774,092
Accrued payroll and vacation	912,133	-	-	1,015	21,236	-	-	-	-	-	-	-	-	934,384	943,688
Other accrued liabilities	536,097	-	-	-	4,733	-	-	-	83,434	-	85,086	-	-	709,350	585,232
Unearned revenue	151,094	-	-	-	-	-	-	-	-	-	-	-	-	151,094	409,942
Long-term obligations - current portion	190,390	-	-	-	-	-	-	-	1,242,207	-	-	-	-	1,432,597	769,480
<b>Total current liabilities</b>	<b>2,941,164</b>	<b>-</b>	<b>135,220</b>	<b>1,015</b>	<b>33,739</b>	<b>445,590</b>	<b>-</b>	<b>-</b>	<b>1,325,641</b>	<b>-</b>	<b>85,086</b>	<b>-</b>	<b>-</b>	<b>4,967,455</b>	<b>3,482,434</b>
<b>Noncurrent liabilities</b>															
Long-term obligations - net of current portion	-	-	-	-	-	-	-	-	28,156,474	-	-	-	-	28,156,474	13,629,766
Net pension and OPEB liabilities	-	27,002,121	-	-	-	-	-	-	-	-	-	-	-	27,002,121	26,421,027
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>27,002,121</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>28,156,474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,158,595</b>	<b>40,050,793</b>
<b>Total liabilities</b>	<b>2,941,164</b>	<b>27,002,121</b>	<b>135,220</b>	<b>1,015</b>	<b>33,739</b>	<b>445,590</b>	<b>-</b>	<b>-</b>	<b>29,482,115</b>	<b>-</b>	<b>85,086</b>	<b>-</b>	<b>-</b>	<b>60,126,050</b>	<b>43,533,227</b>
<b>Deferred inflows of resources</b>															
Construction arrangement	-	-	-	-	-	-	2,836,798	-	-	-	-	-	-	2,836,798	2,244,591
Deferred pension and OPEB amounts	-	4,852,977	-	-	-	-	-	-	-	-	-	-	-	4,852,977	5,093,589
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>4,852,977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,836,798</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,689,775</b>	<b>7,338,180</b>
<b>Net position (deficit)</b>															
Net investment in capital assets	-	-	-	-	-	-	18,096,481	-	(29,019,700)	32,948,231	-	-	-	22,025,012	19,901,026
Restricted - expendable	-	-	-	-	-	15,579	-	-	-	-	-	-	-	15,579	15,578
Unrestricted (deficit)	1,183,408	(24,425,968)	-	275,493	165,658	-	(19,201,538)	1,934,170	21,149,278	-	-	2,000,000	(182,447)	(17,101,946)	(15,627,274)
<b>Total net position (deficit)</b>	<b>\$ 1,183,408</b>	<b>\$(24,425,968)</b>	<b>\$ -</b>	<b>\$ 275,493</b>	<b>\$ 165,658</b>	<b>\$ 15,579</b>	<b>\$(1,105,057)</b>	<b>\$ 1,934,170</b>	<b>\$(7,870,422)</b>	<b>\$ 32,948,231</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$(182,447)</b>	<b>\$ 4,938,645</b>	<b>\$ 4,289,330</b>

**KIRTLAND COMMUNITY COLLEGE**
**Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position**  
 Year Ended June 30, 2020 (Unaudited)  
 (with comparative totals for 2019)

	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	CARES Act Fund	Eliminations	Combined Total June 30, 2020	Combined Total June 30, 2019
<b>Operating revenues</b>															
Tuition and fees, net	\$ 6,191,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,778,128)	\$ 4,413,204	\$ 4,399,776
Federal grants and contracts	-	-	-	-	-	315,185	-	-	-	-	-	-	-	315,185	316,860
State and local grants and contracts	-	-	-	-	-	123,613	-	-	-	-	-	-	-	123,613	105,513
Private gifts, grants, and contracts	9,550	-	-	-	-	20,052	-	-	-	-	-	-	-	29,602	34,101
Auxiliary activities	-	-	-	-	947,301	-	-	-	-	-	-	-	-	947,301	1,087,436
Indirect cost recoveries	15,611	-	-	-	-	-	-	-	-	-	-	-	(15,611)	-	-
Current funds expenditures for equipment and capital improvements	-	-	-	-	-	-	-	-	-	611,829	-	-	(611,829)	-	-
Miscellaneous	96,573	-	-	117,367	-	-	149,305	-	-	-	-	-	-	363,245	454,780
<b>Total operating revenues</b>	<b>6,313,066</b>	<b>-</b>	<b>-</b>	<b>117,367</b>	<b>947,301</b>	<b>458,850</b>	<b>149,305</b>	<b>-</b>	<b>-</b>	<b>611,829</b>	<b>-</b>	<b>-</b>	<b>(2,405,568)</b>	<b>6,192,150</b>	<b>6,398,466</b>
<b>Operating expenses</b>															
Instruction	5,122,801	(165,713)	349,990	73,819	-	323,831	-	-	(105,298)	-	-	-	(38,748)	5,560,682	5,502,610
Public service	83,458	(2,113)	105,979	-	-	1,100	-	-	-	-	-	-	-	188,424	97,949
Instructional support	1,705,805	(50,320)	49,085	5,573	1,361,724	75,971	-	-	-	-	-	-	(43,005)	3,104,833	3,155,891
Student services	2,357,170	(60,567)	4,462	-	-	2,846,987	-	-	-	-	-	-	(1,778,128)	3,369,924	2,703,789
Institutional administration	2,175,371	(50,179)	127,918	-	-	26,757	-	-	-	-	-	106,833	-	2,386,700	2,095,070
Operation and maintenance of physical plant	1,869,177	(23,240)	106,276	-	-	48,985	-	850,954	-	-	-	75,614	(545,687)	2,382,079	2,201,761
Information technology	1,016,649	-	-	-	-	-	-	-	-	-	-	-	-	1,016,649	1,122,151
Depreciation and amortization	-	-	-	-	-	-	-	-	-	1,695,320	-	-	-	1,695,320	1,566,976
<b>Total operating expenses</b>	<b>14,330,431</b>	<b>(352,132)</b>	<b>743,710</b>	<b>79,392</b>	<b>1,361,724</b>	<b>3,323,631</b>	<b>-</b>	<b>850,954</b>	<b>(105,298)</b>	<b>1,695,320</b>	<b>-</b>	<b>182,447</b>	<b>(2,405,568)</b>	<b>19,704,611</b>	<b>18,446,197</b>
<b>Operating (loss) income</b>	<b>(8,017,365)</b>	<b>352,132</b>	<b>(743,710)</b>	<b>37,975</b>	<b>(414,423)</b>	<b>(2,864,781)</b>	<b>149,305</b>	<b>(850,954)</b>	<b>105,298</b>	<b>(1,083,491)</b>	<b>-</b>	<b>(182,447)</b>	<b>-</b>	<b>(13,512,461)</b>	<b>(12,047,731)</b>
<b>Nonoperating revenues (expenses)</b>															
State appropriations	3,356,588	(743,710)	743,710	-	-	-	-	-	-	-	-	-	-	3,356,588	3,543,451
Federal Pell grant	-	-	-	-	-	2,381,522	-	-	-	-	-	-	-	2,381,522	2,389,084
Federal HEERF grant	-	-	-	-	-	483,260	-	-	-	-	-	-	-	483,260	-
Property taxes	7,508,057	-	-	-	699,197	-	-	-	376,698	-	-	-	-	8,583,952	8,170,223
Gifts	-	-	-	-	-	-	67,240	-	-	-	-	-	-	67,240	68,001
Investment income - interest	71,723	-	-	-	-	-	148,427	41,950	(2,000)	-	57,595	-	-	317,695	164,072
Loss on disposal of capital assets	-	-	-	-	-	-	-	-	-	(319,220)	-	-	-	(319,220)	(158,916)
Interest on capital asset - related debt	-	-	-	-	-	-	-	-	(709,261)	-	-	-	-	(709,261)	(509,618)
<b>Net nonoperating revenues (expenses)</b>	<b>10,936,368</b>	<b>(743,710)</b>	<b>743,710</b>	<b>-</b>	<b>699,197</b>	<b>2,864,782</b>	<b>215,667</b>	<b>41,950</b>	<b>(334,563)</b>	<b>(319,220)</b>	<b>57,595</b>	<b>-</b>	<b>-</b>	<b>14,161,776</b>	<b>13,666,297</b>
<b>Transfers (out) in</b>	<b>(2,758,952)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(344,814)</b>	<b>-</b>	<b>(9,595,044)</b>	<b>1,060,632</b>	<b>996,770</b>	<b>10,699,003</b>	<b>(57,595)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net position</b>	<b>160,051</b>	<b>(391,578)</b>	<b>-</b>	<b>37,975</b>	<b>(60,040)</b>	<b>1</b>	<b>(9,230,072)</b>	<b>251,628</b>	<b>767,505</b>	<b>9,296,292</b>	<b>-</b>	<b>(182,447)</b>	<b>-</b>	<b>649,315</b>	<b>1,618,566</b>
<b>Net position (deficit), beginning of year</b>	<b>1,023,357</b>	<b>(24,034,390)</b>	<b>-</b>	<b>237,518</b>	<b>225,698</b>	<b>15,578</b>	<b>8,125,015</b>	<b>1,682,542</b>	<b>(8,637,927)</b>	<b>23,651,939</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>4,289,330</b>	<b>2,670,764</b>
<b>Net position (deficit), end of year</b>	<b>\$ 1,183,408</b>	<b>\$ (24,425,968)</b>	<b>\$ -</b>	<b>\$ 275,493</b>	<b>\$ 165,658</b>	<b>\$ 15,579</b>	<b>\$ (1,105,057)</b>	<b>\$ 1,934,170</b>	<b>\$ (7,870,422)</b>	<b>\$ 32,948,231</b>	<b>\$ 2,000,000</b>	<b>\$ (182,447)</b>	<b>\$ -</b>	<b>\$ 4,938,645</b>	<b>\$ 4,289,330</b>