

Kalamazoo Valley Community College

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

Kalamazoo Valley Community College

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-12
Basic Financial Statements	
Statement of Net Position	13
Statement of Revenue, Expenses, and Changes in Net Position	14
Statement of Cash Flows	15-16
Discretely Presented Component Unit - Foundation - Balance Sheet and Statement of Activities	17
Notes to Financial Statements	18-41
Required Supplemental Information	42
Schedule of Proportionate Share of Net Pension Liability	43
Schedule of Contributions	43
Schedule of Proportionate Share of Net Other Postemployment Benefits Liability	44
Schedule of Other Postemployment Benefit Contributions	44
Supplemental Information	45
Combining Statement of Net Position	46
Combining Statement of Revenue, Expenses, and Changes in Net Position	47

Independent Auditor's Report

To the Board of Trustees
Kalamazoo Valley Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Kalamazoo Valley Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise Kalamazoo Valley Community College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Kalamazoo Valley Community College and its discretely presented component unit as of June 30, 2018 and 2017 and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

To the Board of Trustees
Kalamazoo Valley Community College

Required Supplemental Information

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

Other Supplemental Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018 on our consideration of Kalamazoo Valley Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kalamazoo Valley Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 31, 2018

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited

The discussion and analysis of Kalamazoo Valley Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2018, 2017, and 2016. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The College's foundation has also been discretely presented within these financial statements in accordance with Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

The annual financial report includes the independent auditor's report, the management's discussion and analysis, the basic financial statements, notes to the financial statements, and supplemental information.

Activities of the College are reported as either operating or nonoperating in accordance with Governmental Accounting Standards Board Statement No. 35. Charges for services are recorded as operating revenue. Essentially all other types of revenue, including state appropriations, property tax levies, and Pell federal grant revenue, are nonoperating. The College's reliance on state funding, local property taxes, and Pell federal grant assistance to students results in reporting an operating deficit.

Increases or decreases in net position provide one indication of the financial health of an organization. To assess the overall health of the College, nonfinancial factors also need to be considered.

Financial Highlights

The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole. These statements report the College's financial position as of June 30, 2018 and 2017 and the change in net position for the years then ended. The College's financial position remained strong at June 30, 2018, with assets of \$157.8 million, deferred outflows of \$13.5 million, liabilities of \$95.9 million, and deferred inflows of \$6.9 million. Net position, which represents the residual interest in the College's assets after liabilities are deducted, decreased by \$8.5 million or 11.1 percent.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. All of the current year's revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into the categories of operating and nonoperating.

Effective for the year ended June 30, 2018, as required by the Governmental Accounting Standards Board (GASB), the College adopted GASB Statement No 75. This standard required the inclusion of the College's proportionate share of the Michigan Public School Employees' Retiree (MPERS) Health Care Plan within the College's financial statements, effective July 1, 2017. The effect of the adoption was to decrease the July 1, 2017 beginning net position by \$20.4 million, and to include the net Other Postemployment Benefits (OPEB) liability and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

Statement of Net Position at June 30			
	2018	2017	2016
Assets			
Current assets	\$ 59,411,330	\$ 50,841,796	\$ 45,509,675
Noncurrent assets:			
Other noncurrent assets	7,834,300	10,414,827	10,426,843
Capital assets - Net	<u>90,522,323</u>	<u>94,332,335</u>	<u>96,469,993</u>
Total assets	157,767,953	155,588,958	152,406,511
Deferred Outflows	<u>13,510,668</u>	<u>7,813,132</u>	<u>6,564,654</u>
Total assets and deferred outflows	<u>\$ 171,278,621</u>	<u>\$ 163,402,090</u>	<u>\$ 158,971,165</u>
Liabilities			
Current liabilities	\$ 9,180,400	\$ 18,602,576	\$ 18,335,399
Long-term liabilities	<u>86,738,363</u>	<u>65,823,026</u>	<u>64,666,442</u>
Total liabilities	95,918,763	84,425,602	83,001,841
Deferred Inflows	6,867,276	1,944,103	1,829,117
Net Position			
Net investment in capital assets	82,190,339	85,429,353	87,011,012
Restricted - Expendable	193,106	177,212	198,462
Unrestricted (deficit)	<u>(13,890,863)</u>	<u>(8,574,180)</u>	<u>(13,069,267)</u>
Total net position	<u>68,492,582</u>	<u>77,032,385</u>	<u>74,140,207</u>
Total liabilities, deferred inflows, and net position	<u>\$ 171,278,621</u>	<u>\$ 163,402,090</u>	<u>\$ 158,971,165</u>

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2018 were the result of the following:

- Current assets increased by approximately \$8.6 million, or 16.9 percent. This was due to the College re-establishing the short-term investments utilized in the completion of the Bronson Healthy Living Campus (BHLC), which was put into service in 2016.
- Noncurrent assets decreased by approximately \$6.4 million, or 6.1 percent. This was due to depreciation expense being greater than the capital asset additions and a decrease in long-term investments as the College expects interest rates to continue to increase.
- Current liabilities decreased by approximately \$9.4 million, or 50.6 percent. This was due to funds held in an agency account while the fundraising and determination of split between the College and Kalamazoo County Mental Health and Substance Abuse Services related to the Bronson Healthy Living Campus was finalized during the year.
- Long-term liabilities increased by approximately \$20.9 million, or 31.8 percent. This was due to the increase in MPERS net pension liability of approximately \$1.3 million, the recognition of the MPERS net OPEB liability of \$20.2 million, and a decrease in the long-term portion of the bonds payable of \$0.6 million.
- Total net position decreased by approximately \$8.5 million, or 11.1 percent. This was due to the recognition of the MPERS net OPEB liability of \$20.4 million offset by the recognition of revenue related to the BHLC fundraising of \$9.7 million.

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2017 were the result of the following:

- Current assets increased by approximately \$5.3 million, or 11.7 percent. This was due to the College re-establishing the short-term investments utilized in the completion of the Bronson Healthy Living Campus, which was put into service in the previous year.
- Noncurrent assets decreased by approximately \$2.1 million, or 2.0 percent. This was due to an increase in the depreciation expense due to the Bronson Healthy Living Campus having a full year of depreciation and a decrease in the amount of capital asset additions in the current year.
- Long-term liabilities increased by approximately \$1.2 million, or 1.8 percent. This was due to the increase in MPSERS net pension liability of approximately \$1.7 million and a decrease in the long-term portion of the bonds payable of \$0.5 million.
- Total net position increased by approximately \$2.9 million, or 3.9 percent. This was due to an increase in revenue provided by the increase in tuition and fees (\$0.9 million) and an increase in state appropriations due to the Local Community Stabilization Authority (\$1.6 million).

Operating Revenue

Operating revenue includes charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and revenue from the Kalamazoo Valley Museum. 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 the Years Ended June 30			
	2018	2017	2016
Tuition and fees	\$ 20,032,741	\$ 19,729,805	\$ 18,874,678
Federal grants	1,186,816	1,142,865	1,053,204
State and other grants	855,432	1,691,614	5,318,294
Sales and service revenue	3,457,643	3,449,000	3,398,862
Other	806,078	816,769	822,749
Total operating revenue	\$ 26,338,710	\$ 26,830,053	\$ 29,467,787

Operating revenue changes for fiscal year 2018 were the result of the following:

- Tuition and fee revenue increased by \$0.3 million, or 1.5 percent. This was due to an increase in the tuition rate of approximately 5.0 percent, partially offset by a decrease in enrollment.
- State and other grants decreased by \$0.8 million, or 49.4 percent. This was due mainly to grants received from the Kalamazoo Valley Community College Foundation in fiscal year 2017 related to upgrades to the Kalamazoo Valley Museum.

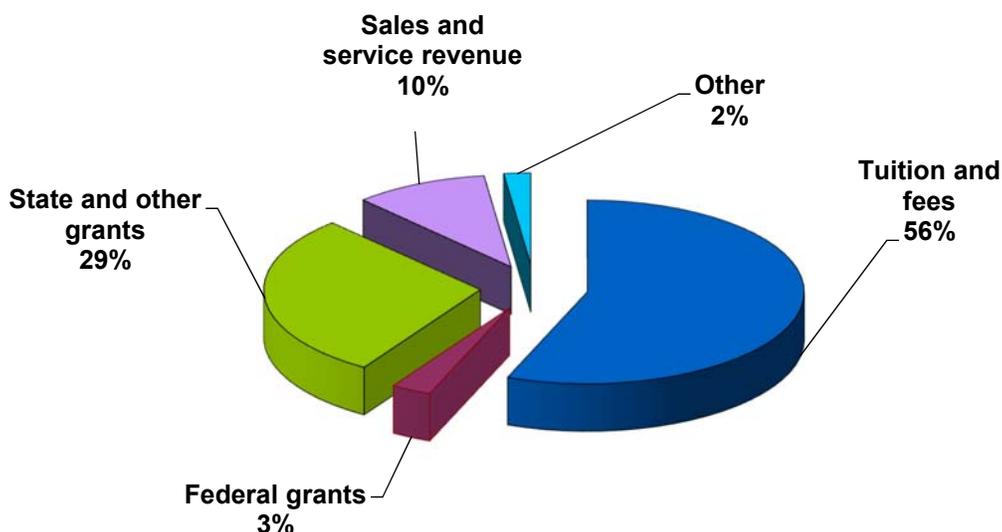
Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

Operating revenue changes for fiscal year 2017 were the result of the following:

- Tuition and fee revenue increased by \$0.9 million, or 4.5 percent. This was due to an increase in the tuition rate of approximately 5.0 percent, partially offset by a decrease in enrollment.
- State and other grants decreased by \$3.6 million, or 68.2 percent. This was due to the prior year including the Michigan Strategic Fund: Community College Skilled Trade Equipment Fund Grant (CCSTEF) of approximately \$3.5 million.

The following is a graphic illustration of operating revenue by source for fiscal year 2018:



Operating Expenses

Operating expenses are all the costs necessary to provide services and conduct the programs of the College.

Operating Expenses for the Years Ended June 30			
	2018	2017	2016
Instruction	\$ 27,613,844	\$ 27,443,563	\$ 25,538,532
Information technology	4,335,541	3,816,500	4,731,039
Public service	4,691,387	4,223,119	3,127,551
Instructional support	6,335,258	6,416,512	5,737,294
Student services - Scholarships/Grants	7,804,152	7,713,863	8,758,673
Student services - Auxiliaries	2,274,707	2,109,860	2,578,679
Student services - Other	5,721,103	5,459,353	5,463,999
Institutional administration	6,677,107	7,075,163	5,722,985
Physical plant	6,921,046	7,187,619	7,921,893
Depreciation	6,585,804	6,337,003	5,360,133
Total operating expenses	\$ 78,959,949	\$ 77,782,555	\$ 74,940,778

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

Operating expense changes for fiscal year 2018 were the result of the following:

- Information technology expenses increased by \$0.5 million, or 13.6 percent. This was mainly due to an increase in spending on technology equipment and software.
- Public service expenses increased by \$0.5 million, or 11.1 percent. This was mainly due to increased activity with the College's Food Innovation Center. There is a correlated increase in sales and service revenue related to the increased activity.
- Student services - Auxiliaries' expenses increased by \$0.2 million, or 7.8 percent. This was mainly due to an increase in the cost of goods sold in the bookstore.
- Institutional administration expenses decreased by \$0.4 million, or 5.6 percent. This was mainly due to a decrease related to the group insurance claims and necessary insurance reserves (\$0.1 million), and one time consulting work done in the previous year (\$0.2 million).

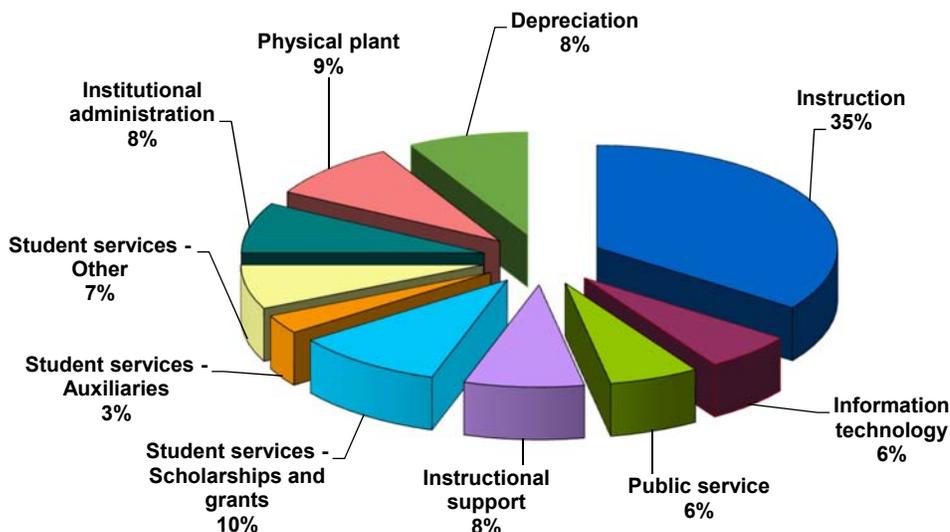
Operating expense changes for fiscal year 2017 were the result of the following:

- Instruction expenses increased by \$1.4 million or 4.9 percent. This was mainly due to allocated fringes increasing by \$1.4 million due to an increase in group insurance claims and an increase in insurance reserves.
- Public service expenses increased by \$1.1 million or 33.7 percent. The new Food Innovation Center and Food Safety & Nutrition program opened during the fiscal year, resulting in an increase of approximately \$0.6 million in additional expenses. The Museum had an increase in costs related to the traveling exhibit, which resulted in an increase of approximately \$0.1 million. The increase in group insurance claims and in insurance reserves resulted in an increase of \$0.1 million.
- Student services - Scholarships/grants expenses decreased by \$1.0 million or 11.9 percent, mainly due to a decrease in the number of Pell grant recipients and awards.
- Student services - Auxiliaries' expenses decreased by approximately \$0.5 million or 18.2 percent, mainly due to a decrease of activity in the bookstore of approximately \$0.3 million.
- Institutional administration expenses increased \$1.1 million or 17.9 percent. This was due mainly to the lease for the Food Innovation Center from the FSIC being a full year in the current year (\$0.2 million), consulting work related to a compensation and classification study (\$0.1 million), the KV Focus publication (\$0.2 million), and the increase related to group insurance claims and the insurance reserves (\$0.5 million).
- Physical plant expenses decreased \$0.8 million or 9.5 percent. This was mainly due to the increase in the previous year in expensed equipment (under the \$5,000 capitalization policy) for the Bronson Healthy Living Campus and the CCSTEF grant.
- Depreciation increased by \$1.0 million or 18.2 percent, mainly due to a full year of depreciation for the additions in the prior year related to the Bronson Healthy Living Campus and the CCSTEF equipment.

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

The following is a graphic illustration of operating expenses by source for fiscal year 2018:



Nonoperating Revenue (Expenses)

Nonoperating revenue represents all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and gifts and grants, including Pell federal grants to students.

Nonoperating revenue (expenses) were comprised of the following:

Nonoperating Revenue (Expenses) for the Years Ended June 30			
	2018	2017	2016
State appropriations - Operating	\$ 13,168,556	\$ 12,931,499	\$ 12,747,500
State appropriations - MPERS	2,888,458	2,278,066	712,025
State appropriations - LCSA	2,241,761	1,908,697	-
Property taxes	23,178,946	22,632,586	23,088,009
Federal grants	10,889,702	10,488,360	11,932,562
Investment income	526,859	250,358	137,544
Net gain (loss) on sale of assets	151,143	(427,127)	4,651
Interest on capital asset - Related debt	(219,797)	(230,747)	(95,762)
Gifts and contributions	12,833	12,988	226,937
Net nonoperating revenue	\$ 52,838,461	\$ 49,844,680	\$ 48,753,466

Nonoperating revenue (expense) changes for fiscal year 2018 were the result of the following factors:

- State appropriations - MPERS increased \$0.6 million, or 26.8 percent. This consists of state funding for the UAAL offset by the actuarial changes that flow through the deferred inflow.
- Fiscal year 2018 was the second year the Local Community Stabilization Authority (LCSA) distributed funds as a replacement for the lost personal property tax revenue. The College, including the Museum, received an increase of \$0.3 million, or 17.5 percent.

Kalamazoo Valley Community College

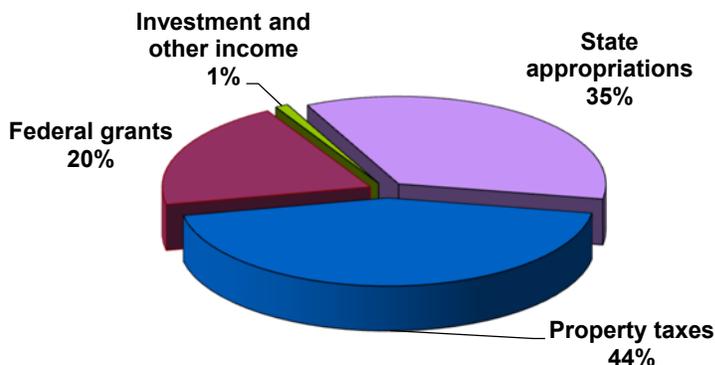
Management's Discussion and Analysis - Unaudited (Continued)

- Investment income increased by \$0.3 million, or 110.4 percent. This increase was caused by an increase in the investment balances as well as an increase in the interest rates the College received.
- Net gain (loss) on sale of assets increased by \$0.6 million or 135.4 percent. This increase was caused by a significant loss in the prior year due to the disposal of equipment from the Museum.

Nonoperating revenue (expense) changes for fiscal year 2017 were the result of the following factors:

- State appropriations - MPSERS increased \$1.5 million or 219.9 percent. This consisted of state funding for the UAAL offset by the actuarial changes that flow through the deferred inflow.
- Fiscal year 2017 was the first year the Local Community Stabilization Authority distributed funds as a replacement for the lost personal property tax revenue. The College received approximately \$1.6 million and the Museum received approximately \$0.3 million.
- Property taxes decreased \$0.5 million or 2.0 percent. The decrease was caused by the loss of the personal property taxable value, partially offset by an increase in real property taxable values.
- Federal grants decreased approximately \$1.4 million or 12.1 percent, due to the decrease in Pell awards.

The following is a graphic illustration of nonoperating revenue by source for fiscal year 2018:



Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also may 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 need for external financing

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

Cash flows for the year consist of the following:

Cash Flows for the Years Ended June 30			
	2018	2017	2016
Cash (Used in) Provided by			
Operating activities	\$ (52,965,728)	\$ (43,063,273)	\$ (41,207,144)
Noncapital financing activities	51,082,725	50,433,420	49,004,491
Capital and related financing activities	12,315,393	4,646,520	(24,796,147)
Investing activities	(7,997,520)	(15,769,028)	(2,544,261)
Net Increase (Decrease) in Cash and Cash Equivalents	2,434,870	(3,752,361)	(19,543,061)
Cash and Cash Equivalents - Beginning of year	7,073,896	10,826,257	30,369,318
Cash and Cash Equivalents - End of year	\$ 9,508,766	\$ 7,073,896	\$ 10,826,257

Net cash used for operating activities in 2018 totaled \$53.0 million. This was financed by \$51.1 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash received for capital and related financing activities totaled \$12.3 million during 2018. Net cash used for investing activities totaled \$8.0 million. The net result of all cash flows is an increase in cash of \$2.4 million for 2018.

Net cash used for operating activities in 2017 totaled \$43.1 million. This was financed by \$50.4 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash received for capital and related financing activities totaled \$4.6 million during 2017. Net cash used for investing activities totaled \$15.8 million. The net result of all cash flows is a decrease in cash of \$3.8 million for 2017.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2018, the College had approximately \$182.8 million invested in capital assets, net of accumulated depreciation of \$92.3 million. Depreciation charges totaled \$6.6 million for the current fiscal year.

The College has planned capital expenditures for the fiscal year ending June 30, 2019 of approximately \$3.4 million. This includes renovating a machine tool lab, upgrades to the College's storage area network, repaving parking lots, and roof repairs.

The Kalamazoo Valley Museum has planned capital expenditures for the fiscal year ending June 30, 2019 of approximately \$0.6 million. This includes renovations to the front desk and first floor gallery.

More detailed information about the College's capital assets is presented in the notes to the financial statements.

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

Debt

At year-end, the College had \$8.3 million in debt outstanding from the issuance of its 2014 Facilities Bonds (LTGO) authorized in October 2014. Bond principal payments are due annually each May through maturity in fiscal year 2030. Interest payments are due semiannually through maturity at the rates ranging from 2.00 percent to 3.25 percent. The College's general obligation bond rating was listed Aa1 by Moody's in December 2014 upon issuance.

Economic Factors That Will Affect the Future

Kalamazoo Valley Community College receives funding from three major sources - property taxes, tuition and fees, and state appropriations.

Property taxes provide the largest proportion of revenue for operations and are split between support for the College and support for the Kalamazoo Valley Museum.

Fiscal Year	Property Taxes	Percent Change		Support to College	Support to KVM
		by Year			
2018	\$ 22,920,864	2.71%		\$ 19,624,917	\$ 3,295,947
2017	\$ 22,316,459	(1.86%)		\$ 19,105,463	\$ 3,210,996
2016	\$ 22,738,996	3.06%		\$ 19,468,566	\$ 3,270,430
2015	\$ 22,064,743	1.31%		\$ 18,890,466	\$ 3,174,277
2014	\$ 21,779,645	(0.88%)		\$ 18,646,981	\$ 3,132,664

Prior to 2017, personal property taxes represented approximately 10 percent of Kalamazoo Valley Community College's tax revenue. Legislation passed in 2014 phased out personal property tax for most businesses and replaced the revenue lost by taxing jurisdictions with a use tax. In 2017, personal property tax was eliminated as a revenue source for the College and Local Community Stabilization Authority (LCSA) funding was received. Although the initial distribution of LCSA funding exceeded the personal property tax lost in 2017, future years' tax replacement is not guaranteed. Since the College is not in the highest priority tier for reimbursement, if the funding available is insufficient, the College could receive less than the personal property tax lost.

Several issues in the State of Michigan have impacted the state budget. In addition, funding for community colleges is changing from a sustainability model to a performance funding model. These changes will require the College to adjust its operations to maximize future funding from the State.

Fiscal Year	State Appropriations				
	Operations	Percent Change by		MPSERS UAAL	Percent Change by Year
		Year			
2018	\$ 13,069,980	1.5%		\$ 2,377,592	(2.2%)
2017	\$ 12,873,899	1.5%		\$ 2,431,386	4.3%
2016	\$ 12,689,400	1.5%		\$ 2,330,698	38.2%
2015	\$ 12,503,100	2.7%		\$ 1,686,734	66.9%
2014	\$ 12,178,330	1.9%		\$ 1,010,556	1.9%

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited (Continued)

Although additional funds have been provided for the unfunded actuarial accrued liability, long-term viability of the MPERS plan remains a concern. Actuarial assumptions made to reduce the unfunded liability have not been realized. It is likely that the contribution rate will need to be increased if conditions do not improve, creating an even heavier burden for colleges to pay out of operating funds. GASB Statement No. 68 has resulted in the College recognizing \$58,779,985 and \$57,491,043 as the College's net pension liability as of June 30, 2018 and 2017, respectively. GASB Statement No. 75 resulted in the College recording \$20,217,393 as the net OPEB liability as of June 30, 2018.

With limited growth in revenue, tuition and fees have been increased to maintain programs and services.

Fiscal Year	In-district Tuition Rate	Percent Change by Year
2018	\$ 105.00	5.0%
2017	\$ 100.00	5.3%
2016	\$ 95.00	4.4%
2015	\$ 91.00	3.4%
2014	\$ 88.00	5.4%

Since 2014, in-district tuition rates have increased \$17.00 per credit hour or 19.3 percent. Although tuition increases implemented since 2014 have exceeded inflation, tuition charged to Kalamazoo Valley Community College students was still below the state average.

Institutional efforts to reduce operating costs through attrition and cost-cutting initiatives have been made and are an ongoing priority. Through these efforts, it has been possible to maintain affordable tuition for our community while providing outstanding educational programs and services in an inviting learning environment with qualified faculty and support staff.

Kalamazoo Valley Community College

Statement of Net Position

	June 30	
	2018	2017
Assets		
Current:		
Cash and cash equivalents (Note 2)	\$ 9,508,766	\$ 7,073,896
Short-term investments (Note 2)	38,660,547	27,555,641
Accounts receivable - Net (Note 4)	9,410,730	14,214,937
Inventories	1,309,810	1,337,354
Prepaid expenses and other assets	521,477	659,968
Total current assets	59,411,330	50,841,796
Noncurrent:		
Note receivable	5,348,000	5,348,000
Long-term investments (Note 2)	2,486,300	5,066,827
Capital assets (Note 5)	90,522,323	94,332,335
Total noncurrent assets	98,356,623	104,747,162
Total assets	157,767,953	155,588,958
Deferred Outflows (Note 7)	13,510,668	7,813,132
Total assets and deferred outflows	\$ 171,278,621	\$ 163,402,090
Liabilities		
Current:		
Accounts payable	\$ 1,042,531	\$ 908,937
Accrued payroll, vacation, and other compensation	4,970,929	5,230,598
Other accrued liabilities	724,617	437,636
Deposits	42,516	9,726,964
Unearned revenue	1,808,808	1,727,442
Long-term obligations - Current (Note 11)	590,999	570,999
Total current liabilities	9,180,400	18,602,576
Noncurrent:		
Long-term obligations - Net of current portion (Note 11)	7,740,985	8,331,983
Net OPEB liability (Note 7)	20,217,393	-
Net pension liability (Note 7)	58,779,985	57,491,043
Total noncurrent liabilities	86,738,363	65,823,026
Deferred Inflows (Note 7)	6,867,276	1,944,103
Net Position		
Net investment in capital assets	82,190,339	85,429,353
Restricted for expendable scholarships and grants	193,106	177,212
Unrestricted deficit (Note 1)	(13,890,863)	(8,574,180)
Total net position	68,492,582	77,032,385
Total liabilities, deferred inflows, and net position	\$ 171,278,621	\$ 163,402,090

Kalamazoo Valley Community College

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2018	2017
Operating Revenue		
Tuition and fees - Net of scholarship allowance of \$5,286,848 and \$4,602,459 for 2018 and 2017, respectively	\$ 20,032,741	\$ 19,729,805
Federal grants	1,186,816	1,142,865
State grants	17,326	305,664
Foundation grants	683,892	1,227,866
Other grants	154,214	158,084
Sales and services revenue - Net of scholarship allowance of \$593,894 and \$568,781 for 2018 and 2017, respectively	3,457,643	3,449,000
Other income	806,078	816,769
Total operating revenue	26,338,710	26,830,053
Operating Expenses		
Instruction	27,613,844	27,443,563
Information technology	4,335,541	3,816,500
Public services	4,691,387	4,223,119
Instructional support	6,335,258	6,416,512
Student services	15,799,962	15,283,076
Institutional administration	6,677,107	7,075,163
Physical plant	6,921,046	7,187,619
Depreciation	6,585,804	6,337,003
Total operating expenses	78,959,949	77,782,555
Operating Loss	(52,621,239)	(50,952,502)
Nonoperating Revenue (Expense)		
State appropriations	18,298,775	17,118,262
Property tax levy	22,920,864	22,316,459
Other taxes and interest	258,082	316,127
Federal grants	10,889,702	10,488,360
Investment income	526,859	250,358
Net gain (loss) from sale of assets	151,143	(427,127)
Interest on capital asset - Related debt	(219,797)	(230,747)
Gifts and contributions	12,833	12,988
Net nonoperating revenue	52,838,461	49,844,680
Income (Loss) Before Other	217,222	(1,107,822)
Other		
State capital appropriations	2,000,000	4,000,000
Contributions for capital	9,719,839	-
Change in Net Position	11,937,061	2,892,178
Net Position - Beginning of year	77,032,385	74,140,207
Adjustment for Change in Accounting Principle (Note 1)	(20,476,864)	-
Net Position - Beginning of year - As restated	56,555,521	74,140,207
Net Position - End of year	\$ 68,492,582	\$ 77,032,385

The Accompanying Notes are an Integral Part of these Statements.

Kalamazoo Valley Community College

Statement of Cash Flows

	Year Ended June 30	
	2018	2017
Cash Flows from Operating Activities		
Tuition and fees	\$ 20,133,224	\$ 19,729,586
Grants and contracts	5,794,768	2,849,233
Payments to suppliers	(19,656,467)	(21,837,047)
Payments to employees	(52,146,627)	(50,815,232)
Sales and services revenue	3,457,643	3,449,000
Other	(10,548,269)	3,561,187
Net cash used in operating activities	(52,965,728)	(43,063,273)
Cash Flows from Noncapital Financing Activities		
Federal grant	9,622,490	10,655,827
Local property taxes	22,930,047	22,382,066
Federal direct lending receipts	8,382,648	9,363,353
Federal direct lending disbursements	(8,382,648)	(9,363,353)
Other taxes and interest	258,082	316,127
State appropriations	18,259,273	17,066,412
Gifts and contributions	12,833	12,988
Net cash provided by noncapital financing activities	51,082,725	50,433,420
Cash Flows from Capital and Related Financing Activities		
Proceeds from state capital appropriations	6,000,000	2,993,217
Proceeds from other capital contributions	9,719,839	-
Principal paid on capital debt	(560,000)	(545,000)
Interest paid on capital debt	(219,797)	(230,747)
Proceeds from sale of capital assets	537,821	7,055,794
Purchase of capital assets	(3,162,470)	(4,626,744)
Net cash provided by capital and related financing activities	12,315,393	4,646,520
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	45,628,980	28,533,747
Interest income	526,859	250,358
Purchase of investments	(54,153,359)	(44,553,133)
Net cash used in investing activities	(7,997,520)	(15,769,028)
Net Increase (Decrease) in Cash and Cash Equivalents	2,434,870	(3,752,361)
Cash and Cash Equivalents - Beginning of year	7,073,896	10,826,257
Cash and Cash Equivalents - End of year	\$ 9,508,766	\$ 7,073,896

Kalamazoo Valley Community College

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2018	2017
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (52,621,239)	\$ (50,952,502)
Adjustments to reconcile operating loss to net cash from operating activities:		
Bad debt expense	292,277	389,669
Amortization of bond premium	(10,999)	(10,999)
Depreciation	6,585,804	6,337,003
Change in deferred inflows/outflows	(774,363)	(1,133,492)
Change in pension liability	1,288,942	1,727,583
Change in OPEB liability	(259,471)	-
Decrease (increase) in assets:		
Accounts receivable	1,809,462	714,597
Inventories	27,544	(129,285)
Prepaid assets and other current assets	138,491	(258,024)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	420,575	(1,511,401)
Accrued payroll, vacation, and other compensation	(259,669)	108,891
Deposits	(9,684,448)	1,399,279
Unearned revenue	81,366	255,408
Net cash used in operating activities	<u>\$ (52,965,728)</u>	<u>\$ (43,063,273)</u>

There were no significant noncash activities during 2018 or 2017.

Kalamazoo Valley Community College

Discretely Presented Component Unit - Foundation

Balance Sheet

	June 30	
	2018	2017
Assets		
Cash	\$ 480,779	\$ 639,044
Marketable securities (Note 2)	17,599,160	17,066,319
Prepaid expenses	10,000	-
Contributions receivable	-	20,812
Accrued rent receivable	628,667	377,200
Capital assets (Note 5)	9,821,614	10,279,114
Total assets	\$ 28,540,220	\$ 28,382,489
Liabilities		
Payable to Kalamazoo Valley Community College	\$ 151,386	\$ 1,054,170
Other short-term liabilities	-	79
Notes payable (Note 11)	7,720,000	7,720,000
Total liabilities	7,871,386	8,774,249
Net Assets		
Unrestricted	9,204,210	9,159,127
Temporarily restricted	10,028,084	9,087,672
Permanently restricted	1,436,540	1,361,441
Total net assets	20,668,834	19,608,240
Total liabilities and net assets	\$ 28,540,220	\$ 28,382,489

Statement of Activities

	Year Ended June 30	
	2018	2017
Revenue		
Contributions	\$ 277,432	\$ 260,505
Income from investments	735,026	435,899
Contributed services	181,364	178,617
Rental income	313,467	313,467
Other income	10,100	21,300
Net gain from investments (Note 2)	1,060,071	2,226,695
Total revenue	2,577,460	3,436,483
Expenditures		
Program expenditures:		
Grants to Kalamazoo Valley Community College	605,386	485,086
Grants to Kalamazoo Valley Community College - Bronson Healthy Living Campus	50,000	50,000
Grants to Kalamazoo Valley Museum	78,505	742,791
Property management and rentals	568,707	566,960
Management and general	9,340	11,214
Fundraising	204,928	211,062
Total expenditures	1,516,866	2,067,113
Change in Net Assets	1,060,594	1,369,370
Net Assets - Beginning of year	19,608,240	18,238,870
Net Assets - End of year	\$ 20,668,834	\$ 19,608,240

The Accompanying Notes are an Integral Part of these Statements.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Basis of Presentation and Significant Accounting Policies

Reporting Entity - Kalamazoo Valley Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The accompanying financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, three affiliated organizations have been included. Each organization is described below, with additional information provided regarding the impact to the College's financial statements and accompanying condensed financial statements.

Kalamazoo Valley Community College Foundation ("KVCCF") is a separate Michigan not-for-profit corporation, with its own independent board, established to accept, collect, hold, and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. In accordance with the criteria of GASB, KVCCF is reported as a discrete component unit. In the past, funding has been used to support student scholarships, capital initiatives, and Kalamazoo Valley Museum programming. The College provides personnel support, supplies, and equipment to the Foundation. Separate financial statements of the Foundation may be obtained by contacting Kalamazoo Valley Community College Foundation, P.O. Box 4070, Kalamazoo, Michigan 49003-4070.

KVCCF is a private organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to KVCCF's financial information included in the College's financial report to account for these differences.

FSIC, LLC (FSIC) is a Michigan limited liability company formed in the year ended June 30, 2016. KVCCF is the sole owner of FSIC. As a single member limited liability company, FSIC is disregarded for tax purposes. FSIC was formed exclusively to acquire, own, and construct a 16,130 gross square foot food production and distribution building and a 9,504 square foot greenhouse (the "Project"). The Project is located in a census tract that makes a taxpayer eligible to receive new markets tax credits (NMTC) for making a qualified equity investment in a community development entity (CDE), if the CDE then makes an equity investment or a loan to a qualified active low-income community business and all other criteria of the NMTC are met.

FSIC subleases the Project to the College (see Note 11). As a sole member of KVCCF, FSIC is consolidated within the financial statements of KVCCF. FSIC is audited as a component of the KVCCF financial statement audit as required by its financing agreement. The audited financial statements may be obtained by contacting Kalamazoo Valley Community College Foundation, P.O. Box 4070, Kalamazoo, Michigan 49003-4070.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

The Holding Company is a separate Michigan not-for-profit corporation established to purchase, acquire title to, lease, develop, maintain, rent, and sell real estate and personal property within the College district, exclusively for the purpose of benefiting the College. At June 30, 2018 and 2017, the stated value of the net assets of the Holding Company totaled \$1,022,983 and \$888,665, respectively. These assets, liabilities, and all activity of the Holding Company are included in the financial statements of the College as a blended component unit.

FSIC Lending Company, LLC (FSIC Lending) is a Michigan limited liability company formed in the year ended June 30, 2016. The College is the sole owner of FSIC Lending. As a single member limited liability company, FSIC Lending is disregarded for tax purposes. FSIC Lending was formed as part of the New Investment Program used for the Food Innovation Center for the exclusive benefit of the College. The primary purpose was to be the leveraged lender for the project and was to establish and provide a loan to the investment fund, WF KVCC Food Sustainability and Innovation Center Investment Fund, LLC, investing in FSIC of \$5,348,000. These assets, liabilities, and all activity of FSIC Lending are included in the financial statements of the College as a blended component unit.

Financial statements for each entity blended in the College's financial reporting are as follows:

Condensed Statement of Net Position

	FSIC Lending		Holding Company	
	2018	2017	2018	2017
Assets				
Current assets	\$ 133,947	\$ 80,517	\$ 813,960	\$ 405,556
Capital assets (net)	-	-	224,145	576,778
Other assets	5,348,000	5,348,000	-	-
Total assets	\$ 5,481,947	\$ 5,428,517	\$ 1,038,105	\$ 982,334
Liabilities -				
Current liabilities	\$ -	\$ 25	\$ 15,122	\$ 93,669
Net Position				
Net investment in capital assets	-	-	224,145	576,778
Unrestricted	5,481,947	5,428,492	798,838	311,887
Total net position	5,481,947	5,428,492	1,022,983	888,665
Total liabilities and net position	\$ 5,481,947	\$ 5,428,517	\$ 1,038,105	\$ 982,334

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

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

	FSIC Lending		Holding Company	
	2018	2017	2018	2017
Operating Expense				
Institutional administration	\$ 25	\$ 25	\$ 18,019	\$ 9,216
Operating Loss	(25)	(25)	(18,019)	(9,216)
Nonoperating Revenue				
Investment income	53,480	53,480	5,070	1,366
Net gain (loss) from sale of assets	-	-	147,267	-
Total nonoperating revenue	53,480	53,480	152,337	1,366
Increase (Decrease) in Net Position	53,455	53,455	134,318	(7,850)
Net Position - Beginning of year	5,428,492	5,375,037	888,665	896,515
Net Position - End of year	<u>\$ 5,481,947</u>	<u>\$ 5,428,492</u>	<u>\$ 1,022,983</u>	<u>\$ 888,665</u>

Condensed Statement of Cash Flows

	FSIC Lending		Holding Company	
	2018	2017	2018	2017
Net cash used in operating activities	\$ -	\$ -	\$ (96,566)	\$ (1,890)
Net cash provided by capital financing activities	-	-	499,900	-
Net cash provided by investing activities	53,480	53,480	5,070	1,366
Net increase in cash and cash equivalents	53,480	53,480	408,404	(524)
Cash and Cash Equivalents - Beginning of year	80,517	27,037	405,556	406,080
Cash and Cash Equivalents - End of year	<u>\$ 133,997</u>	<u>\$ 80,517</u>	<u>\$ 813,960</u>	<u>\$ 405,556</u>

Basis of Presentation - These statements have also been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The College follows all applicable GASB pronouncements. 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.

Significant accounting policies followed by Kalamazoo Valley Community College 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, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and Cash Equivalents - Cash and cash equivalents consist of all highly liquid investments with an original maturity of three months or less.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Investments - Investments are recorded at fair value. Level 1 investments are based on quoted market prices and Level 2 investments are recorded using a matrix pricing technique. Matrix pricing is used to value the investments' relationship to benchmark quoted prices.

Accounts Receivable - Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on historical loss experience.

Inventories - Inventories, including books and miscellaneous supplies, are stated at the lower of cost or market using the first-in, first-out method.

Note Receivable - During the year ended June 30, 2016, a leveraged loan of \$5,348,000 was provided to WF KVCC Food Sustainability and Innovation Center Investment Fund, LLC for the purpose of financing the construction of the Food Innovation Center. Interest accrues at 1 percent, payable quarterly beginning March 20, 2016. The note is due December 30, 2040. The note is reviewed annually and is considered fully collectible at June 30, 2018.

Capital Assets - Property and equipment are recorded at cost. However, gifts of property are recorded at fair market value at the time gifts are received. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation for the College and its component units:

Buildings	40 years
Site improvements	10 years
Building improvements	10 years
Furniture and equipment	5 years
Library materials	5 years
Museum exhibits	10 years
Museum assets	5 years

Unearned Revenue - Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue consists of approximately \$1,227,500 and \$1,210,800 for the 2018 and 2017 summer semesters, and approximately \$557,100 and \$433,100 for the 2018 and 2017 fall semesters, respectively. Other small amounts are due to student payments for a future term (not specifically identified) and gift certificates in the bookstore.

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

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

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

Gifts and Pledges - Gifts are recorded at estimated fair value when received. Pledges are recorded as contributions in the year received, if there is sufficient evidence that a promise to contribute cash or other assets in the future has been made and collection is reasonably assured.

Compensated Absences - Compensated absences represent the accumulated liability to be paid under the College's policy; employees earn vacation time based on time of service with the College.

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

Other Postemployment Benefit Costs - For the purpose of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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

The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as changes in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 7.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Deferred Inflows of Resources - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Note 7.

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

During the years ended June 30, 2018 and 2017, 2.8089 and 2.8135 mills of tax per \$1,000 of taxable property value in the community college taxing district were levied for general operating purposes on all property, respectively. Total operating property tax revenue was \$22,920,864 and \$22,316,459 for the years ended June 30, 2018 and 2017, respectively.

Pell Grant Reimbursements - Pell grant reimbursements are classified as nonoperating revenue due to their nonexchange nature. The amount received during the years ended June 30, 2018 and 2017 was \$10,889,702 and \$10,488,360, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Tax Abatements - The College's property tax revenue is affected by tax abatements entered into by other governments. The tax abatements also consist of Industrial Facilities Tax (IFT) exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the College's taxing district. The College has evaluated the tax abatements and deemed the total property tax abatements to be not significant for the years ended June 30, 2018 and 2017.

Net Position - When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the College's policy is to first apply restricted resources.

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

Restricted Net Position - Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Unrestricted Net Position - The College has designated the use of unrestricted net position as follows:

	2018	2017
Designated for future capital outlay and major maintenance	\$ 15,646,362	\$ 3,054,597
Designated for equipment replacement	4,102,810	4,141,052
Designated for debt service	2,071,358	2,048,092
Designated for technology	3,373,460	3,760,228
Designated for program development	2,477,500	1,454,549
Designated for trustee scholarships	25,000	25,000
Designated per board policy	6,262,000	6,025,000
Designated for auxiliary activities	1,101,337	1,252,180
Designated for auxiliary activities - Kalamazoo Valley Museum	1,515,362	1,570,266
Designated for auxiliary activities - Kalamazoo Valley Museum - Per board policy	405,000	379,600
Designated for Kalamazoo Valley Museum:		
Future capital outlay and major maintenance	3,649,050	3,776,540
Equipment replacement	3,294,915	3,284,873
Exhibit major maintenance	2,499,161	2,365,930
Designated for KVCC Holding Company purposes	798,838	311,887
Designated for FSIC Lending Company, LLC purposes	5,481,947	5,428,492
Designated for MPERS GASB Statement No. 68 Liability	(51,056,397)	(51,622,014)
Designated for MPERS GASB Statement No. 75 Liability	(21,297,589)	-
Unrestricted and unallocated	<u>5,759,023</u>	<u>4,169,548</u>
Total unrestricted (deficit) net position	<u>\$ (13,890,863)</u>	<u>\$ (8,574,180)</u>

Reclassification - The College changed the allocation of expenditures based on requirements from the State of Michigan's Postsecondary Data Collection. In 2018, information technology expenditures were reported in a separate category. The 2017 expenditure have been reclassified to conform with the 2018 presentation.

Adoption of New Standards - The GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which requires governments providing OPEB plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of \$20,476,864, which is the net of the net OPEB liability and related deferred outflows as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Note 2 - Cash and Investments

Cash and Short-term Investments - Investment policies for cash and short-term investments authorize the College to invest in negotiable certificates of deposit, savings accounts, or other interest-bearing deposit accounts of a financial institution.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 2 - Cash and Investments (Continued)

Investments - Investment policies also authorize the College to invest in bonds, bills, or notes of the United States, or of an agency or instrumentality of the United States, or obligations of the State of Michigan. Funds may also be invested in commercial paper of corporations rated prime by at least one of the standard rating services and in bankers' acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.

Interest Rate Risk - The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The College does, however, manage its exposure to interest rate risk by generally limiting investment maturities to less than three years.

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

	Fair Market Value	Less Than 1 Year	1-3 Years	More Than 3 Years
Certificates of deposit	\$ 28,153,932	\$ 26,653,932	\$ 1,500,000	\$ -
Commercial paper	998,123	998,123	-	-
U.S. agency securities*	<u>11,994,792</u>	<u>11,008,492</u>	<u>986,300</u>	<u>-</u>
Total investments	<u>\$ 41,146,847</u>	<u>\$ 38,660,547</u>	<u>\$ 2,486,300</u>	<u>\$ -</u>

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

	Fair Market Value	Less Than 1 Year	1-3 Years	More Than 3 Years
Certificates of deposit	\$ 22,569,082	\$ 22,569,082	\$ -	\$ -
Commercial paper	1,987,315	1,987,315	-	-
U.S. agency securities*	<u>8,066,071</u>	<u>2,999,244</u>	<u>5,066,827</u>	<u>-</u>
Total investments	<u>\$ 32,622,468</u>	<u>\$ 27,555,641</u>	<u>\$ 5,066,827</u>	<u>\$ -</u>

* Some of the investments in U.S. agency securities are callable.

Credit Risk - According to Michigan Public Act 331 of 1966, as amended through 2015, the College may invest in bonds, bills, or notes of the United States or its agencies; obligations of the State of Michigan; corporate commercial paper rated prime by at least one of the standard rating services; bankers' acceptances issued by and certificates of deposit of financial institutions that are members of the Federal Deposit Insurance Corporation; mutual funds and investment pools that are composed of authorized investment instruments; and certain repurchase agreements.

Certificates of deposit at any one financial institution may not exceed 25 percent of the total investable balance or more than 15 percent of the net worth of the financial institution. Commercial paper may not exceed 30 percent of the total investable balance or \$1,000,000 per corporation. The College's investment policy does not limit investments in U.S. agencies or treasuries.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 2 - Cash and Investments (Continued)

More than 5 percent of the College's investments at June 30, 2018 and 2017 were invested as follows:

Issuer	2018	2017
Federal Farm Credit Banks - U.S. Securities	7%	6%
Federal Home Loan Bank - U.S. Securities	8%	9%
Federal National Mortgage Association - U.S. Securities	5%	3%
1st Source Bank - Certificates of Deposit	6%	6%
Comerica Bank - Certificates of Deposit	8%	12%
Fifth Third Bank - Certificates of Deposit	6%	9%
Flagstar Bank - Certificates of Deposit	6%	6%
Horizon Bank - Certificates of Deposit	6%	4%
Huntington National Bank - Certificates of Deposit	8%	12%
Mercantile Bank of Michigan - Certificates of Deposit	2%	5%
Old National Bank - Certificates of Deposit	7%	6%

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. As of June 30, 2018, the College's deposit balances of \$37,846,745 had \$34,525,227 of bank deposits (money markets, certificates of deposit, and checking and savings accounts) that were uninsured and uncollateralized. For June 30, 2017, the College's deposit balances of \$29,896,680 had \$26,627,102 of bank deposits that were uninsured and uncollateralized.

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. All of the investments are, however, in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

Foundation Investments - Investments at Kalamazoo Valley Community College Foundation at June 30, 2018 are as follows:

Description	Cost	Market Value	Unrealized Appreciation
Mutual funds	\$ 11,760,142	\$ 17,587,731	\$ 5,827,589
Corporate stock	11,410	11,429	19
Total	\$ 11,771,552	\$ 17,599,160	\$ 5,827,608

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 2 - Cash and Investments (Continued)

Investments at Kalamazoo Valley Community College Foundation at June 30, 2017 are as follows:

Description	Cost	Market Value	Unrealized Appreciation
Mutual funds	\$ 11,030,112	\$ 16,066,409	\$ 5,036,297
Corporate stock	999,910	999,910	-
Total	<u>\$ 12,030,022</u>	<u>\$ 17,066,319</u>	<u>\$ 5,036,297</u>

Net gains from security transactions for the years ended June 30, 2018 and 2017 include net unrealized gains of \$791,311 and \$1,391,148, respectively, and net realized gains of \$268,760 and \$835,547, respectively.

Note 3 - Fair Value Measurements

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

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

Assets Measured at Fair Value on a Recurring Basis at June 30, 2018

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Investments:				
Commercial Paper	\$ -	\$ 998,123	\$ -	\$ 998,123
U.S. Agency Securities	-	11,994,792	-	11,994,792
Total	<u>\$ -</u>	<u>\$ 12,992,915</u>	<u>\$ -</u>	<u>\$ 12,992,915</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 3 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2017

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2017
Investments:				
Commercial Paper	\$ -	\$ 1,987,315	\$ -	\$ 1,987,315
U.S. Agency Securities	-	8,066,071	-	8,066,071
Total	\$ -	\$ 10,053,386	\$ -	\$ 10,053,386

Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value the investments' relationship to benchmark quoted prices.

KVCCF's investments are all classified as Level 1 inputs using quoted prices in active markets for identical assets KVCCF has the ability to access.

Note 4 - Accounts Receivable

Accounts receivable held at the College consist of the following at June 30, 2018 and 2017:

	2018	2017
Appropriations from the State of Michigan for operations	\$ 2,822,282	\$ 2,782,780
Property taxes receivable	1,067,241	1,132,031
Federal and state grants receivable	2,407,005	4,892,313
Student receivables	1,319,244	1,338,361
Capital appropriations from the State of Michigan	-	4,000,000
Capital project receivables	2,379,803	-
Other receivables	972,014	1,681,918
Total	10,967,589	15,827,403
Less allowances for doubtful accounts	(1,556,859)	(1,612,466)
Net accounts receivable	\$ 9,410,730	\$ 14,214,937

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 5 - Capital Assets

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2018:

	June 30, 2017		Transfer/ Deletions	June 30, 2018
	Balance	Additions		Balance
Nondepreciable capital assets:				
Land	\$ 5,615,398	\$ 35,625	\$ (352,633)	\$ 5,298,390
Easements	5,115	-	-	5,115
Construction in progress	2,260,843	-	(2,260,843)	-
Museum collection	52,514	435	-	52,949
College collection	32,035	-	-	32,035
Depreciable capital assets:				
Site improvements	4,017,688	570,731	82,358	4,670,777
Buildings	128,882,162	-	-	128,882,162
Building improvements	5,760,021	357,521	-	6,117,542
Furniture and equipment	25,537,930	1,492,242	(56,744)	26,973,428
Museum assets	643,816	225,630	-	869,446
Library books	1,413,273	71,638	(56,944)	1,427,967
Museum exhibits	6,380,142	408,648	1,687,191	8,475,981
Total capital assets	180,600,937	3,162,470	(957,615)	182,805,792
Less accumulated depreciation:				
Site improvements	(2,315,507)	(277,207)	-	(2,592,714)
Buildings	(55,748,600)	(2,992,550)	-	(58,741,150)
Building improvements	(2,822,429)	(481,935)	-	(3,304,364)
Furniture and equipment	(18,334,813)	(2,384,053)	22,700	(20,696,166)
Museum assets	(580,118)	(49,149)	-	(629,267)
Library books	(1,241,681)	(68,653)	56,944	(1,253,390)
Museum exhibits	(5,225,454)	(332,257)	491,293	(5,066,418)
Total accumulated depreciation	(86,268,602)	\$ (6,585,804)	\$ 570,937	(92,283,469)
Total capital assets - Net	\$ 94,332,335			\$ 90,522,323

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 5 - Capital Assets (Continued)

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2017:

	June 30, 2016		Transfer/	June 30, 2017
	Balance	Additions	Deletions	Balance
Nondepreciable capital assets:				
Land	\$ 5,615,398	\$ -	\$ -	\$ 5,615,398
Easements	5,115	-	-	5,115
Construction in progress	832,903	2,260,841	(832,901)	2,260,843
Museum collection	52,514	-	-	52,514
College collection	32,035	-	-	32,035
Depreciable capital assets:				
Site improvements	2,996,296	507,282	514,110	4,017,688
Buildings	128,882,162	-	-	128,882,162
Building improvements	5,300,867	459,154	-	5,760,021
Furniture and equipment	24,630,143	902,955	4,832	25,537,930
Museum assets	616,186	27,630	-	643,816
Library books	1,498,553	68,396	(153,676)	1,413,273
Museum exhibits	7,094,299	400,486	(1,114,643)	6,380,142
Total capital assets	177,556,471	4,626,744	(1,582,278)	180,600,937
Less accumulated depreciation:				
Site improvements	(2,116,776)	(198,731)	-	(2,315,507)
Buildings	(52,756,050)	(2,992,550)	-	(55,748,600)
Building improvements	(2,378,681)	(443,748)	-	(2,822,429)
Furniture and equipment	(16,008,230)	(2,350,327)	23,744	(18,334,813)
Museum assets	(539,770)	(40,348)	-	(580,118)
Library books	(1,326,699)	(68,658)	153,676	(1,241,681)
Museum exhibits	(5,960,272)	(242,641)	977,459	(5,225,454)
Total accumulated depreciation	(81,086,478)	(6,337,003)	1,154,879	(86,268,602)
Total capital assets - Net	\$ 96,469,993			\$ 94,332,335

Consolidated capital asset activity for KVCCF (including FSIC) for the year ended June 30, 2018 was as follows:

	July 1, 2017		Transfer/	June 30, 2018
	Balance	Additions	Deletions	Balance
Nondepreciable capital assets -				
Land	\$ 529,894	\$ -	\$ -	\$ 529,894
Depreciable capital assets:				
Site improvements	4,718,730	-	-	4,718,730
Buildings	5,716,742	-	-	5,716,742
Total capital assets	10,965,366	-	-	10,965,366
Less accumulated depreciation:				
Site improvements	(471,874)	(314,582)	-	(786,456)
Buildings	(214,378)	(142,918)	-	(357,296)
Total accumulated depreciation	(686,252)	(457,500)	-	(1,143,752)
Total capital assets - Net	\$ 10,279,114			\$ 9,821,614

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 5 - Capital Assets (Continued)

Consolidated capital asset activity for KVCCF (including FSIC) for the year ended June 30, 2017 was as follows:

	July 1, 2016 Balance	Additions	Transfer/ Deletions	June 30, 2017 Balance
Nondepreciable capital assets -				
Land	\$ 529,894	\$ -	\$ -	\$ 529,894
Depreciable capital assets:				
Site improvements	4,718,730	-	-	4,718,730
Buildings	5,716,742	-	-	5,716,742
Total capital assets	10,965,366	-	-	10,965,366
Less accumulated depreciation:				
Site improvements	(157,291)	(314,583)	-	(471,874)
Buildings	(71,459)	(142,919)	-	(214,378)
Total accumulated depreciation	(228,750)	\$ (457,502)	\$ -	(686,252)
Total capital assets - Net	\$ 10,736,616			\$ 10,279,114

The Arcadia Commons Campus Phase II (Commons and Allied Health) is recorded in the Plant Fund for \$22,400,000, of which \$11,200,000 was paid by the College and \$11,200,000 was financed by a State Building Authority (SBA) bond issue. The Texas Township Campus Expansion (Student Success Center) is recorded in the Plant Fund for \$11,988,000, of which \$5,944,000 was paid by the College and \$5,944,000 was financed by an SBA bond issue. The Healthy Living Campus (Bronson Healthy Living Campus) is recorded in the Plant Fund for \$25,625,200, of which \$19,625,200 was paid by the College and \$6,000,000 was financed by an SBA bond issue. The bond issues are secured by a pledge of rentals to be received from the State of Michigan pursuant to the lease agreements between the SBA, the State of Michigan, and the College. During the lease terms, the SBA will hold title to the respective buildings, the State of Michigan will make all lease payments to the SBA, and the College will pay all operating and maintenance costs. At the expiration of the leases, the SBA has agreed to sell its interest in the buildings to the College for one dollar. The lease terms and payments due to the SBA by the State of Michigan for these buildings are as follows:

	Year in Service	Original Lease Principal	Approximate Annual Payment	Lease Term Expires
Kalamazoo Valley Community College/ Arcadia Commons Phase II (Commons and Allied Health)	2001	\$ 22,400,000	\$ 993,000	2036
Kalamazoo Valley Community College/ Texas Township Campus Expansion (Student Success Center)	2011	\$ 11,988,000	\$ 474,000	2046
Kalamazoo Valley Community College/ Healthy Living Campus (Bronson Healthy Living Campus)	2016	\$ 25,625,200	\$ 475,000	2051

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 6 - Recognition of State Appropriations

The College records revenue from state operating appropriations in accordance with the accounting method described in the annual funding bill passed by the State of Michigan (the "State") legislation, which provides that state appropriations are recorded as revenue in the period for which they were appropriated. Accordingly, the College recognizes 100 percent of the State's fiscal year appropriations as revenue during the College's fiscal year. Also, since state appropriations are distributed over an 11-month period, October through August, the College records a receivable at June 30 each year for the subsequent payments received in July and August. In addition to regular operating appropriations, in 2018 and 2017 the State appropriated \$2,377,592 and \$2,431,386, respectively, for reduction of the College's portion of the unfunded actuarial accrued liability for MPERS. These amounts are included in the accrual.

Note 7 - Michigan Public School Employees' Retirement System

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

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

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

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

Depending on the member's date of hire, MPERS offers the option of participating in the Defined Contribution (DC plan that provides a 50.00 percent employer match (up to 3.00 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2.00 percent each year thereafter.

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

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 7 - Michigan Public School Employees' Retirement System (Continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3.00 percent. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80.00 percent to the maximum allowed by the statute.

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10.00 percent, or 20.00 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3.00 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3.00 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2.00 percent employee contribution into their 457 account as of their transition date, earning them a 2.00 percent employer match into a 401(k) account. Members who selected this option stop paying the 3.00 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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

	Pension	OPEB
July 1, 2016 - September 30, 2016	14.56 - 18.95 percent	6.40 - 6.83 percent
October 1, 2016 - September 30, 2017	15.27 - 19.03 percent	5.69 - 5.91 percent
October 1, 2017 - January 31, 2018	13.54 - 17.89 percent	7.42 - 7.67 percent
February 1, 2018 - June 30, 2018	13.54 - 19.74 percent	7.42 - 7.67 percent

Depending on the plan selected, member pension contributions range from 0.00 percent up to 7.0 percent of gross wages. For certain plan members, a 4.00 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3.00 percent employer match is provided to the defined contribution pension plan.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 7 - Michigan Public School Employees' Retirement System (Continued)

The College's required and actual pension contributions to the plan for years ended June 30, 2018 and 2017 were approximately \$6,436,000 and \$5,476,000, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of \$2,377,584 and \$2,431,386 in revenue received from the State of Michigan, and remitted to MPERS to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2018 and 2017, respectively.

The College's required and actual OPEB contributions to the plan for the year ended June 30, 2018 and 2017 were approximately \$1,508,000 and \$1,150,000, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability - At June 30, 2018 and 2017, the College reported a liability of \$58,779,985 and \$57,491,043, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and 2015, respectively, which used updated procedures to roll forward the estimated liability to September 30, 2017 and 2016. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the College's proportion was 0.226825 percent and 0.230430 percent, respectively.

Net OPEB Liability - At June 30, 2018, the College reported a liability of \$20,217,393 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The College's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the College's proportion was 0.228304 percent of MPERS in total.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2018 and 2017, the College recognized pension expense of approximately \$6,103,000 and \$5,709,000, respectively, inclusive of payments to fund the MPERS UAAL stabilization rate. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 510,838	\$ 288,421
Changes of assumptions	6,439,814	-
Net difference between projected and actual earnings on pension plan assets	-	2,810,070
Changes in proportion and differences between College contributions and proportionate share of contributions	513,271	707,706
College contributions subsequent to the measurement date	4,936,048	-
Total	<u>\$ 12,399,971</u>	<u>\$ 3,806,197</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 7 - Michigan Public School Employees' Retirement System (Continued)

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 716,490	\$ 136,255
Changes of assumptions	898,827	-
Net difference between projected and actual earnings on pension plan assets	955,501	-
Changes in proportion and differences between College contributions and proportionate share of contributions	754,321	35,855
College contributions subsequent to the measurement date	<u>4,487,993</u>	<u>-</u>
Total	<u>\$ 7,813,132</u>	<u>\$ 172,110</u>

In addition to the above tables, there is \$2,377,584 and \$1,771,993 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 147c of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2019 and 2018, respectively.

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

Years Ending June 30	Amount
2019	\$ 1,081,542
2020	2,035,792
2021	763,842
2022	<u>(223,450)</u>
Total	<u>\$ 3,657,726</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the years ended June 30, 2018 and 2017, the College recognized OPEB expense of approximately \$1,354,000 and \$1,150,000, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 215,256
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan assets	-	468,239
Changes in proportion and differences between College contributions and proportionate share of contributions	6,824	-
College contributions subsequent to the measurement date	<u>1,103,873</u>	<u>-</u>
Total	<u>\$ 1,110,697</u>	<u>\$ 683,495</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 7 - Michigan Public School Employees' Retirement System (Continued)

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

Years Ending June 30	Amount
2019	\$ (163,643)
2020	(163,643)
2021	(163,643)
2022	(163,643)
2023	(22,099)
Total	<u>\$ (676,671)</u>

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

Actuarial Cost Method		Entry age normal cost actuarial cost method
Investment Rate of Return - Pension	7.00-7.50 percent (2017) 7.00-8.00 percent (2016)	Net of investment expenses based on the groups
Investment Rate of Return - OPEB	7.50 percent (2017)	Net of investment expenses based on the groups
Salary Increases	3.50-12.30 percent	Including wage inflation of 3.50 percent
Healthcare Cost Trend Rate	7.50 percent	Year 1 graded to 3.50 percent year 12
Mortality Basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of Living Pension Adjustments	3.00 percent	Annual non-compounded for MIP members

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

Discount Rate - The discount rate used to measure the total pension liability was 7.00 to 7.50 percent and 7.00 to 8.00 percent, as of September 30, 2017 and 2016, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at statutorily required rates.

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

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 7 - Michigan Public School Employees' Retirement System (Continued)

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

Investment Category	2018		2017	
	Target Allocation	Long-term Expected Real	Target Allocation	Long-term Expected Real
	Percentage	Rate of Return	Percentage	Rate of Return
Domestic equity pools	28.0%	5.6%	28.0%	5.9%
Private equity pools	18.0%	8.7%	18.0%	9.2%
International equity pools	16.0%	7.2%	16.0%	7.2%
Fixed-income pools	10.5%	-0.1%	10.5%	0.9%
Real estate and infrastructure pools	10.0%	4.2%	10.0%	4.3%
Real return, opportunistic, and absolute pools	15.5%	5.0%	15.5%	6.0%
Short-term investment pools	2.0%	-0.9%	2.0%	0.0%
Total	100.0%		100.0%	

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

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

2018		
1.00 percent decrease (6.00-6.50 percent)	Current Discount Rate (7.00-7.50 percent)	1.00 percent increase (8.00-8.50 percent)
\$ 76,570,769	\$ 58,779,985	\$ 43,801,277
2017		
1.00 percent decrease (6.00-7.00 percent)	Current Discount Rate (7.00-8.00 percent)	1.00 percent increase (8.00-9.00 percent)
\$ 74,033,993	\$ 57,491,043	\$ 43,543,746

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

2018		
1.00 percent decrease (6.50 percent)	Current Discount Rate (7.50 percent)	1.00 percent increase (8.50 percent)
\$ 23,680,410	\$ 20,217,393	\$ 17,278,375

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 7 - Michigan Public School Employees' Retirement System (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the College, calculated using the current healthcare cost trend rate, as well as what the College's net OPEB liability would be if were calculated using a healthcare cost trend rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2018		
1.00 percent decrease (6.50 percent)	Current Healthcare Cost Trend Rate (7.50 percent)	1.00 percent increase (8.50 percent)
\$ 17,121,414	\$ 20,217,393	\$ 23,732,661

Pension Plan and OPEB Plan Fiduciary Net Position - Detailed information about the plans' fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan - At June 30, 2018, the College reported a payable of \$599,851 and \$72,297, for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. At June 30, 2017, the College reported a payable of \$494,020 and \$172,575 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2017.

Note 8 - Optional Retirement Plan

In January 1997, the College began providing a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect either the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) or the Variable Annuity Life Insurance Company (VALIC).

The TIAA-CREF and VALIC plans are defined contribution retirement plans whereby benefits vest immediately. The College contributes a specified percentage of employee wages and has no liability beyond its own contribution. For the years ended June 30, 2018 and 2017, that contribution rate was determined to be 11.5 percent. This resulted in the College contributing approximately \$1,640,000 and \$1,597,000 to the retirement plans for 2018 and 2017, respectively.

Note 9 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The College participates in the Michigan Community College Risk Management Authority (the "Authority") risk pool for claims relating to auto, property, and liability; the College is self-insured for medical benefits provided to employees.

The Michigan Community College Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 9 - Risk Management (Continued)

The College estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past three fiscal years were as follows:

	2018	2017	2016
Estimated liability - Beginning of year	\$ 700,000	\$ 500,000	\$ 900,000
Estimated claims incurred, including changes in estimates	4,746,357	5,470,471	4,440,407
Less claim payments	<u>(4,646,357)</u>	<u>(5,270,471)</u>	<u>(4,840,407)</u>
Estimated liability - End of year	<u>\$ 800,000</u>	<u>\$ 700,000</u>	<u>\$ 500,000</u>

Note 10 - Federal Direct Lending Program

The College distributed \$8,382,648 and \$9,363,353 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2018 and 2017, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

Note 11 - Long-term Obligations

The College's long-term liability activity for the year ended June 30, 2018 is as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Current Portion
2014 Bonds	<u>\$ 8,902,982</u>	<u>\$ -</u>	<u>\$ (570,998)</u>	<u>\$ 8,331,984</u>	<u>\$ 590,999</u>

The College's long-term liability activity for the year ended June 30, 2017 is as follows:

	July 1, 2016	Additions	Reductions	June 30, 2017	Current Portion
2014 Bonds	<u>\$ 9,458,981</u>	<u>\$ -</u>	<u>\$ (555,999)</u>	<u>\$ 8,902,982</u>	<u>\$ 570,999</u>

The 2014 general obligation, limited-tax bonds were issued in December 2014, as authorized by the board of trustees for the construction of capital projects. Bond principal payments range from \$580,000 to \$800,000 and are due annually each May through maturity in fiscal year 2030. Interest payments are due semiannually through maturity at rates ranging from 2.0 percent to 3.25 percent. At June 30, 2018 and 2017, the unamortized bond premium outstanding amounts to \$131,984 and \$142,982, respectively.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 11 - Long-term Obligations (Continued)

As of June 30, 2018, bond maturities are as follows:

Years Ending June 30	Debt Obligations			
	Principal	Premium	Interest	Total
2019	\$ 580,000	\$ 10,999	\$ 220,962	\$ 811,961
2020	595,000	10,999	209,362	815,361
2021	615,000	10,999	197,463	823,462
2022	630,000	10,999	185,163	826,162
2023	650,000	10,999	170,988	831,987
2024-2028	3,555,000	54,993	588,213	4,198,206
2029-2030	1,575,000	21,996	77,187	1,674,183
Total	<u>\$ 8,200,000</u>	<u>\$ 131,984</u>	<u>\$ 1,649,338</u>	<u>\$ 9,981,322</u>

There were no changes in long-term liabilities for the Foundation (including FSIC) for the years ended June 30, 2018 and 2017.

The FSIC has a note payable to New Markets Investment 94, LLC (the Sub CDE) in the amount of \$7,720,000 as of June 30, 2016. The loan consists of Tranche A for \$5,348,000 and Tranche B for \$2,372,000. The note is evidenced by a note document and an agreement and bears an interest rate of 1.2109 percent. The note is collateralized by the real property assets of the Project. Interest-only payments totaling \$23,371 commenced on March 10, 2016, and are due quarterly through and including December 10, 2022. On December 10, 2022, a residual repayment in the amount of \$20,000 is due. On March 10, 2023, and quarterly thereafter, accrued interest and principal in the amount of \$96,017 are due. The note matures in December 2045, at which time all unpaid principal and interest are due.

As of June 30, 2018, note maturities are as follows:

Years Ending June 30	Amount
2019	\$ -
2020	-
2021	-
2022	-
2023	165,634
Thereafter	<u>7,554,366</u>
Total	<u>\$ 7,720,000</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2018 and 2017

Note 11 - Long-term Obligations (Continued)

Lease - During fiscal year 2016, the College entered into a long-term lease agreement with FSIC for the Food Innovation Center (the "Project"). The lease ends in 2045. The College recognizes the lease on a straight line basis payable over the life of the lease which amounts to \$313,467 annually. Lease payments of \$15,500 are due quarterly, in advance through 2022. Beginning in 2023, the quarterly lease payments increase to \$97,500 for the remainder of the lease. Minimum future lease payments for the next five years and in the aggregate are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2019	\$ 62,000
2020	62,000
2021	62,000
2022	62,000
2023	226,000
Thereafter	<u>8,775,000</u>
Total	<u>\$ 9,249,000</u>

Note 12 - Upcoming Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provisions of the contract. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is expected to have a significant effect on the College's financial statements as a result of the leases for real property and equipment classified as operating leases. The effect of applying the new lease guidance on the financial statements has not yet been determined. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2021.

Required Supplemental Information

Kalamazoo Valley Community College

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

	2017	2016	2015	2014
College's proportion of the collective MPERS net pension liability:				
As a percentage	0.22682%	0.23043%	0.22830%	0.22568%
Amount	\$ 58,779,985	\$ 57,491,043	\$ 55,763,460	\$ 49,709,091
College's covered-employee payroll	\$ 19,117,987	\$ 19,219,436	\$ 19,425,889	\$ 19,310,993
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	307.46%	299.13%	287.06%	257.41%
MPERS fiduciary net position as a percentage of the total pension liability	63.96%	63.01%	62.92%	66.15%

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

	2018	2017	2016	2015
Statutorily required contribution	\$ 5,844,463	\$ 5,388,993	\$ 5,454,673	\$ 5,911,507
Contributions in relation to the actuarially determined contractually required contribution	\$ 5,844,463	\$ 5,388,993	\$ 5,454,673	\$ 5,911,507
Contribution excess	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 19,208,229	\$ 19,146,178	\$ 19,324,683	\$ 19,582,516
Contributions as a percentage of covered employee payroll	30.43%	28.15%	28.23%	30.19%

Notes to Required Supplemental Information

Changes of Benefit Terms - There were no changes of benefit terms for the plan years ended September 30, 2017, 2016, 2015, and 2014.

Changes of Assumptions - There were no changes to assumptions for the plan years ended September 30, 2017, 2016, 2015, and 2014 except for the discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent.

Kalamazoo Valley Community College

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

	2017
College's proportion of the collective MPSERS net OPEB liability:	
As a percentage	0.22830%
Amount	\$ 20,217,393
College's covered-employee payroll	\$ 19,117,987
College's proportionate share of the collective OPEB liability (amount), as a percentage of the College's covered-employee payroll	105.75%
MPSERS fiduciary net position as a percentage of the total OPEB liability	36.53%

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

	2018
Statutorily required contribution	\$ 1,387,358
Contributions in relation to the actuarially determined contractually required contribution	\$ 1,387,358
Contribution excess	\$ -
Covered employee payroll	\$ 19,208,229
Contributions as a percentage of covered employee payroll	7.22%

Notes to Required Supplemental Information

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

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

Supplemental Information

Kalamazoo Valley Community College

Combining Statement of Net Position June 30, 2018

	General Fund	MPSERS Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	FSIC Lending	Holding Company	Combined Total
Assets										
Current:										
Cash and cash equivalents	\$ 4,561,867	\$ -	\$ -	\$ 2,600	\$ -	\$ 4,000,000	\$ -	\$ 133,997	\$ 810,302	\$ 9,508,766
Short-term investments	6,660,547	-	5,000,000	1,000,000	-	26,000,000	-	-	-	38,660,547
Accounts receivable - Net	3,870,551	-	-	379,154	2,508,420	2,379,803	272,802	-	-	9,410,730
Inventories	86,770	-	-	1,223,040	-	-	-	-	-	1,309,810
Prepaid expenses and other assets	336,425	-	61,892	43,124	1,213	75,165	-	-	3,658	521,477
Due from (to) other funds	421,295	-	832,071	612,248	(2,248,574)	610,220	(227,210)	(50)	-	-
Total current assets	15,937,455	-	5,893,963	3,260,166	261,059	33,065,188	45,592	133,947	813,960	59,411,330
Noncurrent:										
Note receivable	-	-	-	-	-	-	-	5,348,000	-	5,348,000
Long-term investments	2,486,300	-	-	-	-	-	-	-	-	2,486,300
Total noncurrent assets	2,486,300	-	-	-	-	-	-	5,348,000	-	7,834,300
Capital assets:										
Land and improvements	-	-	-	-	-	9,750,137	-	-	224,145	9,974,282
Buildings and improvements	-	-	-	-	-	134,999,705	-	-	-	134,999,705
Construction in progress	-	-	-	-	-	-	-	-	-	-
Equipment	-	-	-	-	-	27,842,874	-	-	-	27,842,874
Library and educational materials	-	-	-	-	-	1,427,967	-	-	-	1,427,967
Exhibits	-	-	-	-	-	8,475,981	-	-	-	8,475,981
Collections	-	-	-	-	-	84,984	-	-	-	84,984
Accumulated depreciation	-	-	-	-	-	(92,283,470)	-	-	-	(92,283,470)
Total capital assets	-	-	-	-	-	90,298,178	-	-	224,145	90,522,323
Total assets	18,423,755	-	5,893,963	3,260,166	261,059	123,363,366	45,592	5,481,947	1,038,105	157,767,953
Deferred Outflows										
Deferred outflows	-	13,510,668	-	-	-	-	-	-	-	13,510,668
Liabilities - Current										
Accounts payable	375,396	-	3,141	97,327	19,863	528,606	3,076	-	15,122	1,042,531
Accrued payroll, vacation, and other compensation	4,970,929	-	-	-	-	-	-	-	-	4,970,929
Other accrued liabilities	639,065	-	-	635	48,090	36,827	-	-	-	724,617
Deposits	-	-	-	-	-	-	42,516	-	-	42,516
Unearned revenue	1,807,688	-	-	1,120	-	-	-	-	-	1,808,808
Long-term obligations - Current portion	-	-	-	-	-	590,999	-	-	-	590,999
Total liabilities - Current	7,793,078	-	3,141	99,082	67,953	1,156,432	45,592	-	15,122	9,180,400
Liabilities - Long term										
Long-term obligations - Net of current portion	-	-	-	-	-	7,740,985	-	-	-	7,740,985
Net OPEB liability	-	20,217,393	-	-	-	-	-	-	-	20,217,393
Net pension liability	-	58,779,985	-	-	-	-	-	-	-	58,779,985
Total liabilities - Long term	-	78,997,378	-	-	-	7,740,985	-	-	-	86,738,363
Deferred Inflows										
Deferred inflows	-	6,867,276	-	-	-	-	-	-	-	6,867,276
Net Position										
Net investment in capital assets	-	-	-	-	-	81,966,194	-	-	224,145	82,190,339
Restricted for expendable scholarships and grants	-	-	-	-	193,106	-	-	-	-	193,106
Unrestricted net position (deficit)	10,630,677	(72,353,986)	5,890,822	3,161,084	-	32,499,755	-	5,481,947	798,838	(13,890,863)
Total net position	\$ 10,630,677	\$ (72,353,986)	\$ 5,890,822	\$ 3,161,084	\$ 193,106	\$ 114,465,949	\$ -	\$ 5,481,947	\$ 1,022,983	\$ 68,492,582

Kalamazoo Valley Community College

Combining Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2018

	Eliminations	General Fund	MPSEERS Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	FSIC Lending	Holding Company	Combined Total
Operating Revenue										
Tuition and fees - Net of scholarship allowance (\$5,286,848)	\$ (5,286,848)	\$ 25,319,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,032,741
Federal grants	-	-	-	-	-	1,186,816	-	-	-	1,186,816
State grants	-	-	-	-	-	17,326	-	-	-	17,326
Gifts and grants from Kalamazoo Valley Community	-	-	-	-	-	648,267	35,625	-	-	683,892
Other grants	-	1,500	-	-	1,000	151,714	-	-	-	154,214
Sales and services revenue - Net of scholarship allowance (\$593,894)	(632,141)	1,164,593	-	-	2,925,191	-	-	-	-	3,457,643
Other income	-	720,987	-	16,175	68,916	-	-	-	-	806,078
Current funds capital expenditures	(3,126,846)	-	-	-	-	-	3,126,846	-	-	-
Total operating revenue	(9,045,835)	27,206,669	-	16,175	2,995,107	2,004,123	3,162,471	-	-	26,338,710
Operating Expenses										
Instruction	(884,237)	27,186,776	145,141	141,859	-	390,556	633,749	-	-	27,613,844
Information technology	-	3,842,006	20,511	349,777	27,322	-	95,925	-	-	4,335,541
Public services	(474,679)	2,202,150	11,757	19,783	2,278,434	143,344	510,598	-	-	4,691,387
Instructional support	(223,338)	5,770,976	30,809	308,562	-	114,521	333,728	-	-	6,335,258
Student services	(5,914,861)	5,733,560	30,610	806,251	2,838,753	12,284,749	20,900	-	-	15,799,962
Institutional administration	(152,291)	6,757,204	36,074	-	-	9,901	8,175	25	18,019	6,677,107
Physical plant	(1,396,429)	6,369,935	34,007	-	471,513	243,996	1,198,024	-	-	6,921,046
Depreciation expense	-	-	-	-	-	-	6,585,804	-	-	6,585,804
Total operating expenses	(9,045,835)	57,862,607	308,909	1,626,232	5,616,022	13,187,067	9,386,903	25	18,019	78,959,949
Operating Loss	-	(30,655,938)	(308,909)	(1,610,057)	(2,620,915)	(11,182,944)	(6,224,432)	(25)	(18,019)	(52,621,239)
Nonoperating Revenue (Expenses)										
State appropriations	-	17,922,609	53,801	-	322,365	-	-	-	-	18,298,775
Property tax levy	-	19,624,917	-	-	3,295,947	-	-	-	-	22,920,864
Other taxes and interest	-	234,911	-	-	23,171	-	-	-	-	258,082
Federal grants	-	-	-	-	-	10,889,702	-	-	-	10,889,702
State grants	-	-	-	-	-	-	-	-	-	-
Investment income	-	194,957	-	36,395	29,220	265	207,472	53,480	5,070	526,859
Net gain (loss) from sale of assets	-	-	-	-	-	-	3,876	-	147,267	151,143
Interest on capital asset - Related debt	-	-	-	-	-	-	(219,797)	-	-	(219,797)
Gifts and contributions	-	-	-	-	-	-	12,833	-	-	12,833
Net nonoperating revenue	-	37,977,394	53,801	36,395	3,670,703	10,889,967	4,384	53,480	152,337	52,838,461
Income (Loss) Before Other Revenue	-	7,321,456	(255,108)	(1,573,662)	1,049,788	(292,977)	(6,220,048)	53,455	134,318	217,222
Other										
State capital appropriations	-	-	-	-	-	2,000,000	-	-	-	2,000,000
Contributions for capital	-	-	-	-	-	-	9,719,839	-	-	9,719,839
Increase (Decrease) in Net Position - Before transfers	-	7,321,456	(255,108)	(1,573,662)	1,049,788	1,707,023	3,499,791	53,455	134,318	11,937,061
Transfers	-	(6,885,808)	-	2,224,739	(1,090,302)	(1,691,129)	7,442,500	-	-	-
Increase (Decrease) in Net Position	-	435,648	(255,108)	651,077	(40,514)	15,894	10,942,291	53,455	134,318	11,937,061
Net Position - Beginning of year	-	10,195,029	(51,622,014)	5,239,745	3,201,598	177,212	103,523,658	5,428,492	888,665	77,032,385
Adjustment for Change in Accounting Principle	-	-	(20,476,864)	-	-	-	-	-	-	(20,476,864)
Net Position - Beginning of year - As restated	-	10,195,029	(72,098,878)	5,239,745	3,201,598	177,212	103,523,658	5,428,492	888,665	56,555,521
Net Position - End of year	\$ -	\$ 10,630,677	\$ (72,353,986)	\$ 5,890,822	\$ 3,161,084	\$ 193,106	\$ 114,465,949	\$ 5,481,947	\$ 1,022,983	\$ 68,492,582