

# **Kalamazoo Valley Community College**

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**Financial Report  
with Supplemental Information  
June 30, 2015**

# Kalamazoo Valley Community College

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## 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, 2015 and 2014 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

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

To the Board of Trustees  
Kalamazoo Valley Community College

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

### ***Opinion***

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, 2015 and 2014 and the respective changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, effective July 1, 2014, the College adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions* - an amendment of GASB Statement No. 27 and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 is an amendment to Statement No. 27. In accordance with Statement No. 68, the College is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplemental Information***

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

#### ***Other Information***

Our audit was conducted for the purpose of forming 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.

To the Board of Trustees  
Kalamazoo Valley Community College

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 November 3, 2015 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*

November 3, 2015

# **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, 2015, 2014, and 2013. 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, many other non-financial factors need to also be considered, such as trends in enrollment, condition of facilities, success of graduates, and the strength of the faculty and staff.

### **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, 2015 and 2014 and the change in net position for the years then ended. The College's financial position remained strong at June 30, 2015, with assets of \$145.9 million and liabilities of \$77.3 million. Net position, which represents the residual interest in the College's assets after liabilities are deducted, decreased by \$50.2 million, or 42.3 percent.

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

Implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, for the year ended June 30 required the recognition of the unfunded pension benefit obligation, reducing unrestricted net position by \$49.2 million and increasing liabilities by \$49.7 million.

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.

### Statement of Net Position at June 30

	2015	2014	2013
<b>Assets</b>			
Current assets	\$ 45,629,117	\$ 51,292,861	\$ 40,914,986
Noncurrent assets:			
Restricted cash	9,892,307	-	-
Long-term investments	4,997,538	5,371,837	15,583,089
Capital assets - Net	85,343,714	72,766,633	73,064,281
Total assets	<u>\$ 145,862,676</u>	<u>\$ 129,431,331</u>	<u>\$ 129,562,356</u>
<b>Liabilities</b>			
Current liabilities	\$ 18,149,551	\$ 10,695,360	\$ 8,322,352
Long-term liabilities	59,168,072	-	-
Total liabilities	77,317,623	10,695,360	8,322,352
<b>Deferred Inflows</b>	45,438	-	-
<b>Net Position</b>			
Net investment in capital assets	85,236,041	72,766,633	73,064,281
Restricted - Expendable	195,398	187,670	210,752
Unrestricted (deficit)	(16,931,824)	45,781,668	47,964,971
Total net position	<u>68,499,615</u>	<u>118,735,971</u>	<u>121,240,004</u>
Total liabilities, deferred inflows, and net position	<u>\$ 145,862,676</u>	<u>\$ 129,431,331</u>	<u>\$ 129,562,356</u>

# 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 2015 were the result of the following:

- Current assets decreased by \$5.7 million, or 11.0 percent. This was primarily due to a decrease in short-term investments (\$7.0 million) and an increase in cash and cash equivalents (\$1.3 million).
- Noncurrent cash and investments increased by approximately \$9.5 million, or 177.2 percent. This was due to issuance of bonds for capital projects resulting in restricted cash of \$9.9 million. Net investment in capital assets increased \$12.6 million, or 17.3 percent, due to construction projects.
- Current liabilities increased by approximately \$7.4 million, or 69.7 percent. This was primarily due to liabilities related to the construction projects (\$3.5 million) and agency-held funds (\$4.5 million).
- Long-term liabilities increased \$59.2 million. This was due to the recording of unfunded pension benefit obligations (\$49.7 million) and the issuance of 2014 Facilities Bonds (\$9.5 million).
- Total net position decreased by approximately \$50.2 million, or 42.3 percent. This was due to investment in capital projects (\$12.5 million) offset by the recording of the MPSERS unfunded accrued actuarial liability pursuant to GASB Statement No. 68 (\$49.2 million).

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2014 were the result of the following:

- Current assets increased by \$10.4 million, or 25.4 percent. This was due to an increase in cash and cash equivalents (\$10.7 million) and accounts receivable (\$.7 million) related to student financial aid receivables.
- Noncurrent assets decreased by approximately \$10.5 million, or 11.9 percent. This was due to a decrease in long-term investments (\$10.2 million) to provide liquidity for the new campus project and a decrease in net capital assets (\$.3 million).
- Current liabilities increased by approximately \$2.4 million, or 28.5 percent. This was due to liabilities related to the new campus project (\$2.2 million).
- Total net position decreased by approximately \$2.5 million, or 2.1 percent. This was due to a decrease in revenue related to a drop in enrollment (\$1.7 million) and a decrease in operating expenses (\$3.0 million).

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

### 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			
Operating Revenue	2015	2014	2013
Tuition and fees	\$ 16,782,664	\$ 16,943,919	\$ 17,741,493
Federal grants	1,074,166	994,540	1,199,653
State and other grants	2,337,122	721,375	552,108
Sales and service revenue	3,786,560	4,375,065	5,193,819
Other	737,411	598,813	593,107
Total operating revenue	<u>\$ 24,717,923</u>	<u>\$ 23,633,712</u>	<u>\$ 25,280,180</u>

Operating revenue changes for fiscal year 2015 were the result of the following:

- State and other grants increased by \$1.6 million, or 224.0 percent. This was due to the award of a Michigan Strategic Fund: Community College Skilled Trade Equipment Fund Grant (\$4,753,682) and other local grants.
- Sales and service revenue decreased by \$.6 million, or 13.5 percent. This was due to a decrease in total unadjusted bookstore sales revenue associated with the drop in enrollment.
- Write-offs related to financial aid lost by students not maintaining their eligibility requirements throughout the semester resulted in a loss of tuition and fee revenue; bookstore sales and services revenue; and other General Fund revenue of approximately \$.4 million. Lost aid must be returned to the federal government within established time lines and any recovery from the student is at the expense of the College. This continues to be a draw on College resources.

Operating revenue changes for fiscal year 2014 were the result of the following:

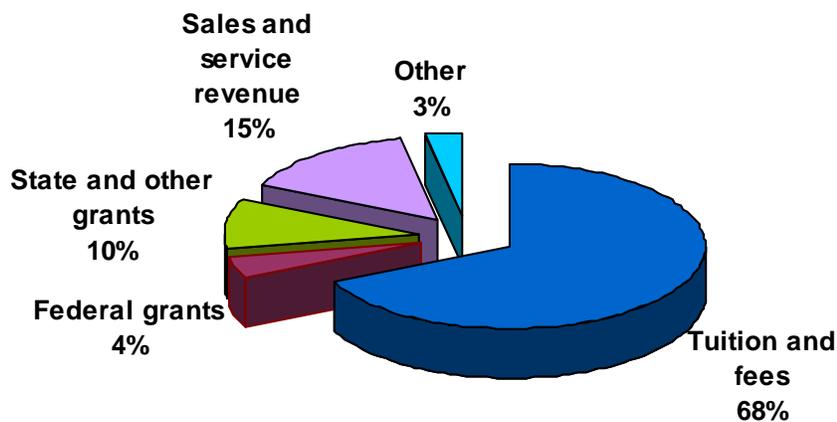
- Tuition and fee revenue decreased by \$.8 million, or 4.5 percent. This was due to a decrease in total unadjusted tuition and fee revenue (\$.8 million) related to a drop in enrollment.
- Sales and service revenue decreased by \$.8 million, or 15.8 percent. This was due to a decrease in total unadjusted bookstore sales revenue (\$1.0 million) associated with the drop in enrollment.

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

- Write-offs related to financial aid lost by students not maintaining their eligibility requirements throughout the semester resulted in a loss of tuition and fee revenue; bookstore sales and services revenue; and other General Fund revenue of approximately \$.4 million.

The following is a graphic illustration of operating revenue by source for fiscal year 2015:



### Operating Expenses

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

<b>Operating Expenses for the Years Ended June 30</b>			
	2015	2014	2013
Instruction	\$ 29,288,947	\$ 28,174,449	\$ 27,860,341
Public service	3,755,300	3,967,597	4,360,602
Instructional support	6,119,190	5,623,544	5,827,437
Student services - Scholarships/Grants	11,090,359	13,374,537	16,323,045
Student services - Auxiliaries	2,626,800	2,937,599	3,440,374
Student services - Other	6,687,928	6,457,484	6,060,353
Institutional administration	5,929,614	6,002,013	5,912,664
Physical plant	7,547,561	7,663,333	7,423,023
Depreciation	4,365,146	4,318,612	4,252,242
<b>Total operating expenses</b>	<b>\$ 77,410,845</b>	<b>\$ 78,519,168</b>	<b>\$ 81,460,081</b>

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

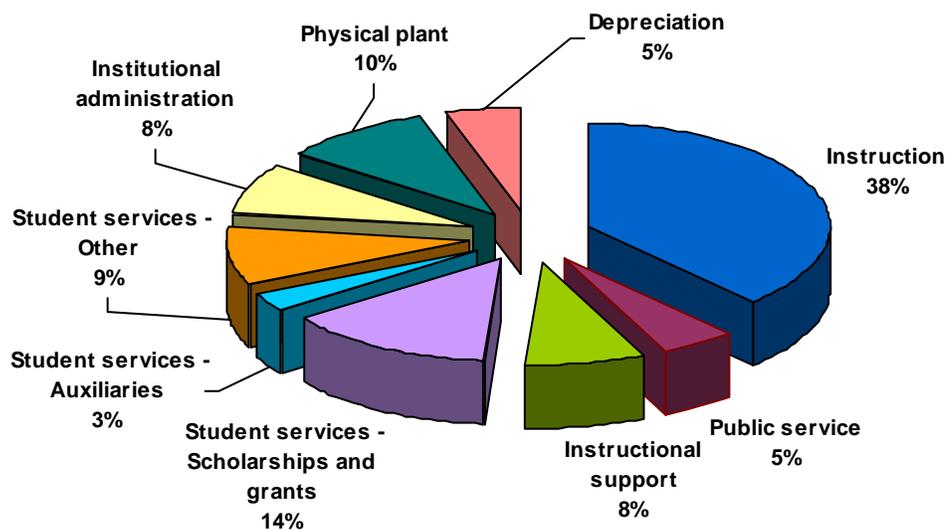
Operating expense changes for fiscal year 2015 were the result of the following:

- Student services - scholarships/grants expenses decreased by \$2.3 million, or 17.1 percent. This was due to the decrease in Pell grant recipients and awards.
- Student services - auxiliaries expenses decreased by \$.3 million, or 10.6 percent, due to the drop in enrollment and associated book sales.
- Student services - other expenses increased \$.2 million, or 3.6 percent. This was primarily due to increased emphasis on financial aid default management and increased information technology costs.

Operating expense changes for fiscal year 2014 were the result of the following:

- Student services - scholarships/grants expenses decreased by \$2.9 million, or 18.1 percent. This was due to the drop in Pell grant recipients and awards.
- Student services - auxiliaries expenses decreased by \$.5 million, or 14.6 percent, due to the drop in enrollment.
- Student services - other expenses increased \$.4 million, or 6.6 percent. This was primarily due to the Strategic Enrollment Management initiative underway to improve retention and recruitment of students.

The following is a graphic illustration of operating expenses by source for fiscal year 2015:



# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

### 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:

<b>Nonoperating Revenue (Expenses) for the Years Ended June 30</b>			
	2015	2014	2013
State appropriations	\$ 14,245,745	\$ 13,188,886	\$ 12,338,723
Property taxes	22,361,967	22,133,676	22,181,064
Federal grants	14,487,110	16,664,636	19,529,731
State grants	-	-	264,135
Investment income	101,479	135,604	170,550
Net realized and unrealized (loss) gain on investments	(267)	40,014	(40,225)
Net gain on sale of assets	632,603	-	-
Gifts and contributions	64,506	218,607	83,738
Net nonoperating revenue	<u>\$ 51,893,143</u>	<u>\$ 52,381,423</u>	<u>\$ 54,527,716</u>

Nonoperating revenue (expense) changes for fiscal year 2015 were the result of the following factors:

- State appropriations increased \$1.0 million, or 8.0 percent. Of that amount, approximately \$380,600 was appropriated for operations and \$676,300 was provided to reduce the unfunded actuarial accrued liability associated with the Michigan Public School Employees' Retirement System (MPSERS).
- Federal and state grants decreased approximately \$2.2 million, or 13.1 percent, due to the decrease in Pell awards (\$2.1 million).
- Net gain on sale of assets in 2015 represents the gain on the sale of Holding Company property in the Groves Education/Technology/Business Park.

Nonoperating revenue (expense) changes for fiscal year 2014 were the result of the following factors:

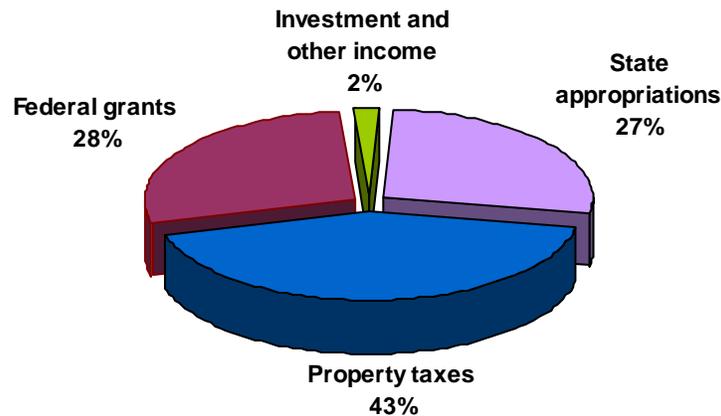
- State appropriations increased \$.9 million, or 6.9 percent. Of that amount, approximately \$227,800 was appropriated for operations and \$622,400 was provided to reduce the unfunded actuarial accrued liability associated with the Michigan Public School Employees' Retirement System (MPSERS).

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

- Federal and state grants decreased approximately \$3.1 million, or 15.7 percent, due to the decrease in Pell awards (\$2.8 million) and the completion of the Michigan Department of Environmental Quality grant in 2013 (\$.3 million).

The following is a graphic illustration of nonoperating revenue by source for fiscal year 2015:



### 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:

<b>Cash Flows for the Years Ended June 30</b>			
	2015	2014	2013
<b>Cash (Used in) Provided by</b>			
Operating activities	\$ (42,049,147)	\$ (49,031,717)	\$ (52,352,850)
Noncapital financing activities	51,394,243	52,381,423	53,681,181
Capital and related financing activities	(6,404,767)	(4,020,964)	(2,242,985)
Investing activities	8,286,102	11,450,244	397,431
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	11,226,431	10,778,986	(517,223)
<b>Cash and Cash Equivalents - Beginning of year</b>	19,142,887	8,363,901	8,881,124
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 30,369,318</b>	<b>\$ 19,142,887</b>	<b>\$ 8,363,901</b>

Net cash used for operating activities in 2015 totaled \$42.0 million. This was financed by \$51.4 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled \$6.4 million during 2015. Net cash provided from investing activities totaled \$8.3 million. This includes interest received during 2015 of \$101,500 the sale and maturity of investments totaling \$39.5 million, and the purchase of investments totaling \$31.3 million. The net result of all cash flows is an increase in cash of \$11.2 million for 2015.

Net cash used for operating activities in 2014 totaled \$49.0 million. This was financed by \$52.4 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled \$4.0 million during 2014. Net cash provided from investing activities totaled \$11.5 million. This includes interest received during 2014 of \$135,600, the sale and maturity of investments totaling \$54.0 million, and the purchase of investments totaling \$41.7 million. The net result of all cash flows is an increase in cash of \$10.8 million for 2014.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2015, the College had approximately \$85.3 million invested in capital assets, net of accumulated depreciation of \$75.8 million. Depreciation charges totaled \$4.4 million for the current fiscal year.

The College has planned capital expenditures for the fiscal year ending June 30, 2016 of approximately \$2.0 million. This includes lab renovations related to the CCSTEF Grant and upgrades to heating, ventilation, and air conditioning controls.

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

In addition to the above renewals and modifications, the College was awarded planning dollars from the State of Michigan in PA 102 of 2013 for the Culinary Arts and Allied Health building. Construction of the \$46 million campus is underway in downtown Kalamazoo in conjunction with Kalamazoo County Mental Health and Substance Abuse Services and Bronson Hospital projects. It is estimated that Kalamazoo Valley Community College's portion of the Bronson Healthy Living Campus will be approximately \$38.8 million.

The Kalamazoo Valley Museum has planned capital expenditures for the fiscal year ending June 30, 2016 of approximately \$585,400. This will be used for exhibit design and upgrades to the entrance to the Museum.

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

### **Debt**

At year end, the College had \$10.0 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.

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Percent Change by Year</u>	<u>Support to College</u>	<u>Support to KVM</u>
2015	\$ 22,064,743	1.31%	\$ 18,890,466	\$ 3,174,277
2014	\$ 21,779,645	(0.88%)	\$ 18,646,981	\$ 3,132,664
2013	\$ 21,973,780	(0.88%)	\$ 18,813,435	\$ 3,160,345
2012	\$ 22,167,750	(2.70%)	\$ 18,977,093	\$ 3,190,657
2011	\$ 22,787,878	(3.02%)	\$ 19,524,583	\$ 3,263,295
2010	\$ 23,497,498	1.10%	\$ 20,127,802	\$ 3,369,696

Property taxes have declined over the past five years as taxable values on properties have fallen. The increase in 2015 indicates that local property values are stabilizing.

# Kalamazoo Valley Community College

## Management's Discussion and Analysis - Unaudited (Continued)

Personal property taxes collected for Kalamazoo Valley Community College represent approximately 10 percent of its tax revenue. Legislation was passed in 2014 phasing out personal property taxes for most businesses over the next several years with replacement revenue to be provided by use tax. It is unclear at this time if all revenue lost under the phase out will be recovered.

Although the State of Michigan's economic condition has improved, state appropriation levels remain uncertain. In 2015, revenue from the State provided an additional \$324,770 for operations and \$676,178 toward the MPSERS unfunded actuarial accrued liability.

Fiscal Year	State Appropriations		
	Operations	Percent Change by Year	MPSERS UAAL
2015	\$ 12,503,100	2.7%	\$ 1,686,734
2014	\$ 12,178,330	1.9%	\$ 1,010,556
2013	\$ 11,950,554	3.7%	\$ 388,169
2012	\$ 11,522,700	(3.1%)	\$ -
2011	\$ 11,888,600	- %	\$ -

Although additional funds have been provided for the unfunded actuarial accrued liability, long-term viability of the MPSERS 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. Implementation of GASB Statement No. 68 recognizes \$49,709,091 as the College's net pension liability as of June 30, 2015.

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
2015	\$ 91.00	3.4%
2014	\$ 88.00	5.4%
2013	\$ 83.50	5.0%
2012	\$ 79.50	3.9%
2011	\$ 76.50	7.2%

Since 2011, in-district tuition rates have increased \$14.50 per credit hour, or 19.0 percent. Although tuition increases implemented since 2011 have exceeded inflation, tuition charged to Kalamazoo Valley Community College students was still below the state average.

# **Kalamazoo Valley Community College**

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## **Management's Discussion and Analysis - Unaudited (Continued)**

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	
	2015	2014
<b>Assets</b>		
Current:		
Cash and cash equivalents (Note 2)	\$ 20,477,011	\$ 19,142,887
Short-term investments (Note 2)	14,271,739	21,310,937
Accounts receivable - Net (Note 3)	9,145,475	9,049,138
Inventories	1,500,202	1,325,469
Prepaid expenses and other assets	234,690	464,430
Total current assets	45,629,117	51,292,861
Noncurrent:		
Restricted cash (Note 2)	9,892,307	-
Long-term investments (Note 2)	4,997,538	5,371,837
Capital assets (Note 4)	85,343,714	72,766,633
Total noncurrent assets	100,233,559	78,138,470
Total assets	145,862,676	129,431,331
<b>Liabilities</b>		
Current:		
Accounts payable	5,153,329	753,203
Accrued payroll, vacation, and other compensation	5,507,343	5,061,444
Other accrued liabilities	854,483	1,464,848
Deposits	4,535,330	2,046,515
Unearned revenue	1,558,067	1,369,350
Long-term obligations - Current (Note 9)	540,999	-
Total current liabilities	18,149,551	10,695,360
Noncurrent:		
Long-term obligations - Net of current portion (Note 9)	9,458,981	-
Net pension liability (Note 6)	49,709,091	-
Total noncurrent liabilities	59,168,072	-
<b>Deferred Inflows</b> (Note 6)	45,438	-
<b>Net Position</b>		
Net investment in capital assets	85,236,041	72,766,633
Restricted for expendable scholarships and grants	195,398	187,670
Unrestricted (deficit) (Note 1)	(16,931,824)	45,781,668
Total net position	68,499,615	118,735,971
Total liabilities, deferred inflows, and net position	<b>\$ 145,862,676</b>	<b>\$ 129,431,331</b>

# Kalamazoo Valley Community College

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

	Year Ended June 30	
	2015	2014
<b>Operating Revenue</b>		
Tuition and fees - Net of scholarship allowance of \$5,128,635 and \$4,764,575 for 2015 and 2014, respectively	\$ 16,782,664	\$ 16,943,919
Federal grants	1,074,166	994,540
State grants	1,242,913	88,225
Foundation grants	563,632	606,150
Other grants	530,577	27,000
Sales and services revenue - Net of scholarship allowance of \$889,700 and \$942,299 for 2015 and 2014, respectively	3,786,560	4,375,065
Other income	737,411	598,813
Total operating revenue	24,717,923	23,633,712
<b>Operating Expenses</b>		
Instruction	29,288,947	28,174,449
Public services	3,755,300	3,967,597
Instructional support	6,119,190	5,623,544
Student services	20,405,087	22,769,620
Institutional administration	5,929,614	6,002,013
Physical plant	7,547,561	7,663,333
Depreciation	4,365,146	4,318,612
Total operating expenses	77,410,845	78,519,168
<b>Operating Loss</b>	(52,692,922)	(54,885,456)
<b>Nonoperating Revenue (Expense)</b>		
State appropriations	14,245,745	13,188,886
Property tax levy	22,064,743	21,779,645
Other taxes and interest	297,224	354,031
Federal grants	14,487,110	16,664,636
Investment income	101,479	135,604
Net (loss) gain from investments	(267)	40,014
Net gain from sale of assets	632,603	-
Gifts and contributions	64,506	218,607
Net nonoperating revenue	51,893,143	52,381,423
<b>Change in Net Position</b>	(799,779)	(2,504,033)
<b>Net Position - Beginning of year</b>	118,735,971	121,240,004
<b>Adjustment for Change in Accounting Principle (Note 1)</b>	(49,436,577)	-
<b>Net Position - Beginning of year - As restated</b>	69,299,394	121,240,004
<b>Net Position - End of year</b>	<b>\$ 68,499,615</b>	<b>\$ 118,735,971</b>

# Kalamazoo Valley Community College

## Statement of Cash Flows

	Year Ended June 30	
	2015	2014
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 16,904,682	\$ 15,943,158
Grants and contracts	3,514,100	1,895,298
Payments to suppliers	(16,988,246)	(23,879,691)
Payments to employees	(49,815,818)	(48,102,986)
Sales and services revenue	3,786,560	4,375,065
Other	549,575	737,439
Net cash used in operating activities	(42,049,147)	(49,031,717)
<b>Cash Flows from Noncapital Financing Activities</b>		
Federal grant	14,734,077	16,425,948
Local property taxes	22,251,306	22,036,537
Federal direct lending receipts	12,265,781	16,528,154
Federal direct lending disbursements	(12,265,781)	(16,528,154)
Other taxes and interest	297,224	354,031
State appropriations	14,047,130	13,346,300
Gifts and contributions	64,506	218,607
Net cash provided by noncapital financing activities	51,394,243	52,381,423
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from issuance of debt	9,999,980	-
Interest paid on capital debt	(95,123)	-
Proceeds from sale of capital assets	781,350	-
Purchase of capital assets	(17,090,974)	(4,020,964)
Net cash used in capital and related financing activities	(6,404,767)	(4,020,964)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	39,504,637	53,025,345
Interest income	101,479	135,604
Purchase of investments	(31,320,014)	(41,710,705)
Net cash provided by investing activities	8,286,102	11,450,244
<b>Net Increase in Cash and Cash Equivalents</b>	11,226,431	10,778,986
<b>Cash and Cash Equivalents - Beginning of year</b>	19,142,887	8,363,901
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 30,369,318</b>	<b>\$ 19,142,887</b>

# Kalamazoo Valley Community College

## Statement of Cash Flows (Continued)

	Year Ended June 30	
	2015	2014
<b>Statement of Net Position Classifications of Cash and Cash Equivalents</b>		
Cash and cash equivalents	\$ 20,477,011	\$ 19,142,887
Restricted cash and cash equivalents	9,892,307	-
Total cash and cash equivalents	<u>\$ 30,369,318</u>	<u>\$ 19,142,887</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (52,692,922)	\$ (54,885,456)
Adjustments to reconcile operating loss to net cash from operating activities:		
Bad debt expense	403,406	903,281
Depreciation	4,365,146	4,318,612
Change in pension liability and deferred inflows	(475,216)	-
(Increase) decrease in assets:		
Accounts receivable	(617,760)	(1,609,001)
Inventories	(174,733)	16,915
Prepaid assets and other current assets	229,740	(149,076)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	6,278,576	2,371,364
Accrued payroll, vacation, and other compensation	445,899	235,477
Unearned revenue	188,717	(233,833)
Net cash used in operating activities	<u>\$ (42,049,147)</u>	<u>\$ (49,031,717)</u>

There were no noncash activities during 2015 or 2014.

# Kalamazoo Valley Community College

## Discretely Presented Component Unit - Foundation

### Balance Sheet

	June 30	
	2015	2014
<b>Assets</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 217,017	\$ 388,296
Marketable securities (Note 2)	15,153,743	14,577,438
Contributions receivable	28,558	35,967
Total current assets	<u>\$ 15,399,318</u>	<u>\$ 15,001,701</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b> - Payable to Kalamazoo Valley Community College	\$ 85,628	\$ 61,821
<b>Net Assets</b>		
Unrestricted	5,491,346	5,494,757
Temporarily restricted	8,612,251	8,277,794
Permanently restricted	1,210,093	1,167,329
Total net assets	<u>15,313,690</u>	<u>14,939,880</u>
Total liabilities and net assets	<u>\$ 15,399,318</u>	<u>\$ 15,001,701</u>

### Statement of Activities

	June 30	
	2015	2014
<b>Revenue</b>		
Contributions	\$ 235,915	\$ 250,366
Income from investments	550,161	345,700
Net gain from investments (Note 2)	242,819	2,242,175
Contributed Services	175,352	-
Other income	-	149
Total revenue	<u>1,204,247</u>	<u>2,838,390</u>
<b>Expenditures</b>		
Program expenditures:		
Grants to Kalamazoo Valley Community College	477,699	428,795
Grants to Kalamazoo Valley Community College-Bronson Healthy Living Campus	50,000	-
Grants to Kalamazoo Valley Museum	87,433	177,354
Management and general	11,136	-
Fundraising	204,169	38,711
Total expenditures	<u>830,437</u>	<u>644,860</u>
Change in net assets	373,810	2,193,530
<b>Net Assets</b> - Beginning of year	<u>14,939,880</u>	<u>12,746,350</u>
<b>Net Assets</b> - End of year	<u>\$ 15,313,690</u>	<u>\$ 14,939,880</u>

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note I - 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 College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the individual component units discussed in Note 10 are included in the College's reporting entity.

Kalamazoo Valley Community College Foundation (the "Foundation") is discretely reported in accordance with GASB Statement No. 61 as a separate component unit of the College's reporting entity (although it is legally separate and governed by its own board of trustees) because its sole purpose is to provide support for the College. Separate financial statements of the Foundation may be obtained by contacting Kalamazoo Valley Community College Foundation, P.O. Box 4070, Kalamazoo, Michigan 49003-4070.

The Foundation 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 the Foundation's financial information included in the College's financial report to account for these differences.

**Basis of Presentation** - These statements have also been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity (GASB Statement No. 61). These criteria include significant operational or financial relationships with the College. The adoption of GASB No. 61 did not have any impact on the College's financial statements.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

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

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.

**Restricted Cash** - Cash that was received from the issuance of the 2014 general obligation bonds, which is restricted for the use of capital projects.

**Investments** - Investments are recorded at fair value, based on quoted market 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.

**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:

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

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### **Note I - Basis of Presentation and Significant Accounting Policies (Continued)**

**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 \$1,310,700 and \$1,135,500 for the 2015 and 2014 summer semesters, and approximately \$209,700 and \$184,400 for the 2015 and 2014 fall semesters, respectively. Other small amounts are due to student payments for a future term (not specifically identified) and gift certificates in the bookstore.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. At June 30, 2015, the College's deferred inflows of resources related to the net pension liability, see Note 6 for more information.

**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 are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

**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.

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### **Note I - Basis of Presentation and Significant Accounting Policies (Continued)**

**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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS 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.

**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, 2015 and 2014

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

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

	2015	2014
Designated for future capital outlay and major maintenance	\$ 3,021,044	\$ 16,456,271
Designated for equipment replacement	3,019,776	3,129,524
Designated for capital receivables	1,226,141	1,726,141
Designated for technology	1,571,752	1,144,130
Designated for program development	1,113,603	1,507,881
Designated for trustee scholarships	55,000	55,000
Designated per board policy	5,821,944	5,840,779
Designated for auxiliary activities	1,097,303	1,063,706
Designated for auxiliary activities - Kalamazoo Valley Museum	1,064,395	659,797
Designated for auxiliary activities - Kalamazoo Valley Museum - Per board policy	297,524	287,186
Designated for Kalamazoo Valley Museum:		
Future capital outlay and major maintenance	3,788,169	3,741,697
Equipment replacement	3,321,314	3,260,178
Exhibit major maintenance	3,750,203	3,696,097
Designated for KVCC Holding Company purposes	325,151	25,016
Designated for MPSERS GASB Statement No. 68 Liability	(49,554,798)	-
Unrestricted and unallocated	3,149,655	3,188,265
Total unrestricted (deficit) net position	<u>\$ (16,931,824)</u>	<u>\$ 45,781,668</u>

**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.

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

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

During the years ended June 30, 2015 and 2014, 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. Total operating property tax revenue was \$22,064,743 and \$21,779,645 and for the years ended June 30, 2015 and 2014, 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, 2015 and 2014 was \$14,487,110 and \$16,664,636, 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.

**Adoption of New Standard** - The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB Statement No. 68, requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The statements also enhance accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statement, the College has reported a net pension liability of \$49,436,577 as a change in accounting principle adjustment to unrestricted net position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB Statement No. 68 because the information is not available to calculate the impact on pension expense for the fiscal year ended June 30, 2014.

### **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, 2015 and 2014

### 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, 2015, 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	\$ 11,277,084	\$ 11,277,084	\$ -	\$ -
Commercial paper	1,994,615	1,994,615	-	-
U.S. agency securities*	5,997,578	1,000,040	4,997,538	-
Total investments	<u>\$ 19,269,277</u>	<u>\$ 14,271,739</u>	<u>\$ 4,997,538</u>	<u>\$ -</u>

As of June 30, 2014, 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	\$ 18,312,825	\$ 18,312,825	\$ -	\$ -
Commercial paper	2,998,112	2,998,112	-	-
U.S. agency securities*	5,371,837	-	5,371,837	-
Total investments	<u>\$ 26,682,774</u>	<u>\$ 21,310,937</u>	<u>\$ 5,371,837</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.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 2 - Cash and Investments (Continued)

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.

More than 5 percent of the College's investments at June 30, 2015 and 2014 were invested as follows:

Issuer	2015	2014
Abbey National Commercial Paper	5%	4%
Bank of America Certificates of Deposit	-	9%
Comerica Bank Certificates of Deposit	-	9%
Federal Farm Credit Banks - U.S. Securities	16%	13%
Federal Home Loan Bank - U.S. Securities	10%	7%
Federal Home Loan Mortgage Company U.S. Securities	5%	-
Fifth Third Bank Certificates of Deposit	5%	8%
First Merit Bank Certificates of Deposit	10%	7%
First National Bank of Michigan Certificates of Deposit	5%	6%
First Source Bank Certificates of Deposit	10%	4%
Flagstar Bank Certificates of Deposit	9%	10%
GE Credit Corp Commercial Paper	5%	-
Huntington National Bank Certificates of Deposit	5%	9%
Mercantile Bank of Michigan Certificates of Deposit	5%	-
Old National Bank Certificates of Deposit	5%	-

**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, 2015, the College's deposit balances of \$41,941,844 had \$38,910,622 of bank deposits (money markets, certificates of deposit, and checking and savings accounts) that were uninsured and uncollateralized. For June 30, 2014, the College's deposit balances of \$37,854,609 had \$34,354,609 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.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 2 - Cash and Investments (Continued)

**Foundation Investments** - Investments at Kalamazoo Valley Community College Foundation at June 30, 2015 and 2014 are as follows:

Description	Cost	Market Value	Unrealized Appreciation
Mutual funds - June 30, 2015	\$ 10,612,763	\$ 15,153,743	\$ 4,540,980
Mutual funds - June 30, 2014	9,975,006	14,577,438	4,602,432

Net gains from security transactions for the years ended June 30, 2015 and 2014 include net unrealized gains/(losses) of (\$61,453) and \$2,097,622, respectively, and net realized gains of \$304,272 and \$144,553, respectively.

### Note 3 - Accounts Receivable

Accounts receivable held at the College consist of the following at June 30, 2015 and 2014:

	2015	2014
Appropriations from the State of Michigan for operations	\$ 2,579,972	\$ 2,381,357
Property taxes receivable	1,081,808	1,218,924
Federal and state grants receivable	3,457,461	3,757,005
Student receivables	1,295,015	1,228,316
Capital project receivables	1,760,017	1,726,141
Other receivables	576,739	392,379
Total	10,751,012	10,704,122
Less allowances for doubtful accounts	(1,605,537)	(1,654,984)
Net accounts receivable	\$ 9,145,475	\$ 9,049,138

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 - Capital Assets

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2015:

	June 30, 2014		Transfer/ Deletions	June 30, 2015
	Balance	Additions		Balance
Nondepreciable capital assets:				
Land	\$ 5,655,697	\$ 46,754	\$ (145,870)	\$ 5,556,581
Easements	5,115	-	-	5,115
Construction in progress	1,703,162	15,372,910	(479,669)	16,596,403
Museum collection	50,689	1,825	-	52,514
Depreciable capital assets:				
Site improvements	2,910,788	64,755	-	2,975,543
Buildings	105,462,498	-	-	105,462,498
Building improvements	3,668,396	396,369	350,663	4,415,428
Furniture and equipment	16,014,186	1,127,530	(241,579)	16,900,137
Museum assets	583,117	12,100	-	595,217
Library books	1,461,309	68,731	(65,553)	1,464,487
Museum exhibits	7,002,933	-	91,366	7,094,299
Total capital assets	144,517,890	17,090,974	(490,642)	161,118,222
Less accumulated depreciation:				
Site improvements	(1,798,583)	(160,896)	-	(1,959,479)
Buildings	(47,649,188)	(2,407,058)	-	(50,056,246)
Building improvements	(1,713,935)	(298,270)	11,504	(2,000,701)
Furniture and equipment	(13,511,957)	(1,068,654)	264,838	(14,315,773)
Museum assets	(440,478)	(48,396)	-	(488,874)
Library books	(1,286,897)	(70,819)	65,553	(1,292,163)
Museum exhibits	(5,350,219)	(311,053)	-	(5,661,272)
Total accumulated depreciation	(71,751,257)	\$ (4,365,146)	\$ 341,895	(75,774,508)
Total capital assets - Net	<u>\$ 72,766,633</u>			<u>\$ 85,343,714</u>

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 - Capital Assets (Continued)

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2014:

	June 30, 2013		Transfer/ Deletions	June 30, 2014
	Balance	Additions		Balance
Nondepreciable capital assets:				
Land	\$ 5,310,545	\$ 345,152	\$ -	\$ 5,655,697
Easements	5,115	-	-	5,115
Construction in progress	29,980	1,673,182	-	1,703,162
Museum collection	50,306	383	-	50,689
Depreciable capital assets:				
Site improvements	2,674,698	236,090	-	2,910,788
Buildings	105,462,498	-	-	105,462,498
Building improvements	2,804,376	864,020	-	3,668,396
Furniture and equipment	15,253,106	797,199	(36,119)	16,014,186
Museum assets	546,553	36,564	-	583,117
Library books	1,452,260	68,374	(59,325)	1,461,309
Museum exhibits	7,002,933	-	-	7,002,933
Total capital assets	140,592,370	4,020,964	(95,444)	144,517,890
Less accumulated depreciation:				
Site improvements	(1,650,279)	(148,304)	-	(1,798,583)
Buildings	(45,242,129)	(2,407,059)	-	(47,649,188)
Building improvements	(1,494,303)	(219,632)	-	(1,713,935)
Furniture and equipment	(12,427,108)	(1,120,968)	36,119	(13,511,957)
Museum assets	(396,142)	(44,336)	-	(440,478)
Library books	(1,274,784)	(71,438)	59,325	(1,286,897)
Museum exhibits	(5,043,344)	(306,875)	-	(5,350,219)
Total accumulated depreciation	(67,528,089)	\$ (4,318,612)	\$ 95,444	(71,751,257)
Total capital assets - Net	\$ 73,064,281			\$ 72,766,633

The estimated cost to complete major construction projects is approximately \$38.8 million for the College, of which approximately \$14.2 million has been spent as of June 30, 2015.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 - Capital Assets (Continued)

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. Both 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

### Note 5 - 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 2015 and 2014 the State appropriated \$1,686,734 and \$1,010,556, respectively, for reduction of the College's portion of the unfunded actuarial accrued liability for the MPSERS. These amounts are included in the accrual.

The accrued state appropriation receivable as of June 30, 2015 and 2014 was \$2,579,972 and \$2,381,357, respectively.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Retirement Plans

#### Defined Benefit Pension Plan

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

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for MPSERS. 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.

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

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

July 1, 2013 - September 30, 2013	12.78 - 15.21 percent
October 1, 2013 - September 30, 2014	15.44 - 18.34 percent
October 1, 2014 - June 30, 2015	18.76 - 23.07 percent

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Retirement Plans (Continued)

The College's required and actual contributions to the plan for years ended June 30, 2015 and 2014 were approximately \$6,156,000 and \$4,738,000, respectively. Contributions include \$1,686,734 and \$1,010,556 of revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2015 and 2014, respectively. These funds were also remitted to the plan.

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

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

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

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Retirement Plans (Continued)

**Net Pension Liability, Deferrals, and Pension Expense** - At June 30, 2015, the College reported a liability of \$49,709,091 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used update procedures to roll forward the estimated liability to September 30, 2014. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014, the College's proportion was 0.22568 percent, an increase of 0.0 percent from its proportion measured as of September 30, 2013.

For the year ended June 30, 2015 and 2014, the College recognized pension expense of \$4,787,000 and \$3,727,000, respectively. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,832,614	\$ -
Net difference between projected and actual earnings on pension plan assets	-	5,495,360
College contributions subsequent to the measurement date	<u>3,617,308</u>	<u>-</u>
Total	<u>\$ 5,449,922</u>	<u>\$ 5,495,360</u>

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

Years Ending June 30	Amount
2016	\$ 891,145
2017	891,145
2018	891,145
2019	<u>989,311</u>
Total	<u>\$ 3,662,746</u>

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2016).

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Retirement Plans (Continued)

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

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

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

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

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Retirement Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity pools	28	4.8%
Private equity pools	18	8.5%
International equity pools	16	6.1%
Fixed-income pools	11	1.5%
Real estate and infrastructure pools	10	5.3%
Real return, opportunistic, and absolute pools	16	6.3%
Short-term investment pools	1	-0.2%
Total	100	

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

1.00 percent decrease (7.00/6.00 percent)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
\$ 65,537,107	\$ 49,709,091	\$ 36,373,753

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

**Payable to the Pension Plan** - At June 30, 2015, the College reported a payable of \$460,020 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 6 - Retirement Plans (Continued)

**Postemployment Benefits Other Than Pensions (OPEB)** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from October 1, 2013 through September 30, 2014, and from 2.20 percent to 2.71 percent of covered payroll for the period from October 1, 2014 through June 30, 2015, dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403b account.

The College's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2015, 2014, and 2013 were approximately \$593,200, \$1,097,700, and \$1,616,000, respectively.

#### **Defined Contribution 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, 2015 and 2014, that contribution rate was determined to be 11.5 percent. This resulted in the College contributing approximately \$1,476,000 and \$1,411,000 to the retirement plans for 2015 and 2014, respectively.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 7 - 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.

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:

	2015	2014	2013
Estimated liability - Beginning of year	\$ 900,000	\$ 900,000	\$ 900,000
Estimated claims incurred, including changes in estimates	6,249,390	5,706,788	5,454,090
Less claim payments	<u>(6,249,390)</u>	<u>(5,706,788)</u>	<u>(5,454,090)</u>
Estimated liability - End of year	<u>\$ 900,000</u>	<u>\$ 900,000</u>	<u>\$ 900,000</u>

### Note 8 - Federal Direct Lending Program

The College distributed \$12,265,781 and \$16,528,154 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2015 and 2014, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

# Kalamazoo Valley Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 9 - Long-term Obligations

Long-term liability activity for the year ended June 30, 2015 is as follows:

	July 1, 2014	Additions	Reductions	June 30, 2015	Current Portion
2014 Bonds	\$ -	\$ 9,999,980	\$ -	\$ 9,999,980	\$ 540,999

During fiscal year 2015, the College issued \$10.0 million in general obligation, limited-tax bonds, for construction of capital projects, as authorized by the board of trustees. The total amount of \$9,999,980, including unamortized bond premium of \$164,980 was outstanding as of June 30, 2015. Bond principal payments range from \$530,000 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.

As of June 30, 2015, bond maturities are as follows:

Years Ending June 30	Debt Obligations			
	Principal	Premium	Interest	Total
2016	\$ 530,000	\$ 10,999	\$ 253,662	\$ 794,661
2017	545,000	10,999	243,062	799,061
2018	560,000	10,999	232,162	803,161
2019	580,000	10,999	220,962	811,961
2020	595,000	10,999	209,362	815,361
2021-2025	3,250,000	54,995	849,589	4,154,584
2026-2030	3,775,000	54,990	369,426	4,199,416
Total	\$ 9,835,000	\$ 164,980	\$ 2,378,225	\$ 12,378,205

**Cash Paid for Bond Issuance Costs** - Cash paid for bond issuance costs was \$182,570 for the year ended June 30, 2015.

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 10 - Related Parties

The Kalamazoo Valley Community College Foundation is a separate 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. Each year, applications for grant funds are submitted to the Foundation board where they are considered for funding. 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.

The Kalamazoo Valley Community College Holding Company (the "Holding Company") is a separate 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, 2015 and 2014, the stated value of the net assets of the Holding Company totaled \$1,293,834 and \$1,092,816, 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.

The Emerging Technology Center of Kalamazoo Valley Community College Holding Company was a separate not-for-profit corporation established to promote entrepreneurial and associated educational opportunities on behalf of the College. At June 30, 2014, the stated value of the net assets of the Emerging Technology Center totaled (\$3,973,665). The Emerging Technology Center ceased operations in June 2015. The assets and activities of the Emerging Technology Center are included in the financial statements of the College as a blended component unit.

### Note 11 - Upcoming Pronouncements

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. The statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The College is currently evaluating the Impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2015.

# Kalamazoo Valley Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 11 - Upcoming Pronouncements (Continued)

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement Plan (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for periods beginning after June 15, 2017.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement provides guidance for required disclosures regarding tax abatement agreements. This statement will require the College to disclose information such as the names of the governmental entity that entered into the tax abatement agreement, the specific taxes being abated, and the gross dollar amount of taxes being abated during the period. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2015.

## **Required Supplemental Information**

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# Kalamazoo Valley Community College

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**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)**

	2014
College's proportion of the collective MPSERS net pension liability:	
As a percentage	0.22568%
Amount	\$ 49,709,091
College's covered-employee payroll	\$ 19,310,993
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	257.41%
MPSERS fiduciary net position as a percentage of the total pension liability	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)**

	2015
Statutorily required contribution	\$ 5,911,507
Contributions in relation to the actuarially determined contractually required contribution	\$ 5,911,507
Contribution excess	\$ -
Covered employee payroll	\$ 19,582,516
Contributions as a percentage of covered employee payroll	30.19%

**Notes to Required Supplemental Information**

Changes of Benefit Terms - There were no changes of benefit terms in 2014.

Changes of Assumptions - There were no changes to assumptions in 2014.

## **Supplemental Information**

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# Kalamazoo Valley Community College

## Combining Statement of Net Position June 30, 2015

	General Fund	MPSERS Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	ETC	Holding Company	Combined Total
<b>Assets</b>										
Current:										
Cash and cash equivalents	\$ 6,575,943	\$ -	\$ 1,500,000	\$ 2,600	\$ -	\$ 7,500,000	\$ 4,497,491	\$ -	\$ 400,977	\$ 20,477,011
Short-term investments	6,171,739	-	1,000,000	-	-	7,100,000	-	-	-	14,271,739
Accounts receivable - Net	3,514,979	-	-	331,192	3,533,569	1,726,191	39,544	-	-	9,145,475
Inventories	41,854	-	-	1,458,348	-	-	-	-	-	1,500,202
Prepaid expenses and other assets	114,537	-	50,728	14,243	15,667	38,400	-	-	1,115	234,690
Due (to) from other funds	(5,006,472)	-	189,932	683,105	(1,205,675)	5,339,110	-	-	-	-
Total current assets	11,412,580	-	2,740,660	2,489,488	2,343,561	21,703,701	4,537,035	-	402,092	45,629,117
Noncurrent:										
Restricted cash	-	-	-	-	-	9,892,307	-	-	-	9,892,307
Long-term investments	4,997,538	-	-	-	-	-	-	-	-	4,997,538
Total noncurrent assets	4,997,538	-	-	-	-	9,892,307	-	-	-	14,889,845
Capital assets:										
Land and improvements	-	-	-	-	-	7,568,555	-	-	968,683	8,537,238
Buildings and improvements	-	-	-	-	-	109,877,926	-	-	-	109,877,926
Construction in progress	-	-	-	-	-	16,561,101	-	-	-	16,561,101
Equipment	-	-	-	-	-	17,495,355	-	-	-	17,495,355
Library and educational materials	-	-	-	-	-	1,464,487	-	-	-	1,464,487
Exhibits	-	-	-	-	-	7,129,601	-	-	-	7,129,601
Collections	-	-	-	-	-	52,514	-	-	-	52,514
Accumulated depreciation	-	-	-	-	-	(75,774,508)	-	-	-	(75,774,508)
Total capital assets	-	-	-	-	-	84,375,031	-	-	968,683	85,343,714
Total assets	16,410,118	-	2,740,660	2,489,488	2,343,561	115,971,039	4,537,035	-	1,370,775	145,862,676
<b>Liabilities - Current</b>										
Accounts payable	257,789	-	305	29,539	1,317,669	3,469,381	1,705	-	76,941	5,153,329
Accrued payroll, vacation, and other compensation	5,507,343	-	-	-	-	-	-	-	-	5,507,343
Other accrued liabilities	23,989	-	-	-	830,494	-	-	-	-	854,483
Deposits	-	-	-	-	-	-	4,535,330	-	-	4,535,330
Unearned revenue	1,557,340	-	-	727	-	-	-	-	-	1,558,067
Long-term obligations - Current portion	-	-	-	-	-	540,999	-	-	-	540,999
Total liabilities - Current	7,346,461	-	305	30,266	2,148,163	4,010,380	4,537,035	-	76,941	18,149,551
<b>Liabilities - Long term</b>										
Long-term obligations - Net of current portion	-	-	-	-	-	9,458,981	-	-	-	9,458,981
Net pension liability	-	49,709,091	-	-	-	-	-	-	-	49,709,091
Total liabilities - Long term	-	49,709,091	-	-	-	9,458,981	-	-	-	59,168,072
<b>Deferred Inflows</b>										
Deferred inflows	-	45,438	-	-	-	-	-	-	-	45,438
<b>Net Position</b>										
Net investment in capital assets	-	-	-	-	-	84,267,358	-	-	968,683	85,236,041
Restricted for expendable scholarships and grants	-	-	-	-	195,398	-	-	-	-	195,398
Unrestricted (deficit)	9,063,657	(49,754,529)	2,740,355	2,459,222	-	18,234,320	-	-	325,151	(16,931,824)
Total net position	\$ 9,063,657	\$ (49,754,529)	\$ 2,740,355	\$ 2,459,222	\$ 195,398	\$ 102,501,678	\$ -	\$ -	\$ 1,293,834	\$ 68,499,615

# Kalamazoo Valley Community College

## Combining Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2015

	Eliminations	General Fund	MPERS Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	ETC	Holding Company	Combined Total
<b>Operating Revenue</b>										
Tuition and fees - Net of scholarship allowance (\$5,128,635)	\$ (5,128,635)	\$ 21,911,299	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,782,664
Federal grants	-	-	-	-	-	1,074,166	-	-	-	1,074,166
State grants	-	-	-	-	-	1,242,913	-	-	-	1,242,913
Gifts and grants from Kalamazoo Valley Community College Foundation	-	-	-	-	-	563,632	-	-	-	563,632
Other grants	-	28,266	-	-	-	502,311	-	-	-	530,577
Sales and services revenue - Net of scholarship allowance (\$889,700)	(913,792)	639,245	-	-	3,887,895	-	-	173,212	-	3,786,560
Other income	-	696,388	-	-	41,023	-	-	-	-	737,411
Current funds capital expenditures	(17,044,220)	-	-	-	-	-	17,044,220	-	-	-
Total operating revenue	(23,086,647)	23,275,198	-	-	3,928,918	3,383,022	17,044,220	173,212	-	24,717,923
<b>Operating Expenses</b>										
Instruction	(2,337,002)	28,274,860	169,081	374,095	-	2,621,732	186,181	-	-	29,288,947
Public services	(72,038)	1,203,211	7,197	-	2,069,301	91,266	79,029	377,334	-	3,755,300
Instructional support	(100,772)	5,426,142	32,455	125,187	-	421,470	214,708	-	-	6,119,190
Student services	(6,091,915)	6,258,135	37,420	743,791	3,516,511	15,856,547	84,598	-	-	20,405,087
Institutional administration	(61,957)	5,747,736	34,417	77,858	-	36,323	85,167	-	10,070	5,929,614
Physical plant	(14,422,963)	6,249,828	37,382	59	511,287	341,664	14,830,304	-	-	7,547,561
Depreciation expense	-	-	-	-	-	-	4,365,146	-	-	4,365,146
Total operating expenses	(23,086,647)	53,159,912	317,952	1,320,990	6,097,099	19,369,002	19,845,133	377,334	10,070	77,410,845
<b>Operating Loss</b>	-	(29,884,714)	(317,952)	(1,320,990)	(2,168,181)	(15,985,980)	(2,800,913)	(204,122)	(10,070)	(52,692,922)
<b>Nonoperating Revenue (Expenses)</b>										
State appropriations	-	14,245,745	-	-	-	-	-	-	-	14,245,745
Property tax levy	-	18,890,466	-	-	3,174,277	-	-	-	-	22,064,743
Other taxes and interest	-	270,869	-	-	26,355	-	-	-	-	297,224
Federal grants	-	-	-	-	-	14,487,110	-	-	-	14,487,110
Investment income	-	43,282	-	1,129	3,100	-	53,359	-	609	101,479
Net gain (loss) from investments	-	(267)	-	-	-	-	-	-	-	(267)
Net gain (loss) from sale of assets	-	-	-	-	-	-	(2,876)	25,000	610,479	632,603
Gifts and contributions	-	35,674	-	-	16,900	-	11,932	-	-	64,506
Net nonoperating revenue	-	33,485,769	-	1,129	3,220,632	14,487,110	62,415	25,000	611,088	51,893,143
<b>Increase (Decrease) in Net Position - Before transfers</b>	-	3,601,055	(317,952)	(1,319,861)	1,052,451	(1,498,870)	(2,738,498)	(179,122)	601,018	(799,799)
<b>Transfers</b>	-	(7,540,107)	-	1,353,205	(603,918)	1,506,598	1,531,435	4,152,787	(400,000)	-
<b>(Decrease) Increase in Net Position</b>	-	(3,939,052)	(317,952)	33,344	448,533	7,728	(1,207,063)	3,973,665	201,018	(799,799)
<b>Net Position - Beginning of year</b>	-	13,002,709	-	2,707,011	2,010,689	187,670	103,708,741	(3,973,665)	1,092,816	118,735,971
<b>Adjustment for Change in Accounting Principle (Note 1)</b>	-	-	(49,436,577)	-	-	-	-	-	-	(49,436,577)
<b>Net Position - Beginning of year - As restated</b>	-	13,002,709	(49,436,577)	2,707,011	2,010,689	187,670	103,708,741	(3,973,665)	1,092,816	69,299,394
<b>Net Position - End of year</b>	\$ -	\$ 9,063,657	\$ (49,754,529)	\$ 2,740,355	\$ 2,459,222	\$ 195,398	\$ 102,501,678	\$ -	\$ 1,293,834	\$ 68,499,615