

Kellogg Community College

**Agreed-upon Procedures Related to the
Midyear Update
For the Year Ending June 30, 2023**

Kellogg Community College

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Independent Accountant's Report on Applying Agreed-upon Procedures

To the Board of Trustees and Management
Kellogg Community College

We have performed the procedures enumerated below on the forecasted schedules of changes in fund balance - General Fund and General Fund revenue and expenditures - including capital outlay (collectively, the "Schedules") of Kellogg Community College (the "College") for the year ended June 30, 2023. Kellogg Community College is responsible for the Schedules and accounting records.

Kellogg Community College has agreed to the procedures performed and acknowledged that they are appropriate to meet the intended purpose of updating the General Fund budgets of the College for the year ending June 30, 2023. No other parties have agreed to and acknowledged the appropriateness of the procedures. This report may not be suitable for any other purpose. The procedures performed may not address all items of interest to a user of this report and may not meet the needs of all users of this report, and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the sufficiency of procedures either for the purpose intended or for any other purpose.

An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. Those procedures and findings are as follows:

- a. **Procedure** - We agreed the original budget amounts on the Schedules prepared by management to the budget adopted by the board of trustees on June 28, 2022 (the "original budget").

Result - We performed the procedure without exception.

- b. **Procedure** - We obtained the most recent forecast of General Fund budgeted revenue and expenditures from management for the year ending June 30, 2023 prepared by management. We agreed the revised forecasted revenue and expenditures to supporting schedules, including year to date general ledger, prior year general ledger, and enrollment reports, provided by management.

Result - We performed the procedure without exception.

- c. **Procedure** - We recalculated the variance between the original budget and the most recent budget forecast. We obtained responses from management for any variances greater than 5 percent.

Result - We recalculated the variance between the original budget and the most recent budget forecast without exception for the General Fund. We obtained responses from the chief financial officer for the following line items:

General Fund Budgeted Revenue and Expenditures:

- Other income increased by \$150,000, or 14.71 percent, primarily due to an increase in interest rates on cash deposits, investment maturities reinvested at higher rates, and investing more cash into short-term investments with higher interest rates.
- Services and repairs increased by \$240,000, or 6.94 percent, due to providing contracted security services at the College's regional centers that were previously funded with federal stimulus dollars and moving the College's learning management system software to a cloud-based system.

To the Board of Trustees and Management
Kellogg Community College

Rent, utilities, and insurance increased by \$60,000, or 5.06 percent, primarily due to increases in the cost of premiums for cyberinsurance.

Fund balance transfers in increased by \$800,000, or 80.81 percent, due to the increase in deficiency of revenue over expenditures in order to balance the budget.

d. **Procedure** - We recalculated the totals on the Schedules for mathematical accuracy.

Result - We performed the procedure without exception.

We were engaged by the board of trustees to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). We were not engaged to, and did not, conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Schedules. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Kellogg Community College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of management and the board of trustees of Kellogg Community College and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

Portage, Michigan
February 8, 2023

Kellogg Community College

Forecasted Schedule of Changes in Fund Balance General Fund Year Ending June 30, 2023

	Original Budget	Forecast	Variance Favorable (Unfavorable)
Unrestricted Fund Balance - July 1, 2022	\$ 6,375,030	\$ 6,375,030	\$ -
Excess (Deficiency) of Revenue over Expenditures (total of page 4)	<u>(190,000)</u>	<u>(990,000)</u>	<u>(800,000)</u>
Unrestricted Fund Balance - June 30, 2023	<u>\$ 6,185,030</u>	<u>\$ 5,385,030</u>	<u>\$ (800,000)</u>

Kellogg Community College

Forecasted Schedule of General Fund Revenue and Expenditures Including Capital Outlay Year Ending June 30, 2023

	Original Budget	Forecast	Variance Favorable (Unfavorable)
Revenue			
Tuition and fees	\$ 16,280,000	\$ 16,060,000	\$ (220,000)
Property taxes	11,050,000	11,190,000	140,000
State aid	13,100,000	12,930,000	(170,000)
State aid - MPSERS UAAL	1,900,000	1,900,000	-
Other income	870,000	1,020,000	150,000
Total revenue	43,200,000	43,100,000	(100,000)
Expenditures			
Salaries	23,250,000	23,410,000	(160,000)
Fringe benefits	9,930,000	10,180,000	(250,000)
Fringe benefits - MPSERS UAAL	1,900,000	1,900,000	-
Services and repairs	3,220,000	3,460,000	(240,000)
Materials and supplies	1,205,000	1,195,000	10,000
Rent, utilities, and insurance	1,185,000	1,245,000	(60,000)
Other expenses	1,825,000	1,825,000	-
Department operating funds	875,000	875,000	-
Total expenditures	43,390,000	44,090,000	(700,000)
Transfers			
Fund Balance	(190,000)	(990,000)	(800,000)
Maintenance and Replacement Fund	(400,000)	(400,000)	-
Capital outlay	400,000	400,000	-
Total expenditures and transfers	43,200,000	43,100,000	100,000
Excess (Deficiency) of Revenue over Expenditures and Transfers	\$ -	\$ -	\$ -

See Nature of Forecasted Schedule of Revenue and Expenditures and Independent Accountant's Report on Applying Agreed-upon Procedures. 4

Kellogg Community College

Nature of Forecasted Schedule of Revenue and Expenditures Year Ending June 30, 2023

Note 1 - Nature of Forecasted Schedule of Revenue and Expenditures

The accompanying forecasted schedule of General Fund revenue and expenditures - including capital outlay (the "Schedules") for Kellogg Community College (the "College"), based upon the financial results of the first six months of fiscal year 2022-2023, is management's estimate of changes in fund balance for the General Fund revenues and expenditures for the fiscal year ending June 30, 2023. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; accordingly, the actual results achieved during fiscal year 2022-2023 will differ from forecasted amounts included on the accompanying Schedule.

The forecast for the year ending June 30, 2023 is based on annualized results of operations for the six months ended December 31, 2022 and upon significant known changes in circumstances since the adoption of the annual budget, such as the following:

- Tuition and fees are based on June 30, 2022 balances plus rate increases and enrollment changes for each semester compared to actual registration information and also compared to tuition revenue through January 31, 2023 divided by tuition revenue through January 31, 2022 multiplied by total tuition and fees in the prior year.
- Property tax revenue is based on the prior year and updated taxable values.
- State aid agrees to the state funding bill.

Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed within this forecast are based on governmental fund financial statements using the current financial resources measurement focus and the modified accrual basis of accounting, which is different than the basis of accounting used in the annual audit of the College. The use of the modified accrual basis of accounting focuses the budget and management on the operating cash inflows and outflows of the College and includes items such as expenditures for capital outlay, no depreciation on the assets used for operations, and the use of fund balance. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position, or cash flows of the College.