Kellogg Community College

Financial Report
with Supplementary Information
June 30, 2023

Contents

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Independent Auditor's Report

To the Board of Trustees
Kellogg Community College

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of Kellogg Community College (the "College") as of and for the years ended June 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise Kellogg Community College's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Kellogg Community College as of June 30, 2023 and 2022 and the respective changes in its financial position and, where applicable, its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Trustees
Kellogg Community College

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary 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, schedule of the College's pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of the College's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Kellogg Community College's basic financial statements. The other supplementary 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. Such 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. The 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Kellogg Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2023 on our consideration of Kellogg 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 solely 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 effectiveness of Kellogg Community College's 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 Kellogg Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

November 6, 2023

The discussion and analysis of Kellogg Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2023 and 2022. 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 administration.

Using this Report

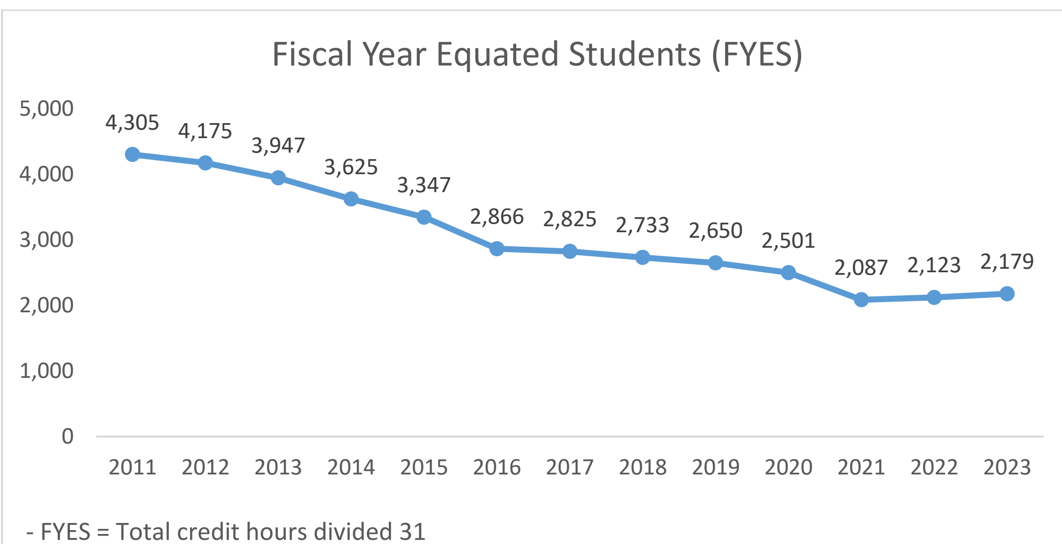
The College's annual financial report includes the report of independent auditors, the management's discussion and analysis, basic financial statements, notes to the financial statements, and supplementary information. The basic financial statements are comprised of three components: the statement of 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 Kellogg Community College Foundation (the "Foundation"), a separate nonprofit organization, qualifies as a component unit of the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Accordingly, the Foundation's financial activity has been discretely presented within the accompanying financial statements.

Financial Highlights

Despite enduring several consecutive years of declining enrollment, decreasing liabilities associated with MPSERS and enduring a global pandemic, the College's financial position improved substantially in 2023 and 2022, increasing approximately $2.9 million and $5.7 million each year.

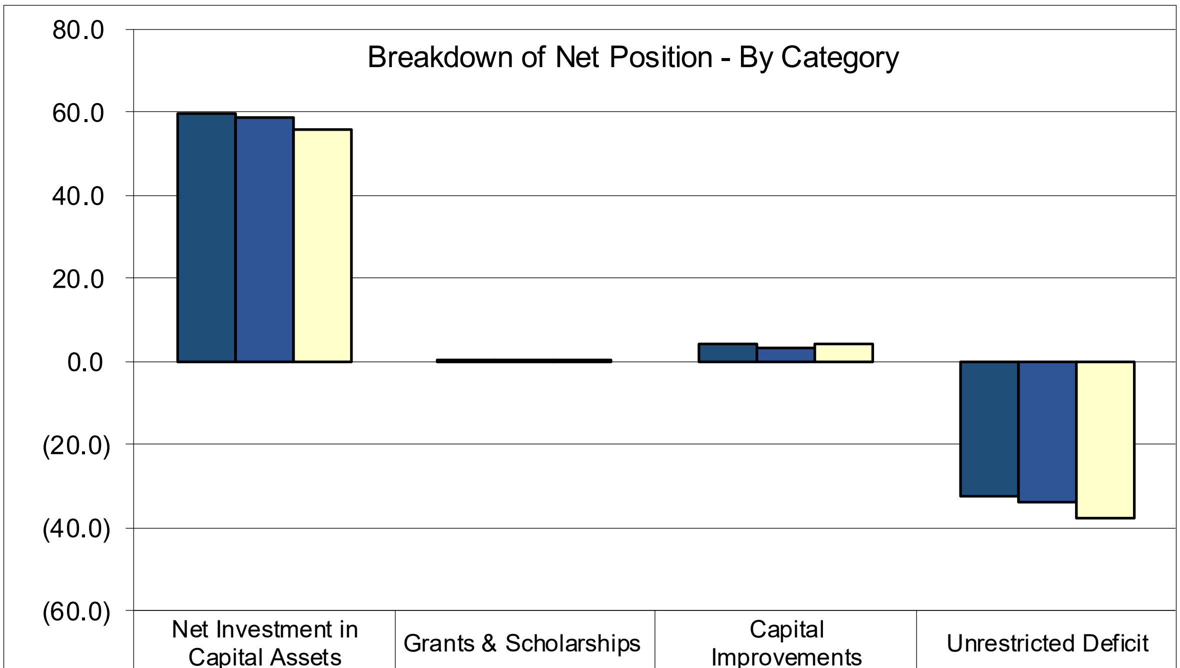
The College's enrollment peaked in 2011 at 4,305 fiscal year equated students (FYES - total credit hours divided by 31). In 2023 and 2022, as enrollment was challenged across Michigan and the nation, the College's FYES were 2,179 and 2,123, decreases of approximately 50 percent from the 2011 peak. However, it is encouraging to have two consecutive years of growth.



The College believes the general decline in enrollment is related primarily a sustained strong local economy with low unemployment in which students are working more, coming to school less, and reaching the limit on their ability to receive federal financial aid. Federal student financial aid has steadily decreased each of the past several years from its highest level, approximately $32.5 million, in 2013 to $9.9 million in 2023, which was an increase of $700,000 over last year.

Although enrollment increased slightly in 2023 and 2022, it is still at near the lowest level in decades. To counter enrollment decreases over the past decade, as well as to keep up with rising operating costs, the College has modestly increased its tuition and fee rates, resulting in an increase in gross tuition and fee revenue in 2023 and 2022 of approximately $500,000 (3 percent) each year.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2023, 2022, and 2021:



	Net Investment in Capital Assets	Grants & Scholarships	Capital Improvements	Unrestricted Deficit
2023	59.7	0.1	4.2	(32.5)
2022	58.6	0.1	3.4	(33.6)
2021	55.9	0.1	4.4	(37.6)

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

These two statements will help the reader answer the question, "Is Kellogg Community College, as a whole, better or worse off as a result of the year's activities?" The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole and on its activities in a way that helps answer this question. They report the College's net position and its changes. One can think of net position - the difference between assets and liabilities - as one way to measure the College's financial health or financial position. Many other nonfinancial factors, such as the trend in admission applicants, student retention, condition of the buildings, and strength of the faculty, need to be considered to assess the overall health of the College. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

The following is a comparison of the major components of the statement of net position of the College for the years ended June 30, 2023, 2022, and 2021:

Statement of Net Position at June 30 (in millions)	2023	2022	2021
Assets			
Current assets	$ 26.5	$ 27.7	$ 26.6
Long-term investments	4.2	3.6	4.9
Capital assets - Net	67.9	68.4	67.2
Total assets	98.6	99.7	98.7
Deferred Outflows of Resources	18.6	9.2	13.9
Liabilities			
Current liabilities	10.1	10.3	9.2
Noncurrent liabilities	61.6	46.6	71.1
Total liabilities	71.7	56.9	80.3
Deferred Inflows of Resources	14.0	23.5	9.5
Net Position			
Net investment in capital assets	59.7	58.6	55.9
Expendable restricted for:			
Grants and Scholarships	0.1	0.1	0.1
Capital improvements	4.2	3.4	4.4
Unrestricted (deficit)	(32.5)	(33.6)	(37.6)
Total net position	$ 31.5	$ 28.5	$ 22.8

Statement of Net Position

The significant changes in the assets and liabilities of the College are as follows:

- Current assets decreased in 2023 as the College collected receivables related to the federal stimulus grants, offset by an increase in cash and short-term investments. In 2022, current assets increased as receivables from federal stimulus grants were $4 million.

- The College invested more of its idle cash into longer maturities to take advantage of better yields with longer maturities in 2023 resulting in an increase in long-term investments of $600,000. In 2022, longer term investments came closer to maturity, resulting in an increase in short-term investments and a decrease in long-term investments.

- Capital assets decreased $500,000 in 2023 as capital expenditures were offset by depreciation and amortization. The College had three moderate renovation projects in 2022 in the Dental Clinic, EMS Simulation Equipment and the Schwarz Science Building, resulting in an increase in capital assets of $1.2 million.

- Current liabilities remained relatively consistent at $10.1 million in 2023 and increased $1.1 million in 2022. The increase in 2022 resulted from increases in accounts payable, accrued retirement payouts and unearned revenue.

- In 2023, long-term liabilities increased approximately $15 million, primarily due to an increase in long-term pension obligations. In 2022, long-term liabilities decreased $24.4 million, primarily due to a $22.7 million reduction in long-term pension obligations as the overall MPSERS net pension liability decreased by approximately 25 percent. The College made its required debt payments during 2023 and 2022.

- Deferred outflows and inflows of resources relate to the MPSERS unfunded net pension liability, with the actuarial determination of its funded status as of September 30, 2022 and 2021 (the "measurement date"), changes in the actuarial assumptions compared to actual results of the plan, and the contributions the College makes into the plan and receives from the State of Michigan after the measurement date.

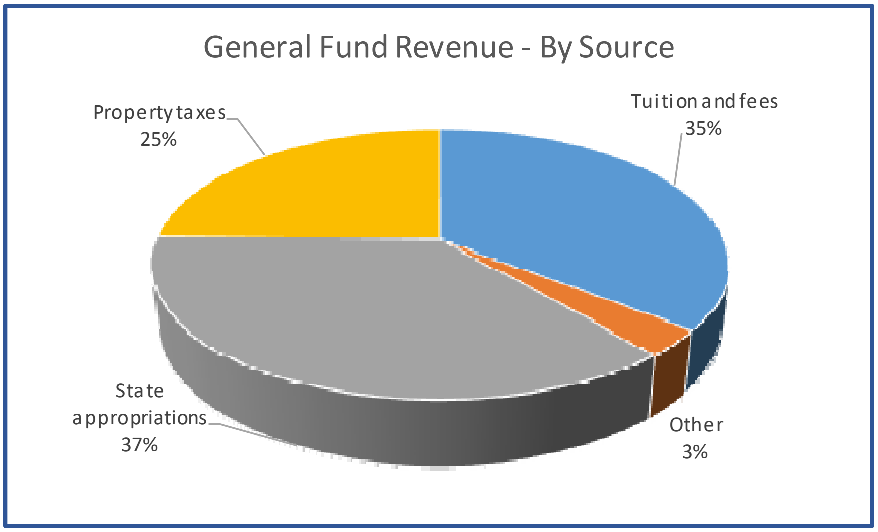
The following is the detail of the major components of operating results of the College for the years ended June 30, 2023, 2022, and 2021:

Operating Results for the Years Ended June 30 (in millions)

	2023	2022	2021
Operating Revenue			
Tuition and fees - Net	$ 12.8	$ 12.3	$ 11.8
Federal grants and contracts	2.2	2.0	1.9
State grants and contracts	0.3	-	0.1
Private gifts, grants, and contracts	3.0	1.9	1.9
Sales and services of auxiliary activities	1.0	0.9	0.9
Other sources	0.6	0.7	0.6
Total operating revenue	19.9	17.8	17.2
Operating Expenses			
Instruction	18.3	17.8	18.7
Information Technology	2.2	2.5	2.4
Public service	0.2	0.1	0.2
Instructional support	7.2	6.7	6.8
Student services	10.6	13.0	10.1
Institutional administration	4.5	4.3	4.0
Physical plant operations	4.5	5.3	4.8
Auxiliary enterprises	1.4	1.4	1.3
Depreciation	3.9	3.3	3.2
Total operating expenses	52.8	54.4	51.5
Operating Loss	(32.9)	(36.6)	(34.3)
Nonoperating Revenue (Expenses)			
State appropriations	15.8	15.8	14.8
Property taxes	14.3	13.4	13.1
Federal Pell grant	5.3	5.1	4.8
Federal stimulus funds	0.0	8.4	7.5
Investment income (loss)	0.6	(0.1)	0.1
Loss on disposal of capital assets	0.0	(0.1)	0.0
Interest on capital asset - Related debt	(0.2)	(0.2)	(0.3)
Net nonoperating revenue	35.8	42.3	40.0
Increase in Net Position	2.9	5.7	5.7
Net Position - Beginning of year	28.5	22.8	17.1
Net Position - End of year	**$ 31.4**	**$ 28.5**	**$ 22.8**

Internally, the College accounts for its financial statements using fund accounting, which is then reorganized into operating and nonoperating components for the audited financial statements. The College accounts for its primary programs and operations in its General Fund. The General Fund is primarily financed through four sources of revenue - tuition and fees, state appropriations, property taxes, and other. For this report, these sources of revenue are classified as both operating and nonoperating.

The following chart shows the percentage of these sources of revenue as they were reported in the General Fund for the year ended June 30, 2023.

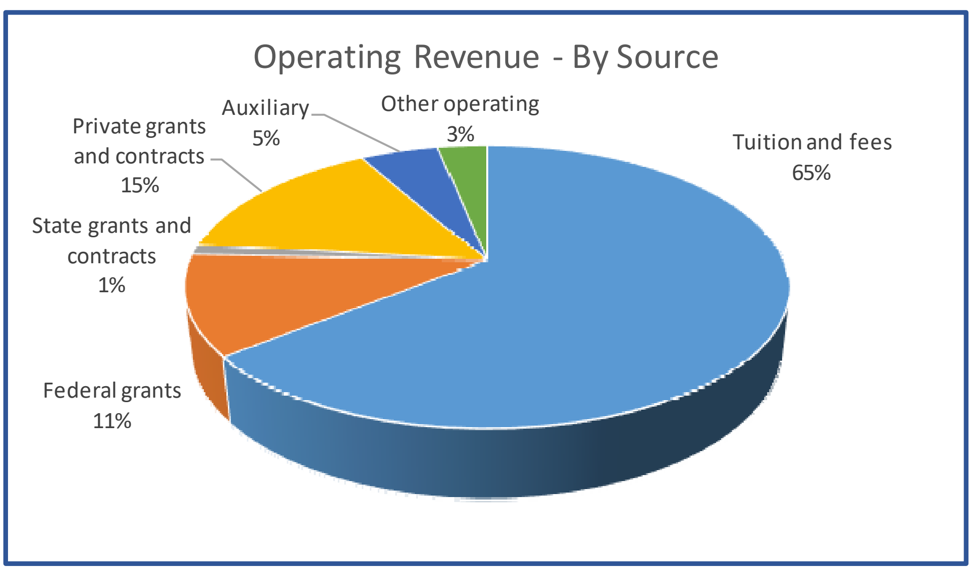


Operating Revenue

For the College as a whole, operating revenue includes all transactions that result in the sales and/or receipts from goods and services, such as tuition and fees, and other auxiliary operations, such as bookstore sales. 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.

The College's operating revenue increased by $2.1 million (12 percent) and $600,000 (4 percent) in 2023 and 2022, respectively. The increase in 2023 resulted primarily from an increase in enrollment ($400,000), and more revenue from federal, state, and local grants and contracts ($1.6 million). In 2022, with slight enrollment and tuition rate increases, tuition and fees increased approximately $500,000.

The following is a graphic illustration of operating revenue by source, including all funds of the College:

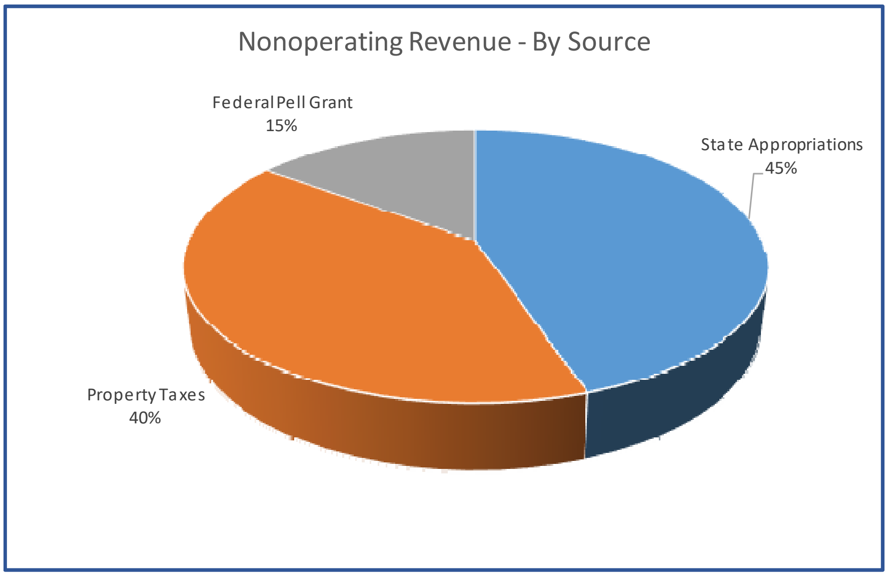


Nonoperating Revenue

Nonoperating revenue is all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, federal stimulus grants, property taxes, federal Pell grant revenue, and investment income. Nonoperating revenue decreased $6.5 million and increased $2.3 million in 2023 and 2022, respectively.

The reduction in 2023 is primarily due to the loss of federal stimulus revenue, which was $8.4 million in 2022. Property taxes and investment income increased by $900,000 and $700,000 in 2023. In 2022, state appropriations ($1 million), federal stimulus grants from Higher Education Emergency Relief Funds (HEERF) ($800,000) and property taxes ($300,000) accounted for most of the increase in nonoperating revenue.

The following is a graphic illustration of nonoperating revenue by source:

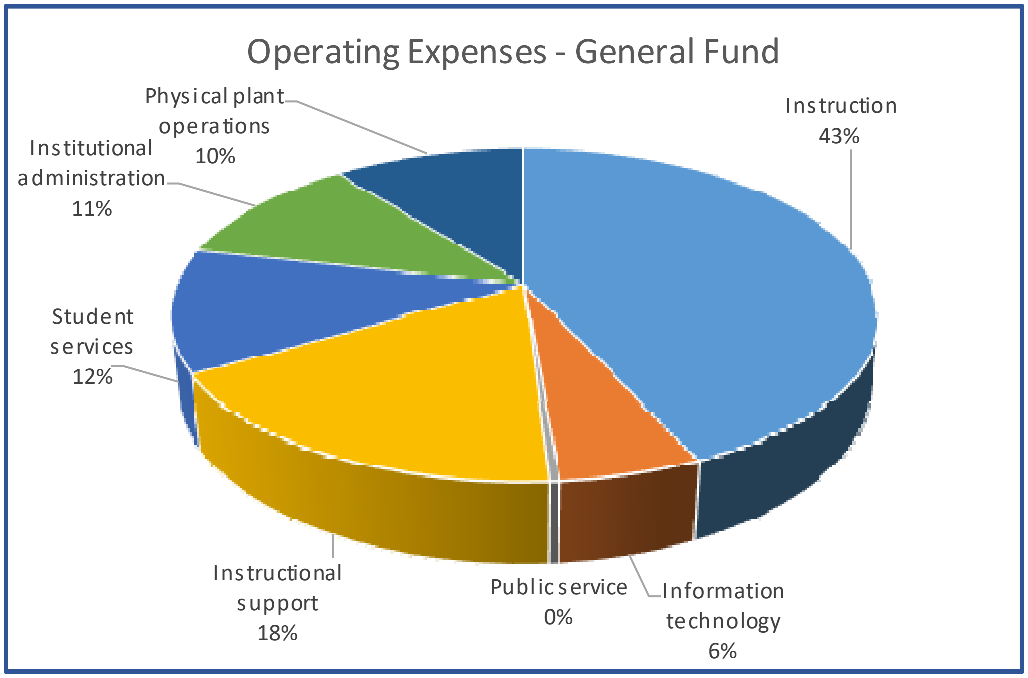


Operating Expenses

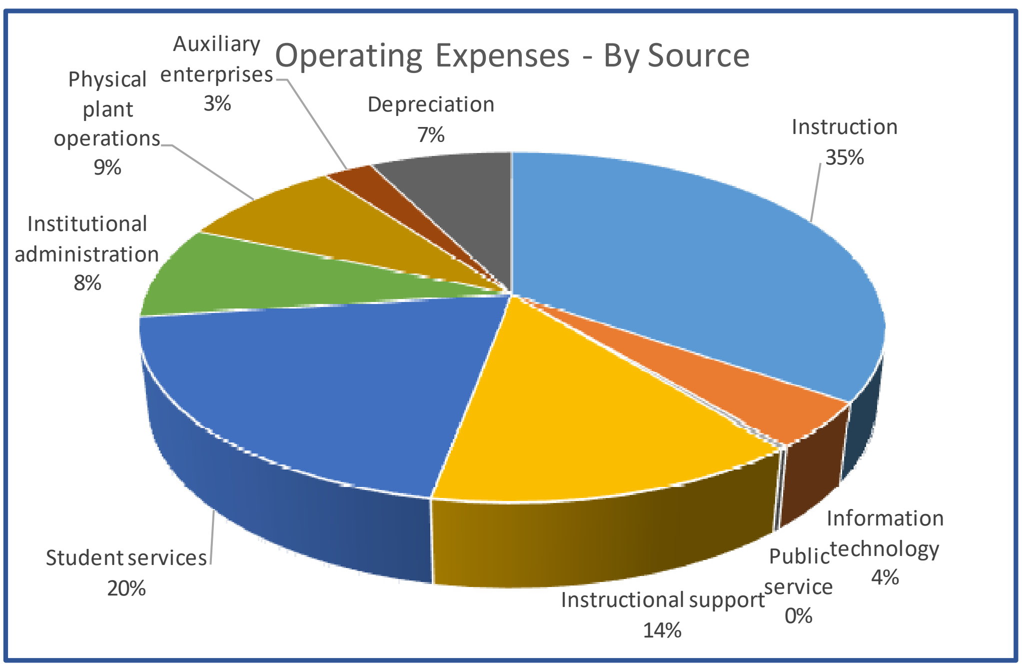
Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries and benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses decreased $1.6 million in 2023 and increased $2.9 million in 2022, respectively. The decrease in 2023 was due to the reduction in federal stimulus funds that were expended in the previous year, which was the primary reason for the increase in 2022.

The majority of total expenses are reported internally in the College's General Fund. The College spent approximately 63 and 60 percent of its General Fund expenditures on instruction and instructional support in 2023 and 2022, respectively, which is normally among the highest allocation of expenses towards teaching and supporting teaching among community colleges in Michigan.

The following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2023:



For this financial report, the different funds of the College are netted and internal expenditures are eliminated. The following is a graphic illustration of operating expenses by source for the College as a whole at June 30, 2023:



Statement of Cash Flows

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

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

Cash Flows for the Years Ended June 30 (in millions)

	2023	2022	2021
Cash (Used in) Provided by			
Operating activities	$ (29.5)	$ (37.0)	$ (33.6)
Noncapital financing activities	34.0	39.9	36.1
Capital and related financing activities	(1.6)	(3.5)	(0.4)
Investing activities	(5.6)	(1.0)	0.1
Net (Decrease) Increase in Cash and Cash Equivalents	(2.7)	(1.6)	2.2
Cash and Cash Equivalents - Beginning of year	13.0	14.6	12.4
Cash and Cash Equivalents - End of year	**$ 10.3**	**$ 13.0**	**$ 14.6**

Major sources of funds from operations came from student tuition and fees, grants and contracts, and auxiliary activities, which includes the bookstore. These sources were offset by expenditures for operations such as payments to employees and suppliers.

Some items of note on the statement of cash flows are as follows:

- The net cash used in operating activities decreased $7.5 million and increased $3.4 million in 2023 and 2022, respectively. In 2023, the decrease was due primarily to reductions in payments to suppliers offset by cash received from federal grants receivable from 2022. The increase in 2022 was due primarily due to increase in payments to suppliers. The increase in 2021 is due to a $4 million reduction in cash flows from contracts, offset by a $1.5 million reduction in payments to employees.

- Cash provided by noncapital financing activities decreased $5.9 million in 2023 and increased $3.8 million and $3.0 million in 2022 and 2021, respectively. The increases are primarily due to the federal stimulus revenue and state appropriations. The decrease in 2023 was primarily due to no federal stimulus revenue received offset by increases in property tax revenue and state appropriations.

- Cash used in capital and related financing activities decreased $1.9 million in 2023 and increased $3.1 million in 2022 as the College commenced with the three previously mentioned projects. Cash used in capital and related financing activities approximated $400,000 in 2021 as construction activity decreased significantly in 2021.

- Cash used in investing activities was $5.6 million, $1 million, and $100,000 in 2023, 2022 and 2021, respectively. The College significantly increased its investing activities in 2023 and 2022 as interest rates started to rise.

Capital Assets

At June 30, 2023, the College had $67.9 million invested in capital assets, net of accumulated depreciation of $53.3 million. Depreciation and amortization charges were $3.9 million for the current fiscal year.

Capital Assets at June 30 (in millions)

	2023	2022	2021
Land and land improvements	$ 4.3	$ 5.0	$ 4.7
Buildings and improvements	96.9	95.8	93.0
Furniture, fixtures, and equipment	18.8	18.6	18.2
Construction in progress	-	0.3	0.2
Right to use assets - IT Subscriptions	1.2	-	-
Total	**$ 121.2**	**$ 119.7**	**$ 116.1**

The College is now in its second phase of an expansion, facility improvement, and renovation project called the 21st Century Project. This initiative was funded with a 15-year millage levy approved by voters in 1998 and expired with the 2012 tax year. The voters of the College's district approved a 15-year extension of this millage in November 2012 that will generate an estimated $40 million through 2028 to help fund further expansion and improvements to the College's facilities.

Debt

The table below summarizes this amount by type of debt instrument. The College's bond ratings are AA- by the Standard & Poors' Ratings Services.

Debt Outstanding at June 30 (in millions)

	2023	2022	2021
Bonds, Series 2014	$ 1.9	$ 2.5	$ 3.0
Bonds, Series 2017	5.9	6.9	7.9
Total	**$ 7.8**	**$ 9.4**	**$ 10.9**

Economic Factors That Will Affect the Future

The College's ability to attract students will be its most critical economic factor in the future. The disruption of the global pandemic had a nominal impact on the College financially in 2021 and 2022, aided by federal stimulus funds. In 2023, the College had its second consecutive year of increasing enrollment after a decade of declining enrollment. Indications are that enrollment will continue to increase in 2024 as the College implements its Strategic Enrollment Management Plan, which aims to identify ways to increase enrollment, retention and successful student completions. The College's other sources of revenue, property taxes and state appropriations, remain strong and stable and are expected to remain that way for the near term, although efforts to slow the economy at the federal level may soon negatively impact those revenue sources.

For 2023, the State of Michigan has continued to increase its operational support of the College and continues to provide funding to reduce its educational system's unfunded retirement liability and reimburse the College for lost property tax revenue due to enacted tax reforms. The State's fiscal picture is reportedly stable. All of these funding mechanisms have been beneficial to the College and will be critical for the future. Property values and related tax revenue, after considering the losses due to legislative reforms, has been strong in recent years and appears to be again in 2024, with property values increasing 6.4%. We are hopeful for that trend to continue in the upcoming years.

Another asset of the College is the voter-approved capital millage renewal in 2012. The College is fortunate to have a dedicated resource to support funding most of its future infrastructure needs, as well as retire its bonded indebtedness. To supplement the capital millage and in accordance with board policy, the College also transferred some of its General Fund surplus to the College's Maintenance & Replacement Fund included in its Plant Fund, bringing that total of unrestricted net assets to $5.7 million.

After surviving the global pandemic and declining enrollment over the past decade, the College is well positioned financially, excluding the impacts of GASBs 68 and 75. Now with enrollment trending in a positive direction, together with the College's board, management will continue to monitor enrollment trends, programs, the state and local economies, and react with revenue enhancements and/or further expense containment measures as necessary to ensure that the financial health and stability of the College are preserved.

Statement of Net Position

June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 10,325,062	$ 12,991,657
Short-term investments (Note 3)	8,887,161	3,875,664
Accounts receivable - Net (Note 5)	6,002,595	9,683,827
Other current assets	1,269,796	1,171,613
Total current assets	26,484,614	27,722,761
Noncurrent assets:		
Long-term investments (Note 3)	4,210,579	3,644,784
Capital assets - Net (Note 6)	67,876,873	68,373,897
Total noncurrent assets	72,087,452	72,018,681
Total assets	98,572,066	99,741,442
Deferred Outflows of Resources (Note 8)	18,610,659	9,236,506
Liabilities		
Current liabilities:		
Accounts payable	615,703	945,407
Accrued payroll and related liabilities	2,096,566	3,397,807
Unearned revenue	2,799,543	2,712,773
Subscription-based IT arrangements - Current	571,647	-
Accrued retirement and compensated absences - Current (Note 7)	1,215,000	1,550,000
Bonds payable - Current (Note 7)	1,530,000	1,495,000
Unamortized bond premium - Current (Note 7)	66,366	66,366
Other current liabilities	1,175,331	98,323
Total current liabilities	10,070,156	10,265,676
Noncurrent liabilities:		
Accrued retirement and compensated absences (Note 7)	2,600,000	2,700,000
Bonds payable - Net of current portion (Note 7)	6,330,000	7,860,000
Unamortized bond premium - Net of current portion (Note 7)	242,916	309,282
Subscription-based IT arrangements - Net of current portion	40,585	-
Net pension liability (Note 8)	49,453,021	33,728,951
Net OPEB liability (Note 8)	2,938,295	2,072,979
Total noncurrent liabilities	61,604,817	46,671,212
Total liabilities	71,674,973	56,936,888
Deferred Inflows of Resources (Note 8)	14,027,874	23,479,362
Net Position		
Net investment in capital assets	59,707,591	58,643,249
Expendable restricted for:		
Expendable grants and scholarships	108,971	108,971
Capital improvements	4,159,442	3,394,882
Unrestricted deficit	(32,496,126)	(33,585,404)
Total net position	**$ 31,479,878**	**$ 28,561,698**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2023 and 2022

	2023	2022
Operating Revenue		
Tuition and fees - Net of scholarship allowance of $4,369,854 and $4,295,841 for 2023 and 2022, respectively	$ 12,763,110	$ 12,326,995
Federal grants and contracts	2,240,989	1,974,812
State grants and contracts	228,624	15,737
Private gifts, grants, and contracts	3,005,728	1,899,550
Sales and services of auxiliary activities - Net of scholarship allowance of $338,750 and $342,866 for 2023 and 2022, respectively	989,391	918,851
Other sources	615,995	645,391
Total operating revenue	19,843,837	17,781,336
Operating Expenses		
Instruction	18,275,930	17,763,017
Information technology	2,244,148	2,472,999
Public service	157,769	116,246
Instructional support	7,214,514	6,683,849
Student services	10,600,832	13,022,765
Institutional administration	4,475,055	4,300,768
Physical plant operations	4,501,292	5,284,033
Auxiliary enterprises	1,350,989	1,428,577
Depreciation and amortization	3,921,376	3,294,347
Total operating expenses	52,741,905	54,366,601
Operating Loss	(32,898,068)	(36,585,265)
Nonoperating Revenue (Expenses)		
State appropriations	15,845,802	15,843,409
Property taxes	14,258,363	13,388,909
Pell Grant revenue	5,303,028	5,092,399
Federal stimulus funds	-	8,347,334
Investment income (loss)	640,529	(83,416)
Loss on disposal of capital assets	(5,585)	(55,207)
Interest on capital asset - Related debt	(225,889)	(244,315)
Net nonoperating revenue	35,816,248	42,289,113
Change in Net Position	2,918,180	5,703,848
Net Position - Beginning of year	28,561,698	22,857,850
Net Position - End of year	**$ 31,479,878**	**$ 28,561,698**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Tuition and fees	$ 13,782,234	$ 11,510,496
Grants and contracts	8,229,019	4,150,231
Payments to suppliers	(14,571,025)	(22,649,168)
Payments to employees	(38,243,940)	(31,883,445)
Auxiliary enterprise charges - Net	989,391	918,851
Other	271,560	988,867
Federal direct lending receipts	4,090,219	3,705,919
Federal direct lending disbursements	(4,090,219)	(3,705,919)
Net cash used in operating activities	(29,542,761)	(36,964,168)
Cash Flows from Noncapital Financing Activities		
Local property taxes	11,299,054	10,610,055
Federal Pell Grant revenue	5,303,028	5,092,399
State appropriations	17,441,255	15,827,730
HEERF/CRF revenue	-	8,347,334
Net cash provided by noncapital financing activities	34,043,337	39,877,518
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(2,253,186)	(4,514,949)
Capital property taxes	2,959,309	2,778,854
Principal paid on capital debt	(1,495,000)	(1,495,000)
Principal paid on right-of-use liability	(564,519)	-
Interest paid on right-of-use assets	(22,949)	-
Interest paid on capital debt	(213,534)	(254,908)
Net cash used in capital and related financing activities	(1,589,879)	(3,486,003)
Cash Flows from Investing Activities		
Sales and maturities of investments - Net	(6,217,821)	(899,924)
Interest on investments	640,529	(83,416)
Net cash used in investing activities	(5,577,292)	(983,340)
Net Decrease in Cash and Cash Equivalents	(2,666,595)	(1,555,993)
Cash and Cash Equivalents - Beginning of year	12,991,657	14,547,650
Cash and Cash Equivalents - End of year	**$ 10,325,062**	**$ 12,991,657**

See notes to financial statements.

Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (32,898,068)	$ (36,585,265)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization expense	3,921,376	3,294,347
Change in allowance for bad debts	450,000	210,000
Change in deferred inflows and outflows	(18,825,641)	18,661,002
Change in pension and OPEB liabilities	16,589,385	(22,662,571)
Changes in assets and liabilities:		
Accounts receivable	2,891,597	(902,075)
Inventories, prepaids, and other assets	98,183	(31,348)
Accounts payable	(1,207,725)	433,374
Accrued liabilities and other	(648,638)	138,554
Unearned revenue	86,770	479,814
Net cash used in operating activities	**$ (29,542,761)**	**$ (36,964,168)**

There were no significant noncash activities during 2023 or 2022.

See notes to financial statements.

Discretely Presented Component Unit
Balance Sheet - Kellogg Community College Foundation

June 30, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 903,997	$ 355,767
Contributions receivable	839,330	956,219
Accounts receivable - From Kellogg Community College	65,449	245,528
Long-term investments	13,058,855	13,401,667
Total assets	**$ 14,867,631**	**$ 14,959,181**
Liabilities	$ 37,350	$ 12,300
Net Assets		
Without donor restrictions	3,044,651	3,161,251
With donor restrictions	11,785,630	11,785,630
Total net assets	14,830,281	14,946,881
Total liabilities and net assets	**$ 14,867,631**	**$ 14,959,181**

Discretely Presented Component Unit
Statement of Activities - Kellogg Community College Foundation

Years Ended June 30, 2023 and 2022

	2023	2022
Revenue		
Contributions of financial assets	$ 679,096	$ 1,719,917
Contributions of nonfinancial assets	299,290	343,230
Special event revenue	151,310	116,816
Investment income	533,150	564,222
Unrealized and realized loss on investments	(737,618)	(1,629,855)
Total revenue	925,228	1,114,330
Expenses		
Scholarships and grant expense	667,273	675,544
Management and general	158,516	176,839
Fundraising	216,039	216,715
Total expenses	1,041,828	1,069,098
Change in Net Assets	(116,600)	45,232
Net Assets - Beginning of year	14,946,881	14,901,649
Net Assets - End of year	**$ 14,830,281**	**$ 14,946,881**

See notes to financial statements.

Note 1 - Industry Information and Significant Accounting Policies

Reporting Entity

Kellogg Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles applicable to public colleges and universities, as outlined in Governmental Accounting Standards Board (GASB) Statement No. 35.

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 financial statements of Kellogg Community College Foundation have been discretely presented in Kellogg Community College's financial statements.

Kellogg Community College Foundation (the "Foundation"), a nonprofit organization, was formed to solicit, collect, and invest donations made for the promotion of educational activities and capital campaigns at the College. Separate financial statements of the Foundation may be obtained by contacting Kellogg Community College, 450 North Avenue, Battle Creek, MI 49017.

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Internal Revenue Service has determined the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been recorded.

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

Accrual Basis

The financial statements of Kellogg Community College are prepared using the economic resources measurement focus accrual basis of accounting in accordance with accounting principles generally accepted in the United States, wherein 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 initial maturity of three months or less.

Investments

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

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Accounts Receivable

Accounts receivable resulting from government and state grants, state appropriations, and student tuition consist of operating revenue recognized, but not received, as of June 30, 2023 and 2022. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for other student accounts receivable based on historical loss experience.

Capital Assets

Capital assets are recorded at cost. Gifts of property are recorded at acquisition value at the time gifts are received. Library books are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. 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:

	Depreciable Life - Years
Building and building improvements	25-40
Land improvements and infrastructure	10-20
Furniture, fixtures, and equipment	5-15

Subscription Arrangements

The College obtains the right to use vendors' information technology software through various long-term contracts. The College recognizes a subscription liability and an intangible right-of-use subscription asset. Subscription assets are reported within capital assets, and subscription liabilities are reported within long-term obligations.

At the commencement of a subscription, the College initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus initial implementation costs. Subsequently, the subscription asset is depreciated on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the College determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term. The College generally uses its estimated incremental borrowing rate as the discount rate.

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 $999,000 and $856,000 for the 2023 and 2022 summer semesters and approximately $252,000 and $255,000 for the 2023 and 2022 fall semesters, respectively. The remaining amount included in unearned revenue relates to grant funding received during the year that will either be spent in future years or returned to granting agencies.

Unrestricted Net Position

Unrestricted net position represents net positions that are not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees.

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Net Investment in Capital Assets

Net investment in capital assets represents 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, including amounts that the board has agreed to set aside under contractual agreements with third parties. The restricted balance primarily consists of funds restricted for student loans, scholarships, capital improvements, and other purposes. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Scholarship Discounts and Allowances

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

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.

Revenue Recognition of Tuition and Fees

The academic programs are offered in traditional fall and spring semesters. Revenue from tuition and student fees is recognized during the academic term. Revenue from the summer semester, which commences in May and ends in August, is split and recognized proportionally to the number of days of the semester within the fiscal year. Tuition revenue is reported at established rates net of institutional financial aid and discounts provided directly by the College to students.

Grant Revenue

Revenue from grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreement.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, and federal direct lending programs. Federal programs are audited in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

During 2023 and 2022, the College distributed $4,090,219 and $3,705,919, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Note 1 - Industry Information and Significant Accounting Policies (Continued)

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Pensions

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

Other Postemployment Benefit Costs

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

Deferred Outflows of Resources

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

The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as changes in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Deferred Inflows of Resources

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

The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plans' investments, the difference between expected and actual experience, and changes in proportion. More detailed information can be found in Note 8.

Note 1 - Industry Information and Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncement

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2025.

Adoption of New Accounting Pronouncement

As of July 1, 2022, the College adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which requires recognition of certain subscription assets and liabilities that previously were classified as operating expenses. This statement establishes a single model for subscription accounting based on the foundational principle that subscriptions are the right to use an underlying IT asset. Under this statement, a government is required to recognized an intangible right-to-use subscription asset and a corresponding subscription liability. As a result, the statement of net position of the College now includes a liability for the present value of payments expected to be made and subscription assets totaling $1,124,555 as of July 1, 2022. The subscription assets and liabilities have been added to Notes 6 and 7, respectively, as of the beginning of the year.

Federal Stimulus Funds

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, the College was allocated Higher Education Emergency Relief Fund (HEERF) grants and other relief primarily from three federal stimulus bills - the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP). As of June 30, 2022, the College was allocated a total of approximately $16.5 million of federal stimulus funds, with $6.4 million to be used for emergency grants to students and $10.1 million to be used by the College to offset costs incurred and to recover lost revenue caused by declines in enrollment and other sources of revenue as a result of the pandemic. The stimulus funds have supported improvements to the College's technological infrastructure and classroom technology to support an increase in remote learning, teaching, and working, as well as to improve safety and sanitary conditions of campus to prevent spread of the virus. For the year ended June 30, 2022, the College recognized revenue from federal stimulus funds of approximately $8.3 million. These funds were fully spent at June 30, 2022. The federal COVID-19 Public Health Emergency (PHE) declaration ended on May 11, 2023.

Reclassification

Certain 2022 amounts have been reclassified on the statement of revenue, expenses, and changes in net position to conform to the 2023 presentation.

Note 2 - Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied.

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

Note 2 - Property Taxes (Continued)

During the years ended June 30, 2023 and 2022, $2.8615 and $2.8636, respectively, of tax per $1,000 of taxable property value in the College's taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $11,299,054 and $10,610,055 for the years ended June 30, 2023 and 2022, respectively.

For capital improvement and debt retirement purposes, $0.7494 and $0.7500 per $1,000 of taxable property value in the College's taxing district was levied for the years ended June 30, 2023 and 2022, respectively. Total property tax revenue for the retirement of debt related to the 2014 and 2017 bond issuance and capital improvements projects was $2,959,309 and $2,778,854 for the years ended June 30, 2023 and 2022, respectively.

Note 3 - Cash and Investments

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	$ 10,325,062	$ 12,991,657
Short-term investments	8,887,161	3,875,664
Long-term Investments	4,210,579	3,644,784
Total cash and investments	$ 23,422,802	$ 20,512,105

The amounts in the table above are classified in the following categories:

	2023	2022
Cash and cash equivalents	$ 10,315,929	$ 12,980,386
Investments in securities and similar instruments	13,097,740	7,520,448
Petty cash and cash on hand	9,133	11,271
Total cash and investments	$ 23,422,802	$ 20,512,105

As of June 30, 2023, the College had the following investments and maturities:

	Total	Less Than 1 Year	1-5 Years
Certificates of deposit	$ 11,620,651	$ 8,547,032	$ 3,073,619
Notes and bonds	1,477,089	340,129	1,136,960
Total	$ 13,097,740	$ 8,887,161	$ 4,210,579

As of June 30, 2022, the College had the following investments and maturities:

	Total	Less Than 1 Year	1-5 Years
Certificates of deposit	$ 5,861,863	$ 2,714,314	$ 3,147,549
Notes and bonds	1,658,585	1,161,350	497,235
Total	$ 7,520,448	$ 3,875,664	$ 3,644,784

Note 3 - Cash and Investments (Continued)

The College's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be available or returned. The College does not have a deposit policy for custodial credit risk. At June 30, 2023 and 2022, the carrying amount of the College's deposits was $15,388,655 and $19,238,293, respectively. Of that amount, $3,000,000 and $3,250,000 was insured by the Federal Deposit Insurance Corporation and National Credit Union Insurance Fund. The remaining $12,388,655 and $15,988,293 at June 30, 2023 and 2022, respectively, was uninsured and uncollateralized. The College does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's investment policy does not address custodial credit risk. 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.

	2023	2022
Fifth Third Bank	15.00 %	28.00 %
JPMorgan Chase Bank	7.00	12.00
Kellogg Community Federal Credit Union	5.00	8.00
MI State Bldg Authority Bond	4.00	8.00
TCF Bank/Chemical Bank	-	7.00
Morgan Stanley	2.00	7.00
Omni Credit Union	-	5.00
Oakland University Bond	5.00	-

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The College does invest in accordance with state law.

Note 3 - Cash and Investments (Continued)

Credit Risk

According to state law, the College must limit investments in commercial paper to corporations rated prime by at least one of the standard rating services. The Foundation invests in mutual funds with a long-term growth objective.

At June 30, 2023 and 2022, the College's investments (notes and bonds) subject to credit risk (interest rate fluctuations) and related ratings consisted of the following:

	2023		2022	
Investment	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Michigan State Building Authority Bond, 0.25%, 10/15/2022	$ -		$ 621,925	Aa2
Oakland University Bond, 0.51%, 3/1/2023	-		306,051	A1
St. Clair County MI Bond, 0.35%, 4/1/23	-		133,697	AA
Federal Home Loan Bank, 1.00%, 4/2/2023	-		99,677	Aaa
Michigan Finance Authority Rev School Loan, 3.35%, 9/1/2023	-		497,235	Aa2
Federal Home Loan Bank, 1.04%, 6/14/24	340,129	Aaa	-	
Michigan Finance Authority Rev Bond, 2.61%, 11/1/2025	659,400	Aa2	-	
Michigan Finance Authority Rev School Loan, 3.396%, 9/1/2026	477,560	Aa2	-	
Total	$ 1,477,089		$ 1,658,585	

The nationally recognized statistical rating organizations (NRSRO) utilized are primarily Moody's Investors Service or Standard & Poor's.

Foundation Investments

Investments at Kellogg Community College Foundation are as follows:

	2023	2022	Total
Mutual funds	$ 7,430,927	$ 8,050,160	$ 22,842,819
Exchange-traded funds	2,752,203	2,480,424	7,886,426
Stocks	2,875,725	2,871,083	9,083,764
Total	$ 13,058,855	$ 13,401,667	$ 39,813,009

The Foundation invests in mutual funds with a long-term objective to preserve principal and provide appreciation. Due to the long-term nature of the investments, the Foundation does not limit investment maturities. The Foundation is also not limited to the investing restrictions imposed on the College by state law.

Note 4 - Fair Value Measurements

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

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

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 2023 and 2022 and the valuation techniques used by the College to determine those values:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2023
Notes and bonds	$ -	$ 1,477,089	$ -	$ 1,477,089

The College has the following recurring fair value measurements as of June 30, 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Notes and bonds	$ -	$ 1,658,585	$ -	$ 1,658,585

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 4 - Fair Value Measurements (Continued)

The Foundation's investments classified as Level 1 are valued quoted prices in active markets for identical assets the Foundation has the ability to access. The following tables represent the Foundation's assets measured at fair value on a recurring basis at June 30, 2023 and 2022:

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Obervable Inputs (Level 2)	Significant Unobervable Inputs (Level 3)	Balance at June 30, 2023
Mutual funds	$ 7,430,927	$ -	$ -	$ 7,430,927
Exchange-traded funds	2,752,203	-	-	2,752,203
Stocks	2,875,725	-	-	2,875,725
Total investments by fair value level	$ 13,058,855	$ -	$ -	$ 13,058,855

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Obervable Inputs (Level 2)	Significant Unobervable Inputs (Level 3)	Balance at June 30, 2022
Mutual funds	$ 8,050,160	$ -	$ -	$ 8,050,160
Exchange-traded funds	2,480,424	-	-	2,480,424
Stocks	2,871,083	-	-	2,871,083
Total investments by fair value level	$ 13,401,667	$ -	$ -	$ 13,401,667

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2023	2022
Student and third party	$ 5,138,697	$ 6,018,717
Grants and contracts	2,268,498	5,074,509
State appropriations - Operating	2,448,447	2,338,083
Other	496,953	152,518
Less allowance for uncollectibles	4,350,000	3,900,000
Net accounts receivable	$ 6,002,595	$ 9,683,827

The College values accounts receivable at gross realizable value. All amounts deemed to be uncollectible are charged directly against income in the period that determination is made.

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Additions	Disposals and Transfers	Ending Balance
Land	$ 290,602	$ -	$ -	$ 290,602
Construction in progress	296,312	42,517	(254,580)	84,249
Subtotal - Nondepreciable assets	586,914	42,517	(254,580)	374,851
Land improvements	4,680,893	477,776	(1,128,515)	4,030,154
Building and building improvements	95,795,484	1,148,820	(12,951)	96,931,353
Furniture, fixtures, and equipment	18,561,586	838,653	(564,270)	18,835,969
Right-of-use assets - IT subscriptions	-	1,176,749	-	1,176,749
Subtotal - Depreciable assets	119,037,963	3,641,998	(1,705,736)	120,974,225
Accumulated depreciation and amortization:				
Building and building improvements	34,812,772	2,288,695	(11,656)	37,089,811
Land improvements	2,724,105	218,317	(1,128,515)	1,813,907
Furniture, fixtures, and equipment	13,714,103	849,845	(559,982)	14,003,966
Right-of-use assets - IT subscriptions	-	564,519	-	564,519
Total accumulated depreciation and amortization	51,250,980	3,921,376	(1,700,153)	53,472,203
Capital assets - Net	$ 68,373,897	$ (236,861)	$ (260,163)	$ 67,876,873

Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Disposals and Transfers	Ending Balance
Land	$ 290,602	$ -	$ -	$ 290,602
Construction in progress	163,742	283,717	(151,147)	296,312
Subtotal - Nondepreciable assets	454,344	283,717	(151,147)	586,914
Land improvements	4,445,991	245,202	(10,300)	4,680,893
Buildings and building improvements	92,974,544	2,826,907	(5,967)	95,795,484
Furniture, fixtures, and equipment	18,254,604	1,159,123	(852,141)	18,561,586
Subtotal - Depreciable assets	115,675,139	4,231,232	(868,408)	119,037,963
Accumulated depreciation:				
Buildings and improvements	32,612,704	2,247,662	(47,594)	34,812,772
Land improvements	2,535,272	199,133	(10,300)	2,724,105
Furniture, fixtures, and equipment	13,753,734	847,552	(887,183)	13,714,103
Total accumulated depreciation	48,901,710	3,294,347	(945,077)	51,250,980
Capital assets - Net	$ 67,227,773	$ 1,220,602	$ (74,478)	$ 68,373,897

The College obtains the right to use vendors' information technology software through various long-term contracts. The College has recognized an intangible right-of-use subscription asset that is being amortized on a straight-line basis over its useful life.

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2023 and 2022 can be summarized as follows:

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
College Building and Site Bonds - Series 2014	$ 2,465,000	$ -	$ (495,000)	$ 1,970,000	$ 495,000
College Building and Site Bonds - Series 2017	6,890,000	-	(1,000,000)	5,890,000	1,035,000
Other Long-term Liabilities					
Accrued retirement and compensated absences	4,250,000	-	(435,000)	3,815,000	1,215,000
Unamortized bond premium - Series 2014	86,226	-	(18,129)	68,097	18,129
Unamortized bond premium - Series 2017	289,422	-	(48,237)	241,185	48,237
Subscription arrangements	-	1,176,749	(564,517)	612,232	571,647
Total long-term obligations	$ 13,980,648	$ 1,176,749	$ (2,560,883)	$ 12,596,514	$ 3,383,013

Note 7 - Long-term Obligations (Continued)

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
College Building and Side Bonds - Series 2014	$ 2,960,000	$ -	$ (495,000)	$ 2,465,000	$ 495,000
College Building and Side Bonds - Series 2017	7,890,000	-	(1,000,000)	6,890,000	1,000,000
Other Long-term Liabilities					
Accrued retirement and compensated absences	4,015,000	235,000	-	4,250,000	1,550,000
Unamortized bond premium - Series 2014	104,356	-	(18,130)	86,226	18,129
Unamortized bond premium - Series 2017	337,659	-	(48,237)	289,422	48,237
Total long-term obligations	$ 15,307,015	$ 235,000	$ (1,561,367)	$ 13,980,648	$ 3,111,366

College Building and Site Bonds - Series 2017

Bonds were issued in June 2017 for $9,375,000. Interest on the bonds ranges from 2.00 percent to 3.00 percent and is payable semiannually in April and October. The principal payments range from $410,000 to $1,320,000, with the final principal installment of $1,320,000 due on April 1, 2028. The proceeds from the bonds have been used for capital projects.

College Building and Site Bonds - Series 2014

Bonds were issued in March 2014 for $9,750,000. Interest on the bonds ranges from 2.00 percent to 3.00 percent and is payable semiannually in April and October. The principal payments range from $490,000 to $995,000, with the final principal installment of $490,000 due on April 1, 2027. The proceeds from the bonds were used for capital projects.

Total principal and interest maturities on the bonds payable as of June 30, 2023 are as follows:

	Debt Obligations		
Years Ending June 30	Principal	Interest	Total
2024	$ 1,530,000	$ 235,775	$ 1,765,775
2025	1,580,000	191,113	1,771,113
2026	1,670,000	144,950	1,814,950
2027	1,760,000	94,850	1,854,850
2028	1,320,000	39,600	1,359,600
Total	$ 7,860,000	$ 706,288	$ 8,566,288

Accrued Retirement and Compensated Absences

The College provides termination benefits upon departure from the College resulting from unused sick time and years of service and defined by each respective labor contract and administrative policy under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible, and certain assumptions are used to determine the probability of reaching the criteria required for eligibility. Included in the current portion of the accrual is earned but not used vacation and amounts to be provided to employees who will be retiring in the upcoming fiscal year. Management believes these calculations accurately reflect the College's liability as a result of offering these benefits.

Note 7 - Long-term Obligations (Continued)

Subscription Arrangements

The College has recognized a subscription liability for the right to use vendors' information technology software through various long-term contracts. The liability is measured at an initial amount based on the present value of payments expected to be made during the subscription period.

The College's future principal and interest payment requirements related to the right-of-use IT assets at June 30, 2023 are as follows:

Years Ending June 30	Principal	Interest	Total
2024	$ 571,647	$ 23,200	$ 594,847
2025	40,585	1,650	42,235
Total	$ 612,232	$ 24,850	$ 637,082

Note 8 - Retirement Plans

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (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. Certain college employees also receive defined contribution retirement and health care benefits through the System. MPSERS provides retirement, survivor, and disability benefits to plan members and their beneficiaries. MPSERS also provides postemployment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report is available on the web at http://www.michigan.gov/orsschools or by writing to the Office of Retirement Services (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan and the postemployment health care plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment health care 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 by 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Note 8 - Retirement Plans (Continued)

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits 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 who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS, with the balance deducted from the monthly pension of each retiree health care recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 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. Participating employers are required to contribute at that rate.

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

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - June 30, 2023	13.75% - 20.16%	7.21% - 8.07%

Note 8 - Retirement Plans (Continued)

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the years ended June 30, 2023 and 2022 were $6,553,211 and $4,850,541, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $2,271,149 and $1,969,224 in revenue received from the State of Michigan to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2023 and 2022, respectively. In addition, for the year ended June 30, 2023, the College received $1,403,893 of a one-time state payment received and remitted to the System for the purpose of contributing additional assets to the System.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2023 and 2022 were $1,176,300 and $1,198,916, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2023 and 2022, the College reported a liability of $49,453,021 and $33,728,951, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021 and 2020, which used update procedures to roll forward the estimated liability to September 30, 2022 and 2021. 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, 2022, 2021, and 2020, the College's proportion was 0.13149 percent, 0.14246 percent, and 0.14720 percent, respectively.

Net OPEB Liability

At June 30, 2023 and 2022, the College reported a liability of $2,938,295 and $2,072,979, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022 and 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021 and 2020, which used update procedures to roll forward the estimated liability to September 30, 2022 and 2021. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2022, 2021, and 2020, the College’s proportion was 0.13873 percent, 0.13581 percent, and 0.14745 percent, respectively.

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

For the years ended June 30, 2023 and 2022, the College recognized pension expense of $4,631,385 and $2,954,810, respectively, inclusive of payments to fund the MSPERS UAAL stabilization rate.

Note 8 - Retirement Plans (Continued)

At June 30, 2023 and 2022, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 494,703	$ (110,572)	$ 522,476	$ (198,623)
Changes of assumptions	8,497,800	-	2,126,153	-
Net difference between projected and actual earnings on pension plan assets	115,967	-	-	(10,843,749)
Changes in proportion and differences between college contributions and proportionate share of contributions	3,366	(3,524,748)	-	(1,694,853)
College contributions subsequent to the measurement date	5,659,984	-	3,984,613	-
Total	$ 14,771,820	$ (3,635,320)	$ 6,633,242	$ (12,737,225)

The $3,675,042 and $1,969,224 reported as deferred inflows of resources resulting from the pension portion of the state aid payments will be recognized as state appropriations revenue for the years ended June 30, 2023 and 2022, respectively. 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	Amount
2024	$ 1,350,750
2025	814,548
2026	760,757
2027	2,550,462
Total	$ 5,476,517

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

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

For the years ended June 30, 2023 and 2022, the College recognized OPEB recovery of $1,385,675 and $1,432,495, respectively.

Note 8 - Retirement Plans (Continued)

At June 30, 2023 and 2022, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (5,754,993)	$ -	$ (5,917,172)
Net difference between projected and actual earnings on OPEB plan investments	229,651	-	1,732,908	(259,308)
Changes of assumptions	2,618,996	(213,254)	-	(1,562,442)
Changes in proportion and differences between college contributions and proportionate share of contributions	190,537	(749,265)	55,601	(1,033,991)
College contributions subsequent to the measurement date	799,655	-	814,755	-
Total	$ 3,838,839	$ (6,717,512)	$ 2,603,264	$ (8,772,913)

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

	Amount
2024	$ (1,315,837)
2025	(1,132,243)
2026	(1,000,709)
2027	(190,926)
2028	(45,353)
Thereafter	6,740
Total	$ (3,678,328)

Note 8 - Retirement Plans (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2022 and 2021 are based on the results of an actuarial valuation date of September 30, 2021 and 2020 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

	2022	2021
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return - Pension	6.00 percent - Net of investment expenses based on the groups	6.00 percent - 6.80 percent - Net of investment expenses based on the groups
Investment rate of return - OPEB	6.00 percent - Net of investment expenses based on the groups	6.95 percent - Net of investment expenses based on the groups
Salary increases	2.75 - 11.55 percent, including wage inflation of 2.75 percent	2.75 - 11.55 percent, including wage inflation of 2.75 percent
Health care cost trend rate	Pre-65: 7.75 percent (year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120); post-65: 5.25 percent (year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120)	Pre-65: 7.75 percent (year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120); post-65: 5.25 percent (year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120)
Mortality basis	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) adjusted for mortality improvements using projection scale MP-2017 from 2006	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00 percent, annual noncompounded for MIP members	3.00 percent, annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Significant assumption changes since the measurement date September 30, 2021, for both the pension and OPEB plan include a reduction of both plans' discount rates to 6.00 percent.

Significant assumption changes since the measurement date of September 30, 2020, for both the pension and OPEB plan includes a decrease in the discount rate and investment rate of return by 0.80 percentage points in the pension plan and 0.95 percentage points in the OPEB plan.

There were no significant benefit term changes for the pension or OPEB plans since the measurement date of September 30, 2021.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 percent and 6.00 to 6.80 percent as of September 30, 2022 and 2021, respectively. The discount rate used to measure the total OPEB liability was 6.00 percent and 6.95 percent as of September 30, 2022 and 2021, respectively. 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 College contributions will be made at statutorily required rates.

Note 8 - Retirement Plans (Continued)

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

Investment Rate of Return

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

	September 30, 2023		September 30, 2022	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.10 %	25.00 %	5.40 %
Private equity pools	16.00	8.70	16.00	9.10
International equity pools	15.00	6.70	15.00	7.50
Real return/Opportunistic pools	10.00	5.80	12.50	6.10
Fixed-income pools	13.00	(0.20)	10.50	(0.70)
Real estate and infrastructure pools	10.00	5.30	10.00	5.40
Absolute return pools	9.00	2.70	9.00	2.60
Short-term investment pools	2.00	(0.50)	2.00	(1.30)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2023		
	1 Percentage Point Decrease (5.00%)	Current Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net pension liability	$ 65,259,616	$ 49,453,021	$ 36,427,675

The following presents the net pension liability of the College, calculated using the discount rate of 6.00 to 6.80 percent, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2022		
	1 Percentage Point Decrease (5.00%-5.80%)	Current Rate (6.00%-6.80%)	1 Percentage Point Increase (7.00%-7.80%)
Net pension liability	$ 48,223,253	$ 33,728,951	$ 21,712,225

Note 8 - Retirement Plans (Continued)

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the College, calculated using the current discount rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2023		
	1 Percentage Point Decrease (5.00%)	Current Rate (6.00%)	1 Percentage Point Increase (7.00%)
Net OPEB liability	$ 4,928,706	$ 2,938,295	$ 1,262,121

	2022		
	1 Percentage Point Decrease (5.95%)	Current Rate (6.95%)	1 Percentage Point Increase (7.95%)
Net OPEB liability	$ 3,851,970	$ 2,072,979	$ 563,252

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the College, calculated using the current health care cost trend rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2023		
	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability	$ 1,230,417	$ 2,938,295	$ 4,855,421

	2022		
	1 Percentage Point Decrease	Current Rate	1 Percentage Point Increase
Net OPEB liability	$ 504,547	$ 2,072,979	$ 3,837,655

Pension Plan and OPEB 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 and OPEB

At June 30, 2023, the College reported a payable of $890,532 and $192,404 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2023. At June 30, 2022, the College reported a payable of $875,214 and $209,076 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022.

Note 8 - Retirement Plans (Continued)

Defined Contribution Plan

As an alternative pension option, the College offers full-time faculty and administrative employees the opportunity to participate in the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Funding for the plan consists of employer contributions of 10.62 percent and employee contributions of 4.01 percent of covered compensation for the years ended June 30, 2023 and 2022 and has no liability beyond its own contribution. Benefits vest immediately. Compensation covered under the plan for the years ended June 30, 2023 and 2022 was $10,174,781 and $9,394,893, resulting in contributions of $1,080,008 and $992,276 for the College and $408,009 and $375,796 for employees, respectively.

Note 9 - Tax Abatements

The College receives reduced property tax revenue as a result of industrial facilities tax exemptions (PA 198 of 1974) and brownfield redevelopment agreements granted by cities, villages, and townships within Barry, Branch, Calhoun, Hillsdale, Kalamazoo, and St. Joseph counties that impact the College. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; brownfield redevelopment agreements are intended to reimburse taxpayers who remediate environmental contamination on their properties.

For the years ended June 30, 2023 and 2022, the College’s property tax revenue was reduced by $18,578 and $23,281, respectively, under these programs.

The College is reimbursed for lost revenue caused by tax abatements on the operating millage of nonhomestead properties from the State of Michigan under the School Aid formula. The College received approximately $18,578 in reimbursements from the State of Michigan. The College is not reimbursed for lost revenue from the sinking fund or debt service millages (these are examples only). There are no abatements made by the College.

Note 10 - Kellogg Community College Foundation

The Foundation was incorporated in 1998 and was organized to provide support exclusively for the objectives and purposes of Kellogg Community College and to augment the facilities of the College in such a manner as may be designated by its board of trustees. During the years ended June 30, 2023 and 2022, the Foundation made grants and distributions to and on behalf of the College totaling $667,273 and $675,544, respectively. If the Foundation was dissolved, its remaining assets would be distributed to the College.

The Foundation's net assets include donor-restricted endowment funds, whose purpose is to provide scholarships to students of the College. Net assets associated with these funds are classified and reported based on the existence or absence of donor- or board-imposed restrictions. Endowment net assets with donor restrictions are $8,279,926 and $7,788,162 as of June 30, 2023 and 2022, respectively. Excess earnings on the endowments, classified as earnings with donor restrictions, are $2,055,217 and $2,482,585 as of June 30, 2023 and 2022, respectively.

Note 11 - 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 has purchased commercial insurance for property loss, errors and omissions, and medical benefits provided to employees and claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 - Risk Management (Continued)

Self-insurance

The College is self-insured for health benefits. The College estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. The College has purchased insurance to protect the College for claims in excess of $35,000.

	Medical Claims		
	2023	2022	2021
Estimated liability - Beginning of year	$ 325,000	$ 320,000	$ 135,000
Estimated claims incurred, including changes in estimates	(1,380,262)	(1,348,752)	(965,059)
Less claim payments	1,355,262	1,353,752	1,150,059
Estimated liability - End of year	$ 300,000	$ 325,000	$ 320,000

Required Supplementary Information

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Nine Plan Years

Plan Years Ended September 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the collective MPSERS net pension liability - As a percentage	0.13149 %	0.14246 %	0.14720 %	0.14815 %	0.15119 %	0.15319 %	0.15533 %	0.15909 %	0.16241 %
College's proportionate share of the net pension liability	$ 49,453,021	$ 33,728,951	$ 50,565,083	$ 49,063,382	$ 45,450,930	$ 39,698,031	$ 38,754,345	$ 38,858,498	$ 35,772,662
College's covered payroll	$ 13,617,493	$ 12,403,329	$ 13,147,668	$ 12,861,160	$ 12,782,002	$ 12,976,426	$ 13,306,128	$ 13,571,978	$ 13,936,866
College's proportionate share of the collective pension liability as a percentage of the College's covered payroll	363.16 %	271.93 %	384.59 %	381.48 %	355.59 %	305.92 %	291.25 %	286.31 %	256.68 %
MPSERS fiduciary net position as a percentage of the total pension liability	60.77 %	72.32 %	59.49 %	60.08 %	62.12 %	63.96 %	63.01 %	62.92 %	66.15 %

Required Supplementary Information
Schedule of the College's Pension Contributions
Michigan Public School Employees' Retirement System

Last Nine Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 6,320,968	$ 4,644,306	$ 4,425,530	$ 4,167,765	$ 4,018,085	$ 3,890,197	$ 3,524,952	$ 3,639,846	$ 4,286,250
Contributions in relation to the statutorily required contribution	6,320,968	4,644,306	4,425,530	4,167,765	4,018,085	3,890,197	3,524,952	3,639,846	4,286,250
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
College's Covered Payroll	$ 13,254,351	$ 13,471,154	$ 12,336,717	$ 13,156,439	$ 12,846,523	$ 12,632,265	$ 12,597,901	$ 12,846,838	$ 13,800,928
Contributions as a Percentage of Covered Payroll	47.69 %	34.48 %	35.87 %	31.68 %	31.28 %	30.80 %	27.98 %	28.33 %	31.06 %

Notes to Required Supplementary Information

Benefit changes - There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in assumptions - There were no significant changes of assumptions for each of the reported plan years ended September 30 except for the following:

2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.80 percent.
2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25 percentage points.
2019 - The discount rate used in the September 30, 2017 actuarial valuation was decreased by 0.45 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017.
2018 - The discount rate used in the September 30, 2016 actuarial valuation was decreased by 0.50 percentage points.

Required Supplementary Information
Schedule of the College's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last Six Plan Years

Plan Years Ended September 30

	2022	2021	2020	2019	2018	2017
College's proportion of the collective MPSERS net OPEB liability - As a percentage	0.13873 %	0.13581 %	0.14745 %	0.14658 %	0.14930 %	0.15389 %
College's proportionate share of the net OPEB liability	$ 2,938,295	$ 2,072,979	$ 7,899,418	$ 10,521,035	$ 11,893,676	$ 13,627,456
College's covered payroll	$ 13,617,493	$ 12,403,329	$ 13,147,668	$ 12,861,160	$ 12,782,002	$ 12,976,426
College's proportionate share of the collective OPEB liability as a percentage of the College's covered payroll	21.58 %	16.71 %	60.08 %	81.80 %	93.05 %	105.02 %
MPSERS fiduciary net position as a percentage of the total OPEB liability	83.09 %	88.87 %	59.76 %	48.67 %	43.10 %	36.53 %

Required Supplementary Information
Schedule of the College's OPEB Contributions
Michigan Public School Employees' Retirement System

Last Five Fiscal Years

Years Ended June 30

	2023	2022	2021	2020	2019
Statutorily required contribution	$ 1,066,869	$ 1,097,791	$ 1,026,631	$ 1,057,199	$ 1,009,099
Contributions in relation to the actuarially determined contractually required contribution	1,066,869	1,097,791	1,026,631	1,057,199	1,009,099
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ 13,254,351	$ 13,471,154	$ 12,336,717	$ 13,156,439	$ 12,846,523
Contributions as a Percentage of Covered Payroll	8.05 %	8.15 %	8.32 %	8.04 %	7.86 %

Notes to Required Supplementary Information

Benefit changes - There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in assumptions - There were no significant changes in assumptions for each of the reported plan years ended September 30 except for the following:

2022 - The discount rate and investment rate of return used in the September 30, 2021 actuarial valuation decreased by 0.95 percent. This resulted in lower than projected per person health benefit costs to reduce the plan's total OPEB liability by an additional $1.1 billion in 2022.

2021 - The health care cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percentage points for members under 65 and decreased by 1.75 percentage points for members over 65. In addition, actual per person health benefit cost was lower than projected. This reduced the plan's total OPEB liability by $1.3 billion in 2021.

2020 - The health care cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percentage points, and actual per person health benefit cost was lower than projected. This reduced the plan's total OPEB liability by $1.8 billion in 2020.

2019 - The discount rate used in the September 30, 2018 actuarial valuation was decreased by 0.20 percentage points. The valuation also includes the impact of an updated experience study for the periods from 2012 to 2017. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by an additional $1.4 billion in 2019.

2018 - The discount rate used in the September 30, 2017 actuarial valuation was decreased by 0.35 percentage points. This resulted in a lower than projected per person health benefit cost to reduce the plan's total OPEB liability by $1.4 billion in 2018.

Other Supplementary Information

	General Fund	MPSERS Fund	Auxiliary Fund
Assets			
Current assets:			
Cash and cash equivalents	$ 10,325,062	$ -	$ -
Short-term investments	8,887,161	-	-
Accounts receivable - Net	3,634,589	-	47,826
Other current assets	974,536	-	295,260
Due from other funds	-	1,700,000	978,142
Total current assets	23,821,348	1,700,000	1,321,228
Noncurrent assets:			
Long-term investments	4,210,579	-	-
Capital assets - Net	-	-	-
Total noncurrent assets	4,210,579	-	-
Total assets	28,031,927	1,700,000	1,321,228
Deferred Outflows of Resources	-	18,610,659	-
Liabilities			
Current liabilities:			
Accounts payable	611,983	-	3,720
Accrued payroll and related liabilities	2,096,566	-	-
Unearned revenue	1,250,975	-	-
Subscription based IT arrangements - Current	-	-	-
Accrued retirement and compensated absences - Current	1,125,000	-	40,000
Bonds payable - Current	-	-	-
Unamortized bond premium - Current	-	-	-
Other current liabilities	1,078,913	-	96,418
Due to other funds	12,500,462	-	-
Total current liabilities	18,663,899	-	140,138
Noncurrent liabilities:			
Accrued retirement and compensated absences	2,600,000	-	-
Bonds payable - Net of current portion	-	-	-
Unamortized bond premium - Net of current portion	-	-	-
Subscription based IT arrangements - net of current portion	-	-	-
Net pension liability	-	49,453,021	-
Net OPEB liability	-	2,938,295	-
Total noncurrent liabilities	2,600,000	52,391,316	-
Total liabilities	21,263,899	52,391,316	140,138
Deferred Inflows of Resources	-	14,027,874	-
Net Position			
Net investment in capital assets	-	-	-
Restricted:			
Expendable grants and scholarships	-	-	-
Capital improvements	-	-	-
Unrestricted	6,768,028	(46,108,531)	1,181,090
Total net position	**$ 6,768,028**	**$ (46,108,531)**	**$ 1,181,090**

Combining Statement of Net Position

June 30, 2023
(with comparative totals for 2022)

Restricted Fund	Plant Fund	Fund Total	Eliminations	2023	2022
$ -	$ -	$ 10,325,062	$ -	$ 10,325,062	$ 12,991,657
-	-	8,887,161	-	8,887,161	3,875,664
2,320,180	-	6,002,595	-	6,002,595	9,683,827
-	-	1,269,796	-	1,269,796	1,171,613
-	10,434,961	13,113,103	(13,113,103)	-	-
2,320,180	10,434,961	39,597,717	(13,113,103)	26,484,614	27,722,761
-	-	4,210,579	-	4,210,579	3,644,784
-	67,876,873	67,876,873	-	67,876,873	68,373,897
-	67,876,873	72,087,452	-	72,087,452	72,018,681
2,320,180	78,311,834	111,685,169	(13,113,103)	98,572,066	99,741,442
-	-	18,610,659	-	18,610,659	9,236,506
-	-	615,703	-	615,703	945,407
-	-	2,096,566	-	2,096,566	3,397,807
1,548,568	-	2,799,543	-	2,799,543	2,712,773
-	571,647	571,647	-	571,647	-
50,000	-	1,215,000	-	1,215,000	1,550,000
-	1,530,000	1,530,000	-	1,530,000	1,495,000
-	66,366	66,366	-	66,366	66,366
-	-	1,175,331	-	1,175,331	98,323
612,641	-	13,113,103	(13,113,103)	-	-
2,211,209	2,168,013	23,183,259	(13,113,103)	10,070,156	10,265,676
-	-	2,600,000	-	2,600,000	2,700,000
-	6,330,000	6,330,000	-	6,330,000	7,860,000
-	242,916	242,916	-	242,916	309,282
-	40,585	40,585	-	40,585	-
-	-	49,453,021	-	49,453,021	33,728,951
-	-	2,938,295	-	2,938,295	2,072,979
-	6,613,501	61,604,817	-	61,604,817	46,671,212
2,211,209	8,781,514	84,788,076	(13,113,103)	71,674,973	56,936,888
-	-	14,027,874	-	14,027,874	23,479,362
-	59,707,591	59,707,591	-	59,707,591	58,643,249
108,971	-	108,971	-	108,971	108,971
-	4,159,442	4,159,442	-	4,159,442	3,394,882
-	5,663,287	(32,496,126)	-	(32,496,126)	(33,585,404)
$ 108,971	**$ 69,530,320**	**$ 31,479,878**	**$ -**	**$ 31,479,878**	**$ 28,561,698**

	General Fund	MPSERS Fund	Auxiliary Fund
Operating Revenue			
Tuition and fees - Net of scholarship allowance	$ 16,333,948	$ -	$ 768,500
Federal grants and contracts	-	-	-
State grants and contracts	-	-	-
Private gifts, grants, and contracts	-	-	-
Sales and services of auxiliary activities	-	-	1,328,141
Other sources	794,910	-	94,085
Total operating revenue	17,128,858	-	2,190,726
Operating Expenses			
Instruction	19,185,306	(1,699,740)	-
Information technology	2,462,298	(218,150)	-
Public service	173,105	(15,336)	-
Instructional support	7,825,700	(693,325)	-
Student services	5,258,946	(465,921)	829,604
Institutional administration	4,910,067	(435,012)	-
Physical plant operations	4,679,563	(414,589)	-
Auxiliary enterprises	-	-	1,623,989
Depreciation and amortization	-	-	-
Total operating expenses	44,494,985	(3,942,073)	2,453,593
Operating (Loss) Income	(27,366,127)	3,942,073	(262,867)
Nonoperating Revenue (Expenses)			
State appropriations	16,838,016	(1,705,818)	38,850
Property taxes	11,299,054	-	-
Pell revenue	-	-	-
Federal stimulus revenue	-	-	-
Investment income	640,529	-	-
Gain (loss) on disposal of capital assets	-	-	-
Interest on capital asset - Related debt	-	-	-
Net nonoperating revenue (expense)	28,777,599	(1,705,818)	38,850
Income (Loss) - Before other revenue	1,411,472	2,236,255	(224,017)
Transfers In (Out)	(1,018,474)	-	-
Change in Net Position	392,998	2,236,255	(224,017)
Net Position - Beginning of year	6,375,030	(48,344,786)	1,405,107
Net Position - End of year	**$ 6,768,028**	**$ (46,108,531)**	**$ 1,181,090**

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

June 30, 2023
(with comparative totals for 2022)

Restricted Fund	Plant Fund	Fund Total	Eliminations	2023	2022
$ 30,516	$ -	$ 17,132,964	(4,369,854)	$ 12,763,110	$ 12,326,995
2,240,989	-	2,240,989		2,240,989	1,974,812
228,624	-	228,624	-	228,624	15,737
3,005,628	100	3,005,728	-	3,005,728	1,899,550
-	-	1,328,141	(338,750)	989,391	918,851
-	-	888,995	(273,000)	615,995	645,391
5,505,757	100	24,825,441	(4,981,604)	19,843,837	17,781,336
790,364	-	18,275,930	-	18,275,930	17,763,017
-	-	2,244,148	-	2,244,148	2,472,999
-	-	157,769	-	157,769	116,246
82,139	-	7,214,514	-	7,214,514	6,683,849
9,686,807	-	15,309,436	(4,708,604)	10,600,832	13,022,765
-	-	4,475,055	-	4,475,055	4,300,768
11,150	225,168	4,501,292	-	4,501,292	5,284,033
-	-	1,623,989	(273,000)	1,350,989	1,428,577
-	3,921,376	3,921,376	-	3,921,376	3,294,347
10,570,460	4,146,544	57,723,509	(4,981,604)	52,741,905	54,366,601
(5,064,703)	(4,146,444)	(32,898,068)	-	(32,898,068)	(36,585,265)
53,565	621,189	15,845,802	-	15,845,802	15,843,409
-	2,959,309	14,258,363	-	14,258,363	13,388,909
5,303,028	-	5,303,028	-	5,303,028	5,092,399
-	-	-	-	-	8,347,334
-	-	640,529	-	640,529	(83,416)
-	(5,585)	(5,585)	-	(5,585)	(55,207)
-	(225,889)	(225,889)	-	(225,889)	(244,315)
5,356,593	3,349,024	35,816,248	-	35,816,248	42,289,113
291,890	(797,420)	2,918,180	-	2,918,180	5,703,848
(291,890)	1,310,364	-	-	-	-
-	512,944	2,918,180	-	2,918,180	5,703,848
108,971	69,017,376	28,561,698	-	28,561,698	22,857,850
$ 108,971	**$ 69,530,320**	**$ 31,479,878**	**$ -**	**$ 31,479,878**	**$ 28,561,698**

Schedule of General Fund Expenditures

Year Ended June 30, 2023
(with comparative totals for the year ended June 30, 2022)

	Salaries and Related Expenses	Other Expenses	Equipment	June 30, 2023 Total	June 30, 2022 Total
Instruction					
General education	$ 6,593,097	$ 50,049	$ -	6,643,146	$ 6,495,392
Business and human services	2,760,815	170,004	-	2,930,819	2,612,012
Technical and industrial trades	1,723,546	340,204	-	2,063,750	2,134,971
Health occupations	5,930,503	476,145	-	6,406,648	5,956,172
Developmental and basic skills	746,305	-	-	746,305	717,796
Human development	245,981	-	-	245,981	238,707
Personal interest	129,106	-	-	129,106	181,849
Equipment	-	-	19,551	19,551	16,577
Total instruction	18,129,353	1,036,402	19,551	19,185,306	18,353,476
Information Technology	1,608,506	717,463	136,329	2,462,298	2,723,907
Public Service	163,699	9,406	-	173,105	128,040
Instructional Support					
Instructional support	6,968,843	846,853	-	7,815,696	7,359,380
Equipment	-	-	10,004	10,004	2,605
Total instructional support	6,968,843	846,853	10,004	7,825,700	7,361,985
Student Services					
Student services programs and administration	3,712,447	337,984	-	4,050,431	4,190,820
Financial aid	776,325	273,534	-	1,049,859	886,089
Intercollegiate athletics	-	141,336	-	141,336	140,292
Equipment	-	-	17,320	17,320	6,564
Total student services	4,488,772	752,854	17,320	5,258,946	5,223,765
Institutional Administration					
Institutional administration	3,128,723	1,751,774	-	4,880,497	4,680,141
Equipment	-	-	29,570	29,570	56,978
Total institutional administration	3,128,723	1,751,774	29,570	4,910,067	4,737,119
Physical Plant Operations					
Physical plant operations	1,266,928	1,807,170	-	3,074,098	3,020,647
Energy services	-	828,883	-	828,883	787,438
Campus security	271,608	476,485	-	748,093	553,746
Equipment	-	-	28,489	28,489	-
Total physical plant operations	1,538,536	3,112,538	28,489	4,679,563	4,361,831
Total expenditures	**$ 36,026,432**	**$ 8,227,290**	**$ 241,263**	**$ 44,494,985**	**$ 42,890,123**