

Kalamazoo Valley Community College

**Financial Report
with Supplemental Information
June 30, 2022**

Kalamazoo Valley Community College

Contents

Report Letter	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Statement of Net Position	14
Statement of Revenue, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16-17
Discretely Presented Component Unit - Foundation - Balance Sheet and Statement of Activities	18
Notes to Financial Statements	19-43
Required Supplemental Information	44
Schedule of Proportionate Share of Net Pension Liability	45
Schedule of Contributions	45
Schedule of Proportionate Share of Net Other Postemployment Benefits Liability	46
Schedule of Other Postemployment Benefit Contributions	46
Supplemental Information	47
Combining Statement of Net Position	48
Combining Statement of Revenue, Expenses, and Changes in Net Position	49

Independent Auditor's Report

To the Board of Trustees
Kalamazoo Valley 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 Kalamazoo Valley Community College (the "College") as of and for the years ended June 30, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the 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 the College as of June 30, 2022 and 2021 and the respective changes in its financial position and, where applicable, 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*.

Emphasis of Matter

As described in Note 1 to the financial statements, the College adopted the provisions of GASB 87, *Leases*, as of July 1, 2020. Our opinion is not modified with respect to this matter.

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.

To the Board of Trustees
Kalamazoo Valley Community College

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.

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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of net pension liability, schedule of pension contributions, schedule of the College's proportionate share of net OPEB liability, and schedule of OPEB contributions be presented to supplement the basic financial statements. Such information 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

To the Board of Trustees
Kalamazoo Valley Community College

Supplemental Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. 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 supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of the 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 the 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 the College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 28, 2022

Kalamazoo Valley Community College

Management's Discussion and Analysis - Unaudited

The discussion and analysis of Kalamazoo Valley Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2022, 2021, and 2020. Management has prepared the financial statements and the related note disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

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

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

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

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

Financial Highlights

The statement of net position and the statement of revenue, expenses, and changes in net position report information on the College as a whole. These statements report the College's financial position as of June 30, 2022 and 2021 and the change in net position for the years then ended. The College's financial position remained strong at June 30, 2022, with assets of \$175.0 million, deferred outflows of \$12.5 million, liabilities of \$72.5 million, and deferred inflows of \$36.8 million. Net position, which represents the residual interest in the College's assets after liabilities are deducted, increased by \$11.7 million or 17.5 percent.

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

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

Statement of Net Position at June 30			
	2022	2021 (As Restated)	2020
Assets			
Current assets	\$ 64,705,706	\$ 60,695,110	\$ 57,005,477
Noncurrent assets:			
Right to use assets	7,293,511	7,433,916	-
Other noncurrent assets	27,883,557	24,127,585	16,405,437
Capital assets - Net	<u>75,162,500</u>	<u>77,372,421</u>	<u>81,250,331</u>
Total assets	175,045,274	169,629,032	154,661,245
Deferred Outflows	<u>12,450,968</u>	<u>19,593,178</u>	<u>24,617,946</u>
Total assets and deferred outflows	<u>\$ 187,496,242</u>	<u>\$ 189,222,210</u>	<u>\$ 179,279,191</u>
Liabilities			
Current liabilities	\$ 10,078,848	\$ 9,340,995	\$ 10,267,044
Long-term liabilities	<u>62,408,198</u>	<u>97,111,090</u>	<u>96,167,705</u>
Total liabilities	72,487,046	106,452,085	106,434,749
Deferred Inflows	36,752,529	16,188,989	13,166,983
Net Position			
Net investment in capital assets	68,621,005	70,528,077	74,115,345
Restricted - Expendable	460,956	445,422	395,711
Unrestricted (deficit)	<u>9,174,706</u>	<u>(4,392,363)</u>	<u>(14,833,597)</u>
Total net position	<u>78,256,667</u>	<u>66,581,136</u>	<u>59,677,459</u>
Total liabilities, deferred inflows, and net position	<u>\$ 187,496,242</u>	<u>\$ 189,222,210</u>	<u>\$ 179,279,191</u>

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2022 were the result of the following:

- Current assets increased by approximately \$4.0 million, or 6.6 percent. This was due mainly to an increase in accounts receivable related to federal grants.
- Noncurrent assets increased by approximately \$1.4 million, or 1.3 percent. This was due mainly to an increase in the amount of long-term investments, partially offset by depreciation expense being greater than the amount of capital asset additions.
- Current liabilities increased by approximately \$0.7 million, or 7.9 percent. This was due mainly to the timing of payments and the accounts payable balance at year-end.
- Long-term liabilities decreased by approximately \$34.7 million, or 35.7 percent. This was due mainly to the decrease in MPERS net pension liability of approximately \$26.0 million and a decrease in the MPERS Net OPEB liability of approximately \$8.1 million.
- Total net position increased by approximately \$11.7 million, or 17.5 percent. This was due mainly to a decrease in certain operating expenses due to the MPERS net pension and OPEB liability changes as well as the recognition of lost revenue as part of the Higher Education Emergency Relief Funds (HEERF) grant.

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

The preliminary changes in assets, liabilities, and net position of the College for fiscal year 2021 were the result of the following:

- Current assets increased by approximately \$3.7 million, or 6.5 percent. This was due mainly to an increase in accounts receivable related to state appropriations and federal grants.
- Noncurrent assets increased by approximately \$11.3 million, or 11.5 percent. This was due mainly to an increase in the amount of long-term investments, partially offset by depreciation expense being greater than the amount of capital asset additions as well as the adoption of GASB 87 and the recognition of right to use assets.
- Current liabilities decreased by approximately \$0.9 million, or 9.0 percent. This was due mainly to the adoption of GASB 87 and the recognition of the lease liability, resulting in removal of the accrued rent payable.
- Long-term liabilities increased by approximately \$0.9 million, or 1.0 percent. This was due mainly to the decrease in MPSERS net pension liability of approximately \$1.3 million and a decrease in the MPSERS Net OPEB liability of approximately \$4.9 million, offset by the adoption of GASB 87 and the recognition of a lease liability.
- Total net position increased by approximately \$6.9 million, or 11.6 percent. This was due mainly to a decrease in certain operating expenses due to the remote work and certain areas of campus being closed for all or part of the year as well as the recognition of lost revenue as part of the Higher Education Emergency Relief Funds (HEERF) grant.

Operating Revenue

Operating revenue includes charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and revenue from the Kalamazoo Valley Museum. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

Operating Revenue for the Years Ended June 30

	2022	2021	2020
Tuition and fees	\$ 17,442,749	\$ 18,324,900	\$ 19,582,800
Federal grants	1,387,050	1,057,646	1,014,134
State and other grants	1,409,996	1,287,926	1,289,363
Sales and service revenue	2,674,084	2,190,664	2,826,323
Other	607,948	470,846	522,309
Total operating revenue	<u>\$ 23,521,827</u>	<u>\$ 23,331,982</u>	<u>\$ 25,234,929</u>

Operating revenue changes for fiscal year 2022 were the result of the following:

- Tuition and fees decreased by \$0.9 million, or 4.8 percent. This was due mainly to a decrease in enrollment, partially offset by a slight increase in the tuition rate.
- Sales and service revenue increased by \$0.5 million, or 22.0 percent. This was due mainly to offerings such as corporate training increasing after the significant decrease due to the pandemic and increased sales in the bookstore.

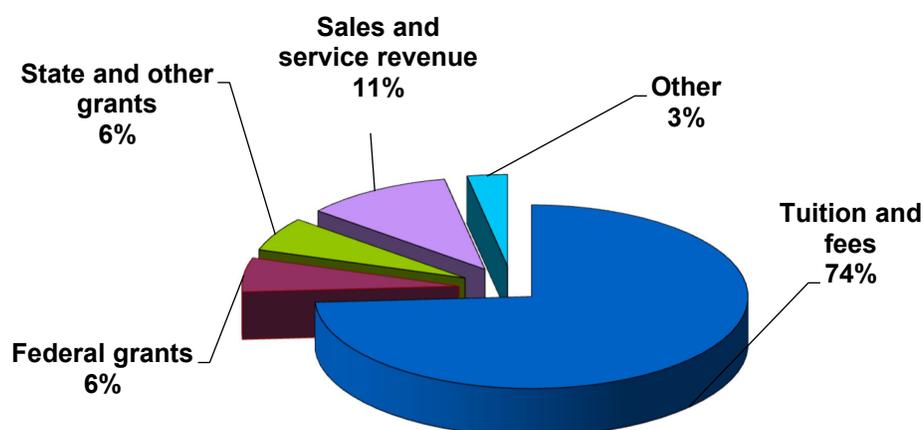
Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

Operating revenue changes for fiscal year 2021 were the result of the following:

- Tuition and fees decreased by \$1.3 million, or 6.4 percent. This was due mainly to a decrease in enrollment, partially offset by a slight increase in the tuition rate.
- Sales and service revenue decreased by \$0.6 million, or 22.5 percent. This was due mainly to a decrease in bookstore sales as a result of lower enrollment as well as the trend to lower the cost of materials to students.

The following is a graphic illustration of operating revenue by source for fiscal year 2022:



Operating Expenses

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

Operating Expenses for the Years Ended June 30

	2022	2021	2020
Instruction	\$ 24,643,591	\$ 27,232,640	\$ 28,734,498
Information technology	6,217,320	4,952,381	4,872,692
Public service	4,317,241	4,229,205	5,045,902
Instructional support	5,275,214	6,161,832	6,918,724
Student services	23,497,409	17,477,487	17,017,471
Institutional administration	5,825,993	6,789,668	7,319,243
Physical plant	6,761,323	7,424,467	7,787,553
Amortization	340,021	303,425	-
Depreciation	5,559,171	6,212,736	6,963,031
Total operating expenses	\$ 82,437,283	\$ 80,783,841	\$ 84,659,114

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

Operating expense changes for fiscal year 2022 were the result of the following:

- Instruction expenses decreased by \$2.6 million, or 9.5 percent.
- Information technology expenses increased by \$1.3 million, or 25.5 percent. This was mainly due to an increase in salaries and wages.
- Instructional support expenses decreased by \$0.9 million or 14.4 percent.
- Student services expenses increased by \$6.0 million, or 34.4 percent. This was mainly due to an increase in financial aid expenditures related to the HEERF student emergency grants.
- Institutional administration expenses decreased by \$1.0 million, or 14.2 percent.
- Physical plant expenses decreased by \$0.7 million, or 8.9 percent.
- Depreciation expenses decreased by \$0.7 million, or 10.5 percent. This was mainly due to a large amount of fixed assets becoming fully depreciated from when a new campus building was opened several years ago.

The main reason for the decrease in all of these areas, except as noted above, was due to the actuarial calculation related to the College's portion of the unfunded MPSERS liability.

Operating expense changes for fiscal year 2021 were the result of the following:

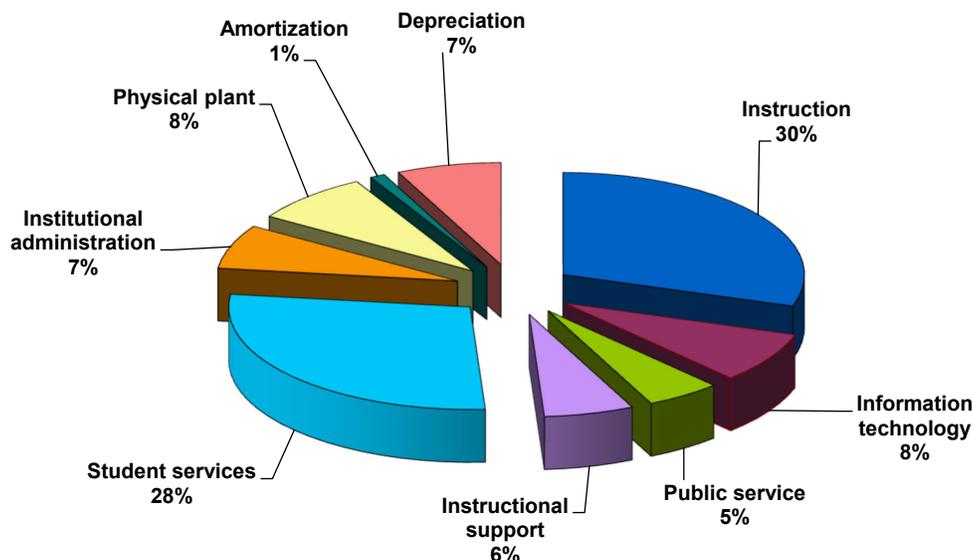
- Instruction expenses decreased by \$1.5 million, or 5.2 percent.
- Public service expenses decreased by \$0.8 million, or 16.2 percent. This was mainly due to the Kalamazoo Valley Museum and the College's continuing education and life enrichment programs being significantly impacted by the pandemic.
- Instructional support expenses decreased by \$0.8 million or 10.9 percent. This was mainly due to a decrease in activity among various instructional support areas on campus due to the pandemic.
- Institutional administration expenses decreased by \$0.5 million, or 7.2 percent.
- Physical plant expenses decreased by \$0.4 million, or 4.7 percent.
- Amortization expenses increased by \$0.3 million due to the adoption and implementation of a new accounting pronouncement (GASB 87)
- Depreciation expenses decreased by \$0.8 million, or 10.8 percent. This was mainly due to a large amount of fixed assets becoming fully depreciated from when a new campus building was opened several years ago.

The main reason for the decrease in all of these areas was due to the actuarial calculation related to the College's portion of the unfunded MPSERS liability.

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

The following is a graphic illustration of operating expenses by source for fiscal year 2022:



Nonoperating Revenue (Expenses)

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

Nonoperating revenue (expenses) were comprised of the following:

Nonoperating Revenue (Expenses) for the Years Ended June 30			
	2022	2021	2020
State appropriations - Operating	\$ 14,353,990	\$ 13,708,984	\$ 12,338,808
State appropriations - MPSERS	2,815,307	2,531,880	2,575,420
State appropriations - LCSA	3,063,040	2,795,456	2,394,130
Property taxes	26,666,027	25,872,573	24,932,808
Pell revenue	7,509,350	7,484,703	9,283,581
HEERF/CRF revenue	17,137,670	10,378,579	1,404,518
Investment income	224,857	415,764	1,078,110
Net unrealized loss on investments	(904,850)	-	-
Net loss on sale of assets	(4,379)	(1,206)	-
Interest on capital asset - Related debt	(172,301)	(184,914)	(196,881)
Interest on right to use asset - Related debt	(99,729)	(93,931)	-
Gifts and contributions	2,005	2,580	8,273
Net nonoperating revenue	\$ 70,590,987	\$ 62,910,468	\$ 53,818,767

Nonoperating revenue (expense) changes for fiscal year 2022 were the result of the following factors:

- State appropriations - Operating increased \$0.6 million, or 4.7 percent. This increase was due to the increase in appropriations provided by the State of Michigan.

Kalamazoo Valley Community College

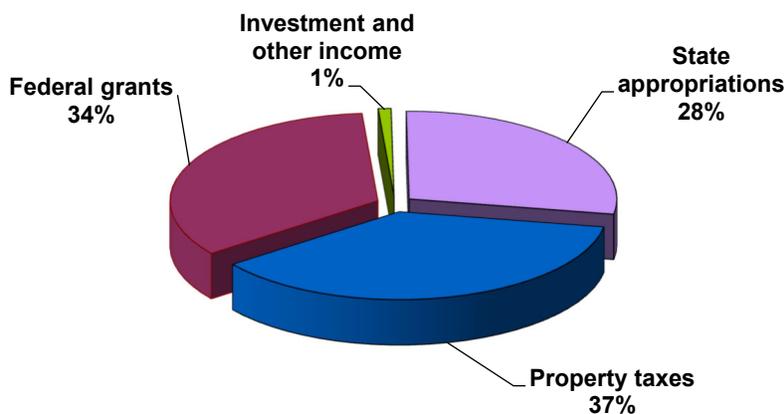
Management's Discussion and Analysis – Unaudited (Continued)

- Property taxes increased \$0.8 million, or 3.1 percent. This increase was caused by an increase in the College district's taxable value.
- HEERF/CRF revenue increased \$6.8 million, or 65.1 percent. This increase was due to continued efforts to award all of the emergency grants to students and utilization of the institutional portion.
- Net unrealized loss on investments decreased \$0.9 million. This was due to the rising interest rates. However, because the College's practice is to hold investments to maturity, it is unlikely any of the unrealized loss would be realized.

Nonoperating revenue (expense) changes for fiscal year 2021 were the result of the following factors:

- State appropriations - Operating increased \$1.4 million, or 11.1 percent. This increase was due mainly to the response of the COVID-19 pandemic, the State of Michigan reduced appropriations for the previous fiscal year.
- Property taxes increased \$0.9 million, or 3.8 percent. This increase was caused by an increase in the College district's taxable value.
- Pell grant revenue decreased \$1.8 million, or 19.4 percent, which is tied to the decline in enrollment.
- HEERF/CRF revenue increased \$9.0 million, or 638.9 percent, due to it being relatively new at the end of the previous year and continuing to receive additional award amounts during fiscal year 2021.

The following is a graphic illustration of nonoperating revenue by source for fiscal year 2022:



Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also may help users assess the following:

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

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

Cash flows for the year consist of the following:

Cash Flows for the Years Ended June 30			
	2022	2021	2020
Cash (Used in) Provided by			
Operating activities	\$ (59,796,474)	\$ (48,445,037)	\$ (48,641,111)
Noncapital financing activities	69,151,536	59,637,294	53,477,902
Capital and related financing activities	(4,257,530)	(3,197,948)	(2,858,398)
Investing activities	(4,711,804)	(3,931,713)	(4,884,785)
Net Increase (Decrease) in Cash and Cash Equivalents	385,728	4,062,596	(2,906,392)
Cash and Cash Equivalents - Beginning of year	13,612,057	9,549,461	12,455,853
Cash and Cash Equivalents - End of year	\$ 13,997,785	\$ 13,612,057	\$ 9,549,461

Net cash used for operating activities in 2022 totaled \$59.8 million. This was financed by \$69.2 million of net cash flows from noncapital financing activities such as property taxes, state appropriations, and HEERF revenue. Net cash used for capital and related financing activities totaled \$4.3 million during 2022. Net cash used for investing activities totaled \$4.7 million. The net result of all cash flows is an increase in cash of \$0.4 million for 2021.

Net cash used for operating activities in 2021 totaled \$48.4 million. This was financed by \$59.6 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used for capital and related financing activities totaled \$3.2 million during 2021. Net cash used for investing activities totaled \$3.9 million. The net result of all cash flows is an increase in cash of \$4.1 million for 2021.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2022, the College had approximately \$192.1 million invested in capital assets, net of accumulated depreciation of \$116.9 million. Depreciation charges totaled \$5.6 million for the current fiscal year.

The College has planned capital expenditures for the fiscal year ending June 30, 2023 of approximately \$4.6 million. This includes the replacement of certain mechanical systems, boilers, vehicles, signage, computer equipment, online resources, and air handling units. It also includes additional information technology upgrades and improvements.

The Kalamazoo Valley Museum has planned capital expenditures for the fiscal year ending June 30, 2023 of approximately \$0.8 million. This includes updates to the Mary Jane Stryker Theatre as well as replacement air handling humidifiers.

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

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

Debt

At year-end, the College had \$5.9 million in debt outstanding from the issuance of its 2014 Facilities Bonds (LTGO) authorized in October 2014. Bond principal payments are due annually each May through maturity in fiscal year 2030. Interest payments are due semiannually through maturity at the rates ranging from 2.25 percent to 3.25 percent. The College's general obligation bond rating was listed Aa1 by Moody's in December 2014 upon issuance.

Economic Factors That Will Affect the Future

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

Property taxes provide the largest proportion of revenue for operations and are split between support for the College and support for the Kalamazoo Valley Museum based on their respective millage rates.

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

Although additional funds have been provided for the unfunded actuarial accrued liability, long-term viability of the MPSERS plan remains a concern. It is likely that the contribution rate will need to be increased if conditions do not improve given the planned decrease in the discount rate that will impact the fiscal year ending June 30, 2023, creating an even heavier burden for colleges to pay out of operating funds. As of June 30, 2022 and 2021, the College has recognized \$49,404,237 and \$83,473,829, respectively, in long-term liabilities related to the MPSERS net pension and net OPEB liability.

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

Fiscal Year	In-District Tuition Rate	Percent Change by Year
2022	\$ 118.00	3.5%
2021	\$ 114.00	3.6%
2020	\$ 110.00	2.8%
2019	\$ 107.00	1.9%

Since 2019, in-district tuition rates have increased \$11.00 per contact hour or 10.3 percent. Although tuition increases implemented since 2019 have exceeded inflation, tuition charged to Kalamazoo Valley Community College students was still below the state average.

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

Kalamazoo Valley Community College

Management's Discussion and Analysis – Unaudited (Continued)

There is a significant amount of unknown in the economy as we come out of the pandemic. There are several challenges and opportunities for Kalamazoo Valley Community College as a result. The impact of external factors, including a tight labor market, certain economic indicators of a recession, the outcry for social justice, supply chain issues and concerns regarding health and safety all play a factor with the College's enrollment and operations. The impact on the economy in the State of Michigan will influence the economic forecasts and corresponding budgeting for appropriations.

The College is continuing to invest in technology, both hardware and software, in efforts to help bridge the digital divide the pandemic has shone a spotlight on. Classrooms and other large meeting spaces have been re-configured for social distancing and have received or in the process of receiving technology upgrades to allow for more hy-flex interactions where some individuals are physically on campus and others are connecting remotely for synchronous instruction or meetings. While federal funding for emergency grants to students has ended, the need for support is still there. The College continues to strive to provide holistic resources to help students be as successful as possible. This includes addressing concerns related to food insecurity, housing insecurity, and mental health among others. The College is trying to meet these needs through the pursuit of other grant opportunities, external community partners, as well as other institutional resources.

Kalamazoo Valley Community College

Statement of Net Position

	June 30	
	2022	2021 (As Restated)
Assets		
Current:		
Cash and cash equivalents (Note 2)	\$ 13,997,785	\$ 13,612,057
Short-term investments (Note 2)	35,080,276	34,804,437
Accounts receivable - Net (Note 4)	13,582,048	10,190,780
Inventories	760,270	1,036,438
Prepaid expenses and other assets	<u>1,285,327</u>	<u>1,051,398</u>
Total current assets	64,705,706	60,695,110
Noncurrent:		
Note receivable	5,348,000	5,348,000
Right to use assets (Note 6)	7,293,511	7,433,916
Long-term investments (Note 2)	22,535,557	18,779,585
Capital assets (Note 5)	<u>75,162,500</u>	<u>77,372,421</u>
Total noncurrent assets	<u>110,339,568</u>	<u>108,933,922</u>
Total assets	175,045,274	169,629,032
Deferred Outflows (Note 8)	<u>12,450,968</u>	<u>19,593,178</u>
Total assets and deferred outflows	<u>\$ 187,496,242</u>	<u>\$ 189,222,210</u>
Liabilities		
Current:		
Accounts payable	\$ 2,308,555	\$ 1,542,158
Accrued payroll, vacation, and other compensation	4,677,801	4,778,371
Other accrued liabilities	195,140	323,862
Deposits	49,067	42,616
Unearned revenue	2,017,240	2,012,989
Long-term obligations - Current (Notes 6 and 12)	<u>831,045</u>	<u>640,999</u>
Total current liabilities	10,078,848	9,340,995
Noncurrent:		
Long-term obligations - Net of current portion (Note 12)	5,206,990	5,867,989
Lease liability (Note 6)	7,796,971	7,769,272
Net OPEB liability (Note 8)	2,842,852	10,953,345
Net pension liability (Note 8)	<u>46,561,385</u>	<u>72,520,484</u>
Total noncurrent liabilities	62,408,198	97,111,090
Deferred Inflows (Note 8)	36,752,529	16,188,989
Net Position		
Net investment in capital assets	68,621,005	70,528,077
Restricted for expendable scholarships and grants	460,956	445,422
Unrestricted net position (deficit) (Note 1)	<u>9,174,706</u>	<u>(4,392,363)</u>
Total net position	<u>78,256,667</u>	<u>66,581,136</u>
Total liabilities, deferred inflows, and net position	<u>\$ 187,496,242</u>	<u>\$ 189,222,210</u>

The Accompanying Notes are an Integral Part of these Statements.

Kalamazoo Valley Community College

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30	
	2022	2021 (As Restated)
Operating Revenue		
Tuition and fees - Net of scholarship allowance of \$6,377,459 and \$4,878,975 for 2022 and 2021, respectively	\$ 17,442,749	\$ 18,324,900
Federal grants	1,387,050	1,057,646
State grants	14,417	14,553
Foundation grants	915,518	811,086
Other grants	480,061	462,287
Sales and services revenue - Net of scholarship allowance of \$625,248 and \$422,123 for 2022 and 2021, respectively	2,674,084	2,190,664
Other income	607,948	470,846
Total operating revenue	23,521,827	23,331,982
Operating Expenses		
Instruction	24,643,591	27,232,640
Information technology	6,217,320	4,952,381
Public services	4,317,241	4,229,205
Instructional support	5,275,214	6,161,832
Student services	23,497,409	17,477,487
Institutional administration	5,825,993	6,476,201
Physical plant	6,761,323	7,424,467
Amortization	340,021	303,425
Depreciation	5,559,171	6,212,736
Total operating expenses	82,437,283	80,470,374
Operating Loss	(58,915,456)	(57,138,392)
Nonoperating Revenue (Expense)		
State appropriations	20,232,337	19,036,320
Property tax levy	26,445,498	25,758,033
Other taxes and interest	220,529	114,540
Pell revenue	7,509,350	7,484,703
HEERF/CRF revenue	17,137,670	10,378,579
Investment income	224,857	415,764
Net unrealized loss from investments	(904,850)	-
Net loss from sale of assets	(4,379)	(1,206)
Interest on capital asset - related debt	(172,301)	(184,914)
Interest on right to use asset - related debt	(99,729)	(93,931)
Gifts and contributions	2,005	2,580
Net nonoperating revenue	70,590,987	62,910,468
Change in Net Position	11,675,531	5,772,076
Net Position - Beginning of year	66,581,136	59,677,459
Adjustment for Change in Accounting Principle	-	1,131,601
Net Position - Beginning of year - As restated	66,581,136	60,809,060
Net Position - End of year	\$ 78,256,667	\$ 66,581,136

The Accompanying Notes are an Integral Part of these Statements.

Kalamazoo Valley Community College

Statement of Cash Flows

	Year Ended June 30	
	2022	2021 (As Restated)
Cash Flows from Operating Activities		
Tuition and fees	\$ 17,683,884	\$ 18,505,295
Grants and contracts	2,088,768	2,813,706
Payments to suppliers	(29,564,094)	(19,755,144)
Payments to employees	(52,769,494)	(52,142,606)
Federal direct lending receipts	7,061,461	5,186,699
Federal direct lending disbursements	(7,061,461)	(5,186,699)
Sales and services revenue	2,674,084	2,190,664
Other	90,378	(56,952)
Net cash used in operating activities	(59,796,474)	(48,445,037)
Cash Flows from Noncapital Financing Activities		
Federal grant	22,394,601	16,394,487
Local property taxes	26,320,928	25,586,276
Other taxes and interest	220,529	114,540
State appropriations	20,213,473	17,539,411
Gifts and contributions	2,005	2,580
Net cash provided by noncapital financing activities	69,151,536	59,637,294
Cash Flows from Capital and Related Financing Activities		
Principal paid on lease liability	(1,871)	-
Interest paid on right to use assets	(99,729)	(62,001)
Principal paid on capital debt	(630,000)	(614,999)
Interest paid on capital debt	(172,301)	(184,916)
Purchase of capital assets	(3,353,629)	(2,336,032)
Net cash used in capital and related financing activities	(4,257,530)	(3,197,948)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	39,929,231	57,029,394
Interest income	224,857	415,764
Purchase of investments	(44,865,892)	(61,376,871)
Net cash used in investing activities	(4,711,804)	(3,931,713)
Net Increase (Decrease) in Cash and Cash Equivalents	385,728	4,062,596
Cash and Cash Equivalents - Beginning of year	13,612,057	9,549,461
Cash and Cash Equivalents - End of year	\$ 13,997,785	\$ 13,612,057

Kalamazoo Valley Community College

Statement of Cash Flows (Continued)

	Year Ended June 30	
	2022	2021 (As Restated)
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (58,915,456)	\$ (57,138,392)
Adjustments to reconcile operating loss to net cash from operating activities:		
Bad debt expense	53,668	239,491
Amortization of bond premium	(10,999)	(10,999)
Amortization of right to use assets	340,021	303,425
Depreciation	5,559,171	6,212,736
Change in deferred inflows/outflows	27,705,750	8,046,774
Change in pension liability	(25,959,099)	(1,316,097)
Change in OPEB liability	(8,110,493)	(4,868,792)
Decrease (increase) in assets:		
Accounts receivable	(1,049,083)	37,613
Inventories	276,168	(82,883)
Prepaid assets and other current assets	(233,929)	(58,465)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	637,675	938,600
Accrued payroll, vacation, and other compensation	(100,570)	(591,675)
Deposits	6,451	(16,114)
Unearned revenue	4,251	(140,259)
Net cash used in operating activities	<u>\$ (59,796,474)</u>	<u>\$ (48,445,037)</u>
Significant Noncash Transactions		
Right to use assets acquired through a lease liability	\$ 199,616	\$ -

Kalamazoo Valley Community College

Discretely Presented Component Unit - Foundation

Balance Sheet

	June 30	
	2022	2021
Assets		
Cash	\$ 2,312,919	\$ 1,059,397
Restricted cash	100,750	145,500
Marketable securities (Note 2)	19,579,106	24,178,336
Contributions receivable (Note 1)	-	560,000
Accrued rent receivable	1,634,534	1,383,067
Capital assets (Note 5)	7,991,613	8,449,113
Total assets	<u>\$ 31,618,922</u>	<u>\$ 35,775,413</u>
Liabilities		
Payable to Kalamazoo Valley Community College	\$ 972,142	\$ 902,528
Deferred revenue	62,700	-
Notes payable (Note 11)	7,720,000	7,720,000
Total liabilities	8,754,842	8,622,528
Net Assets		
Without donor restriction	8,806,338	10,221,497
With donor restriction	14,057,742	16,931,388
Total net assets	22,864,080	27,152,885
Total liabilities and net assets	<u>\$ 31,618,922</u>	<u>\$ 35,775,413</u>

Statement of Activities

	Year Ended June 30	
	2022	2021
Revenue		
Contributions	\$ 377,348	\$ 850,446
Income from investments	1,208,491	636,274
Contributed services	218,081	197,410
Rental income	313,466	313,467
Net gain (loss) from investments (Note 2)	(4,706,689)	6,253,725
Total revenue	(2,589,303)	8,251,322
Expenditures		
Program expenditures:		
Grants to Kalamazoo Valley Community College	682,210	633,658
Grants to Kalamazoo Valley Museum	223,995	177,227
Property management and rentals	571,284	570,433
Management and general	23,590	27,323
Fundraising	198,423	198,505
Total expenditures	1,699,502	1,607,146
Change in Net Assets - Before Other	(4,288,805)	6,644,176
Other - Net Asset Transfer	-	(123,464)
Change in Net Assets - After Other	(4,288,805)	6,520,712
Net Assets - Beginning of year	27,152,885	20,632,173
Net Assets - End of year	<u>\$ 22,864,080</u>	<u>\$ 27,152,885</u>

The Accompanying Notes are an Integral Part of these Statements.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Basis of Presentation and Significant Accounting Policies

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

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

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

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

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

FSIC subleases the Project to the College (see Notes 6 and 12). As a sole member of KVCCF, FSIC is consolidated within the financial statements of KVCCF. FSIC is audited as a component of the KVCCF financial statement audit as required by its financing agreement. The audited financial statements may be obtained by contacting Kalamazoo Valley Community College Foundation, P.O. Box 4070, Kalamazoo, Michigan 49003-4070.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

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

The Holding Company is a separate Michigan not-for-profit corporation established to purchase, acquire title to, lease, develop, maintain, rent, and sell real estate and personal property within the College district, exclusively for the purpose of benefiting the College. At June 30, 2022 and 2021, the stated value of the net assets of the Holding Company totaled \$(264,681) and \$942,959, respectively. These assets, liabilities, and all activity of the Holding Company are included in the financial statements of the College as a blended component unit.

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

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

Condensed Statement of Net Position

	FSIC Lending		Holding Company	
	2022	2021	2022	2021
Assets				
Current assets	\$ 347,767	\$ 294,312	\$ 826,631	\$ 826,346
Capital assets (net)	-	-	224,145	1,039,544
Other assets	5,348,000	5,348,000	-	-
Total assets	<u>\$ 5,695,767</u>	<u>\$ 5,642,312</u>	<u>\$ 1,050,776</u>	<u>\$ 1,865,890</u>
Liabilities -				
Current liabilities	\$ -	\$ -	\$ 1,315,457	\$ 922,931
Net Position				
Net investment in capital assets	-	-	224,145	1,039,544
Unrestricted	5,695,767	5,642,312	(488,826)	(96,585)
Total net position	<u>5,695,767</u>	<u>5,642,312</u>	<u>(264,681)</u>	<u>942,959</u>
Total liabilities and net position	<u>\$ 5,695,767</u>	<u>\$ 5,642,312</u>	<u>\$ 1,050,776</u>	<u>\$ 1,865,890</u>

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

	FSIC Lending		Holding Company	
	2022	2021	2022	2021
Operating Revenue				
Other income	\$ -	\$ -	\$ -	\$ 5,000
Operating Expense				
Institutional administration	25	25	10,139	12,156
Operating Loss	(25)	(25)	(10,139)	(7,156)
Nonoperating Revenue				
Investment income	53,480	53,480	291	219
Transfers from (to) related entities	-	-	(1,197,792)	-
Increase (Decrease) in Net Position	53,455	53,455	(1,207,640)	(6,937)
Net Position - Beginning of year	5,642,312	5,588,857	942,959	949,896
Net Position - End of year	<u>\$ 5,695,767</u>	<u>\$ 5,642,312</u>	<u>\$ (264,681)</u>	<u>\$ 942,959</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

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

Condensed Statement of Cash Flows

	FSIC Lending		Holding Company	
	2022	2021	2022	2021
Net cash used in operating activities	\$ -	\$ -	\$ 145	\$ (90)
Net cash provided by capital financing activities	-	-	-	-
Net cash provided by investing activities	<u>53,480</u>	<u>53,480</u>	<u>-</u>	<u>4,955</u>
Net increase in cash and cash equivalents	53,480	53,480	145	4,865
Cash and Cash Equivalents - Beginning of year	<u>294,437</u>	<u>240,957</u>	<u>822,361</u>	<u>817,496</u>
Cash and Cash Equivalents - End of year	<u>\$ 347,917</u>	<u>\$ 294,437</u>	<u>\$ 822,506</u>	<u>\$ 822,361</u>

Basis of Presentation - These statements have also been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The College follows all applicable GASB pronouncements. The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

Significant accounting policies followed by Kalamazoo Valley Community College are described below to enhance the usefulness of the financial statements to the reader:

Accrual Basis - The financial statements have been prepared on the economic resource measurement focus and the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

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

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

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

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

Note Receivable - During the year ended June 30, 2016, a leveraged loan of \$5,348,000 was provided to WF KVCC Food Sustainability and Innovation Center Investment Fund, LLC for the purpose of financing the construction of the Food Innovation Center. Interest accrues at 1 percent, payable quarterly beginning March 20, 2016. The note is due December 30, 2040. The note is reviewed annually and is considered fully collectible at June 30, 2022.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

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

Right to Use Assets – Right to use assets are assets the College has the right to use due to the existence of a lease. The asset is recorded at the net present value based on the lease payment schedule and is amortized over the lesser of the lease term or the useful life of the underlying asset.

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

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

Unearned Revenue - Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue consists of approximately \$1,440,000 and \$1,543,000 for the 2022 and 2021 summer semesters, and approximately \$268,300 and \$465,600 for the 2022 and 2021 fall semesters, respectively. Other small amounts are due to student payments for a future term (not specifically identified) and gift certificates in the bookstore.

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

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

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

Compensated Absences - Compensated absences represent the accumulated liability to be paid under the College's policy; employees earn vacation time based on time of service with the College and the liability is included on the accrued payroll, vacation, and other compensation line.

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

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

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

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

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

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

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

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

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

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

During the years ended June 30, 2022 and 2021, 2.7918 and 2.7970 mills of tax per \$1,000 of taxable property value in the community college taxing district were levied for general operating purposes on all property, respectively. Total operating property tax revenue was \$26,445,498 and \$25,758,033 for the years ended June 30, 2022 and 2021, respectively.

Pell Grant Reimbursements - Pell grant reimbursements are classified as nonoperating revenue due to their nonexchange nature. For the years ended June 30, 2022 and 2021, the College received \$7,509,350 and \$7,484,703, respectively.

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

Tax Abatements - The College's property tax revenue is affected by tax abatements entered into by other governments. The tax abatements also consist of Industrial Facilities Tax (IFT) exemptions and Brownfield Redevelopment Agreements granted by cities, villages, and townships within the College's taxing district. The College has evaluated the tax abatements and deemed the property tax abatements to be not significant for the years ended June 30, 2022 and 2021.

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

Net Investment in Capital Assets - Net investment in capital assets consists of capital assets, net of accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets as well as the right to use assets net of their corresponding lease liability.

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

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

	2022	2021
Designated for future capital outlay and major maintenance	\$ 33,348,565	\$ 27,860,781
Designated for equipment replacement	5,100,023	4,986,093
Designated for debt service	1,308,732	1,481,033
Designated for technology	1,588,250	1,916,034
Designated for program development	3,355,062	3,377,806
Designated for trustee scholarships	25,000	25,000
Designated per board policy	6,323,000	6,186,000
Designated for auxiliary activities	167,830	155,238
Designated for auxiliary activities - Kalamazoo Valley Museum	3,872,119	3,251,056
Designated for auxiliary activities - Kalamazoo Valley Museum - Per board policy	699,000	667,000
Designated for Kalamazoo Valley Museum:		
Future capital outlay and major maintenance	3,771,619	3,991,436
Equipment replacement	3,345,020	3,342,414
Exhibit major maintenance	4,686,087	4,172,823
Designated for KVCC Holding Company purposes	(264,681)	(100,441)
Designated for FSIC Lending Company, LLC purposes	5,695,767	5,642,312
Designated for MPSERS liability	(73,705,798)	(80,069,640)
Unrestricted and unallocated	9,859,111	8,722,692
Total unrestricted (deficit) net position	<u>\$ 9,174,706</u>	<u>\$ (4,392,363)</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

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

COVID-19 - On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus, a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventative or protective actions, such as temporary closures of non-essential businesses and “shelter-at-home” guidelines for individuals. As a result, the global economy has been negatively affected, and the College’s operations were also impacted. Due to the “shelter-at-home” guidelines during April 2020, the College shifted to a remote online learning environment. The College had pay freezes, limited hiring for open positions, and expense cuts. To offset the financial impact to students and the losses incurred by the College due to the disruption caused by COVID-19, 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 and 2021, the College was allocated a total of approximately \$17,700,000 for institutional purposes, \$609,000 for Strengthening Institutions Program (SIP), and \$12,588,000 required to be given directly to students. As of June 30, 2022 and 2021, the College had disbursed approximately \$14,255,000 and \$5,684,000, respectively for institutional purposes. As of June 30, 2022 and 2021, the College had disbursed approximately \$609,000 and \$203,000, respectively for SIP. As of June 30, 2022 and 2021, the College had disbursed approximately \$12,588,000 and \$4,428,000, respectively of the funds required to be disbursed directly to students in the form of emergency grants.

Adoption of New Accounting Pronouncement – As of July 1, 2020, the College applied GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The College recorded a right to use asset and related lease liability of \$7,737,341 at July 1, 2020. In accordance with the Statement, the College has reported a change in accounting principle adjustment to net position of \$1,131,601 as of July 1, 2020, which is due to the removal of accrued rent payable, under the previous accounting standard. In addition, this change resulted in \$303,425 of amortization expense and \$93,931 of interest expense as well as an adjustment to the lease liability of \$32,320 instead of \$313,467 of rent expense for the year ended June 30, 2021.

Note 2 - Cash and Investments

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

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

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 2 - Cash and Investments (Continued)

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

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

	Fair Market Value	Less Than 1 Year	1-3 Years	More Than 3 Years	Moody's/ S&P Ratings
Certificates of deposit	\$ 27,724,386	\$ 27,224,386	\$ 500,000	\$ -	N/A
State of Michigan bonds*	645,091	-	645,091	-	AA+
U.S. agency securities*	<u>29,246,356</u>	<u>7,855,890</u>	<u>20,465,706</u>	<u>924,760</u>	AAA/AA+
Total investments	<u>\$ 57,615,833</u>	<u>\$ 35,080,276</u>	<u>\$ 21,610,797</u>	<u>\$ 924,760</u>	

As of June 30, 2021, the College had the following investments and maturities:

	Fair Market Value	Less Than 1 Year	1-3 Years	More Than 3 Years	Moody's/ S&P Ratings
Certificates of deposit	\$ 30,277,265	\$ 26,774,269	\$ 3,502,996	\$ -	N/A
Commercial paper	2,996,864	2,996,864	-	-	A-1+/P-1
U.S. agency securities*	<u>20,309,893</u>	<u>5,033,304</u>	<u>14,176,589</u>	<u>1,100,000</u>	AAA/AA+
Total investments	<u>\$ 53,584,022</u>	<u>\$ 34,804,437</u>	<u>\$ 17,679,585</u>	<u>\$ 1,100,000</u>	

* Some of these investments are callable.

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

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

The nationally recognized statistical rating organization (NRSRO) utilized is both Moody's and Standard & Poor's rating services.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 2 - Cash and Investments (Continued)

More than 5 percent of the College's investments at June 30, 2022 and 2021 were invested as follows:

Issuer	2022	2021
Federal Farm Credit Banks - U.S. Securities	17%	17%
Federal Home Loan Bank - U.S. Securities	22%	10%
U.S. Treasuries Notes - U.S. Securities	12%	11%
1st Source Bank - Certificates of Deposit	5%	6%
Comerica Bank - Certificates of Deposit	9%	10%
Fifth Third Bank - Certificates of Deposit	- %	6%
Flagstar Bank - Certificates of Deposit	9%	9%
Horizon Bank - Certificates of Deposit	5%	6%
Mercantile Bank of Michigan - Certificates of Deposit	5%	6%
Old National Bank - Certificates of Deposit	8%	7%

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. As of June 30, 2022, the College's deposit balances of \$41,509,390 had \$38,503,005 of bank deposits (money markets, certificates of deposit, and checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2021, the College's deposit balances of \$44,099,565 had \$40,846,641 of bank deposits (money markets, certificates of deposit, and checking and savings accounts) that were uninsured and uncollateralized.

Custodial Credit Risk of Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the investments are, however, in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

Foundation Investments - Investments at Kalamazoo Valley Community College Foundation at June 30, 2022 and 2021 are as follows:

Description	2022			2021		
	Cost	Market Value	Unrealized Gain	Cost	Market Value	Unrealized Gain
Mutual funds	\$ 14,491,159	\$ 19,579,106	\$ 5,087,947	\$ 13,211,733	\$ 24,178,336	\$ 10,966,603

Net gains (losses) from security transactions for the years ended June 30, 2022 and 2021 include net unrealized (losses) gains of \$(5,878,656) and \$5,429,535, respectively, and net realized gains (losses) of \$1,171,967 and \$824,190, respectively.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 3 - Fair Value Measurements

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

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

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 2022 and 2021 and the valuation techniques used by the College to determine those values.

Assets Measured at Fair Value on a Recurring Basis at June 30, 2022

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Investments:				
State of Michigan bonds	\$ -	\$ 645,091	\$ -	\$ 645,091
U.S. Agency Securities	-	<u>29,246,356</u>	-	<u>29,246,356</u>
Total	<u>\$ -</u>	<u>\$ 29,891,447</u>	<u>\$ -</u>	<u>\$ 29,891,447</u>

Assets Measured at Fair Value on a Recurring Basis at June 30, 2021

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2021
Investments:				
Commercial Paper	\$ -	\$ 2,996,864	\$ -	\$ 2,996,864
U.S. Agency Securities	-	<u>20,309,893</u>	-	<u>20,309,893</u>
Total	<u>\$ -</u>	<u>\$ 23,306,757</u>	<u>\$ -</u>	<u>\$ 23,306,757</u>

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

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

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 4 - Accounts Receivable

Accounts receivable held at the College consist of the following at June 30, 2022 and 2021:

	2022	2021
Appropriations from the State of Michigan for operations	\$ 3,012,917	\$ 2,994,053
Property taxes receivable	1,346,270	1,125,191
Federal and state grants receivable	6,685,293	3,724,596
Student receivables	898,671	1,135,555
Other receivables	<u>2,903,562</u>	<u>2,379,541</u>
Total	14,846,713	11,358,936
Less allowances for doubtful accounts	<u>(1,264,665)</u>	<u>(1,168,156)</u>
Net accounts receivable	<u>\$ 13,582,048</u>	<u>\$ 10,190,780</u>

Note 5 - Capital Assets

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2022:

	June 30, 2021		Transfer/ Deletions	June 30, 2022 Balance
	Balance	Additions		
Nondepreciable capital assets:				
Land	\$ 5,298,390	\$ -	\$ -	\$ 5,298,390
Easements	5,115	-	-	5,115
Construction in progress	873,247	853,820	(873,247)	853,820
Museum collection	58,828	1,003	-	59,831
College collection	32,035	-	-	32,035
Depreciable capital assets:				
Site improvements	5,221,621	402,343	815,400	6,439,364
Buildings	128,882,162	-	-	128,882,162
Building improvements	8,110,870	121,495	-	8,232,365
Furniture and equipment	29,954,512	1,307,736	(105,863)	31,156,385
Museum assets	1,012,006	395,946	-	1,407,952
Library books	1,152,302	-	(262,112)	890,190
Museum exhibits	<u>8,560,523</u>	<u>271,286</u>	<u>-</u>	<u>8,831,809</u>
Total capital assets	189,161,611	3,353,629	(425,822)	192,089,418
Less accumulated depreciation:				
Site improvements	(3,603,404)	(381,015)	-	(3,984,419)
Buildings	(67,675,097)	(2,905,141)	-	(70,580,238)
Building improvements	(5,019,683)	(600,913)	-	(5,620,596)
Furniture and equipment	(27,169,132)	(1,157,813)	159,331	(28,167,614)
Museum assets	(862,603)	(115,995)	-	(978,598)
Library books	(1,067,893)	(40,204)	262,112	(845,985)
Museum exhibits	<u>(6,391,378)</u>	<u>(358,090)</u>	<u>-</u>	<u>(6,749,468)</u>
Total accumulated depreciation	<u>(111,789,190)</u>	<u>(\$ 5,559,171)</u>	<u>\$ 421,443</u>	<u>(116,926,918)</u>
Total capital assets - Net	<u>\$ 77,372,421</u>			<u>\$ 75,162,500</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 5 - Capital Assets (Continued)

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2021:

	June 30, 2020		Transfer/ Deletions	June 30, 2021
	Balance	Additions		Balance
Nondepreciable capital assets:				
Land	\$ 5,298,390	\$ -	\$ -	\$ 5,298,390
Easements	5,115	-	-	5,115
Construction in progress	388,782	873,247	(388,782)	873,247
Museum collection	55,828	3,000	-	58,828
College collection	32,035	-	-	32,035
Depreciable capital assets:				
Site improvements	5,137,472	84,149	-	5,221,621
Buildings	128,882,162	-	-	128,882,162
Building improvements	7,419,285	302,803	388,782	8,110,870
Furniture and equipment	29,094,705	987,875	(128,068)	29,954,512
Museum assets	1,012,006	-	-	1,012,006
Library books	1,182,544	416	(30,658)	1,152,302
Museum exhibits	8,475,981	84,542	-	8,560,523
Total capital assets	186,984,305	2,336,032	(158,726)	189,161,611
Less accumulated depreciation:				
Site improvements	(3,262,063)	(341,341)	-	(3,603,404)
Buildings	(64,726,251)	(2,948,846)	-	(67,675,097)
Building improvements	(4,423,939)	(595,744)	-	(5,019,683)
Furniture and equipment	(25,551,932)	(1,789,188)	171,988	(27,169,132)
Museum assets	(736,216)	(81,261)	(45,126)	(862,603)
Library books	(1,044,596)	(53,955)	30,658	(1,067,893)
Museum exhibits	(5,988,977)	(402,401)	-	(6,391,378)
Total accumulated depreciation	(105,733,974)	(\$ 6,212,736)	\$ 157,520	(111,789,190)
Total capital assets - Net	\$ 81,250,331			\$ 77,372,421

Consolidated capital asset activity for KVCCF (including FSIC) for the year ended June 30, 2022 was as follows:

	July 1, 2021		Transfer/ Deletions	June 30, 2022
	Balance	Additions		Balance
Nondepreciable capital assets -				
Land	\$ 529,894	\$ -	\$ -	\$ 529,894
Depreciable capital assets:				
Site improvements	4,718,730	-	-	4,718,730
Buildings	5,716,742	-	-	5,716,742
Total capital assets	10,965,366	-	-	10,965,366
Less accumulated depreciation:				
Site improvements	(1,730,202)	(314,582)	-	(2,044,784)
Buildings	(786,051)	(142,918)	-	(928,969)
Total accumulated depreciation	(2,516,253)	\$ (457,500)	\$ -	(2,973,753)
Total capital assets - Net	\$ 8,449,113			\$ 7,991,613

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 5 - Capital Assets (Continued)

Consolidated capital asset activity for KVCCF (including FSIC) for the year ended June 30, 2021 was as follows:

	July 1, 2020 Balance	Additions	Transfer/ Deletions	June 30, 2021 Balance
Nondepreciable capital assets -				
Land	\$ 529,894	\$ -	\$ -	\$ 529,894
Depreciable capital assets:				
Site improvements	4,718,730	-	-	4,718,730
Buildings	<u>5,716,742</u>	<u>-</u>	<u>-</u>	<u>5,716,742</u>
Total capital assets	10,965,366	-	-	10,965,366
Less accumulated depreciation:				
Site improvements	(1,415,620)	(314,582)	-	(1,730,202)
Buildings	<u>(643,133)</u>	<u>(142,918)</u>	<u>-</u>	<u>(786,051)</u>
Total accumulated depreciation	<u>(2,058,753)</u>	<u>\$ (457,500)</u>	<u>\$ -</u>	<u>(2,516,253)</u>
Total capital assets - Net	<u>\$ 8,906,613</u>			<u>\$ 8,449,113</u>

The Arcadia Commons Campus Phase II (Commons and Allied Health), Texas Township Campus Expansion (Student Success Center), and the Healthy Living Campus have been financed in part by State Building Authority (SBA) bond issuance, which are secured by a pledge of rentals to be received by the SBA from the State of Michigan pursuant to an arrangement between SBA, State of Michigan, and the College. While the SBA bonds are outstanding, SBA will hold title to the respective buildings, although the College has capitalized the building and pays all operating and maintenance costs. Once the SBA bonds are fully paid, the SBA will transfer title of the buildings to the College. The Arcadia Commons Campus Phase II title will transfer in 2036, Texas Township Campus Expansion in 2046, and the Healthy Living Campus in 2051 unless the SBA bonds are paid or refunded in advance.

The estimated additional costs to be incurred for major construction projects in progress at the College is approximately \$400,000 as of June 30, 2022.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 6 – Right to Use Assets

The College leases certain assets from various third parties. The assets leased include a building and a parking lot. Payments are fixed and made quarterly.

Right to use asset activity of the College was as follows:

	June 30, 2021		Transfer/	June 30, 2022
	Balance	Additions	Deletions	Balance
Right to use assets				
Site improvements	\$ -	\$ 199,616	\$ -	\$ 199,616
Building	<u>7,737,341</u>	<u>-</u>	<u>-</u>	<u>7,737,341</u>
Total right to use assets	7,737,341	199,616	-	7,936,957
Less accumulated amortization:				
Site improvements	-	(36,596)	-	(36,596)
Building	<u>(303,425)</u>	<u>(303,425)</u>	<u>-</u>	<u>(606,850)</u>
Total accumulated amortization	<u>(303,425)</u>	<u>(\$ 340,021)</u>	<u>\$ -</u>	<u>(643,446)</u>
Total right to use assets - Net	<u>\$ 7,433,916</u>			<u>\$ 7,293,511</u>

	June 30, 2020		Transfer/	June 30, 2021
	Balance	Additions	Deletions	Balance
Right to use assets				
Site improvements	\$ -	\$ -	\$ -	\$ -
Building	<u>-</u>	<u>7,737,341</u>	<u>-</u>	<u>7,737,341</u>
Total right to use assets	-	7,737,341	-	7,737,341
Less accumulated amortization:				
Site improvements	-	-	-	-
Building	<u>-</u>	<u>(303,425)</u>	<u>-</u>	<u>(303,425)</u>
Total accumulated amortization	<u>-</u>	<u>(\$ 303,425)</u>	<u>\$ -</u>	<u>(303,425)</u>
Total right to use assets - Net	<u>\$ -</u>			<u>\$ 7,433,916</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 6 – Right to Use Assets (Continued)

The College's future principal and interest payment requirements related to the lease liability at June 30, 2022 are as follows:

Years Ending June 30	Principal	Interest	Total
2023	170,046	99,154	269,200
2024	338,163	95,037	433,200
2025	343,110	90,090	433,200
2026	348,142	85,058	433,200
2027	313,005	80,595	393,600
2028-2032	1,604,516	345,484	1,950,000
2033-2037	1,704,611	245,389	1,950,000
2038-2042	1,810,950	139,050	1,950,000
2043-2046	1,334,472	30,528	1,365,000
Total	<u>\$ 7,967,015</u>	<u>\$ 1,210,385</u>	<u>\$ 9,177,400</u>

Note 7 - Recognition of State Appropriations

The College records revenue from state operating appropriations in accordance with the accounting method described in the annual funding bill passed by the State of Michigan (the "State") legislation, which provides that state appropriations are recorded as revenue in the period for which they were appropriated. Accordingly, the College recognizes 100 percent of the State's fiscal year appropriations as revenue during the College's fiscal year. Also, since state appropriations are distributed over an 11-month period, October through August, the College records a receivable at June 30 each year for the subsequent payments received in July and August.

Note 8 - Michigan Public School Employees' Retirement System

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

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

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

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

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

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

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

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

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

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 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.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

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

	Pension	OPEB
October 1, 2019 - September 30, 2020	13.39 - 19.59 percent	7.57 - 8.09 percent
October 1, 2020 - September 30, 2021	13.39 - 19.78 percent	7.57 - 8.43 percent
October 1, 2021 - June 30, 2022	13.73 - 20.14 percent	7.23 - 8.09 percent

Depending on the plan selected, member pension contributions range from 0.00 percent up to 7.00 percent of gross wages. For certain plan members, a 4.00 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3.00 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for years ended June 30, 2022 and 2021 were approximately \$6,472,000 and \$6,427,000, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of \$2,718,591 and \$2,815,307 in revenue received from the State of Michigan, and remitted to MPERS to fund the MPERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2022 and 2021, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2022 and 2021 were approximately \$1,575,000 and \$1,570,000, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability - At June 30, 2022 and 2021, the College reported a liability of \$46,561,385 and \$72,520,484, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021 and 2020, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020 and 2019, respectively, which used updated procedures to roll forward the estimated liability to September 30, 2021 and 2020.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Net OPEB Liability - At June 30, 2022 and 2021, the College reported a liability of \$2,842,852 and \$10,953,345, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2022 and 2021 was measured as of September 30, 2021 and 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020 and 2019, which used updated procedures to roll forward the estimated liability to September 30, 2021 and 2020.

Proportionate Share - The College's proportionate share of the net pension liability and the net OPEB liability was based on a projection of its long-term share of contributions to the pension plan and OPEB plan, respectively, relative to the projected contributions of all participating reporting units, actuarially determined. The College's proportionate share and change in proportionate share for the net pension liability and the net OPEB liability is as follows:

Year Ending September 30	Pension		OPEB	
	Proportion	Change	Proportion	Change
2021	0.196666 percent	-0.01445 percent	0.186248 percent	-0.01821 percent
2020	0.211116 percent	-0.01184 percent	0.204458 percent	-0.01598 percent
2019	0.222959 percent	-0.00299 percent	0.220433 percent	-0.00509 percent

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2022 and 2021, the College recognized pension expense of approximately \$3,026,466 and \$9,418,260, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 721,256	\$ 274,191
Changes of assumptions	2,935,063	-
Net difference between projected and actual earnings on pension plan assets	-	14,969,336
Changes in proportion and differences between College contributions and proportionate share of contributions	-	5,734,688
College contributions subsequent to the measurement date	5,352,599	-
Total	\$ 9,008,918	\$ 20,978,215
	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,108,054	\$ 154,784
Changes of assumptions	8,035,969	-
Net difference between projected and actual earnings on pension plan assets	304,699	-
Changes in proportion and differences between College contributions and proportionate share of contributions	-	3,418,133
College contributions subsequent to the measurement date	5,351,235	-
Total	\$ 14,799,957	\$ 3,572,917

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

In addition to the above tables, there is \$2,718,591 and \$2,815,307 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 147c of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2022 and 2021, respectively.

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

Years Ending June 30	Amount
2023	\$ (3,332,947)
2024	(4,493,562)
2025	(5,010,522)
2026	(4,484,865)
	<u>\$ (17,321,896)</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the years ended June 30, 2022 and 2021, the College recognized OPEB (recovery) expense of approximately \$(2,197,370) and \$(680,863), respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,114,718
Changes of assumptions	2,376,483	355,611
Net difference between projected and actual earnings on pension plan assets	-	2,142,709
Changes in proportion and differences between College contributions and proportionate share of contributions	724	2,442,685
College contributions subsequent to the measurement date	<u>1,064,843</u>	<u>-</u>
Total	<u>\$ 3,442,050</u>	<u>\$ 13,055,723</u>
	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,161,266
Changes of assumptions	3,611,535	-
Net difference between projected and actual earnings on pension plan assets	91,418	-
Changes in proportion and differences between College contributions and proportionate share of contributions	2,249	1,639,499
College contributions subsequent to the measurement date	<u>1,088,019</u>	<u>-</u>
Total	<u>\$ 4,793,221</u>	<u>\$ 9,800,765</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

Years Ending June 30	Amount
2023	\$ (2,751,556)
2024	(2,549,340)
2025	(2,326,212)
2026	(2,134,433)
2027	(810,622)
Thereafter	(106,353)
Total	<u>\$ (10,678,516)</u>

Actuarial Assumptions - The total pension liability and total OPEB liability as of September 30, 2021 and 2020 are based on the results of an actuarial valuation date of September 30, 2020 and 2019, respectively, and rolled forward. The total pension liability and total OPEB liability was determined using the following actuarial assumptions:

	2021	2020
Actuarial cost method	Entry age normal cost actuarial cost method	Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.00 - 6.80 percent (net of investment expenses based on the groups)	6.00 - 6.80 percent (net of investment expenses based on the groups)
Investment rate of return - OPEB	6.95 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 (includes wage inflation of 2.75 percent)	2.75 - 11.55 percent (includes wage inflation of 2.75 percent)
Healthcare cost trend rate - OPEB	Pre-65: 7.75 percent (year 1 graded to 3.5 percent year 15; 3.0 percent year 120) Post-65: 5.25 percent (year 1 graded to 3.5 percent year 15; 3.0 percent year 120)	7.00 percent (year 1 graded to 3.5 percent year 15; 3.0 percent year 120)
Mortality basis	RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82% male and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006	RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100 percent (retirees: 82% male and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006
Cost of living adjustment	3.00 percent (annual non-compounded for MIP members)	3.00 percent (annual non-compounded for MIP members)

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

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percent for members under 65 and a reduction from 7.00 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension or OPEB plans since the prior measurement date of September 30, 2020.

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. The change increases the total plans net pension liability by approximately \$8.1 billion and the total plan's net OPEB liability by approximately \$1.1 billion.

Discount Rate - The discount rate used to measure the total pension liability was 6.00 to 6.80 percent as of September 30, 2021 and 2020, depending on the plan option. The discount rate used to measure the total OPEB liability was 6.95 percent as of September 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at statutorily required rates.

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

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

Investment Category	2022		2021	
	Target Allocation Percentage	Long-term Expected Real Rate of Return	Target Allocation Percentage	Long-term Expected Real Rate of Return
Domestic equity pools	25.0%	5.40%	25.0%	5.60%
Private equity pools	16.0%	9.10%	16.0%	9.30%
International equity pools	15.0%	7.50%	15.0%	7.40%
Fixed-income pools	10.5%	-0.70%	10.5%	0.50%
Real estate and infrastructure pools	10.0%	5.40%	10.0%	4.90%
Absolute return pools	9.0%	2.60%	9.0%	3.20%
Real return, opportunistic pools	12.5%	6.10%	12.5%	6.60%
Short-term investment pools	2.0%	-1.30%	2.0%	-0.10%
Total	<u>100.0%</u>		<u>100.0%</u>	

Long-term rates of return are net of administrative expense and inflation of 2.0 percent and 2.1 percent as of September 30, 2021 and 2020, respectively.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

2022		
1.00 percent decrease (5.00-5.80 percent)	Current Discount Rate (6.00-6.80 percent)	1.00 percent increase (7.00-7.80 percent)
\$ 66,570,153	\$ 46,561,385	\$ 29,972,804

2021		
1.00 percent decrease (5.00-5.80 percent)	Current Discount Rate (6.00-6.80 percent)	1.00 percent increase (7.00-7.80 percent)
\$ 93,865,465	\$ 72,520,484	\$ 54,830,253

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

2022		
1.00 percent decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 percent increase (7.95 percent)
\$ 5,282,532	\$ 2,842,852	\$ 772,435

2021		
1.00 percent decrease (5.95 percent)	Current Discount Rate (6.95 percent)	1.00 percent increase (7.95 percent)
\$ 14,070,816	\$ 10,953,345	\$ 8,328,695

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

2022		
1.00 percent decrease (6.50 percent)	Current Healthcare Cost Trend Rate (7.50 percent)	1.00 percent increase (8.50 percent)
\$ 691,928	\$ 2,842,852	\$ 5,262,901

2021		
1.00 percent decrease (6.50 percent)	Current Healthcare Cost Trend Rate (7.50 percent)	1.00 percent increase (8.50 percent)
\$ 8,228,202	\$ 10,953,345	\$ 14,052,858

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 8 - Michigan Public School Employees' Retirement System (Continued)

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

Payable to the Pension Plan and OPEB Plan - At June 30, 2022, the College reported a payable of \$764,755 and \$109,340, for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022. At June 30, 2021, the College reported a payable of \$677,178 and \$70,923, for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Note 9 - Optional Retirement Plan

In January 1997, the College began providing a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect certain investment choices offered within the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) plan portfolio. The TIAA-CREF plan is a defined contribution retirement plan whereby benefits vest immediately. The College contributes a specified percentage of employee wages and has no liability beyond its own contribution. For the years ended June 30, 2022 and 2021, that contribution rate was determined to be 11.50 percent. This resulted in the College contributing approximately \$1,976,000 and \$1,871,000 to the retirement plan for 2022 and 2021, respectively.

Note 10 - Risk Management

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

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

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

	2021	2020
Estimated liability - Beginning of year	\$ 650,000	\$ 650,000
Estimated claims incurred, including changes in estimates	2,571,578	4,418,276
Less claim payments	<u>(3,221,578)</u>	<u>(4,418,276)</u>
Estimated liability - End of year	<u>\$ -</u>	<u>\$ 650,000</u>

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 10 - Risk Management (Continued)

Beginning January 1, 2021, the College began participating in the West Michigan Health Insurance Pool (the "Pool"). As a member of the Pool, the College is fully insured for medical claims.

Note 11 - Federal Direct Lending Program

The College distributed \$7,061,461 and \$5,186,699 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2022 and 2021, respectively. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

Note 12 - Long-term Obligations

The College's long-term liability activity for the year ended June 30, 2022 is as follows:

	July 1, 2021	Additions	Reductions	June 30, 2022	Current Portion
2014 Bonds	\$ 6,508,987	\$ -	\$ (640,999)	\$ 5,867,988	\$ (660,999)

The College's long-term liability activity for the year ended June 30, 2021 is as follows:

	July 1, 2020	Additions	Reductions	June 30, 2021	Current Portion
2014 Bonds	\$ 7,134,986	\$ -	\$ (625,999)	\$ 6,508,987	\$ (640,999)

The 2014 general obligation, limited-tax bonds were issued in December 2014, as authorized by the board of trustees for the construction of capital projects. Bond principal payments range from \$650,000 to \$800,000 and are due annually each May through maturity in fiscal year 2030. Interest payments are due semiannually through maturity at rates ranging from 2.25 percent to 3.25 percent. At June 30, 2022 and 2021, the unamortized bond premium outstanding amounts to \$87,988 and \$98,988, respectively.

As of June 30, 2022, bond maturities are as follows:

Years Ending June 30	Debt Obligations			
	Principal	Premium	Interest	Total
2023	\$ 650,000	\$ 10,999	\$ 170,988	\$ 831,987
2024	670,000	10,999	156,363	837,362
2025	685,000	10,999	139,613	835,612
2026	715,000	10,999	119,062	845,061
2027-2030	3,060,000	43,992	250,362	3,354,354
Total	\$ 5,780,000	\$ 87,988	\$ 836,388	\$ 6,704,376

There were no changes in long-term liabilities for the Foundation (including FSIC) for the years ended June 30, 2022 and 2021.

Kalamazoo Valley Community College

Notes to Financial Statements June 30, 2022 and 2021

Note 12 - Long-term Obligations (Continued)

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

As of June 30, 2022, note maturities are as follows:

<u>Years Ending June 30</u>	<u>Amount</u>
2023	\$ 165,634
2024	293,922
2025	297,497
2026	301,116
2027	304,779
Thereafter	<u>6,357,052</u>
Total	<u>\$ 7,720,000</u>

Note 13 - Upcoming Pronouncements

In May 2020, the Governmental Accounting Standards Board issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which increases the usefulness of the financial statements by requiring recognition of certain SBITA assets and liabilities that previously were classified as operating expenses. This Statement establishes a single model for SBITA accounting based on the foundational principle that SBITAs are the right to use an underlying information technology asset. Under this Statement, the College is required to recognize an intangible right-to-use subscription asset and a corresponding subscription liability. The new SBITA standard is expected to impact the College's financial statements as a result of the SBITAs currently classified as operating expenses. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires 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.

Required Supplemental Information

Kalamazoo Valley Community College

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

	2021	2020	2019	2018	2017	2016	2015	2014
College's proportion of the collective MPSERS net pension liability:								
As a percentage	0.19667%	0.21112%	0.22296%	0.22595%	0.22682%	0.23043%	0.22830%	0.22568%
Amount	\$ 46,561,385	\$ 72,520,484	\$ 73,836,581	\$ 67,923,636	\$ 58,779,985	\$ 57,491,043	\$ 55,763,460	\$ 49,709,091
College's covered payroll	\$ 17,070,050	\$ 18,308,739	\$ 19,396,271	\$ 19,283,487	\$ 19,117,987	\$ 19,219,436	\$ 19,425,889	\$ 19,310,993
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered payroll	272.77%	396.10%	380.67%	352.24%	307.46%	299.13%	287.06%	257.41%
MPSERS fiduciary net position as a percentage of the total pension liability	72.32%	59.49%	60.08%	62.12%	63.96%	63.01%	62.92%	66.15%

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

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 6,214,782	\$ 6,181,056	\$ 6,045,367	\$ 6,137,252	\$ 5,844,463	\$ 5,388,993	\$ 5,454,673	\$ 5,911,507
Contributions in relation to the actuarially determined contractually required contribution	\$ 6,214,782	\$ 6,181,056	\$ 6,045,367	\$ 6,137,252	\$ 5,844,463	\$ 5,388,993	\$ 5,454,673	\$ 5,911,507
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,606,092	\$ 17,261,513	\$ 18,542,685	\$ 19,514,993	\$ 19,208,229	\$ 19,146,178	\$ 19,324,683	\$ 19,582,516
Contributions as a percentage of covered payroll	35.30%	35.81%	32.60%	31.45%	30.43%	28.15%	28.23%	30.19%

Notes to Required Supplemental Information

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

Changes of Assumptions - There were no changes to assumptions for the plan years ended September 30, except for the following:

2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.25%.

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45%. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017.

2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50%.

Kalamazoo Valley Community College

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

	2021	2020	2019	2018	2017
College's proportion of the collective MPSERS net OPEB liability:					
As a percentage	0.18625%	0.20446%	0.22043%	0.22552%	0.22830%
Amount	\$ 2,842,852	\$ 10,953,345	\$ 15,822,137	\$ 17,926,419	\$ 20,217,393
College's covered payroll	\$ 17,070,050	\$ 18,308,739	\$ 19,396,271	\$ 19,283,487	\$ 19,117,987
College's proportionate share of the collective OPEB liability (amount), as a percentage of the College's covered payroll	16.65%	59.83%	81.57%	92.96%	105.75%
MPSERS fiduciary net position as a percentage of the total OPEB liability	88.87%	59.76%	48.67%	43.10%	36.53%

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

	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 1,434,756	\$ 1,436,460	\$ 1,490,016	\$ 1,546,749	\$ 1,387,358
Contributions in relation to the actuarially determined contractually required contribution	\$ 1,434,756	\$ 1,436,460	\$ 1,490,016	\$ 1,546,749	\$ 1,387,358
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,606,092	\$ 17,261,513	\$ 18,542,685	\$ 19,517,993	\$ 19,208,229
Contributions as a percentage of covered payroll	8.15%	8.32%	8.04%	7.92%	7.22%

Notes to Required Supplemental Information

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

Changes of Assumptions - There were no changes to assumptions for the plan year ended September 30, except for the following:

- 2021 - The healthcare cost trend rate used in the September 30, 2020 actuarial valuation increased by 0.75 percent for members under 65 and decreased by 1.75 percent for members over 65. In addition, actual per person health benefit costs were lower than projected. This resulted in a reduction to the plan's total OPEB liability by \$1.3 billion in 2021.
- 2020 - The healthcare cost trend rate used in the September 30, 2019 actuarial valuation decreased by 0.50 percent and actual per person health benefit costs were lower than projected. This resulted in a reduction to the plan's total OPEB liability by \$1.8 billion in 2020.
- 2019 - The discount rate used in the September 30, 2018 actuarial valuation decreased by 0.20 percent. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs 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 decreased by 0.35 percent. The valuation also includes the impact of an updated experience study for periods from 2012 to 2017. This resulted in a lower than projected per person health benefit costs to reduce the plan's total OPEB liability by \$1.4 billion in 2018.

Supplemental Information

Kalamazoo Valley Community College

Combining Statement of Net Position June 30, 2022

	General Fund	MPSERS Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	FSIC Lending	Holding Company	Combined Total
Assets										
Current:										
Cash and cash equivalents	\$ 5,824,762	\$ -	\$ -	\$ 4,002,600	\$ -	\$ 3,000,000	\$ -	\$ 347,917	\$ 822,506	\$ 13,997,785
Short-term investments	2,580,276	-	4,500,000	-	-	28,000,000	-	-	-	35,080,276
Accounts receivable - Net	5,521,106	-	-	370,769	7,666,511	-	23,662	-	-	13,582,048
Inventories	91,602	-	-	668,668	-	-	-	-	-	760,270
Prepaid expenses and other assets	1,115,065	-	62,710	41,506	50,662	11,259	-	-	4,125	1,285,327
Due from (to) other funds	5,557,866	-	405,682	46,559	(6,871,602)	835,472	26,173	(150)	-	-
Total current assets	20,690,677	-	4,968,392	5,130,102	845,571	31,846,731	49,835	347,767	826,631	64,705,706
Noncurrent:										
Note receivable	-	-	-	-	-	-	-	5,348,000	-	5,348,000
Right to use assets	7,293,511	-	-	-	-	-	-	-	-	7,293,511
Long-term investments	2,535,557	-	-	-	-	20,000,000	-	-	-	22,535,557
Total noncurrent assets	9,829,068	-	-	-	-	20,000,000	-	5,348,000	-	35,177,068
Capital assets:										
Land and improvements	-	-	-	-	-	5,079,359	-	-	224,145	5,303,504
Buildings and improvements	-	-	-	-	-	143,553,891	-	-	-	143,553,891
Construction in progress	-	-	-	-	-	853,820	-	-	-	853,820
Equipment	-	-	-	-	-	32,564,338	-	-	-	32,564,338
Library and educational materials	-	-	-	-	-	890,191	-	-	-	890,191
Exhibits	-	-	-	-	-	8,831,809	-	-	-	8,831,809
Collections	-	-	-	-	-	91,866	-	-	-	91,866
Accumulated depreciation	-	-	-	-	-	(116,926,919)	-	-	-	(116,926,919)
Total capital assets	-	-	-	-	-	74,938,355	-	-	224,145	75,162,500
Total assets	30,519,745	-	4,968,392	5,130,102	845,571	126,785,086	49,835	5,695,767	1,050,776	175,045,274
Deferred Outflows										
Deferred outflows	-	12,450,968	-	-	-	-	-	-	-	12,450,968
Liabilities - Current										
Accounts payable	455,829	-	81	192,893	82,719	258,187	3,389	-	1,315,457	2,308,555
Accrued payroll, vacation, and other compensation	4,677,801	-	-	-	-	-	-	-	-	4,677,801
Other accrued liabilities	166,642	-	-	-	-	28,498	-	-	-	195,140
Deposits	-	-	-	2,621	-	-	46,446	-	-	49,067
Unearned revenue	1,715,344	-	-	-	301,896	-	-	-	-	2,017,240
Long-term obligations - Current portion	170,046	-	-	-	-	660,999	-	-	-	831,045
Total liabilities - Current	7,185,662	-	81	195,514	384,615	947,684	49,835	-	1,315,457	10,078,848
Liabilities - Long term										
Long-term obligations - Net of current portion	-	-	-	-	-	5,206,990	-	-	-	5,206,990
Lease liability	7,796,971	-	-	-	-	-	-	-	-	7,796,971
Net OPEB liability	-	2,842,852	-	-	-	-	-	-	-	2,842,852
Net pension liability	-	46,561,385	-	-	-	-	-	-	-	46,561,385
Total liabilities - Long term	7,796,971	49,404,237	-	-	-	5,206,990	-	-	-	62,408,198
Deferred Inflows										
Deferred inflows	-	36,752,529	-	-	-	-	-	-	-	36,752,529
Net Position										
Net investment in capital assets	-	-	-	-	-	69,070,366	-	-	224,145	69,294,511
Restricted for expendable scholarships and grants	-	-	-	-	460,956	-	-	-	-	460,956
Unrestricted net position (deficit)	15,537,112	(73,705,798)	4,968,311	4,934,588	-	51,560,046	-	5,695,767	(488,826)	8,501,200
Total net position	\$ 15,537,112	\$ (73,705,798)	\$ 4,968,311	\$ 4,934,588	\$ 460,956	\$ 120,630,412	\$ -	\$ 5,695,767	\$ (264,681)	\$ 78,256,667

Kalamazoo Valley Community College

Combining Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2022

	Eliminations	General Fund	MPSERS Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	FSIC Lending	Holding Company	Combined Total
Operating Revenue										
Tuition and fees - Net of scholarship allowance (\$6,377,459)	\$ (6,377,459)	\$ 23,820,208	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,442,749
Federal grants	-	-	-	-	-	1,387,050	-	-	-	1,387,050
State grants	-	-	-	-	-	14,417	-	-	-	14,417
Gifts and grants from Kalamazoo Valley Community College Foundation	-	-	-	-	-	915,518	-	-	-	915,518
Other grants	-	-	-	-	-	480,061	-	-	-	480,061
Sales and services revenue - Net of scholarship allowance (\$625,248)	(685,389)	994,388	-	-	2,365,085	-	-	-	-	2,674,084
Other income	-	739,146	-	-	(131,198)	-	-	-	-	607,948
Current funds capital expenditures	(2,971,236)	-	-	-	-	-	2,971,236	-	-	-
Total operating revenue	(10,034,084)	25,553,742	-	-	2,233,887	2,797,046	2,971,236	-	-	23,521,827
Operating Expenses										
Instruction	(924,631)	27,126,407	(2,837,481)	-	-	889,345	389,951	-	-	24,643,591
Information technology	(891,738)	4,757,434	(497,638)	178,879	24,888	1,781,823	863,672	-	-	6,217,320
Public services	(671,321)	2,296,970	(240,268)	22,744	2,054,406	441,591	413,119	-	-	4,317,241
Instructional support	(12,488)	5,376,853	(562,430)	153,008	-	254,063	66,208	-	-	5,275,214
Student services	(7,042,593)	7,373,779	(771,313)	728,069	2,737,097	20,435,480	36,890	-	-	23,497,409
Institutional administration	(1,295)	6,460,807	(675,814)	-	-	30,118	2,013	25	10,139	5,825,993
Physical plant	(490,018)	6,521,685	(682,182)	-	339,226	94,943	977,669	-	-	6,761,323
Amortization expense	-	340,021	-	-	-	-	-	-	-	340,021
Depreciation expense	-	-	-	-	-	-	5,559,171	-	-	5,559,171
Total operating expenses	(10,034,084)	60,253,956	(6,267,126)	1,082,700	5,155,617	23,927,363	8,308,693	25	10,139	82,437,283
Operating Loss	-	(34,700,214)	6,267,126	(1,082,700)	(2,921,730)	(21,130,317)	(5,337,457)	(25)	(10,139)	(58,915,456)
Nonoperating Revenue (Expenses)										
State appropriations	-	19,702,485	96,716	-	433,136	-	-	-	-	20,232,337
Property tax levy	-	22,643,002	-	-	3,802,496	-	-	-	-	26,445,498
Other taxes and interest	-	188,961	-	-	31,568	-	-	-	-	220,529
Pell revenue	-	-	-	-	-	7,509,350	-	-	-	7,509,350
HEERF/CRF revenue	-	-	-	-	-	17,137,670	-	-	-	17,137,670
Investment income	-	70,489	-	4,103	10,201	11	86,282	53,480	291	224,857
Net Unrealized loss on investments	-	(904,850)	-	-	-	-	-	-	-	(904,850)
Net loss from sale of assets	-	-	-	-	-	-	(4,379)	-	-	(4,379)
Interest on capital asset - Related debt	-	-	-	-	-	-	(172,301)	-	-	(172,301)
Interest on right to use asset - Related debt	-	(99,729)	-	-	-	-	-	-	-	(99,729)
Gifts and contributions	-	-	-	-	-	-	2,005	-	-	2,005
Net nonoperating revenue	-	41,600,358	96,716	4,103	4,277,401	24,647,031	(88,393)	53,480	291	70,590,987
Increase (Decrease) in Net Position - Before transfers	-	6,900,144	6,363,842	(1,078,597)	1,355,671	3,516,714	(5,425,850)	53,455	(9,848)	11,675,531
Transfers	-	(5,932,513)	-	728,069	(494,377)	(3,501,180)	10,397,793	-	(1,197,792)	-
Increase (Decrease) in Net Position	-	967,631	6,363,842	(350,528)	861,294	15,534	4,971,943	53,455	(1,207,640)	11,675,531
Net Position - Beginning of year - As restated	-	14,569,481	(80,069,640)	5,318,839	4,073,294	445,422	115,658,469	5,642,312	942,959	66,581,136
Net Position - End of year	\$ -	\$ 15,537,112	\$ (73,705,798)	\$ 4,968,311	\$ 4,934,588	\$ 460,956	\$ 120,630,412	\$ 5,695,767	\$ (264,681)	\$ 78,256,667