Kellogg Community College

Financial Report
with Supplemental Information
June 30, 2022

Contents

Plante & Moran, PLLC
Suite 300
750 Trade Centre Way
Portage, MI 49002
Tel: 269.567.4500
Fax: 269.567.4501
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Kellogg Community College

Report on the Audits of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of Kellogg Community College (the "College") as of and for the years ended June 30, 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*.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audits of the Financial Statements

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

To the Board of Trustees
Kellogg Community College

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

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, schedule of the College's pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of the College's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

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 audits 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.

To the Board of Trustees
Kellogg Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 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

November 9, 2022

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

Using this Report

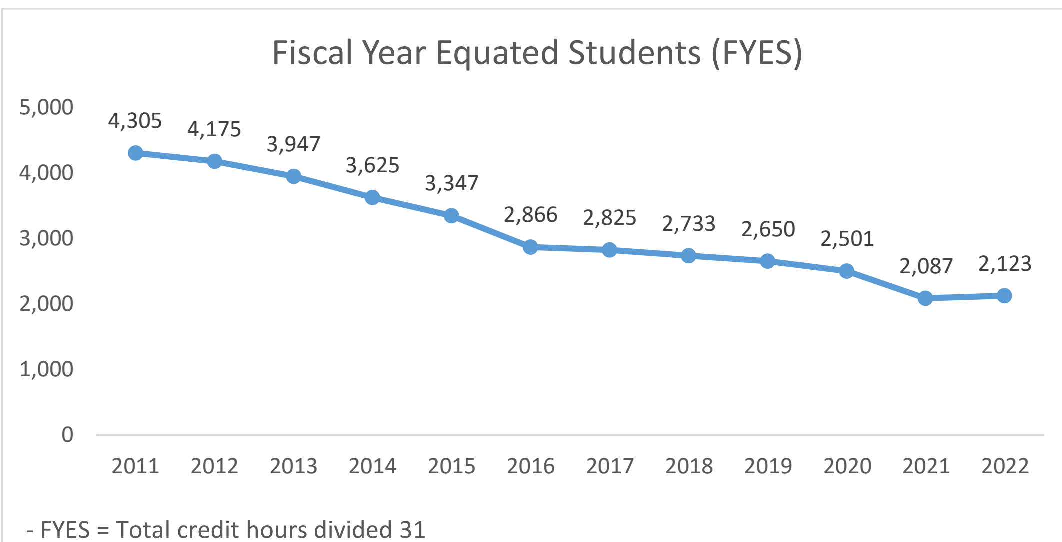
The College's annual financial report includes the report of independent auditors, the management's discussion and analysis, basic financial statements, notes to the financial statements, and supplemental information. The basic financial statements are comprised of three components: the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities.*

The Kellogg Community College Foundation (the "Foundation"), a separate nonprofit organization, qualifies as a component unit of the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. Accordingly, the Foundation's financial activity has been discretely presented within the accompanying financial statements.

Financial Highlights

Despite enduring several consecutive years of declining enrollment, decreasing liabilities associated with MPSERS and enduring a global pandemic, the College's financial position improved substantially in 2022 and 2021, increasing approximately $5.7 million each year.

The College's enrollment peaked in 2011 at 4,305 fiscal year equated students (FYES - total credit hours divided by 31). In 2022 and 2021, as enrollment was challenged across Michigan and the nation, the College's FYES were 2,123 and 2,087, decreases of over 50 percent from the 2011 peak.

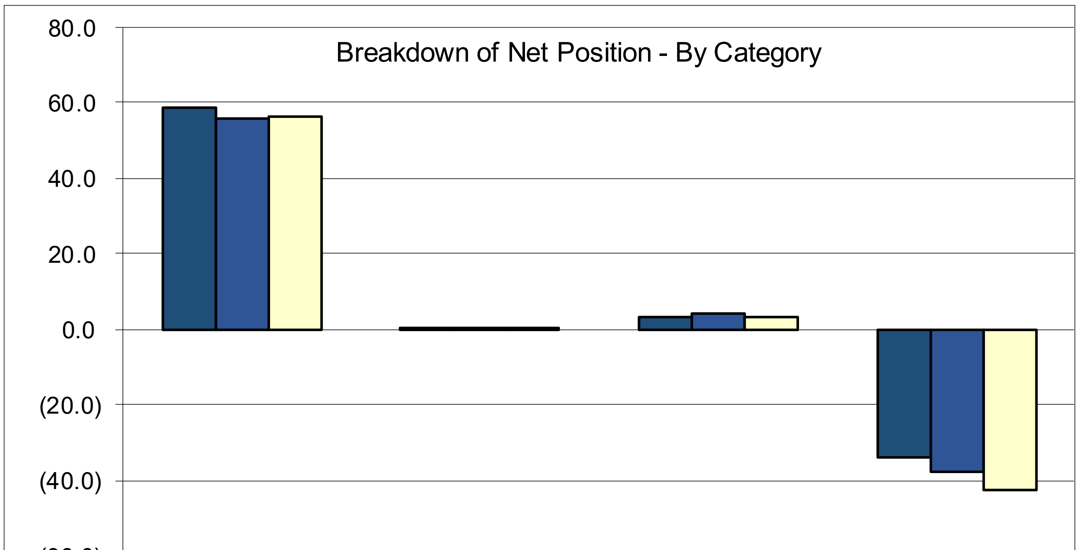


The College believes the general decline in enrollment is related primarily a sustained strong local economy with low unemployment in which students are working more, coming to school less, and reaching the limit on their ability to receive federal financial aid. The pandemic, including related restrictions on gatherings and general health concerns for the College's community, exacerbated the general trend of declining enrollment during 2022 and 2021. Federal student financial aid has steadily decreased each of the past several years from its highest level, approximately $32.5 million, in 2013 to $9.2 million in 2022, a decrease of 72 percent.

Although enrollment increased slightly in 2022, it is still at near the lowest level in decades. To counter enrollment decreases over the past several years, as well as to keep up with rising operating costs, the College has modestly increased its tuition and fee rates. Starting in 2020 and ending with the 2021 fall semester, phased in tuition and fee rate increases over four consecutive semesters offset the decline in enrollment, resulting in an increase in gross tuition and fee revenue in 2022 of approximately $500,000 (3 percent). In 2021, gross tuition and fee revenue decreased approximately and $800,000 (5 percent).

Since the beginning of the pandemic, the College has received approximately $16.5 million in federal stimulus funding, including $10.1 million for the College and $6.4 million for emergency grants to students. The College utilized its funding to replace lost revenue due to declining enrollment and additional costs related to safety and necessary improvements to the College's facilities and technology infrastructure. Lost revenue approximated $4 million in 2022 and $3.9 million in 2021.

The following chart provides a graphical breakdown of net position by category for the fiscal years ended June 30, 2022, 2021, and 2020:



	Net Investment in Capital Assets	Grants & Scholarships	Capital Improvements	Unrestricted Deficit
2022	58.6	0.1	3.4	(33.6)
2021	55.9	0.1	4.4	(37.6)
2020	56.2	0.1	3.5	(42.7)

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

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

The following is a comparison of the major components of the statement of net position of the College for the years ended June 30, 2022, 2021, and 2020:

Statement of Net Position at June 30 (in millions)

	2022	2021	2020
Assets			
Current assets	$ 27.7	$ 26.6	$ 23.0
Long-term investments	3.6	4.9	1.6
Capital assets - Net	68.4	67.2	69.0
Total assets	99.7	98.7	93.6
Deferred Outflows of Resources	9.2	13.9	16.5
Liabilities			
Current liabilities	10.3	9.2	9.7
Noncurrent liabilities	46.6	71.1	73.9
Total liabilities	56.9	80.3	83.6
Deferred Inflows of Resources	23.5	9.5	9.4
Net Position			
Net investment in capital assets	58.6	55.9	56.2
Expendable restricted for:			
Grants and Scholarships	0.1	0.1	0.1
Capital improvements	3.4	4.4	3.5
Unrestricted (deficit)	(33.6)	(37.6)	(42.7)
Total net position	$ 28.5	$ 22.8	$ 17.1

Statement of Net Position

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

- In 2022 and 2021, current assets increased as receivables from federal stimulus grants were $4 million each year.
- The College invested more of its idle cash into longer maturities to take advantage of better yields with longer maturities in 2021, resulting in an increase in long-term investments of $3.3 million. In 2022, those investments came closer to maturity, resulting in an increase in short-term investments and a decrease in long-term investments.
- The College has three moderate renovation projects in 2022 in the Dental Clinic, EMS Simulation Equipment and the Schwarz Science Building, resulting in an increase in capital assets of $1.2 million. There was very little construction activity in 2021, when net capital assets decreased $1.8 million primarily due to depreciation.
- Current liabilities increased $1.1 million in 2022 and decreased by $500,000 in 2021. The increase in 2022 resulted from increases in accounts payable, accrued retirement payouts and unearned revenue. The decrease in 2021 was due to making some payouts that were due to retirees and a change in funding the College's health insurance plans.

- In 2022, long-term liabilities decreased $24.4 million, primarily due to a $22.7 million reduction in long-term pension obligations as the overall MPSERS net pension liability decreased by approximately 25 percent. The College has made its required debt payment during 2022. Long-term liabilities decreased $2.8 million in 2021 as the College paid down its debt and its net MPSERS OPEB liability decreased $2.6 million, offset by a $1.5 million increase in its MPSERS net pension liability.

- Deferred outflows and inflows of resources relate to the MPSERS unfunded net pension liability, with the actuarial determination of its funded status as of September 30, 2021 and 2020 (the "measurement date"), changes in the actuarial assumptions compared to actual results of the plan, and the contributions the College makes into the plan and receives from the State of Michigan after the measurement date.

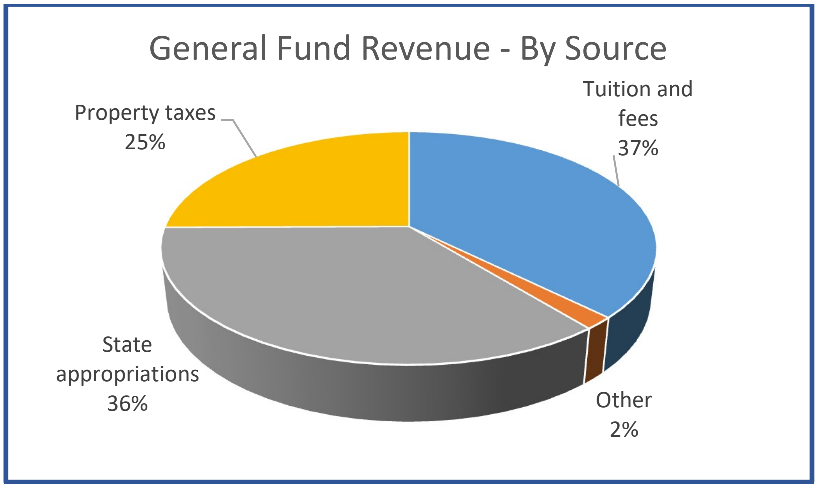
The following is the detail of the major components of operating results of the College for the years ended June 30, 2022, 2021, and 2020:

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

	2022	2021	2020
Operating Revenue			
Tuition and fees - Net	$ 12.3	$ 11.8	$ 12.1
Federal grants and contracts	1.9	1.9	1.6
State grants and contracts	1.1	0.1	0.1
Private gifts, grants, and contracts	0.9	1.9	2.8
Sales and services of auxiliary activities	0.9	0.9	1.2
Other sources	0.7	0.6	0.6
Total operating revenue	17.8	17.2	18.4
Operating Expenses			
Instruction	17.8	18.7	19.8
Information Technology	2.5	2.4	2.4
Public service	0.1	0.2	1.0
Instructional support	6.7	6.8	7.2
Student services	13.0	10.1	8.8
Institutional administration	4.3	4.0	4.9
Physical plant operations	5.3	4.8	4.8
Auxiliary enterprises	1.4	1.3	1.6
Depreciation	3.3	3.2	3.0
Total operating expenses	54.4	51.5	53.5
Operating Loss	(36.6)	(34.3)	(35.1)
Nonoperating Revenue (Expenses)			
State appropriations	15.8	14.8	13.2
Property taxes	13.4	13.1	12.8
Federal Pell grant	5.1	4.8	6.0
Federal stimulus funds	8.4	7.5	0.6
Investment income (loss)	(0.1)	0.1	0.3
Loss on disposal of capital assets	(0.1)	0.0	(0.1)
Interest on capital asset - Related debt	(0.2)	(0.3)	(0.3)
Net nonoperating revenue	42.3	40.0	32.5
Other Revenue - State and local capital appropriations	-	-	0.7
Increase (Decrease) in Net Position	5.7	5.7	(1.9)
Net Position - Beginning of year	22.8	17.1	19.0
Net Position - End of year	**$ 28.5**	**$ 22.8**	**$ 17.1**

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

The following chart shows the percentage of these sources of revenue as they were reported in the General Fund for the year ended June 30, 2022.

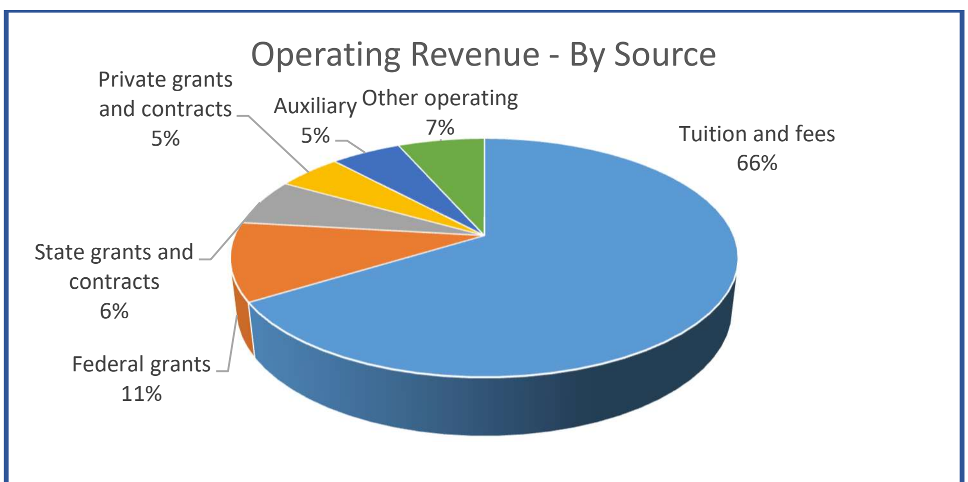


Operating Revenue

For the College as a whole, operating revenue includes all transactions that result in the sales and/or receipts from goods and services, such as tuition and fees, and other auxiliary operations, such as bookstore sales. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

The College's operating revenue increased by $600,000 (4 percent) in 2022 and decreased by $1.2 million (7 percent) in 2021, respectively. In 2022, with slight enrollment and tuition rate increases, tuition and fees increased approximately $500,000. The decrease in 2021 was primarily due to a private grant expiring, along with declining net tuition and bookstore revenue.

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

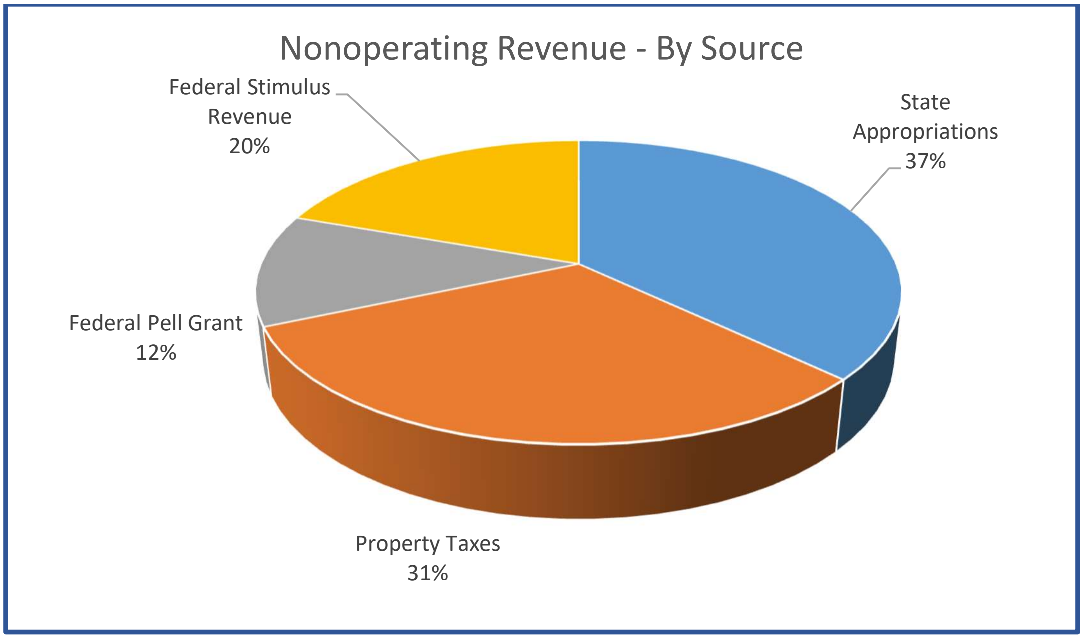


Nonoperating Revenue

Nonoperating revenue is all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, federal stimulus grants, property taxes, federal Pell grant revenue, and investment income. Nonoperating revenue increased $2.3 million and $7.5 million in 2022 and 2021, respectively.

In 2022, state appropriations ($1 million), federal stimulus grants from Higher Education Emergency Relief Funds (HEERF) ($800,000) and property taxes ($300,000) accounted for most of the increase in nonoperating revenue. The increase in 2021 resulted from increases in HEERF and Coronavirus Relief Funds ($6.9 million), state appropriations ($1.6 million) and property taxes ($300,000) offset reductions in Federal Pell grant revenue and investment income.

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

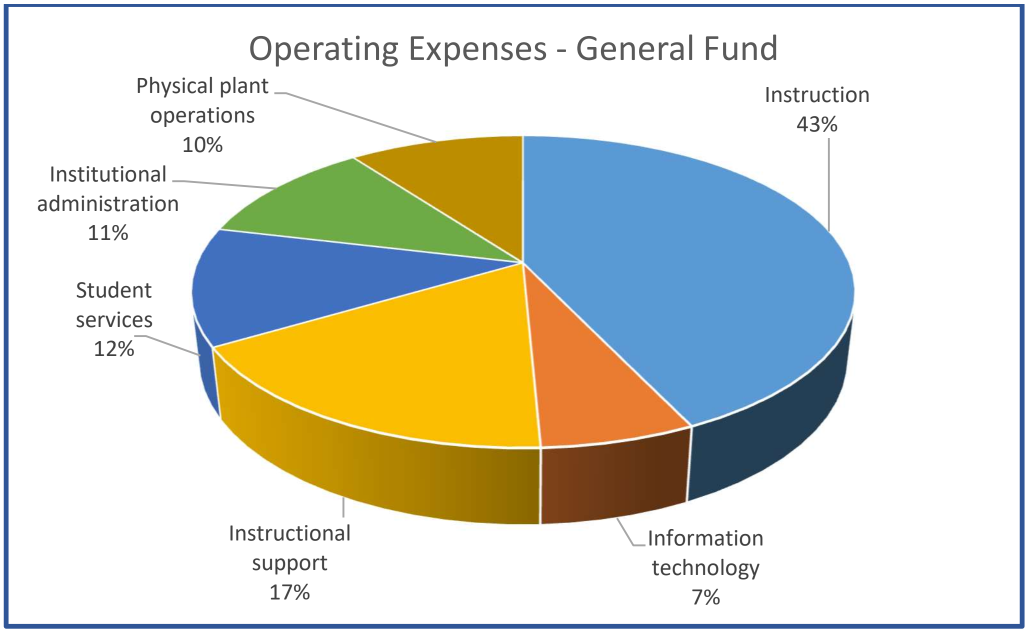


Operating Expenses

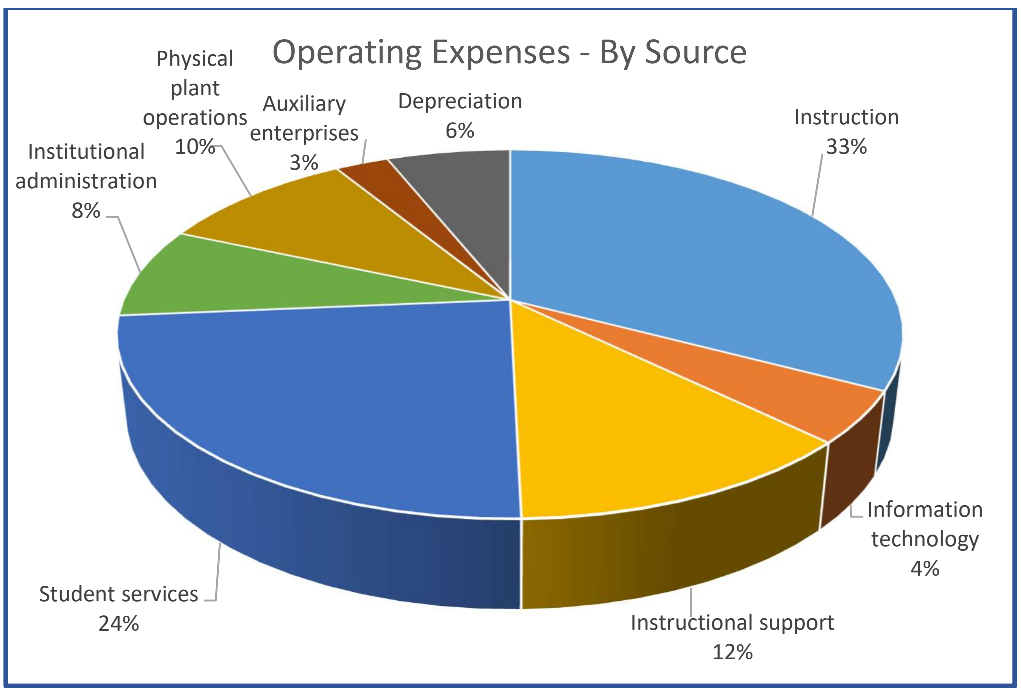
Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. They include salaries and benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses increased $2.9 million in 2022 and decreased $2 million in 2021, respectively. The increase in 2022 was primarily due to an increase in HEERF emergency grants to students. In 2021, the decreases were reflective of decreased activity across-the-board, with the exception of an increase in student services expenses related to federal stimulus emergency grants to students.

The majority of total expenses are reported internally in the College's General Fund. The College spent approximately 60 percent and 62 percent of its General Fund expenditures on instruction and instructional support in 2022 and 2021, respectively.

The following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2022:



For this financial report, the different funds of the College are netted and internal expenditures are eliminated. The following is a graphic illustration of operating expenses by source for the College as a whole at June 30, 2022:



Other

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples would be state capital appropriations, additions to permanent endowments, and transfers from related entities. In 2020, the College received $700,000 in local revenue for capital purposes.

Statement of Cash Flows

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

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

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

	2022	2021	2020
Cash (Used in) Provided by			
Operating activities	$ (37.0)	$ (33.6)	$ (31.1)
Noncapital financing activities	39.9	36.1	33.1
Capital and related financing activities	(3.5)	(0.4)	(1.2)
Investing activities	(1.0)	0.1	4.9
Net (Decrease) Increase in Cash and Cash Equivalents	(1.6)	2.2	5.7
Cash and Cash Equivalents - Beginning of year	14.6	12.4	6.7
Cash and Cash Equivalents - End of year	**$ 13.0**	**$ 14.6**	**$ 12.4**

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

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

- The net cash used in operating activities increased $3.4 million and $2.5 million in 2022 and 2021, respectively. In 2022, the increase was due primarily due to increase in payments to suppliers. The increase in 2021 is due to a $4 million reduction in cash flows from contracts, offset by a $1.5 million reduction in payments to employees.

- Cash provided by noncapital financing activities increased $3.8 million and $3.0 million in 2022 and 2021, respectively. The increases are primarily due to the federal stimulus revenue and state appropriations.

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

- Cash (used in) provided by investing activities was ($1 million) and $100,000 in 2022 and 2021, respectively. The College increased its investing activities in 2022 as interest rates started to rise. In 2021, the College re-invested most of its maturities while many were liquidated upon maturity in 2020.

Capital Assets

At June 30, 2022, the College had $68.4 million invested in capital assets, net of accumulated depreciation of $51.3 million. Depreciation charges totaled $3.3 million for the current fiscal year.

Capital Assets at June 30 (in millions)

	2022	2021	2020
Land and land improvements	$ 5.0	$ 4.7	$ 4.3
Buildings and improvements	95.8	93.0	91.4
Furniture, fixtures, and equipment	18.6	18.2	17.4
Construction in progress	0.3	0.2	1.6
Total	**$ 119.7**	**$ 116.1**	**$ 114.7**

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

Debt

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

Debt Outstanding at June 30 (in millions)

	2022	2021	2020
Bonds, Series 2014	$ 2.5	$ 3.0	$ 3.8
Bonds, Series 2017	6.9	7.9	8.5
Total	**$ 9.4**	**$ 10.9**	**$ 12.3**

Economic Factors That Will Affect the Future

The College's ability to attract students will be its most critical economic factor in the near future. The disruption of the global pandemic had a nominal impact on the College financially in 2021 and 2022, aided by federal stimulus money, the College significantly improved its financial condition. We were hopeful the enrollment declines of the past several years were subsiding and that growth in student numbers will come to fruition due to implementing enrollment management and student success strategies over the past few years. Unfortunately, like other two-year colleges, our enrollment for the 2023 fiscal year looks uncertain due to the pandemic and a relatively strong economy. Positive enrollment trends include the increase in local high school students taking college-level courses in recent years, positively impacting the College's enrollment and tuition revenue. This trend will likely continue to be a positive driver on the bottom line the next several years. Additionally, the College is developing a Strategic Enrollment Management Plan to identify ways to increase enrollment, retention and successful student completions.

For 2022-23, the State of Michigan has continued to increase its operational support of the College and continues to maintain funding to reduce its educational system's unfunded retirement liability and reimburse the College for lost property tax revenue due to tax reforms enacted in recent years. The State's fiscal picture is also looking very strong for the near future, with excess surpluses. All of these funding mechanisms have been beneficial to the College and will be critical for the future. Property values and related tax revenue, after considering the losses due to legislative reforms, has begun to stabilize after decreasing and remaining stagnant in recent years. We are hopeful for that trend to continue in the upcoming years.

However, even with the increases in support from the state and tuition revenue, the enrollment trends mentioned earlier are causing the College to examine its priorities, programs, and structure to make sure it is aligned for future enrollment levels. In 2022, the College recently raised its tuition and fees to help stabilize its resource base, although it remains one of the most affordable colleges in the state.

Another asset of the College is the voter-approved capital millage renewal in 2012. The College is fortunate to have a dedicated resource to support funding most of its future infrastructure needs, as well as retire its bonded indebtedness. To supplement the capital millage and in accordance with board policy, the College also transferred most of its surplus in the College's Maintenance & Replacement Fund included in its Plant Fund, bringing that total of unrestricted net assets to over $7 million.

Despite the global pandemic, declining enrollment and excluding the effects of implementing GASB No. 68 and GASB No. 75, the College is well positioned financially. Together, with the College's board, management will continue to monitor enrollment trends, programs, the state and local economies, and react with revenue enhancements and/or further expense containment measures as necessary to ensure that the financial health and stability of the College are preserved.

Statement of Net Position

June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 12,991,657	$ 14,547,650
Short-term investments (Note 3)	3,875,664	1,669,097
Accounts receivable - Net (Note 5)	9,683,827	9,169,570
Other current assets	1,171,613	1,202,961
Total current assets	27,722,761	26,589,278
Noncurrent assets:		
Long-term investments (Note 3)	3,644,784	4,868,011
Capital assets - Net (Note 6)	68,373,897	67,227,773
Total noncurrent assets	72,018,681	72,095,784
Total assets	99,741,442	98,685,062
Deferred Outflows of Resources (Note 8)	9,236,506	13,929,738
Liabilities		
Current liabilities:		
Accounts payable	945,407	637,715
Accrued payroll and related liabilities	3,397,807	2,819,550
Unearned revenue	2,712,773	2,232,959
Accrued retirement and compensated absences - Current (Note 7)	1,550,000	1,165,000
Bonds payable - Current (Note 7)	1,495,000	1,495,000
Unamortized bond premium - Current (Note 7)	66,366	66,366
Other current liabilities	98,323	783,619
Total current liabilities	10,265,676	9,200,209
Noncurrent liabilities:		
Accrued retirement and compensated absences (Note 7)	2,700,000	2,850,000
Bonds payable - Net of current portion (Note 7)	7,860,000	9,355,000
Unamortized bond premium - Net of current portion (Note 7)	309,282	375,649
Net pension liability (Note 8)	33,728,951	50,565,083
Net OPEB liability (Note 8)	2,072,979	7,899,418
Total noncurrent liabilities	46,671,212	71,045,150
Total liabilities	56,936,888	80,245,359
Deferred Inflows of Resources (Note 8)	23,479,362	9,511,591
Net Position		
Net investment in capital assets	58,643,249	55,935,758
Expendable restricted for:		
Expendable grants and scholarships	108,971	108,971
Capital improvements	3,394,882	4,448,314
Unrestricted	(33,585,404)	(37,635,193)
Total net position	**$ 28,561,698**	**$ 22,857,850**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2022 and 2021

	2022	2021
Operating Revenue		
Tuition and fees - Net of scholarship allowance of $4,295,841 and $4,317,470 for 2022 and 2021, respectively	$ 12,326,995	$ 11,841,357
Federal grants and contracts	1,889,674	1,915,020
State grants and contracts	1,130,429	46,379
Private gifts, grants, and contracts	869,996	1,912,280
Sales and services of auxiliary activities - Net of scholarship allowance of $342,866 and $344,548 for 2022 and 2021, respectively	918,851	913,506
Other sources	645,391	549,464
Total operating revenue	17,781,336	17,178,006
Operating Expenses		
Instruction	17,763,017	18,725,150
Information technology	2,472,999	2,424,701
Public service	116,246	186,929
Instructional support	6,683,849	6,870,214
Student services	13,022,765	10,051,924
Institutional administration	4,300,768	4,005,119
Physical plant operations	5,284,033	4,784,495
Auxiliary enterprises	1,428,577	1,319,651
Depreciation	3,294,347	3,155,372
Total operating expenses	54,366,601	51,523,555
Operating Loss	(36,585,265)	(34,345,549)
Nonoperating Revenue (Expenses)		
State appropriations	15,843,409	14,804,174
Property taxes	13,388,909	13,143,151
Pell revenue	5,092,399	4,804,711
Federal stimulus funds	8,347,334	7,531,214
Investment (loss) income	(83,416)	97,240
Loss on disposal of capital assets	(55,207)	-
Interest on capital asset - Related debt	(244,315)	(283,062)
Net nonoperating revenue	42,289,113	40,097,428
Change in Net Position	5,703,848	5,751,879
Net Position - Beginning of year	22,857,850	17,105,971
Net Position - End of year	**$ 28,561,698**	**$ 22,857,850**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Tuition and fees	$ 11,510,496	$ 11,768,143
Grants and contracts	4,150,231	472,023
Payments to suppliers	(22,649,168)	(12,703,482)
Payments to employees	(31,883,445)	(34,497,534)
Auxiliary enterprise charges - Net	918,851	913,506
Other	988,867	444,593
Federal direct lending receipts	3,705,919	4,633,606
Federal direct lending disbursements	(3,705,919)	(4,633,606)
Net cash used in operating activities	(36,964,168)	(33,602,751)
Cash Flows from Noncapital Financing Activities		
Local property taxes	10,610,055	10,415,026
Federal Pell Grant	5,092,399	4,804,711
State appropriations	15,827,730	13,329,174
HEERF/CRF revenue	8,347,334	7,531,214
Net cash provided by noncapital financing activities	39,877,518	36,080,125
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(4,514,949)	(1,377,418)
Capital property taxes	2,778,854	2,728,125
Principal paid on capital debt	(1,495,000)	(1,450,000)
Interest paid on capital debt	(254,908)	(292,447)
Net cash used in capital and related financing activities	(3,486,003)	(391,740)
Cash Flows from Investing Activities		
Sales and maturities of investments - Net	(899,924)	(34,478)
Interest on investments	(83,416)	97,240
Net cash (used in) provided by investing activities	(983,340)	62,762
Net (Decrease) Increase in Cash and Cash Equivalents	(1,555,993)	2,148,396
Cash and Cash Equivalents - Beginning of year	14,547,650	12,399,254
Cash and Cash Equivalents - End of year	**$ 12,991,657**	**$ 14,547,650**

See notes to financial statements.

Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	$ (36,585,265)	$ (34,345,549)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation expense	3,294,347	3,155,372
Change in allowance for bad debts	210,000	70,000
Change in deferred inflows and outflows	18,661,002	2,657,793
Change in pension and OPEB liabilities	(22,662,571)	(1,119,916)
Changes in assets and liabilities:		
Accounts receivable	(902,075)	(3,988,697)
Inventories, prepaids, and other assets	(31,348)	(186,175)
Accounts payable	433,374	748,025
Accrued liabilities and other	138,554	(932,560)
Unearned revenue	479,814	338,956
Net cash used in operating activities	**$ (36,964,168)**	**$ (33,602,751)**

There were no significant noncash activities during 2022 or 2021.

Discretely Presented Component Unit
Balance Sheet - Kellogg Community College Foundation

June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 355,767	$ 441,932
Contributions receivable	956,219	1,296,271
Accounts receivable - From Kellogg Community College	245,528	-
Long-term investments	13,401,667	13,352,487
Total assets	**$ 14,959,181**	**$ 15,090,690**
Liabilities		
Payable to Kellogg Community College	$ -	$ 145,891
Other current liabilities	12,300	43,150
Net Assets		
Without donor restrictions	3,161,251	3,447,660
With donor restrictions	11,785,630	11,453,989
Total net assets	14,946,881	14,901,649
Total liabilities and net assets	**$ 14,959,181**	**$ 15,090,690**

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

Years Ended June 30, 2022 and 2021

	2022	2021
Revenue		
Contributions of financial assets	$ 1,719,917	$ 1,597,308
Contributions of nonfinancial assets	343,230	335,625
Special event revenue	116,816	103,650
Investment income	564,222	251,136
Unrealized and realized (loss) gain on investments	(1,629,855)	3,037,251
Total revenue	1,114,330	5,324,970
Expenses		
Scholarship and grants expense	675,544	519,350
Management and general	176,839	165,302
Fundraising	216,715	224,077
Total expenses	1,069,098	908,729
Change in Net Assets	45,232	4,416,241
Net Assets - Beginning of year	14,901,649	10,485,408
Net Assets - End of year	**$ 14,946,881**	**$ 14,901,649**

Note 1 - Industry Information and Significant Accounting Policies

Reporting Entity

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

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

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the financial statements of Kellogg Community College Foundation have been discretely presented in Kellogg Community College's financial statements.

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

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

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

Accrual Basis

The financial statements of Kellogg Community College are prepared using the economic resources measurement focus accrual basis of accounting in accordance with accounting principles generally accepted in the United States, wherein revenue is recognized when earned, and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and Cash Equivalents

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

Investments

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

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

Accounts Receivable

Accounts receivable resulting from government and state grants, state appropriations, and student tuition consist of operating revenue recognized, but not received, as of June 30, 2022 and 2021. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for other student accounts receivable based on historical loss experience.

Property and Equipment

Property and equipment are recorded at cost. Gifts of property are recorded at acquisition value at the time gifts are received. Library books are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation:

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

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 $856,000 and $893,000 for the 2022 and 2021 summer semesters, respectively, and approximately $255,000 and $260,000 for the 2022 and 2021 fall semesters, respectively. The remaining amount included in unearned revenue relates to grant funding received during the year that will either be spent in future years or returned to granting agencies.

Unrestricted Net Position

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

Net Investment in Capital Assets

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

Restricted Net Position

Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. The restricted balance primarily consists of funds restricted for student loans, scholarships, capital improvements, and other purposes. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

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

Scholarship Discounts and Allowances

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

Operating Revenue and Expenses

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

Revenue Recognition of Tuition and Fees

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

Grant Revenue

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

Federal Financial Assistance Programs

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

During 2022 and 2021, the College distributed $3,705,919 and $4,633,606, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

Note 1 - Industry Information 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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs

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

Deferred Outflows of Resources

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

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

Deferred Inflows of Resources

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

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

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

Upcoming Accounting Pronouncements

In March 2020, the GASB issued Statement No. 94*, Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the College’s financial statements for the year ending June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2023.

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

Adoption of New Accounting Pronouncement

During the current year, the College adopted GASB Statement No. 87, *Leases*. There was no accounting impact as a result of the adoption.

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

Federal Stimulus Funds

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic, now known as COVID-19. In response to the COVID-19 pandemic, governments have taken preventive or protective actions, such as temporary closures of nonessential 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 $16.5 million of federal stimulus funds, with $6.4 million to be used for emergency grants to students and $10.1 million to be used by the College to offset costs incurred and to recover lost revenue caused by declines in enrollment and other sources of revenue as a result of the pandemic. The stimulus funds have supported improvements to the College's technological infrastructure and classroom technology to support an increase in remote learning, teaching, and working, as well as to improve safety and sanitary conditions of campus to prevent spread of the virus. For the years ended June 30, 2022 and 2021, the College recognized revenue from federal stimulus funds of approximately $8.3 million and $7.5 million, respectively.

Note 2 - Property Taxes

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

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

During the years ended June 30, 2022 and 2021, $2.8636 of tax per $1,000 of taxable property value in the College's taxing district was levied for general operating purposes on all property. Total operating property tax revenue was $10,610,055 and $10,415,026 for the years ended June 30, 2022 and 2021, respectively.

For capital improvement and debt retirement purposes, $0.7500 per $1,000 of taxable property value in the College's taxing district was levied for the years ended June 30, 2022 and 2021. Total property tax revenue for the retirement of debt related to the 2014 and 2017 bond issuance and capital improvements projects was $2,778,854 and $2,728,125 for the years ended June 30, 2022 and 2021, respectively.

Note 3 - Cash and Investments

The College considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The College's deposits and investments are included on the statement of net position under the following classifications at June 30, 2022 and 2021:

	2022	2021
Cash and cash equivalents	$ 12,991,657	$ 14,547,650
Short-term investments	3,875,664	1,669,097
Long-term investments	3,644,784	4,868,011
Total cash and investments	$ 20,512,105	$ 21,084,758

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

	2022	2021
Cash and cash equivalents	$ 12,980,386	$ 14,540,200
Investments in securities and similar instruments	7,520,448	6,537,108
Petty cash and cash on hand	11,271	7,450
Total cash and investments	$ 20,512,105	$ 21,084,758

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

	Total	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	$ 5,861,863	$ 2,714,314	$ 3,147,549	$ -	$ -
Notes and bonds	1,658,585	1,161,350	497,235	-	-
Total	$ 7,520,448	$ 3,875,664	$ 3,644,784	$ -	$ -

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

	Total	Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	$ 4,711,707	$ 931,761	$ 3,779,946	$ -	$ -
Notes and bonds	1,825,401	737,336	1,088,065	-	-
Total	$ 6,537,108	$ 1,669,097	$ 4,868,011	$ -	$ -

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be available or returned. The College does not have a deposit policy for custodial credit risk. At June 30, 2022 and 2021, the carrying amount of the College's deposits was $19,238,293 and $18,389,283, respectively. Of that amount, $3,250,000 was insured by the Federal Deposit Insurance Corporation and National Credit Union Insurance Fund. The remaining $15,988,293 and $15,139,283 at June 30, 2022 and 2021, respectively, was uninsured and uncollateralized. The College does not require deposits to be insured or collateralized. It is precluded by state law from collateralizing its deposits.

Note 3 - Cash and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's investment policy does not address custodial credit risk. All of the investments are, however, in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

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

	2022	2021
Fifth Third Bank	28.00 %	17.00 %
JPMorgan Chase Bank	12.00	14.00
Kellogg Community Federal Credit Union	8.00	9.00
MI State Bldg Authority Bond	8.00	9.00
TCF Bank/Chemical Bank	7.00	8.00
Morgan Stanley	7.00	7.00
Omni Credit Union	5.00	6.00
Oakland University Bond	-	5.00
Michigan Liquid Asset Fund	-	3.00

Interest Rate Risk

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

Credit Risk

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

At June 30, 2022 and 2021, the College's investments (notes and bonds) subject to credit risk (interest rate fluctuations) and related ratings consisted of the following:

	2022		2021	
Investment	Market Value	NRSRO Rating	Market Value	NRSRO Rating
Newaygo County MI Taxable Bond, 0.15%, 11/1/2021	$ -		$ 345,000	AA-
Grand Blanc Schools Taxable Bond, 0.15%, 11/1/2021	-		392,336	AA
Michigan State Building Authority Bond, 0.25%, 10/15/2022	621,925	Aa2	626,525	Aa2
Oakland University Bond, 0.51%, 3/1/2023	306,051	A1	323,667	A1
St. Clair County MI Bond, 0.35%, 4/1/2023	133,697	AA	137,873	AA
Federal Home Loan Bank, 1.00%, 4/2/2023	99,677	Aaa	-	
Michigan Finance Authority Rev School Loan, 3.35%, 9/1/2026	497,235	Aa2	-	
Total	$ 1,658,585		$ 1,825,401	

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

Note 3 - Cash and Investments (Continued)

Foundation Investments

Investments at Kellogg Community College Foundation are as follows:

	2022	2021
Mutual funds	$ 8,050,160	$ 7,361,732
Exchange-traded funds	2,480,424	2,653,799
Stocks	2,871,083	3,336,956
Total	$ 13,401,667	$ 13,352,487

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

Note 4 - Fair Value Measurements

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

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

The following tables present information about the College's assets measured at fair value on a recurring basis at June 30, 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			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2022
Notes and bonds	$ -	$ 1,658,585	$ -	$ 1,658,585

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	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
Notes and bonds	$ -	$ 1,825,401	$ -	$ 1,825,401

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

Note 4 - Fair Value Measurements (Continued)

The Foundation's investments classified as Level 1 are valued quoted prices in active markets for identical assets the Foundation has the ability to access. The following tables represent the Foundation's assets measured at fair value on a recurring basis at June 30, 2022 and 2021:

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

	Assets Measured at Fair Value on a Recurring Basis at June 30, 2021			
	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 by Fair Value Level				
Mutual funds	$ 7,361,732	$ -	$ -	$ 7,361,732
Exchange-traded funds	2,653,799	-	-	2,653,799
Stocks	3,336,956	-	-	3,336,956
Total investments by fair value level	$ 13,352,487	$ -	$ -	$ 13,352,487

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2022	2021
Student and third party	$ 6,018,717	$ 5,243,416
Grants and contracts	5,074,509	4,813,630
State appropriations - Operating	2,338,083	2,306,530
Other	152,518	495,994
Less allowance for uncollectibles	3,900,000	3,690,000
Net accounts receivable	$ 9,683,827	$ 9,169,570

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

Note 6 - Capital Assets

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

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

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Disposals and Transfers	Ending Balance
Land	$ 290,602	$ -	$ -	$ 290,602
Construction in progress	1,646,877	163,742	(1,646,877)	163,742
Subtotal - Nondepreciable assets	1,937,479	163,742	(1,646,877)	454,344
Land improvements	4,025,197	126,826	293,968	4,445,991
Building and building improvements	91,444,991	282,393	1,247,160	92,974,544
Furniture, fixtures, and equipment	17,397,269	828,085	29,250	18,254,604
Subtotal - Depreciable assets	112,867,457	1,237,304	1,570,378	115,675,139
Accumulated depreciation:				
Building and building improvements	30,422,505	2,166,570	23,629	32,612,704
Land improvements	2,440,999	170,773	(76,500)	2,535,272
Furniture, fixtures, and equipment	12,935,705	818,029	-	13,753,734
Total accumulated depreciation	45,799,209	3,155,372	(52,871)	48,901,710
Capital assets - Net	$ 69,005,727	$ (1,754,326)	$ (23,628)	$ 67,227,773

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2022 and 2021 can be summarized as follows:

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

2021	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable					
College Building and Site Bonds - Series 2014	$ 3,755,000	$ -	$ (795,000)	$ 2,960,000	$ 495,000
College Building and Site Bonds - Series 2017	8,545,000	-	(655,000)	7,890,000	1,000,000
Other Long-term Liabilities					
Accrued retirement and compensated absences	4,315,000	-	(300,000)	4,015,000	1,165,000
Unamortized bond premium - Series 2014	122,485	-	(18,129)	104,356	18,129
Unamortized bond premium Series 2017	385,896	-	(48,237)	337,659	48,237
Total	$ 17,123,381	$ -	$ (1,816,366)	$ 15,307,015	$ 2,726,366

College Building and Site Bonds - Series 2017

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

College Building and Site Bonds - Series 2014

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

Note 7 - Long-term Obligations (Continued)

Total principal and interest maturities on the bonds payable as of June 30, 2022 are as follows:

	Debt Obligations		
Years Ending June 30	Principal	Interest	Total
2023	$ 1,495,000	$ 278,150	$ 1,773,150
2024	1,530,000	235,775	1,765,775
2025	1,580,000	191,113	1,771,113
2026	1,670,000	144,950	1,814,950
2027	1,760,000	94,850	1,854,850
2028	1,320,000	39,600	1,359,600
Total	$ 9,355,000	$ 984,438	$ 10,339,438

Accrued Retirement and Compensated Absences

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

Note 8 - Retirement Plans

Plan Description

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

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

Kellogg Community College also contributes to the Teachers' Insurance and Annuity Association - College Retirement Equities Fund, a defined contribution pension plan, for certain employees who meet the eligibility requirements. The benefits are administered by Teachers Insurance and Annuity Association - College Retirement Equities Fund.

Benefits Provided

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

Note 8 - Retirement Plans (Continued)

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

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

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

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

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

Contributions

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

Note 8 - Retirement Plans (Continued)

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

The range of rates is as follows:

	Pension	OPEB
July 1, 2020 - September 30, 2020	13.39% - 19.41%	7.57% - 8.09%
October 1, 2020 - September 30, 2021	13.39% - 19.78%	7.57% - 8.43%
October 1, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%

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

The College's required and actual pension contributions to the plan for the years ended June 30, 2022 and 2021 were $4,850,541 and $4,591,118, 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 $1,969,224 and $2,020,046 in revenue received from the State of Michigan to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 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 $1,198,916 and $1,111,558, 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 $33,728,951 and $50,565,083, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2021 and 2020, 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, which used update procedures to roll forward the estimated liability to September 30, 2021 and 2020. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021, 2020, and 2019, the College's proportion was 0.14246 percent, 0.14720 percent, and 0.14815 percent, respectively.

Net OPEB Liability

At June 30, 2022 and 2021, the College reported a liability of $2,072,979 and $7,899,418, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability 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 update procedures to roll forward the estimated liability to September 30, 2021 and 2020. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2021, 2020, and 2019, the College’s proportion was 0.13581 percent, 0.14745 percent, and 0.14658 percent, respectively.

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

For the years ended June 30, 2022 and 2021, the College recognized pension expense of $2,954,810 and $6,719,822, respectively, inclusive of payments to fund the MSPERS UAAL stabilization rate.

Note 8 - Retirement Plans (Continued)

At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 522,476	$ (198,623)	$ 772,593	$ (107,924)
Changes of assumptions	2,126,153	-	5,603,099	-
Net difference between projected and actual earnings on pension plan assets	-	(10,843,749)	212,452	-
Changes in proportion and differences between college contributions and proportionate share of contributions	-	(1,694,853)	-	(1,053,678)
College contributions subsequent to the measurement date	3,984,613	-	3,832,460	-
Total	$ 6,633,242	$ (12,737,225)	$ 10,420,604	$ (1,161,602)

The $1,969,224 and $2,020,046 reported as deferred inflows of resources resulting from the pension portion of the state aid payments received pursuant to Section 201(5) 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:

Years Ending June 30	Amount
2023	$ (1,620,261)
2024	(2,402,039)
2025	(2,994,582)
2026	(3,071,714)
Total	$ (10,088,596)

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

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

For the years ended June 30, 2022 and 2021, the College recognized OPEB recovery of $1,432,495 and $350,565, respectively.

Note 8 - Retirement Plans (Continued)

At June 30, 2022 and 2021, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2022		2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ (5,917,172)	$ -	$ (5,885,805)
Net difference between projected and actual earnings on OPEB plan investments	1,732,908	(259,308)	65,929	-
Changes of assumptions	-	(1,562,442)	2,604,595	-
Changes in proportion and differences between college contributions and proportionate share of contributions	55,601	(1,033,991)	61,008	(444,138)
College contributions subsequent to the measurement date	814,755	-	777,602	-
Total	$ 2,603,264	$ (8,772,913)	$ 3,509,134	$ (6,329,943)

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

Years Ending	Amount
2023	$ (1,833,042)
2024	(1,668,069)
2025	(1,487,009)
2026	(1,357,399)
2027	(564,784)
Thereafter	(74,101)
Total	$ (6,984,404)

Note 8 - Retirement Plans (Continued)

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 and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions, which were the same for both years unless indicated:

	Michigan Public School Employees' Retirement System
Actuarial cost method	Entry age normal
Investment rate of return - Pension	6.00 percent - 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
Salary increases	2.75 percent - 11.55 percent, including wage inflation of 2.75 percent
Health care cost trend rate	2020 - Pre-65: 7.75 percent (year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120); post-65: 5.25 percent (year 1 graded to 3.5 percent in year 15; 3.0 percent in year 120) 2019 - 7.00 percent (year 1 graded to 3.5 percent year 15; 3.0 percent in year 120)
Mortality basis	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100 percent (retirees: 82 percent for males and 78 percent for females) adjusted for mortality improvements using projection scale MP-2017 from 2006
Cost of living pension adjustments	3.00 percent, annual noncompounded for MIP members

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

Significant assumption changes since the prior measurement date, September 30, 2020, for the OPEB plan include an increase in the health care cost trend rate of 0.75 percentage points for members under 65 and a reduction from 7.0 percent to 5.25 percent for members over 65. There were no significant changes in assumptions for the pension actuarial valuation. There were no significant benefit terms changes 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 plans' net OPEB liability by approximately $1.1 billion.

Discount Rate

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

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

Note 8 - Retirement Plans (Continued)

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	September 30, 2022		September 30, 2021	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	25.00 %	5.40 %	25.00 %	5.60 %
Private equity pools	16.00	9.10	16.00	9.30
International equity pools	15.00	7.50	15.00	7.40
Real return/Opportunistic pools	12.50	6.10	12.50	6.60
Fixed-income pools	10.50	(0.70)	10.50	0.50
Real estate and infrastructure pools	10.00	5.40	10.00	4.90
Absolute return pools	9.00	2.60	9.00	3.20
Short-term investment pools	2.00	(1.30)	2.00	(0.10)

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

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

	2022		
	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability	$ 48,223,253	$ 33,728,951	$ 21,712,225

	2021		
	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net pension liability	$ 65,447,922	$ 50,565,083	$ 38,230,526

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

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

	2022		
	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net OPEB liability	$ 3,851,970	$ 2,072,979	$ 563,252

	2021		
	1 Percentage Point Decrease	Current Discount Rate	1 Percentage Point Increase
Net OPEB liability	$ 10,147,700	$ 7,899,418	$ 6,006,553

Note 8 - Retirement Plans (Continued)

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

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

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

	2021		
	1 Percentage Point Decrease	Current Discount Trend	1 Percentage Point Increase
Net OPEB liability	$ 5,934,079	$ 7,899,418	$ 10,134,749

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB

At June 30, 2022, the College reported a payable of $875,214 and $209,076 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2022. At June 30, 2021, the College reported a payable of $814,260 and $191,772 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2021.

Defined Contribution Plan

As an alternative pension option, the College offers full-time faculty and administrative employees the opportunity to participate in the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Funding for the plan consists of employer contributions of 10.5 percent and employee contributions of 4.0 percent of covered compensation for the years ended June 30, 2022 and 2021 and has no liability beyond its own contribution. Benefits vest immediately. Compensation covered under the plan for the years ended June 30, 2022 and 2021 was $9,394,893 and $8,743,843, respectively, resulting in contributions of $992,276 and $907,434, respectively, for the College and $375,796 and $349,753, respectively, for employees.

Note 9 - Tax Abatements

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

For the years ended June 30, 2022 and 2021, the College’s property tax revenue was reduced by $23,281 and $44,524, respectively, under these programs.

Note 10 - Kellogg Community College Foundation

The Foundation was incorporated in 1998 and was organized to provide support exclusively for the objectives and purposes of Kellogg Community College and to augment the facilities of the College in such a manner as may be designated by its board of trustees. During the years ended June 30, 2022 and 2021, the Foundation made grants and distributions to and on behalf of the College totaling $675,544 and $519,350, respectively. If the Foundation was dissolved, its remaining assets would be distributed to the College.

The Foundation's net assets include donor-restricted endowment funds, whose purpose is to provide scholarships to students of the College. Net assets associated with these funds are classified and reported based on the existence or absence of donor- or board-imposed restrictions. Endowment net assets with donor restrictions are $7,788,162 and $6,726,326 as of June 30, 2022 and 2021, respectively. Excess earnings on the endowments, classified as earnings with donor restrictions, are $2,482,585 and $3,141,363 as of June 30, 2022 and 2021, respectively.

Note 11 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The College has purchased commercial insurance for property loss, errors and omissions, and medical benefits provided to employees and claims relating to employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Self-insurance

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

	Medical Claims		
	2022	2021	2020
Estimated liability - Beginning of year	$ 320,000	$ 135,000	$ 300,000
Estimated claims incurred, including changes in estimates	(1,348,752)	(965,059)	(1,190,827)
Less claim payments	1,353,752	1,150,059	1,025,827
Estimated liability - End of year	$ 325,000	$ 320,000	$ 135,000

Required Supplemental Information

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

Last Eight Plan Years

Plan Years Ended September 30

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

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

Last Eight Fiscal Years

Years Ended June 30

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

Notes to Required Supplemental Information

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

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

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

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

Last Five Plan Years

Plan Years Ended September 30

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

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

Last Five Fiscal Years

Years Ended June 30

	2022	2021	2020	2019	2018
Statutorily required contribution	$ 1,097,791	$ 1,026,631	$ 1,057,199	$ 1,009,099	$ 912,394
Contributions in relation to the actuarially determined contractually required contribution	1,097,791	1,026,631	1,057,199	1,009,099	912,394
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered Payroll	$ 13,471,154	$ 12,336,717	$ 13,156,439	$ 12,846,523	$ 12,632,265
Contributions as a Percentage of Covered Payroll	8.15 %	8.32 %	8.04 %	7.86 %	7.22 %

Notes to Required Supplemental Information

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

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

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

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

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

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

Other Supplemental Information

	General Fund	MPSERS Fund	Federal Stimulus Fund	Auxiliary Fund
Assets				
Current assets:				
Cash and cash equivalents	$ 12,991,657	$ -	$ -	$ -
Short-term investments	3,875,664	-	-	-
Accounts receivable - Net	3,308,208	-	4,031,969	102,350
Other current assets	860,581	-	-	311,032
Due from other funds	-	1,700,000	-	1,208,727
Total current assets	21,036,110	1,700,000	4,031,969	1,622,109
Noncurrent assets:				
Long-term investments	3,644,784	-	-	-
Capital assets - Net	-	-	-	-
Total noncurrent assets	3,644,784	-	-	-
Total assets	24,680,894	1,700,000	4,031,969	1,622,109
Deferred Outflows of Resources	-	9,236,506	-	-
Liabilities				
Current liabilities:				
Accounts payable	866,729	-	-	78,678
Accrued payroll and related liabilities	3,397,807	-	-	-
Unearned revenue	1,113,271	-	-	-
Bonds payable - Current	-	-	-	-
Unamortized bond premium - Current	-	-	-	-
Accrued retirement and compensated absences - Current	1,460,000	-	-	40,000
Other current liabilities	-	-	-	98,323
Due to other funds	8,768,057	-	4,031,969	-
Total current liabilities	15,605,864	-	4,031,969	217,001
Noncurrent liabilities:				
Accrued retirement and compensated absences	2,700,000	-	-	-
Bonds payable - Net of current portion	-	-	-	-
Unamortized bond premium - Net of current portion	-	-	-	-
Net pension liability	-	33,728,951	-	-
Net OPEB liability	-	2,072,979	-	-
Total noncurrent liabilities	2,700,000	35,801,930	-	-
Total liabilities	18,305,864	35,801,930	4,031,969	217,001
Deferred Inflows of Resources	-	23,479,362	-	-
Net Position				
Net investment in capital assets	-	-	-	-
Restricted:				
Expendable grants and scholarships	-	-	-	-
Capital improvements	-	-	-	-
Unrestricted	6,375,030	(48,344,786)	-	1,405,107
Total net position	**$ 6,375,030**	**$ (48,344,786)**	**$ -**	**$ 1,405,107**

Combining Statement of Net Position

June 30, 2022
(with comparative totals for 2021)

Restricted Fund	Plant Fund	Fund Total	Eliminations	2022	2021
$ -	$ -	$ 12,991,657	$ -	$ 12,991,657	$ 14,547,650
-	-	3,875,664	-	3,875,664	1,669,097
2,241,300	-	9,683,827	-	9,683,827	9,169,570
-	-	1,171,613	-	1,171,613	1,202,961
-	10,374,126	13,282,853	(13,282,853)	-	-
2,241,300	10,374,126	41,005,614	(13,282,853)	27,722,761	26,589,278
-	-	3,644,784	-	3,644,784	4,868,011
-	68,373,897	68,373,897	-	68,373,897	67,227,773
-	68,373,897	72,018,681	-	72,018,681	72,095,784
2,241,300	78,748,023	113,024,295	(13,282,853)	99,741,442	98,685,062
-	-	9,236,506	-	9,236,506	13,929,738
-	-	945,407	-	945,407	637,715
-	-	3,397,807	-	3,397,807	2,819,550
1,599,502	-	2,712,773	-	2,712,773	2,232,959
-	1,495,000	1,495,000	-	1,495,000	1,495,000
-	66,366	66,366	-	66,366	66,366
50,000	-	1,550,000	-	1,550,000	1,165,000
-	-	98,323	-	98,323	783,619
482,827	-	13,282,853	(13,282,853)	-	-
2,132,329	1,561,366	23,548,529	(13,282,853)	10,265,676	9,200,209
-	-	2,700,000	-	2,700,000	2,850,000
-	7,860,000	7,860,000	-	7,860,000	9,355,000
-	309,282	309,282	-	309,282	375,649
-	-	33,728,951	-	33,728,951	50,565,083
-	-	2,072,979	-	2,072,979	7,899,418
-	8,169,282	46,671,212	-	46,671,212	71,045,150
2,132,329	9,730,648	70,219,741	(13,282,853)	56,936,888	80,245,359
-	-	23,479,362	-	23,479,362	9,511,591
-	58,643,249	58,643,249	-	58,643,249	55,935,758
108,971	-	108,971	-	108,971	108,971
-	3,394,882	3,394,882	-	3,394,882	4,448,314
-	6,979,245	(33,585,404)	-	(33,585,404)	(37,635,193)
$ 108,971	**$ 69,017,376**	**$ 28,561,698**	**$ -**	**$ 28,561,698**	**$ 22,857,850**

	General Fund	MPSERS Fund	Federal Stimulus Fund	Auxiliary Fund
Operating Revenue				
Tuition and fees - Net of scholarship allowance	$ 15,807,688	$ -	$ -	$ 768,500
Federal grants and contracts	-	-	-	-
State grants and contracts	-	-	-	-
Private gifts, grants, and contracts	-	-	-	-
Sales and services of auxiliary activities	-	-	-	1,261,717
Other sources	798,409	-	-	119,982
Total operating revenue	16,606,097	-	-	2,150,199
Operating Expenses				
Instruction	18,353,476	(1,690,597)	-	-
Information technology	2,723,907	(250,908)	-	-
Public service	128,040	(11,794)	-	-
Instructional support	7,361,985	(678,136)	-	-
Student services	5,223,765	(481,178)	4,304,767	838,607
Institutional administration	4,737,119	(436,351)	-	-
Physical plant operations	4,361,831	(401,782)	-	-
Auxiliary enterprises	-	-	-	1,701,577
Depreciation	-	-	-	-
Total operating expenses	42,890,123	(3,950,746)	4,304,767	2,540,184
Operating (Loss) Income	(26,284,026)	3,950,746	(4,304,767)	(389,985)
Nonoperating Revenue (Expenses)				
State appropriations	15,095,567	50,822	-	34,949
Property taxes	10,610,055	-	-	-
Pell revenue	-	-	-	-
Federal stimulus revenue	-	-	8,347,334	-
Investment income (loss)	(83,416)	-	-	-
Gain (loss) on disposal of capital assets	-	-	-	-
Interest on capital asset - Related debt	-	-	-	-
Net nonoperating revenue (expense)	25,622,206	50,822	8,347,334	34,949
Income (Loss) - Before other revenue	(661,820)	4,001,568	4,042,567	(355,036)
Transfers In (Out)	856,897	-	(4,042,567)	484,818
Change in Net Position	195,077	4,001,568	-	129,782
Net Position - Beginning of year	6,179,953	(52,346,354)	-	1,275,325
Net Position - End of year	**$ 6,375,030**	**$ (48,344,786)**	**$ -**	**$ 1,405,107**

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

June 30, 2022
(with comparative totals for 2021)

Restricted Fund	Plant Fund	Fund Total	Eliminations	2022	2021
$ 46,648	$ -	$ 16,622,836	$ (4,295,841)	$ 12,326,995	$ 11,841,357
1,889,674	-	1,889,674	-	1,889,674	1,915,020
1,130,429	-	1,130,429	-	1,130,429	46,379
867,971	2,025	869,996	-	869,996	1,912,280
-	-	1,261,717	(342,866)	918,851	913,506
-	-	918,391	(273,000)	645,391	549,464
3,934,722	2,025	22,693,043	(4,911,707)	17,781,336	17,178,006
1,100,138	-	17,763,017	-	17,763,017	18,725,150
-	-	2,472,999	-	2,472,999	2,424,701
-	-	116,246	-	116,246	186,929
-	-	6,683,849	-	6,683,849	6,870,214
7,775,511	-	17,661,472	(4,638,707)	13,022,765	10,051,924
-	-	4,300,768	-	4,300,768	4,005,119
-	1,323,984	5,284,033	-	5,284,033	4,784,495
-	-	1,701,577	(273,000)	1,428,577	1,319,651
-	3,294,347	3,294,347	-	3,294,347	3,155,372
8,875,649	4,618,331	59,278,308	(4,911,707)	54,366,601	51,523,555
(4,940,927)	(4,616,306)	(36,585,265)	-	(36,585,265)	(34,345,549)
61,904	600,167	15,843,409	-	15,843,409	14,804,174
-	2,778,854	13,388,909	-	13,388,909	13,143,151
5,092,399	-	5,092,399	-	5,092,399	4,804,711
-	-	8,347,334	-	8,347,334	7,531,214
-	-	(83,416)	-	(83,416)	97,240
-	(55,207)	(55,207)	-	(55,207)	-
-	(244,315)	(244,315)	-	(244,315)	(283,062)
5,154,303	3,079,499	42,289,113	-	42,289,113	40,097,428
213,376	(1,536,807)	5,703,848	-	5,703,848	5,751,879
(213,376)	2,914,228	-	-	-	-
-	1,377,421	5,703,848	-	5,703,848	5,751,879
108,971	67,639,955	22,857,850	-	22,857,850	17,105,971
$ 108,971	**$ 69,017,376**	**$ 28,561,698**	**$ -**	**$ 28,561,698**	**$ 22,857,850**

Schedule of General Fund Expenditures

Year Ended June 30, 2022
(with comparative totals for the year ended June 30, 2021)

	Salaries and Related Expenses	Other Expenses	Equipment	June 30, 2022 Total	June 30, 2021 Total
Instruction					
General education	$ 6,425,125	$ 70,267	$ -	$ 6,495,392	$ 6,030,268
Business and human services	2,520,482	91,530	-	2,612,012	2,454,634
Technical and industrial trades	1,707,003	427,968	-	2,134,971	1,627,390
Health occupations	5,387,323	568,849	-	5,956,172	5,254,365
Developmental and basic skills	714,623	3,173	-	717,796	921,953
Human development	238,415	292	-	238,707	144,476
Personal interest	175,656	6,193	-	181,849	201,457
Equipment	-	-	16,577	16,577	-
Total instruction	17,168,627	1,168,272	16,577	18,353,476	16,634,543
Information Technology	1,516,832	1,205,971	1,104	2,723,907	2,273,618
Public Service	124,802	3,238	-	128,040	178,378
Instructional Support					
Instructional support	6,701,932	657,448	-	7,359,380	6,585,523
Equipment	-	-	2,605	2,605	75,896
Total instructional support	6,701,932	657,448	2,605	7,361,985	6,661,419
Student Services					
Student services programs and administration	3,229,498	961,322	-	4,190,820	3,403,153
Financial aid	686,296	199,793	-	886,089	881,799
Intercollegiate athletics	-	140,292	-	140,292	217,696
Equipment	-	-	6,564	6,564	164
Total student services	3,915,794	1,301,407	6,564	5,223,765	4,502,812
Institutional Administration					
Institutional administration	3,389,952	1,290,189	-	4,680,141	3,861,122
Equipment	-	-	56,978	56,978	22,276
Total institutional administration	3,389,952	1,290,189	56,978	4,737,119	3,883,398
Physical Plant Operations					
Physical plant operations	1,193,244	1,827,403	-	3,020,647	2,662,591
Energy services	-	787,438	-	787,438	747,751
Campus security	245,234	308,512	-	553,746	507,447
Equipment	-	-	-	-	-
Total physical plant operations	1,438,478	2,923,353	-	4,361,831	3,917,789
Total expenditures	**$ 34,256,417**	**$ 8,549,878**	**$ 83,828**	**$ 42,890,123**	**$ 38,051,957**