North Central Michigan College

Years Ended June 30, 2019 and 2018

Financial Statements and Supplementary Information

NORTH CENTRAL MICHIGAN COLLEGE

Table of Contents

NORTH CENTRAL MICHIGAN COLLEGE

Executive Officers and Board of Trustees

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The North Central Michigan College (the "College") financial report consists of three basic financial statements: the Statement of Net Position which presents the assets, deferred outflows, liabilities, deferred inflows and net position of the College as of the end of the 2019 and 2018 fiscal years; the Statement of Revenues, Expenses and Changes in Net Position, which reflects revenues and expenses recognized during the 2019 and 2018 fiscal years; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the College by major category during the 2019 and 2018 fiscal years. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

In compliance with GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus,*" the North Central Michigan College Foundation (the "Foundation") is reported as a blended component unit of the College. Separately issued financial statements for the Foundation are also available by contacting the Foundation office.

The following discussion and analysis provides an overview of the financial position and activities of North Central Michigan College for the year ended June 30, 2019. Management has prepared this discussion along with the financial statements, related note disclosures and the required supplemental pension and other postemployment benefits schedules. Following the basic financial statements, notes, and the required supplemental pension and other postemployment benefit schedules, are two supplementary information statements: the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position. Though GASB does not require this supplementary information be present for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College that is not detailed in the basic statements.

Financial Highlights

The College's financial position remained strong at June 30, 2019, with assets of $54.5 million and liabilities of $22.7 million. Of the liabilities, $1.6 million are due within one year and $21.1 million are due beyond one year. Of the amount due beyond one year, $17.1 million relates to the net pension and other postemployment benefits liabilities. These substantial liabilities are recorded because GASB requires the College to record its share of the unfunded Michigan Public School Employees' Retirement System ("MPSERS") obligation/liability for employees. GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" was implemented during the year ended June 30, 2018.

The College continues to face challenges posed by the uncertainty of state appropriations, decreasing student enrollments, and rising health care costs. These financial statements reflect College-wide departmental savings in an effort to balance the budget with the anticipation of further budget reductions.

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

These two statements will help the reader answer the question, "Is North Central Michigan 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 Revenues, 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. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as North Central Michigan College's operating results.

These two statements report the College's net position and net position changes. One can think of net position – the difference between assets, deferred outflows/inflows of resources, and liabilities – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the net position are one indicator of whether the College's financial health is improving or deteriorating. Many other non-financial factors, such as the trend in student applications, student retention, condition of the buildings, and strength of the faculty also need to be considered to assess the overall health of the College.

These statements include all assets, deferred outflows/inflows of resources, 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 revenues and expenses are taken into account regardless of when cash is received or paid.

Net Position

Total net position at June 30, 2019, 2018, and 2017 was $33.1 million, $31.5 million, and $35.6 million, respectively. Following is a comparison of the major components of the net position of the College and operating results for years ended June 30, 2019, 2018, and 2017:

Net Position as of June 30 (in millions)

	2019	2018	2017
Current assets	$8.8	$8.1	$7.3
Noncurrent assets:			
Capital assets, net of depreciation	27.1	27.6	27.2
Other	18.6	17.2	19.0
Total noncurrent assets	45.7	44.8	46.2
Total assets	54.5	52.9	53.5
Deferred outflows of resources	5.0	3.1	1.8
Current liabilities	1.6	1.3	2.1
Noncurrent liabilities	21.1	21.3	17.2
Total liabilities	22.7	22.6	19.3
Deferred inflows of resources	3.7	1.9	0.4
Net position:			
Net investment in capital assets	24.4	24.9	26.2
Restricted-Nonexpendable	4.7	4.8	4.4
Restricted-Expendable	5.9	4.3	3.8
Unrestricted (deficit)	(1.9)	(2.5)	1.2
Total net position	$33.1	$31.5	$35.6

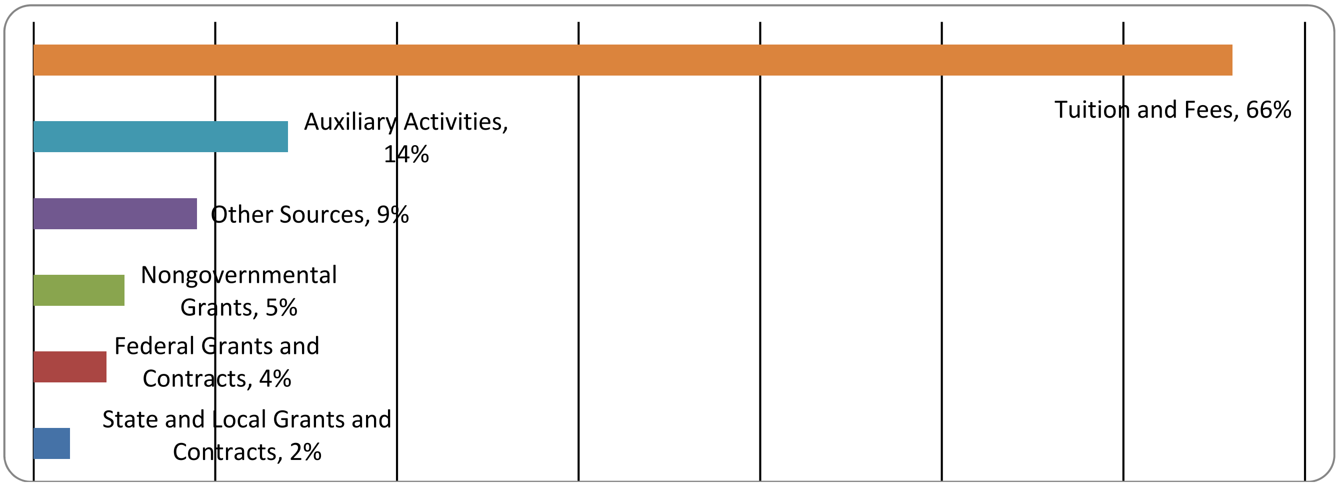
Operating Results for the Year Ended June 30 (in millions)

	2019	2018	2017
Operating Revenues			
Tuition and fees, net	$ 3.9	$ 4.6	$ 4.3
Federal grants and contracts	0.2	0.2	0.2
State and local grants & contracts	0.1	0.1	0.1
Nongovernmental grants	0.3	0.4	0.4
Auxiliary activities, net	0.9	1.0	1.0
Other	0.5	0.6	0.4
Total operating revenues	5.9	6.9	6.4
Total operating expenses	19.0	19.8	18.8
Operating loss	(13.1)	(12.9)	(12.4)
Nonoperating Revenues (Expenses)			
State appropriations	3.5	3.5	3.5
Property tax levy	6.0	5.8	6.5
Pell grants	2.4	2.7	2.7
Investment income	0.3	0.1	0.4
Net realized and unrealized gain (loss) on investments	0.2	-	-
Interest on capital related debt	(0.1)	(0.2)	(0.2)
Donations & special events, Foundation	2.1	0.8	1.1
Net nonoperating revenues	14.4	12.7	14.0
Other Revenues			
Contributions to permanent endowments	0.3	0.3	0.4
Change in net position	1.6	0.1	2.0
Net position, beginning of year	31.5	35.6	33.6
Cumulative effect of change in accounting principle	-	(4.2)	-
Net position, beginning of year, as adjusted	31.5	31.4	33.6
Net position, end of year	$33.1	$31.5	$35.6

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the commissions from the sales of books and supplies, rental revenue of the residence halls and revenue from the cafeteria & conference center. In addition, certain federal, state, and private grants are considered operating revenues, if they are not for capital purposes, and are considered a contract for services.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2019:



Operating revenue changes for fiscal year 2019 were the result of the following factor:

- Tuition and fees totaled $3,869,541, a $770,005 decrease in revenues from last year primarily due to an approximate 10% decline in contact hours offset partially by an increase in tuition rates.

Operating revenue changes for fiscal year 2018 were the result of the following factor:

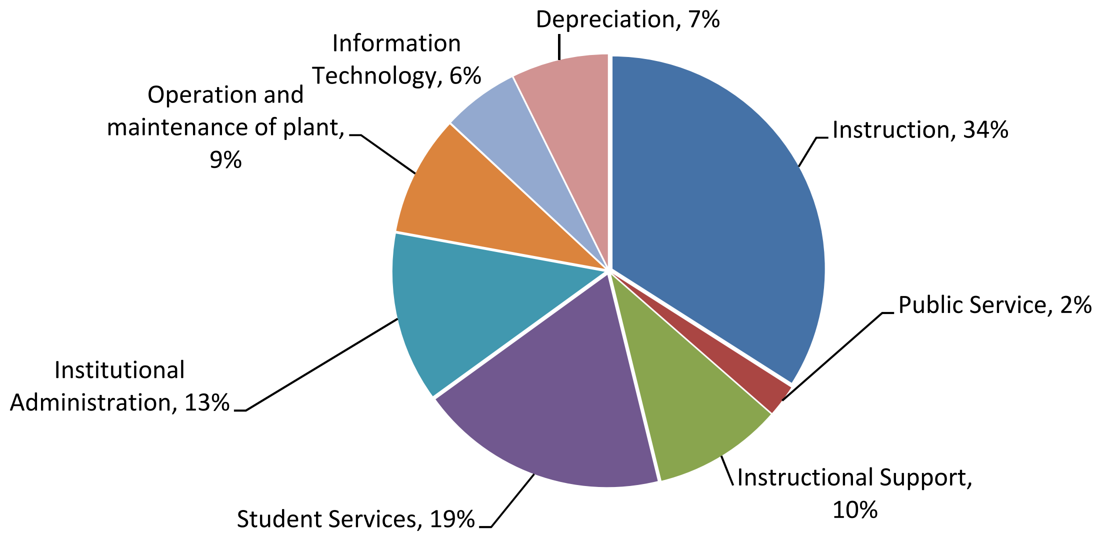
- Tuition and fees totaled $4,639,546, a $328,274 increase in revenues from last year primarily due to an increase in tuition rates that were necessary to offset an approximate 2.8% decline in contact hours.

The College receives substantial nonoperating support from state appropriations, property tax revenue and Pell grants. These nonoperating revenue sources mitigate the normal operating losses as tuition and fees alone are not adequate to cover operating expenses. Nonoperating revenues and expenses are an integral component in determining the increase or decrease in net position.

Operating Expenses

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

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2019:



Operating expenses decreased by 4.1% from last year. Operating expense changes for fiscal year 2019 were the result of the following factors:

- Salaries and fringes decreased by approximately 1.7% this fiscal year primarily because several open staff positions were not filled during the year. Salaries and fringes totaled approximately $11.7 million this fiscal year, representing 61.3% of total operating expenses.

- The College's enrollment agreement with the Young Americans group gradually came to an end and was final beginning with the Fall 2019 semester. During fiscal year ending June 30, 2019, the amount the College paid to Young Americans, Inc. as part of this agreement decreased by approximately $196,000.

Operating expense changes for fiscal year 2018 were the result of the following factors:

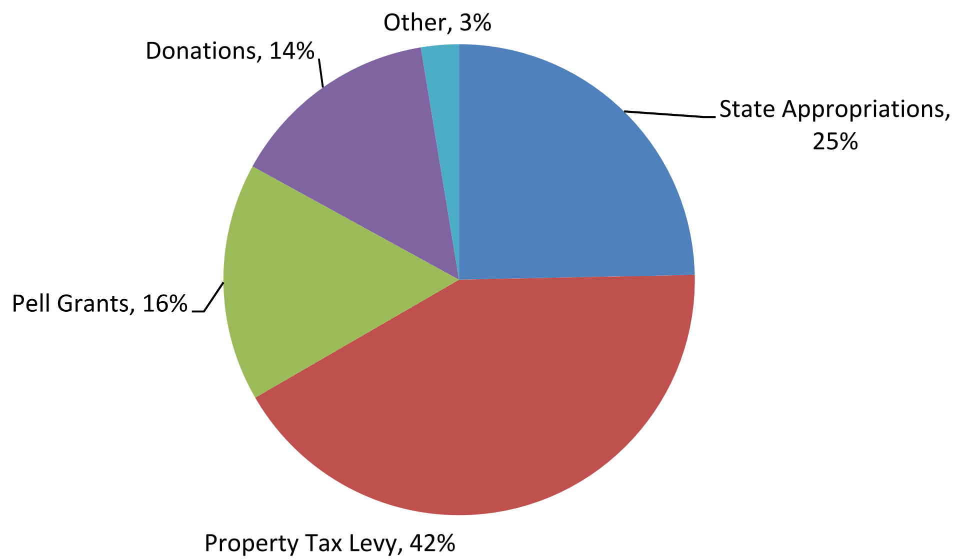
- Salaries and fringes increased by approximately $183,000 this fiscal year primarily because of a wage rate increase of 3.1% for all eligible employees, along with a 3.3% increase in the State's legislated hard cap amount for health insurance. Some open staff positions were not filled during the year. Salaries and fringes totaled approximately $11.9 million this fiscal year, representing 59.9% of total operating expenses.

- A one-time refund payment of approximately $150,000 was made to the County of Emmet in January 2018. This payment represents a settlement that Bear Creek Township made with the Bay View Association as a result of the taxable value being lowered for Bay View. Future tax dollars will also be reduced.

Net Nonoperating Revenues

Net nonoperating revenues represent all revenue sources that are primarily non-exchange in nature less interest on capital asset-related debt. They consist primarily of state appropriations, property tax revenue, Pell grants and investment income (including realized and unrealized gains and losses).

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2019:



Net nonoperating revenue changes for fiscal year 2019 were the result of the following factors:

- State appropriations increased by $45,539 as compared to the prior year, primarily due to budgeted amounts provided by the State.
- Property tax levy revenue increased by $192,421 as compared to the prior year, primarily due to increases in property tax values.
- Pell grants decreased by $321,898 as compared to the prior year, primarily due to a decrease in enrollment.
- Donations received by the Foundation increased by $1,286,669 compared to the prior year, primarily due to pledges for the Foundation's Building Tomorrow Together fundraising campaign. This campaign's goal is to raise funds for the College's proposed main classroom building renovation.

Net nonoperating revenue changes for fiscal year 2018 were the result of the following factors:

- State appropriations decreased by $44,510 as compared to the prior year, primarily due to budgeted amounts provided by the State.
- Property tax levy revenue decreased by $644,125 as compared to the prior year, primarily due to taxes not being levied for debt retirement purposes because the debt was paid.

- Bond issuance costs of $44,797 were incurred when the College issued refunding bonds in November 2017.

- Donations received by the Foundation decreased by $249,388 compared to the prior year, primarily due to a large bequest and pledge made by donors in the prior year.

Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College. Other revenues of $334,528 resulted from additions to permanent endowments for the promotion of the College's educational and cultural activities. This amount is from the Foundation's receipt of these types of contributions from donors and investment earnings thereon in the current year.

Statement of Cash Flows

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

- 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 Year Ended June 30 (in millions)

	2019	2018	2017
Cash Provided by (used for):			
Operating activities	$ (11.4)	$ (11.9)	$ (10.1)
Noncapital financing activities	13.1	12.5	12.7
Capital and related financing activities	(1.3)	(2.1)	(2.6)
Investing activities	0.2	(0.3)	(0.2)
Net Increase (Decrease) in Cash	0.6	(1.8)	(0.3)
Cash-Beginning of Year	10.5	12.3	12.5
Cash-End of Year	$ 11.1	$ 10.5	$ 12.3

Net cash used for operating activities totaled $11.4 million for the fiscal year ending June 30, 2019. This was financed by $13.1 million of net cash flows from non-capital financing activities such as property taxes and state appropriations. Net cash used in capital and related financing activities totaled $1.3 million. This includes $0.9 million of capital asset purchases, and $0.3 million of debt principal and interest payments. Net cash provided by investing activities totaled $0.2 million. This includes interest received of $0.3 million, the sale and maturities of investments totaling $4.4 million, and the purchase of investments of $4.4 million. The net result of all cash flows produced an increase in the College's cash of $0.6 million from last year.

Capital Assets

At June 30, 2019, the College had approximately $27.1 million invested in capital assets, net of accumulated depreciation of $21.1 million. Depreciation charges totaled approximately $1.4 million for the current fiscal year.

Capital assets consist of the following as of June 30:

	2019	2018	2017
Land	$ 13,306	$ 13,306	$ 13,306
Construction in progress	620,837	193,617	1,763,256
Sculptures	522,609	522,609	522,609
Capital assets not being depreciated or amortized	1,156,752	729,532	2,299,171
Buildings and improvements	38,154,890	38,130,885	35,090,275
Infrastructure	2,981,687	2,990,362	2,957,105
Furniture, fixtures, and equipment	4,399,833	4,131,040	5,009,343
Library Materials	582,805	737,077	727,760
Software	975,250	915,434	787,695
Capital assets being depreciated	47,094,465	46,904,798	44,572,178
Total capital assets	48,251,217	47,634,330	46,871,349
Less accumulated depreciation	21,122,610	19,986,344	19,648,461
Total capital assets, net	$ 27,128,607	$ 27,647,986	$ 27,222,888

The approximate cost of major capital additions this year consist of the following:

Virtual dissection table for anatomy education	$ 100,000
Paperless software system	94,000
Computer servers (3)	50,000
Residence Hall roof replacement	49,000
Student and Community Resource Center LED lights	48,000

Construction in progress of $620,837 consists mainly of costs incurred by June 30, 2019 for the Administration/Classroom building renovation.

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

Debt

The College had $4,075,000 in bond debt outstanding at June 30, 2019. Debt principal repayments of $315,000 were made on this debt during the year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

Economic Factors That Will Affect The Future

The economic position of the College is always impacted by the actions of the State of Michigan. Over the past few years the College has had to adjust to lower State funding to maintain a balanced budget. Economic factors that will affect the future of the College include:

1. Currently, State of Michigan appropriations are 24% of the total general fund revenue. The State's fiscal year 2019-20 appropriation for the College increased 4.8%.

2. In addition to state appropriation deliberations, there are discussions within the State of Michigan legislature about tuition and fee restraint. Tuition and fee restraint legislation is not expected to pass this year but possibly the next fiscal year, holding tuition and fee increases to approximately 3%.

3. Property tax revenue for the upcoming fiscal year will account for approximately 38.2% of General Fund revenues. For the fifth year in a row, taxable property values in Emmet County will have increased. Local and state economies have rebounded significantly in the last few years fueling increases in real property values. The outlook remains strong for property tax revenue increases in the near future.

4. At the January 22, 2019 meeting, the Board of Trustees approved a 5% increase in tuition rates beginning with the summer semester of 2019 to offset anticipated declines in enrollment. While the Board of Trustees has the ability to increase tuition rates to help offset rising costs, the Board of Trustees is ever mindful of the impact tuition increases have on our students and strives to keep the increases at manageable levels.

5. Based on the demographics of the area, recruiting and retaining new students over the next 12 years is going to be challenging for the College:

    a. Area high school senior classes for the next 12 years are expected to decline and not turn around until 2031.
    b. Competition among area community colleges and four-year institutions have intensified as they complete for fewer students.
    c. With the strong economy, it appears more high school graduates are deciding to go straight into the workforce and postponing college.

    The College will need to innovate and create new, exciting and relevant programs to be able to compete for students in the future.

6. On July 24, 2017 the Governor of Michigan signed into law Public Act 107 of 2017, a fiscal year 2017 appropriations act that authorized the College to begin planning for the renovation of the main classroom building on campus. The project was approved through the Michigan Capital Outlay program and, through that program, the State of Michigan matches half ($3.4 million) of the, at the time, $6.8 million project cost. Construction is expected to start in March 2020. The North Central Michigan College Foundation is conducting a fundraising campaign to raise $4.0 million to cover the remaining cost of the renovation.

Contacting the College's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business office, North Central Michigan College, 1515 Howard Street, Petoskey, Michigan 49770.

INDEPENDENT AUDITORS' REPORT

Rehmann

Rehmann Robson

107 S Cass St, Ste A
Traverse City, MI 49684
Ph: 231.946.3230
Fx: 231.946.3955
rehmann.com

INDEPENDENT AUDITORS' REPORT

October 15, 2019

Board of Trustees
North Central Michigan College
Petoskey, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the blended component unit of ***North Central Michigan College*** (the “College”) as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Independent Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the North Central Michigan College Foundation blended component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the North Central Michigan College Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the North Central Michigan College Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of ***North Central Michigan College*** as of June 30, 2019 and 2018, and the results of its operations and cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Notes 1 and 8, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in fiscal 2018. Accordingly, beginning net position of business-type activities as of July 1, 2017 was restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The supplementary combining information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and accordingly we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated October 15, 2019 on our consideration of ***North Central Michigan College's*** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 ***North Central Michigan College's*** internal control over financial reporting and compliance.

Rehmann Robson LLC

FINANCIAL STATEMENTS

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Net Position

	June 30	
	2019	2018
Assets		
Current assets		
Cash and cash equivalents	$ 6,854,979	$ 6,308,190
Receivables, net	240,172	239,305
Federal and state grants receivable	792,745	767,757
Bequest receivable	198,400	468,391
Pledges receivable	387,167	50,000
Inventories	7,695	9,850
Prepaids and other current assets	346,575	301,490
Total current assets	**8,827,733**	**8,144,983**
Noncurrent assets		
Restricted cash	4,204,910	4,176,506
Investments	13,271,441	12,830,470
Pledges receivable, net of current portion	1,103,806	138,098
Capital assets not being depreciated	1,156,752	729,532
Capital assets being depreciated, net	25,971,855	26,918,454
Total noncurrent assets	**45,708,764**	**44,793,060**
Total assets	**54,536,497**	**52,938,043**
Deferred outflows of resources		
Deferred charge on refunding	141,335	155,469
Deferred pension and OPEB amounts	4,827,486	2,966,837
Total deferred outflows of resources	**4,968,821**	**3,122,306**
Liabilities		
Current liabilities		
Accounts payable	376,097	293,505
Accrued payroll and related liabilities	529,151	572,946
Unearned revenue	350,326	63,798
Due to depositors	32,258	54,394
Interest payable	15,785	17,651
Current portion of long-term obligations	338,000	323,000
Total current liabilities	**1,641,617**	**1,325,294**
Noncurrent liabilities		
Net pension and OPEB liabilities	17,173,762	17,104,681
Long-term obligations, net of current portion	3,892,831	4,222,831
Total noncurrent liabilities	**21,066,593**	**21,327,512**
Total liabilities	**22,708,210**	**22,652,806**
Deferred inflows of resources		
Deferred pension and OPEB amounts	**3,746,898**	**1,877,022**
Net position		
Net investment in capital assets	24,387,149	24,986,970
Restricted for:		
Nonexpendable endowments	4,686,128	4,777,707
Expendable scholarships and grants	3,462,790	1,909,018
Expendable construction and debt service	2,366,007	2,367,263
Unrestricted (deficit) (Note 7)	(1,851,864)	(2,510,437)
Total net position	**$ 33,050,210**	**$ 31,530,521**

The accompanying notes are an integral part of these financial statements.

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2019	2018
Operating revenues		
Tuition and fees	$ 6,808,616	$ 7,937,188
Scholarship allowance	(2,939,075)	(3,297,642)
Net tuition and fees	3,869,541	4,639,546
Federal grants and contracts	230,779	195,924
State and local grants and contracts	98,913	113,368
Nongovernmental grants	295,092	393,002
Auxiliary activities, net of scholarship allowance of $101,015 ($84,864 for 2018)	820,564	1,038,002
Other operating revenues	536,378	584,393
Total operating revenues	**5,851,267**	**6,964,235**
Operating expenses		
Instruction	6,469,406	6,513,288
Public service	457,365	398,886
Instructional support	1,854,580	2,106,512
Student services	3,580,061	3,879,932
Institutional administration	2,444,081	2,541,061
Operation and maintenance of plant	1,722,690	1,768,425
Information technology	1,090,151	1,213,322
Depreciation	1,393,403	1,395,158
Total operating expenses	**19,011,737**	**19,816,584**
Operating loss	**(13,160,470)**	**(12,852,349)**
Nonoperating revenues (expenses)		
State appropriations	3,539,473	3,493,934
Property tax levy	6,021,703	5,829,282
Pell grants	2,344,047	2,665,945
Investment income, net	263,632	183,137
Net realized and unrealized gain (loss) on investments	212,078	(5,466)
Net loss on disposal of capital assets	(18,716)	(38,147)
Interest on capital asset-related debt	(118,164)	(210,634)
Bond issuance costs	-	(44,797)
Donations	2,067,769	781,100
Special events	33,809	39,991
Net nonoperating revenues	**14,345,631**	**12,694,345**
Other revenues		
Contributions to permanent endowments	334,528	348,555
Increase in net position	**1,519,689**	**190,551**
Net position, beginning of year	31,530,521	35,613,962
Cumulative effect of change in accounting principle (Note 1)	-	(4,273,992)
Adjusted net position, beginning of year	**31,530,521**	**31,339,970**
Net position, end of year	**$ 33,050,210**	**$ 31,530,521**

The accompanying notes are an integral part of these financial statements.

NORTH CENTRAL MICHIGAN COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Tuition and fees	$ 4,005,921	$ 4,469,559
Grants and other contracts	662,642	728,094
Auxiliary enterprise receipts	820,564	1,038,002
Payments to employees	(7,182,133)	(7,379,353)
Payments to suppliers	(10,289,578)	(11,323,398)
Other receipts	536,378	584,393
Net cash used in operating activities	**(11,446,206)**	**(11,882,703)**
Cash flows from noncapital financing activities		
State appropriations	3,529,987	3,483,912
Local property taxes	6,021,531	5,829,053
Pell grants	2,344,047	2,665,945
Federal direct lending receipts	1,205,654	1,386,116
Federal direct lending disbursements	(1,205,654)	(1,386,116)
(Reductions) addition to permanent endowments	(34,537)	29,659
Donations and special events	1,284,177	466,649
Other	-	(20,637)
Net cash provided by noncapital financing activities	**13,145,205**	**12,454,581**
Cash flows from capital and related financing activities		
Purchase of capital assets	(892,739)	(1,835,697)
Issuance of long-term debt	-	3,830,000
Principal paid on long-term debt	(315,000)	(3,850,000)
Capital property taxes	172	229
Interest paid on capital asset-related debt	(119,376)	(215,715)
Net cash used in capital and related financing activities	**(1,326,943)**	**(2,071,183)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,358,617	3,360,295
Interest received on investments	263,632	183,137
Purchase of investments	(4,419,112)	(3,827,085)
Net cash provided by (used in) investing activities	**203,137**	**(283,653)**
Net increase (decrease) in cash and cash equivalents	**575,193**	**(1,782,958)**
Cash and cash equivalents, beginning of year	10,484,696	12,267,654
Cash and cash equivalents, end of year	**$ 11,059,889**	**$ 10,484,696**
Reconciliation to Statements of Net Position		
Cash and cash equivalents	$ 6,854,979	$ 6,308,190
Restricted cash	4,204,910	4,176,506
Cash and cash equivalents, end of year	**$ 11,059,889**	**$ 10,484,696**

continued…

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (13,160,470)	$ (12,852,349)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,393,403	1,395,158
Provision for uncollectible accounts	86,400	125,400
Change in operating assets and liabilities which provided (used) cash:		
Receivables	(1,642)	27,029
Federal and state grants receivable	(15,502)	18,725
Inventories	2,155	(2,697)
Prepaid expenses and other current assets	(45,085)	(486)
Accounts payable	68,640	(696,143)
Accrued payroll and related liabilities	(43,795)	91,714
Unearned revenue	213,518	(191,509)
Due to depositors	(22,136)	1,568
Change in net pension and OPEB liabilities and deferred amounts	78,308	200,887
Net cash used in operating activities	**$ (11,446,206)**	**$ (11,882,703)**

concluded

Noncash Transactions

In fiscal 2018, the College received donated instructional equipment from a donor valued at $22,705.

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

North Central Michigan College (the "College") is a community college offering courses at its Petoskey, Michigan campus and other locations in northwest lower Michigan. The College is governed by a seven-member Board of Trustees elected at large by Emmet County voters.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board ("GASB") for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has determined that North Central Michigan College Foundation (the “Foundation”) meets the criteria of a component unit.

The Foundation is a legally separate, tax-exempt not-for-profit organization that was formed for the purpose of receiving funds for the sole benefit of the College. The Foundation is blended into the College’s financial statements because the Foundation provides services exclusively to and for the benefit of the College, and the College’s Board of Trustees controls membership of the Foundation’s Board. The criteria established by the Financial Account Standards Board ("FASB") for the Foundation financial statement presentation has been modified to conform with the GASB presentation for inclusion in the College's financial statements. Separately issued financial statements for the Foundation are available by contacting the Foundation at 1515 Howard Street, Petoskey, Michigan 49770.

The condensed financial information for the Foundation as of and for the years ended June 30, 2019 and 2018, is as follows:

	2019	2018
Condensed statements of net position		
Total assets	$ 10,849,693	$ 9,160,265
Total liabilities	(13,952)	(12,101)
Total net position	**$10,835,741**	**$9,148,164**

	2019	2018
Condensed statements of revenues, expenses		
and changes in net position		
Operating expenses		
Institutional administration	$ 834,197	$ 610,644
Nonoperating revenues		
Donations	2,163,140	881,810
Special events	33,809	39,991
Contributions to permanent endowments	334,528	348,555
Investment income	125,062	102,461
Net realized and unrealized gain on investments	86,080	86,778
Distributions to College	(220,845)	(214,708)
Increase in net position	1,687,577	634,243
Net position - beginning of year	9,148,164	8,513,921
Net position - end of year	**$ 10,835,741**	**$ 9,148,164**

	2019	2018
Condensed statements of cash flows		
Net cash provided by (used in)		
Operating activities	$ 413,572	$ 310,643
Noncapital financing activities	10,000	5,000
Investing activities	(262,523)	(211,804)
Net increase in cash and cash equivalents	161,049	103,839
Beginning cash and cash equivalents	461,013	357,174
Ending cash and cash equivalents	**$ 622,062**	**$ 461,013**

Basis of Presentation

The College's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB, including Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* and the *State of Michigan Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001.* The College follows all applicable GASB pronouncements and the "business-type activities" reporting requirements of GASB Statement No. 35, which provides a comprehensive one-line look at the College's financial activities.

Significant Accounting Policies

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

Accrual Basis

The financial statements of the College have been presented using the economic resources measurement focus on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance for bad debts, the assumptions used to estimate accrued employee benefits payable, and the assumptions based on historical trends and industry standards used in the actuarial valuations of the MPSERS pension and OPEB plans.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, cash on hand, money market accounts, and all highly liquid investments with an initial maturity of three months or less.

Restricted Cash

Restricted cash for capital improvements consists of unspent capital property taxes, as well as cash for capital master plan projects.

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances at year end. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to an allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance.

Investments

The College and Foundation carry their investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurement, refer to Note 3 to the financial statements.

Gifts and Pledges

Contributions, including unconditional promises to give, are recorded when received. Non-cash gifts are recorded at estimated fair value when received. Unconditional pledges due within one year are recorded at amount pledged and unconditional pledges due after one year are recorded at their net present value when it is determined that the collection of the gift is probable. Pledges receivable consist of pledges for the Building Tomorrow Together campaign and for providing nursing scholarships. They have been discounted at a 5.25% annual rate of interest, the current prime interest rate. The unamortized discount on these promises to give is $136,527 and $11,902 at June 30, 2019 and 2018, respectively. The bequest receivable balance of $198,400 at June 30, 2019 is expected to be collected within one year.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consists of food service supplies.

Capital Assets and Depreciation

Capital assets are recorded at cost or, if acquired by gift, at the estimated acquisition cost as of the date of donation. Depreciation and amortization are provided for capital assets on a straight-line basis over the estimated useful life of the assets. The College's capitalization policy is to capitalize individual amounts of $5,000 or more. The following estimated useful lives are used to compute depreciation:

Buildings/building improvements	40 years
Library materials	10 years
Infrastructure	15-20 years
Furniture, fixtures and equipment	3-20 years
Software	3-10 years

Accrued Compensated Absences

Accrued compensated absences represents the accumulated liability to be paid under the College's current sick and personal day policy. Under the College's policy, employees earn sick and personal time based on years of service with the College. Accrued compensated absences are included in the long-term obligations amount on the statement of net position.

Revenue Recognition
Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*. Student tuition and related revenues and expenses of an academic semester are allocated to the fiscal year in which the program is conducted. Property tax revenue is recognized in the year in which taxes are received (see Note 2).

Operating revenues of the College consist of tuition and fees, certain grants and contracts, and sales and services of educational activities. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, property taxes, and Federal Pell grants are components of nonoperating and other revenues. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Revenues received prior to year end that are related to the next fiscal year are recorded as unearned revenues. Unearned revenue relates primarily to student tuition and fees for the summer semester, student deposits and deposits of diverted Michigan income tax withholding from employers contracting with the College under the Michigan New Jobs Training Program to be used for future employee trainings.

Operating Expenses
Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating.

Deferred Outflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and OPEB-related amounts, such as differences between expected and actual experience, changes in assumptions, changes in proportion and differences between employer contributions and proportionate share of contributions, and certain contributions made to the plan subsequent to the measurement date, as well as for the deferred loss on refunding. A deferred refunding loss results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. More detailed information can be found in Notes 6 and 8.

Deferred Inflows of Resources
In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods 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 and OPEB-related amounts, such as the difference between expected and actual experience, net difference between projected and actual earnings on plan investments and state appropriations for pensions received subsequent to the measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions. More detailed information can be found in Note 8.

Pension and Other Postemployment Benefits ("OPEB") Liabilities

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unemployment Insurance

The College reimburses the State of Michigan Unemployment Agency (the “Agency”) for the actual amount of unemployment benefits disbursed by the Agency on behalf of the College. Billings received for amounts paid by the Agency through June 30 are accrued.

Internal Services Activities

In the process of aggregating data for the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position, some amounts reported as internal activity and balances have been eliminated on the Statements of Revenues, Expenses and Changes in Net Position.

Income Taxes

The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Foundation was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to “unrelated business taxable income.” The Foundation has been classified as not a private foundation.

The Foundation considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Foundation determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

The Foundation has evaluated years 2015 through 2019, the years which remain subject to examination by major tax jurisdictions as of June 30, 2019, for uncertain tax positions. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in the Foundation's financial statements. The Foundation does not expect the total amount of unrecognized tax benefits (“UTB”) (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2019, and it is not aware of any claims for such amounts by federal or state income tax authorities.

New Accounting Pronouncement

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits ("OPEB") Other Than Pensions*. This statement required the College recognize a net OPEB liability on the statement of net position, equal to the College's proportionate share of the net OPEB liability of the Michigan Public School Employees Retirement System ("MPSERS"), as defined and calculated in accordance with the new standard. More detail information can be found in Note 8. As a result of this change, the College recognized a net OPEB liability of $4,603,661 and deferred outflows of resources of $329,669, which resulted in a decrease in net position of $4,273,992 as of July 1, 2017.

Subsequent Events
In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2019, the most recent statement of net position presented herein, through October 15, 2019, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation, other than the following item. The State of Michigan has authorized planning for a proposed classroom renovation and expanded learning space at the College. The total cost is currently estimated to be $7,400,000, of which the State share would be $3,400,000. The College share of $4,000,000 would be supported by a capital campaign by the Foundation.

2. PROPERTY TAXES

Property tax revenue is recognized in the year in which taxes are received. The College has determined that there would not be a significant difference if recognized in the year for which taxes have been levied, as required by GASB.

For the years ended June 30, 2019 and 2018, 2.0867 mills of tax per $1,000 of taxable property value in the College's taxing district were levied for general operating purposes on all property. Total operating property tax revenue was $6,021,703 and $5,829,282 for the years ended June 30, 2019 and 2018, respectively.

3. CASH, INVESTMENTS AND FAIR VALUE MEASUREMENTS

Bank Deposits and Investments
State of Michigan ("State") statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services.

The investment policy of the North Central Michigan College Foundation established by the Foundation's Board of Directors authorizes investments in a diversified portfolio of equities, fixed income securities and short-term fixed income instruments (i.e. securities with maturities under three years). The overall investment objective is to maximize growth while generating sufficient income and maintaining adequate cash reserves to meet stated distribution requirements as established from time to time by the Foundation Board. Mutually agreed upon allocation parameters among these types of investments are established at least annually with the Foundation's investment advisor. Short sales; put and call option strategies; margin purchases; commodities (futures); securities of the Investment Manager's corporation or parent corporation; direct investments in tangible assets such as real estate, oil and gas, precious metals, in excess of 5 percent of the total portfolio; and derivatives as a yield enhancement not as a hedge are prohibited unless specific written permission is received from the Foundation Board.

Interest Rate Risk
As of June 30, 2019, the College and Foundation had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-3 Years	More Than 3 Years
U.S. Agencies	$ 994,540	$ 598,327	$ 396,213	$ -
U.S. Treasuries	3,741,567	948,670	1,299,978	1,492,919
Mutual bond funds	2,688,711	25,399	184,261	2,479,051
Corporate bonds	50,734	24,950	25,784	-
Total investments in debt securities	**7,475,552**	**$ 1,597,346**	**$ 1,906,236**	**$ 3,971,970**
Mutual equity funds	**5,795,889**			
Total investments	**$ 13,271,441**			

As of June 30, 2018, the College and Foundation had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-3 Years	More Than 3 Years
U.S. Agencies	$ 1,076,478	$ 99,803	$ 785,347	$ 191,328
U.S. Treasuries	3,500,223	545,025	1,329,258	1,625,940
Mutual bond funds	2,507,450	-	203,655	2,303,795
Corporate bonds	100,911	50,648	50,263	-
Total investments in debt securities	**7,185,062**	**$ 695,476**	**$ 2,368,523**	**$ 4,121,063**
Mutual equity funds	**5,645,408**			
Total investments	**$ 12,830,470**			

The College does not have specific investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Foundation investment policy states that the average weighted value of the portfolio should not exceed ten years.

As of June 30, 2019 and 2018, the average weighted value of the portfolio in fixed income securities does not exceed ten years. The Foundation invests in mutual equity funds with a long-term objective to preserve principal and provide appreciation. Therefore, the interest rate risk is not considered in its decisions.

The maturities of certain mutual bond funds are based on the average weighted maturity method. Certain other mutual bond funds have no weighted average maturity statistics because they are heavily invested in preferred stocks. These mutual bond funds are therefore classified as having a maturity of more than three years.

Credit Risk
The College and Foundation are exposed to credit risk for investments in certain debt securities and mutual bond funds. Credit quality ratings are established by nationally recognized statistical rating organizations (NRSROs). Where more than one rating exists, and those ratings are conflicting, the rating with the greatest degree of risk is disclosed.

As of June 30, 2019, the credit quality ratings for these types of investments and credit risk exposure as a percent of these types of investments are as follows:

	Credit Quality Rating	Percent
U.S. Agencies	Aaa	27
Mutual bond funds	Not Rated	71
Corporate bonds	A	1
Corporate bonds	AA	1

As of June 30, 2018, the credit quality ratings for these types of investments and credit risk exposure as a percent of these types of investments are as follows:

	Credit Quality Rating	Percent
U.S. Agencies	Aaa	32
Mutual bond funds	Not Rated	65
Corporate bonds	A	2
Corporate bonds	AA	1

Custodial Credit Risk of Bank Deposits
Custodial credit risk is the risk that in the event of a bank failure, the College's and Foundation's deposits may not be returned to them. The College and Foundation do not have a deposit policy for custodial credit risk. At June 30, 2019, the bank balance was $10,808,363 of which $9,910,494 was uninsured and uncollateralized. At June 30, 2018, the bank balance was $10,357,598 of which $9,416,347 was uninsured and uncollateralized.

Custodial Credit Risk of Investments
Custodial credit risk for an investment is the risk that the College or Foundation will not be able to recover the value of their investments that are in the possession of an outside party, should a failure of that party occur. State law does not require, nor do the College and Foundation investment policies address custodial credit risk. However, all of the investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased.

Concentration Credit Risk

Neither the College nor Foundation places a limit on the amount that may be invested in any one issuer. Five percent or more of the College's and Foundation's investments at June 30, 2019 and 2018 were invested as follows:

	2019	2018
U.S. Treasury Notes	28%	27%
SPDR S&P 500 ETF Trust	8%	8%
Ishares Core S&P 500 ETF	7%	0%
Fannie Mae	5%	6%
Goldman Sachs ABS Return Alternative Strategies Fund	5%	0%
Litman Gregory Masters Alternative Strategies Fund	0%	5%

Fair Value Measurements

The following is a description of the valuation methodology used for assets recorded at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2019 or 2018.

Mutual bond funds: Shares held in mutual bond funds are valued at quoted market prices that represent the net asset value ("NAV") of shares held by the Foundation at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, minus its liabilities then divided by the number of shares outstanding.

Corporate bonds: Corporate bonds and debentures valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

U.S. government obligations: U.S. government obligation fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded and are classified as Level 1.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College and Foundation believe their valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the College's and Foundation's investments measured at fair value on a recurring basis as of June 30:

2019	Assets at Fair Value Level 1	Level 2	Level 3	Total
U.S. government obligations	$ 4,736,107	$ -	$ -	$ 4,736,107
Corporate bonds	50,734	-	-	50,734
Mutual bond funds	2,688,711	-	-	2,688,711
Mutual equity funds	5,795,889	-	-	5,795,889
Total investments at fair value	**$ 13,271,441**	**$ -**	**$ -**	**$ 13,271,441**

2018	Assets at Fair Value Level 1	Level 2	Level 3	Total
U.S. government obligations	$ 4,576,701	$ -	$ -	$ 4,576,701
Corporate bonds	100,911	-	-	100,911
Mutual bond funds	2,507,450	-	-	2,507,450
Mutual equity funds	5,645,408	-	-	5,645,408
Total investments at fair value	**$ 12,830,470**	**$ -**	**$ -**	**$ 12,830,470**

4. RECEIVABLES, NET

Receivables, net consist of the following at June 30:

	2019	2018
Auxiliary activities	$ 10,899	$ 8,430
Corporate and community education	68,380	99,551
Student	193,717	135,267
Other	22,123	7,633
Total	295,119	250,881
Less allowance for doubtful accounts	54,947	11,576
Receivables, net	**$ 240,172**	**$ 239,305**

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 13,306	$ -	$ -	$ -	$ 13,306
Construction in progress	193,617	446,153	-	(18,933)	620,837
Sculptures	522,609	-	-	-	522,609
Subtotal nondepreciable assets	**729,532**	**446,153**	**-**	**(18,933)**	**1,156,752**
Capital assets being depreciated:					
Building and improvements	38,130,885	30,067	(24,995)	18,933	38,154,890
Infrastructure	2,990,362	9,025	(17,700)	-	2,981,687
Furniture, fixtures and equipment	4,131,040	305,480	(36,687)	-	4,399,833
Library materials	737,077	8,006	(162,278)	-	582,805
Software	915,434	94,008	(34,192)	-	975,250
Subtotal depreciable assets	**46,904,798**	**446,586**	**(275,852)**	**18,933**	**47,094,465**
Total depreciable and nondepreciable assets	**47,634,330**	**892,739**	**(275,852)**	**-**	**48,251,217**
Less accumulated depreciation:					
Building and improvements	14,241,648	928,149	(14,303)	-	15,155,494
Infrastructure	2,473,665	89,130	(17,700)	-	2,545,095
Furniture, fixtures and equipment	2,238,699	260,553	(36,685)	-	2,462,568
Library materials	522,200	53,909	(162,278)	-	413,831
Software	510,132	61,662	(26,170)	-	545,622
Total accumulated depreciation	**19,986,344**	**$ 1,393,403**	**$ (257,136)**	**$ -**	**21,122,610**
Capital assets, net	**$ 27,647,986**				**$ 27,128,607**

Capital assets activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 13,306	$ -	$ -	$ -	$ 13,306
Construction in progress	1,763,256	86,478	-	(1,656,117)	193,617
Sculptures	522,609	-	-	-	522,609
Subtotal nondepreciable assets	**2,299,171**	**86,478**	**-**	**(1,656,117)**	**729,532**
Capital assets being depreciated:					
Building and improvements	35,090,275	1,527,099	(59,219)	1,572,730	38,130,885
Infrastructure	2,957,105	18,036	(6,500)	21,721	2,990,362
Furniture, fixtures and equipment	5,009,343	151,399	(1,029,702)	-	4,131,040
Library materials	727,760	9,317	-	-	737,077
Software	787,695	66,073	-	61,666	915,434
Subtotal depreciable assets	**44,572,178**	**1,771,924**	**(1,095,421)**	**1,656,117**	**46,904,798**
Total depreciable and nondepreciable assets	**46,871,349**	**1,858,402**	**(1,095,421)**	**-**	**47,634,330**
Less accumulated depreciation:					
Building and improvements	13,364,508	918,501	(41,361)	-	14,241,648
Infrastructure	2,382,003	98,162	(6,500)	-	2,473,665
Furniture, fixtures and equipment	2,959,467	288,644	(1,009,413)	-	2,238,699
Library materials	461,195	61,005	-	-	522,200
Software	481,288	28,846	-	-	510,132
Total accumulated depreciation	**19,648,461**	**$ 1,395,158**	**$ (1,057,274)**	**$ -**	**19,986,344**
Capital assets, net	**$ 27,222,888**				**$ 27,647,986**

Depreciation and amortization expense for the years ended June 30, 2019 and 2018 totaled $1,393,403 and $1,395,158, respectively.

During the year ended June 30, 2013, the College entered into an agreement with the State of Michigan as part of the Capital Outlay program offered by the Michigan State Building Authority (MSBA). The State appropriated approximately $5,200,000 toward the construction of the College's Health Education and Science Center. The appropriations were funded by the issuance of bonds financed by the MSBA. The MSBA bond issue is secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the MSBA, the State of Michigan and the College. During the lease term, which is not to exceed 40 years, the MSBA will hold title to the building, the State of Michigan will make all lease payments to the MSBA and the College will pay all operating and maintenance costs. These lease payments are made out of the State of Michigan general operating budget. The cost and accumulated depreciation for the building is included in the College's capital assets as the College will obtain title to the building at the end of the lease. No corresponding obligations have been recorded since there are no payments due by the College under this lease agreement. At the expiration of the lease, which is when bonds are paid off, the MSBA has agreed to convey the title to the College for one dollar.

6. LONG-TERM OBLIGATIONS

Long-term obligation activity for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bond payable					
Series 2010	$ 560,000	$ -	$ (275,000)	$ 285,000	$ 285,000
Series 2017	3,830,000	-	(40,000)	3,790,000	40,000
Other long-term obligations					
Accrued employee benefits payable	155,831	18,699	(18,699)	155,831	13,000
Total long-term obligations	**$ 4,545,831**	**$ 18,699**	**$ (333,699)**	**$ 4,230,831**	**$ 338,000**

Long-term obligation activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bond payable					
Series 2010	$ 4,410,000	$ -	$ (3,850,000)	$ 560,000	$ 275,000
Series 2017	-	3,830,000	-	3,830,000	40,000
Other long-term obligations					
Accrued employee benefits payable	176,468	5,014	(25,651)	155,831	8,000
Total long-term obligations	**$ 4,586,468**	**$ 3,835,014**	**$ (3,875,651)**	**$ 4,545,831**	**$ 323,000**

Bond Defeasance

In November 2017, the College issued $3,830,000 of Refunding Bonds, Series 2017 with an interest rate of 2.198 percent, which, in conjunction with a debt service fund contribution, were used to refund $3,590,000 of outstanding Building and Site and Refunding Bonds, Series 2010. The net proceeds of $3,785,203 (after payment of $44,797 in underwriting fees and other issuance costs), plus an additional $38,000 of prior debt retirement fund monies, were used to purchase U.S. treasury securities which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the College's long-term obligations. At June 30, 2019 and 2018, $3,590,000 of bonds outstanding are considered defeased.

The refunding reduced total debt service payments by $345,610, which represents an economic gain of approximately $299,000. Bond issuance costs of $44,797 are included as expenses in the accompanying financial statements at June 30, 2018.

College Building and Site and Refunding Bonds, Series 2017 and 2010

At June 30, 2019, general obligation bonds totaling $4,075,000 were outstanding with interest rates from 2.198 percent to 4.5 percent. Principal payments are due annually in May with payments for the upcoming year ranging from $40,000 to $285,000. Interest payments are due semiannually in May and November ranging from approximately $4,500 to $42,000. These bonds are insured and mature in varying amounts through 2030.

Future debt service requirements on bonds payable for years ending after June 30, 2019 are as follows:

Year Ending June 30,	Debt Obligations Principal	Interest	Total
2020	$ 325,000	$ 94,704	$ 419,704
2021	340,000	82,425	422,425
2022	345,000	74,952	419,952
2023	355,000	67,369	422,369
2024	365,000	59,566	424,566
2025-2029	1,935,000	174,521	2,109,521
2030	410,000	9,012	419,012
Totals	**$ 4,075,000**	**$ 562,549**	**$ 4,637,549**

Interest expense was $118,164 and $210,634 for the years ended June 30, 2019 and 2018, respectively.

7. NET POSITION CLASSIFICATIONS

Net Investment in Capital Assets
This represents capital assets, net of accumulated depreciation, unspent bond proceeds and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position
Nonexpendable - This represents the portion of net position whose use by the College and Foundation is subject to externally imposed constraints that require the amounts be retained in perpetuity.

Expendable - This represents the portion of net position whose use by the College and Foundation is subject to externally imposed constraints that can be fulfilled by actions of the College and Foundation pursuant to those constraints or that expire by the passage of time.

Unrestricted Net Position (Deficit)
This represents the portion of net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees.

The College's and Foundation's unrestricted net position (deficit) consists of the following at June 30:

	2019	2018
Designated for specific purpose:		
Future capital outlay and major maintenance	$ 3,565,880	$ 3,296,188
Auxiliary activities	179,442	231,074
Equipment purchases, sabbaticals and other programs	5,583,999	5,275,966
	9,329,321	8,803,228
Pension and OPEB liability fund deficit	(16,093,174)	(16,014,866)
Undesignated, College	1,923,066	1,944,101
Undesignated, Foundation	2,988,923	2,757,100
	(11,181,185)	(11,313,665)
Total unrestricted net position (deficit)	**$(1,851,864)**	**$ (2,510,437)**

8. RETIREMENT PLAN

Defined Benefit Plan

Plan Description

The Michigan Public School Employees' Retirement System (the "System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Participants in the defined contribution (DC) plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the DC plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	29.21% - 30.46%
Member Investment Plan (MIP)	3.00% - 7.00%	29.21% - 30.46%
Pension Plus	3.00% - 6.40%	27.93% - 28.67%
Pension Plus 2	6.20%	31.06% - 31.80%
Defined Contribution	0.00%	24.86% - 25.60%

Required contributions to the pension plan from the College were $1,092,564, $1,289,708 and $1,155,318 for the years ended June 30, 2019, 2018 and 2017, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

Required contributions to the OPEB plan from the College were $280,071, $286,745 and $406,759 for the years ended June 30, 2019, 2018 and 2017, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the years ended June 30, 2019, 2018 and 2017, required and actual contributions from the College for those members with a defined contribution benefit were $25,344, $18,066 and $9,022, respectively.

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

At June 30, 2019 and 2018, the College reported a liability of $13,740,626 and $12,740,104, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017 and 2016, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the College's proportion was 0.04571%, which was a decrease of 0.00345% points from its proportion measured as of September 30, 2017 of 0.04916%.

For the year ended June 30, 2019, the College recognized pension expense of $1,478,846. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 63,759	$ 99,851	$ (36,092)
Changes in assumptions	3,182,318	-	3,182,318
Net difference between projected and actual earnings on pension plan investments	-	939,510	(939,510)
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,516	987,069	(909,553)
	3,323,593	2,026,430	1,297,163
College contributions subsequent to the measurement date	933,600	-	933,600
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	489,886	(489,886)
	933,600	489,886	443,714
Total	**$ 4,257,193**	**$ 2,516,316**	**$1,740,877**

The $933,600 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The $489,886 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2020	$ 640,218
2021	362,658
2022	208,034
2023	86,253
Total	**$ 1,297,163**

For the year ended June 30, 2018, the College recognized pension expense of $1,263,963. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 110,720	$ 62,513	$ 48,207
Changes in assumptions	1,395,780	-	1,395,780
Net difference between projected and actual earnings on pension plan investments	-	609,061	(609,061)
Changes in proportion and differences between employer contributions and proportionate share of contributions	157,011	453,727	(296,716)
	1,663,511	1,125,301	538,210
College contributions subsequent to the measurement date	1,082,778	-	1,082,778
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	604,166	(604,166)
	1,082,778	604,166	478,612
Total	**$ 2,746,289**	**$ 1,729,467**	**$1,016,822**

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

At June 30, 2019 and 2018, the College reported a liability of $3,433,136 and $4,364,577 for its proportionate share of the MPSERS net OPEB liability, respectively. The net OPEB liability was measured as of September 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017 and 2016, respectively. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the College's proportion was 0.04319%, which was a decrease of 0.00610% points from its proportion measured as of September 30, 2017 of 0.04929%.

For the year ended June 30, 2019, the College recognized OPEB expense of $68,076. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 638,995	$ (638,995)
Changes in assumptions	363,571	-	363,571
Net difference between projected and actual earnings on OPEB plan investments	-	131,944	(131,944)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,297	459,643	(458,346)
	364,868	1,230,582	(865,714)
College contributions subsequent to the measurement date	205,425	-	205,425
Total	**$ 570,293**	**$ 1,230,582**	**$ (660,289)**

The $205,425 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Amount
2020	$ (200,113)
2021	(200,113)
2022	(200,113)
2023	(173,380)
2024	(91,995)
Total	**$ (865,714)**

For the year ended June 30, 2018, the College recognized OPEB expense of $292,309. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 46,470	$ (46,470)
Net difference between projected and actual earnings on OPEB plan investments	-	101,085	(101,085)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,670	-	1,670
	1,670	147,555	(145,885)
College contributions subsequent to the measurement date	218,878	-	218,878
Total	**$ 220,548**	**$ 147,555**	**$ 72,993**

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total pension and OPEB liabilities in the September 30, 2017 and 2016 actuarial valuations (for the fiscal years ended June 30, 2019 and 2018, respectively) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	2.75% (3.50% for 2016)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75% 3.5% - 12.3%, including wage inflation at 3.5% (for 2016)
Investment rate of return	
MIP and Basic plans (non-hybrid)	7.05% (7.50% for 2016)
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15% (7.50% for 2016)
Cost of living adjustments	3.0% annual non-compounded for MIP members
Healthcare cost trend	7.5% Year 1 graded to 3.0% (3.5% for 2016) Year 12
Mortality	2017 - RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females. 2016 - RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree’s death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 and 2017, are summarized in the following tables:

2018 **Asset Class**	**Target Allocation**	**Long-Term Expected Real Rate of**	**Expected Money-Weighted Rate of Return**
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity pools	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.91%
Investment rate of return			**7.05%**

2017 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2018 and 2017, are summarized in the following tables:

2018 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.81%
Investment rate of return			7.15%

2017 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

Discount Rate

A discount rate of 7.05% (7.50% for 2018) was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% (7.50% for 2018) was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.50% for 2018) (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15% (7.50% for 2018), respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

As of June 30, 2019	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
College's proportionate share of the net pension liability	$ 18,040,381	$ 13,740,626	$ 10,168,229

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2018:

As of June 30, 2018	1% Decrease (6.50% / 6.00%)	Current Discount Rate (7.50% / 7.00%)	1% Increase (8.50% / 8.00%)
College's proportionate share of the net pension liability	$ 16,596,118	$ 12,740,104	$ 9,493,586

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

As of June 30, 2019	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
College's proportionate share of the net OPEB liability	$ 4,121,409	$ 3,433,136	$ 2,854,213

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2018:

As of June 30, 2018	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
College's proportionate share of the net OPEB liability	$ 5,112,181	$ 4,364,577	$ 3,730,095

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30:

2019	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 2,823,716	$ 3,433,136	$ 4,132,264

2018	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 3,696,210	$ 4,364,577	$ 5,123,461

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2019, the College reported a payable of $89,070 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019. As of June 30, 2018, the College reported a payable of $91,506 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

Payable to the OPEB Plan

At June 30, 2019 and 2018, the College did not have any outstanding amounts related to its OPEB contributions to the Plan required for the years ended June 30, 2019 and 2018.

Defined Contribution Plan

Effective January 1, 2000, existing professional MPSERS members and new professional employees of the College may elect to participate in an Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association (TIAA). As of June 30, 2019 and 2018, the plan had 44 and 45 participants, respectively. Under ORP, the College contributes 11.0 percent and the participant contributes 4.0 percent of the participant's compensation. Participants are immediately 100 percent vested in all ORP contributions. Total contributions by the College were $396,698 and $381,756 for the years ended June 30, 2019 and 2018, respectively. Total contributions by employees were $144,255 and $138,820 for the years ended June 30, 2019 and 2018, respectively.

9. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation), and medical benefits provided to employees. The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk pool for claims relating to auto, property, and liability. The College is insured for workers' compensation benefits through School Employers Trust and School Employers Group (SET SEG). Settled claims of both MCCRMA and SET SEG have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MCCRMA risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MCCRMA, which MCCRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

The College also purchases commercial insurance for other risks of loss, including employee health and accident insurance.

Self-Insurance

The College became self-insured for unemployment compensation and health benefits for eligible administrative staff as of January 1, 2017. The College estimates the liability for self-insured claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The estimated liability for unemployment compensation for the fiscal years ended June 30, 2019 and 2018 was insignificant. The estimated liability for the fiscal years ended June 30, 2019 and 2018 for health benefits is as follows:

	Health Benefits	
	2019	2018
Unpaid claims - beginning of year	$ 66,000	$ 29,000
Estimated claims incurred, including changes in estimates	834,000	370,000
Less - claim payments	780,000	333,000
Unpaid claims - end of year	**$ 120,000**	**$ 66,000**

10. COMMITMENTS AND CONTINGENCIES

In October 2017, the Board of Trustees approved a contract, in the amount of $430,000 for renovations to the AD/CL Building. Approximately $385,000 of expenses were incurred on this contract through June 30, 2019.

The College receives significant financial assistance from State and Federal agencies in the form of grants and awards. The use of these funds generally requires compliance with grantor terms and conditions and is subject to audit by the grantor agency.

Disallowed expenditures resulting from grantor audits could become a liability of the College, however, management believes that any future disallowances, if any, would not have a material effect on the College's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Pension Liability

	Year Ended June 30,				
	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	$ 13,740,626	$ 12,740,104	$ 12,855,123	$ 12,487,412	$ 11,006,813
College's proportion of the net pension liability	0.04571%	0.04916%	0.05153%	0.05113%	0.04997%
College's covered payroll	$ 3,673,644	$ 4,051,511	$ 4,254,349	$ 4,720,050	$ 4,317,801
College's proportionate share of the net pension liability as a percentage of its covered payroll	374.03%	314.45%	302.16%	264.56%	254.92%
Plan fiduciary net position as a percentage of the total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

NORTH CENTRAL MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Pension Contributions

	Year Ended June 30,				
	2019	2018	2017	2016	2015
Statutorily required contribution	$ 1,092,564	$ 1,289,708	$ 1,155,318	$ 1,152,041	$ 956,347
Contributions in relation to the statutorily required contribution	(1,092,564)	(1,289,708)	(1,155,318)	(1,152,041)	(956,347)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 3,533,055	$ 3,870,695	$ 4,096,466	$ 4,054,090	$ 4,840,737
Contributions as a percentage of covered payroll	30.92%	33.32%	28.20%	28.42%	19.76%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability

	Year Ended June 30,	
	2019	2018
College's proportionate share of the net OPEB liability	$ 3,433,136	$ 4,364,577
College's proportion of the net OPEB liability	0.04319%	0.04929%
College's covered payroll	$ 3,673,644	$ 4,051,511
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.45%	107.73%
Plan fiduciary net position as a percentage of the total OPEB liability	42.95%	36.39%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefits Contributions

	Year Ended June 30, 2019	Year Ended June 30, 2018
Statutorily required contribution	$ 280,071	$ 286,745
Contributions in relation to the statutorily required contribution	(280,071)	(286,745)
Contribution deficiency (excess)	$ -	$ -
College's covered payroll	$ 3,533,055	$ 3,870,695
Contributions as a percentage of covered payroll	7.93%	7.41%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

SUPPLEMENTARY INFORMATION

Combining Statement of Net Position

June 30, 2019 (Unaudited)
(with comparative totals for 2018)

	General Fund	Pension and OPEB Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund	Plant Fund	Agency Fund	College Total June 30, 2019	Foundation	Combined Total June 30, 2019	Combined Total June 30, 2018
Assets											
Current assets											
Cash and cash equivalents	$ 2,730,158	$ -	$ 224,662	$ 177,064	$ -	$ 3,067,636	$ 33,397	$ 6,232,917	$ 622,062	$ 6,854,979	$ 6,308,190
Receivables, net	127,950	89,070	-	10,899	-	9,328	-	237,247	2,925	240,172	239,305
Federal and state grants receivable	715,330	-	-	-	77,415	-	-	792,745	-	792,745	767,757
Bequest receivable	-	-	-	-	-	-	-	-	198,400	198,400	468,391
Pledges receivable	-	-	-	-	-	-	-	-	387,167	387,167	50,000
Inventories	-	-	-	7,695	-	-	-	7,695	-	7,695	9,850
Prepaids and other current assets	346,575	-	-	-	-	-	-	346,575	-	346,575	301,490
Due from (to) other funds	(1,009,502)	-	779,060	4,848	(123,322)	350,055	(1,139)	-	-	-	-
Total current assets	**2,910,511**	**89,070**	**1,003,722**	**200,506**	**(45,907)**	**3,427,019**	**32,258**	**7,617,179**	**1,210,554**	**8,827,733**	**8,144,983**
Noncurrent assets											
Restricted cash	-	-	-	-	492,050	3,712,860	-	4,204,910	-	4,204,910	4,176,506
Investments	-	-	4,736,108	-	-	-	-	4,736,108	8,535,333	13,271,441	12,830,470
Pledges receivable, net of current portion	-	-	-	-	-	-	-	-	1,103,806	1,103,806	138,098
Capital assets not being depreciated	-	-	-	-	-	1,156,752	-	1,156,752	-	1,156,752	729,532
Capital assets being depreciated, net	-	-	-	-	-	25,971,855	-	25,971,855	-	25,971,855	26,918,454
Total noncurrent assets	-	-	4,736,108	-	492,050	30,841,467	-	36,069,625	9,639,139	45,708,764	44,793,060
Total assets	**2,910,511**	**89,070**	**5,739,830**	**200,506**	**446,143**	**34,268,486**	**32,258**	**43,686,804**	**10,849,693**	**54,536,497**	**52,938,043**
Deferred outflows of resources											
Deferred charge on refunding	-	-	-	-	-	141,335	-	141,335	-	141,335	155,469
Deferred pension and OPEB amounts	-	4,827,486	-	-	-	-	-	4,827,486	-	4,827,486	2,966,837
Total deferred outflows of resources	-	4,827,486	-	-	-	141,335	-	4,968,821	-	4,968,821	3,122,306
Liabilities											
Current liabilities											
Accounts payable	237,688	89,070	-	2,242	33,145	-	-	362,145	13,952	376,097	293,505
Accrued payroll and related liabilities	526,591	-	-	2,560	-	-	-	529,151	-	529,151	572,946
Unearned revenue	223,166	-	-	16,262	110,898	-	-	350,326	-	350,326	63,798
Due to depositors	-	-	-	-	-	-	32,258	32,258	-	32,258	54,394
Interest payable	-	-	-	-	-	15,785	-	15,785	-	15,785	17,651
Current portion of long-term obligations	-	-	13,000	-	-	325,000	-	338,000	-	338,000	323,000
Total current liabilities	**987,445**	**89,070**	**13,000**	**21,064**	**144,043**	**340,785**	**32,258**	**1,627,665**	**13,952**	**1,641,617**	**1,325,294**
Noncurrent liabilities											
Net pension and OPEB liabilities	-	17,173,762	-	-	-	-	-	17,173,762	-	17,173,762	17,104,681
Long-term obligations, net of current portion	-	-	142,831	-	-	3,750,000	-	3,892,831	-	3,892,831	4,222,831
Total noncurrent liabilities	**-**	**17,173,762**	**142,831**	**-**	**-**	**3,750,000**	**-**	**21,066,593**		**21,066,593**	**21,327,512**
Total liabilities	**987,445**	**17,262,832**	**155,831**	**21,064**	**144,043**	**4,090,785**	**32,258**	**22,694,258**	**13,952**	**22,708,210**	**22,652,806**
Deferred inflows of resources											
Deferred pension and OPEB amounts	-	3,746,898	-	-	-	-	-	3,746,898	-	3,746,898	1,877,022
Net position (deficit)											
Net investment in capital assets	-	-	-	-	-	24,387,149	-	24,387,149	-	24,387,149	24,986,970
Restricted for:											
Nonexpendable endowments	-	-	-	-	-	-	-	-	4,686,128	4,686,128	4,777,707
Expendable scholarships and grants	-	-	-	-	302,100	-	-	302,100	3,160,690	3,462,790	1,909,018
Expendable construction and debt service	-	-	-	-	-	2,366,007	-	2,366,007	-	2,366,007	2,367,263
Unrestricted (deficit)	1,923,066	(16,093,174)	5,583,999	179,442	-	3,565,880	-	(4,840,787)	2,988,923	(1,851,864)	(2,510,437)
Total net position (deficit)	**$ 1,923,066**	**$ (16,093,174)**	**$ 5,583,999**	**$ 179,442**	**$ 302,100**	**$ 30,319,036**	**$ -**	**$ 22,214,469**	**$ 10,835,741**	**$ 33,050,210**	**$ 31,530,521**

NORTH CENTRAL MICHIGAN COLLEGE

Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Position

Year Ended June 30, 2019 (Unaudited)
(with comparative totals for 2018)

	General Fund	Pension and OPEB Fund	Designated Fund	Auxiliary Activities Fund	Restricted Fund	Plant Fund	College Total June 30, 2019	Foundation	Eliminations	Combined Total June 30, 2019	Combined Total June 30, 2018
Operating revenues											
Tuition and fees, net of scholarship allowance of $2,939,075	$ 6,144,963	$ -	$ 663,653	$ -	$ -	$ -	$ 6,808,616	$ -	$ (2,939,075)	$ 3,869,541	$ 4,639,546
Federal grants and contracts	-	-	-	-	230,779	-	230,779	-	-	230,779	195,924
State and local grants and contracts	-	-	-	-	98,913	-	98,913	-	-	98,913	113,368
Nongovernmental grants	-	-	-	-	576,312	-	576,312	-	(281,220)	295,092	393,002
Auxiliary activities	-	-	-	921,579	-	-	921,579	-	(101,015)	820,564	1,038,002
Other operating revenues	324,167	-	66,037	-	148,687	139,240	678,131	-	(141,753)	536,378	584,393
Total operating revenues	**6,469,130**	**-**	**729,690**	**921,579**	**1,054,691**	**139,240**	**9,314,330**	**-**	**(3,463,063)**	**5,851,267**	**6,964,235**
Operating expenses											
Instruction	6,544,803	(196,157)	128,702	-	31,702	-	6,509,050	-	(39,644)	6,469,406	6,513,288
Public service	209,278	(5,886)	27,700	225,842	431	-	457,365	-	-	457,365	398,886
Instructional support	1,650,437	(57,127)	37,869	-	230,848	-	1,862,027	-	(7,447)	1,854,580	2,106,512
Student services	2,489,570	(43,463)	42,795	747,369	3,297,676	-	6,533,947	-	(2,953,886)	3,580,061	3,879,932
Institutional administration	2,087,748	(56,428)	119,216	-	16,805	-	2,167,341	834,197	(557,457)	2,444,081	2,541,061
Operations and maintenance of plant	1,637,762	(29,016)	51,969	-	6,328	55,647	1,722,690	-	-	1,722,690	1,768,425
Information technology	711,188	(23,501)	402,464	-	-	-	1,090,151	-	-	1,090,151	1,213,322
Depreciation	-	-	-	-	-	1,393,403	1,393,403	-	-	1,393,403	1,395,158
Total operating expenses	**15,330,786**	**(411,578)**	**810,715**	**973,211**	**3,583,790**	**1,449,050**	**21,735,974**	**834,197**	**(3,558,434)**	**19,011,737**	**19,816,584**
Operating (loss) income	**(8,861,656)**	**411,578**	**(81,025)**	**(51,632)**	**(2,529,099)**	**(1,309,810)**	**(12,421,644)**	**(834,197)**	**95,371**	**(13,160,470)**	**(12,852,349)**
Nonoperating revenues (expenses)											
State appropriations	4,029,359	(489,886)	-	-	-	-	3,539,473	-	-	3,539,473	3,493,934
Property tax levy	6,021,531	-	-	-	-	172	6,021,703	-	-	6,021,703	5,829,282
Pell grants	-	-	-	-	2,344,047	-	2,344,047	-	-	2,344,047	2,665,945
Investment income, net	2,760	-	61,198	-	555	74,057	138,570	125,062	-	263,632	183,137
Net realized and unrealized (loss) gain on investments	-	-	125,998	-	-	-	125,998	86,080	-	212,078	(5,466)
Net loss on disposal of capital assets	-	-	-	-	-	(18,716)	(18,716)	-	-	(18,716)	(38,147)
Interest on capital asset-related debt	-	-	-	-	-	(118,164)	(118,164)	-	-	(118,164)	(210,634)
Bond issuance costs	-	-	-	-	-	-	-	-	-	-	(44,797)
Donations	-	-	-	-	-	-	-	2,163,140	(95,371)	2,067,769	781,100
Special events	-	-	-	-	-	-	-	33,809	-	33,809	39,991
Net nonoperating revenues (expenses)	**10,053,650**	**(489,886)**	**187,196**	**-**	**2,344,602**	**(62,651)**	**12,032,911**	**2,408,091**	**(95,371)**	**14,345,631**	**12,694,345**
Other revenues											
Contributions to permanent endowments	-	-	-	-	-	-	-	334,528	-	334,528	348,555
Increase (decrease) in net position before transfers	1,191,994	(78,308)	106,171	(51,632)	(184,497)	(1,372,461)	(388,733)	1,908,422	-	1,519,689	190,551
Transfers in (out)	(1,213,029)	-	201,862	-	190,936	1,041,076	220,845	(220,845)	-	-	-
Increase (decrease) in net position	**(21,035)**	**(78,308)**	**308,033**	**(51,632)**	**6,439**	**(331,385)**	**(167,888)**	**1,687,577**	**-**	**1,519,689**	**190,551**
Net position (deficit), beginning of year	1,944,101	(16,014,866)	5,275,966	231,074	295,661	30,650,421	22,382,357	9,148,164	-	31,530,521	35,613,962
Cumulative effect of change in accounting principle	-	-	-	-	-	-	-	-	-	-	(4,273,992)
Adjusted net position (deficit), beginning of year	**1,944,101**	**(16,014,866)**	**5,275,966**	**231,074**	**295,661**	**30,650,421**	**22,382,357**	**9,148,164**	**-**	**31,530,521**	**31,339,970**
Net position (deficit), end of year	**$ 1,923,066**	**$ (16,093,174)**	**$ 5,583,999**	**$ 179,442**	**$ 302,100**	**$ 30,319,036**	**$ 22,214,469**	**$ 10,835,741**	**$ -**	**$ 33,050,210**	**$ 31,530,521**