Northwestern Michigan College

Financial Report
with Supplemental Information
June 30, 2018

Contents

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Independent Auditor's Report

To the Board of Trustees
Northwestern Michigan College

Report on the Financial Statements

We have audited the accompanying financial statements of Northwestern Michigan College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise Northwestern Michigan 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 basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit 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 audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Northwestern Michigan College and its discretely presented component unit as of June 30, 2018 and 2017 and the respective changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the basic financial statements, effective July 1, 2017, the College adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter as of June 30, 2018.

To the Board of Trustees
Northwestern Michigan College

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of the net pension liability, the schedule of College's pension contributions, schedule of the College's proportionate share of the net OPEB liability, and schedule of the College's OPEB contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Northwestern Michigan College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2018 on our consideration of Northwestern Michigan College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Northwestern Michigan College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 8, 2018

June 30, 2018

The discussion and analysis of Northwestern Michigan College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2018. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's administration.

Using this Report

The College's financial report includes three financial statements: the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities* and the *State of Michigan Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001.*

Northwestern Michigan College Foundation (the "Foundation") is included within these statements as a discretely presented component unit of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*.

This annual financial report includes the management's discussion and analysis, the report of independent auditors, the basic financial statements, notes to the financial statements, required supplementary information, and supplementary information.

Financial Highlights

The College's net financial position for fiscal year 2018 increased approximately $2.2 million before the impact of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which took effect in fiscal year 2015, GASB 75 took effect in fiscal year 2018 and requires that the College record its proportionate share of the net other post-employment benefits ("OPEB") liability for the healthcare subsidy guaranteed to retirees of the Michigan Public School Employees Retirement System ("MPSERS"), a multi-employer cost-sharing defined benefit plan. As a result of implementing GASB 75, the College reflected a net OPEB liability of $16,520,072 as of June 30, 2018 to reflect its proportionate share of the liability, and reduced its net position by $16,741,291 as of July 1, 2017 to reflect its proportionate share of the cumulative deficit.

The increase in net position of approximately $2,219,000 (before GASB 75) was driven by stronger operating and nonoperating revenues for the College and stable operating expenses compared to fiscal year 2017. The College increased its tuition and fee revenue by approximately $206,000 in fiscal year 2018—despite a 4.2% decline in student contract hours—by attracting more out-of-district students and increasing tuition rates by 5.0% for out-of-district students along with fee increases for all students. In August 2017, the College completed its construction of North Hall, a new 135-bed student housing and fitness center. This increase in capacity led to an approximately $451,000 increase in housing revenue.

Operating property taxes increased 2.7% due to a 3.6% increase in real property tax values. Bond millage property tax collections decreased by 6.1% due to a 0.06 mill reduction in the bond debt service levy as a result of decreasing principal obligations. State appropriations for general operations increased by approximately $191,000, or 2.0%, in fiscal year 2018. State appropriations passed through the College for the MPSERS Unfunded Actuarial Accrued Liability ("UAAL") payments were $1,921,000 in fiscal year 2018 compared to $2,028,000 in fiscal year 2017. In 2018, the College also received support from the State of approximately $169,000 to help offset mandatory increases in employer contribution rates to the MPSERS. Further, the College received a one-time payment from the State of approximately $381,000, which was restricted for an Early Retirement Incentive Program ("ERIP") acceleration payment made to the MPSERS in November 2017.

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

The statements of net position and the statements of revenues, expenses, and changes in net position report information on the College's net position and changes therein. These statements include all assets, liabilities, and deferred inflows and outflows using the accrual basis of accounting, which is similar to the accounting used by companies in the private sector.

Total net position at June 30, 2018, 2017, and 2016 reflects the impact of both GASB 68 and GASB 75. The College's total net position at June 30, 2018, 2017, and 2016 without the accounting required by GASB 68 and GASB 75 would have been $74,797,000, $71,794,000, and $68,893,000, respectively. The College's statements of net position at June 30 are summarized as follows:

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2018	2017	2016
Current assets	$ 10,474	$ 10,633	$ 13,008
Noncurrent assets:			
Capital assets, net	69,003	68,982	60,640
Other noncurrent assets	25,631	27,306	33,442
Total assets	105,108	106,921	107,090
Deferred outflows of resources	11,688	7,390	4,930
Current liabilities	10,161	11,076	9,015
Noncurrent liabilities:			
Net pension liability	48,032	47,027	44,053
Net OPEB liability	16,520	-	-
Other noncurrent liabilities	26,150	29,739	32,677
Total liablities	100,863	87,842	85,745
Deferred inflows of resources	5,688	1,702	1,438
Net position:			
Net investment in capital assets	49,435	51,109	48,780
Unrestricted deficit	(39,190)	(26,342)	(23,940)
Total net position	$ 10,245	$ 24,767	$ 24,840

Statements of Net Position

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2018 and 2017 are as follows:

- Current assets decreased due primarily to timing of internal transfers between the College's cash and investments accounts. Additionally, the College's bookstore inventory and prepaid technology expenses, both current assets, increased because of advance purchases of books and technology equipment.

- Capital assets additions of approximately $4,571,000 were offset by current year depreciation of approximately $4,551,000, resulting in an increase in net capital assets of approximately $20,000. Other noncurrent assets decreased as the College used a significant portion of its restricted bond proceeds to complete the construction and renovation of North Hall and the Dennos Museum, respectively.

- Current liabilities decreased due to the completion of the North Hall and Dennos Museum construction projects. At fiscal 2017 year-end, these projects had aggregate retainage and progress billings payable of approximately $1.8 million. The College had no major construction projects in progress at fiscal year-end 2018. The current portion of long-term debt increased due to scheduled debt pay down. Accrued payroll decreased due to timing of payments to employees and reductions in faculty and staff. Unearned revenue increased due to higher summer tuition revenue and more students prepaying for the upcoming Fall semester.

- The College's net pension liability increased due primarily to changes in actuarial assumptions for the MPSERS defined benefit plan. More specifically, the MPSERS lowered its expected investment rates of return (discount rates) used in its annual actuarial valuation up to 1.0%, depending on the specific asset class. The net OPEB liability was recorded in fiscal year 2018 with the implementation of GASB 75, as discussed in the Financial Highlights section. Other noncurrent liabilities decreased due to scheduled debt pay down.

- Deferred inflows is the acquisition of net position that applies to future reporting periods. Deferred outflows is the consumption of net position that applies to future reporting periods. The College's deferred inflows and outflows, and changes therein, stem primarily from the MPSERS plan and include changes in actuarial assumptions, differences between expected and actual experience, changes in the proportionate share of the pension and OPEB liabilities, and contributions to the plan subsequent to the measurement date.

The primary changes in the assets, deferred outflows, liabilities and deferred inflows of the College between 2017 and 2016 are as follows:

- Decrease in current assets and in other noncurrent assets is due to cash from the 2016 bond proceeds being invested in noncurrent investments and being utilized for North Hall construction, Dennos renovation and infrastructure upgrades.

- Increase in net capital assets is a result of expenses related to building projects recorded as construction in progress at June 30. Construction in progress and other capital asset additions exceeded depreciation expense during fiscal year 2017.

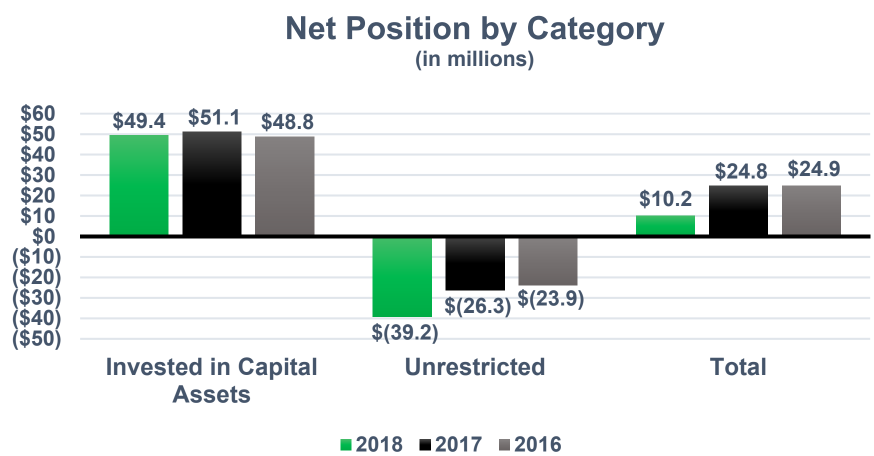
- Increase in current liabilities is related to payments due to vendors for building projects and technology purchases at year end and for retainage recorded on North Hall and Dennos Museum progress billings. The increase in the current portion of long-term debt is attributable to the scheduled pay down of debt. The decrease in accrued payroll is the result of timing of payments to employees.

- A net pension liability of approximately $39 million was recorded in 2015 in compliance with GASB 68. Deferred outflows of resources of approximately $2.5 million were recorded as a result of changes in assumptions to the net pension liability and College contributions to the MPSERS plan subsequent to the plan's measurement date. Deferred inflows of approximately $.3 million were recorded as a result of the difference between projected and actual earnings on pension plan investments. See note 9 for more information.

- Other noncurrent liabilities decreased due to 2017 payments and for recording 2018 scheduled payments in current liabilities.

Net Position

The following chart provides a graphic breakdown of net position by category as of June 30, 2018, 2017, and 2016:



Net position for fiscal year 2018 increased approximately $2,691,000 before the current year and cumulative effects of GASB 68 and GASB 75. A cumulative adjustment of approximately $16,741,000 was posted to beginning net position in implementing GASB 75. Current year pension and OPEB expense was approximately $471,000. As a result, fiscal year 2018 net position declined by $14,522,000, or 58.6%, with the effects of GASB 68 and GASB 75. Net position for fiscal year 2017 increased approximately $706,000 before the effect of GASB 68. Current year pension expense was approximately $779,000. As a result, fiscal year 2017 net position decreased by approximately $73,000, or 0.3%, with the effect of GASB 68.

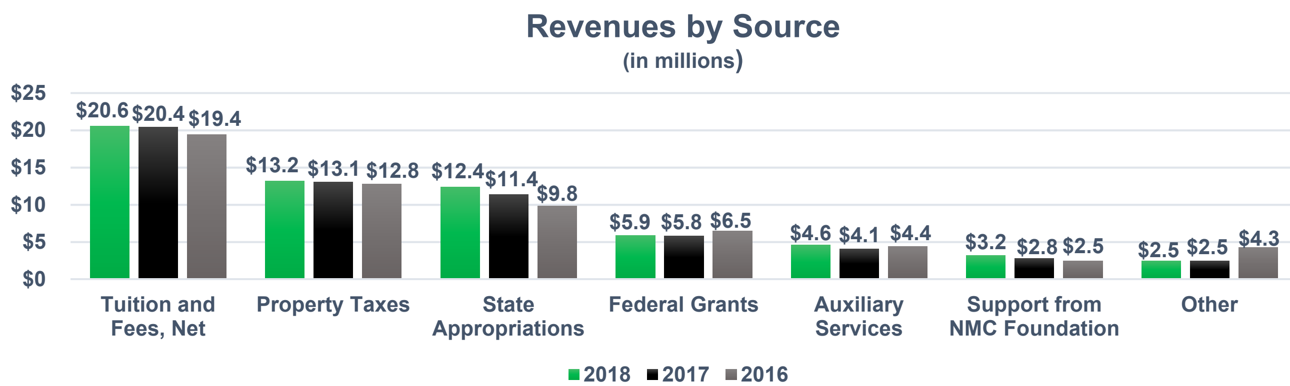
Statements of Revenues, Expenses and Changes in Net Position

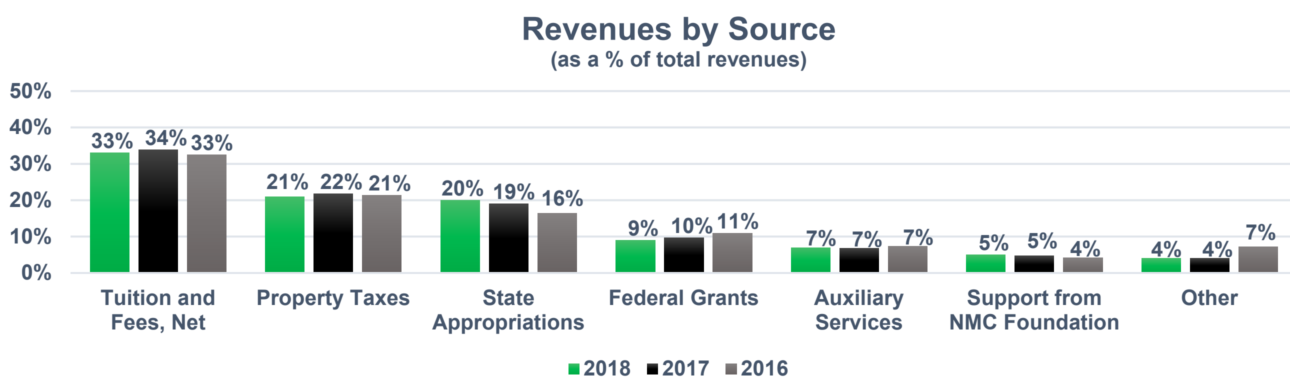
Following is a comparison of the major components of the College's operating results for the years ended June 30, 2018, 2017, and 2016:

	Operating Results for the Years Ended June 30 (in thousands)		
	2018	2017	2016
Total operating revenues	$ 28,955	$ 28,177	$ 28,464
Total operating expenses	59,416	59,512	60,617
Operating loss	(30,461)	(31,335)	(32,153)
Net nonoperating revenues	32,680	31,262	30,797
Change in net position	2,219	(73)	(1,356)
Net position – beginning of year	24,767	24,840	26,196
Implementation of GASB 75	(16,741)	-	-
Net position – end of year	$ 10,245	$ 24,767	$ 24,840

Total Revenues

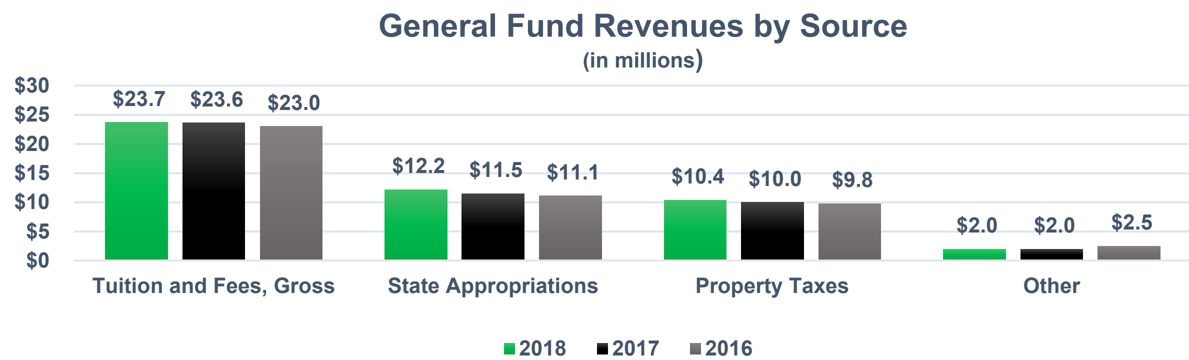
The changes in revenues for fiscal year 2018 resulted from an increase in tuition and fees due to certain rate increases and higher out-of-district enrollment, an increase in housing revenue (auxiliary services) due to the completion of North Hall in late summer 2017, increased support from the Foundation, and increased aid from the State to offset increases in the MPSERS employer retirement costs. The changes in revenues for fiscal year 2017 resulted from an increase in tuition and fees, support from component unit and federal grants partially offset with decreases in auxiliary sales, Federal Pell grant and state grants. The decrease in state grant revenue was related to completion of the Michigan Community College Skilled Trades Program. The following graphs illustrate total revenues by source, by dollars and percentages, for the years ended June 30, 2018, 2017, and 2016:

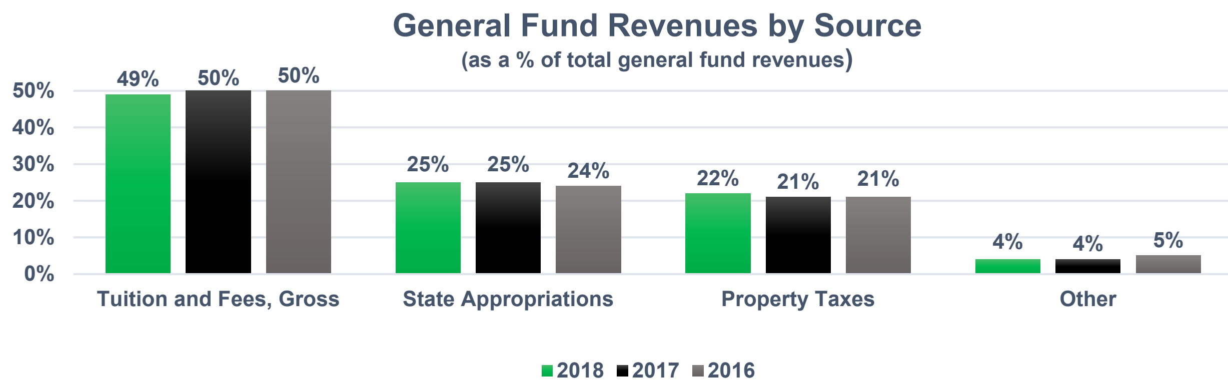




General Fund Revenues

The College accounts for its primary operations and programs within the General Fund. The General Fund is funded primarily by tuition and fees, state appropriations, property taxes, and federal grants. The following graphs illustrate total General Fund revenues by source, by dollars and percentages, for the years ended June 30, 2018, 2017, and 2016:





Operating Revenues

The College classifies as operating revenues any sales or receipts derived from primary operations of the College such as tuition, fees, housing, and other auxiliary operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are deemed a contract for services. The following table shows the sources of operating revenues for the years ended June 30, 2018, 2017, and 2016:

	Operating Revenues by Source Years Ended June 30 (in thousands)		
	2018	2017	2016
Tuition and fees, net	$ 20,593	$ 20,387	$ 19,362
Federal grants	1,357	1,291	1,226
State grants	120	130	1,137
Auxiliary services	4,617	4,118	4,442
Other operating	2,268	2,251	2,297
Total operating revenues	$ 28,955	$ 28,177	$ 28,464

Changes in operating revenues for fiscal year 2018 were as follows:

- Net tuition and fee revenue increased approximately $206,000 due to a 5.0% increase in tuition rates for out-of-district, out-of-state, and international students, and a 5.5% increase in fees for all students partially offset by a 4.1% decrease in contact hours.

- Federal and state grants and contract revenue remained comparable to fiscal year 2017 as the College had no significant new grants.

- Auxiliary revenue increased approximately $499,000 due to increased housing revenue generated from the completion of North Hall in late summer 2017.

Changes in operating revenues for fiscal year 2017 were as follows:

- Net tuition and fee revenue increased approximately $1 million due to a 7.6% increase in tuition rates for in-district, out-of-district and out-of-state partially offset by a 4.1% decrease in contact hours.

- Federal grants and contracts from MARAD for maritime operations increased approximately $65,000 or 5%. State grants and contracts decreased approximately $1 million or 89.0% due to completion of State of Michigan for Michigan Community College Skilled Trades equipment grant.

- Auxiliary revenue decreased approximately $325,000 or 7% due to a decrease in sales of the Bookstore and Hagerty Conference Center partially offset by an increase in housing revenue.

Nonoperating Revenues

Nonoperating revenues includes all revenue sources that are nonexchange in nature, meaning that the College receives value without directly giving equal value in return. It consists primarily of state appropriations, Federal Pell grant funding, property taxes, support from component unit, and investment income. The following table shows the amounts of these sources of nonoperating revenues for the years ended June 30, 2018, 2017, and 2016:

	Nonoperating Revenues by Source Years Ended June 30 (in thousands)		
	2018	**2017**	**2016**
State appropriations	$ 12,352	$ 11,379	$ 9,813
Pell grants	4,550	4,474	5,312
Property taxes	13,210	13,080	12,832
Support from the Foundation	3,210	2,750	2,520
Investment income	146	148	715
Total nonoperating revenues	$ 33,468	$ 31,831	$ 31,192

Nonoperating revenues changes included the following factors for fiscal year 2018:

- State appropriations for general operations increased by approximately $190,000, or 2.0%. The College also received a one-time payment in 2018 from the State of Michigan of approximately $381,000, which was in turn remitted to the MPSERS as an acceleration payment for the ERIP. Additionally, the College received approximately $169,000 in additional support from the State to help offset mandatory increases in employer contribution rates to the MPSERS plan in addition to a reimbursement from the State for personal property taxes of approximately $265,000. Further, as a result of implementing GASB 75, the College recognized initial year revenue of approximately $550,000 related to changes in deferred inflows for UAAL payments. These increases were offset by an overall decrease in MPSERS UAAL funding of approximately $107,000, or 5.3%.

- Federal Pell grants increased $76,000, or 1.7%, due to an increase in the average award per student from $2,966 to $3,111 in fiscal year 2018.

- Overall, local property tax revenue increased 1.0%, or approximately $130,000. The operating property tax portion increased $315,000, or 3.1%, due to the increase in real property tax values of 3.6%. The debt service property tax portion decreased approximately $186,000, or 6.1%, due to a 0.06 mill reduction in the bond debt service levy as a result of decreasing principal obligations.

- Investment income remained comparable to fiscal year 2017. The College had interest and dividends of approximately $402,000 partially offset by net unrealized losses of approximately $256,000 driven by rising interest rates in the bond market.

- Northwestern Michigan College Foundation support included approximately $1,376,000 for scholarships. The remaining support of approximately $1,834,000 was used to support the Dennos Museum, Osterlin Library, other instructional programs, and general fund support.

Nonoperating revenues changes included the following factors for fiscal year 2017:

- State appropriations for general operations increased by approximately $295,000, or 3.0%. A portion of this increase is from an approximately $175,000 reimbursement from the state for personal property taxes. State appropriations for MPSERS UAAL increased by approximately $175,000, or 9.4%. The UAAL payments were passed through by the College towards the MPSERS pension liability. The College recorded a corresponding retirement expense. Therefore, the MPSERS UAAL revenue and expense had no effect on the College's net position. This increase was offset by a decrease resulting from a $190,000 non-cash adjustment in the Pension Liability Fund, which defers recognition of a portion of the pass-through money until fiscal 2018.

- Federal Pell grants decreased $838,000, or 15.8%, due to a decline in the number of eligible students and number of contact hours generated.

- Overall, local property tax revenue increased 2%, or $250,000. The operating property tax portion increased $218,000 or 2.2% due to the increase in real property tax values of 2.4%. The bond millage property tax increased $32,000 or 1% due to increase in real property tax values offset in part by .01 millage reduction due to less funds required for bond payments.

- Investment values recognized unrealized losses of $200,000 during fiscal year 2017 due to market fluctuations in bond holdings. As the College holds its bonds until the bonds are called by the issuer or the bonds mature, the College will receive par value for the bonds. Several bonds were called during fiscal year 2017 resulting in realized gains of $2,000.

- Northwestern Michigan College Foundation support includes $1,175,459 for scholarships, with the remaining $1,574,990 supporting Dennos Museum, Osterlin library, other instructional programs and general fund support.

Operating Expenses

Operating expenses include all the costs necessary to perform and conduct the programs and primary functions of the College such as wages and benefits, professional services, software and technology maintenance, utilities, staff development, and depreciation expense. In the College's external financial statements, these expenses are categorized by function in accordance with the *State of Michigan Manual for Uniform Financial Reporting—Michigan Public Community Colleges, 2001*. Total operating expenses decreased approximately $95,000, or 0.2%, for fiscal year 2018 and decreased approximately $1.1 million, or 1.8%, for fiscal year 2017. The following table shows operating expenses by function for the years ended June 30, 2018, 2017, and 2016:

	Operating Expenses by Function Years Ended June 30 (in thousands)		
	2018	2017	2016
Instruction	$ 18,024	$ 18,510	$ 18,735
Public service	2,869	2,777	2,707
Instructional support	7,359	7,406	7,359
Student services	11,110	10,939	12,413
Institutional administration	7,217	6,487	6,288
Operation and maintenance of plant	5,075	5,073	5,175
Depreciation	4,551	4,629	4,791
Information technology	3,211	3,691	3,149
Total operating expenses	$ 59,416	$ 59,512	$ 60,617

Highlights of the major changes between fiscal year 2018 and fiscal year 2017 by category are as follows:

- Instruction costs decreased approximately $486,000 due to the College establishing a voluntary separation plan for eligible faculty and staff. Those employees who entered the plan agreed to terminate their employment during the next two fiscal years in exchange for a financial separation package in the form of post-employment 403(b) discretionary contributions. The contributions are payable by the College in equal installment over a three to five year period.

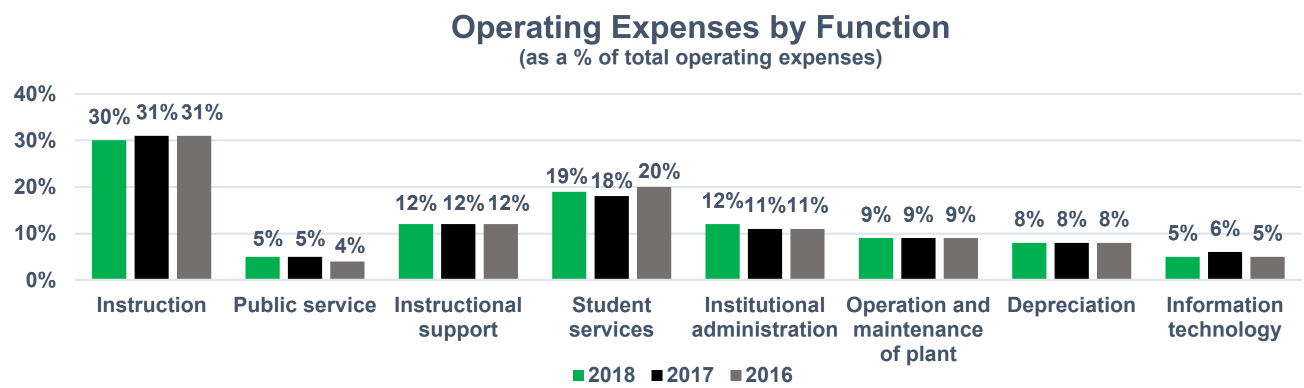
- Institutional administration costs increased approximately $730,000, which in part is due to the College receiving a pass through acceleration payment for the MPSERS ERIP of approximately $381,000. This payment to the MPSERS was not applicable in fiscal year 2017. Additionally, as described in the above paragraph, the College established a voluntary separation plan. Benefits of approximately $371,000 were paid or accrued as an indirect cost in the institutional administration category.

Highlights of the major changes between fiscal year 2017 and fiscal year 2016 by category are as follows:

- Salaries and wages increased $300,000, or 1.2%, while benefits decreased 3.3%, or $443,000, due to decreases in medical, workers compensation and unemployment claims. A portion of the increase in pension costs was due to an approximately $175,000 increase in required MPSERS UAAL pension liability payments and is offset by a $175,000 increase in revenue from the state.

- Instruction and student services decreased due to decreases in salaries, wages and benefits due to reduced student contact hours while plant operations and maintenance, institutional administration, and public service increased.

For external reporting purposes, the College's funds are consolidated and internal expenses are eliminated. The following graph illustrates the composition of operating expenses for the years ended June 30, 2018, 2017, and 2016:



Statements of Cash Flows

Another way to assess the College's financial health is to analyze the statements of cash flows. This statement's primary purpose is to provide relevant information about the cash receipts and cash payments of the College during a period of time. This statement also helps users assess the following:

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

A summary of the College's cash flows for the years ended June 30, 2018, 2017, and 2016 is as follows:

	Cash Flows Years Ended June 30 (in thousands)		
	2018	2017	2016
Cash (used in) provided by:			
Operating activities	$ (26,747)	$ (21,796)	$ (25,615)
Noncapital financing activities	30,275	28,686	27,471
Capital financing activities	(5,935)	(13,435)	19,147
Investing activities	(3,163)	(3,244)	(3,887)
Net (decrease) increase in cash	(5,570)	(9,789)	17,116
Cash and cash equivalents, beginning of year	10,753	20,542	3,426
Cash and cash equivalents, end of year	$ 5,183	$ 10,753	$ 20,542

Cash inflows from operating activities include receipts for tuition and fees, grants, contracts, and auxiliary activities, which include student housing, the Dennos Museum, University Center, Hagerty Center, and the bookstore. These inflows are offset by cash used in operations for payments to employees and suppliers. For fiscal year 2018, net cash used in operating activities increased primarily due to timing of payments to vendors. For fiscal year 2017, net cash used in operating activities decreased due to decreased payments to employees and suppliers.

Cash inflows provided by noncapital financing activities include primarily receipts for the College's nonoperating revenues such as state appropriations, property taxes, Pell grants, and support from the Foundation for purposes other than capital. The increases in both fiscal years 2018 and 2017 were driven by increases in receipts for state appropriations and property taxes.

Cash used in capital financing activities decreased from the prior year due to the completion of North Hall in early fiscal year 2018, a project carried out primarily in fiscal year 2017. This project was funded by the issuance of debt in fiscal year 2016, resulting in net cash inflows that year due to the receipt of the bond proceeds.

Cash used in investing activities results from purchases and reinvested interest and dividends exceeding proceeds from the sales and maturities of investments. The net cash used in investing activities for the years ended June 30, 2018, 2017, and 2016 signifies the College's commitment to preserving assets for the future needs of the College.

Capital Assets

At June 30, 2018, the College had $155 million invested in capital assets, before accumulated depreciation of $86 million. Depreciation charges totaled $4.6 million for the current fiscal year. Details of these assets are as follows:

	Capital Assets as of June 30 (in thousands)		
	2018	2017	2016
Land and land improvements	$ 10,786	$ 10,660	$ 10,519
Infrastructure	7,923	7,923	7,923
Buildings and improvements	99,444	87,201	86,574
Furniture, fixtures, and equipment	35,418	33,476	32,388
Construction in progress	1,518	11,257	189
Capital assets	$ 155,089	$ 150,517	$ 137,593

Additional information regarding capital assets can be found in the notes to the financial statements.

Debt Administration

The College's most recent bond rating by Standard & Poor's was AA. The College's most recent bond rating by Moody's was A1. The College had the following outstanding debt balances at June 30, 2018, 2017, and 2016:

	Debt Outstanding as of June 30 (in thousands)		
	2018	2017	2016
Bonds payable	$ 26,950	$ 30,345	$ 33,295

Additional information regarding the College's debt can be found in the notes to the financial statements.

Economic Factors That Will Affect the Future

The economic outlook for the College is tied heavily to national and state economic conditions. Although federal and state appropriations have been determined for the upcoming fiscal year, it is important to note that in times of financial constraint, such funding can be adversely impacted. On the contrary, as economic conditions strengthen and unemployment decreases, the College faces enrollment challenges. The College's strategic plan addresses the decline in student enrollment by investing in select programs that will attract students from outside the region. The plan will provide a diverse learning experience for regional students, which is expected to increase the College's market share. The College has also responded to increased uncertainty by building its reserves, constructing new innovative facilities, and expanding global opportunities for students.

The College will receive a 1.2% increase in state appropriations for general operations during fiscal year 2019. The College's fiscal year 2019 budget includes increased property tax revenue of 4.5% due to increases in taxable values. For tuition, the College charges rates based on the primary residence of the student, including categories for in-district, in-state, out of state, or international. The College also uses a tiered structure to accommodate higher-cost programs such as its maritime, culinary, automotive, audio-technology, and nursing programs. The Board of Trustees approved tuition increases of 2.2% for fiscal year 2019.

The College has separate contractual wage and benefit commitments with maintenance and custodial personnel, faculty, and academic chairs through December 31, 2018. Each of these contracts are currently under negotiation. The 2019 fiscal year budget includes employee salary increases, however the actual allocations will be determined in the fall after fall enrollment is known. Approximately 85% of College employees participate in the MPSERS, which mandates employer contributions to the plan. Required employer contribution rates have been on the rise in efforts to fund employee pension and retiree healthcare benefits. While there are various plans within the MPSERS, the contribution rate for the plan with the majority of the College's employees has been set at 26.18% for fiscal year 2019. Contribution rates for future years are unknown, but are expected to continue trend upwards.

In July 2018, the College received proceeds of a $7.3 million bond issuance to help fund the construction of a $14.4 million renovation to West Hall. Remaining funding will come from the State's capital outlay budget. The project, which breaks ground in Fall 2018, transforms West Hall into an "Innovation Center" with a student-focused design. Upon completion in fiscal year 2020, the West Hall Innovation Center is expected to provide 24-hour access to learners and will be home to the College's library, cafeteria, and radio station along with a number of meeting spaces and small classrooms. Through the bond issuance, the College maintained its AA bond through Standard and Poor's resulting in a favorable interest rate of 3.25% on the debt. The bonds are payable over twenty years.

With the fiscal year 2015 and 2018 implementations of GASB 68 and GASB 75, respectively, the College now reports its proportionate share of the net pension and net OPEB liabilities related to the MPSERS plan on its statements of net position. It is important to note that while these new standards have adversely impacted the College's net position and raise awareness of potential future obligations of the College, their implementations have had no immediate impact on the College's bond rating, cash position, or its ability to meet current obligations. The State is projecting that the unfunded actuarial accrued liability will be fully funded in approximately 25 years.

Following the private sector's adoption of balance sheet accounting for leases, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases,* in June 2017 which is effective for the College's fiscal year 2021. The statement addresses the accounting for short and long-term leases for lessors and lessees. Since the College does not currently have significant leasing arrangements, this standard is not expected to have a significant impact on its operations. The College will continue to assess and monitor the impact of GASB 87.

The College is self-funded for its employee health benefit costs. Employees are now required to contribute to the plan with the enactment of Public Act 152 of 2011. The College's healthcare costs have stabilized in recent years.

The College has reviewed its cash flow data and reserve funds. Northwestern Michigan College is financially positioned to continue normal operations.

Board of Trustees

June 30, 2018

Statement of Net Position

June 30, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 4,180,247	$ 4,773,810
Receivables - Net (Note 5)	4,992,185	4,837,916
Prepaid expenses and other assets	1,301,153	1,021,289
Total current assets	10,473,585	10,633,015
Noncurrent assets:		
Restricted cash and investments - Unspent bond proceeds: (Note 3)		
Restricted cash and cash equivalents	1,003,059	5,979,588
Restricted investment securities	6,981,570	6,491,820
Investments (Note 3)	17,640,772	14,821,389
Capital assets - Net (Note 6)	69,002,661	68,982,482
Bond insurance costs	6,774	13,548
Total noncurrent assets	94,634,836	96,288,827
Total assets	105,108,421	106,921,842
Deferred Outflows of Resources (Note 9)	11,688,356	7,389,600
Liabilities		
Current liabilities:		
Accounts payable	1,428,700	3,275,366
Accrued liabilities and other:		
Accrued salaries and wages	2,310,117	2,618,113
Accrued interest payable	133,092	148,553
Unearned revenue	1,275,470	1,008,565
Long-term obligations - Current (Note 7)	5,013,674	4,025,875
Total current liabilities	10,161,053	11,076,472
Noncurrent liabilities:		
Net pension liability (Note 9)	48,031,699	47,027,079
Net OPEB liability (Note 9)	16,520,072	-
Long-term obligations - Net of current portion (Note 7)	24,136,942	28,250,022
Deposits	2,013,260	1,488,821
Total noncurrent liabilities	90,701,973	76,765,922
Total liabilities	100,863,026	87,842,394
Deferred Inflows of Resources (Note 9)	5,688,433	1,701,898
Net Position		
Net investment in capital assets	49,435,669	51,108,890
Unrestricted (Note 10)	(39,190,351)	(26,341,740)
Total net position	**$ 10,245,318**	**$ 24,767,150**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	2018	2017
Operating Revenue		
Student tuition and fees - Net of scholarship allowance of $3,307,115 and $3,256,187 for 2018 and 2017, respectively	$ 20,592,809	$ 20,387,093
Federal grants and contracts	1,356,851	1,291,139
State grants and contracts	120,185	130,380
Private gifts, grants, and contracts	76,232	72,903
Other sources	2,191,611	2,177,726
Sales and services of auxiliary activities	4,617,427	4,117,688
Total operating revenue	28,955,115	28,176,929
Operating Expenses		
Instruction	18,023,845	18,509,940
Public service	2,869,306	2,777,227
Instructional support	7,358,755	7,405,767
Student services	11,109,822	10,938,483
Institutional administration	7,216,797	6,487,224
Operation and maintenance of plant	5,075,704	5,073,341
Depreciation	4,551,212	4,629,154
Information technology	3,210,923	3,690,426
Total operating expenses	59,416,364	59,511,562
Operating Loss	(30,461,249)	(31,334,633)
Nonoperating Revenue (Expense)		
State appropriations	12,352,324	11,378,664
Federal Pell grants	4,550,325	4,473,960
Property taxes	13,209,607	13,079,855
Support from component unit	3,210,201	2,750,448
Investment income	146,316	147,968
Bond issuance and amortization costs	(13,560)	28,745
Interest expense on capital-related debt	(774,505)	(598,357)
Total nonoperating revenue	32,680,708	31,261,283
Change in Net Position	2,219,459	(73,350)
Net Position - Beginning of year, as previously reported	24,767,150	24,840,500
Cumulative Effect of Change in Accounting (Note 1)	(16,741,291)	-
Net Position - Beginning of year	8,025,859	24,840,500
Net Position - End of year	**$ 10,245,318**	**$ 24,767,150**

See notes to financial statements.

Statement of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Tuition and fees	$ 21,089,376	$ 20,759,418
Grants and contracts	1,648,605	3,421,544
Payments to suppliers	(35,567,849)	(31,735,173)
Payments to employees	(20,960,057)	(20,338,087)
Auxiliary activities receipts	4,617,427	4,117,688
Other	2,425,317	1,978,463
Net cash and cash equivalents used in operating activities	(26,747,181)	(21,796,147)
Cash Flows from Noncapital Financing Activities		
Property taxes	10,350,242	10,034,788
Gifts and contributions for other than capital purposes	3,064,188	2,851,652
State appropriations	12,309,802	11,325,557
Pell grants	4,550,325	4,473,960
Federal direct lending receipts	8,530,958	9,611,548
Federal direct lending disbursements	(8,530,958)	(9,611,548)
Net cash and cash equivalents provided by noncapital financing activities	30,274,557	28,685,957
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(4,571,391)	(12,973,262)
Principal paid on capital debt	(3,395,000)	(2,950,000)
Capital property taxes	2,859,365	3,045,067
Interest paid on capital debt	(827,625)	(556,632)
Net cash and cash equivalents used in capital and related financing activities	(5,934,651)	(13,434,827)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	32,437,934	34,393,037
Interest and investment loss - Net	(109,271)	(51,691)
Purchase of investments - Net	(35,491,480)	(37,584,889)
Net cash and cash equivalents used in investing activities	(3,162,817)	(3,243,543)
Net Decrease in Cash and Cash Equivalents	(5,570,092)	(9,788,560)
Cash and Cash Equivalents - Beginning of year	10,753,398	20,541,958
Cash and Cash Equivalents - End of year	**$ 5,183,306**	**$ 10,753,398**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 4,180,247	$ 4,773,810
Restricted cash and cash equivalents	1,003,059	5,979,588
Total cash and cash equivalents	**$ 5,183,306**	**$ 10,753,398**

See notes to financial statements.

Statement of Cash Flows (Continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities		
Operating loss	$ (30,461,249)	$ (31,334,633)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Depreciation	4,551,212	4,629,154
Loss on disposal of capital assets	-	1,255
Changes in assets and liabilities:		
Receivables	34,266	1,948,000
Prepaid expenses and other assets	(279,864)	113,674
Deferred outflows of resources	(3,065,052)	(2,459,125)
Accounts payable	(1,831,879)	1,868,580
Accrued liabilities and other	(307,996)	(53,606)
Unearned revenue	776,557	152,184
Compensated absences	300,592	100,129
Net pension liability	1,004,620	2,974,518
Net OPEB liability	(904,944)	-
Deferred inflows of resources	3,436,556	263,723
Net cash and cash equivalents used in operating activities	**$ (26,747,181)**	**$ (21,796,147)**

Discretely Presented Component Unit
Statement of Financial Position - Northwestern Michigan College Foundation

June 30, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 2,299,425	$ 1,837,781
Investments	38,815,641	36,480,841
Pledges receivable - Net of allowance	4,247,715	3,075,375
Cash surrender value of life insurance	414,066	376,805
Prepaid expenses and other assets	6,296	16,487
Total assets	**$ 45,783,143**	**$ 41,787,289**
Liabilities		
Accounts payable	$ 6,158	$ 32,041
Deferred revenue	58,581	50,562
Payable to Northwestern Michigan College	1,049,706	875,213
Split-interest agreements payable	82,175	55,049
Total liabilities	1,196,620	1,012,865
Net Assets		
Unrestricted net assets	4,619,586	4,143,281
Temporarily restricted net assets	26,616,238	24,491,986
Permanently restricted net assets	13,350,699	12,139,157
Total net assets	44,586,523	40,774,424
Total liabilities and net assets	**$ 45,783,143**	**$ 41,787,289**

Discretely Presented Component Unit
Statement of Activities - Northwestern Michigan College Foundation

Years Ended June 30, 2018 and 2017

	2018	2017
Revenue, Gains, and Other Support		
Contributions	$ 4,601,522	$ 2,914,717
Special event revenue	280,903	242,902
Net realized and unrealized gains and losses on investments	1,760,580	2,599,455
Investment income	815,833	778,112
Change in value of split-interest agreements	12,875	(9,483)
Total revenue, gains, and other support	7,471,713	6,525,703
Expenses		
Program expenses - Distributions to College	2,313,342	1,945,422
Management and general	754,178	713,935
Fundraising	592,094	486,143
Total expenses	3,659,614	3,145,500
Increase in Net Assets	3,812,099	3,380,203
Net Assets - Beginning of year	40,774,424	37,394,221
Net Assets - End of year	**$ 44,586,523**	**$ 40,774,424**

Note 1 - Significant Accounting Policies

Reporting Entity

Northwestern Michigan College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The accompanying financial statements have been prepared in accordance with criteria established by 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 the application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationship with the College.

The Northwestern Michigan College Foundation (the “Foundation”) is a separate legal entity established as a 501(c)(3) corporation to solicit, collect, hold, and invest donations made for the promotion of educational activities at the College and to augment the facilities of the College. Although the College does not necessarily control the timing or amount of receipts from the Foundation, the majority of resources, or income earned thereon, and the Foundation’s holdings and investments is restricted by the donors to the activities of the College. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is a discretely presented component unit of the College because the Foundation’s board of directors does not consist substantially of members who are also the College's board of trustees as well as meeting other accounting criteria. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the College's financial report to account for these differences. Separate financial statements of the Foundation may be obtained by contacting Northwestern Michigan College Foundation,1701 East Front Street, Traverse City, Michigan 49686.

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

Basis of Accounting

The financial statements of the College use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cash and Cash Equivalents

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

Restricted Cash and Investments

Cash and investments that were received from the issuance of the 2016 Community College Facilities Bonds are restricted for the use of capital projects.

Note 1 - Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value. Realized and unrealized gains and losses are reflected in the statement of revenue, expenses, and changes in net position as investment income. Realized and unrealized gains and losses from securities in the investment accounts are allocated monthly based on the relationship of the market value of each account to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts. Realized gains were $0 and $2,000 for fiscal years 2018 and 2017, respectively. Due to the recording of bonds at fair market value, during fiscal years 2018 and 2017, there was $255,587 and $199,659, respectively, of unrealized losses on investments held by the College.

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Expenses for maintenance and repairs are charged to current expenses as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land and the art collection. Expenses for major renewals and betterments that extend the useful lives of the assets are capitalized. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Management annually reviews capital assets for impairment. The following estimated lives are used to compute depreciation:

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings/building improvements	30-40 years
Land improvements and infrastructure	15 years
Furniture, fixtures, and equipment	4-10 years
Docks	10 years

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 9.

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. It consists of approximately $200,000 and $72,000 for the 2018 and 2017 fall semesters, respectively; approximately $966,000 and $770,000 for the 2018 and 2017 summer semesters, respectively; approximately $640,000 and $338,000 for 2018 and 2017 unearned flight fees for the College's aviation program, respectively; and approximately $70,000 and $129,000 for 2018 and 2017 housing payable for the Maritime program, respectively. Grants received prior to qualifying expenses of approximately $40,000 and $13,000 for 2018 and 2017, respectively, are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

Note 1 - Significant Accounting Policies (Continued)

Pension

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

Other Postemployment Benefit Costs

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, net deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or expense reduction) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan’s investments. More detailed information can be found in Note 9.

Net Position

Net position is classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the board, including amounts that the board has agreed to set aside under contractual agreements with third parties. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available. Unrestricted net position represents 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. Net investment in capital assets consists of capital assets, net of accumulated depreciation and net of related debt.

Tuition and Fees

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

Note 1 - Significant Accounting Policies (Continued)

Scholarship Discounts and Allowances

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

Grants and Contributions

From time to time, the College receives grants from the federal government and the State of Michigan. Revenue from grants is recognized when all eligibility requirements, including time requirements, are met. Grants may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

Federal Financial Assistance Programs

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

During the years ended June 30, 2018 and 2017, the College distributed $8,530,958 and $9,611,548, respectively, for direct lending through the U.S. Department of Education, which is not included as revenue and expenditures on the accompanying financial statements.

Operating and Nonoperating Revenue and Expenses

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

Internal Service Activities

Both revenue and expenses related to internal service activities, including conference services, postage, and telecommunications, have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Reclassification

Certain 2017 amounts have been reclassified to conform to 2018 presentation for the request of the State of Michigan to reflect information technology as a functional expense category.

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

The Governmental Accounting Standards Board issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This statement requires governments providing postemployment benefits to recognize their unfunded benefit obligations as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The College is recognizing on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS) for the first time in fiscal year 2018. In accordance with the statement, the College has reported a change in accounting principle adjustment to unrestricted net position of $16.7 million, which is the net of the net OPEB liability and related deferred outflows as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB Statement No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ended June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period,* which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the College's financial statements for the June 30, 2021 fiscal year.

Note 2 - Property Taxes

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

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

Note 2 - Property Taxes (Continued)

During the years ended June 30, 2018 and 2017, 2.1520 mills and 2.1692 mills, respectively, 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 $10,350,242 and $10,034,788 for the years ended June 30, 2018 and 2017, respectively.

During the years ended June 30, 2018 and 2017, 0.59 mills and 0.65 mills, respectively, of tax per $1,000 of taxable property value in the College's taxing district were levied for debt retirement purposes. Total property tax revenue was $2,859,365 and $3,045,067 for the years ended June 30, 2018 and 2017, respectively, for retirement of debt related to the 2009 and 2015 bond issues.

The College's property tax revenue is affected by tax abatements entered into by other governments. The College's property tax revenue was reduced as follows for the years ended June 30, 2018 and 2017:

	2018	2017
City of Traverse	$ 43,494	$ 44,427
Blair Township	104	321
East Bay Township	3,256	3,382
Fife Lake Township	992	967
Garfield Township	72,964	62,849
Green Lake Township	9,232	11,232
Acme Township	387	387
Paradise Township	1,048	282
Peninsula Township	1,451	1,492
Total	$ 132,928	$ 125,339

Note 3 - Deposits and Investments

Deposits and investments are reported in the financial statements as follows:

	2018	2017
Cash and cash equivalents	$ 4,493,685	$ 4,773,810
Investments	17,327,334	14,821,389
Restricted cash and equivalents	1,003,059	5,979,588
Restricted investment securities	6,981,570	6,491,820
Total deposits and investments	$ 29,805,648	$ 32,066,607

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The College is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, state obligations, commercial paper of corporations located in this state rated prime at the time of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

The College has designated Fifth Third Bank, Chemical Bank, Huntington Bank, and Chase Bank for the deposit of its funds.

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

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk are used for the College's deposits. The College thoroughly examines the banks with which it chooses to deposit funds for the following qualifications: federally chartered, State of Michigan qualified depository, Federal Reserve System, FDIC member, compliance with Community Reinvestment Act, Bauer bank rating of adequate to good, and Bankrate rating of sound to performing. As of June 30, 2018, the College's operations and debt deposit balances of $3,244,862 had $97,597 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. As of June 30, 2017, the College's operations and debt deposit balances of $4,347,156 had $676,682 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The College believes that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the College evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law, and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the College will do business using the criteria established in the investment policy. All investment securities that are uninsured and unregistered are held by counterparties.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The College's policy minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market.

Credit Risk

State law limits investments in commercial paper to prime ratings issued by nationally recognized statistical rating organizations. The College's investment policy does not further limit its investment choices.

Concentration of Credit Risk

The College’s policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of the potential losses from any one type of security or issuer will be minimized. Furthering the College’s safety in investments is the federal government’s guarantee of the Federal Home Loan Bank, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation’s bond debt. Standard and Poor's credit ratings for these investments are AA+.

Note 3 - Deposits and Investments (Continued)

At year end, the College had the following investments and maturities, which include debt securities (other than the U.S. government) held by counterparties that possess Moody's quality ratings of Aaa:

	2018				
Description	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years
Thomson Reuters Corp	$ 3,997,560	$ 3,997,560	$ -	$ -	$ -
Ford Motor Credit Corp	2,984,010	2,984,010	-	-	-
Federal Home Loan Mortgage Step	1,285,544	-	1,285,544	-	-
Federal National Mortgage Assoc Step	995,370	-	995,370	-	-
Federal Home Loan Mortgage Step	991,680	-	991,680	-	-
Federal Home Loan Bank Step	1,485,645	-	1,485,645	-	-
Federal Home Loan Bank Step	985,200	-	985,200	-	-
Federal Home Loan Mortgage Step	987,280	-	987,280	-	-
Federal Home Loan Bank	1,976,480	-	1,976,480	-	-
Federal Home Loan Bank Step	1,970,180	-	1,970,180	-	-
Federal Home Loan Bank Step	957,890	-	-	957,890	-
Federal Home Loan Bank Step	959,120	-	-	-	959,120
Federal Home Loan Bank Step	960,240	-	-	-	960,240
Federal Home Loan Mortgage Step	1,901,220	-	-	-	1,901,220
Federal Home Loan Bank Step	1,367,790	-	-	-	1,367,790
Total investments in debt securities	23,805,209	6,981,570	10,677,379	957,890	5,188,370
Certificates of deposit	503,695	253,695	250,000	-	-
Total	$ 24,308,904	$ 7,235,265	$ 10,927,379	$ 957,890	$ 5,188,370

	2017				
Description	Fair Value	Less Than 1 Year	1-5 Years	5-10 Years	More Than 10 Years
Ford Motor Credit Corp	$ 3,996,720	$ 3,996,720	$ -	$ -	$ -
VW Credit Inc	2,495,100	2,495,100	-	-	-
Federal Home Loan Mortgage Step	1,292,785	-	1,292,785	-	-
Federal National Mortgage Assoc Step	998,640	-	998,640	-	-
Federal Home Loan Mortgage Step	994,980	-	994,980	-	-
Federal Home Loan Bank Step	1,494,810	-	1,494,810	-	-
Federal Home Loan Bank Step	989,960	-	989,960	-	-
Federal Home Loan Mortgage Step	1,998,320	-	1,998,320	-	-
Federal Home Loan Bank Step	962,660	-	-	962,660	-
Federal Home Loan Bank Step	974,480	-	-	-	974,480
Federal Home Loan Bank Step	983,470	-	-	-	983,470
Federal National Mortgage Assoc Step	1,964,520	-	-	-	1,964,520
Federal Home Loan Bank Step	1,423,965	-	-	-	1,423,965
Total investments in debt securities	20,570,410	6,491,820	7,769,495	962,660	5,346,435
Certificate of deposit	742,799	742,799	-	-	-
Total	$ 21,313,209	$ 7,234,619	$ 7,769,495	$ 962,660	$ 5,346,435

Note 4 - Fair Value Measurements

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

Note 4 - Fair Value Measurements (Continued)

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

U.S. government obligations totaling $16,823,639 and $14,078,590 for June 30, 2018 and 2017, respectively, are valued on a recurring basis using quoted market prices (Level 1 inputs). Money market accounts totaling $3,402,424 and $7,688,989, commercial paper totaling $6,981,570 and $6,491,820, and certificate of deposit accounts totaling $503,695 and $742,799 for 2018 and 2017, respectively, are valued at amortized cost and not subject to fair value measurements.

Note 5 - Accounts Receivable

The following is the detail of accounts receivable:

	2018	2017
Student	$ 1,551,701	$ 1,256,924
Grants and contracts	375,522	470,859
State appropriations	2,105,441	2,062,919
Foundation	992,588	846,575
Third party and other	550,481	730,894
Gross accounts receivable	5,575,733	5,368,171
Allowance for doubtful accounts	(583,548)	(530,255)
Total accounts receivable - Net	$ 4,992,185	$ 4,837,916

Note 6 - Capital Assets

Capital asset activity for the years ended June 30, 2018 and 2017 was as follows:

	Balance July 1, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	11,257,023	1,225,712	-	(10,964,774)	1,517,961
Art collection	1,079,490	67,191	-	-	1,146,681
Subtotal	16,962,555	1,292,903	-	(10,964,774)	7,290,684
Capital assets being depreciated:					
Infrastructure	7,923,216	-	-	-	7,923,216
Buildings and improvements	87,201,329	1,382,866	-	10,859,616	99,443,811
Docks	1,842,308	-	-	-	1,842,308
Furniture, fixtures, and equipment	30,554,286	1,769,503	-	105,158	32,428,947
Land improvements	6,034,344	126,119	-	-	6,160,463
Subtotal	133,555,483	3,278,488	-	10,964,774	147,798,745
Accumulated depreciation:					
Infrastructure	6,517,475	199,389	-	-	6,716,864
Buildings and improvements	42,463,519	2,551,737	-	-	45,015,256
Docks	1,779,174	13,291	-	-	1,792,465
Furniture, fixtures, and equipment	25,671,079	1,639,713	-	-	27,310,792
Land improvements	5,104,309	147,082	-	-	5,251,391
Subtotal	81,535,556	4,551,212	-	-	86,086,768
Net capital assets being depreciated	52,019,927	(1,272,724)	-	10,964,774	61,711,977
Capital assets - Net	$ 68,982,482	$ 20,179	$ -	$ -	$ 69,002,661

Note 6 - Capital Assets (Continued)

	Balance July 1, 2016	Additions	Disposals	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	189,494	11,067,529	-	-	11,257,023
Art collection	1,079,465	25	-	-	1,079,490
Subtotal	5,895,001	11,067,554	-	-	16,962,555
Capital assets being depreciated:					
Infrastructure	7,923,216	-	-	-	7,923,216
Buildings and improvements	86,574,212	627,117	-	-	87,201,329
Docks	1,842,308	-	-	-	1,842,308
Furniture, fixtures, and equipment	29,465,276	1,136,791	(47,781)	-	30,554,286
Land improvements	5,892,544	141,800	-	-	6,034,344
Subtotal	131,697,556	1,905,708	(47,781)	-	133,555,483
Accumulated depreciation:					
Infrastructure	6,357,378	160,097	-	-	6,517,475
Buildings and improvements	40,070,656	2,392,863	-	-	42,463,519
Docks	1,765,093	14,081	-	-	1,779,174
Furniture, fixtures, and equipment	23,851,976	1,865,629	(46,526)	-	25,671,079
Land improvements	4,907,825	196,484	-	-	5,104,309
Subtotal	76,952,928	4,629,154	(46,526)	-	81,535,556
Net capital assets being depreciated	54,744,628	(2,723,446)	(1,255)	-	52,019,927
Capital assets - Net	$ 60,639,629	$ 8,344,108	$ (1,255)	$ -	$ 68,982,482

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2018 and 2017 can be summarized as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
2009 Community College Refunding Bonds	$ 1,200,000	$ -	$ (380,000)	$ 820,000	$ 400,000
2012 Community College Refunding Bonds	855,000	-	(165,000)	690,000	165,000
2015 Community College Refunding Bonds	7,400,000	-	(2,445,000)	4,955,000	2,470,000
2016 Community College Bonds	20,890,000	-	(405,000)	20,485,000	725,000
Total principal outstanding	30,345,000	-	(3,395,000)	26,950,000	3,760,000
Unamortized bond premiums	632,494	-	(30,874)	601,620	30,874
Total bonds payable	30,977,494	-	(3,425,874)	27,551,620	3,790,874
Accrued vacation and sick leave	1,298,403	1,042,720	(1,048,275)	1,292,848	1,127,000
Voluntary separation plan	-	370,598	(64,450)	306,148	95,800
Total long-term obligations	$ 32,275,897	$ 1,413,318	$ (4,538,599)	$ 29,150,616	$ 5,013,674

Note 7 - Long-term Obligations (Continued)

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
2009 Community College Refunding Bonds	$ 1,565,000	$ -	$ (365,000)	$ 1,200,000	$ 380,000
2012 Community College Refunding Bonds	1,015,000	-	(160,000)	855,000	165,000
2015 Community College Refunding Bonds	9,825,000	-	(2,425,000)	7,400,000	2,445,000
2016 Community College Bonds	20,890,000	-	-	20,890,000	405,000
Total principal outstanding	33,295,000	-	(2,950,000)	30,345,000	3,395,000
Unamortized bond premiums	668,513	-	(36,019)	632,494	30,875
Total bonds payable	33,963,513	-	(2,986,019)	30,977,494	3,425,875
Accrued vacation and sick leave	1,198,274	1,114,931	(1,014,802)	1,298,403	600,000
Total long-term obligations	$ 35,161,787	$ 1,114,931	$ (4,000,821)	$ 32,275,897	$ 4,025,875

Principal and interest on the 2015 and 2009 bonds are payable from the proceeds of ad valorem taxes levied on all taxable properties in the college taxing district without limitation as to rate or amount.

Community College Refunding Bonds, 2009

The College issued $3,645,000 in Unlimited Tax General Obligation Refunding Bonds with an interest rate of 2.5 percent to 4.25 percent to refund $3.795 million of outstanding 1999 Series Bonds with an interest rate of 4.92 to 5.75 percent, maturing in 2020. The bonds are payable from tax revenue of the College in installments ranging from $380,000 to $420,000, are callable at a premium, and mature at varying amounts through 2020. As of June 30, 2018 and 2017, the 1999 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2018 and 2017, no amounts remain in escrow, and the defeased bonds have been paid in full.

Community College Refunding Bonds, 2012

The College issued $1,620,000 in General Obligation - Limited Tax Refunding Bonds with an interest rate of 2.05 percent to refund $1.635 million of outstanding 2002 Series Bonds with an interest rate of 4.625 to 5.15 percent, maturing in 2022. The 2012 bonds are payable from operating revenue of the College in installments ranging from $165,000 to $180,000, are callable at a premium, and mature at varying amounts through 2022. As of June 30, 2018 and 2017, the 2002 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2018 and 2017, no amounts remain in escrow, and the defeased bonds have been paid in full.

Community College Refunding Bonds, 2015

The College issued $12,200,000 in Unlimited Tax General Obligation Refunding Bonds with an interest rate of 0.7 percent to 1.80 percent to refund $12.1 million of outstanding 2005 Series Bonds with an interest rate of 5.00 percent, maturing in 2020. The bonds are payable from tax revenue of the College in installments ranging from $2,445,000 to $2,485,000, are callable at a premium, and mature at varying amounts through 2020. As of June 30, 2018 and 2017, the 2005 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2018 and 2017, no amounts remain in escrow, and the defeased bonds have been paid in full.

Note 7 - Long-term Obligations (Continued)

Community College Facilities Bonds, 2016

The College issued $20,890,000 in Limited Tax General Obligation Bonds with an interest rate of 2.78 percent. The 2016 bonds are payable from operating revenue of the College in installments ranging from $405,000 to $1,405,000 and mature at varying amounts through 2038. The net proceeds of $20,788,154 (after payment of $101,846 in underwriting fees and other issuance cost) are being used to construct residence housing, renovations to the museum, a new library, and various other campus infrastructure projects.

Accrued Vacation and Sick Leave

The College provides vacation benefits to employees, as defined by each respective labor contract and administrative policy. The liability has been recorded based on the number of days available for each employee. Additionally, the College accrues unused sick days for those union employees who have met the conditions of the plan at year end.

Voluntary Separation Plan

During 2018, the College offered a voluntary separation plan to certain employees. The liability and expense is recognized when the employee accepts the offer and the amounts can be estimated.

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds payable are as follows:

Years Ending June 30	Principal	Interest	Total
2019	$ 3,760,000	$ 743,040	$ 4,503,040
2020	3,830,000	665,093	4,495,093
2021	955,000	577,428	1,532,428
2022	990,000	550,440	1,540,440
2023	840,000	522,450	1,362,450
2024-2028	4,685,000	2,215,650	6,900,650
2029-2033	5,630,000	1,458,000	7,088,000
2034-2038	6,260,000	547,200	6,807,200
Total	$ 26,950,000	$ 7,279,301	$ 34,229,301

In July 2018, the College received proceeds of a $7.3 million bond issuance to help fund the construction of a $14.4 million renovation to West Hall.

Note 8 - Line of Credit

Under a line of credit agreement with a bank, the College has available borrowings of $2,000,000. Interest is payable monthly at a rate of 1.75 percent above LIBOR established by the lender. The line of credit expires on April 5, 2019. There was no balance on the line of credit as of June 30, 2018 and 2017.

Note 9 - Michigan Public School Employees' Retirement System

Plan Description

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

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

Benefits Provided

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

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

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

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

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

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

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

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Contributions

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

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

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and, instead, opting out of the subsidy benefit and becoming 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

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

The range of rates is as follows:

	Pension	OPEB
October 1, 2015 - September 30, 2016	14.56% - 18.95%	6.40% - 6.83%
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

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

The College's required and actual pension contributions to the plan for the years ended June 30, 2018 and 2017 were $4,782,323 and $4,471,306, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $1,921,149 and $1,477,969 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2018 and 2017, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2018 and 2017 were $1,214,415 and $927,822, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual OPEB contributions include an allocation of $0 and $549,979 in revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the years ended June 30, 2018 and 2017, respectively.

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2018 and 2017, the College reported a liability of $48,031,699 and $47,027,079, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and 2015, which used updated procedures to roll forward the estimated liability to September 30, 2017 and 2016. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the College's proportion was 0.185349 percent and 0.18849 percent, respectively.

Net OPEB Liability

At June 30, 2018, the College reported a liability of $16,520,072, for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The College’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the College’s proportion was 0.186552 percent.

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

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $5,212,771 and $3,758,862, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018 and 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 417,428	$ (235,681)	$ 586,082	$ (111,455)
Changes in assumptions	5,262,254	-	735,232	-
Net difference between projected and actual earnings on pension plan investments	-	(2,296,231)	781,590	-
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,161,324	(676,873)	1,616,125	(112,474)
The College's contributions to the plan subsequent to the measurement date	3,959,167	(1,921,149)	3,670,571	(1,477,969)
Total	$ 10,800,173	$ (5,129,934)	$ 7,389,600	$ (1,701,898)

Note 9 - Michigan Public School Employees' Retirement System (Continued)

The $1,921,149 and $1,477,969 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ending June 30, 2019 and year ended June 30, 2018, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2019	$ 1,109,245
2020	1,907,691
2021	803,357
2022	(188,072)
Total	$ 3,632,221

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

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

For the year ended June 30, 2018 the College recognized OPEB expense of $1,106,130.

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (175,890)
Net difference between projected and actual earnings on OPEB plan investments	-	(382,609)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5,109	-
Employer contributions to the plan subsequent to the measurement date	883,074	-
Total	$ 888,183	$ (558,499)

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

Years Ending	Amount
2019	$ (133,821)
2020	(133,821)
2021	(133,821)
2022	(133,821)
2023	(18,106)
Total	$ (553,390)

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

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 and 2016 is based on the results of an actuarial valuation as of September 30, 2016 and 2015, respectively, and rolled forward. The total pension liability was determined using the following actuarial assumptions:

	2018	2017	
Actuarial cost method			Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	7.00% - 8.00%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%		Net of investment expenses based on the groups
Salary increases	3.50% - 12.30%	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50%		Year 1 graded to 3.5 percent year 12
Mortality basis			RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost of living pension adjustments	3.00%	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00-7.50 percent and 7.00-8.00 percent as of September 30, 2017 and 2016, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

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

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

	2018		2017	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %	28.00 %	5.90 %
Private equity pools	18.00	8.70	18.00	9.20
International equity pools	16.00	7.20	16.00	7.20
Fixed-income pools	10.50	(0.10)	10.50	0.90
Real estate and infrastructure pools	10.00	4.20	10.00	4.30
Real return, opportunistic, and absolute pool	15.50	5.00	15.50	6.00
Short-term investment pools	2.00	(0.90)	2.00	-
Total	100.00 %		100.00 %	

Note 9 - Michigan Public School Employees' Retirement System (Continued)

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05 percent and 7.15 percent, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ended September 30, 2018.

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

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

	2018		
	1 Percent Decrease (6.00-6.50%)	Current Discount Rate (7.00-7.50%)	1 Percent Increase (8.00-8.50%)
Net pension liability of the College	$ 62,569,328	$ 48,031,699	$ 32,791,941

	2017		
	1 Percent Decrease (6.00-7.00%)	Current Discount Rate (7.00-8.00%)	1 Percent Increase (8.00-9.00%)
Net pension liability of the College	$ 60,559,041	$ 47,027,079	$ 35,618,335

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

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

	2018		
	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the College	$ 19,349,779	$ 16,520,072	$ 14,118,536

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

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

	2018		
	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the College	$ 13,990,280	$ 16,520,072	$ 19,392,474

Pension Plan and OPEB Plan Fiduciary Net Position

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

Note 9 - Michigan Public School Employees' Retirement System (Continued)

Payable to the Pension Plan and OPEB Plan

At June 30, 2018, the College reported a payable of $527,784 and $77,351 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. At June 30, 2017, the College reported a payable of $495,356 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

Note 10 - Unrestricted Net Deficit

The College, through application of the board-approved resources guidelines, reserved the use of unrestricted net deficit as follows at June 30:

	2018	2017
Reserved for General Fund program specific	$ 252,586	$ 815,917
Reserved for General Fund state appropriations	2,377,225	2,359,806
Reserved for General Fund medical insurance	470,000	470,000
Reserved for General Fund working capital	2,637,586	1,482,760
Reserved for maintenance and replacement after bond commitments	4,791,061	2,494,089
Reserved for auxiliary expenses	5,220,702	4,648,399
Reserved for unemployment insurance	108,082	108,082
Reserved for medical insurance	231,000	181,000
Reserved for energy contingency	200,000	200,000
Reserved for MPSERS	506,000	506,000
Reserved for transformation	1,846,084	1,279,097
Reserved for strategic projects	338,259	383,013
Reserved for insurance liability	69,474	69,474
Reserved for wellness initiatives	313,438	-
Total reserves before pension and OPEB liabilities	19,361,497	14,997,637
Reserved for OPEB liability fund deficit	(16,190,388)	-
Reserved for pension liability fund deficit	(42,361,460)	(41,339,377)
Total	$ (39,190,351)	$ (26,341,740)

Note 11 - Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors, omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The College participates in risk management pools for claims relating to auto, property, workers' compensation, errors, omissions, and liability.

Risk-sharing Programs

The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk management pool for auto, property, and liability claims and in the SET-SEG risk management pool for workers' compensation claims, errors, and omissions coverage. Both programs operate as claims servicing pools for amounts up to member retention limits and operate as common risk-sharing management programs for losses in excess of member retention amounts. Although premiums are paid annually to the pools, which the pools use to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

Note 11 - Risk Management (Continued)

Self-insurance

The College is self-insured for unemployment compensation and health benefits. 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 liabilities for unemployment compensation for the fiscal years ended June 30, 2018 and 2017 were insignificant. Changes in the estimated liability for the fiscal years ended June 30, 2018 and 2017 for health benefits were as follows:

	Medical Claims		
	2018	2017	2016
Unpaid claims - Beginning of year	$ 168,810	$ 142,290	$ 125,000
Incurred claims, including claims incurred but not reported	3,022,465	3,064,393	3,334,461
Claim payments	(3,070,508)	(3,037,873)	(3,317,171)
Unpaid claims - End of year	$ 120,767	$ 168,810	$ 142,290

Note 12 - Contingent Liabilities

The College is subject to various legal proceedings and claims that arise in the ordinary course of its activities. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be insignificant or will be covered by insurance.

Note 13 - Dennos Museum

Dennos Museum operates as an auxiliary function of the College. Revenue and expenses for Dennos Museum for the years ended June 30 were as follows:

	2018	2017
Revenue		
Sales and services	$ 484,490	$ 371,072
Federal grants and contracts	2,000	2,668
State grants and contracts	20,100	20,632
Support from component unit	694,231	585,920
Other sources	56,931	79,874
Total revenue	1,257,752	1,060,166
Operating and Capital Expenses		
Public service	1,105,652	903,158
Operations and maintenance of plant	187,374	156,529
Total operating and capital expenses	1,293,026	1,059,687
Change in Net Position before Transfers	(35,274)	479
Transfers In	33,490	-
Change in Net Position	(1,784)	479
Total Fund Balance/Net Position - Beginning of year	2,229	1,750
Total Fund Balance/Net Position - End of year	$ 445	$ 2,229

Note 14 - Northwestern Michigan College Foundation

Contributions Receivable

Foundation contributions receivable consist of several unconditional promises to give generated from a capital campaign. They include the following:

	2018	2017
Gross promises to give before unamortized discount	$ 4,459,631	$ 3,286,328
Less allowance for uncollectible contributions	(15,000)	(15,000)
Less allowance for net present value discount	(196,916)	(195,953)
Total	$ 4,247,715	$ 3,075,375

Amounts due in less than one year and amounts due between one and five years total $1,812,675 and $2,435,040, respectively.

Investments

Investments at the Foundation are as follows:

	2018	2017
Mutual funds	$ 29,673,731	$ 26,543,071
U.S. treasury securities	3,408,420	2,207,159
Corporate bonds	5,733,490	7,730,611
Total	$ 38,815,641	$ 36,480,841

Net realized gains from security transactions for the Foundation for the years ended June 30, 2018 and 2017 were $1,498,795 and $979,831, respectively. Net unrealized gains from security transactions for the Foundation for the years ended June 30, 2018 and 2017 were $261,785 and $1,619,624, respectively. The mutual funds are valued using Level 1 inputs, while U.S. treasury securities and corporate bonds are valued using Level 2 inputs.

Net Assets

Unrestricted net assets consist of the following as of June 30:

	2018	2017
Quasi endowment	$ 1,192,037	$ 1,118,318
Deficit from endowment fund	(16,003)	(23,731)
Undesignated net assets	3,443,552	3,048,694
Total	$ 4,619,586	$ 4,143,281

Temporarily restricted net assets as of June 30 are available for the following purposes:

	2018	2017
University Center	$ 1,742,404	$ 1,726,575
Programs and scholarships	17,112,174	15,745,412
Dennos Museum Center	7,760,626	7,018,964
Great Lakes Campus	1,034	1,035
Total	$ 26,616,238	$ 24,491,986

Note 14 - Northwestern Michigan College Foundation (Continued)

Permanently restricted net assets are invested in perpetuity. The income on such investments, as specified by the donor, is to be used for the purposes noted. Permanently restricted net assets as of June 30 are as follows:

	2018	2017
Endowment - Programs and scholarships	$ 9,182,136	$ 7,995,399
Endowment - Dennos Museum Center	4,168,563	4,143,758
Total	$ 13,350,699	$ 12,139,157

Required Supplemental Information

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

Last Four Plan Years

Plan Year Ended September 30

	2017	2016	2015	2014
College's proportion of the net pension liability	0.18535 %	0.18849 %	0.18036 %	0.17962 %
College's proportionate share of the net pension liability	$ 48,031,699	$ 47,027,079	$ 44,052,561	$ 39,564,005
College's covered employee payroll	$ 15,460,385	$ 16,077,647	$ 15,446,667	$ 15,420,406
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.68 %	292.50 %	285.19 %	256.57 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	63.17 %	66.20 %

Note: GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes - There were no changes of benefit terms for the plan years ended September 30, 2017, 2016, or 2015.

Changes in assumptions - On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.50 percent to 7.50 percent. There were no significant changes in assumptions for the plan years ended September 30, 2016 or 2015.

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

Last Four Fiscal Years

Amounts Were Determined as of June 30 of Each Year

	2018	2017	2016	2015
Contractually required contribution	$ 4,683,462	$ 4,397,619	$ 4,112,085	$ 4,726,013
Contributions in relation to the contractually required contribution	4,683,462	4,397,619	4,112,085	4,726,013
Contribution Deficiency (Excess)	**$ -**	**$ -**	**$ -**	**$ -**
College's Covered Employee Payroll	$ 15,376,191	$ 15,454,034	$ 15,593,732	$ 15,479,214
Contributions as a Percentage of Covered Employee Payroll	30.46 %	28.46 %	26.37 %	30.53 %

Note: GASB Statement No. 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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

Last One Plan Years

Plan Year Ended September 30

	2017
College's proportion of the net OPEB liability	0.18655 %
College's proportionate share of the net OPEB liability	$ 16,520,072
College's covered employee payroll	$ 15,460,385
College's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	106.85 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Note: GASB Statement No. 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Benefit changes - There were no changes of benefit terms for the plan year ended September 30, 2017.

Changes in assumptions - There were no changes to assumptions for the plan year ended September 30, 2017.

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

Last One Fiscal Year

Year Ended June 30

	2018
Statutorily required contribution	$ 1,109,834
Contributions in relation to the statutorily required contribution	1,109,834
Contribution Deficiency	**$ -**
College's Covered Employee Payroll	$ 15,376,191
Contributions as a Percentage of Covered Employee Payroll	7.22 %

GASB Statement No. 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be present.

Other Supplemental Information

Other Supplemental Information
Combining Statement of Net Position

June 30, 2018
(with comparative totals for 2017)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension & OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Agency Fund	2018	2017
Assets										
Current assets:										
Cash and cash equivalents	$ 2,650,463	$ -	$ 3,750	$ -	$ 643,779	$ 284,012	$ (173,290)	$ 771,533	$ 4,180,247	$ 4,773,810
Receivables - Net	3,807,151	-	448,048	-	556,160	1,827	173,290	5,709	4,992,185	4,837,916
Prepaid expenses and other assets	623,939	20,958	538,699	-	6,142	111,415	-	-	1,301,153	1,021,289
Total current assets	7,081,553	20,958	990,497	-	1,206,081	397,254	-	777,242	10,473,585	10,633,015
Noncurrent assets:										
Restricted cash and investments:										
Restricted cash and cash equivalents	-	-	-	-	-	1,003,059	-	-	1,003,059	5,979,588
Restricted investment securities	-	-	-	-	-	6,981,570	-	-	6,981,570	6,491,820
Investments	4,267,768	3,607,227	4,654,895	-	-	5,110,882	-	-	17,640,772	14,821,389
Capital assets - Net	-	-	-	-	-	69,002,661	-	-	69,002,661	68,982,482
Bond insurance costs	-	-	-	-	-	6,774	-	-	6,774	13,548
Total noncurrent assets	4,267,768	3,607,227	4,654,895	-	-	82,104,946	-	-	94,634,836	96,288,827
Total assets	11,349,321	3,628,185	5,645,392	-	1,206,081	82,502,200	-	777,242	105,108,421	106,921,842
Deferred Outflows of Resources	-	-	-	11,688,356	-	-	-	-	11,688,356	7,389,600
Liabilities										
Current liabilities:										
Accounts payable	694,008	14,249	67,923	-	77,591	517,760	-	57,169	1,428,700	3,275,366
Accrued liabilities and other:										
Accrued salaries and wages	1,522,553	1,598	-	-	349,298	-	-	436,668	2,310,117	2,618,113
Accrued interest payable	-	-	-	-	-	133,092	-	-	133,092	148,553
Unearned revenue	1,156,212	-	79,523	-	39,705	-	-	30	1,275,470	1,008,565
Long-term obligations - Current	1,222,800	-	-	-	-	3,790,874	-	-	5,013,674	4,025,875
Total current liabilities	4,595,573	15,847	147,446	-	466,594	4,441,726	-	493,867	10,161,053	11,076,472
Noncurrent liabilities:										
Net pension liability	-	-	-	48,031,699	-	-	-	-	48,031,699	47,027,079
Net OPEB liability	-	-	-	16,520,072	-	-	-	-	16,520,072	-
Long-term obligations - Net of current portion	376,195	-	-	-	-	23,760,747	-	-	24,136,942	28,250,022
Deposits	640,156	-	277,242	-	739,487	73,000	-	283,375	2,013,260	1,488,821
Total liabilities	5,611,924	15,847	424,688	64,551,771	1,206,081	28,275,473	-	777,242	100,863,026	87,842,394
Deferred Inflows of Resources	-	-	-	5,688,433	-	-	-	-	5,688,433	1,701,898
Net Position										
Net investment in capital assets	-	-	-	-	-	49,435,669	-	-	49,435,669	51,108,890
Unrestricted	5,737,397	3,612,338	5,220,704	(58,551,848)	-	4,791,058	-	-	(39,190,351)	(26,341,740)
Total net position	**$ 5,737,397**	**$ 3,612,338**	**$ 5,220,704**	**$ (58,551,848)**	**$ -**	**$ 54,226,727**	**$ -**	**$ -**	**$ 10,245,318**	**$ 24,767,150**

Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position

June 30, 2018

(with comparative totals for 2017)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension & OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Eliminations	2018	2017
Operating Revenue										
Student tuition and fees	$ 23,739,745	$ 149,794	$ 10,385	$ -	$ -	$ -	$ -	$ (3,307,115)	$ 20,592,809	$ 20,387,093
Federal grants and contracts	867,621	-	2,000	-	487,230	-	-	-	1,356,851	1,291,139
State grants and contracts	-	-	20,100	-	100,085	-	-	-	120,185	130,380
Private gifts, grants, and contracts	33,307	-	-	-	42,925	-	-	-	76,232	72,903
Expended for plant facilities	-	-	-	-	-	14,310,453	-	(14,310,453)	-	-
Sales and services of auxiliary activities	-	-	4,617,427	-	-	-	-	-	4,617,427	4,117,688
Other sources	577,726	(15,368)	1,555,508	-	63,744	10,001	-	-	2,191,611	2,177,726
Total operating revenue	25,218,399	134,426	6,205,420	-	693,984	14,320,454	-	(17,617,568)	28,955,115	28,176,929
Operating Expenses										
Instruction	17,761,101	61,942	-	254,591	148,136	276,233	-	(478,158)	18,023,845	18,509,940
Public service	344,732	14,746	2,457,597	38,881	97,425	-	-	(84,075)	2,869,306	2,777,227
Instructional support	7,036,753	10,478	99,736	96,274	101,259	14,255	-	-	7,358,755	7,405,767
Student services	4,923,336	-	3,093,788	69,821	6,368,492	-	-	(3,345,615)	11,109,822	10,938,483
Institutional administration	6,471,928	490,516	77,385	50,500	115,536	10,932	-	-	7,216,797	6,487,224
Operation and maintenance of plant	4,489,197	-	417,933	21,684	10,641	13,657,674	-	(13,521,425)	5,075,704	5,073,341
Depreciation	-	-	-	-	-	4,551,212	-	-	4,551,212	4,629,154
Information technology	2,937,217	-	-	46,228	-	415,773	-	(188,295)	3,210,923	3,690,426
Total operating expenses	43,964,264	577,682	6,146,439	577,979	6,841,489	18,926,079	-	(17,617,568)	59,416,364	59,511,562
Operating (Loss) Income	(18,745,865)	(443,256)	58,981	(577,979)	(6,147,505)	(4,605,625)	-	-	(30,461,249)	(31,334,633)
Nonoperating Revenue (Expense)										
State appropriations	12,183,389	-	-	106,799	-	62,136	-	-	12,352,324	11,378,664
Federal Pell grants	-	-	-	-	4,550,325	-	-	-	4,550,325	4,473,960
Property taxes	10,350,242	-	-	-	-	2,859,365	-	-	13,209,607	13,079,855
Support from component unit	554,862	115,490	776,574	-	1,612,816	150,459	-	-	3,210,201	2,750,448
Investment income	16,929	-	-	-	-	129,387	-	-	146,316	147,968
Bond issuance and amortization costs	-	-	-	-	-	(13,560)	-	-	(13,560)	28,745
Interest expense on capital-related debt	-	-	-	-	-	(774,505)	-	-	(774,505)	(598,357)
Total nonoperating revenue	23,105,422	115,490	776,574	106,799	6,163,141	2,413,282	-	-	32,680,708	31,261,283
Transfers (Out) In	(3,750,648)	1,213,439	(263,247)	-	(15,636)	2,816,092	-	-	-	-
Change in Net Position	608,909	885,673	572,308	(471,180)	-	623,749	-	-	2,219,459	(73,350)
Net Position - Beginning of year, as previously reported	5,128,488	2,726,665	4,648,396	(41,339,377)	-	53,602,978	-	-	24,767,150	24,840,500
Cumulative Effect of Change in Accounting	-	-	-	(16,741,291)	-	-	-	-	(16,741,291)	-
Net Position - Beginning of year	5,128,488	2,726,665	4,648,396	(58,080,668)	-	53,602,978	-	-	8,025,859	24,840,500
Net Position - End of year	**$ 5,737,397**	**$ 3,612,338**	**$ 5,220,704**	**$ (58,551,848)**	**$ -**	**$ 54,226,727**	**$ -**	**$ -**	**$ 10,245,318**	**$ 24,767,150**