Northwestern Michigan College

Financial Report
with Supplemental Information
June 30, 2019

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, 2019 and 2018 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 opinions.

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, 2019 and 2018 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.

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 9, 2019 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 9, 2019

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, 2019. 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 position increased by $2.2 million in fiscal year 2019, including activity recognized to comply with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The College’s net position increased by $3.6 million before the adjustments required under those standards. The increase in net position is driven by several factors, including increased Federal appropriations for the Great Lakes Maritime Academy, stronger than expected enrollment in the Spring, increased aviation flight fees (more training flights), a large unrealized gain on investments due to market timing, and lower than anticipated wages and benefits due to open positions.

The College completed its renovation of the Shirley S. Okerstrom Fine Arts Building in Fall 2018 and soon after commenced construction of the West Hall Innovation Center, a $15 million, 54,000-square-foot, multi-story library and flexible learning space. The State of Michigan will match over $7 million for the project out of its capital outlay budget, while the College financed $7.3 million through a bond issuance in July 2018. The building will be completed in Spring 2020.

Operating property taxes increased 3.2% due to a 4.9% increase in taxable values, offset by tax abatements. Total property tax collections for the debt millage remained flat as the 4.9% increase in property values was offset by a 0.02 mill reduction in the levy due to decreasing principal obligations. State appropriations for general operations were $9,625,000 in fiscal year 2019, an increase of $116,000 or 1.2%. State appropriations passed through the College for the MPSERS Unfunded Actuarial Accrued Liability (“UAAL”) payments were $2,047,000, an increase of $126,000. The College received additional support from the State of approximately $222,000 to help offset mandatory increases in MPSERS employer contribution rates. Also included in State appropriations is the State’s payment in lieu of personal property taxes which Michigan abolished as of December 31, 2015. This formula-based funding decreased by $52,000 in fiscal year 2019 to $212,000. Lastly, in the prior fiscal year, the College received a one-time payment from the State of $381,000 restricted for an acceleration payment to the MPSERS Early Retirement Incentive Program (“ERIP”). No such payment was received in fiscal year 2019. As a result, total state appropriations decreased by $289,000 in fiscal year 2019.

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.

The statements of net position include the College's net pension and OPEB liabilities recognized in accordance with GASB 68 and 75, respectively. The College's total net position at June 30, 2019, 2018, and 2017 without the accounting required by GASB 68 and GASB 75 was $72.5 million, $68.8 million, and $66.1 million, respectively. Summaries of the College's statements of net position at June 30 2019, 2018, and 2017 are as follows:

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2019	2018	2017
Current assets	$ 11,035	$ 10,503	$ 10,633
Noncurrent assets:			
Capital assets, net	72,873	69,003	68,982
Other noncurrent assets	30,221	25,602	27,306
Total assets	114,129	105,108	106,921
Deferred outflows of resources	20,030	11,688	7,390
Current liabilities	12,958	10,161	11,076
Noncurrent liabilities:			
Net pension liability	54,493	48,032	47,027
Net OPEB liability	14,251	16,520	-
Other noncurrent liabilities	28,762	26,150	29,739
Total liablities	110,464	100,863	87,842
Deferred inflows of resources	11,200	5,688	1,702
Net position:			
Net investment in capital assets	54,163	49,435	51,109
Unrestricted deficit	(41,669)	(39,190)	(26,342)
Total net position	$ 12,494	$ 10,245	$ 24,767

Statements of Net Position

The primary changes in the assets, deferred outflows, liabilities, and deferred inflows of the College between 2019 and 2018 are as follows:

- Current assets increased due primarily to timing of internal transfers between the College's cash and investments accounts and timing of cash draws for Pell and Direct Loans.

- Additions of capital assets totaled $9.3 million, $6.0 million of which is for the construction of the West Hall Innovation Center. These additions were offset by current year depreciation of $4.6 million and net disposals of $857,000. As a result, net capital assets increased by $3.9 million. Other noncurrent assets increased due to cash proceeds received from the College's $7.3 million bond issuance. The College only spent a portion of those proceeds through June 30, 2019.

- Current liabilities increased due to the ongoing construction of the West Hall Innovation Center, which had outstanding invoices and retainage payable of $1.3 million at June 30, 2019. The College did not have any major construction in progress or outstanding invoices at the end of fiscal year 2018.

- 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) in its actuarial valuation by 1.0-1.5%, depending on the plan option. The College's net OPEB liability decreased due to current year payments and no significant changes in actuarial assumptions. Other noncurrent liabilities increased due to the $7.3 million bond issuance to support the construction of West Hall Innovation Center, offset by current year payments on all debt.

- 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 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 $4.6 million were offset by current year depreciation of approximately $4.6 million, 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.

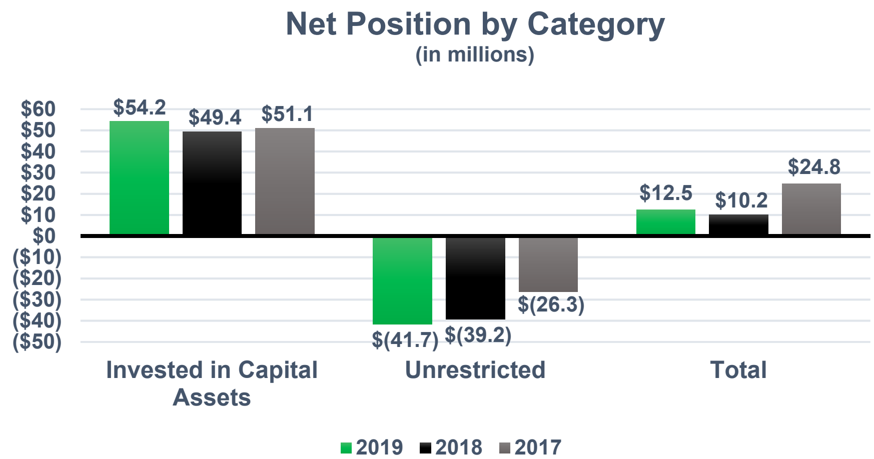
- Current liabilities decreased due to the completion of the North Hall and Dennos Museum construction projects. At fiscal 2017 year-end, these projects had aggregate retainage and progress billings payable of approximately $1.8 million. The College had no major construction projects in progress at fiscal 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. 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.

Net Position

The following chart provides a graphic breakdown of net position by category as of June 30, 2019, 2018, and 2017:



The College's net positon was $12.6 million as of June 30, 2019, an increase of $2.4 million from prior year. Net position increased by $3.7 million in fiscal year 2019 before the effects of GASB 68 and 75. In fiscal year 2018, the College posted a cumulative adjustment of $16.7 million to net position at July 1, 2017 to implement GASB 75. Additionally, pension and OPEB expense was approximately $471,000 in fiscal year 2018. As a result, net position decreased by $14.5 million, or 22.8%, in fiscal year 2018 with the effects of GASB 68 and 75. Net position for fiscal year 2018 increased by $2.7 million before the effects of GASB 68 and 75.

Statements of Revenues, Expenses and Changes in Net Position

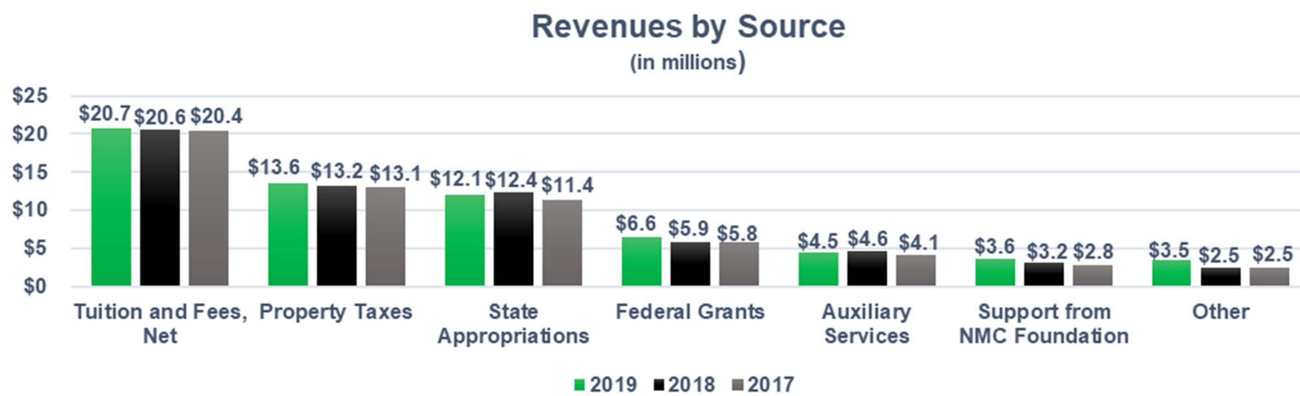
Following is a comparison of the major components of the College's operating results for the years ended June 30, 2019, 2018, and 2017:

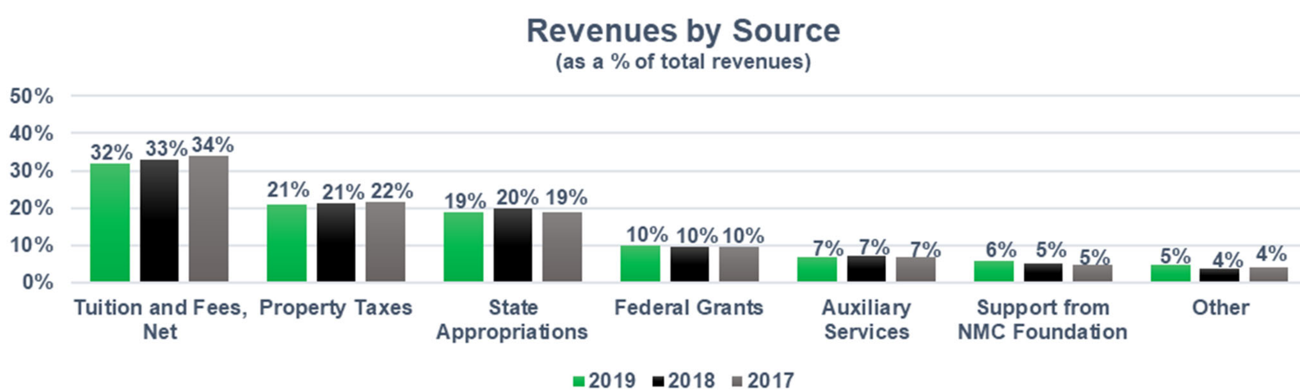
	Operating Results for the Years Ended June 30 (in thousands)		
	2019	2018	2017
Total operating revenues	$ 29,987	$ 28,955	$ 28,177
Total operating expenses	61,388	59,416	59,512
Operating loss	(31,401)	(30,461)	(31,335)
Net nonoperating revenues	33,650	32,680	31,262
Change in net position	2,249	2,219	(73)
Net position – beginning of year	10,245	24,767	24,840
Implementation of GASB 75	-	(16,741)	-
Net position – end of year	$ 12,494	$ 10,245	$ 24,767

Total Revenues

Total revenues increased by $2.2 million in fiscal year 2019 as the result of increased Federal appropriations for the Great Lake Maritime Academy and the recognition of a significant unrealized gain on investments due to timing of market conditions. Tuition and fee revenue increased nominally as rate increases of 2.2% were offset by a 4.3% decline in contact hours in the Fall (2.4% decline in the Spring) . Property tax revenues increased due to increases in underlying taxable values. Support from component unit increased due to the Foundation's support for the Dennos Museum Center expansion project. The Foundation also provided scholarship support of $1.5 million, a $130,000 increase from the prior year.

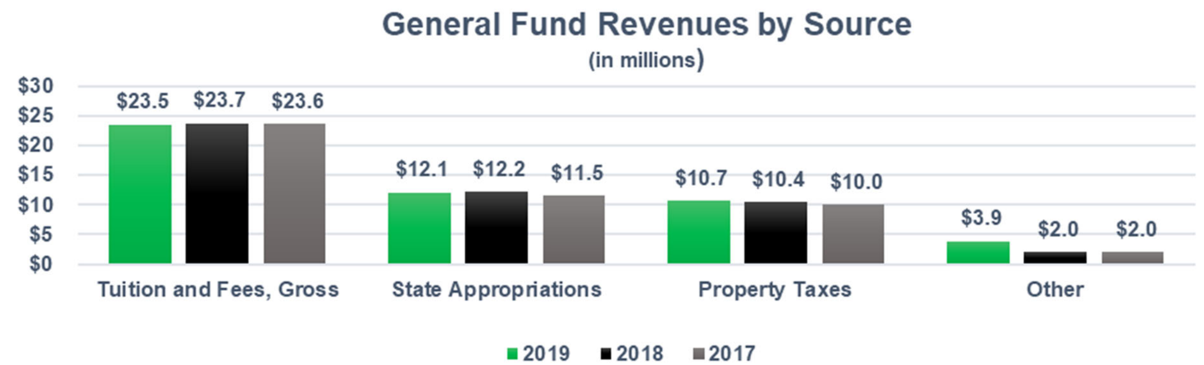
The College's fiscal year 2018 revenues showed stable tuition and fees revenue as rate increases were offset by declines in enrollment. In addition, the College's housing revenue (auxiliary services) increased due to the completion of North Hall in late summer 2017. The College also saw increased support from the Foundation, and increases in State aid to offset increases in the MPSERS employer retirement costs. The following graphs illustrate total revenues by source, by dollars and percentages, for the years ended June 30, 2019, 2018, and 2017:

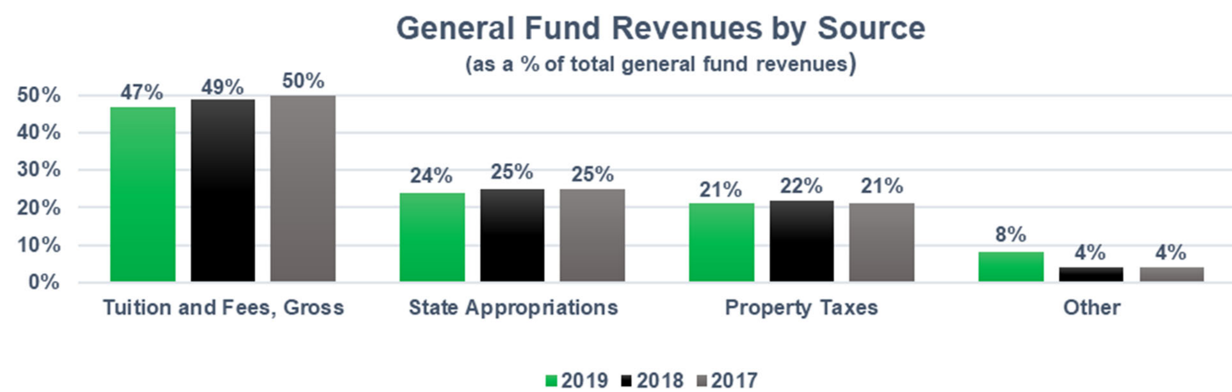




General Fund Revenues

The College accounts for its primary operations and programs within the General Fund. The primary General Fund revenue sources are 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, 2019, 2018, and 2017:





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, 2019, 2018, and 2017:

	Operating Revenues by Source Years Ended June 30 (in thousands)		
	2019	2018	2017
Tuition and fees, net	$ 20,711	$ 20,593	$ 20,387
Federal grants	2,355	1,357	1,291
State grants	177	120	130
Auxiliary services	4,529	4,617	4,118
Other operating	2,216	2,268	2,251
Total operating revenues	$ 29,988	$ 28,955	$ 28,177

Changes in operating revenues for fiscal year 2019 were as follows:

- Increases in tuition rates of 2.2% helped offset the current year enrollment decline. The $118,000 increase in tuition and fees is attributed primarily to an increase in aviation training flights resulting in more flight fees in fiscal year 2019.

- Federal grant revenue increased significantly due to increased Federal appropriations for the Great Lakes Maritime Academy. State grants remained comparable to fiscal year 2018.

- Auxiliary and other operating sources remained comparable to fiscal year 2018.

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.

Nonoperating Revenues

Nonoperating revenues are non-exchange in nature, meaning that the College receives value without directly giving equal value in return. Nonoperating revenues include state appropriations, Federal Pell grants, 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, 2019, 2018, and 2017:

	Nonoperating Revenues by Source Years Ended June 30 (in thousands)		
	2019	2018	2017
State appropriations	$ 12,063	$ 12,352	$ 11,379
Pell grants	4,246	4,550	4,474
Property taxes	13,556	13,210	13,080
Support from the Foundation	3,631	3,210	2,750
Investment income	1,112	146	148
Total nonoperating revenues	$ 34,608	$ 33,468	$ 31,831

Nonoperating revenue changes included the following factors for fiscal year 2019:

- State appropriations for general operations increased by $116,000, or 1.2%. State appropriations for the MPSERS UAAL pass-through funding increased by $126,000, or 6.6%. The College received additional support from the State of $222,000, an increase of $53,000, to help offset mandatory increases in employer contribution rates. However, the State's payment in lieu of property taxes decreased by $52,000 in fiscal year 2019. Further, in the prior year, the College received a one-time disbursement from the State of $381,000 restricted for payment to the MPSERS Early Retirement Incentive Program ("ERIP"). No such payments were received in fiscal year 2019. Lastly, the College posted an adjustment to State appropriations at June 30, 2019 of $126,000 to recognize deferred inflows for UAAL contributions made subsequent to the measurement date. This adjustment is reported in the pension liability fund.

- Federal Pell grants decreased by $305,000, or 6.7%, due to a decline in the number of eligible students and number of contact hours generated.

- Property tax revenue increased by $346,000 or 2.6%. Operational property tax revenue increased by $335,000, or 3.2%, due to increases in taxable values of 4.9% offset by property tax abatements. Debt-related property tax revenue increased by $11,000, or 0.3%, due to increases in taxable values offset by a 0.02 mill reduction in the bond debt service levy as a result of decreasing principal obligations.

- Investment income increased by $966,000 due primarily to changes in unrealized gains and losses. The College recognized unrealized gains of $399,000 in fiscal year 2019, but unrealized losses of $399,000 in fiscal year 2018 resulting in a $654,000 year-over-year change in investment income. Additionally, most of the College’s agency bond investments “stepped up” to higher interest rates during the year resulting in higher returns. The College also earned approximately $140,000 in interest on the proceeds from the College’s July 2018 bond issuance, which weren’t available in fiscal year 2018.

- Northwestern Michigan College Foundation support included $1,506,000 for scholarships, an increase of $130,000. The remaining support of $2,125,000 was used to support the Dennos Museum, instructional programs, board strategic initiatives, and general support.

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.

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 increased by $2.0 million or 3.3%, for fiscal year 2019 and increased by $95,000 or 0.2% for fiscal year 2018. The following table summarizes operating expenses by function for the years ended June 30, 2019, 2018, and 2017:

	Operating Expenses by Function Years Ended June 30 (in thousands)		
	2019	2018	2017
Instruction	$ 18,536	$ 18,024	$ 18,510
Public service	2,977	2,869	2,777
Academic support	7,748	7,359	7,406
Student services	11,130	11,110	10,939
Institutional administration	7,445	7,217	6,487
Operation and maintenance of plant	5,430	5,075	5,073
Depreciation	4,588	4,551	4,629
Information technology	3,534	3,211	3,691
Total operating expenses	$ 61,388	$ 59,416	$ 59,512

Highlights of the major changes between fiscal years 2019 and 2018 by category are as follows:

- All functional operating expense categories increased in fiscal year 2019 due to a $1.2 million pension liability adjustment; the expense offset was allocated to all functions other than depreciation. Additionally, health expenses increased in fiscal year 2019. Benefit expenses, like wages, are allocated to each functional category based on employee job function.

- Absent the pension adjustment and health expense increase mentioned above, student services decreased $163,000 driven by a $305,000 decrease in Pell funding in fiscal year 2019.

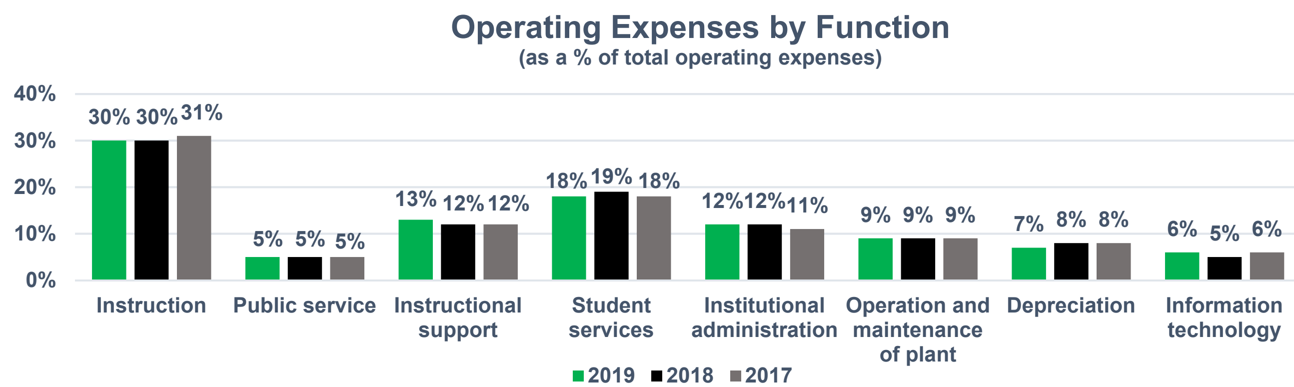
- Operation and maintenance of plant increased due to higher snow removal costs, supplies purchases, and increased maintenance costs.

Highlights of the major changes between fiscal years 2018 and 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.

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, 2019, 2018, and 2017:



Statements of Cash Flows

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

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

A summary of the College's cash flows for the years ended June 30, 2019, 2018, and 2017 is as follows:

	Cash Flows Years Ended June 30 (in thousands)		
	2019	2018	2017
Cash (used in) provided by:			
Operating activities	$ (22,896)	$ (26,747)	$ (21,796)
Noncapital financing activities	30,714	30,275	28,686
Capital financing activities	(4,127)	(5,935)	(13,435)
Investing activities	7,482	(2,849)	(3,244)
Net increase (decrease) in cash	11,173	(5,256)	(9,789)
Cash and cash equivalents, beginning of year	5,497	10,753	20,542
Cash and cash equivalents, end of year	$ 16,670	$ 5,497	$ 10,753

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 cash inflows are offset by outflows for vendor and employee payroll payments. For fiscal year 2019, net cash used in operating activities decreased due to increases in Federal grant funding and timing of payments to vendors. For fiscal year 2018, net cash used in operating activities increased primarily due to timing of payments to vendors.

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 increase in fiscal year 2019 is due to increased funding from the Foundation. The increase in fiscal year 2018 is due to increases in receipts for state appropriations and property taxes.

Cash used in capital and related financing activities decreased in fiscal year 2019 due to the College's $7.3 million bond issuance in July 2018, the proceeds of which were not fully spent during the year. Cash used in capital and related financing activities decreased in fiscal year 2018 due to the North Hall construction taking place primarily in fiscal year 2017.

Cash provided by or used in investing activities fluctuates depending on the timing of purchases and sales of investments. The College's investments in commercial paper matured in late June 2019 and wasn't reinvested until early July 2019, resulting in a reported cash increase as of June 30, 2019. Cash used in investing activities increased in 2018 due to the purchases of new investments, a reflection of the College's commitment to preserving assets for the future needs of the College.

Capital Assets

At June 30, 2019, the College had $154 million invested in capital assets before accumulated depreciation of $81 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)		
	2019	2018	2017
Land and land improvements	$ 10,324	$ 10,786	$ 10,660
Infrastructure	7,845	7,923	7,923
Buildings and improvements	98,463	99,444	87,201
Furniture, fixtures, and equipment	30,494	35,418	33,476
Construction in progress	6,779	1,518	11,257
Capital assets	$ 153,905	$ 155,089	$ 150,517

Additional information regarding capital assets can be found in Note 6 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, 2019, 2018, and 2017:

	Debt Outstanding as of June 30 (in thousands)		
	2019	2018	2017
Bonds payable	$ 30,801	$ 27,552	$ 30,977

Additional information regarding the College's debt can be found in Note 7 to the financial statements.

Economic Factors That Will Affect the Future

The economic outlook for the College is strongly tied 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. The College currently faces a stable economy and competitive job market with relatively low unemployment. These conditions are favorable in most regards, but they traditionally drive down community college enrollment as job seekers may delay or forgo a degree to enter the job market. Further, regional, state, and national data all indicate declining trends in birth rates and numbers of high school graduates. The College combats these trends through its strategic plan, which addresses the decline in student enrollment by investing in select programs that will attract students from outside the region. The plan provides a diverse learning experience for regional students, which may lead to increases in the College's market share. The College has also responded to increased uncertainty by investing in new innovative facilities, continuing to build reserves, and expanding global opportunities for students.

The College will receive a 2.8% increase in state appropriations for general operations during fiscal year 2020. The College's fiscal year 2020 budget also includes increased property tax revenue of 3.3% for expected 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. Further, the College 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 2.9% for fiscal year 2020.

The College has separate labor agreements with its maintenance, custodial, and grounds employees, its faculty, and its academic chairs. The maintenance, custodial, and grounds agreement expires December 31, 2019 and is currently under negotiation. The faculty and academic chair agreements were renewed in October 2019 and expire July 31, 2022. The 2020 fiscal year budget includes employee salary increases, however the actual allocation will be determined 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 fully-fund and provide economic certainty for retiree pension and healthcare benefits. While there are various plans within the MPSERS, the contribution rate for the plan with the majority of the College's employees was set at 27.16% for fiscal year 2019. Contribution rates for future years are unknown, but are expected to continue trending upwards.

Construction continues on the West Hall Innovation Center. This project, which broke ground in Fall 2018, transforms the old West Hall into a space designed for student collaboration, innovation, and learning. Upon completion in Spring 2020, the Center is expected to provide 24-hour access for learners and will be home to the College's library, cafeteria, and radio station along with collaboration areas and classrooms. The College received a AA bond rating through Standard and Poor's on its most recent bond issuance in July 2018.

With the guidance 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 plans on its statements of net position. It is important to note that while these new standards have adversely impacted the College's net position, the application of the standards has not impacted the College's bond rating, cash position, nor 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 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, 2019

Statement of Net Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$ 4,389,227	$ 4,209,673
Receivables - Net (Note 5)	5,325,675	4,992,185
Prepaid expenses and other assets	1,319,800	1,301,153
Total current assets	11,034,702	10,503,011
Noncurrent assets:		
Restricted cash and investments - Unspent bond proceeds: (Note 3)		
Restricted cash and cash equivalents	12,281,270	1,287,071
Restricted investment securities	-	6,981,570
Investments (Note 3)	17,939,677	17,327,334
Capital assets - Net (Note 6)	72,873,221	69,002,661
Bond insurance costs	-	6,774
Total noncurrent assets	103,094,168	94,605,410
Total assets	114,128,870	105,108,421
Deferred Outflows of Resources (Note 9)	20,030,315	11,688,356
Liabilities		
Current liabilities:		
Accounts payable	3,751,460	1,428,700
Accrued liabilities and other:		
Accrued wages and benefits	2,337,819	2,310,117
Accrued interest payable	154,281	133,092
Unearned revenue	1,287,180	1,275,470
Long-term obligations - Current (Note 7)	5,427,473	5,013,674
Total current liabilities	12,958,213	10,161,053
Noncurrent liabilities:		
Net pension liability (Note 9)	54,492,788	48,031,699
Net OPEB liability (Note 9)	14,250,585	16,520,072
Long-term obligations - Net of current portion (Note 7)	27,072,191	24,136,942
Deposits	1,690,867	2,013,260
Total noncurrent liabilities	97,506,431	90,701,973
Total liabilities	110,464,644	100,863,026
Deferred Inflows of Resources (Note 9)	11,200,064	5,688,433
Net Position		
Net investment in capital assets	54,163,144	49,435,669
Unrestricted (Note 10)	(41,668,667)	(39,190,351)
Total net position	**$ 12,494,477**	**$ 10,245,318**

See notes to financial statements.

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenue		
Student tuition and fees - Net of scholarship allowance of $2,977,840 and $3,307,115 for 2019 and 2018, respectively	$ 20,710,933	$ 20,592,809
Federal grants and contracts	2,354,867	1,356,851
State grants and contracts	176,851	120,185
Private gifts, grants, and contracts	77,106	76,232
Other sources	2,138,296	2,191,611
Sales and services of auxiliary activities	4,529,064	4,617,427
Total operating revenue	29,987,117	28,955,115
Operating Expenses		
Instruction	18,535,825	18,023,845
Public service	2,976,869	2,869,306
Academic support	7,747,625	7,358,755
Student services	11,130,007	11,109,822
Institutional administration	7,445,206	7,216,797
Operation and maintenance of plant	5,429,816	5,075,704
Depreciation	4,588,501	4,551,212
Information technology	3,534,236	3,210,923
Total operating expenses	61,388,085	59,416,364
Operating Loss	(31,400,968)	(30,461,249)
Nonoperating Revenue (Expense)		
State appropriations	12,062,867	12,352,324
Federal Pell grants	4,245,684	4,550,325
Property taxes	13,555,959	13,209,607
Support from component unit	3,630,753	3,210,201
Investment income	1,112,795	146,316
Bond issuance and amortization costs	1,395	(13,560)
Interest expense on capital-related debt	(959,326)	(774,505)
Total nonoperating revenue	33,650,127	32,680,708
Change in Net Position	2,249,159	2,219,459
Net Position - Beginning of year, as previously reported	10,245,318	24,767,150
Cumulative Effect of Change in Accounting (Note 1)	-	(16,741,291)
Net Position - Beginning of year	10,245,318	8,025,859
Net Position - End of year	**$ 12,494,477**	**$ 10,245,318**

Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Tuition and fees	$ 19,982,402	$ 21,089,376
Grants and contracts	2,506,275	1,648,605
Payments to suppliers	(31,483,257)	(35,567,849)
Payments to employees	(20,666,697)	(20,960,057)
Auxiliary activities receipts	4,529,064	4,617,427
Other	2,236,370	2,425,317
Net cash and cash equivalents used in operating activities	(22,895,843)	(26,747,181)
Cash Flows from Noncapital Financing Activities		
Property taxes	10,685,705	10,350,242
Gifts and contributions for other than capital purposes	3,785,861	3,064,188
State appropriations	11,996,592	12,309,802
Pell grants	4,245,684	4,550,325
Federal direct lending receipts	7,826,771	8,530,958
Federal direct lending disbursements	(7,826,771)	(8,530,958)
Net cash and cash equivalents provided by noncapital financing activities	30,713,842	30,274,557
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(9,315,680)	(4,571,391)
Principal paid on capital debt	(4,020,000)	(3,395,000)
Proceeds from capital debt	7,300,000	-
Capital property taxes	2,870,254	2,859,365
Interest paid on capital debt	(960,842)	(827,625)
Net cash and cash equivalents used in capital and related financing activities	(4,126,268)	(5,934,651)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	44,273,061	32,437,934
Interest and investment gain (loss) - Net	1,511,441	(109,271)
Purchase of investments - Net	(38,302,480)	(35,178,042)
Net cash and cash equivalents provided by (used in) investing activities	7,482,022	(2,849,379)
Net Increase (Decrease) in Cash and Cash Equivalents	11,173,753	(5,256,654)
Cash and Cash Equivalents - Beginning of year	5,496,744	10,753,398
Cash and Cash Equivalents - End of year	**$ 16,670,497**	**$ 5,496,744**
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	$ 4,389,227	$ 4,209,673
Restricted cash and cash equivalents	12,281,270	1,287,071
Total cash and cash equivalents	**$ 16,670,497**	**$ 5,496,744**

See notes to financial statements.

	2019	2018
Reconciliation of Operating Loss to Net Cash and Cash Equivalents from Operating Activities		
Operating loss	$ (31,400,968)	$ (30,461,249)
Adjustments to reconcile operating loss to net cash and cash equivalents from operating activities:		
Depreciation	4,588,501	4,551,212
Loss on disposal of assets	856,619	-
Changes in assets and liabilities:		
Receivables	(422,323)	34,266
Prepaid expenses and other assets	(18,647)	(279,864)
Deferred outflows of resources	(8,341,959)	(3,065,052)
Accounts payable	2,322,760	(1,831,879)
Accrued liabilities and other	27,702	(307,996)
Unearned revenue	(310,683)	776,557
Compensated absences	99,922	300,592
Net pension liability	6,461,089	1,004,620
Net OPEB liability	(2,269,487)	(904,944)
Deferred inflows of resources	5,511,631	3,436,556
Net cash and cash equivalents used in operating activities	**$ (22,895,843)**	**$ (26,747,181)**

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

June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	$ 3,567,135	$ 2,299,425
Investments	40,589,791	38,815,641
Pledges receivable - Net of allowance	5,617,706	4,247,715
Cash surrender value of life insurance	446,853	414,066
Prepaid expenses and other assets	5,094	6,296
Total assets	**$ 50,226,579**	**$ 45,783,143**
Liabilities		
Accounts payable	$ 9,936	$ 6,158
Deferred revenue	80,602	58,581
Payable to Northwestern Michigan College	892,625	1,049,706
Split-interest agreements payable	80,442	82,175
Total liabilities	1,063,605	1,196,620
Net Assets		
Without donor restrictions	4,462,425	4,619,586
With donor restrictions	44,700,549	39,966,937
Total net assets	49,162,974	44,586,523
Total liabilities and net assets	**$ 50,226,579**	**$ 45,783,143**

See notes to financial statements.

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

Years Ended June 30, 2019 and 2018

	2019	2018
Revenue, Gains, and Other Support		
Contributions	$ 6,957,382	$ 4,601,522
Special event revenue	291,290	280,903
Net realized and unrealized gains on investments	854,696	1,760,580
Investment income	940,935	716,299
Change in value of split-interest agreements	(8,222)	12,875
Total revenue, gains, and other support	9,036,081	7,372,179
Expenses		
Program expenses - Distributions to College	3,374,069	2,426,651
Management and general	74,958	97,220
Fundraising	1,010,603	1,036,209
Total expenses	4,459,630	3,560,080
Increase in Net Assets	4,576,451	3,812,099
Net Assets - Beginning of year	44,586,523	40,774,424
Net Assets - End of year	**$ 49,162,974**	**$ 44,586,523**

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 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 the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on 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.

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 are restricted by the donors for 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 board does not consist substantially of members who are also on the College's board of trustees. As such, certain revenue recognition criteria and presentation features are different from those under the 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, MI 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, and the 2018 Community College Facilities Bonds are restricted for the use of capital projects. Property taxes collected from the College's debt millage are restricted for principal and interest payments on the 2009 and 2015 Community College Refunding Bonds.

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. During fiscal years 2019 and 2018, there was $398,646 of unrealized gains and $255,587 of unrealized losses, respectively, on investments the College recognized.

Note 1 - Significant Accounting Policies (Continued)

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 expensed as incurred. Management reviews capital assets for impairment annually.

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 or deposits. It consists of approximately $170,000 and $200,000 for the 2019 and 2018 fall semesters, respectively; approximately $959,000 and $966,000 for the 2019 and 2018 summer semesters, respectively; approximately $484,000 and $640,000 for 2019 and 2018 unearned flight fees for the College's aviation program, respectively; and approximately $24,000 and $70,000 for 2019 and 2018 housing payable for the Maritime program, respectively. Grants received prior to qualifying expenses of approximately $133,000 and $40,000 for 2019 and 2018, 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.

Pension

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

Note 1 - Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs

For the purpose of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the 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, 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 its students.

Scholarship Discounts and Allowances

Student tuition and fees 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.

Note 1 - Significant Accounting Policies (Continued)

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 specific operating or capital purposes. 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, 2019 and 2018, the College distributed $7,826,771 and $8,530,958, 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

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.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including October 9, 2019, which is the date the financial statements were available to be issued.

Reclassification

Certain 2018 amounts have been reclassified to conform to the 2019 presentation, which resulted in an increase in cash and cash equivalents of $29,426, an increase in restricted cash and cash equivalents of $284,012, and a decrease in investments of $313,438 on the statement of net position.

Note 1 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncements

Effective July 1, 2017, the College adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addressed reporting by governments that provide postemployment benefits other than pensions to their employees and for governments that finance OPEB for employees of other governments. This statement required 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 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.

Effective July 1, 2018, the College adopted GASB 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 is not capitalized and included in the historical cost of a capital asset. The standard was adopted prospectively and resulted in increased interest expense during periods of construction.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued 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 previously were 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 ending June 30, 2021.

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's taxing district, 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, 2019 and 2018, 2.1439 mills and 2.1520 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 $10,685,705 and $10,350,242 for the years ended June 30, 2019 and 2018, respectively.

During the years ended June 30, 2019 and 2018, 0.57 mills and 0.59 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 $2,870,254 and $2,859,365 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018:

	2019	2018
City of Traverse City, Michigan	$ 156,742	$ 150,621
Blair Township	134	159
East Bay Township	3,223	3,256
Fife Lake Township	979	992
Garfield Township	76,910	77,039
Green Lake Township	8,922	9,521
Acme Township	394	387
Paradise Township	912	1,048
Peninsula Township	1,436	1,451
Total	$ 249,652	$ 244,474

Note 3 - Deposits and Investments

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

	2019	2018
Cash and cash equivalents	$ 4,389,227	$ 4,209,673
Investments	17,939,677	17,327,334
Restricted cash and cash equivalents	12,281,270	1,287,071
Restricted investment securities	-	6,981,570
Total deposits and investments	$ 34,610,174	$ 29,805,648

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.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be 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, 2019, the College's operations and debt deposit balances of $2,263,586 had $159,521 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. 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. 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.

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 & 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:

	2019				
Description	Carrying Value	Less Than 1 Year	1-5 Years	5-10 Years	More than 10 Years
Federal Home Loan Mortgage Step	$ 1,298,388	$ -	$ 1,298,388	$ -	$ -
Federal Home Loan Mortgage Step	1,000,500	-	1,000,500	-	-
Federal Home Loan Bank Step	1,500,180	-	1,500,180	-	-
Federal Home Loan Bank Step	998,950	-	998,950	-	-
Federal Home Loan Mortgage Step	1,198,299	-	1,198,299	-	-
Federal Home Loan Mortgage Step	1,000,700	-	1,000,700	-	-
Federal Home Loan Bank Step	1,998,940	-	1,998,940	-	-
Federal Home Loan Bank Step	2,000,240	-	2,000,240	-	-
Federal Home Loan Bank Step	988,800	-	-	988,800	-
Federal Home Loan Bank Step	997,140	-	-	997,140	-
Federal Home Loan Bank Step	988,540	-	-	988,540	-
Federal National Mortgage Assoc Step	1,994,240	-	-	-	1,994,240
Federal Home Loan Bank Step	1,467,750	-	-	-	1,467,750
Total investment in debt securities	17,432,667	-	10,996,197	2,974,480	3,461,990
Certificates of deposit	507,010	507,010	-	-	-
Total	$17,939,677	$ 507,010	$10,996,197	$ 2,974,480	$ 3,461,990

	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

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 net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

U.S. government obligations totaling $17,432,664 and $16,823,639 for June 30, 2019 and 2018, respectively, are valued on a recurring basis using quoted market prices (Level 1 inputs). Money market accounts totaling $15,547,990 and $3,402,424, commercial paper totaling $0 and $6,981,570, and certificates of deposit accounts totaling $507,010 and $503,695 for June 30, 2019 and 2018, 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:

	2019	2018
Student	$ 1,875,986	$ 1,551,701
Grants and contracts	571,634	375,522
State appropriations	2,171,716	2,105,441
Foundation	837,480	992,588
Third party and other	525,616	550,481
Gross accounts receivable	5,982,432	5,575,733
Allowance for doubtful accounts	(656,757)	(583,548)
Total accounts receivable - Net	$ 5,325,675	$ 4,992,185

Note 6 - Capital Assets

Capital asset activity for the years ended June 30, 2019 and 2018 was as follows:

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Capital assets not being depreciated:					
Land	$ 4,626,042	$ -	$ -	$ -	$ 4,626,042
Construction in progress	1,517,961	5,993,671	-	(732,987)	6,778,645
Art collection	1,146,681	435,004	-	-	1,581,685
Subtotal	7,290,684	6,428,675	-	(732,987)	12,986,372
Capital assets being depreciated:					
Infrastructure	7,923,216	35,600	(113,570)	-	7,845,246
Buildings and improvements	99,443,811	1,056,304	(2,731,540)	694,494	98,463,069
Docks	1,842,308	478,600	-	38,493	2,359,401
Furniture, fixtures, and equipment	32,428,947	1,316,502	(7,192,341)	-	26,553,108
Land improvements	6,160,463	-	(462,571)	-	5,697,892
Subtotal	147,798,745	2,887,006	(10,500,022)	732,987	140,918,716
Accumulated depreciation:					
Infrastructure	6,716,864	191,204	(101,773)	-	6,806,295
Buildings and improvements	45,015,256	2,704,260	(2,060,512)	-	45,659,004
Docks	1,792,465	39,147	-	-	1,831,612
Furniture, fixtures, and equipment	27,310,792	1,540,478	(7,154,697)	-	21,696,573
Land improvements	5,251,391	113,411	(326,419)	-	5,038,383
Subtotal	86,086,768	4,588,500	(9,643,401)	-	81,031,867
Net capital assets being depreciated	61,711,977	(1,701,494)	(856,621)	732,987	59,886,849
Capital assets - Net	$ 69,002,661	$ 4,727,181	$ (856,621)	$ -	$ 72,873,221

Note 6 - Capital Assets (Continued)

	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

The College's construction of the West Hall Innovation Center was active as of June 30, 2019. Total construction commitments for this project were $12,119,000 as of June 30, 2019.

Note 7 - Long-term Obligations

Long-term debt activity for the years ended June 30, 2019 and 2018 can be summarized as follows:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
2009 Community College Refunding Bonds	$ 820,000	$ -	$ (400,000)	$ 420,000	$ 420,000
2012 Community College Refunding Bonds	690,000	-	(165,000)	525,000	170,000
2015 Community College Refunding Bonds	4,955,000	-	(2,470,000)	2,485,000	2,485,000
2016 Community College Facilities Bonds	20,485,000	-	(725,000)	19,760,000	755,000
2018 Community College Facilities Bonds	-	7,300,000	(260,000)	7,040,000	265,000
Total principal outstanding	26,950,000	7,300,000	(4,020,000)	30,230,000	4,095,000
Unamortized bond premiums	601,620	-	(30,873)	570,747	30,874
Total bonds payable	27,551,620	7,300,000	(4,050,873)	30,800,747	4,125,874
Accrued vacation and sick leave	1,292,848	1,102,833	(1,011,111)	1,384,570	1,185,000
Voluntary separation plan	306,148	104,000	(95,801)	314,347	116,599
Total long-term obligations	$ 29,150,616	$ 8,506,833	$ (5,157,785)	$ 32,499,664	$ 5,427,473

	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 Facilities 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

Principal and interest on the 2015 and 2009 Community College Refunding Bonds are payable from the proceeds of ad valorem taxes levied on all taxable properties in the College's taxing district without limitation as to rate or amount.

Note 7 - Long-term Obligations (Continued)

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, 2019 and 2018, the 1999 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2019 and 2018, 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, 2019 and 2018, the 2002 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2019 and 2018, 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, 2019 and 2018, the 2005 Series Bonds are considered defeased, and the liability has been removed from the statement of net position. At June 30, 2019 and 2018, no amounts remain in escrow, and the defeased bonds have been paid in full.

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.

Community College Facilities Bonds, 2018

The College issued $7,300,000 in Limited Tax General Obligation Bonds with an interest rate of 3.25 percent to 3.50 percent. The 2018 bonds are payable from operating revenue of the College in installments ranging from $260,000 *to* $495,000 and mature at varying amounts through 2038. The net proceeds of $7,130,750 (after payment of $169,250 in underwriting fees and other issuance cost) are being used to renovate West Hall.

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.

Note 7 - Long-term Obligations (Continued)

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 and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2020	$ 4,095,000	$ 899,668	$ 4,994,668
2021	1,230,000	803,390	2,033,390
2022	1,275,000	767,465	2,042,465
2023	1,135,000	730,213	1,865,213
2024	1,175,000	695,425	1,870,425
2025-2029	6,560,000	2,909,813	9,469,813
2030-2034	7,870,000	1,826,588	9,696,588
2035-2038	6,890,000	527,175	7,417,175
Total	$ 30,230,000	$ 9,159,737	$ 39,389,737

Note 8 - Line of Credit

Under a line of credit agreement with a bank, the College has available borrowings of $2,000,000 and is collateralized by substantially all assets of the College. 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, 2020. There was no balance on the line of credit as of June 30, 2019 and 2018.

Note 9 - Retirement Plans

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, and all assumptions therein, 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.

Note 9 - Retirement Plans (Continued)

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.

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.

Note 9 - Retirement Plans (Continued)

The College's contributions are determined based on employee elections. There are multiple 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, 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%
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

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, 2019 and 2018 were $4,857,930 and $4,782,323, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $2,047,289 and $1,921,149 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, 2019 and 2018, respectively.

The College's required and actual OPEB contributions to the plan for the years ended June 30, 2019 and 2018 were $1,303,326 and $1,214,415, respectively, which include the College's contributions required for those members with a defined contribution benefit.

Net Pension Liability

At June 30, 2019 and 2018, the College reported a liability of $54,492,788 and $48,031,699, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and 2016, which used updated procedures to roll forward the estimated liability to September 30, 2018 and 2017. 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, 2018, 2017, and 2016, the College's proportion was 0.181269 percent, 0.185349, and 0.188490 percent, respectively, representing a change of (2.200939) and (1.666619) percent, respectively.

Net OPEB Liability

At June 30, 2019 and 2018, the College reported a liability of $14,250,585 and $16,520,072, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability for was measured as of September 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017 and 2016, which used updated procedures to roll forward the estimated liability to September 30, 2018 and 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, 2018 and 2017, the College’s proportion was 0.179276 percent and 0.186552 percent, respectively, representing a change of (3.900180).

Note 9 - Retirement Plans (Continued)

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

For the years ended June 30, 2019 and 2018, the College recognized pension expense of $6,840,723 and $5,212,771, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 252,857	$ (395,990)	$ 417,428	$ (235,681)
Changes in assumptions	12,620,485	-	5,262,254	-
Net difference between projected and actual earnings on pension plan investments	-	(3,725,922)	-	(2,296,231)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	706,523	(1,278,148)	1,161,324	(676,873)
The College's contributions to the plan subsequent to the measurement date	4,036,172	(2,047,289)	3,959,167	(1,921,149)
Total	$ 17,616,037	$ (7,447,349)	$ 10,800,173	$ (5,129,934)

The $2,047,289 and $1,921,149 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, 2020 and year ended June 30, 2019, 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
2020	$ 3,567,767
2021	2,483,997
2022	1,510,826
2023	617,215
Total	$ 8,179,805

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, 2019 and 2018, the College recognized OPEB expense of $576,682 and $1,106,130, respectively.

Note 9 - Retirement Plans (Continued)

At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (2,652,400)	$ -	$ (175,890)
Changes in assumptions	1,509,144	-	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(547,684)	-	(382,609)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	3,967	(552,631)	5,109	-
Employer contributions to the plan subsequent to the measurement date	901,167	-	883,074	-
Total	$ 2,414,278	$ (3,752,715)	$ 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
2020	$ (536,541)
2021	(536,541)
2022	(536,541)
2023	(425,365)
2024	(204,616)
Total	$ (2,239,604)

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

Note 9 - Retirement Plans (Continued)

Actuarial Assumptions

The total pension and OPEB liabilities as of September 30, 2018 and 2017 are based on the results of an actuarial valuation as of September 30, 2017 and 2016, respectively, and rolled forward. The total liabilities were determined using the following actuarial assumptions:

	2019	2018	
Actuarial cost method			Entry age normal
Investment rate of return - Pension	6.00% - 7.05%	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.15%	7.50%	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55%	3.50% - 12.30%	Including wage inflation of 3.50 percent
Healthcare cost trend rate - OPEB	7.50% (Year 1 graded to 3.0% year 12)	7.50% (Year 1 graded to 3.5% year 12)	Year 1 graded to 3.5 percent year 12
Mortality basis	RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% for males and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006	RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB (men scaled 80% and 70% for women)	
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 from 2012 to 2017 have been adopted by MPSERS for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 6.00 to 7.05 percent and 7.00 to 7.50 percent as of September 30, 2018 and 2017, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 and 7.50 percent as of September 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that 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.

Note 9 - Retirement Plans (Continued)

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

	2019		2018	
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 %	5.70 %	28.00 %	5.60 %
Private equity pools	18.00	9.20	18.00	8.70
International equity pools	16.00	7.20	16.00	7.20
Fixed-income pools	10.50	0.50	10.50	(0.10)
Real estate and infrastructure pools	10.00	3.90	10.00	4.20
Absolute return pools	15.50	5.20	15.50	5.00
Short-term investment pools	2.00	-	2.00	(0.90)
Total	100.00 %		100.00 %	

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:

	2019		
	1 Percent Decrease (5.00 - 6.05%)	Current Discount Rate (6.00 - 7.05%)	1 Percent Increase (7.00 - 8.05%)
Net pension liability of the College	$ 71,544,822	$ 54,492,788	$ 40,325,320

	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

Note 9 - Retirement Plans (Continued)

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

The following presents the net OPEB liability of the College, calculated using the current discount rate. 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:

	2019		
	1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
Net OPEB liability of the College	$ 17,107,538	$ 14,250,585	$ 11,847,539

	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:

	2019		
	1 Percent Decrease (6.50%)	Current Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the College	$ 11,720,949	$ 14,250,585	$ 17,152,594

	2018		
	1 Percent Decrease (6.50%)	Current 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.

Payable to the Pension Plan and OPEB Plan

At June 30, 2019, the College reported a payable of $547,722 and $79,514 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019. 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.

Note 9 - Retirement Plans (Continued)

Defined Contribution Plan

Effective January 1, 1995, the College adopted a defined contribution retirement plan for qualified employees. Full-time faculty, administrators, and other exempt-status employees can elect to participate with the Teachers' Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). As of June 30, 2019 and 2018, the plan had 108 and 99 participants, respectively.

The TIAA-CREF plan is a defined contribution retirement plan whereby benefits vest immediately. The College contributes a specified percentage of employee wages and has no liability beyond its own contribution. For the years ended June 30, 2019 and 2018, that contribution rate was determined to be 11.5 percent. This resulted in the College contributing $899,968 and $898,644 for the years ended June 30, 2019 and 2018, respectively, to the plan.

The board of trustees reserves the right to amend or terminate the plan at any time subject to certain provisions.

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:

	2019	2018
Reserved for General Fund state appropriations	$ 2,406,350	$ 2,377,225
Reserved for General Fund medical insurance	470,000	470,000
Reserved for General Fund working capital	3,938,056	2,890,172
Reserved for maintenance and replacement after bond commitments	1,499,396	4,791,061
Reserved for auxiliary expenses	6,053,036	5,220,702
Reserved for unemployment insurance	108,082	108,082
Reserved for medical insurance	326,800	231,000
Reserved for energy contingency	200,000	200,000
Reserved for MPSERS	506,000	506,000
Reserved for transformation	1,546,084	1,846,084
Reserved for strategic projects	766,074	338,259
Reserved for insurance liability	69,474	69,474
Reserved for wellness initiatives	355,103	313,438
Total reserves before pension and OPEB liabilities	18,145,455	19,361,497
Reserved for OPEB liability fund deficit	(15,589,022)	(16,190,388)
Reserved for pension liability fund deficit	(44,324,100)	(42,361,460)
Total	$ (41,668,667)	$ (39,190,351)

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.

Note 11 - Risk Management (Continued)

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.

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, 2019 and 2018 were insignificant. Changes in the estimated liability for the fiscal years ended June 30, 2019 and 2018 for health benefits were as follows:

	Medical Claims		
	2019	2018	2017
Unpaid claims - Beginning of year	$ 120,767	$ 168,810	$ 142,290
Incurred claims, including claims incurred but not reported	3,454,217	3,347,227	3,445,005
Claim payments	(3,435,680)	(3,395,270)	(3,418,485)
Unpaid claims - End of year	$ 139,304	$ 120,767	$ 168,810

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:

	2019	2018
Revenue		
Sales and services	$ 478,766	$ 484,490
Federal grants and contracts	1,900	2,000
State grants and contracts	21,300	20,100
Support from component unit	1,128,366	694,231
Other sources	80,106	56,931
Private gifts, grants, and contracts	10,000	-
Total revenue	1,720,438	1,257,752
Operating and Capital Expenses		
Public service	1,382,838	1,105,652
Operations and maintenance of plant	180,442	187,374
Total operating and capital expenses	1,563,280	1,293,026
Change in Net Position before Transfers	157,158	(35,274)
Transfers In	(148,681)	33,490
Change in Net Position	8,477	(1,784)
Net Position - Beginning of year	445	2,229
Net Position - End of year	$ 8,922	$ 445

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:

	2019	2018
Gross promises to give before unamortized discount	$ 5,918,839	$ 4,459,631
Less allowance for uncollectible contributions	(15,000)	(15,000)
Less allowance for net present value discount	(286,133)	(196,916)
Total	$ 5,617,706	$ 4,247,715

Amounts due in less than one year and amounts due between one and five years total $2,425,224 and $3,192,482, respectively.

Investments

Investments at the Foundation are as follows:

	2019	2018
Mutual funds	$ 31,126,058	$ 29,673,731
U.S. Treasury securities	3,518,934	3,408,420
Corporate bonds	5,944,799	5,733,490
Total	$ 40,589,791	$ 38,815,641

Net realized gains from security transactions for the Foundation for the years ended June 30, 2019 and 2018 were $345,451 and $1,498,795, respectively. Net unrealized gains from security transactions for the Foundation for the years ended June 30, 2019 and 2018 were $509,245 and $261,785, respectively. The mutual funds and U.S. Treasury securities are valued using Level 1 inputs, while the corporate bonds are valued using Level 2 inputs.

Net Assets

Net assets without donor restrictions consist of the following as of June 30:

	2019	2018
Quasi endowment	$ 1,203,702	$ 1,176,034
Undesignated net assets	3,258,723	3,443,552
Total	$ 4,462,425	$ 4,619,586

Net assets with donor restrictions as of June 30 are available for the following purposes:

	2019	2018
Subject to expenditure for a specified purpose or the passage of time:		
University Center	$ 1,741,771	$ 1,742,404
Programs and scholarships	21,088,674	17,112,174
Dennos Museum Center	7,859,397	7,760,626
Great Lakes Campus	1,035	1,034
Not subject to appropriation or expenditure:		
Endowment - Programs and scholarships	9,823,803	9,182,136
Endowment - Dennos Museum Center	4,185,869	4,168,563
Total	$ 44,700,549	$ 39,966,937

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 Five Plan Years

Plan Years Ended September 30

	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.18127 %	0.18535 %	0.18849 %	0.18036 %	0.17962 %
College's proportionate share of the net pension liability	$ 54,492,788	$ 48,031,699	$ 47,027,079	$ 44,052,461	$ 39,564,005
College's covered payroll	$ 15,354,013	$ 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 payroll	354.91 %	310.68 %	292.50 %	285.19 %	256.57 %
Plan fiduciary net position as a percentage of total pension liability	62.12 %	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.

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

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45 percent
2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50 percent

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

Last Five Fiscal Years

Years Ended June 30

	2019	2018	2017	2016	2015
Contractually required contribution	$ 4,688,968	$ 4,683,462	$ 4,397,619	$ 4,112,085	$ 4,726,013
Contributions in relation to the contractually required contribution	4,688,968	4,683,462	4,397,619	4,112,085	4,726,013
Contribution Deficiency	**$ -**	**$ -**	**$ -**	**$ -**	$ -
College's Covered Payroll	$ 15,279,724	$ 15,376,191	$ 15,454,034	$ 15,593,732	$ 15,479,214
Contributions as a Percentage of Covered Payroll	30.69 %	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 Two Plan Years

Plan Years Ended September 30

	2018	2017
College's proportion of the net OPEB liability	0.17928 %	0.18655 %
College's proportionate share of the net OPEB liability	$ 14,250,585	$ 16,520,072
College's covered payroll	$ 15,354,013	$ 15,460,385
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	92.81 %	106.85 %
Plan fiduciary net position as a percentage of total OPEB liability	43.10 %	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.

There were no changes of benefit terms for the plan years ended September 30.

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

- 2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35 percent

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

Last Two Fiscal Years

Years Ended June 30

	2019	2018
Statutorily required contribution	$ 1,192,398	$ 1,109,834
Contributions in relation to the statutorily required contribution	1,192,398	1,109,834
Contribution Deficiency	**$ -**	**$ -**
College's Covered Payroll	$ 15,279,724	$ 15,376,191
Contributions as a Percentage of Covered Payroll	7.80 %	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, 2019

(with comparative totals for 2018)

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension & OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Agency Fund	2019	2018
Assets										
Current assets:										
Cash and cash equivalents	$ 3,551,173	$ -	$ 3,550	$ -	$ 310,713	$ -	$ (294,866)	$ 818,657	$ 4,389,227	$ 4,209,673
Receivables - Net	4,179,559	140,000	266,547	-	430,933	-	294,866	13,770	5,325,675	4,992,185
Prepaid expenses and other assets	752,498	21,943	495,554	-	5,972	43,833	-	-	1,319,800	1,301,153
Total current assets	8,483,230	161,943	765,651	-	747,618	43,833	-	832,427	11,034,702	10,503,011
Noncurrent assets:										
Restricted cash and investments:										
Restricted cash and cash equivalents	-	-	-	-	-	12,281,270	-	-	12,281,270	1,287,071
Restricted investment securities	-	-	-	-	-	-	-	-	-	6,981,570
Investments	4,520,502	3,747,140	5,732,030	-	-	3,940,005	-	-	17,939,677	17,327,334
Capital assets - Net	-	-	-	-	-	72,873,221	-	-	72,873,221	69,002,661
Bond insurance costs	-	-	-	-	-	-	-	-	-	6,774
Total noncurrent assets	4,520,502	3,747,140	5,732,030	-	-	89,094,496	-	-	103,094,168	94,605,410
Total assets	13,003,732	3,909,083	6,497,681	-	747,618	89,138,329	-	832,427	114,128,870	105,108,421
Deferred Outflows of Resources	-	-	-	20,030,315	-	-	-	-	20,030,315	11,688,356
Liabilities										
Current liabilities:										
Accounts payable	979,280	29,867	78,546	-	95,417	2,520,732	-	47,618	3,751,460	1,428,700
Accrued liabilities and other:										
Accrued wages and benefits	1,886,001	1,598	-	-	-	-	-	450,220	2,337,819	2,310,117
Accrued interest payable	-	-	-	-	-	154,281	-	-	154,281	133,092
Unearned revenue	1,141,470	-	104,025	-	41,655	-	-	30	1,287,180	1,275,470
Long-term obligations - Current	1,301,599	-	-	-	-	4,125,874	-	-	5,427,473	5,013,674
Total current liabilities	5,308,350	31,465	182,571	-	137,072	6,800,887	-	497,868	12,958,213	10,161,053
Noncurrent liabilities:										
Net pension liability	-	-	-	54,492,788	-	-	-	-	54,492,788	48,031,699
Net OPEB liability	-	-	-	14,250,585	-	-	-	-	14,250,585	16,520,072
Long-term obligations - Net of current portion	397,318	-	-	-	-	26,674,873	-	-	27,072,191	24,136,942
Deposits	483,687	-	262,075	-	610,546	-	-	334,559	1,690,867	2,013,260
Total liabilities	6,189,355	31,465	444,646	68,743,373	747,618	33,475,760	-	832,427	110,464,644	100,863,026
Deferred Inflows of Resources	-	-	-	11,200,064	-	-	-	-	11,200,064	5,688,433
Net Position										
Net investment in capital assets	-	-	-	-	-	54,163,144	-	-	54,163,144	49,435,669
Unrestricted	6,814,377	3,877,618	6,053,035	(59,913,122)	-	1,499,425	-	-	(41,668,667)	(39,190,351)
Total net position	**$ 6,814,377**	**$ 3,877,618**	**$ 6,053,035**	**$ (59,913,122)**	**$ -**	**$ 55,662,569**	**$ -**	**$ -**	**$ 12,494,477**	**$ 10,245,318**

Northwestern Michigan College

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

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

	Current Funds									
	General Fund	Board-designated Fund	Auxiliary Fund	Pension & OPEB Liability Fund	Restricted Fund	Plant Fund	Loan Fund	Eliminations	2019	2018
Operating Revenue										
Student tuition and fees	$ 23,529,686	$ 140,000	$ 19,087	$ -	$ -	$ -	$ -	$ (2,977,840)	$ 20,710,933	$ 20,592,809
Federal grants and contracts	1,815,514	-	1,900	-	537,453	-	-	-	2,354,867	1,356,851
State grants and contracts	74,603	-	21,300	-	80,948	-	-	-	176,851	120,185
Private gifts, grants, and contracts	8,757	-	10,000	-	58,349	-	-	-	77,106	76,232
Expended for plant facilities	-	-	-	-	-	3,993,497	-	(3,993,497)	-	-
Sales and services of auxiliary activities	-	-	4,529,064	-	-	-	-	-	4,529,064	4,617,427
Other sources	571,429	-	1,527,810	-	36,857	2,200	-	-	2,138,296	2,191,611
Total operating revenue	25,999,989	140,000	6,109,161	-	713,607	3,995,697	-	(6,971,337)	29,987,117	28,955,115
Operating Expenses										
Instruction	18,598,026	52,039	-	538,690	99,783	805,882	-	(1,558,595)	18,535,825	18,023,845
Public service	397,450	(2,523)	2,725,535	87,728	142,182	-	-	(373,503)	2,976,869	2,869,306
Academic support	7,332,718	11,363	101,031	212,498	109,780	6,814	-	(26,579)	7,747,625	7,358,755
Student services	4,985,830	(7,491)	2,861,545	150,520	6,190,320	60	-	(3,050,777)	11,130,007	11,109,822
Institutional administration	5,813,525	488,542	87,575	91,449	107,865	858,800	-	(2,550)	7,445,206	7,216,797
Operation and maintenance of plant	4,827,638	(4,930)	322,460	103,192	14,935	2,057,502	-	(1,890,981)	5,429,816	5,075,704
Depreciation	-	-	-	-	-	4,588,501	-	-	4,588,501	4,551,212
Information technology	3,185,266	(3,382)	-	51,057	39,533	330,114	-	(68,352)	3,534,236	3,210,923
Total operating expenses	45,140,453	533,618	6,098,146	1,235,134	6,704,398	8,647,673	-	(6,971,337)	61,388,085	59,416,364
Operating (Loss) Income	(19,140,464)	(393,618)	11,015	(1,235,134)	(5,990,791)	(4,651,976)	-	-	(31,400,968)	(30,461,249)
Nonoperating Revenue (Expense)										
State appropriations	12,142,071	-	-	(126,140)	-	46,936	-	-	12,062,867	12,352,324
Federal Pell grants	-	-	-	-	4,245,684	-	-	-	4,245,684	4,550,325
Property taxes	10,685,705	-	-	-	-	2,870,254	-	-	13,555,959	13,209,607
Support from component unit	558,604	114,755	1,209,742	-	1,747,652	-	-	-	3,630,753	3,210,201
Investment income	791,249	-	-	-	-	321,546	-	-	1,112,795	146,316
Bond issuance and amortization costs	-	-	-	-	-	1,395	-	-	1,395	(13,560)
Interest expense on capital-related debt	-	-	-	-	-	(959,326)	-	-	(959,326)	(774,505)
Total nonoperating revenue	24,177,629	114,755	1,209,742	(126,140)	5,993,336	2,280,805	-	-	33,650,127	32,680,708
Transfers (Out) In	(3,960,185)	544,143	(388,426)	-	(2,545)	3,807,013	-	-	-	-
Change in Net Position	1,076,980	265,280	832,331	(1,361,274)	-	1,435,842	-	-	2,249,159	2,219,459
Net Position - Beginning of year	5,737,397	3,612,338	5,220,704	(58,551,848)	-	54,226,727	-	-	10,245,318	8,025,859
Net Position - End of year	**$ 6,814,377**	**$ 3,877,618**	**$ 6,053,035**	**$ (59,913,122)**	**$ -**	**$ 55,662,569**	**$ -**	**$ -**	**$ 12,494,477**	**$ 10,245,318**