

Northwestern
Michigan
College



Northwestern
Michigan
College

Years Ended
June 30, 2016
and 2015

Financial
Statements
and
Supplementary
Information

NORTHWESTERN MICHIGAN COLLEGE

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NORTHWESTERN MICHIGAN COLLEGE

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016. 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 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. 39, *Determining Whether Certain Organizations are Component Units*.

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

Financial Highlights

The College's net financial position for fiscal year 2016 increased approximately \$900,000 before posting the GASB 68 pension affect and a \$1.4 million decrease after posting GASB 68 as compared to fiscal year 2015. There was a decrease in net tuition and fees of approximately \$57,000 based on a 6 percent decrease in contact hours partially offset by a 6 percent increase in tuition rates for in-district, out-of-district and out-of-state. Operating property taxes increased approximately 3 percent due to a 3 percent increase in property tax values while the bond millage collections decreased 8 percent due to less required for debt payments. State appropriations for general operations increased 1.3 percent, or \$120,577. State appropriations passed through to the College for Michigan Public School Employees Retirement System (MPERS) Unfunded Actuarial Accrued Liability (UAAL) payments were \$1,853,443 for fiscal year 2016 compared to \$1,372,812 for fiscal year 2015.

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 its changes. These statements include all assets, liabilities, and deferred inflows and outflows using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions.

Total net position at June 30, 2016, 2015 and 2014, excluding the impact of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), was \$65.4 million, \$64.5 million, and \$62.5 million, respectively. The effect of implementing GASB 68 resulted in a decrease in net position of approximately \$39.1 million as of July 1, 2014 and a total net position as of June 30, 2015 of \$26.2 million and \$24.8 million for June 30, 2016.

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The College's statements of net position at June 30 are summarized as follows:

	Condensed Statements of Net Position as of June 30 (in thousands)		
	2016	2015	2014
Current assets	\$ 34,437	\$ 10,559	\$ 9,565
Noncurrent assets			
Capital assets, net	60,640	63,346	65,045
Other noncurrent assets	<u>12,016</u>	<u>13,249</u>	<u>12,795</u>
Total assets	<u>107,093</u>	<u>87,154</u>	<u>87,405</u>
Deferred outflows of resources	<u>4,930</u>	<u>5,638</u>	-
Current liabilities	8,984	8,895	8,584
Noncurrent liabilities			
Net pension liability	44,053	39,564	-
Other noncurrent liabilities	<u>32,707</u>	<u>13,763</u>	<u>16,326</u>
Total liabilities	<u>85,744</u>	<u>62,222</u>	<u>24,910</u>
Deferred inflows of resources	<u>1,438</u>	<u>4,374</u>	-
Net position			
Net investment in capital assets	48,780	48,056	47,265
Unrestricted (deficit)	<u>(23,940)</u>	<u>(21,860)</u>	<u>15,230</u>
Total net position	<u>\$ 24,840</u>	<u>\$ 26,196</u>	<u>\$ 62,495</u>

Statements of Net Position

The primary changes in the assets, deferred outflows, liabilities and deferred inflows of the College between 2016 and 2015 are as follows:

- Increase in current assets is primarily due to cash being held from the 2016 bond proceeds while awaiting commencement of construction projects. The decrease in other noncurrent assets is due to less cash reserves being invested in long-term investments and a large bond being called on June 28, 2016 that was not reinvested.
- Capital assets include significant furniture and equipment purchases, retirements, and annual depreciation. Decrease in net capital assets is a result of depreciation expense during fiscal year 2016 exceeding capital asset additions.
- Increase in current liabilities is due to an increase in the current portion of long-term debt and accrued payroll partially offset by a decrease in accounts payable. The increase in the current portion of long-term debt is attributable to the scheduled pay down of debt. The increase in accrued payroll is the result of timing of payments to employees.
- Deferred outflows of resources of approximately \$4.9 million were recorded as a result of changes in assumptions to the net pension liability and College contributions to the MPERS plan subsequent to the plan's measurement date. Deferred inflows of approximately \$1.4 million were recorded as a result of the pension portion of Section 147c state aid awarded subsequent to the measurement date and the difference between projected and actual earnings on pension plan investments. See note 8 for more information.

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

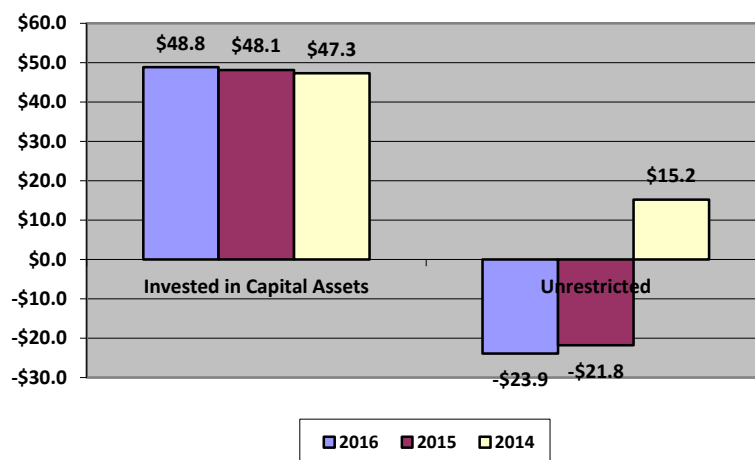
- Noncurrent liabilities increased due to new 2016 bonds being issued in the amount of \$20.9 million for construction projects of residence halls, museum renovations, new library and various campus infrastructure projects.

The primary changes in the assets, deferred outflows, liabilities and deferred inflows of the College between 2015 and 2014 are as follows:

- Increase in current assets is primarily due to a significant new Michigan Strategic Community College Skilled Trades grant receivable of approximately \$1 million. The increase in other noncurrent assets is due to cash reserves being invested in long-term investments.
- Capital assets include significant furniture and equipment purchases, retirements, and annual depreciation. Decrease in net capital assets is a result of depreciation expense during fiscal year 2015 exceeding capital asset additions.
- Increase in current liabilities is due to an increase in the current portion of long-term debt and accrued payroll, partially offset by a decrease in accounts payable. The increase in the current portion of long-term debt is attributable to the scheduled pay down of debt. The increase in accrued payroll is the result of timing of payments to employees.
- A net pension liability of approximately \$39.6 million was recorded as of June 30, 2015 in compliance with GASB 68. Deferred outflows of resources of approximately \$5.6 million were recorded as a result of changes in assumptions to the net pension liability and College contributions to the MPSERS plan subsequent to the plan's measurement date. Deferred inflows of approximately \$4.4 million were recorded as a result of the difference between projected and actual earnings on pension plan investments. See note 8 for more information.
- Noncurrent liabilities decreased based on the bond repayment schedule.

The following chart provides a graphic breakdown of net position by category as of June 30, 2016, 2015 and 2014:

Breakdown of Net Position – By Category (in millions)



NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position

Fiscal year 2016 net position decreased by approximately \$1.4 million or 5.2 percent. Depreciation of \$4.8 million was offset by capital purchases of \$2.2 million. Investments in bonds were written up by an unrealized gain of \$322,176 during fiscal year 2016 while realized gains on bonds calls were \$99,921. As the College holds its bonds until the bonds are called by the issuer or the bonds mature, the College will receive par value for the bonds.

Fiscal year 2015 net position increased by approximately \$2.8 million or 11.8 percent. Depreciation of \$4.6 million was offset by capital purchases of \$3.0 million. Investments in bonds were written up by an unrealized gain of \$335,596 during fiscal year 2015. As the College holds its bonds until the bonds are called by the issuer or the bonds mature, the College will receive par value for the bonds.

Statements of Revenues, Expenses and Changes in Net Position

Following is a comparison of the major components of operating results of the College for the years ended June 30, 2016, 2015 and 2014:

	Operating Results for the Years Ended June 30 (in thousands)		
	2016	2015	2014
Total operating revenues	\$ 28,464	\$ 28,478	\$ 27,412
Total operating expenses	<u>60,617</u>	<u>57,970</u>	<u>57,755</u>
Operating loss	(32,153)	(29,492)	(30,343)
Net nonoperating revenues	<u>30,797</u>	<u>32,254</u>	<u>30,935</u>
(Decrease)/Increase in net position	(1,356)	2,762	592
Net position - beginning of year	26,196	62,495	61,903
Implementation of GASB 68	<u>-</u>	<u>(39,061)</u>	<u>-</u>
Net position - end of year	<u>\$ 24,840</u>	<u>\$ 26,196</u>	<u>\$ 62,495</u>

Total Revenue

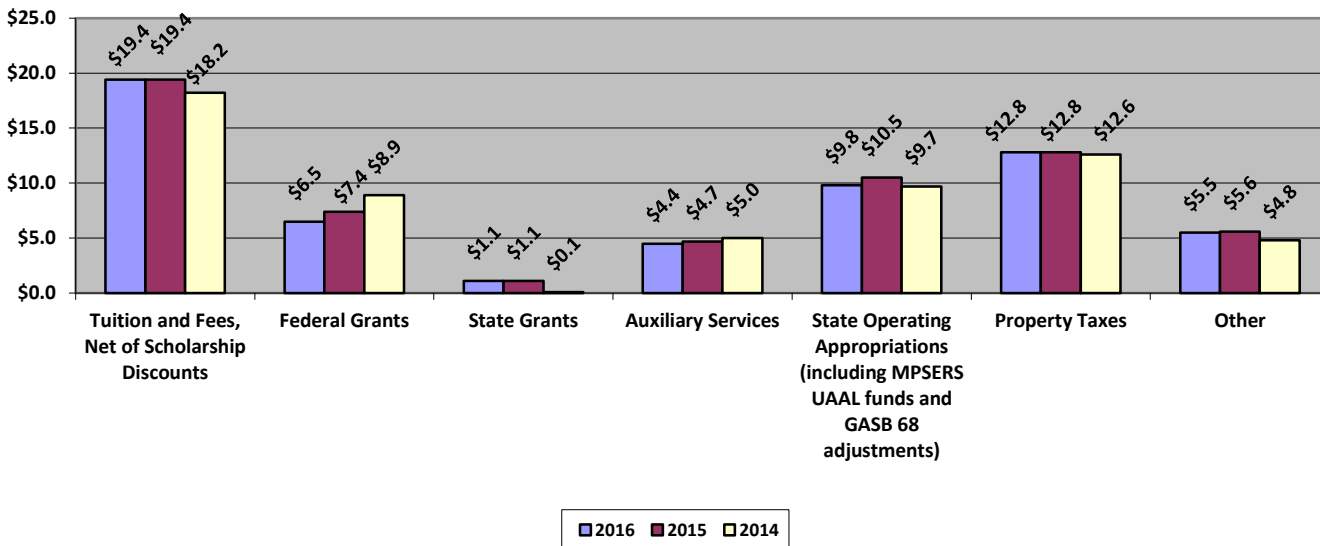
The changes in revenue for fiscal year 2016 resulted from a slight decrease in tuition and fees, with other changes coming from auxiliary sales, Federal Pell grants, state appropriations and support from component unit partially offset by increases in federal and state grants, property taxes and investment income. The major changes in revenue for fiscal year 2015 resulted from an increase in tuition and fees, state grants, state appropriations and support from component unit offset by a decrease in U.S. Maritime Administration (MARAD) and Federal Pell grants.

NORTHWESTERN MICHIGAN COLLEGE

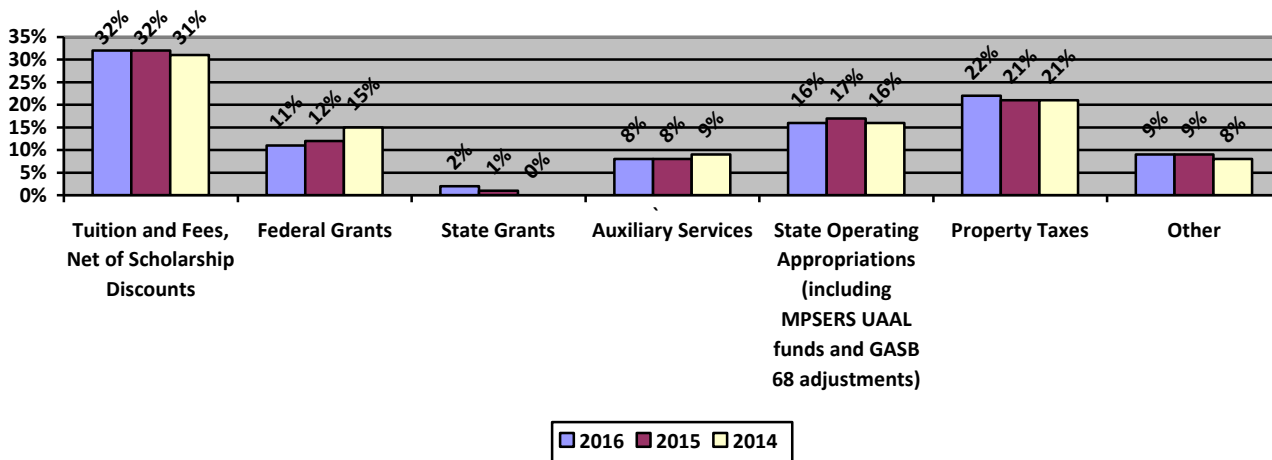
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following are graphic illustrations of total revenue by source by percentage and dollars for the years ended June 30, 2016, 2015 and 2014:

Revenue Source (in millions) – All Funds



Revenue Source as a Percent of Total Revenue – All Funds



General Fund Revenue

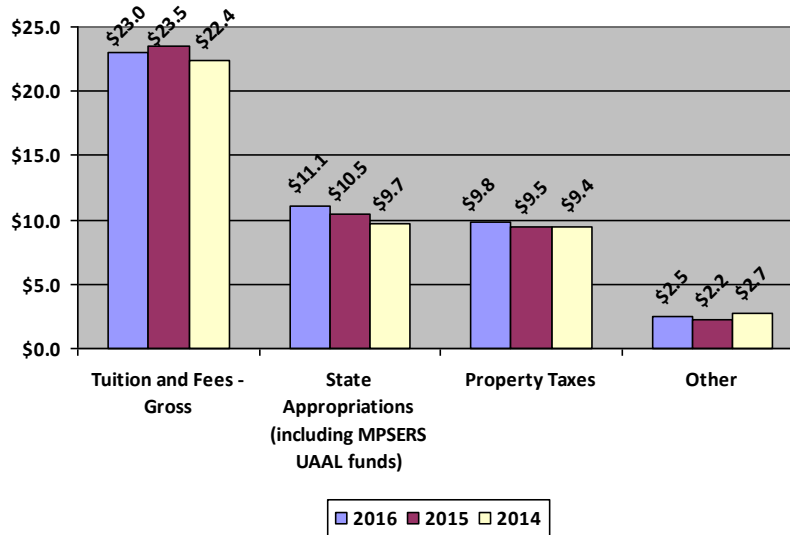
Internally, the College prepares its financial statements using fund accounting, which is then reorganized into operating and nonoperating components for the audited financial statements. The College accounts for its primary programs and operations in its General Fund. The General Fund is financed primarily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

NORTHWESTERN MICHIGAN COLLEGE

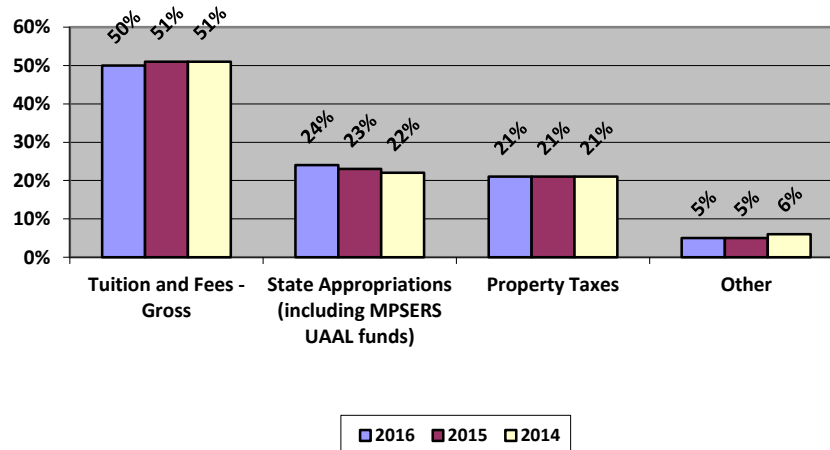
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following are graphic illustrations of total General Fund revenue by source, by percentage and dollars, for the years ended June 30, 2016, 2015 and 2014:

General Fund Revenue – By Source (in millions)



General Fund Revenue – By Source



NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operating Revenues

For the College as a whole, operating revenues include all transactions that result in the sales and/or receipts from goods and services 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 considered a contract for services.

The following chart shows the amounts of these sources of operating revenues for the years ended June 30, 2016, 2015 and 2014:

	Total Operating Revenues - By Source for the year ended June 30 (in thousands)		
	2016	2015	2014
Tuition and fees, net	\$ 19,362	\$ 19,419	\$ 18,190
Federal grants	1,226	1,189	2,141
State grants	1,137	1,092	87
Auxiliary services	4,442	4,711	4,990
Other operating	<u>2,297</u>	<u>2,067</u>	<u>2,004</u>
Total operating revenues - by source	<u>\$ 28,464</u>	<u>\$ 28,478</u>	<u>\$ 27,412</u>

Changes in operating revenues for fiscal year 2016 were as follows:

- Net tuition and fee revenue decreased approximately \$57,000 due to a 6 percent decrease in contact hours. Tuition rates increased 6 percent for in-district, out-of-district and out-of-state students.
- Federal grants and contracts from MARAD for maritime operations increased approximately \$100,000 or 17 percent while Perkins funding decreased \$89,000 or 36%.
- State grants and contracts increased approximately \$45,000 or 4 percent due to grants from the State of Michigan for the Denno's Museum Center, Fostering Futures and Nursing Scholarships.
- Auxiliary revenue decreased approximately \$268,000 or 6 percent due to a decrease in sales of the Bookstore partially offset by an increase in housing revenue and Hagerty conference sales.

Changes in operating revenues for fiscal year 2015 were as follows:

- Net tuition and fee revenue increased approximately \$1.2 million due to tuition rate increases of 5 percent for in-district students and 6 percent for out-of-district and 7 percent for out-of-state students. Contact hours decreased 5 percent.
- Federal grants and contracts from MARAD for maritime operations remained the same while Heritage Act Maritime reimbursements for equipment purchases were reduced by \$952,000, or 44 percent.
- State grants and contracts increased approximately \$1 million or 1,100 percent due to a grant from the State of Michigan for Michigan Community College Skilled Trades equipment.
- Auxiliary revenue decreased approximately \$279,000 or 6 percent due to a decrease in sales of the Bookstore partially offset by an increase in housing revenue.

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily nonexchange in nature. They consist primarily of state appropriations, Federal Pell grant funding, property taxes, support from component unit, and investment income.

The following chart shows the amounts of these sources of nonoperating revenues for the years ended June 30, 2016, 2015 and 2014:

Nonoperating Revenues - By Source for the years ended June 30 (in thousands)			
	2016	2015	2014
State appropriations	\$ 9,813	\$ 10,497	\$ 9,654
Pell grants	5,312	6,224	6,741
Property taxes	12,832	12,799	12,596
Support from the Foundation	2,520	2,882	2,497
Investment Income	393	294	293
Unrealized gain on investments	<u>322</u>	<u>335</u>	<u>39</u>
Total nonoperating revenues - by source	<u>\$ 31,192</u>	<u>\$ 33,031</u>	<u>\$ 31,820</u>

Nonoperating revenues changes included the following factors for fiscal year 2016:

- State appropriations for general operations increased by approximately \$121,000, or 1.3 percent while the pension fund state appropriations decreased by \$1.3 million. State appropriations for MPSERS UAAL increased by approximately \$481,000, or 35.0%. The UAAL payments were passed through by the College towards the MPSERS pension liability. The College recorded a corresponding retirement expense. Therefore, the MPSERS UAAL revenue and expense had no effect on the College's net position. This increase was offset by a decrease resulting from a \$1.3 million non-cash adjustment in the Pension Liability Fund, which defers recognition of a portion of the pass-through money until Fiscal 2017.
- Federal Pell grants decreased \$912,000, or 14.6 percent, due to a decline in the number of eligible students and number of contact hours generated.
- Overall Local property tax revenue increased .3 percent, or \$33,000. The operating property tax portion increased \$287,000 or 3 percent due to the increased property tax values of 3%. The bond millage property tax decreased \$255,000 or 8 percent due to less funds required for bond payments.
- Investment values recognized unrealized gains of \$322,176 during fiscal year 2016 due to market fluctuations in bond holdings. The \$322,176 represents unrealized gains. As the College holds its bonds until the bonds are called by the issuer or the bonds mature, the College will receive par value for the bonds. Several bonds were called during fiscal year 2016 resulting in realized gains of \$99,921.
- Northwestern Michigan College Foundation support includes \$1,142,717 for scholarships, with the remaining \$1,377,456 supporting Dennon Museum, Osterlin library, other instructional programs and general fund support.

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Nonoperating revenues changes included the following factors for fiscal year 2015:

- State appropriations for general operations increased by approximately \$250,000, or 2.9 percent. State appropriations for MPSERS UAAL increased by approximately \$587,000, or 74.7%. The UAAL payments were passed through by the College towards the MPSERS pension liability. The College recorded a corresponding retirement expense. Therefore, the MPSERS UAAL revenue and expense had no effect on the College's net position.
- Federal Pell grants decreased \$517,000, or 8 percent, due to a decline in the number of eligible students and number of contact hours generated.
- Local property tax values and property tax revenue increased 2 percent, or \$203,000. The operating property tax portion increased \$178,000 or 2 percent, and the bond millage property tax increased \$25,000 or 1 percent due to the increased property tax values.
- Investment values were written up \$335,596 during fiscal year 2015 due to market fluctuations in bond holdings. The \$335,596 represents unrealized gains. As the College holds its bonds until the bonds are called by the issuer or the bonds mature, the College will receive part value for the bonds.
- Northwestern Michigan College Foundation support includes \$1,201,925 for scholarships, with the remaining \$1,679,857 supporting Denno's 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 purposes of the College. They include salaries, benefits, utilities, supplies, services, and depreciation and are then categorized by function. Overall, total operating expenses increased approximately \$2.6 million (4.6 percent) for fiscal year 2016 and increased \$215,000 (0.4 percent) for fiscal year 2015. For the purpose of the audit, operating expenses are presented according to the State of Michigan's Activities Classification Structure (ACS).

The following chart shows the amounts of these functions of operating expenses for the years ended June 30, 2016, 2015, and 2014:

	Operating Expenses - By Function for the years ended June 30 (in thousands)		
	2016	2015	2014
Physical plant operations	\$ 10,443	\$ 10,415	\$ 10,854
Direct and indirect instructional costs	40,729	38,804	38,195
Institutional administration	6,683	6,217	5,951
Public service	<u>2,762</u>	<u>2,534</u>	<u>2,755</u>
Total operating expenses - by function	<u>\$ 60,617</u>	<u>\$ 57,970</u>	<u>\$ 57,755</u>

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

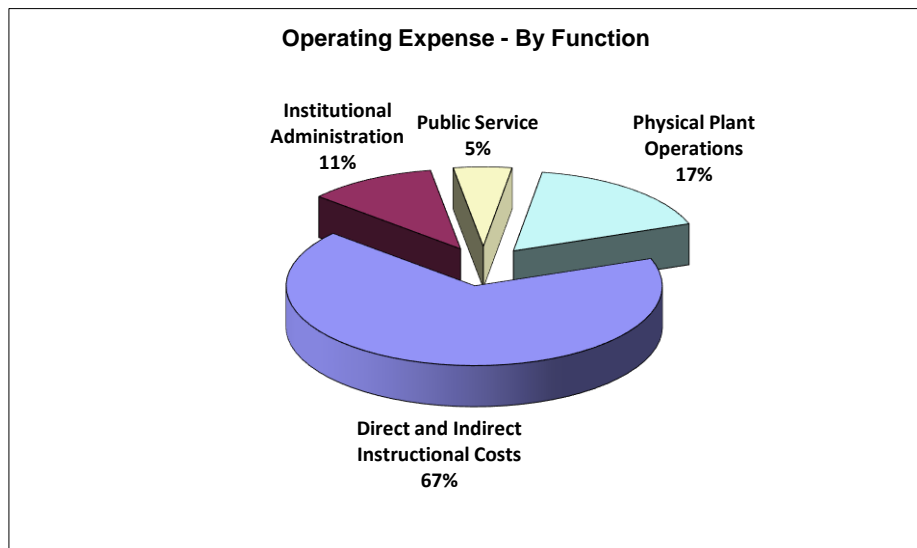
Highlights of the major changes between fiscal year 2016 and fiscal year 2015 by category are as follows:

- Salaries and wages increased \$890,000 or 3.8 percent while benefits increased 15 percent due to increases in pension costs, including MPSERS UAAL and GASB 68 adjustments. A portion of the increase in pension costs was due to an approximately \$481,000 increase in required MPSERS UAAL pension liability payments and is offset by a \$481,000 increase in revenue from the state.
- The operating expense ACS categories of instruction, instructional support and institutional administration all increased due to the increases in salaries, wages, and benefits as noted above.

Highlights of the major changes between fiscal year 2015 and fiscal year 2014 by category are as follows:

- Salaries and wages increased \$236,000 or 1 percent while benefits increased 2 percent due to increases in pension costs and self-funded healthcare costs. A portion of the increase in pension costs was due to an approximately \$587,000 increase in required MPSERS UAAL pension liability payments and is offset by a \$587,000 increase in revenue from the state.
- The operating expense ACS categories of instruction, instructional support and institutional administration all increased due to the increases in salaries, wages, and benefits as noted above. Plant operations and maintenance decreased due to less harsh winter weather conditions during the fiscal year.

For this financial report, the different funds of the College are netted and internal expenses are eliminated. The following is a graphic illustration of operating expenses by function for the institution for the year ended June 30, 2016:



NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statements of Cash Flows

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

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

	Cash Flows for the Years Ended June 30 (in thousands)		
	2016	2015	2014
Cash (used in) provided by			
Operating activities	\$ (25,615)	\$ (25,775)	\$ (24,927)
Noncapital financing activities	27,471	28,710	28,144
Capital and related financing activities	19,147	(3,072)	(2,994)
Investing activities	<u>(3,887)</u>	<u>167</u>	<u>1,685</u>
Net increase in cash	17,116	30	1,908
Cash and cash equivalents			
- Beginning of year	<u>3,426</u>	<u>3,396</u>	<u>1,488</u>
Cash and cash equivalents			
- End of year	<u>\$ 20,542</u>	<u>\$ 3,426</u>	<u>\$ 3,396</u>

Major sources of cash from operations came from tuition and fees, grants, contracts, and auxiliary activities, which include student housing, the Dennon Museum, University Center, Hagerty Center, and the bookstore. These sources were offset by cash used in operations for payments to employees and suppliers. For fiscal year 2016 cash inflows decreased compared to fiscal year 2015 for tuition and fees and auxiliary activities offset by increased payments to employees and decreased payments to suppliers. There was less net cash used in operating activities during fiscal year 2016 as compared to 2015. For fiscal year 2015 cash inflows increased compared to fiscal year 2014 for tuition and fees offset by increased payments to suppliers and employees. There was more net cash used in operating activities during fiscal year 2015.

The decrease in cash provided by noncapital financing activities for fiscal year 2016 compared to 2015 resulted from a decrease in state appropriations and Pell grants partially offset by an increase in property taxes.

Capital and related financing activities for fiscal year 2016 provided additional cash of \$21.5 million compared to 2015 due to proceeds from capital debt received for several building projects and a reduction in interest expense.

During fiscal year 2016, there were substantially more sales and maturities of long-term investments than the previous year, as well as purchases, including the investment of a portion of the 2016 bond proceeds for building projects. During fiscal year 2015, there were less sales and maturities of long-term investments than the previous year.

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

At June 30, 2016, the College had \$138 million invested in capital assets, before accumulated depreciation of \$77 million. Depreciation charges totaled \$4.8 million for the current fiscal year. Details of these assets are shown below.

	Capital Assets at June 30 (in thousands)		
	2016	2015	2014
Land and land improvements	\$ 10,519	\$ 10,365	\$ 10,337
Infrastructure	7,923	7,952	7,280
Buildings and improvements	86,574	86,149	86,105
Furniture, fixtures and equipment	32,388	30,853	29,729
Construction in progress	189	349	527
Total	<u>\$ 137,593</u>	<u>\$ 135,668</u>	<u>\$ 133,978</u>

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

Debt Administration

The College had \$33.3 million, \$15.3 million, and \$17.8 million in debt outstanding at June 30, 2016, 2015 and 2014, respectively. Fiscal year 2016 includes new debt that closed on June 1 in the amount of \$20,890,000 for planned construction projects. The table below summarizes this amount by type of debt instrument. The College's most recent bond rating by Standard & Poor's was AA. The College's most recent bond rating by Moody's was Aa2.

	Debt Outstanding at June 30 (in thousands)		
	2016	2015	2014
Bonds payable	<u>\$ 33,295</u>	<u>\$ 15,290</u>	<u>\$ 17,780</u>

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

Economic Factors That Will Affect the Future

The economic outlook for the College is tied heavily to national and state economic conditions. Although federal and state appropriations have been determined for the upcoming fiscal year, it is important to note that in times of financial constraint, such funding can be adversely impacted. The College has responded to increased uncertainty by becoming more efficient by restructuring departments within the College, streamlining processes and sending out numerous requests for proposals for many vendor contracts.

The College will receive a 1.3 percent increase in community college appropriations for general operations during fiscal year 2017 from the state. The fiscal year 2017 budget includes increased property tax revenue of 1.7 percent due to increases in taxable values. The Board of Trustees approved tuition increases of 7.6 percent for in-district, out-of-district, and out-of-state effective for fiscal year 2017. An international tuition rate has been established and will increase by 7 percent for the next fiscal year. There are differential tuition charges for high-cost programs such as automotive, audio-technology, nursing, culinary and maritime programs.

NORTHWESTERN MICHIGAN COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The College's strategic plan addresses the decline in student enrollment by investing in select programs that will attract students from outside the region. The plan will provide a diverse learning experience for regional students along with increases in the College's market share.

The College has contractual wage and benefit commitments with maintenance and custodial personnel through June 30, 2016 which are currently under negotiations. During fiscal year 2015, faculty and academic chair employee groups voted to belong to the Michigan Employees Association (MEA) union representation, those new contracts are still in the negotiation stages. Employee wage and salary increases have not yet been determined for the increase that will be effective January 1, 2017 for non-union employees. The 2017 fiscal year budget includes employee salary increases, the actual allocations will be determined in the fall after fall enrollment is known. The College recently revised their classification and compensation system. Approximately 90 percent of College employees participate in the Michigan Public School Employees' Retirement System (MPSERS) with employer contributions mandated by the State. Contribution rates have risen in recent years to fund retiree healthcare benefits and the unfunded pension liability. There are various MPSERS plans, but contributions for the plan with the majority of the College's employees has been set at 25.78 percent for fiscal year 2017 with rates for future years yet unknown.

GASB 68 was effective for the College's fiscal year 2015 and establishes new requirements for colleges to report a "net pension liability" for the unfunded portion of its pension plan. Since the College participates in the MPSERS plan, it reported a liability for its "proportionate share" of the "net pension liability" of the MPSERS plan. The College recorded a net pension liability of \$39,564,005 as of June 30, 2015 and an increase of \$4,488,556 for fiscal year 2016 for the College's proportionate share and an increase in pension expense of \$972,686 related to GASB 68 reporting requirements. We expect these amounts to change annually based on actuarial calculations and updating of related assumptions. The retirement plans available to new participants has been revised in recent years. This change in accounting is expected to be taken into consideration by the bond rating agencies. It is important to note that while this new standard raises awareness of potential future obligations of the College, its implementation has no immediate impact on the cash position of the College or its ability to meet current obligations. The State is projecting that the unfunded actuarial accrued liability will be fully funded in approximately 25 years.

In fiscal 2018, GASB 75, *Postemployment Benefits Other than Pensions*, will be effective for the College. The College will be required to recognize its proportionate share of the OPEB/healthcare liability on its statement of net position as a result of its participation in the MPSERS OPEB plan. While the exact amount of the impact on the College is not yet determinable, it is expected to be significant based on the high-level data shared by MPSERS to date.

The College is self-funded for its employee health benefit costs. While healthcare costs continue to increase, the College looks at various plan options in order to reduce costs. Additionally, employee contributions towards healthcare have increased over the past few years with the enactment of Public Act 152 of 2011.

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



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

October 14, 2016

To the Board of Trustees
Northwestern Michigan College
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **Northwestern Michigan College** (the "College") as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of ***Northwestern Michigan College*** as of June 30, 2016 and 2015, and the respective results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Notes 1 and 8, the College implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the prior year. Accordingly, beginning net position of business-type activities as of July 1, 2014 was restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also separately issued our report dated October 14, 2016, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Northwestern Michigan College's*** internal control over financial reporting and compliance.



FINANCIAL STATEMENTS

NORTHWESTERN MICHIGAN COLLEGE

STATEMENTS OF NET POSITION

	June 30	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	\$ 5,039,411	\$ 3,426,366
Restricted cash - unspent bond proceeds	15,502,547	-
Restricted short-term investments - unspent bond proceeds	5,929,980	-
Accounts receivable, net	6,834,013	6,009,476
Prepaid expenses and other current assets	1,130,571	1,122,924
Total current assets	34,436,522	10,558,766
Noncurrent assets		
Investments	11,991,718	13,219,493
Student loans receivable, net	4,392	2,886
Bond insurance costs	20,324	27,097
Capital assets, net	60,639,629	63,345,981
Total noncurrent assets	72,656,063	76,595,457
Total assets	107,092,585	87,154,223
Deferred outflows of resources		
Deferred pension amounts	4,930,475	5,637,556
Liabilities		
Current liabilities		
Accounts payable	1,413,217	1,649,012
Accrued liabilities:		
Payroll and withholdings	2,671,733	2,457,477
Interest	106,330	77,836
Unearned revenue	1,242,868	1,225,444
Current portion of long-term obligations	3,580,874	3,485,000
Total current liabilities	9,015,022	8,894,769
Noncurrent liabilities		
Long-term obligations, net of current portion	31,580,913	12,912,119
Deposits	1,095,889	850,813
Net pension liability	44,052,561	39,564,005
Total noncurrent liabilities	76,729,363	53,326,937
Total liabilities	85,744,385	62,221,706
Deferred inflows of resources		
Deferred pension amounts	1,438,175	4,373,910
Net position		
Net investment in capital assets	48,780,462	48,055,981
Unrestricted deficit (Note 1)	(23,939,962)	(21,859,818)
Total net position	\$ 24,840,500	\$ 26,196,163

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

NORTHWESTERN MICHIGAN COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30	
	2016	2015
Operating revenues		
Tuition and fees	\$ 23,052,675	\$ 23,602,209
Scholarship allowance	(3,690,483)	(4,183,494)
Net tuition and fees	19,362,192	19,418,715
Federal grants and contracts	1,226,062	1,188,667
State grants and contracts	1,137,118	1,092,240
Private gifts, grants and contracts	172,152	139,826
Sales and services of auxiliary activities	4,442,517	4,710,730
Other sources	2,124,464	1,928,025
Total operating revenues	28,464,505	28,478,203
Operating expenses		
Instruction	20,091,810	18,954,871
Public service	2,762,287	2,533,840
Instructional support	7,842,101	7,179,412
Student services	12,794,785	12,669,542
Institutional administration	6,683,273	6,216,747
Operations and maintenance of plant	5,651,646	5,791,052
Depreciation	4,791,426	4,624,712
Total operating expenses	60,617,328	57,970,176
Operating loss	(32,152,823)	(29,491,973)
Nonoperating revenues (expenses)		
State appropriations	9,812,927	10,497,117
Pell grants	5,312,273	6,223,709
Property taxes	12,831,611	12,798,958
Support from component unit	2,520,173	2,881,782
Investment and interest income	393,018	293,828
Unrealized gain on investments	322,176	335,596
Bond insurance amortization	(109,943)	(109,161)
Interest on capital asset - related debt	(285,075)	(668,052)
Net nonoperating revenues	30,797,160	32,253,777
(Decrease) increase in net position	(1,355,663)	2,761,804
Net position, beginning of year, as previously reported	26,196,163	62,495,340
Implementation of GASB 68 (Notes 1 and 8)	-	(39,060,981)
Net position, beginning of year, as restated	26,196,163	23,434,359
Net position, end of year	\$ 24,840,500	\$ 26,196,163

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

NORTHWESTERN MICHIGAN COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	2015
Cash flows from operating activities		
Tuition and fees	\$ 19,211,278	\$ 20,621,002
Grants and contracts	1,559,241	1,417,583
Payments to suppliers	(32,870,833)	(34,034,483)
Payments to employees	(20,637,634)	(19,928,850)
(Loans issued to) repayments from students, net	(1,506)	1,092
Auxiliary activities receipts	4,442,517	4,710,730
Other	2,682,217	1,438,189
Net cash used in operating activities	(25,614,720)	(25,774,737)
Cash flows from noncapital financing activities		
Property taxes	9,817,953	9,530,648
Gifts and contributions for other than capital purposes	2,636,914	2,616,608
State appropriations	9,703,404	10,339,562
Pell grants	5,312,273	6,223,709
Federal direct lending receipts	10,582,669	11,884,451
Federal direct lending disbursements	(10,582,669)	(11,884,451)
Net cash provided by noncapital financing activities	27,470,544	28,710,527
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,232,275)	(2,952,277)
Principal paid on capital debt	(2,885,000)	(14,690,000)
Proceeds from capital debt	21,558,513	12,200,000
Capital property taxes	3,013,658	3,268,310
Interest paid on capital debt	(308,037)	(898,217)
Net cash provided by (used in) capital and related financing activities	19,146,859	(3,072,184)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	8,180,000	1,636,385
Investment and interest income	393,018	293,828
Purchase of investments	(12,460,109)	(1,763,015)
Net cash (used in) provided by investing activities	(3,887,091)	167,198
Net increase in cash and cash equivalents	17,115,592	30,804
Cash and cash equivalents, beginning of year	3,426,366	3,395,562
Cash and cash equivalents, end of year	\$ 20,541,958	\$ 3,426,366
Reconciliation to Statements of Net Position		
Cash and cash equivalents	\$ 5,039,411	\$ 3,426,366
Restricted cash - unspent bond proceeds	15,502,547	-
Cash and cash equivalents, end of year	\$ 20,541,958	\$ 3,426,366

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

continued...

NORTHWESTERN MICHIGAN COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2016	2015
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (32,152,823)	\$ (29,491,973)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,791,426	4,624,712
(Gain) loss on disposal of capital assets	(4,436)	26,802
Change in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(831,755)	(585,721)
Student loans receivable	(1,506)	1,092
Prepaid items and other assets	(7,644)	45,285
Accounts payable	(235,795)	(138,704)
Accrued liabilities	214,256	242,233
Unearned revenue and deposits	262,500	295,019
Accrued vacation and sick leave	91,155	(32,860)
Change in net pension liability and deferred amounts	2,259,902	(760,622)
Net cash used in operating activities	<u>\$ (25,614,720)</u>	<u>\$ (25,774,737)</u>

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

NORTHWESTERN MICHIGAN COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION

	June 30	
	2016	2015
Assets		
Cash and cash equivalents	\$ 1,146,628	\$ 1,216,624
Pledges receivable, net	2,761,024	147,778
Prepaid expenses and other	8,833	27,252
Cash surrender value of life insurance	352,571	332,067
Investments	34,047,791	35,008,839
Total assets	<u>\$ 38,316,847</u>	<u>\$ 36,732,560</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 30,743	\$ 35,578
Payable to Northwestern Michigan College	801,472	1,127,139
Deferred revenue	47,319	41,026
Split-interest agreements payable	43,092	49,253
Total liabilities	<u>922,626</u>	<u>1,252,996</u>
Net assets		
Unrestricted	3,457,925	3,976,036
Temporarily restricted	22,148,399	20,047,673
Permanently restricted	11,787,897	11,455,855
Total net assets	<u>37,394,221</u>	<u>35,479,564</u>
Total liabilities and net assets	<u>\$ 38,316,847</u>	<u>\$ 36,732,560</u>

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

NORTHWESTERN MICHIGAN COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2016	2015
Revenue, support and gains		
Contributions and other support:		
Unrestricted	\$ 484,491	\$ 360,097
Temporarily restricted	3,701,352	818,510
Permanently restricted	431,292	425,171
Special events, net	295,085	243,884
Dividend and interest income, net	757,971	948,745
Change in value of split-interest agreements	4,230	(5,063)
Net realized and unrealized loss on investments	(760,661)	(459,508)
	<u>4,913,760</u>	<u>2,331,836</u>
Expenses		
Program expenses - distributions to College	1,871,577	2,205,696
Management and general	689,672	647,505
Fundraising	437,854	416,368
	<u>2,999,103</u>	<u>3,269,569</u>
Change in net assets	1,914,657	(937,733)
Net assets, beginning of year	<u>35,479,564</u>	<u>36,417,297</u>
Net assets, end of year	<u>\$ 37,394,221</u>	<u>\$ 35,479,564</u>

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF 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 (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 35 and the *State of Michigan 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 organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has 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 relationships with the College.

Northwestern Michigan College Foundation (the "Foundation"), a not-for-profit corporation, was formed to solicit, collect, 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 to the activities of the College. Because these restricted resources held by the Foundation can be used only by, or for the benefit of, the College, the Foundation is considered a component unit of the College. The Foundation is a discretely presented component unit of the College because the Foundation's Board of Directors does not consist substantially of members who are also the College's Board of Trustees as well as meeting other accounting criteria. The Foundation reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation's financial information included in the College's financial report to account for these differences. Separate financial statements of the Foundation may be obtained by contacting Northwestern Michigan College Foundation, 1701 East Front Street, Traverse City, Michigan 49686.

Significant Accounting Policies

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

Accrual Basis

The financial statements of the College have been presented using the economic resources measurement focus on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met. In accordance with governmental accounting standards, the College is required to follow all applicable GASB pronouncements.

Use of Estimates

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

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

Short-term Investments

Short-term investments consist of certificates of deposit with original maturities of less than one year that aren't expected to be reinvested upon maturity and securities at fair market value with maturities of less than one year.

Investments

The College carries its investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position. Realized and unrealized gains and losses from securities in the investment accounts are allocated monthly based on the relationship of the estimated market value of each account to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts. Realized gains were \$99,921 and \$10,262 for fiscal years 2016 and 2015, respectively. Due to the recording of bonds at fair market value, during fiscal years 2016 and 2015, there was \$322,176 and \$335,596, respectively, of unrealized gains on investments held by the College.

Fair Value Measurements

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

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

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

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

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

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets are recorded at cost or, if donated, the fair value at the time of donation. Library books are recorded using a historically based estimated value. 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. Management annually reviews capital assets for impairment. The following estimated lives are used to compute depreciation:

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

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. It consists of approximately \$79,000 and \$82,000 for the 2016 and 2015 fall semesters, respectively, approximately \$696,000 and \$632,000 for the 2016 and 2015 summer semesters, respectively, approximately \$322,000 and \$439,000 for 2016 and 2015 unearned flight fees for the College's aviation program and approximately \$121,000 for 2016 housing payable for the Maritime program, respectively. Grants received prior to qualifying expenses of \$25,000 and \$72,000 for 2016 and 2015, 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.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension-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 8.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resource for certain pension-related amounts, such as the difference between projected and actual earnings of the pension plan's investments. More detailed information can be found in Note 8.

Pensions

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting—Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Property taxes are recorded as revenue when received.

The College does not recognize as revenue sources held for others, such as Federal Direct Loans, where the institution serves only as a conduit.

Operating revenues of the College consist of tuition and fees, grants and contracts, sales and services of auxiliary activities and other sources.

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 the city within the College's district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the county in which the College and tax properties are 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 two to four months after the delinquency date.

Operating Revenue and Expenses

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

Internal Service Activities

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Unrestricted Net Deficit

The College, through application of the Board approved resources guidelines, reserved the use of unrestricted net position (deficit) as follows at June 30:

	2016	2015
Reserved for General Fund program specific	\$ 626,778	\$ 991,402
Reserved for General Fund state appropriations	2,329,522	2,247,167
Reserved for General Fund medical insurance	470,000	470,000
Reserved for General Fund working capital	1,262,929	1,405,387
Reserved for maintenance and replacement	4,800,921	4,423,133
Reserved for auxiliary expenses	4,151,228	3,843,099
Reserved for unemployment insurance	108,082	108,082
Reserved for medical insurance	181,000	181,000
Reserved for energy contingency	200,000	200,000
Reserved for MPSERS	506,000	506,000
Reserved for transformation	1,305,910	1,430,835
Reserved for strategic projects	608,455	564,962
Reserved for insurance liability	69,474	69,479
Reserved for pension liability fund deficit	<u>(40,560,261)</u>	<u>(38,300,359)</u>
Total	<u>\$ (23,939,962)</u>	<u>\$ (21,859,813)</u>

New Accounting Pronouncements

As of July 1, 2014, the College adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This statement requires that the College recognize a net pension liability on the statement of net position, equal to the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 8. As a result of this change, the College recognized a net pension liability of \$42,088,244 and deferred outflows of resources of \$3,027,243, which resulted in a decrease in net position of \$39,060,981 as of July 1, 2014.

GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", is effective for the College's fiscal year 2018 and establishes new recognition and disclosure requirements for employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statement of net position based on an actuarial valuation of retiree healthcare. Since the College participates in the MPSERS OPEB plan, it will report a liability for its "proportionate share" of the "net OPEB liability" of the MPSERS OPEB plan. The College will be required to recognize OPEB expense, deferred outflows of resources and deferred inflows of resources related to its proportionate share of the corresponding collective OPEB amounts. The methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service will be specified in this Statement. Further updates are expected as MPSERS OPEB begins their actuarial calculations.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. PROPERTY TAXES

During the years ended June 30, 2016 and 2015, 2.17 mills of tax per \$1,000 of taxable property value in the College's taxing district were levied for general operating purposes on all property. Total operating property tax revenue was \$9,817,953 and \$9,530,648 for the years ended June 30, 2016 and 2015, respectively.

During 2016 and 2015, .66 mills and .74 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 \$3,013,658 and \$3,268,310 for the years ended June 30, 2016 and 2015, respectively, for retirement of debt related to the 2009 and 2015 bond issues.

3. CASH, INVESTMENTS AND FAIR VALUE MEASUREMENTS

College Deposits and Investments

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

The College has designated Fifth Third Bank, Chemical Bank, Huntington Bank, and Chase Bank for the deposit of its funds. The College's cash and investments are subject to custodial credit risk, which is examined in more detail below.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the College's deposits may not be returned to it. 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 it chooses to deposit funds with 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, 2016, the College's operations and debt deposit balances of \$2,493,889 did not have any bank deposits (checking, and savings accounts) that were uninsured and uncollateralized. For June 30, 2015, the College's deposit balances of \$2,344,911 had no bank deposits that were uninsured and uncollateralized. The College believes that, due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the College evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

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 pre-qualifying 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. See the tables in the concentration of credit risk section for investment maturities. Additionally, investment account money market cash in the amount of \$18,358,553 for 2016 and \$1,400,747 for 2015 is invested in federal government-backed securities.

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. The Standard and Poors credit ratings for these investments are AA+.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

At June 30, 2016, the College's maturities of investments, which include debt securities (other than the U.S. government) held by counterparties that possess Moody's quality ratings of Aaa, are as follows:

	Fair Market Value	Less Than One Year	1-5 Years	5-10 Years	More Than 10 Years
Ford Motor Credit Corp	\$ 5,929,980	\$ 5,929,980	\$ -	\$ -	\$ -
Federal National Mortgage Assoc Step	1,000,170	-	1,000,170	-	-
Federal Home Loan Mortgage Step	1,000,280	-	1,000,280	-	-
Federal Home Loan Bank Step	1,502,200	-	1,502,200	-	-
Federal National Mortgage Assoc Step	1,000,370	-	-	-	1,000,370
Federal National Mortgage Assoc Step	890,187	-	-	-	890,187
Federal National Mortgage Assoc Step	950,561	-	-	-	950,561
Federal National Mortgage Assoc Step	997,910	-	-	-	997,910
Federal Home Loan Bank Step	1,398,740	-	-	-	1,398,740
Federal National Mortgage Assoc Step	2,003,260	-	-	-	2,003,260
Federal National Mortgage Assoc Step	<u>998,040</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>998,040</u>
Total investments in debt securities	17,671,698	<u>\$ 5,929,980</u>	<u>\$ 3,502,650</u>	<u>\$ -</u>	<u>\$ 8,239,068</u>
Certificate of deposit	<u>250,000</u>				
Total investments	<u>\$ 17,921,698</u>				

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

At June 30, 2015, the College's maturities of investments, which include debt securities (other than the U.S. government) held by counterparties that possess Moody's quality ratings of Aaa, are as follows:

	Fair Market Value	Less Than One Year	1-5 Years	5-10 Years	More Than 10 Years
Federal National Mortgage Assoc Step	\$ 499,875	\$ -	\$ 499,875	\$ -	\$ -
Federal Home Loan Bank Step	488,855	-	-	488,855	-
Federal Home Loan Bank Step	649,548	-	-	649,548	-
Federal National Mortgage Assoc Step	964,950	-	-	-	964,950
Federal Home Loan Bank Step	1,935,180	-	-	-	1,935,180
Federal National Mortgage Assoc Step	864,582	-	-	-	864,582
Federal National Mortgage Assoc Step	908,371	-	-	-	908,371
Federal National Mortgage Assoc Step	982,230	-	-	-	982,230
Federal Home Loan Bank Step	1,163,766	-	-	-	1,163,766
Federal Home Loan Bank Step	1,757,064	-	-	-	1,757,064
Federal Home Loan Bank Step	1,283,800	-	-	-	1,283,800
Federal National Mortgage Assoc Step	<u>969,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>969,100</u>
Total investments in debt securities	12,467,321	\$ -	\$ 499,875	\$ 1,138,403	\$ 10,829,043
Certificate of deposit	<u>752,172</u>				
Total investments	<u>\$ 13,219,493</u>				

The College utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2016 or 2015.

Certificates of deposit: Valued at face value plus accrued interest earned and classified as Level 1.

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

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

Money market fund: This investment is a public investment security valued using the NAV and are classified as Level 1. The NAV is based on amortized cost, which approximates fair value.

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

2016	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 250,000	\$ -	\$ -	\$ 250,000
U.S. government obligations	11,741,718	-	-	11,741,722
Corporate bonds	5,929,980	-	-	5,929,980
Money market accounts	<u>18,358,552</u>	<u>-</u>	<u>-</u>	<u>18,358,552</u>
Total investments at fair value	<u>\$ 36,280,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,280,254</u>

2015	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 752,172	\$ -	\$ -	\$ 752,172
U.S. government obligations	12,467,321	-	-	12,467,321
Money market accounts	<u>1,400,747</u>	<u>-</u>	<u>-</u>	<u>1,400,747</u>
Total investments at fair value	<u>\$ 14,620,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,620,240</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consist of the following at June 30:

	2016	2015
Student	\$ 1,477,065	\$ 1,215,715
Grants and contracts	2,397,981	1,421,890
State appropriations	2,009,812	1,900,289
Foundation	947,779	1,064,520
Third party and other	<u>526,479</u>	<u>1,084,232</u>
Total	7,359,116	6,686,646
Less: Allowance for doubtful accounts	<u>525,103</u>	<u>677,170</u>
Accounts receivable, net	<u>\$ 6,834,013</u>	<u>\$ 6,009,476</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Depreciable assets:					
Land improvements	\$ 5,738,892	\$ 153,652	\$ -	\$ -	\$ 5,892,544
Infrastructure	7,951,977	-	(28,761)	-	7,923,216
Building and building improvements	86,149,166	329,437	-	95,609	86,574,212
Furniture, fixtures and equipment	27,940,851	1,575,755	(278,737)	227,407	29,465,276
Docks	1,842,308	-	-	-	1,842,308
Subtotal depreciable assets	<u>129,623,194</u>	<u>2,058,844</u>	<u>(307,498)</u>	<u>323,016</u>	<u>131,697,556</u>
Nondepreciable assets:					
Art collection	1,069,465	10,000	-	-	1,079,465
Land	4,626,042	-	-	-	4,626,042
Construction in progress	349,079	163,431	-	(323,016)	189,494
Subtotal nondepreciable assets	<u>6,044,586</u>	<u>173,431</u>	<u>-</u>	<u>(323,016)</u>	<u>5,895,001</u>
Total depreciable and nondepreciable assets	<u>135,667,780</u>	<u>2,232,275</u>	<u>(307,498)</u>	<u>-</u>	<u>137,592,557</u>
Less accumulated depreciation:					
Land improvements	4,689,370	218,451	-	-	4,907,821
Infrastructure	6,158,294	199,084	-	-	6,357,378
Building and building improvements	37,684,866	2,385,792	-	-	40,070,658
Furniture, fixtures and equipment	22,193,973	1,818,302	(160,297)	-	23,851,978
Docks	1,595,296	169,797	-	-	1,765,093
Total accumulated depreciation	<u>72,321,799</u>	<u>\$ 4,791,426</u>	<u>\$ (160,297)</u>	<u>\$ -</u>	<u>76,952,928</u>
Capital assets, net	<u>\$ 63,345,981</u>				<u>\$60,639,629</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance July 1, 2014	Additions	Retirements	Transfers	Balance June 30, 2015
Depreciable assets:					
Land improvements	\$ 5,711,499	\$ 27,393	\$ -	\$ -	\$ 5,738,892
Infrastructure	7,280,128	23,608	-	648,241	7,951,977
Building and building improvements	86,104,712	44,454	-	-	86,149,166
Furniture, fixtures and equipment	26,830,464	2,337,770	(1,262,783)	35,400	27,940,851
Docks	<u>1,842,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,842,308</u>
Subtotal depreciable assets	<u>127,769,111</u>	<u>2,433,225</u>	<u>(1,262,783)</u>	<u>683,641</u>	<u>129,623,194</u>
Nondepreciable assets:					
Art collection	1,056,466	12,999	-	-	1,069,465
Land	4,626,042	-	-	-	4,626,042
Construction in progress	<u>526,667</u>	<u>506,053</u>	<u>-</u>	<u>(683,641)</u>	<u>349,079</u>
Subtotal nondepreciable assets	<u>6,209,175</u>	<u>519,052</u>	<u>-</u>	<u>(683,641)</u>	<u>6,044,586</u>
Total depreciable and nondepreciable assets	<u>133,978,286</u>	<u>2,952,277</u>	<u>(1,262,783)</u>	<u>-</u>	<u>135,667,780</u>
Less accumulated depreciation:					
Land improvements	4,476,953	212,417	-	-	4,689,370
Infrastructure	5,977,608	180,686	-	-	6,158,294
Building and building improvements	35,302,411	2,382,455	-	-	37,684,866
Furniture, fixtures and equipment	21,711,866	1,718,088	(1,235,981)	-	22,193,973
Docks	<u>1,464,230</u>	<u>131,066</u>	<u>-</u>	<u>-</u>	<u>1,595,296</u>
Total accumulated depreciation	<u>68,933,068</u>	<u>\$ 4,624,712</u>	<u>\$ (1,235,981)</u>	<u>\$ -</u>	<u>72,321,799</u>
Capital assets, net	<u>\$ 65,045,218</u>				<u>\$ 63,345,981</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM OBLIGATIONS

Long-term obligations activity during the years ended June 30, 2016 and 2015 was as follows:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Bonds Payable					
2009 Community College Refunding Bonds	\$ 1,920,000	\$ -	\$ (355,000)	\$ 1,565,000	\$ 365,000
2012 Community College Refunding Bonds	1,170,000	-	(155,000)	1,015,000	160,000
2015 Community College Refunding Bonds	12,200,000	-	(2,375,000)	9,825,000	2,425,000
2016 Community College Bonds	-	20,890,000	-	20,890,000	-
Total bonds payable	<u>15,290,000</u>	<u>20,890,000</u>	<u>(2,885,000)</u>	<u>33,295,000</u>	<u>2,950,000</u>
Deferred amounts					
Bond premium	-	668,513	-	668,513	30,874
Other Long-Term Obligations					
Accrued vacation and sick leave	<u>1,107,119</u>	<u>618,625</u>	<u>(527,470)</u>	<u>1,198,274</u>	<u>600,000</u>
Total long-term obligations	<u>\$ 16,397,119</u>	<u>\$22,177,138</u>	<u>\$ (3,412,470)</u>	<u>\$ 35,161,787</u>	<u>\$ 3,580,874</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
Bonds Payable					
2005 Community College Refunding Bonds	\$ 14,185,000	\$ -	\$ (14,185,000)	\$ -	\$ -
2009 Community College Refunding Bonds	2,270,000	-	(350,000)	1,920,000	355,000
2012 Community College Refunding Bonds	1,325,000	-	(155,000)	1,170,000	155,000
2015 Community College Refunding Bonds	-	<u>12,200,000</u>	-	<u>12,200,000</u>	<u>2,375,000</u>
Total bonds payable	17,780,000	12,200,000	(14,690,000)	15,290,000	2,885,000
Other Long-Term Obligations					
Accrued vacation and sick leave	<u>1,139,979</u>	<u>699,115</u>	<u>(731,975)</u>	<u>1,107,119</u>	<u>600,000</u>
Total long-term obligations	<u>\$ 18,919,979</u>	<u>\$12,899,115</u>	<u>\$(15,421,975)</u>	<u>\$ 16,397,119</u>	<u>\$ 3,485,000</u>

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

Community College Refunding Bonds, 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 \$145,000 to \$180,000, callable at a premium, and mature at varying amounts through 2022. As of June 30, 2016, the 2002 Series Bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2016, no amounts remain in escrow and the defeased bonds have been paid in full.

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 \$100,000 to \$420,000, callable at a premium, and mature at varying amounts through 2020. As of June 30, 2016, the 1999 Series Bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2016, no amounts remain in escrow and the defeased bonds have been paid in full.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

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 \$2,375,000 to \$2,485,000, callable at a premium, and mature at varying amounts through 2020. As of June 30, 2016, the 2005 Series Bonds are considered defeased and the liability has been removed from the statement of net position. At June 30, 2016, 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 3.00 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) will be used to construct residence housing, renovations to the museum, a new library and various other campus infrastructure projects. Bond issuance costs of \$101,846 are included as expenses in the accompanying financial statements for the year ended June 30, 2016.

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.

Debt Maturity

Total principal and interest maturities on bonds payable as of June 30, 2016 are as follows:

Year Ending June 30	Principal	Interest	Total
2017	\$ 2,950,000	\$ 790,893	\$ 3,740,893
2018	3,395,000	803,112	4,198,112
2019	3,760,000	743,040	4,503,040
2020	3,830,000	665,093	4,495,093
2021	955,000	577,427	1,532,427
2022-2026	4,535,000	2,485,440	7,020,440
2027-2031	5,235,000	1,777,950	7,012,950
2032-2036	6,290,000	931,800	7,221,800
2037-2038	2,345,000	98,550	2,443,550
	<u>\$ 33,295,000</u>	<u>\$ 8,873,305</u>	<u>\$ 42,168,305</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. LINE OF CREDIT

The College has a line of credit that provides for borrowing up to \$2,000,000. Interest is payable monthly at a floating rate per annum equal to 1.75 percent in excess of the LIBOR established by lender. The line of credit expires on April 5, 2017. There was no balance on the line of credit as of June 30, 2016 and 2015.

8. RETIREMENT PLANS

Plan Description

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided

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

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

Contributions and Funded Status

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2016 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56% to 23.07% of covered payroll for the College's fiscal 2016. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2016.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 15.44% to 23.07% of covered payroll for the College's fiscal 2015. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2015.

The College's contribution to MPSERS under all pension plans for the years ended June 30, 2016 and 2015 were \$4,112,085 and \$4,726,013, respectively. The College's contributions to MPSERS for all plans, including other postemployment benefits as described on page 45, for the year ended June 30, 2014 were \$4,566,526. These amounts are equal to the College's required contributions for each year.

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

At June 30, 2016 and 2015, the College reported a liability of \$44,052,561 and \$39,564,005, respectively for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014 and 2013, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the College's proportion was 0.18036%, which was an increase of 0.00074% from its proportion measured as of September 30, 2014 of 0.17962%.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of \$3,758,862 and \$3,204,863, respectively. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

2016	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 145,915	\$ (145,915)
Changes in assumptions	1,084,667	-	1,084,667
Net difference between projected and actual earnings on pension plan investments	224,853	-	224,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>136,867</u>	<u>5,044</u>	<u>131,823</u>
	1,446,387	150,959	1,295,428
College contributions subsequent to the measurement date	3,484,088	-	3,484,088
Pension portion of Sec 147c state aid award subsequent to the measurement date	<u>-</u>	<u>1,287,216</u>	<u>(1,287,216)</u>
Total	<u>\$ 4,930,475</u>	<u>\$ 1,438,175</u>	<u>\$ 3,492,300</u>

The \$3,484,088 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The \$1,287,216 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the year ending June 30, 2017. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ 159,094
2018	159,094
2019	100,281
2020	<u>876,959</u>
Total	<u>\$ 1,295,428</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2015, the College's proportionate share of pension expense was \$3,204,863. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2015	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 1,459,858	\$ -	\$ 1,459,858
Net difference between projected and actual earnings on pension plan investments	-	4,373,910	(4,373,910)
	1,459,858	4,373,910	(2,914,052)
College contributions subsequent to the measurement date	4,177,698	-	4,177,698
Total	\$ 5,637,556	\$ 4,373,910	\$ 1,263,646

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 and 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5% for 2014 (7% for 2013)
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015 and 2014, is based on the results of an actuarial valuation date of September 30, 2014 and 2013, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study for the 2014 valuations.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 and 2014, are summarized in the following table:

2015 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money- Weighted Rate of Return
Domestic equity pools	28.00%	5.90 %	1.64%
Alternative investment pools	18.00	9.20	1.66
International equity pools	16.00	7.20	1.15
Fixed income pools	10.50	0.90	0.09
Real estate and infrastructure pools	10.00	4.30	0.43
Absolute return pools	15.50	6.00	0.93
Short-term investment pools	<u>2.00</u>	0.00	<u>0.00</u>
	<u>100.00%</u>		5.90%
Inflation			<u>2.10</u>
Investment rate of return			<u>8.00%</u>

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

2014			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	4.80 %	1.34 %
Alternative investment pools	18.00	8.50	1.53
International equity	16.00	6.10	0.98
Fixed income pools	10.50	1.50	0.16
Real estate and infrastructure pools	10.00	5.30	0.53
Absolute return pools	15.50	6.30	0.98
Short-term investment pools	<u>2.00</u>	-0.20	<u>-0.02</u>
	<u>100.00 %</u>		<u>5.50 %</u>
Inflation			<u>2.50</u>
Investment rate of return			<u>8.00 %</u>

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

The following presents the net pension liability of the College as of June 30, 2016 and 2015, calculated using the discount rate of 8.0%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of net pension liability (2016)	\$ 56,795,043	\$ 44,052,561	\$ 33,310,126
College's proportionate share of net pension liability (2015)	\$ 52,162,796	\$ 39,564,005	\$ 28,950,876

Pension Plan Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2016, the College reported a payable of \$495,356 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016. The College reported a payable of \$87,968 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% and 2.20% to 2.71% of covered payroll for fiscal 2016 and 2015, respectively. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a U.S. Supreme Court resolution.

The College's contributions to MPERS for other postemployment benefits amounted to \$1,505,020 and \$507,374 for the years ended June 30, 2016 and 2015, respectively.

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, 2016 and 2015, the plan had 112 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, 2016 and 2015, that contribution rate was determined to be 11.5 percent. This resulted in the College contributing \$878,725 and \$797,017 for the years ended June 30, 2016 and 2015, respectively, to the plan.

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

9. RISK MANAGEMENT

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

Risk-Sharing Programs

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

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

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, 2016, and 2015 were insignificant. Changes in the estimated liability for the fiscal years ended June 30, 2016, and 2015 for health benefits were as follows:

	Health Benefits
Estimated liability - June 30, 2014	\$ 250,000
Estimated claims incurred, including changes in estimates	3,607,768
Less - claim payments	<u>3,732,768</u>
Estimated liability - June 30, 2015	125,000
Estimated claims incurred, including changes in estimates	3,334,461
Less - claim payments	<u>3,317,171</u>
Estimated liability - June 30, 2016	<u>\$ 142,290</u>

10. CONTINGENCIES

In the normal course of its activities, the College is a party to various legal actions. The College is of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

NORTHWESTERN MICHIGAN COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. 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:

	2016	2015
Revenue		
Sales and services	\$ 413,822	\$ 440,245
Federal grants and contracts	3,562	15,985
State grants and contracts	20,178	6,215
Support from component unit	573,881	434,768
Other sources	<u>79,207</u>	<u>115,272</u>
Total revenue	<u>1,090,650</u>	<u>1,012,485</u>
Operating and capital expenses		
Public service	954,745	926,000
Operations and maintenance of plant	<u>171,861</u>	<u>167,986</u>
Total expenses	<u>1,126,606</u>	<u>1,093,986</u>
Change in net position before transfers	(35,956)	(81,501)
Transfers in	<u>38,198</u>	<u>81,500</u>
Change in net position	2,242	(1)
Net position—beginning of year	<u>(492)</u>	<u>(491)</u>
Net position—end of year	<u>\$ 1,750</u>	<u>\$ (492)</u>



REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN

NORTHWESTERN MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	2016	2015
College's proportion of the net pension liability	0.18036%	0.17962%
College's proportionate share of the net pension liability	\$ 44,052,561	\$ 39,564,005
College's covered-employee payroll	\$ 15,446,667	\$ 15,420,406
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	285.19%	256.57%
Plan fiduciary net position as a percentage of the total pension liability	63.17%	66.20%

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

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

NORTHWESTERN MICHIGAN COLLEGE

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of College Contributions

	2016	2015
Contractually required contribution	\$ 4,112,085	\$ 4,726,013
Contributions in relation to the contractually required contribution	<u>(4,112,085)</u>	<u>(4,726,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 15,593,732	\$ 15,479,214
Contributions as a percentage of covered employee payroll	26.37%	30.53%

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

SUPPLEMENTARY INFORMATION

NORTHWESTERN MICHIGAN COLLEGE

COMBINING STATEMENT OF NET POSITION
JUNE 30, 2016 (Unaudited)
 (with comparative totals for 2015)

	Current Funds							Combined Total June 30, 2016	Combined Total June 30, 2015	
	General Fund	Designated Fund	Auxiliary Fund	Pension Liability Fund	Restricted Fund	Plant Fund	Loan Fund			Agency Fund
Assets										
Current assets										
Cash and cash equivalents	\$ 5,041,020	\$ -	\$ 3,750	\$ -	\$ (1,238,279)	\$ 264,471	\$ (77,076)	\$ 1,045,525	\$ 5,039,411	\$ 3,426,366
Restricted cash - unspent bond proceeds	-	-	-	-	-	15,502,547	-	-	15,502,547	-
Restricted short-term investments - unspent bond proceeds	-	-	-	-	-	5,929,980	-	-	5,929,980	-
Accounts receivable, net	3,696,142	-	461,809	-	2,594,157	2,125	72,684	7,096	6,834,013	6,009,476
Prepaid expenses and other current assets	557,061	19,125	546,341	-	-	8,044	-	-	1,130,571	1,122,924
Total current assets	9,294,223	19,125	1,011,900	-	1,355,878	21,707,167	(4,392)	1,052,621	34,436,522	10,558,766
Noncurrent assets										
Investments	283	2,968,923	3,603,319	-	-	5,419,193	-	-	11,991,718	13,219,493
Student loans receivable, net	-	-	-	-	-	-	4,392	-	4,392	2,886
Bond insurance costs	-	-	-	-	-	20,324	-	-	20,324	27,097
Capital assets, net	-	-	-	-	-	60,639,629	-	-	60,639,629	63,345,981
Total noncurrent assets	283	2,968,923	3,603,319	-	-	66,079,146	4,392	-	72,656,063	76,595,457
Total assets	9,294,506	2,988,048	4,615,219	-	1,355,878	87,786,313	-	1,052,621	107,092,585	87,154,223
Deferred outflows of resources										
Deferred pension amounts	-	-	-	4,930,475	-	-	-	-	4,930,475	5,637,556
Liabilities										
Current liabilities										
Current portion of long-term obligations	600,000	-	-	-	-	2,980,874	-	-	3,580,874	3,485,000
Accounts payable	979,215	9,127	148,322	-	84,013	135,087	-	57,453	1,413,217	1,649,012
Accrued liabilities:										
Payroll and withholdings	1,220,388	-	-	-	734,609	-	-	716,736	2,671,733	2,457,477
Interest	-	-	-	-	-	106,330	-	-	106,330	77,836
Unearned revenue	1,170,788	-	46,283	-	25,797	-	-	-	1,242,868	1,225,444
Total current liabilities	3,970,391	9,127	194,605	-	844,419	3,222,291	-	774,189	9,015,022	8,894,769
Noncurrent liabilities										
Long-term obligations, net of current portion	598,274	-	-	-	-	30,982,639	-	-	31,580,913	12,912,119
Deposits	36,612	-	269,386	-	511,459	-	-	278,432	1,095,889	850,813
Net pension liability	-	-	-	44,052,561	-	-	-	-	44,052,561	39,564,005
Total noncurrent liabilities	634,886	-	269,386	44,052,561	511,459	30,982,639	-	278,432	76,729,363	53,326,937
Total liabilities	4,605,277	9,127	463,991	44,052,561	1,355,878	34,204,930	-	1,052,621	85,744,385	62,221,706
Deferred inflows of resources										
Deferred pension amounts	-	-	-	1,438,175	-	-	-	-	1,438,175	4,373,910
Net position (deficit)										
Net investment in capital assets	-	-	-	-	-	48,780,462	-	-	48,780,462	48,055,981
Unrestricted (deficit)	4,689,229	2,978,921	4,151,228	(40,560,261)	-	4,800,921	-	-	(23,939,962)	(21,859,818)
Total net position (deficit)	\$ 4,689,229	\$ 2,978,921	\$ 4,151,228	\$ (40,560,261)	\$ -	\$ 53,581,383	\$ -	\$ -	\$ 24,840,500	\$ 26,196,163

NORTHWESTERN MICHIGAN COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016 (Unaudited)
(with comparative totals for 2015)

	Current Funds							Subtotal	Eliminations	Combined Total 30-Jun-16	Combined Total June 30, 2015
	General Fund	Designated Fund	Auxiliary Fund	Pension Liability Fund	Restricted Fund	Plant Fund	Loan Fund				
Operating revenues											
Tuition and fees, net	\$ 23,044,788	\$ -	\$ 7,887	\$ -	\$ -	\$ -	\$ -	\$ 23,052,675	\$ (3,690,483)	\$ 19,362,192	\$ 19,418,715
Federal grants and contracts	718,298	-	3,562	-	504,202	-	-	1,226,062	-	1,226,062	1,188,667
State grants and contracts	-	-	20,178	-	1,116,940	-	-	1,137,118	-	1,137,118	1,092,240
Private gifts, grants and contracts	5,673	-	1,224	-	165,255	-	-	172,152	-	172,152	139,826
Sales and services of auxiliary activities	-	-	4,442,517	-	-	-	-	4,442,517	-	4,442,517	4,710,730
Expended for plant facilities	-	-	-	-	-	2,362,609	-	2,362,609	(2,362,609)	-	-
Other sources	513,274	-	1,571,302	-	23,031	16,857	-	2,124,464	-	2,124,464	1,928,025
Total operating revenues	24,282,033	-	6,046,670	-	1,809,428	2,379,466	-	34,517,597	(6,053,092)	28,464,505	28,478,203
Operating expenses											
Instruction	19,310,612	83,376	39	434,012	770,200	568,593	-	21,166,832	(1,075,022)	20,091,810	18,954,871
Public service	421,059	15,154	2,240,286	67,213	461,299	113,700	-	3,318,711	(556,424)	2,762,287	2,533,840
Instructional support	7,418,693	1,208	98,835	162,244	160,308	61,062	-	7,902,350	(60,249)	7,842,101	7,179,412
Student services	5,847,999	17,857	3,689,351	136,468	6,907,717	-	-	16,599,392	(3,804,607)	12,794,785	12,669,542
Institutional administration	6,253,300	247,337	72,362	92,113	143,181	4,072	(4,520)	6,807,845	(124,572)	6,683,273	6,216,747
Operations and maintenance of plant	5,050,469	-	287,614	80,636	16,617	648,528	-	6,083,864	(432,218)	5,651,646	5,791,052
Depreciation	-	-	-	-	-	4,791,426	-	4,791,426	-	4,791,426	4,624,712
Total operating expenses	44,302,132	364,932	6,388,487	972,686	8,459,322	6,187,381	(4,520)	66,670,420	(6,053,092)	60,617,328	57,970,176
Operating loss	(20,020,099)	(364,932)	(341,817)	(972,686)	(6,649,894)	(3,807,915)	4,520	(32,152,823)	-	(32,152,823)	(29,491,973)
Nonoperating revenues (expenses)											
State appropriations	11,100,143	-	-	(1,287,216)	-	-	-	9,812,927	-	9,812,927	10,497,117
Pell grants	-	-	-	-	5,312,273	-	-	5,312,273	-	5,312,273	6,223,709
Property taxes	9,817,953	-	-	-	-	3,013,658	-	12,831,611	-	12,831,611	12,798,958
Support from component unit	510,150	-	650,740	-	1,359,283	-	-	2,520,173	-	2,520,173	2,881,782
Investment and interest income	386,175	-	-	-	-	6,843	-	393,018	-	393,018	293,828
Unrealized gain (loss) on investments	340,638	-	-	-	-	(18,462)	-	322,176	-	322,176	335,596
Bond cost amortization	-	-	-	-	-	(109,943)	-	(109,943)	-	(109,943)	(109,161)
Interest on capital asset - related debt	-	-	-	-	-	(285,075)	-	(285,075)	-	(285,075)	(668,052)
Net nonoperating revenues	22,155,059	-	650,740	(1,287,216)	6,671,556	2,607,021	-	30,797,160	-	30,797,160	32,253,777
Increase (decrease) in net position - before transfers	2,134,960	(364,932)	308,923	(2,259,902)	21,662	(1,200,894)	4,520	(1,355,663)	-	(1,355,663)	2,761,804
Transfers (out) in	(2,559,687)	283,500	(794)	-	(21,662)	2,303,163	(4,520)	-	-	-	-
Increase (decrease) in net position	(424,727)	(81,432)	308,129	(2,259,902)	-	1,102,269	-	(1,355,663)	-	(1,355,663)	2,761,804
Net position, beginning of year, as previously reported	5,113,956	3,060,353	3,843,099	(38,300,359)	-	52,479,114	-	26,196,163	-	26,196,163	62,495,340
Implementation of GASB 68	-	-	-	-	-	-	-	-	-	-	(39,060,981)
Net position (deficit), beginning of year, as restated	5,113,956	3,060,353	3,843,099	(38,300,359)	-	52,479,114	-	26,196,163	-	26,196,163	23,434,359
Net position (deficit), end of year	\$ 4,689,229	\$ 2,978,921	\$ 4,151,228	\$ (40,560,261)	\$ -	\$ 53,581,383	\$ -	\$ 24,840,500	\$ -	\$ 24,840,500	\$ 26,196,163