

Montcalm
Community
College



Years Ended
June 30,
2018 and 2017

Financial
Statements
and
Supplementary
Information

MONTCALM COMMUNITY COLLEGE

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June 30, 2018

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June 30, 2018

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MONTCALM COMMUNITY COLLEGE

Table of Contents

	<u>Page</u>
Management's Discussion and Analysis	1
Independent Auditors' Report	12
Basic Financial Statements for the Years Ended June 30, 2018 and 2017	16
Statements of Net Position	17
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19
Notes to Financial Statements	21
Required Supplementary Information	54
MPSERS Cost Sharing Multiple-Employer Plan	
Schedule of the College's Proportionate Share of the Net Pension Liability	55
Schedule of the College's Pension Contributions	56
Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability	57
Schedule of the College's Other Postemployment Benefits Contributions	58
Supplementary Information as of and for the Year Ended June 30, 2018 (Unaudited)	59
Combining Statement of Net Position	60
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position	62

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

The discussion and analysis of *Montcalm Community College's* (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2018, 2017 and 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's management.

Using this Report

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements and notes to financial statements. Following the basic financial statements and footnotes are required supplementary information and two supplementary schedules, the Combining Statement of Net Position and the Combining Statement of Revenue, Expenses, Transfers and Changes in Net Position. Though the Governmental Accounting Standards Board (GASB) does not require the supplementary combining statements be present for a fair and complete presentation, these additional statements do provide additional information regarding the various funds and activities of the College that is not disclosed in the basic statements.

The Montcalm Community College Foundation (the "Foundation") is a legally separate, tax-exempt not-for-profit organization that was formed to solicit, collect, and invest donations made for the promotion of educational activities at and to augment the facilities of the College. The Foundation acts primarily as a fundraising organization to supplement the resources of the College in support of its programs and facilities. Since the 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 under governmental accounting standards. Because College management has operational responsibility for the Foundation in addition to meeting other criteria, the Foundation is blended into the College's financial statements.

Financial Highlights

The College's financial position decreased \$2,429,171 during the year ended June 30, 2018. The College was able to offset some of the negative impact with an increase in cash and continued favorable markets related to investments. The major impact related to a decrease net position resulted primarily due to the addition of other postemployment benefits ("OPEB") liabilities of approximately \$6 million related to the OPEB implementation of Governmental Accounting Standards Board Statement No. 75, *Postemployment Benefits Other Than Pensions* (GASB 75) for the year ended June 30, 2018. This standard for the first time requires the College to record its proportionate share of the OPEB liability associated with providing healthcare to retirees in the Michigan Public School Employees Retirement System (MPSERS), the defined benefit plan in which the majority of the employees of the College participate. This standard, coupled with the pension-related liability disclosures first reported for the fiscal year ended June 30, 2015 under Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), has had a significant impact on the liabilities and net position of the College as discussed below. Additional information is also included in Note 8 to the financial statements, and in the required supplementary information following the footnotes.

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

One of the most important questions asked about the College's finances is, "Is Montcalm Community College as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Montcalm Community College's operating results.

These two statements report Montcalm Community College's net position and changes in them. You can think of Montcalm Community College's net position – the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources – as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider many other nonfinancial factors, such as the trend in college applicants, student retention, condition of the buildings, and strength of the faculty and staff, to assess the overall health of the College.

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Following is a comparative analysis of the major components of the net position of the College as of June 30, 2018 and 2017, and as of June 30, 2017 and 2016 (in millions):

	<u>2018</u>	<u>2017</u>	Increase (Decrease)	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Current Assets	\$7.2	\$5.6	\$1.6	\$5.6	\$4.9	\$0.7
Restricted Assets	19.8	16.8	3.0	16.8	13.3	3.5
Property and Equipment (net)	<u>14.9</u>	<u>15.9</u>	<u>(1.0)</u>	<u>15.9</u>	<u>16.9</u>	<u>(1.0)</u>
Total Assets	<u>41.9</u>	<u>38.3</u>	<u>3.6</u>	<u>38.3</u>	<u>35.1</u>	<u>3.2</u>
Deferred Outflows of Resources	<u>4.2</u>	<u>2.1</u>	<u>2.1</u>	<u>2.1</u>	<u>1.8</u>	<u>0.3</u>
Current Liabilities	2.1	1.9	0.2	1.9	1.9	0.0
Long-term Liabilities	<u>27.1</u>	<u>20.5</u>	<u>6.6</u>	<u>20.5</u>	<u>20.5</u>	<u>0.0</u>
Total Liabilities	<u>29.2</u>	<u>22.4</u>	<u>6.8</u>	<u>22.4</u>	<u>22.4</u>	<u>0.0</u>
Deferred Inflows of Resources	<u>2.1</u>	<u>0.8</u>	<u>1.3</u>	<u>0.8</u>	<u>0.7</u>	<u>0.1</u>
Net Assets:						
Invested in capital assets	11.3	12.1	(0.8)	12.1	12.7	(0.6)
Restricted – expendable	12.6	11.5	2.9	11.5	8.9	0.8
Restricted – nonexpendable	0.3	0.3	-	0.3	0.3	-
Unrestricted (deficit)	<u>(9.4)</u>	<u>(6.7)</u>	<u>(4.5)</u>	<u>(6.7)</u>	<u>(8.1)</u>	<u>3.2</u>
Total Net Position	<u>\$14.8</u>	<u>\$17.2</u>	<u>\$(2.4)</u>	<u>\$17.2</u>	<u>\$13.8</u>	<u>\$3.4</u>

The largest contributing factor to long-term liabilities lies with the implementation of the GASB 75 standard (as previously mentioned) for the year ending June 30, 2018 with a substantial increase in this current year of \$6 million. In totality, the Pension and OPEB liabilities reflect \$23.8 million for June 30, 2018 and \$16.9 million for June 30, 2017. In addition, total assets increased \$3.6 million for June 30, 2018 which is comparative to \$3.2 million increase for June 30, 2017. The majority of the increases are related to increases in investments.

See Note 8 of the financial statements for more information regarding the MPSERS Pension and OPEB liability details.

Following is a comparative analysis of the major components of the operating results of the College as of June 30, 2018 and 2017 and as of June 30, 2017 and 2016 (in millions):

	<u>2018</u>	<u>2017</u>	Increase (Decrease)	<u>2017</u>	<u>2016</u>	Increase (Decrease)
Operating Revenues:						
Tuition and Fees	\$4.3	\$4.1	\$0.2	\$4.1	\$3.0	\$1.1
Federal Grants and Contracts	0.2	0.2	0.0	0.2	0.3	(0.1)
State Grants and Contracts	0.4	0.3	0.1	0.3	1.4	(1.1)
Other	<u>0.3</u>	<u>0.3</u>	<u>-</u>	<u>0.3</u>	<u>0.3</u>	<u>-</u>
Total Operating Revenues	<u>5.2</u>	<u>4.9</u>	<u>0.3</u>	<u>4.9</u>	<u>5.0</u>	<u>(0.1)</u>
Operating Expenses:						
Instruction	6.3	6.0	0.3	6.0	7.3	(1.3)
Public Service	0.3	0.3	-	0.3	0.3	-
Instructional Support	2.5	2.4	0.1	2.4	2.7	(0.3)
Student Services	1.9	2.0	(0.1)	2.0	2.2	(0.2)
Institutional Administration	1.9	2.2	(0.3)	2.2	2.3	(0.1)
Information Technology	1.0	1.3	(0.3)	1.3	-	1.3
Operation and Maintenance of Physical Plant	1.7	1.7	-	1.7	1.5	0.2
Depreciation and other	<u>1.7</u>	<u>1.6</u>	<u>0.1</u>	<u>1.6</u>	<u>1.4</u>	<u>0.2</u>
Total Operating Expenses	<u>17.3</u>	<u>17.5</u>	<u>(0.2)</u>	<u>17.5</u>	<u>17.7</u>	<u>(0.2)</u>
Net Operating Loss	<u>(12.1)</u>	<u>(12.6)</u>	<u>0.5</u>	<u>(12.6)</u>	<u>(12.7)</u>	<u>0.1</u>
Non operating Revenues:						
State Appropriations	3.5	3.5	-	3.5	3.6	(0.1)
Federal Grants – PELL	2.5	2.4	0.1	2.4	2.7	(0.3)
Property Taxes	6.6	6.1	.5	6.1	5.9	.2
Other Non operating Revenues (Expenses)	<u>3.1</u>	<u>3.9</u>	<u>(0.8)</u>	<u>3.9</u>	<u>(0.1)</u>	<u>(4.0)</u>
Net Non operating Revenues	<u>15.7</u>	<u>15.9</u>	<u>(0.2)</u>	<u>15.1</u>	<u>12.1</u>	<u>3.8</u>
Other Revenue	<u>0.0</u>	<u>0.1</u>	<u>(0.1)</u>	<u>0.1</u>	<u>2.1</u>	<u>(2.0)</u>
Increase in Net Position	3.5	3.4	0.1	3.4	0.5	2.9
Net Assets – Beginning	17.3	13.8	3.5	13.8	13.3	.5
Implementation of GASB 75	<u>(6.0)</u>	<u>-</u>	<u>(6.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adjusted Net Position – beginning	<u>11.3</u>	<u>13.8</u>	<u>2.5</u>	<u>13.8</u>	<u>13.3</u>	<u>.5</u>
Net Assets - Ending	<u>\$14.8</u>	<u>\$17.2</u>	<u>\$(2.5)</u>	<u>\$17.2</u>	<u>\$13.8</u>	<u>\$3.4</u>

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, food services and 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.

Operating revenue changes between 2018 and 2017 were the result of the following factors:

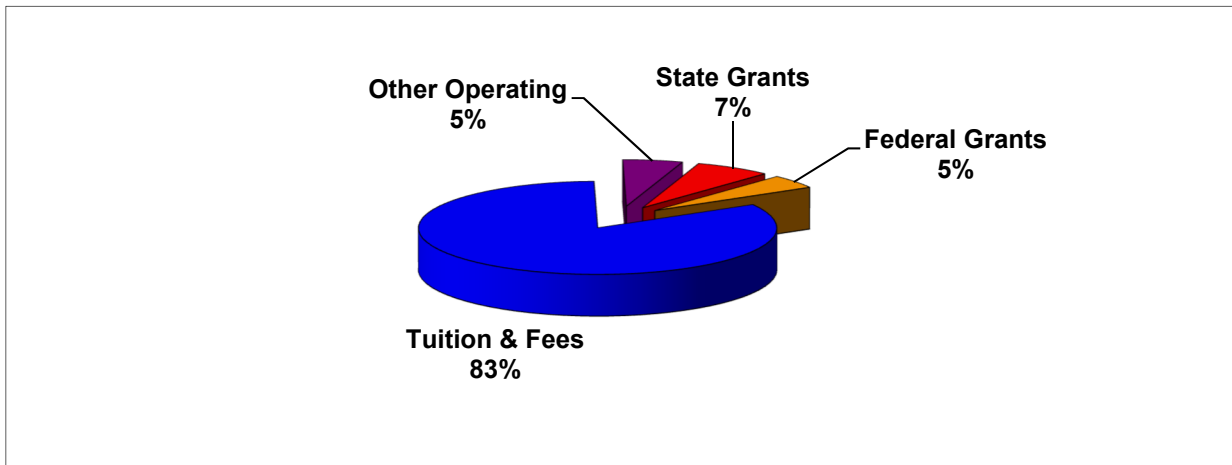
- Student tuition and fee revenue increased 4% and included a Board approved tuition increase of 3% and enrollment, in regard to contact hours, increased 1.1% overall.
- Grants and contracts revenues increased from 2017 mostly due to the Michigan New Jobs Training Program.

Operating revenue changes between 2017 and 2016 were the result of the following factors:

- Student tuition and fee revenue increased from the Board approved tuition increase of 5% and additional technology fees, but enrollment in regard to contact hours decreased 10.5%.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Tuition and fees	\$ 4,299,850	\$ 4,121,309	\$ 2,970,709
Federal grants and contracts	245,412	232,593	253,750
State grants and contracts	358,071	259,339	417,856
Nongovernmental grant	12,500	-	-
Other operating revenues	<u>264,386</u>	<u>273,415</u>	<u>305,756</u>
Total operating revenue	<u>\$ 5,180,219</u>	<u>\$ 4,886,656</u>	<u>\$ 3,948,071</u>

The following is a graphic illustration of 2018 operating revenues by source:



Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. The operating expense changes were the result of variations due to enrollment changes and staffing changes. Enrollment, measured in student contact hours, overall increased 1.1% during the year ended June 30, 2018. This is a stark contrast to the decline of 10.5% experienced during the year ended June 30, 2017.

The operating expense changes between 2018 and 2017 were the result of the following factors:

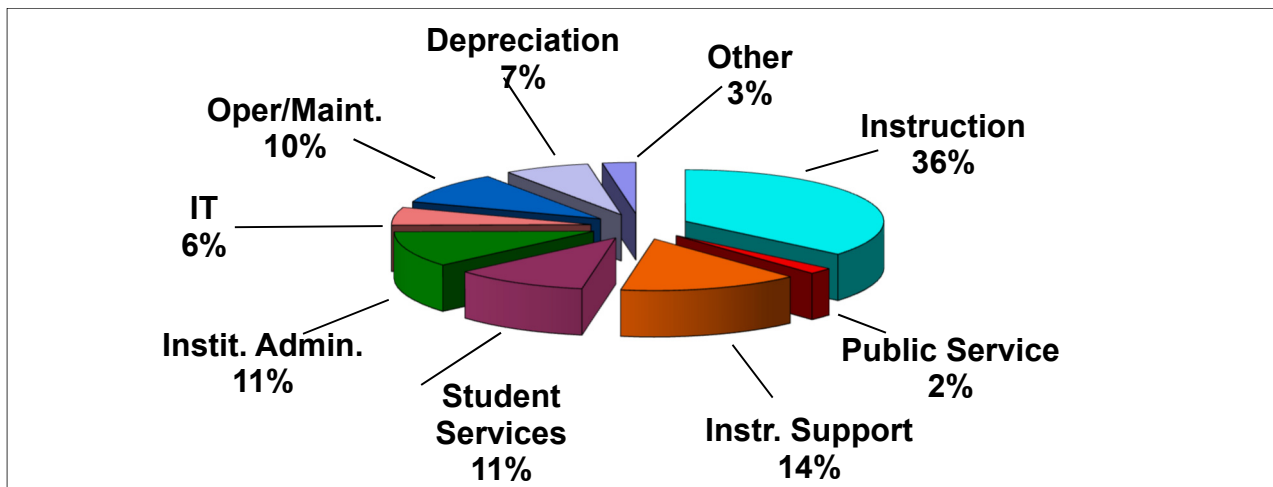
- Instruction costs increased in 2018 due to a slight increase in hiring qualified instructors as there is continued growth in dual enrollment and industrial programs.
- Instructional support costs increased slightly in 2018 due to the cost of unique software and equipment.
- Student services costs decreased in 2018 due to continuing efforts to reorganization of related departments and personnel changes.
- Institutional administration costs decreased in 2018 due to the minor staffing changes.
- During fiscal 2018, the State of Michigan implemented a new activities classification structure to include information technology. These costs were retroactively allocated and reclassified in fiscal 2017 for comparative purposes.
- Operation and maintenance of plant increased slightly in 2018 due to continuation of repairs and improvements.

The operating expense changes between 2017 and 2016 were the result of the following factors:

- Instruction costs decreased in 2017 and increased in 2016 due to variations in enrollment, the cost of instructional technologies and average class sizes.
- Instructional support costs increased slightly in 2017 due to the cost of unique software, equipment, and instructional technologies.
- Student services costs decreased in 2017 due to reorganization of related departments and personnel changes.
- Institutional administration costs increased in 2017 and 2016 due to fluctuating technology and similar costs.
- Operation & maintenance of plant increased in 2017 due to improvement/repair projects.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Instruction	\$ 6,263,521	\$ 6,022,754	\$ 7,317,784
Public services	344,193	330,792	343,677
Instructional support	2,526,358	2,440,267	2,713,402
Student services	1,891,143	1,951,808	2,225,648
Institutional administration	1,945,572	2,134,797	2,266,177
Information technology	965,267	1,287,119	-
Operation and maintenance of plant	1,738,690	1,696,137	1,464,280
Depreciation	1,204,337	1,240,874	1,139,615
Other	<u>461,324</u>	<u>343,177</u>	<u>254,415</u>
Total operating expenses	<u>\$17,340,405</u>	<u>\$17,447,725</u>	<u>\$17,724,998</u>

The following is a graphic illustration of operating expenses by source:



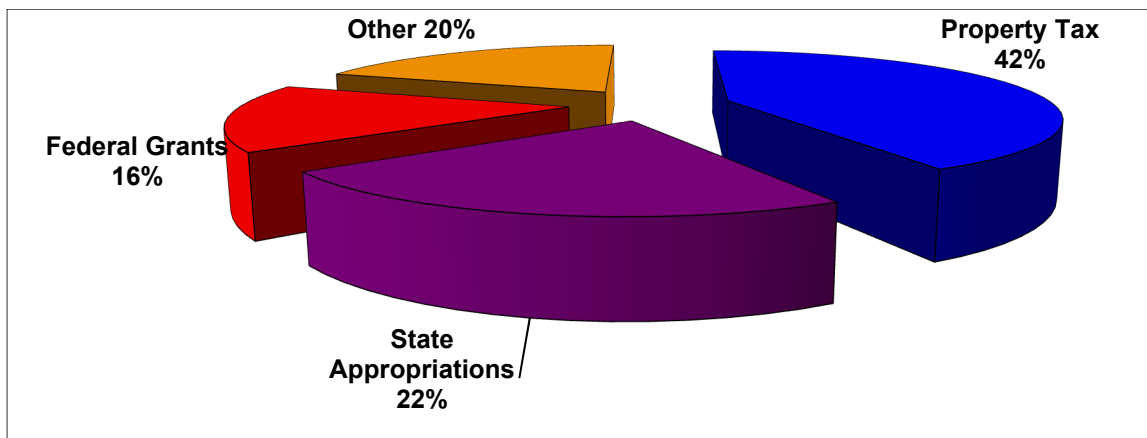
Nonoperating Revenues

Nonoperating revenues are all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and grants and contracts that do not require any services to be performed.

Nonoperating revenue changes were principally due to decreased growth in the economic markets compared to 2017 and are related to foundation investments. A significant increase occurred with property taxes. Federal Pell grants continue to be a funding source for students for financial aid and we experienced a slight increase for fiscal year 2018 related to the slight increase in enrollment.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
State appropriations	\$ 3,525,853	\$ 3,553,204	\$ 3,607,744
Property tax levy	6,610,536	6,083,652	5,904,506
Federal grants - Pell	2,477,990	2,438,283	2,699,020
Investment income (loss) and other	<u>3,061,233</u>	<u>3,915,875</u>	<u>(209,615)</u>
	<u>\$15,675,612</u>	<u>\$15,991,014</u>	<u>\$12,001,655</u>

The following is a graphic illustration of 2018 nonoperating revenues by source:



Other Revenue

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Other revenue for the year ended June 30, 2018 was zero compared to the year ended June 30, 2017 which was \$72,324 compared to \$2,145,573 for year ended June 30, 2016. In fiscal 2016, the College received a CCSTEP grant from the State of Michigan.

Statement of Cash Flows

Another way to assess the financial health of a 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:

	<u>2018</u>	<u>2017</u>	Increase <u>(Decrease)</u>
Cash Provided (Used) by:			
Operating Activities	(10,547,504)	(11,038,893)	491,389
Noncapital Financing Activities	13,809,768	14,310,914	(501,146)
Capital and Related Financing Activities	(590,721)	(630,547)	39,826
Investing Activities	<u>(1,255,223)</u>	<u>(1,602,493)</u>	<u>347,270</u>
Net Increase in Cash	1,416,320	1,038,981	377,339
Cash – beginning	<u>4,184,097</u>	<u>3,145,116</u>	
Cash - ending	<u>\$5,600,417</u>	<u>\$4,184,097</u>	

	<u>2017</u>	<u>2016</u>	Increase <u>(Decrease)</u>
Cash Provided (Used) by:			
Operating Activities	(11,038,893)	(12,049,992)	1,011,099
Noncapital Financing Activities	14,310,914	12,176,243	2,134,671
Capital and Related Financing Activities	(630,547)	207,554	(838,101)
Investing Activities	<u>(1,602,493)</u>	<u>324,983</u>	<u>1,927,476</u>
Net Increase in Cash	1,038,981	658,788	380,193
Cash - beginning	<u>3,145,116</u>	<u>2,486,328</u>	
Cash - ending	<u>\$4,184,097</u>	<u>\$3,145,116</u>	

The College's liquidity increased significantly during 2018. The following discussion amplifies the overview of cash flows presented above.

Cash used in operating activities was approximately \$10.5 million. Major sources of funds came from student tuition and fees (\$4.3 million), and a mixture of state and federal grants and contracts (\$.5 million). Primary uses were payments to employees and suppliers (\$15.6 million).

Gifts from donors was approximately \$1.8 million during 2018. Cash flows from tuition and fees increased along with Pell grants during 2018. Property tax revenue for operations increased during 2018. All of which resulted in the overall increase in noncapital financing sources during 2018. Cash provided by investing activities related primarily to the investing of donated funds during 2018.

Capital Asset and Debt Administration

Capital Assets:

At June 30, 2018, the College had approximately \$14.9 million invested in capital assets, net of accumulated depreciation of approximately \$25.5 million. Depreciation charges totaled \$1,204,337 for 2018. Details of these assets are shown below.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land and infrastructure	\$ 3,650,498	\$ 3,604,501	\$ 3,604,501
Buildings	32,005,573	32,034,291	32,005,573
Furniture, fixtures and equipment	<u>4,746,980</u>	<u>4,630,613</u>	<u>4,511,440</u>
	<u>\$40,403,051</u>	<u>\$40,269,405</u>	<u>\$40,121,514</u>

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

Debt:

At year-end, June 30, 2018, the College had \$3,583,534 in debt outstanding versus \$3,827,091 in June 30, 2017 and \$4,142,270 at June 30, 2016. These include general obligation bonds related to the extensive construction and renovation projects that occurred in years prior to June 30, 2008, bonds issued in 2012 for the Advanced Technology Center construction project, and the installment purchase agreement described in the following paragraph.

During fiscal 2018, the College issued \$3,165,000 in bonds refunding the 2007 and 2012 bonds in the amounts of \$1,555,000 and \$1,610,000, respectively. Prior to the refunding, \$125,000 was repaid on the 2007 bond, and \$80,000 was repaid subsequent to the refunding on the new bonds before year end.

During the year ended June 30, 2012, the College entered into an Installment Purchase Agreement to finance a program of energy conservation improvements. The approximately \$1.2 million cost of these improvements is being repaid in monthly installments over a ten-year period.

The College made scheduled debt repayments of \$128,557 during 2018. More detailed information about the College's long-term liabilities is presented in the footnotes to the financial statement.

Economic Factors That Will Affect The Future

The economic position of the College is closely tied to that of the State. Because of limited economic growth and increased demand for state resources, the current state budget provides an approximate 1.5% increase from the previous year in funding to the College in 2018-19. Property values, and related property tax revenues, are expected to remain flat for fiscal year 2018-19. Enrollment for the fall 2018, semester is down in headcount by 1%, and contact hours are down 1.6% as well, compared to the previous year, indicating that recent enrollment declines are continuing to level off.

With enrollment, property tax revenue and state appropriation levels all remaining relatively flat, the College Board decided to maintain tuition levels at the current rates which result in no tuition increase for the coming fiscal year. The College continues to work with all staff members to increase work efficiencies while reducing costs where possible while planning for the future of the College. College personnel also continue working with area economic development officials to bring new employers into the area, creating job-training opportunities for the College. The College will be working with these companies to provide much of the training necessary for these workers. The College is also in the process of creating a new five-year master plan which will assist with future growth opportunities.

With the additions of GASB 75 and GASB 68 in June 30, 2018 and June 30, 2015, respectively, the lasting impact on the College's net position will continue in future years. We expect these amounts to change annually based on actuarial calculations and updating of related assumptions. This change in accounting is expected to be taken into consideration by the bond rating agencies and as well as with the Higher Learning Commission. 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. MPSERS was created and is administered by the State of Michigan. The College has no input into the benefits it provides, its investments or investment strategies, the rate that MPSERS charges the College, or its resulting net pension and OPEB liabilities.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

November 14, 2018

To the Board of Trustees
Montcalm Community College
Sidney, Michigan**Report on Financial Statements**

We have audited the accompanying financial statements of the business-type activities of *Montcalm Community College* (the "College") as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of ***Montcalm Community College*** as of June 30, 2018 and 2017, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Notes 2 and 8, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of business-type activities as of July 1, 2017 was restated. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated November 14, 2018, on our consideration of *Montcalm Community 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 *Montcalm Community College's* internal control over financial reporting and compliance.

Rehmann Robson LLC

FINANCIAL STATEMENTS

MONTCALM COMMUNITY COLLEGE

Statements of Net Position

	June 30	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 5,600,417	\$ 4,184,097
Accounts receivable, less allowance for uncollectible accounts of \$697,631 (\$890,340 in 2017)	293,495	301,566
Property taxes receivable	180,630	198,217
State appropriations receivable	769,976	737,366
Federal and state grants receivable	98,168	315
Pledges receivable	207,913	21,838
Prepays and other assets	6,102	129,282
Total current assets	7,156,701	5,572,681
Noncurrent assets		
Pledges receivable, net of current portion	400,000	-
Investments	19,445,665	16,798,044
Capital assets		
Nondepreciable	854,783	808,786
Depreciable, net	14,039,967	15,087,109
Total noncurrent assets	34,740,415	32,693,939
Total assets	41,897,116	38,266,620
Deferred outflows of resources		
Deferred pension and OPEB amounts	4,247,286	2,135,223
Liabilities		
Current liabilities		
Accounts payable	386,373	307,491
Accrued interest	11,260	27,580
Accrued payroll, vacation (current portion) and other compensation	782,786	712,501
Deposits	398,797	346,360
Unearned revenue	111,269	150,368
Current portion of bonds and note payable	376,665	328,558
Total current liabilities	2,067,150	1,872,858
Bonds and note payable, net of current portion	3,206,869	3,498,533
Net pension liability	17,710,136	16,904,228
Net OPEB liability	6,092,951	-
Accrued vacation, net of current portion	86,545	92,284
Total liabilities	29,163,651	22,367,903
Deferred inflows of resources		
Deferred pension and OPEB amounts	2,138,556	762,574
Net position		
Net investment in capital assets	11,311,216	12,068,803
Restricted for		
Expendable scholarships and grants	12,575,430	11,482,012
Nonexpendable endowments (Note 10)	312,539	312,539
Unrestricted deficit (Note 7)	(9,356,990)	(6,591,988)
Total net position	\$ 14,842,195	\$ 17,271,366

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

MONTCALM COMMUNITY COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30	
	2018	2017
Operating revenues		
Tuition and fees, net of scholarship allowance of \$1,970,118 (\$1,996,935 in 2017)	\$ 4,299,850	\$ 4,121,309
Federal grants and contracts	245,412	232,593
State grants and contracts	358,071	259,339
Nongovernmental grant	12,500	-
Auxiliary activities	115,754	126,253
Other	148,632	147,162
Total operating revenues	5,180,219	4,886,656
Operating expenses		
Instruction	6,263,521	6,022,754
Public services	344,193	330,792
Instructional support	2,526,358	2,440,267
Student services	1,891,143	1,951,808
Institutional administration	1,945,572	2,134,797
Information technology	965,267	1,287,119
Operation and maintenance of plant	1,738,690	1,696,137
Depreciation	1,204,337	1,240,874
Other	461,324	343,177
Total operating expenses	17,340,405	17,447,725
Operating loss	(12,160,186)	(12,561,069)
Nonoperating revenues (expenses)		
State appropriations	3,525,853	3,553,204
Federal Pell grants	2,477,990	2,438,283
Property taxes	6,610,536	6,083,652
Interest and dividend income	252,656	168,274
Net realized and unrealized gain on investments	1,139,742	1,679,807
Interest on capital asset - related debt	(127,652)	(130,032)
Gifts	1,796,487	2,197,826
Net nonoperating revenues	15,675,612	15,991,014
Other revenue		
Capital gifts and grants	-	72,324
Increase in net position	3,515,426	3,502,269
Net position - beginning of year	17,271,366	13,769,097
Implementation of GASB 75 (Notes 2 and 8)	(5,944,597)	-
Net position, beginning of year, as adjusted	11,326,769	13,769,097
Net position - end of year	\$14,842,195	\$17,271,366

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

MONTCALM COMMUNITY COLLEGE

Statements of Cash Flows

	Year Ended June 30	
	2018	2017
Cash flows from operating activities		
Tuition and fees, net	\$ 4,268,822	\$ 4,170,644
Grants and contracts	518,130	819,830
Payments to suppliers	(4,012,584)	(4,238,732)
Payments to employees	(11,586,258)	(12,062,050)
Auxiliary enterprises	115,754	126,253
Other	148,632	145,162
Net cash used in operating activities	(10,547,504)	(11,038,893)
Cash flows from noncapital financing activities		
Property taxes	6,628,123	6,087,874
Federal Pell grants	2,477,990	2,438,283
State appropriations	3,493,243	3,539,619
Direct loans/FFEL receipts	2,631,915	2,780,064
Direct loans/FFEL disbursements	(2,631,915)	(2,780,064)
Gifts	1,210,412	2,245,138
Net cash provided by noncapital financing activities	13,809,768	14,310,914
Cash flows from capital and related financing activities		
Purchases of capital assets	(203,192)	(258,129)
Proceeds from sale of capital assets	-	2,000
Principal paid on bonds and note payable	(3,408,557)	(315,179)
Capital grant and gift proceeds	-	72,324
Proceeds from issuance of bonds	3,165,000	-
Interest paid on capital asset - related debt	(143,972)	(131,563)
Net cash used in capital and related financing activities	(590,721)	(630,547)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	4,905,023	11,985,486
Interest and dividends on investments	252,656	168,274
Purchase of investments	(6,412,902)	(13,756,253)
Net cash used in investing activities	(1,255,223)	(1,602,493)
Net increase in cash and cash equivalents	1,416,320	1,038,981
Cash and cash equivalents		
Beginning of year	4,184,097	3,145,116
End of year	\$ 5,600,417	\$ 4,184,097

(Continued...)

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

MONTCALM COMMUNITY COLLEGE

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2018	2017
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (12,160,186)	\$ (12,561,069)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,204,337	1,240,874
Gain on sale of capital assets	-	(2,000)
Change in operating assets and liabilities which provided (used) cash:		
Accounts receivable	8,071	32,392
Federal and state grants receivable	(97,853)	327,898
Prepays and other assets	123,180	(45,430)
Accounts payable	78,882	29,346
Accrued payroll, vacation and other compensation	64,546	(68,642)
Deposits	52,437	30,053
Unearned revenue	(39,099)	16,943
Change in net pension and OPEB liability and deferred amounts	218,181	(39,258)
Net cash used in operating activities	<u>\$ (10,547,504)</u>	<u>\$ (11,038,893)</u>

(Concluded)

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

1. MISSION

Montcalm Community College (the “College”) is a Michigan community college whose mission is to create a learning community, contributing to shared economic, cultural and social prosperity for all citizens. The College offers associate degrees, numerous certificate programs, and other educational programs while being accredited by the Higher Learning Commission. The primary education centers for the College are its main campus situated northeast of Greenville, and extension centers located in Greenville, Ionia, and Howard City.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The College reports as a business-type activity, as defined by governmental accounting standards. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods and services.

The Montcalm Community College Foundation (the “Foundation”) is a legally separate, tax-exempt not-for-profit organization that was formed to solicit, collect, and invest donations made for the promotion of educational activities at and to augment the facilities of the College. The Foundation acts primarily as a fundraising organization to supplement the resources of the College in support of its programs and facilities. Since the 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 under governmental accounting standards. Because College management has operational responsibility for the Foundation in addition to meeting other criteria, the Foundation is blended into the College’s financial statements.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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

	2018	2017
Condensed statement of net position		
Total assets	\$ 20,341,732	\$ 17,588,813
Total liabilities	<u>(6,675)</u>	<u>(22,868)</u>
Total net position	<u>\$20,335,057</u>	<u>\$17,565,945</u>
Condensed statement of revenues, expenses and changes in net position		
Revenues	\$ 3,424,941	\$ 4,263,290
Expenses	<u>(655,829)</u>	<u>(663,113)</u>
Changes in net position	2,769,112	3,600,177
Beginning net position	<u>17,565,945</u>	<u>13,965,768</u>
Ending net position	<u>\$20,335,057</u>	<u>\$17,565,945</u>
Condensed statement of cash flow		
Net cash provided by (used in)		
Operating activities	\$ (219,704)	\$ (191,102)
Non-capital financing activities	1,200,412	2,240,138
Investing activities	<u>(1,507,879)</u>	<u>(1,772,217)</u>
Net change in cash and cash equivalents	(527,171)	276,819
Beginning cash and cash equivalents	<u>653,159</u>	<u>376,340</u>
Ending cash and cash equivalents	<u>\$ 125,988</u>	<u>\$ 653,159</u>

Significant accounting policies followed by the College and Foundation are described below:

Basis of Accounting and Presentation

The financial statements have been prepared using the economic resource management focus and 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. The College follows all applicable GASB pronouncements. Certain revenue recognition criteria and presentation features are different under the Financial Accounting Standards Board, which is applicable to the Foundation, from GASB.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, cash on hand, and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable

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

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.

Operating revenues of the College consist of tuition and fees, grants other than Federal Pell grants, and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, property taxes and Federal Pell grants are components of nonoperating and other revenues. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy any expenses.

Investments

The Foundation carries investments in cash as well as in investment securities of mutual funds and exchange traded funds 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. The Foundation maintains investment accounts for its nonexpendable and expendable endowments. Realized and unrealized gains and losses from securities in the investment accounts are allocated quarterly based on the relationship of the market value of each endowment fund to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Fair Value Measurements

The Foundation has categorized its financial assets and liabilities carried at fair value into a three-level fair value hierarchy, based on the nature of the inputs used in determining fair value.

The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). For a further discussion of fair value, refer to Note 4.

Capital Assets and Depreciation

Capital assets, which the College defines as property and equipment with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year, are recorded at cost or, if acquired by gift, at the fair value on the date of acquisition. Management reviews capital assets for impairment. Depreciation is provided for property and equipment on a straight-line basis over the estimated useful lives of the assets as follows:

Classifications	Estimated Useful Lives
Buildings	40
Infrastructure and land improvements	15
Building improvements	10
Furniture and fixtures	5
Computer equipment	4
Library materials	7

Accrued Vacation

Accrued vacation represents the accumulated liability to be paid under the College's current vacation pay policy.

Unearned Revenue

Unearned revenue at June 30, 2018 and 2017, consists of revenue received prior to year-end that relates to summer semester tuition for the period subsequent to July 1 for the semester, which began May 30 and concluded on July 30 in 2018 and began May 22 and concluded August 1 in 2017.

Gifts and Pledges

Gifts are recorded at estimated fair value when received, and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Internal Service Activities

Both revenue and expenses related to internal service activities including office equipment, maintenance, and telecommunications have been eliminated in the presentation of these financial statements.

Property Taxes

Property taxes levied by the College are collected by various municipalities and periodically remitted to the College. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property tax revenues are recognized when levied to the extent that they are determined to be collectible. For both the years ended June 30, 2018 and 2017, the College levied 2.720 mills, per \$1,000 of taxable value for general operations.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance, net pension liability, net OPEB liability, and deferred outflows and inflows related to pension and OPEB amounts.

Income Taxes

The Internal Revenue (IRS) has determined that the Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, no provision for income taxes has been recorded. The Foundation analyzes its filing positions in the federal and state jurisdictions where it is required to file income tax returns, as well as all open tax years in these jurisdictions. The Foundation also treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its operating expenses.

The Foundation has evaluated its income tax position for the years 2015 through 2018, the years which remain subject to examination by major tax jurisdictions as of June 30, 2018. The Foundation concluded that there are no significant uncertain tax positions requiring recognition in these financial statements. The Foundation does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Foundation does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2018 or 2017, and it is not aware of any claims for such amounts by federal or state income tax authorities.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension and other postemployment benefits ("OPEB") related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 8.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and OPEB related amounts, such as the difference between projected and actual earnings of the pension plans' investments, changes in proportion and differences between employer contributions and proportionate share of contributions, and state appropriations for pensions and OPEB received subsequent to the measurement dates. More detailed information can be found in Note 8.

Net Pension and OPEB Liabilities

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

Net Investment in Capital Assets

Net investment in capital assets represents capital assets, net of accumulated depreciation and related debt.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

New and Upcoming Accounting Pronouncements

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits ("OPEB") Other Than Pensions - College

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits ("OPEB") Other Than Pensions*. This statement requires the College recognize a net OPEB liability on the statement of net position, equal to the College's proportionate share of the net OPEB liability of the Michigan Public School Employees Retirement System ("MPERS"), as defined and calculated in accordance with the new standard. More detail information can be found in Note 8. As a result of this change, the College recognized a net OPEB liability of \$6,426,714 and deferred outflows of resources of \$482,117, which resulted in a decrease in net position of \$5,944,597, as of July 1, 2017. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available.

ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities - Foundation

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which will be effective for the Foundation's annual financial statements for the year ending June 30, 2019. This ASU 1) reduces the number of net asset classes presented from three to two; (2) modifies the presentation of underwater endowment funds and related disclosures; (3) requires enhanced disclosures concerning board designated net assets; (4) requires the presentation of expenses by functional and natural classification in one location; (5) requires quantitative and qualitative disclosures about liquidity and availability of financial assets; and (6) requires the presentation of investment return net of external and direct internal investment expenses.

Management has evaluated the provisions of ASU 2016-14 and has determined that the presentation of the financial statements will need to be modified as required by the ASU; however, there will be no significant changes in the Foundation's accounting policies.

Reclassification

Certain amounts as reported in the 2017 financial statements have been reclassified to conform with the 2018 presentation.

Subsequent Events - Foundation

In preparing these financial statements, the Foundation has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2018, the most recent statement of net position presented herein, through November 14, 2018, the date these financial statements were available to be issued. No significant such events or transactions were identified by the Foundation.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

3. DEPOSITS AND INVESTMENTS

State of Michigan (“State”) statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services. The College is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers’ acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The College’s investment policy allows for all of these types of investments. The Foundation invests donations primarily in mutual and exchange traded funds. Short-term investments include those with maturities of more than 90 days and less than one year.

The College’s deposits and investments are included on the statement of net position under the following classifications as of June 30:

2018	College	Foundation	Total
Cash and cash equivalents	\$ 5,474,429	\$ 125,988	\$ 5,600,417
Investments	-	19,445,665	19,445,665
Total	\$ 5,474,429	\$19,571,653	\$25,046,082

2017	College	Foundation	Total
Cash and cash equivalents	\$ 3,530,938	\$ 653,159	\$ 4,184,097
Investments	-	16,798,044	16,798,044
Total	\$ 3,530,938	\$17,451,203	\$20,982,141

The above amounts are categorized as follows at June 30:

2018	College	Foundation	Total
Bank deposits (checking, savings and cash sweep accounts)	\$ 5,470,429	\$ 125,988	\$ 5,596,417
Petty cash	4,000	-	4,000
Mutual funds and cash	-	7,130,469	7,130,469
Exchange traded funds	-	12,315,196	12,315,196
Total	\$ 5,474,429	\$19,571,653	\$25,046,082

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

2017	College	Foundation	Total
Bank deposits (checking, savings and cash sweep accounts)	\$ 3,526,938	\$ 653,159	\$ 4,180,097
Petty cash	4,000	-	4,000
Mutual funds and cash	-	5,675,484	5,675,484
Exchange traded funds	-	11,122,560	11,122,560
Total	\$ 3,530,938	\$17,451,203	\$20,982,141

As of June 30, 2018 and 2017, all deposits with financial institutions consist of depository accounts.

Interest Rate Risk

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

Credit Risk

State law limits the College's investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

The College's investment policy does not have specific limits on concentration of credit risk. The Foundation's investment policy limits the cost basis of individual equity securities to 12% of its total investment portfolio as measured at market value or 5% as measured at cost.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College and the Foundation do not have a policy for deposit custodial credit risk. As of June 30, 2018 and 2017, \$5,702,872 and \$3,279,537, respectively, of the College's bank deposits balance of \$6,689,470 and \$4,184,097, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Custodial Credit Risk - Investments

For an investment, 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 that are in the possession of an outside party. State law does not require and the College and the Foundation do not have a policy for investment custodial credit risk. However, all investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased. Custodial credit risk for the mutual funds cannot be determined as these investments are not evidenced by specifically identifiable securities.

Foreign Currency Risk

The College is not authorized by state law to invest in investments which have this type of risk.

4. FAIR VALUE MEASUREMENTS

The Foundation 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.

Fair Value Hierarchy

The Foundation groups its investments at fair value into three levels, based on the markets in which the investments are traded and the reliability of the assumptions used to determine fair value. These levels are:

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. The Foundation holds no securities classified as Level 2.

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 estimates of assumptions that market participants would use in pricing the asset. The Foundation holds no securities classified as Level 3.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

The following is a description of the valuation methodology used for assets recorded at fair value. There have been no changes in the methodologies used at June 30, 2018 or 2017.

Cash: Cash represents amounts on deposit at a financial institution. The carrying amount approximates fair value and is classified as Level 1.

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

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

The following tables set forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30:

2018	Level 1	Level 2	Level 3	Total
Cash	\$ 569,506	\$ -	\$ -	\$ 569,506
Mutual funds				
Large growth	2,227,184	-	-	2,227,184
Large value	1,389,354	-	-	1,389,354
Multi-sector bond	647,662	-	-	647,662
Corporate bond	653,158	-	-	653,158
Mid-cap value	1,643,605	-	-	1,643,605
Exchange traded funds				
Muti-strategy allocation	625,700	-	-	625,700
Fixed income	1,846,247	-	-	1,846,247
International equity	2,928,068	-	-	2,928,068
Equity index	6,915,181	-	-	6,915,181
Total investments at fair value	\$ 19,445,665	\$ -	\$ -	\$ 19,445,665
2017	Level 1	Level 2	Level 3	Total
Cash	\$ 302,770	\$ -	\$ -	\$ 302,770
Mutual funds				
Large growth	1,445,588	-	-	1,445,588
Large value	1,003,279	-	-	1,003,279
Mid-cap blend	1,358,317	-	-	1,358,317
Intermediate-term bond	801,420	-	-	801,420
Multi-sector bond	764,110	-	-	764,110
Exchange traded funds				
Muti-strategy allocation	562,643	-	-	562,643
Fixed income	1,679,336	-	-	1,679,336
International equity	2,542,328	-	-	2,542,328
Equity index	5,897,388	-	-	5,897,388
Global real estate	440,865	-	-	440,865
Total investments at fair value	\$ 16,798,044	\$ -	\$ -	\$ 16,798,044

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

5. CAPITAL ASSETS

Capital asset activity for the years ended June 30 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable capital assets				
Land	\$ 808,786	\$ -	\$ -	\$ 808,786
Construction in progress	-	45,997	-	45,997
Subtotal nondepreciable capital assets	808,786	45,997	-	854,783
Depreciable capital assets				
Land improvements	1,317,590	-	-	1,317,590
Buildings and improvements	32,005,573	-	-	32,005,573
Infrastructure	1,478,125	-	-	1,478,125
Furniture, fixtures and equipment	4,224,639	150,164	(69,546)	4,305,257
Library materials	434,692	7,031	-	441,723
Subtotal depreciable capital assets	39,460,619	157,195	(69,546)	39,548,268
Total capital assets	40,269,405	203,192	(69,546)	40,403,051
Less accumulated depreciation				
Land improvements	729,738	96,633	-	826,371
Buildings and improvements	19,802,723	694,973	-	20,497,696
Infrastructure	1,114,663	51,187	-	1,165,850
Furniture, fixtures and equipment	2,311,710	354,746	(69,546)	2,596,910
Library materials	414,676	6,798	-	421,474
Total accumulated depreciated	24,373,510	\$ 1,204,337	\$ (69,546)	25,508,301
Total depreciated capital assets, net	15,087,109			14,039,967
Total capital assets, net	\$ 15,895,895			\$ 14,894,750

Construction in progress consists of \$46,000, and management does not expect to incur any additional costs before it is expected to be placed in service in July 2018.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Capital asset activity for the years ended June 30 was as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Nondepreciable capital assets				
Land	\$ 808,786	\$ -	\$ -	\$ 808,786
Depreciable capital assets				
Land improvements	1,317,590	-	-	1,317,590
Buildings and improvements	32,005,573	-	-	32,005,573
Infrastructure	1,478,125	-	-	1,478,125
Furniture, fixtures and equipment	4,076,748	258,129	(110,238)	4,224,639
Library materials	434,692	-	-	434,692
Subtotal depreciable capital assets	39,312,728	258,129	(110,238)	39,460,619
Total capital assets	40,121,514	258,129	(110,238)	40,269,405
Less accumulated depreciation				
Land improvements	633,105	96,633	-	729,738
Buildings and improvements	19,105,849	696,874	-	19,802,723
Infrastructure	1,063,476	51,187	-	1,114,663
Furniture, fixtures and equipment	2,036,242	385,706	(110,238)	2,311,710
Library materials	404,202	10,474	-	414,676
Total accumulated depreciated	23,242,874	\$ 1,240,874	\$ (110,238)	24,373,510
Total depreciated capital assets, net	16,069,854			15,087,109
Total capital assets, net	\$ 16,878,640			\$ 15,895,895

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

6. DEBT

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

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bonds payable	\$ 3,200,000	\$ 3,165,000	\$ 3,280,000	\$ 3,085,000	\$ 245,000
Note payable	627,091	-	128,557	498,534	131,665
Total	\$ 3,827,091	\$ 3,165,000	\$ 3,408,557	\$ 3,583,534	\$ 376,665

Debt activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bonds payable	\$ 3,400,000	\$ -	\$ 200,000	\$ 3,200,000	\$ 200,000
Note payable	742,270	-	115,179	627,091	128,558
Total	\$ 4,142,270	\$ -	\$ 315,179	\$ 3,827,091	\$ 328,558

The unsecured note payable requires payments of \$11,845 per month through February 2022 at a rate of 2.39%.

Bond Refunding

In October 2017, the College issued \$3,165,000 of Refunding Bonds, Series 2017. The net proceeds of \$3,102,553 (after payment of \$62,447 in underwriting fees and other issuance costs) were used to refund \$1,610,000 of outstanding 2012 general obligation limited tax obligations, and advance refund \$1,555,000 outstanding 2007 general obligation limited tax obligations, with average interest rates of 2.56% and 3.85%, respectively. As a result, the bonds are considered to be refunded and the liability for the bonds has been removed from the College's long-term obligations as of June 30, 2018.

The refunding and advanced refunding reduced total debt service payments by \$154,255, which represents an economic gain of approximately \$148,312. Bond issuance costs of \$62,447 are included as expenses in the accompanying financial statements.

The 2017 general obligation limited tax obligations, which are to be repaid from the General Fund of the College, require principal payments ranging from \$80,000 to \$310,000 and are due annually through 2031. Interest is payable semiannually in May and November at a rate of 2.19%. The outstanding balance on these obligations was \$3,085,000 as of June 30, 2018.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Scheduled annual principal and interest requirements on debt for each of the next five years and thereafter are summarized as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 376,665	\$ 77,146	\$ 453,811
2020	404,846	68,508	473,354
2021	403,104	59,355	462,459
2022	383,919	50,265	434,184
2023	285,000	43,088	328,088
2024-2028	1,335,000	117,767	1,452,767
2029-2031	395,000	16,297	411,297
Total	\$ 3,583,534	\$ 432,426	\$ 4,015,960

7. UNRESTRICTED NET DEFICIT

The College has designated the use of a portion of unrestricted net deficit as follows at June 30:

	2018	2017
Board designated endowment funds	\$ 7,671,602	\$ 3,752,620
Pension and OPEB liability fund deficit	(21,694,357)	(15,531,579)
Undesignated	4,665,765	5,186,971
Total unrestricted net deficit	\$ (9,356,990)	\$ (6,591,988)

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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

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

Pension Benefits Provided

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

A DB 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.

Other Postemployment Benefits Provided

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 13.54% to 19.03% of covered payroll for the College's 2018 fiscal year. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's 2018 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56% to 19.03% of covered payroll for the College's 2017 fiscal year. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's 2017 fiscal year.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the College were \$1,919,043, \$1,623,914 and \$1,576,914 for the years ended June 30, 2018, 2017 and 2016, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the College were \$435,766, \$588,112 and \$561,244 for the years ended June 30, 2018, 2017 and 2016, respectively.

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

At June 30, 2018 and 2017, the College reported a liability of \$17,710,136 and \$16,904,228, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016 and 2015, 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, 2017, the College's proportion was .06834%, which was an increase of .00059% from its proportion measured as of September 30, 2016 of 0.06775%.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2018, the College recognized pension expense of \$1,798,321. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 153,913	\$ 86,900	\$ 67,013
Changes in assumptions	1,940,286	-	1,940,286
Net difference between projected and actual earnings on pension plan investments	-	846,661	(846,661)
Changes in proportion and differences between employer contributions and proportionate share of contributions	124,598	137,763	(13,165)
	<u>2,218,797</u>	<u>1,071,324</u>	<u>1,147,473</u>
College contributions subsequent to the measurement date	1,670,950	-	1,670,950
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	861,246	(861,246)
	<u>1,670,950</u>	<u>861,246</u>	<u>809,704</u>
Total	<u>\$ 3,889,747</u>	<u>\$ 1,932,570</u>	<u>\$ 1,957,177</u>

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

The \$1,670,950 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, 2019. The \$861,246 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 Aid revenue for the year ending June 30, 2019. 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
2019	\$ 285,279
2020	595,529
2021	288,044
2022	<u>(21,379)</u>
Total	<u>\$ 1,147,473</u>

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2017, the College recognized pension expense of \$1,551,166. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 210,671	\$ 40,063	\$ 170,608
Changes in assumptions	264,284	-	264,284
Net difference between projected and actual earnings on pension plan investments	280,948	-	280,948
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,452	203,310	(178,858)
	<u>780,355</u>	<u>243,373</u>	<u>536,982</u>
College contributions subsequent to the measurement date	1,354,868	-	1,354,868
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	519,201	(519,201)
	<u>1,354,868</u>	<u>519,201</u>	<u>835,667</u>
Total	<u>\$ 2,135,223</u>	<u>\$ 762,574</u>	<u>\$ 1,372,649</u>

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

At June 30, 2018, the College reported a liability of \$6,092,951 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2016. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the College's proportion was .06880%.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

For the year ended June 30, 2018, the College recognized OPEB expense of \$407,594. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 64,872	\$ (64,872)
Net difference between projected and actual earnings on OPEB plan investments	-	141,114	(141,114)
Changes in proportion and differences between employer contributions and proportionate share of contributions	229	-	229
	229	205,986	(205,757)
College contributions subsequent to the measurement date	357,310	-	357,310
Total	<u>\$ 357,539</u>	<u>\$ 205,986</u>	<u>\$ 151,553</u>

The \$357,310 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2019	\$ (49,726)
2020	(49,726)
2021	(49,726)
2022	(49,726)
2023	<u>(6,853)</u>
Total	<u>\$ (205,757)</u>

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension and OPEB liabilities in the September 30, 2016 and 2015 actuarial valuation were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5% (8% for 2015)
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
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.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

MONTCALM COMMUNITY 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, 2017 and 2016, is based on the results of an actuarial valuation date of September 30, 2016 and 2015, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2017 and 2016, are summarized in the following tables:

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

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

2016 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%	0.09%	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	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.90%</u>
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate

Discount Rate. A discount rate of 7.5% and 8.0% were used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only) as of September 30, 2017 and 2016, respectively. This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% and 8.0% (7.0% for the Pension Plus plan) as of September 30, 2017 and 2016, respectively. 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 and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

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

As of June 30, 2018	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
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College's proportionate share of the net pension liability	\$ 23,070,417	\$ 17,710,136	\$ 13,197,121
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The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

As of June 30, 2017	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
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College's proportionate share of the net pension liability	\$ 21,768,391	\$ 16,904,228	\$ 12,803,271
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Sensitivity of College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

As of June 30, 2018	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
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College's proportionate share of the net OPEB liability	\$ 7,136,607	\$ 6,092,951	\$ 5,207,214
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MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

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

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

As of June 30, 2018	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
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College's proportionate share of the net OPEB liability	\$ 5,159,911	\$ 6,092,951	\$ 7,152,354
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Change in Pension Plan Actuarial Assumption

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools' Employees Retirement System Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8.0% to 7.5% effective for the September 30, 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions for fiscal year 2019 and beyond and the net pension liability as of June 30, 2019 and beyond will increase as a result of lowering the assumed investment rate of return.

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2018, the College reported a payable of \$132,240 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018. At June 30, 2017, the College reported a payable of \$94,400 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017.

Payable to the OPEB Plan

At June 30, 2018, there were no required outstanding OPEB contributions to the Plan for the year ended June 30, 2018.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Defined Contribution Plan

Effective January 1, 1998, existing professional MPSERS members and new professional employees of the College may elect to participate in the Montcalm Community College Optional Retirement Program (ORP) in lieu of participating in the MPSERS plan. The ORP was established by the College's Board of Trustees, is administered by TIAA-CREF, and is a defined contribution plan qualified under Section 414(d) of the Internal Revenue Code. Effective September 2012, the College Board of Trustees approved the removal of this plan to new participants. Under the ORP, the College contributed 12% and the participant contributed 4% of the participant's compensation. At June 30, 2018 and 2017, the College had six and eight participants, respectively. Total covered payroll and College contributions were approximately \$646,000 and \$77,000, respectively, for 2018 and \$672,000 and \$81,000, respectively, for 2017.

Compensated Absences

The College pays eligible employees for their unused accumulated vacation upon termination of employment with the College. Employees earn vacation benefits based on time of service with the College. The obligation is included in the accompanying statement of net position as current liabilities of \$225,019 and \$216,073 and long-term liabilities of \$86,545 and \$92,284 at June 30, 2018 and 2017, respectively.

9. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, errors and omissions, and workers' compensation, as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Community College Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. The College participates in this risk pool. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to retention limits, the ultimate liability for those claims remains with the College.

10. FOUNDATION ENDOWMENTS

The Foundation's endowment consists of four individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds, term endowments and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments are classified and reported based upon the existence or absence of donor-imposed restrictions.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Interpretation of Relevant Law

The Foundation has interpreted the State of Michigan Prudent Management of Institutional Funds Act (SMPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as restricted nonexpendable endowments (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund. Any donor-restricted endowment fund that would not be classified as restricted nonexpendable endowments is classified as restricted expendable net position until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SMPMIFA. In accordance with SMPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation (depreciation) of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

The restricted expendable net position of the Foundation as of June 30, 2018 and 2017, are for scholarships. The restricted nonexpendable endowments of the Foundation as of June 30, 2018 and 2017, consist of permanent endowment funds.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Following is a summary of the Foundation's endowment and changes therein as of and for the years ended June 30:

	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Endowment net position comparison by type of fund as of June 30, 2018				
Donor restricted endowment funds	\$ -	\$ 4,396,478	\$ 312,539	\$ 4,709,017
Board designated endowment funds	7,671,602	-	-	7,671,602
Term endowment funds	-	7,954,438	-	7,954,438
Total	\$ 7,671,602	\$ 12,350,916	\$ 312,539	\$ 20,335,057
Changes in endowment net position for the year ended June 30, 2018				
Investment return				
Investment income	\$ 162,826	\$ 325,886	\$ -	\$ 488,712
Realized and unrealized gains	343,169	796,573	-	1,139,742
Net investment return	505,995	1,122,459	-	1,628,454
Contributions	1,497,549	298,938	-	1,796,487
Expenses and expenditures	(174,772)	(481,057)	-	(655,829)
Change in net position	1,828,772	940,340	-	2,769,112
Endowment net position Beginning of year	5,842,830	11,410,576	312,539	17,565,945
End of year	\$ 7,671,602	\$ 12,350,916	\$ 312,539	\$ 20,335,057

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Endowment net position comparison by type of fund as of June 30, 2017				
Donor restricted endowment funds	\$ -	\$ 2,261,171	\$ 312,539	\$ 2,573,710
Board designated endowment funds	5,842,830	-	-	5,842,830
Term endowment funds	-	9,149,405	-	9,149,405
Total	\$ 5,842,830	\$ 11,410,576	\$ 312,539	\$ 17,565,945
Changes in endowment net position for the year ended June 30, 2017				
Investment return				
Investment income	\$ 96,595	\$ 289,062	\$ -	\$ 385,657
Realized and unrealized gains	426,292	1,253,515	-	1,679,807
Net investment return	522,887	1,542,577	-	2,065,464
Contributions	2,090,210	107,616	-	2,197,826
Expenses and expenditures	(207,445)	(455,668)	-	(663,113)
Transfers	(1,409,253)	1,409,253	-	-
Change in net position	996,399	2,603,778	-	3,600,177
Endowment net position Beginning of year	4,846,431	8,806,798	312,539	13,965,768
End of year	\$ 5,842,830	\$ 11,410,576	\$ 312,539	\$ 17,565,945

Based on new information that became available to management in 2017, a reclassification was made between net position categories in the amount of \$1,409,253 during the year ended June 30, 2017.

MONTCALM COMMUNITY COLLEGE

Notes to Financial Statements

Return Objectives and Risk Parameters

The Foundation has adopted investment policies for assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, which includes those assets of donor-restricted funds that must be held in perpetuity as well as board-designated funds. Under this policy the assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of established indexes for differing investment classes while assuming an average level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of 5.0% over the consumer price index. Actual returns in any given year may vary from this range.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has an annual spending policy of 5.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return of its endowment. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment to grow at an average of 2.5% to 3.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.



**REQUIRED SUPPLEMENTARY INFORMATION
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

MONTCALM COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-Sharing Multiple-Employer Plans

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

	Year Ended June 30			
	2018	2017	2016	2015
College's proportion of the net pension liability	0.06834%	0.06775%	0.06804%	0.69070%
College's proportionate share of the net pension liability	\$ 17,710,136	\$ 16,904,228	\$ 16,617,926	\$ 14,974,153
College's covered payroll	\$ 5,854,993	\$ 5,648,042	\$ 5,828,495	\$ 5,935,152
College's proportionate share of the net pension liability as a percentage of its covered payroll	302.48%	299.29%	285.12%	252.30%
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	66.20%

The amounts presented for the 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.

MONTCALM COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Pension Contributions

	Year Ended June 30			
	2018	2017	2016	2015
Contractually required contribution	\$ 1,919,043	\$ 1,623,914	\$ 1,576,914	\$ 1,828,741
Contributions in relation to the contractually required contribution	<u>(1,919,043)</u>	<u>(1,623,914)</u>	<u>(1,576,914)</u>	<u>(1,828,741)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 6,088,670	\$ 5,788,609	\$ 6,321,533	\$ 6,518,944
Contributions as a percentage of covered payroll	31.52%	28.05%	24.95%	28.05%

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

MONTCALM COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits ("OPEB") Liability

	Year Ended June 30, 2018
College's proportion of the net OPEB liability	0.06880%
College's proportionate share of the net OPEB liability	\$ 6,092,951
College's covered payroll	\$ 5,854,993
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	104.06%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

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

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

MONTCALM COMMUNITY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION

MPSERS Cost-Sharing Multiple-Employer Plans

Schedule of the College's Other Postemployment Benefits ("OPEB") Contributions

	Year Ended June 30, 2018
Statutorily required contribution	\$ 435,766
Contributions in relation to the statutorily required contribution	<u>(435,766)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
College's covered payroll	\$ 6,088,670
Contributions as a percentage of covered payroll	7.16%

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

SUPPLEMENTARY INFORMATION

MONTCALM COMMUNITY COLLEGE

Combining Statement of Net Position

June 30, 2018 (Unaudited)

	Combined Total	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	Pension and OPEB Fund	Foundation
Assets								
Current assets								
Cash and cash equivalents	\$ 5,600,417	\$ 3,535,792	\$ 2,356	\$ 10,952	\$ 1,621,514	\$ 303,815	\$ -	\$ 125,988
Accounts receivable less allowance of \$697,631	293,495	293,220	-	275	-	-	-	-
Property taxes receivable	180,630	180,630	-	-	-	-	-	-
State appropriation receivable	769,976	769,976	-	-	-	-	-	-
Federal and state grants receivable	98,168	-	-	98,168	-	-	-	-
Pledges receivable	207,913	-	-	-	-	-	-	207,913
Prepays and other assets	6,102	6,102	-	-	-	-	-	-
Due from (to) other funds	-	1,135,352	11,134	115,119	(1,462,300)	38,529	-	162,166
Total current assets	7,156,701	5,921,072	13,490	224,514	159,214	342,344	-	496,067
Noncurrent assets								
Pledges receivable, net of current portion	400,000	-	-	-	-	-	-	400,000
Investments	19,445,665	-	-	-	-	-	-	19,445,665
Capital assets								
Land and improvements	2,126,376	-	-	-	2,126,376	-	-	-
Accumulated depreciation	(826,371)	-	-	-	(826,371)	-	-	-
Infrastructure	1,478,125	-	-	-	1,478,125	-	-	-
Accumulated depreciation	(1,165,850)	-	-	-	(1,165,850)	-	-	-
Buildings and improvements	32,005,573	-	-	-	32,005,573	-	-	-
Accumulated depreciation	(20,497,696)	-	-	-	(20,497,696)	-	-	-
Equipment, including vehicles and library books	4,746,980	-	-	-	4,746,980	-	-	-
Accumulated depreciation	(3,018,384)	-	-	-	(3,018,384)	-	-	-
Construction in progress	45,997	-	-	-	45,997	-	-	-
Total capital assets	14,894,750	-	-	-	14,894,750	-	-	-
Total noncurrent assets	34,740,415	-	-	-	14,894,750	-	-	19,845,665
Total assets	41,897,116	5,921,072	13,490	224,514	15,053,964	342,344	-	20,341,732
Deferred outflows of resources								
Deferred pension & OPEB amounts	4,247,286	-	-	-	-	-	4,247,286	-

(Continued...)

MONTCALM COMMUNITY COLLEGE

Combining Statement of Net Position (Concluded)

June 30, 2018 (Unaudited)

	Combined Total	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Agency Fund	Pension and OPEB Fund	Foundation
Liabilities								
Current liabilities								
Accounts payable	\$ 386,373	\$ 366,208	\$ 13,490	\$ -	\$ -	\$ -	\$ -	\$ 6,675
Accrued interest	11,260	-	-	-	11,260	-	-	-
Accrued payroll, vacation and other compensation	782,786	782,786	-	-	-	-	-	-
Deposits	398,797	20,384	-	-	36,069	342,344	-	-
Unearned revenue	111,269	111,269	-	-	-	-	-	-
Current portion of bonds and note payable	376,665	-	-	-	376,665	-	-	-
Total current liabilities	2,067,150	1,280,647	13,490	-	423,994	342,344	-	6,675
Bonds and note payable, net of current portion	3,206,869	-	-	-	3,206,869	-	-	-
Net pension liability	17,710,136	-	-	-	-	-	17,710,136	-
Net OPEB liability	6,092,951	-	-	-	-	-	6,092,951	-
Accrued vacation, net of current portion	86,545	86,545	-	-	-	-	-	-
Total liabilities	29,163,651	1,367,192	13,490	-	3,630,863	342,344	23,803,087	6,675
Deferred inflows of resources								
Deferred pension & OPEB amounts	2,138,556	-	-	-	-	-	2,138,556	-
Net position								
Net investment in capital assets	11,311,216	-	-	-	11,311,216	-	-	-
Restricted for								
Expendable scholarships and grants	12,575,430	-	-	224,514	-	-	-	12,350,916
Nonexpendable endowments	312,539	-	-	-	-	-	-	312,539
Unrestricted (deficit)	(9,356,990)	4,553,881	-	-	111,884	-	(21,694,357)	7,671,602
Total net position (deficit)	\$ 14,842,195	\$ 4,553,881	\$ -	\$ 224,514	\$ 11,423,100	\$ -	\$ (21,694,357)	\$ 20,335,057

MONTCALM COMMUNITY COLLEGE

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

Year Ended June 30, 2018 (Unaudited)

	Combined Total	Elimination	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Pension and OPEB Fund	Foundation
Revenues								
Operating revenues								
Tuition and fees (net of scholarship allowance of \$1,970,118)	\$ 4,299,850	\$ (1,970,118)	\$ 6,269,968	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	245,412	-	4,547	-	240,865	-	-	-
State grants and contracts	358,071	-	-	-	358,071	-	-	-
Nongovernmental grants	12,500	-	-	-	12,500	-	-	-
Auxiliary activities	115,754	-	36,701	79,053	-	-	-	-
Current funds expensed for capital improvements	-	(203,191)	-	-	-	203,191	-	-
Other	148,632	-	148,632	-	-	-	-	-
Total operating revenues	5,180,219	(2,173,309)	6,459,848	79,053	611,436	203,191	-	-
Operating expenses								
Instruction	6,263,521	(46,513)	6,160,976	-	422,359	-	(273,301)	-
Public services	344,193	-	356,990	-	-	-	(12,797)	-
Instructional support	2,526,358	(7,032)	2,645,215	-	9,200	-	(121,025)	-
Student services	1,891,143	(2,231,965)	1,182,520	237,964	2,512,729	-	(62,635)	252,530
Institutional administration	1,945,572	-	2,038,753	-	-	-	(93,181)	-
Information technology	965,267	-	996,070	-	-	-	(30,803)	-
Operation and maintenance of plant	1,738,690	(140,329)	1,928,342	-	-	-	(49,323)	-
Depreciation	1,204,337	-	-	-	-	1,204,337	-	-
Other	461,324	-	-	-	-	58,025	-	403,299
Total operating expenses	17,340,405	(2,425,839)	15,308,866	237,964	2,944,288	1,262,362	(643,065)	655,829
Operating (loss) income	(12,160,186)	252,530	(8,849,018)	(158,911)	(2,332,852)	(1,059,171)	643,065	(655,829)

(Continued...)

MONTCALM COMMUNITY COLLEGE

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

Year Ended June 30, 2018 (Unaudited)

	Combined Total	Elimination	General Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund	Pension and OPEB Fund	Foundation
Nonoperating revenues (expenses)								
State appropriations	\$ 3,525,853	\$ -	\$ 4,387,099	\$ -	\$ -	\$ -	\$ (861,246)	\$ -
Federal Pell grants	2,477,990	-	-	-	2,477,990	-	-	-
Property taxes	6,610,536	-	6,610,536	-	-	-	-	-
Interest and dividend income	252,656	(252,530)	6,453	-	-	10,021	-	488,712
Net realized and unrealized gain on investments	1,139,742	-	-	-	-	-	-	1,139,742
Interest on capital asset - related debt	(127,652)	-	-	-	-	(127,652)	-	-
Gifts	1,796,487	-	-	-	-	-	-	1,796,487
Net nonoperating revenues (expenses)	15,675,612	(252,530)	11,004,088	-	2,477,990	(117,631)	(861,246)	3,424,941
Transfers (out) in	-	-	(166,851)	158,911	7,940	-	-	-
Net increase (decrease) in net position	3,515,426	-	1,988,219	-	153,078	(1,176,802)	(218,181)	2,769,112
Net position (deficit) - beginning of year	17,271,366	-	2,565,662	-	71,436	12,599,902	(15,531,579)	17,565,945
Implementation of GASB 75	(5,944,597)	-	-	-	-	-	(5,944,597)	-
Adjusted net position (deficit) - beginning of year	11,326,769	-	2,565,662	-	71,436	12,599,902	(21,476,176)	17,565,945
Net position (deficit) - end of year	\$ 14,842,195	\$ -	\$ 4,553,881	\$ -	\$ 224,514	\$ 11,423,100	\$ (21,694,357)	\$ 20,335,057