MONROE COUNTY
COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

June 30, 2017 and 2016

MONROE COUNTY
COMMUNITY COLLEGE

enriching lives

Monroe County Community College

Board of Trustees

MONROE COUNTY COMMUNITY COLLEGE

Annual Financial Report
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Independent Auditor's Report

To the Board of Trustees
Monroe County Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Monroe County Community College (Community College District of Monroe County, Michigan) (The "College") and its discretely presented component unit as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the College and it's discretely presented component unit'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The discretely presented component unit was not audited under *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 for 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 opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Monroe County Community College and it's discretely presented component unit as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension schedules presented on pages 4 through 13 and 43 through 44, 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 inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Monroe County Community College's and its discretely presented component unit's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements.

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

To the Board of Trustees
Monroe County Community College

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017, on our consideration of Monroe County Community College and its discretely presented component unit'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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Monroe County Community College's internal control over financial reporting and compliance.

Cooley Hehl Wohlgamuth & Carlton

November 3, 2017

Introduction

The College's annual financial report consists of three basic financial statements: the Statement of Net Position, which presents the assets, liabilities, and net position of the institution as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements and the Manual for Uniform Financial Reporting for Michigan Public Community Colleges.

The annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements described above and notes to the financial statements. Following the basic financial statements and footnotes are two supplementary schedules: the Consolidating Statement of Net Position and the Consolidating Statement of Revenue, Expenses and Transfers and Changes in Net Position. These additional schedules are required by the state of Michigan. Though the Governmental Accounting Standards Board does not require this information for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College not disclosed in the basic statements.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, The Foundation at Monroe County Community College (The Foundation), is reported as a component unit of the College. The Foundation's statement of financial position and statement of activities and changes in net assets have been included on separate pages. Complete financial statements for The Foundation can be obtained from the Administration Office at 1555 South Raisinville Road, Monroe, MI 48161.

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

The Statement of Net Position includes all assets and liabilities of the College. It is prepared under the accrual basis of accounting. Assets and liabilities are generally measured using current values, except capital assets, which are stated at historical cost less allowance for depreciation.

Following is a summary of the major components of the financial position of the College as of June 30:

Financial Position:	2017	2016	2015
(in $000's)			
Current Assets	$ 21,238	$ 23,060	$ 10,763
Endowed Assets	178	178	178
Capital Assets, Net of Depreciation	47,057	42,329	35,609
Total Assets	$ 68,473	$ 65,567	$ 46,550
Deferred Outflow of Resources	$ 4,629	$ 3,680	$ 3,566
Current Liabilities	$ 4,240	$ 6,326	$ 2,642
Long-term Liabilities			
Debt obligations	$ 14,835	$ 15,721	$ -
Net Pension Liability	$ 34,281	$ 32,695	$ 29,745
Total Liabilities	$ 53,356	$ 54,742	$ 32,387
Deferred Inflow of Resources	$ 263	$ 329	$ 3,288
Net Position			
Invested in Capital Assets, Net of Related Debt	$ 47,057	$ 42,329	$ 35,609
Restricted - Expendable	124	140	144
Restricted - Nonexpendable	178	178	178
Unrestricted	(27,877)	(28,471)	(21,490)
Total Net Position	$ 19,482	$ 14,176	$ 14,441

The College's financial position remains strong at June 30, 2017 with assets totaling $68,473,000 and current liabilities of $4,240,000. Total net position increased $5,306,000, to $19,482,000.

Current assets decreased $1,822,000 and current liabilities decreased $2,086,000. The amount of working capital designated to meet operating expenses increased from $6,184,234 in 2016 to $7,808,398 in 2017.

The Statement of Net Position and the Statement of Revenue, Expenses, and Changes in Net Position (continued)

The College adheres to Governmental Accounting Standards Board (GASB) Statement No. 68 which requires governments providing defined benefit pensions through a cost sharing plan to recognize their unfunded pension benefit obligation as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits. In accordance with the statement, the College has reported Unrestricted Net Position of $29,915,337, which is the net of the Net Pension Liability and related deferred outflows as of June 30, 2017.

The Statement of Revenues, Expenses, and Changes in Net Position present the operating revenue and expenses of the College, as well as the non-operating revenue and expenses. Operating revenue primarily includes net student tuition and fees, grants and contracts, and auxiliary services. Non-operating revenue includes state appropriations, property taxes, and federal Pell Grant revenue.

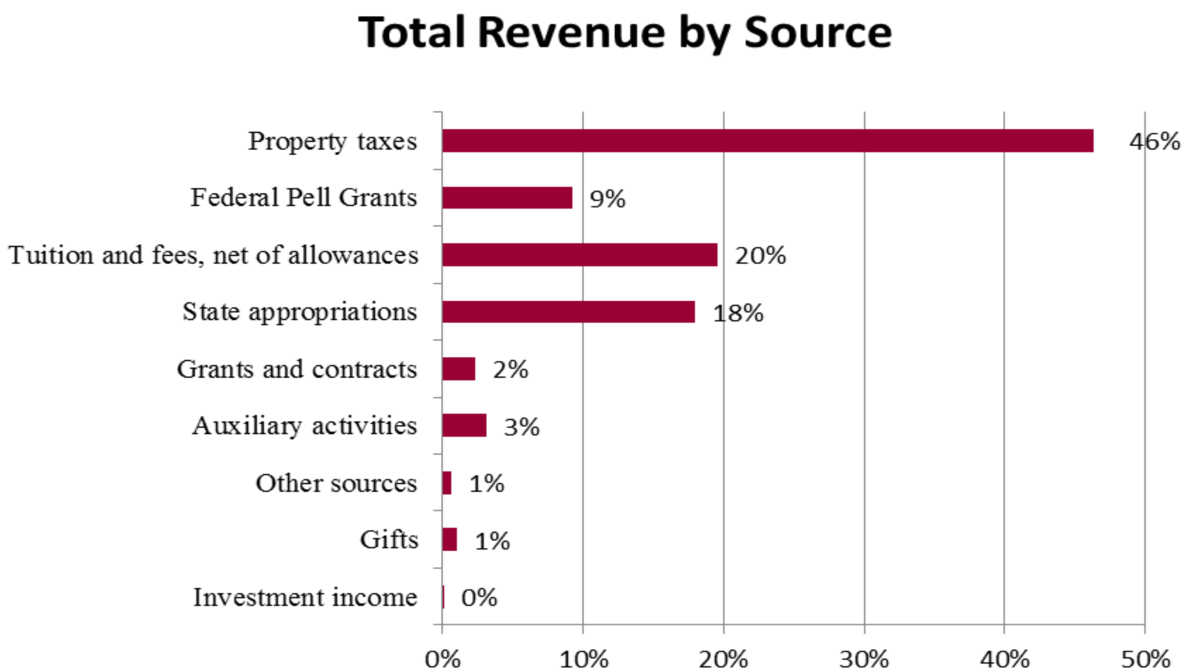
Because the components that create the non-operating revenue are usually greater than the components of the operating revenue, financial statements typically reflect an annual operating loss.

Below is a summary comparison of revenues, expenses, and changes in net position for the year ended June 30:

Summary of Changes in Net Position:	2017	2016	2015
(in $000's)			
Operating Revenues			
Tuition and fees, net of allowances	$ 7,241	$ 6,969	$ 6,633
Grants and contracts	864	1,076	1,198
Auxiliary activities	1,174	1,029	1,160
Other sources	224	428	170
Total operating revenues	$ 9,503	$ 9,502	$ 9,161
Operating Expenses	$ 31,770	$ 32,109	$ 31,927
Operating Loss	$ (22,267)	$ (22,607)	$ (22,766)
Non-operating Revenues			
State appropriations	$ 6,650	$ 5,970	$ 5,533
Property tax levy	17,173	12,317	11,969
Federal Pell Grant revenue	3,439	3,569	4,236
Investment income	44	34	23
Gifts	363	452	776
Loss on disposal of assets	(96)	-	-
Total non-operating revenues	$ 27,573	$ 22,342	$ 22,537
Other Revenue			
State capital appropriations	$ -	$ -	$ 369
Increase/(Decrease) in Net Position	$ 5,306	$ (265)	$ 140
Net Position - Beginning of year	$ 14,176	$ 14,441	$ 43,985
Adjustment for change in accounting principle	$ -	$ -	$ (29,684)
Net position, beginning of year, as restated	$ 14,176	$ 14,441	$ 14,301
Net Position - End of Year	$ 19,482	$ 14,176	$ 14,441

Revenue by source

The following is an illustration of the percentage of total revenue ($37.1 million combined operating and non-operating) by source for the year ended June 30, 2017:



Note: State appropriations for capital not included.

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees and the sale of books and supplies. An exchange transaction occurs when each party receives and gives up essentially equal values. In addition, certain federal, state, and private grants are considered operating revenue if they are not for capital purposes and are considered a contract for services.

Operating revenue changes were the result of the following for the year ended June 30, 2017:

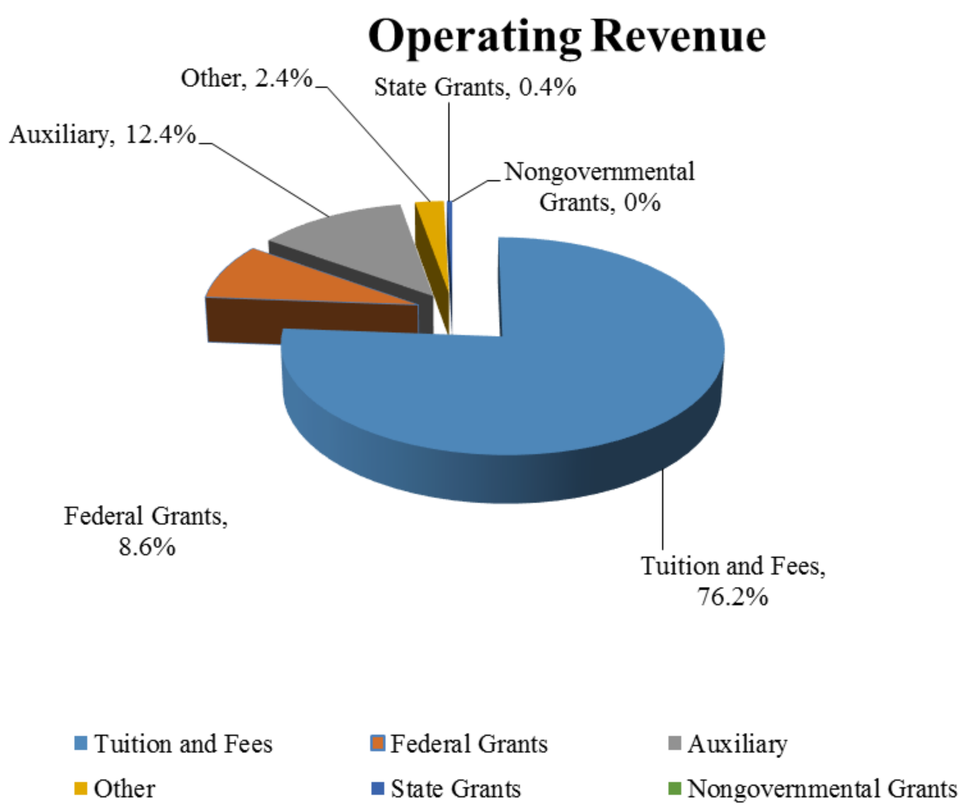
- Student tuition and fee revenue increased by 4 percent or $272,000 in comparison to the prior year. The Board of Trustees approved a 5 percent increase in tuition per billable contact hour. The College also experienced stabilized enrollment from the prior year.
- Grants and contracts revenue decreased $212,000.
- Auxiliary services revenue increased by 14 percent or $145,000 from the prior year most of which was from an increase in revenue from book sales.

Operating Revenues (continued)

Operating revenue changes were the result of the following for the year ended June 30, 2016:

- Student tuition and fee revenue increased by 5 percent or $336,000 in comparison to the prior year. The Board of Trustees approved an 8 percent increase in tuition per billable contact hour. The College also experienced a 9 percent decline in enrollment from the prior year.
- Grants and contracts revenue decreased $122,000.
- Auxiliary services revenue decreased by 11 percent or $131,000 from the prior year most of which was from a decline in revenue from book sales.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2017:



Operating Expenses

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

Operating Expenses (continued)

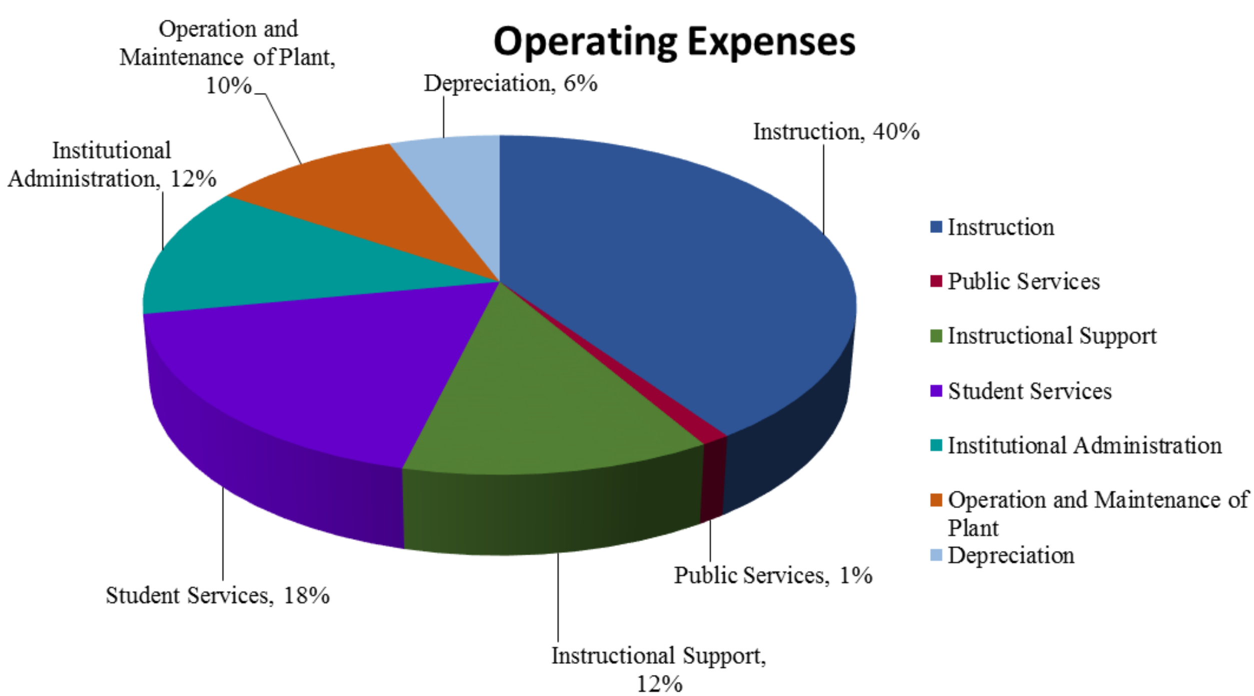
Operating expense changes were the result of the following for the year ended June 30, 2017:

- Operating expenses decreased $339,000, which is about 1 percent, from the fiscal year ended June 30, 2016. Operating expenses totaled $31.8 million, compared to $32.1 million the prior year.
- Savings for wages and salaries were realized by not filling employee vacancies or by the time lag between the vacancy and the placement of new employees in positions. The expense for wages decreased by $254,000 from the prior year, which is 1.8 percent.
- Fringe benefit expenses increased $542,000 from the prior year. $571,000 is to account for the change in the net pension liability. Fringe benefit expenses also included a payment made to MPSERS for $1,450,164 for the Unfunded Actuarial Accrued Liability (UAAL) payment. Appropriations from the State included funds to pay for this liability.

Operating expense changes were the result of the following for the year ended June 30, 2016:

- Operating expenses increased $181,000, which is about 0.5 percent, from the fiscal year ended June 30, 2015. Operating expenses totaled $32.1 million, compared to $31.9 million the prior year.
- Savings for wages and salaries were realized by not filling employee vacancies or by the time lag between the vacancy and the placement of new employees in positions. The expense for wages decreased by $272,000 from the prior year, which is 2 percent.
- Fringe benefit expenses increased $226,000 from the prior year. Fringe benefit expenses included a payment made to MPSERS for $1,360,249 for the Unfunded Actuarial Accrued Liability (UAAL) payment. Appropriations from the State included funds to pay for this liability.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2017:



Non-operating Revenues

Non-operating revenues represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property tax revenue, Pell Grant revenue, and investment income.

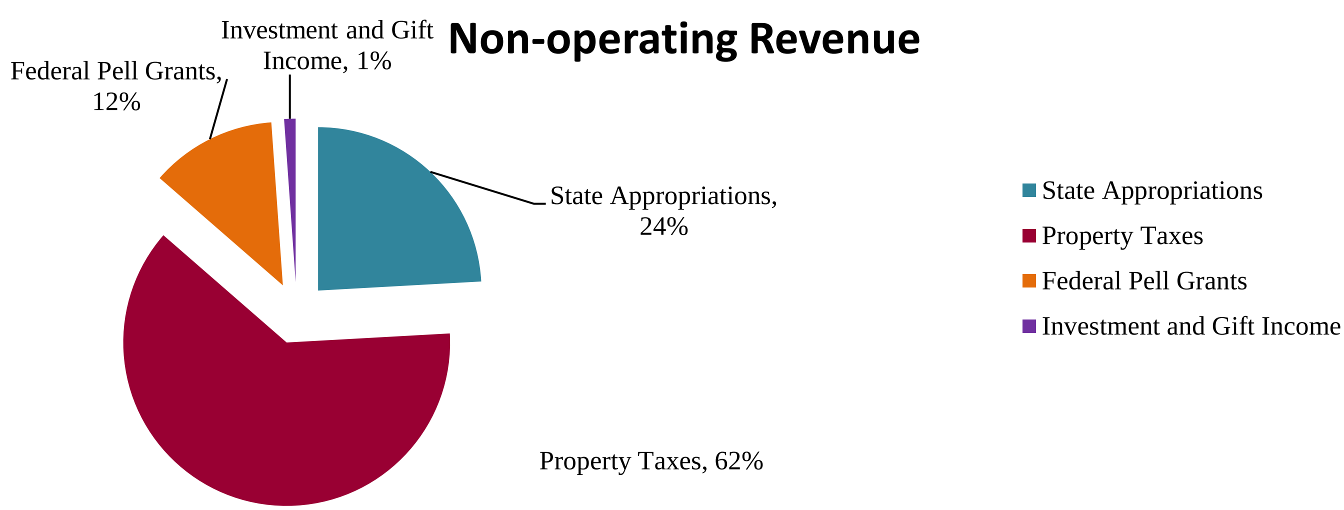
Non-operating revenue changes were the result of the following factors for the year ended June 30, 2017:

- Property taxes increased $4,856,000, or 39 percent, from the prior year. This is due to the five-year maintenance and improvement millage that was approved by the citizens of Monroe County in November 2016.
- State appropriations increased 11.4 percent, an increase of $680,000. The appropriations included $1,450,164 for the MPSERS Unfunded Actuarial Accrued Liability due to PA 300 of 2012, which placed a cap on the amount the college would pay for the unfunded liability obligations to 20.96 percent. The $1,450,164 amount is paid back to the state to cover retirement costs. Also included in the $680,000 increase is $484,000 in personal property tax loss reimbursement from the Local Community Stabilization Authority.
- Gifts from The Foundation decreased $89,000.
- Loss on disposal/sale of assets totaled $96,000. The majority of this loss is due to the sale of the College's building and property located at 1004 West Hurd Road.

Non-operating revenue changes were the result of the following factors for the year ended June 30, 2016:

- Property taxes increased $349,000, or 3 percent, from the prior year.
- State appropriations increased 8 percent, an increase of $436,000. The appropriations included $1,360,249 for the MPSERS Unfunded Actuarial Accrued Liability due to PA 300 of 2012, which placed a cap on the amount the college would pay for the unfunded liability obligations to 20.96 percent. The $1,360,249 amount is paid back to the state to cover retirement costs. Not including the amount for the UAAL liability, state appropriations increased $73,000 or 1.6 percent.
- Gifts from The Foundation decreased $324,000.

The following is a graphic illustration of non-operating revenues by source for the year ended June 30, 2017:



<u>Statement of Cash Flows</u>

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

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

	Cash Flow ($000's)		
	2017	2016	2015
Net cash provided (used) by:			
Operating activities	$ (21,951)	$ (17,764)	$ (20,618)
Non-capital financing activities	27,587	22,286	22,461
Capital and related financing activities	(7,080)	7,600	86
Investing activities	39	681	1,523
Net increase (decrease) in cash and cash equivalents	$ (1,405)	$ 12,803	$ 3,452

Items accounting for the majority of the changes in cash and cash equivalents are as follows:

- The College had a net decrease in cash and cash equivalents of $1,405,000 compared to an increase the prior year of $9,351,000. Investing activities in 2016 includes the borrowing of funds for the HVAC project, which is why it is an outlier when compared to the other two years.
- Cash used for operating activities was $21,951,000, an increase of $4,187,000 compared to 2016. Major sources of funds come from student tuition and fees followed by grants and contracts. Major uses of funds were payments to suppliers and employees.
- Cash received for capital and related financing activities decreased $14,680,000 compared to 2016 due to construction on the HVAC project and on the Life Science Building.
- Cash received for capital and related financing activities decreased in 2015 due to a decrease in the State of Michigan reimbursements to the College for its share of the costs of construction of the Career Technology Center. The fiscal year 2015 will be the last year for these reimbursements.

Capital Assets and Debt

The College's investment in capital assets for the fiscal years ending June 30, 2017, 2016 and 2015 were as follows:

	Capital Assets ($000's)		
	2017	2016	2015
Land	$ 1,368	$ 1,472	$ 1,472
Building and site improvement	60,784	61,126	61,126
Construction in progress	14,682	7,885	-
Equipment	6,753	6,760	6,466
Less: accumulated depreciation	(36,530)	(34,915)	(33,455)
Total capital assets	$ 47,057	$ 42,328	$ 35,609

Capital Assets

The College has $84 million invested in capital assets, net of accumulated depreciation of $36.5 million.

Debt

The College borrowed significant funds for an HVAC project which resulted in debt of $16,151,962. Payments on the loan will occur on a semi-annual basis with the final payment occurring in the fiscal year 2031-2032. In fiscal year 2015-2016, the first payment was made which totaled $143,349. In fiscal year 2016-2017, the total payment was $1,004,757. For fiscal years 2018 through 2031, the total payments for each fiscal year will be $1,436,119.

The College issued a Tax Anticipation Note for $1,500,000 in order to cover short-term cash flow needs through November and December 2016 and January 2017. The College received the proceeds on November 4, 2016. The tax anticipation note requires an allocation of each property tax receipt to be set aside for debt retirement. The College settled the note on March 10, 2017. The cost to borrow was $3,938.

The College will not have a need to issue a Tax Anticipation Note for fiscal year 2017-2018.

The College's need to borrow funds for short-term cash flow needs is due to the timing of cash receipts. The months of November and December are historically the months with the lowest cash balances. The State of Michigan spreads appropriation payments over 11 months so the College doesn't receive a payment in September. Property taxes, which were 62 percent of non-operating revenue this year, are levied in December but the majority of payments to the College are received during the months of January through March.

Economic Factors That Will Affect the Future

The Governmental Accounting Standards Board issued (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires the College to record its share of the liability of postemployment benefits other than pensions and will be effective for the College's year ending June 30, 2018.

The College is in the process of a major heating, ventilating and air conditioning (HVAC) project. This project will replace the College's boilers and provide up-to-date heating and cooling for the entire campus. The project is geothermal which means the heating and cooling elements will come from the ground.

Taxable values for property in the state and Southeast Michigan have significantly declined over the past few years. It is anticipated that taxable values have reached the point where they have leveled out after the 2013-14 fiscal year. The College budgeted a 2% increase in property taxes for the 2017-2018 fiscal year.

The College has faced declining enrollment over the past few years; however, enrollment did stabilize for fiscal year 2016-17. It is anticipated that enrollment will experience a slight decline for 2017-18. The Board of Trustees approved to freeze the in-district tuition rates for the 2017-18 year. A 2% increase was approved for out of district and out of state tuition rates. The Board of Trustees have the authority to increase tuition rates to offset rising costs, but are also mindful of the impact that tuition increases have on our students. They will continue to monitor costs and enrollment trends as they strive to keep increases in tuition to a minimum.

The College is in year one of its maintenance and improvement millage and will continue to receive additional property tax revenue for the next four years. The first projects began, as construction on the Life Science Building is underway for its façade improvements and building addition. The total cost for the projects is $2,299,075 of which $133,061 is construction in progress as of June 30, 2017.

The College received planning authorization from the State of Michigan for a capital outlay project to renovate the East and West Technology Buildings. The total estimated cost of the renovation is $9,000,000 of which the state will pay $3,750,000. Property tax revenue generated from the maintenance and improvement millage will fund the $5,250,000 difference. Construction is anticipated to begin in May of 2018 provided construction authorization is granted by the State of Michigan.

DTE Energy has informed Monroe County taxing units that it plans to request a review of the taxable value of the Monroe Power Plant and Fermi Nuclear Power Plant. If the taxable value is adjusted, it could result in a substantial loss of property tax revenue for the College. At this point, specific numbers cannot be determined, however, the College is evaluating the potential impact on its operations.

Contacting the College's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about this report or need additional information please contact the Office of the Vice President of Administration, Monroe County Community College, 1555 South Raisinville Rd., Monroe, Michigan 48161.

MONROE COUNTY COMMUNITY COLLEGE

Statements of Net Position
June 30, 2017 and 2016

	College		Component Unit - Foundation	
	2017	2016	2017	2016
ASSETS				
Current Assets:				
Cash and cash equivalents	$18,732,369	$20,137,160	$942,368	$484,721
Property taxes receivable (net of allowance $12,136 and $16,485)	25,906	16,419	0	0
State appropriation receivable	1,116,705	1,087,433	0	0
Federal and state receivable	91,428	100,870	0	0
Interest receivable	948	50	0	0
Accounts receivable (net of allowance $1,026,949 and $992,746)	780,431	969,220	265,562	270,828
Inventories	187,201	399,979	0	0
Prepaid expenses and other assets	303,250	348,534	0	0
Total Current Assets	21,238,238	23,059,665	1,207,930	755,549
Other Assets:				
Restricted short-term investments	177,606	177,539	0	0
Long-term investments (at market value)	0	0	4,839,652	4,385,691
Long-term receivables	0	0	50,000	178,625
Property and Equipment (net of accumulated depreciation)	47,057,075	42,329,241	0	0
Total Other Assets	47,234,681	42,506,780	4,889,652	4,564,316
TOTAL ASSETS	68,472,919	65,566,445	6,097,582	5,319,865
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	4,628,931	3,565,822	0	0
LIABILITIES				
Current Liabilities:				
Accounts payable	1,027,697	3,565,624	5,556	12,192
Accrued payroll and fringes	1,963,940	2,000,861	0	0
Deposits	134,756	90,343	0	0
Unearned revenue	228,264	237,722	15,000	10,000
Current portion of debt obligations	885,814	431,362	0	0
Total Current Liabilities	4,240,471	6,325,912	20,556	22,192
Long-term Liabilities:				
Debt obligations	14,834,786	15,720,600	0	0
Net pension liability	34,281,171	32,695,153	0	0
Gift annuity	0	0	0	14,884
Total Long-term Liabilities	49,115,957	48,415,753	0	14,884
TOTAL LIABILITIES	53,356,428	54,741,665	20,556	37,076
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	263,097	328,898	0	0
NET POSITION				
Net investment in capital assets	47,057,075	42,329,241	0	0
Restricted for:				
Nonexpendable endowments	177,539	177,539	2,152,602	2,030,230
Expendable:				
Endowments, Scholarships, and Grants	9,729	12,789	3,884,599	3,235,371
Other	114,504	127,582	0	0
Unrestricted (Deficit)	(27,876,522)	(28,471,162)	39,825	17,188
TOTAL NET POSITION	$ 19,482,325	$ 14,175,989	$ 6,077,026	$ 5,282,789

The accompanying notes are an integral part of these statements

MONROE COUNTY COMMUNITY COLLEGE

Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	College		Component Unit - Foundation	
	2017	2016	2017	2016
OPERATING REVENUE				
Tuition and fees (net of scholarship allowance of $3,127,931 and $3,230,964)	$7,240,565	$6,969,137	$0	$0
Federal grants	821,658	1,027,919	0	0
State grants	42,300	47,788	0	0
Auxiliary activities (net of scholarship allowance of $330,761 and $356,155)	1,173,662	1,028,979	0	0
Other sources	224,352	418,490	269,257	235,254
Total Operating Revenue	9,502,537	9,492,313	269,257	235,254
OPERATING EXPENSES				
Instruction	12,814,771	12,809,481	0	0
Public services	366,360	366,513	0	0
Instructional support	3,924,408	4,050,904	0	0
Student services	5,758,538	5,428,328	0	0
Institutional administration	3,943,156	3,606,560	0	0
Operation and maintenance of plant	3,137,965	4,015,935	0	0
Depreciation	1,824,694	1,831,426		
Foundation operations and awards	0	0	618,337	685,673
Total Operating Expenses	31,769,892	32,109,147	618,337	685,673
Operating Loss	(22,267,355)	(22,616,834)	(349,080)	(450,419)
NONOPERATING REVENUE				
State appropriations	6,649,699	5,969,706	0	0
Property tax levy	17,173,396	12,317,196	0	0
Federal pell grant revenue	3,439,575	3,568,793	0	0
Investment income	44,279	34,481	484,841	18,504
Gifts between College and Foundation	363,231	461,992		
Gifts	0	0	658,476	285,252
Loss on disposal of assets	(96,489)	0		
Net Nonoperating Revenues	27,573,691	22,352,168	1,143,317	303,756
Increase (Decrease) in Net Position	5,306,336	(264,666)	794,237	(146,663)
NET POSITION				
Beginning of Year	14,175,989	14,440,655	5,282,789	5,429,452
End of Year	$19,482,325	$14,175,989	$6,077,026	$5,282,789

The accompanying notes are an integral part of these statements

MONROE COUNTY COMMUNITY COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$7,304,689	$7,082,096
Grants and contracts	887,305	1,113,409
Payments to suppliers	(17,455,853)	(13,197,467)
Payments to employees	(14,110,028)	(14,142,927)
Collection of loans from students	530	950
Auxiliary enterprise charges	1,203,941	970,750
Other	218,428	409,159
Net Cash Used For Operating Activities	(21,950,988)	(17,764,030)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes	17,168,258	12,330,297
Tax anticipation loan receipts	1,500,000	2,000,000
Tax anticipation loan payments	(1,500,000)	(2,000,000)
Gifts and contributions for other than capital purposes	365,738	506,248
Pell Grant revenue	3,432,665	3,559,183
Federal direct lending receipts	3,612,652	3,838,999
Federal direct lending payments	(3,612,652)	(3,838,999)
State appropriations	6,620,426	5,890,529
Net Cash Provided by Noncapital Financing Activities	27,587,087	22,286,257
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(6,935,737)	(8,551,979)
Proceeds from sale of capital assets	286,721	0
Proceeds from notes for capital financing	0	16,151,962
Principal debt payments	(431,362)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(7,080,378)	7,599,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment	177,540	679,612
Investment income	39,554	178,459
Purchase of investments	(177,606)	(177,540)
Net Cash Provided by Investing Activities	39,488	680,531
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,404,791)	12,802,741
CASH AND CASH EQUIVALENTS - Beginning of Year	20,137,160	7,334,419
CASH AND CASH EQUIVALENTS - End of Year	$18,732,369	$20,137,160

The accompanying notes are an integral part of these statements

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017 and 2016

RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED FOR OPERATING ACTIVITIES:

	2017	2016
Operating loss	($22,267,355)	($22,616,834)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	1,824,694	1,831,426
Loss on disposal of assets	0	665
(Increase) decrease in assets:		
Accounts receivable	168,267	206,983
Federal and state grant receivable	30,017	34,779
Inventories	212,778	(179,589)
Prepaid assets and other current assets	45,284	(27,537)
Loans to students	0	458
Increase (decrease) in liabilities:		
Accounts payable	(2,465,924)	2,793,806
Accrued payroll and fringes	(59,061)	(53,597)
Deposits	(26,142)	9,039
Unearned tuition and fees	(9,458)	(10,750)
Net pension liability	595,912	247,121
NET CASH USED FOR OPERATING ACTIVITIES	($21,950,988)	($17,764,030)

The accompanying notes are an integral part of these statements

Note 1 – Description of the College and Reporting Entity

Monroe County Community College (The College) is a Michigan community college which has two locations located in Monroe County. The College was founded in 1964 and is governed by a seven member board of trustees, elected by the public.

Reporting Entity

As required by generally accepted accounting principles, these financial statements present the College and its component unit, The Foundation at Monroe County Community College as described in the following paragraph.

The Foundation at Monroe County Community College (The Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board members of the Foundation are appointed by the College's board. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statement.

Separate audited financial statements for the Foundation can be obtained from the Foundation at Monroe County Community College at 1555 South Raisinville Road, Monroe, MI 48161.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

A. <u>College</u>

   The financial statements have been prepared in accordance with the generally accepted accounting principles (GAAP) as applied to public colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

   The College reports as a Business-type Activity (BTAs), as defined by GASB. BTAs are those that are financed in whole or in part by fees charged to external parties for goods or services.

B. <u>Foundation</u>

   The Foundation reports under the provisions of accounting standards codification topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Note 2 – Summary of Significant Accounting Policies (continued)

Following are the more significant accounting policies followed by Monroe County Community College and are described below to enhance the usefulness of the financial statements to the reader.

Measurement Focus and Basis of Accounting
The business-type financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

A. Deposits and Investments
Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes and the College's investment policy authorize the College to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan; the College is allowed to invest in U.S. Treasury of Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The College's deposits are in accordance with statutory authority.

B. Restricted Investments
Investments which are separately invested for an endowed purpose are reflected as restricted.

C. Receivables
Accounts receivable resulting from government and state grants, state appropriations, and student tuition consists of operating revenue recognized, but not received, as of June 30, 2017 and 2016. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal student payment periods. In addition, a general valuation allowance is established for other student accounts receivable based on historical loss experience.

Note 2 – Summary of Significant Accounting Policies (continued)
Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

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

E. Inventories
Inventories, including books and miscellaneous supplies, are stated at the lower of cost or market using the first-in, first-out method.

F. Prepaid Expenses
Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

G. Property and Equipment
Property and equipment are recorded at cost, or if acquired by gift, at the fair market value as of the date of acquisition. The College maintains a capitalization threshold of five thousand dollars. Depreciation is provided for property and equipment on a straight-line basis. Estimated useful lives are as follows:

Land and improvements	10 years
Building and improvements	10-40 years
Infrastructure	10-20 years
Furniture, fixtures and equipment	5-10 years

H. Deferred Outflows of Resources
In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has one item that qualifies for reporting in this category, which is pension contributions reported in the statement of net position. A deferred outflow is recognized for pension contributions made after the plan's measurement date, but before the fiscal year end. The amount is expensed in the plan year in which it applies. See Note 6 for additional information.

Note 2 – Summary of Significant Accounting Policies (continued)
Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (continued)

I. Accrued Vacation
Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the College will compensate the employees for the benefits through paid time off or some other means. The College records a liability for accumulated unused vacation time when earned for all employees with more than one year of service

J. Unearned Revenue
Unearned revenue is a combination of prepaid rent and tuition revenue received prior to year end that relates to the next fiscal period. Unearned revenue at June 30 is as follows:

	June 30,	
	2017	2016
Other	$ 2,279	$2,923
Tuition:		
Spring semester	28,092	18,856
Summer semester	59,780	60,043
Fall semester	138,113	155,900
	225,985	234,799
Total	$228,264	$237,722

K. Deferred Inflows of Resources
In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College's inflows of resources relates to the net pension liability.

L. Restricted Net Position
Permanently restricted net position may be utilized only in accordance with the purposes established by the source of such funds. The permanently restricted funds maintained by the College are general purpose funds, which permit only the use of net investment earnings and require that the original fund corpus be maintained.

The investment earnings on these permanently restricted assets are classified as unrestricted net position in conformity with the donor's designation.

Note 2 – Summary of Significant Accounting Policies (continued)
Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position (concluded)

M. Unrestricted Net Position
The College has designated the use of unrestricted net position as follows:

	June 30, 2017	June 30, 2016
Designated for:		
Working capital	$7,808,398	$6,184,234
Retirement fund	(29,915,337)	(29,343,944)
Technology equipment	378,936	250,023
Auxiliary activities	1,381,123	1,264,204
Student loans	18,177	18,137
Quasi-endowment	273,352	9,667
Major maintenance and renovation	(7,821,171)	(6,853,483)
Unrestricted and undesignated	0	0
Total Unrestricted Net Position	($27,876,522)	($28,471,162)

Operating Revenues and Expenses
The College distinguishes the operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a BTA's principal ongoing operation. The operating revenue of the College relates to charges to students for tuition, including grants, and auxiliary sales. Operating expenses include the cost of instruction, the related services, administration, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Property Taxes
Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on December 1 of the fiscal year, based on assessed valuation as of the preceding December 31. The taxes, which are collected and remitted to the College by townships, villages and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to Monroe County for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

Defined Benefit Plan
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Use of Estimates
The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Subsequent Events
The financial statements and related disclosures include evaluation of events up through and including November 3, 2017, which is the date the financial statements were available to be issued.

Adoption of New Standard
As of June 30, 2017, the College implemented GASB Statement No. 77, Tax abatement Disclosures, which improves disclosure of tax abatement information, such as how the tax abatements affect the College's financial statements, operations, and ability to raise resources in the future, by reporting (1) the College's own tax abatement agreements, and (2) those entered into by other governments that reduce the College's tax revenues. See Note 13, regarding the effect of this pronouncement on the College.

Upcoming Accounting Pronouncements
In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. However, the approximated liability based on the actuarial accrued liability as computed by the Office of Retirement Services and allocated based on covered payroll, results in an estimated liability of $20 million. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

Note 3 – Deposits and Investments

The College is authorized by Michigan Public Act 331 of 1966, as amended through 1997, and by resolution of the Board of Trustees to make deposits and invest in accounts for federally insured banks that have offices in Michigan. It is also authorized to invest surplus monies in bonds, bills and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers' acceptances, and commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits and certain repurchase agreements. The College has no investment policy that would further limit its investment choices.

The College's deposits and investments were included in the balance sheet under the following classifications:

	June 30,	
	2017	2016
Cash and cash equivalents	$18,732,369	$20,137,160
Short-term investments		0
Restricted short-term investments	177,606	177,539
Total	$18,909,975	$20,314,699

The break down between deposits and investments for the College were as follows:

	June 30,	
	2017	2016
Bank deposits (checking accounts, savings accounts and certificates of deposits)	$18,907,987	$20,312,795
Petty cash and cash on hand	1,988	1,904
Total	$18,909,975	$20,314,699

Deposits

The above bank deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at $19,187,018 and $20,396,754 for 2017 and 2016, respectively. Of that amount, $604,357 and $606,491 were covered by federal depository insurance for 2017 and 2016, respectively, and the remainder was uninsured and uncollateralized.

The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each institution it deposits College funds with and assesses the level of risk of each institution: only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 – Deposits and Investments (continued)

Investments
The College's investments are categorized below to give an indication of the level of risk assumed by the College at the year end. Risk Category 1 includes those investments that meet any one of the following criteria:

a. Insured
b. Registered
c. Held by the College or its agent

Risk Categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterpart's trust department (or agency) in the College's name. Category 3 includes investments held by:

a. The counterpart or
b. The counterpart's trust department (or agent) but not in the College's name

The investments not subject to categorization are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools is $1.00 per share and is the same as the reported value of the pool shares. The shares are accessible on demand and act as a sweep account to checking.

Fair Value Measurements
The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Interest Rate Risks
The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the College manages its exposure to interest rate risk by generally limiting investment maturities to less than one year.

Credit Risk
The College's credit risk is limited by the Michigan Public Act 331 and by resolution of the Board of Trustees to invest in limited types of investments as described previously in the note. The College has no investment policy that would further limit its investment choices.

Note 3 - Deposits and Investments (concluded)

Concentration of Credit Risk
The College places no limit on the amount the College may deposit or invest in any one issuer. The percent of the College's investments by insurer at June 30, were as follows:

Issuer:	2017		2016	
PNC Bank	87	%	45	%
BNY Mellon	11		53	
Monroe Bank & Trust	1		1	
Fifth Third Bank	0		1	
Flagstar	1		0	
	100	%	100	%

Custodial Credit Risk
The College investment policies do not address custodial credit risk. However, the entire bank pooled investment accounts and bank deposit accounts are in the name of the College.

Note 4 - Property and Equipment

The following table presents the changes in the various fixed class categories for the year ended June 30, 2017, as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Balance
Nondepreciable Capital Assets:				
Land	$1,472,403	$0	$104,240	$1,368,163
Construction in progress	7,885,307	6,796,163	0	14,681,470
Total Nondepreciable Capital Assets	9,357,710	6,796,163	104,240	16,049,633
Depreciable Capital Assets:				
Land improvements	3,526,094	0	21,050	3,505,044
Building and improvements	55,378,500	0	320,954	55,057,546
Infrastructure	2,221,214	0	0	2,221,214
Furniture, fixtures and equipment	6,760,458	167,274	174,523	6,753,209
Total Depreciable Capital Assets	67,886,266	167,274	516,527	67,537,013
Total Capital Assets	77,243,976	6,963,437	620,767	83,586,646
Less Accumulated Depreciation:				
Land improvements	3,352,981	42,778	11,226	3,384,533
Building and improvements	24,407,467	1,361,846	68,470	25,700,843
Infrastructure	2,071,264	61,616	0	2,132,880
Furniture, fixtures and equipment	5,083,023	358,454	130,161	5,311,316
Total Accumulated Depreciation	34,914,735	1,824,694	209,857	36,529,572
Total Capital Assets, Net	$42,329,241			$47,057,075

The Monroe County Community College Board of Trustees on April 25, 2016 approved the sale/ lease back of property on Hurd Road in Monroe County for $300,000. On July 22, 2016 the sale was final. The College has also approved a lease arrangement with the buyers for the College to lease a portion of the property back at $0 for the next seven years (with options for up to an additional 35 years).

Note 4 - Property and Equipment (concluded)

The following table presents the changes in the various fixed class categories for the year ended June 30, 2016, as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Balance
Nondepreciable Capital Assets:				
Land	$1,472,403	$0	$0	$1,472,403
Construction in progress	0	7,885,307	0	7,885,307
Total Nondepreciable Capital Assets	1,472,403	7,885,307	0	9,357,710
Depreciable Capital Assets:				
Land improvements	3,526,094	0	0	3,526,094
Building and improvements	55,378,500	0	0	55,378,500
Infrastructure	2,221,214	0	0	2,221,214
Furniture, fixtures and equipment	6,465,749	666,673	371,964	6,760,458
Total Depreciable Capital Assets	67,591,557	666,673	371,964	67,886,266
Total Capital Assets	69,063,960	8,551,980	371,964	77,243,976
Less Accumulated Depreciation:				
Land improvements	3,306,893	46,088	0	3,352,981
Building and improvements	23,032,783	1,374,684	0	24,407,467
Infrastructure	1,998,942	72,322	0	2,071,264
Furniture, fixtures and equipment	5,115,990	338,332	371,299	5,083,023
Total Accumulated Depreciation	33,454,608	1,831,426	371,299	34,914,735
Total Capital Assets, Net	$35,609,352			$42,329,241

Note 5 - Accrued Payroll and Fringes

Accrued payroll and fringes include the following:

	June 30,	
	2017	2016
Payroll	$760,314	$873,294
Accrued vacation	379,659	406,916
Pension plan	395,499	370,980
Other retirement and fringes	428,468	349,671
	$1,963,940	$2,000,861

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits

Plan Description

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

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

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

Benefits Provided

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

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

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits (continued)

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each College's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.
College contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates are as follows:

October 1, 2014 - September 30, 2015 18.76% - 23.07%
October 1, 2015 - September 30, 2016 14.56% - 18.95%
October 1, 2016 - September 30, 2017 15.27% - 19.03%

Depending on the plan selected, plan member contributions range from 0.0 percent up to 6.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions. The College's actual contributions to the plan for the years ended June 30, 2017 and 2016 were $2,226,764 and $2,212,486, respectively. In addition, the College recognized Section 147(c) payments allocable to the pension contribution of $792,660 and $944,693 in revenue from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017 and 2016, respectively. These funds were also remitted to the plan.

Pension Liabilities

At June 30, 2017 and 2016, the College reported a liability of $34,281,171 and $32,695,153 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 and 2014, which used updated procedures to roll forward the estimated liability to September 30, 2016 and 2015. 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, 2016 and 2015, the College's proportion was 0.13740 percent and 0.13386 percent, respectively.

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits (continued)

For the year ended June 30, 2017 and 2016, the College recognized pension expense of $3,402,877 and $2,722,375, respectively. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017		2016	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$427,234	($81,247)	$0	($108,296)
Changes of assumptions	535,959	0	805,024	0
Net differences between projected and actual plan investments earnings	569,753	0	166,882	0
Changes in proportion and differences between the College’s contributions and proportionate share of contributions	710,475	(181,850)	68,004	(220,602)
The College's contributions subsequent to the measurement date	2,385,510	0	2,640,197	0
	$4,628,931	($263,097)	$3,680,107	($328,898)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	Amount
2018	$405,415
2019	360,607
2020	971,667
2021	242,635

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

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits (continued)

Actuarial Assumptions

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

The total pension liability as of September 30, 2016 and 2015, based on the results of an actuarial valuation dated September 30, 2015 and 2014 and rolled forward, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age, Normal
Rate of pay increases:	3.5%
Investment Rate of Return:	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality basis:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB.

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

Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.6273

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/mpsers-cafr).

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits (continued)

Actuarial Assumptions (continued)

Discount rate

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

The long-term expected rate of return on plan assets

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2017		2016	
Investment Category	Target Allocation	Long-term Expected Real Rate of Return*	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.90%	28.00%	5.90%
Alternate Investment Pools	18.00%	9.20%	18.00%	9.20%
International Equity	16.00%	7.20%	16.00%	7.20%
Fixed Income Pools	10.50%	0.90%	10.50%	0.90%
Real Estate and Infrastructure Pools	10.00%	4.30%	10.00%	4.30%
Absolute Return Pools	15.50%	6.00%	15.50%	6.00%
Short Term Investment Pools	2.00%	0.00%	2.00%	0.00%
	100.00%		100.00%	

* Long term rate of return does not include 2.10% inflation

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits (continued)

Sensitivity 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 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 (7.0% or 6.0%), or 1 percentage point higher (9.0% or 8.0%):

The College's proportionate share of the net pension liability	1% Decrease (7.0%/6.0%)	Current Single Discount Rate Assumption (8.0%/7.0%)	1% Increase (9.0%/8.0%)
June 30, 2017	$44,145,520	$34,281,171	$25,964,577
June 30, 2016	$42,152,433	$32,695,153	$24,722,278

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR. See the 2016 MPSERS CAFR, available here: http://michigan.gov/documents/orsschools/MPSERS_CAFR_2016_Final_550678_7.pdf.

Payable to the Pension Plan

At June 30, 2017 and 2016, the College reported a payable of $163,615 and $178,971, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017 and 2016.

Postemployment Benefits Other Than Pensions (OPEB)

Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for retirees to have the option of comprehensive group medical, hearing, dental and vision coverage through MPSERS. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care 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. The MPSERS Board of trustees annually sets the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from October 1, 2013 through September 30, 2014, from 2.2 percent to 2.71 percent of covered payroll for the period October 1, 2014 through September 30, 2015 and from 6.4 to 6.83 percent of covered payroll for the period October 1, 2015 to September 30, 2016 dependent upon the employee's date of hire and plan election as noted above.

Note 6 - Defined Benefit Pension Plans and Postemployment Benefits (concluded)

Postemployment Benefits Other Than Pensions (OPEB) (concluded)

Members are given the choice between contributing 3% of their covered payroll to the retiree healthcare fund and keeping the premium subsidy benefit, 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 accounts 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 will be deposited into their 401(k) accounts.

The College's postemployment healthcare contributions to MPSERS for the year ended June 30, 2017 and 2016 were approximately $633,913 and $810,906, respectively. In addition, the College recognized Section 147(c) payments allocable to the OPEB contribution of $393,284 and $415,556 in revenue from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2017 and 2016, respectively. These funds were also remitted to the plan.

Optional Defined Contribution Plan

Professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). For fiscal year 2017 and prior, the College's contribution percentage to the ORP plan mirrored that of the corresponding plan of the participant under MPSERS. In addition, the participant also contributes a percentage of their compensation to the plan. For fiscal years 2016 and 2017, the average contribution percentages for the College and the participants were approximately 7.89% and 7.92% respectively. Total covered payroll and College contributions for the years ended June 30, 2017 and 2016 were approximately $ and $2,667,106 and $2,606,833 and $674,728 and $673,064, respectively.

Effective July 1, 2016, the College has modified the plan contribution amounts for new employees; contribution percentages for the College and the participant are now maxed out at 12% and 4% respectively.

Note 7 - Federal Direct Lending Program

The College distributed $3,612,652 and $3,838,999 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2017 and 2016, respectively. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

Note 8 - Collateralized State Bonds

The State of Michigan has made several construction project grants to Monroe County Community College. The Michigan State Building Authority is responsible for financing the State's 50% grant portion, which is done by selling bonds. The College deeds the related buildings and sites to the Michigan State Building Authority to collateralize those bonds. When the bond obligations are fully paid, the related properties will be deeded back to the College.

The following properties are currently collateral for Michigan bonds:

Property	Fiscal Year of Completion	States Original Grant
West Technology Building and Library	June, 2001	1.05 Million
La-Z-Boy Center for Business and the Performing Arts	June, 2005	6.00 Million
Career Technology Center Building	June, 2014	8.50 Million

Note 9 - Short-Term Liabilities

The College issued a Tax Anticipation Note for $1,500,000 for short-term cash flow needs on November 4, 2016. The tax anticipation note requires an allocation of each property tax receipt to be set aside for debt retirement. With the set-aside requirements, the College redeemed the note on March 10, 2014. The total cost of the borrowing was $3,938 and $5,733 for the years ended June 30, 2017 and 2016, respectively.

Short-term liabilities consist of the following as of June 30, 2017:

Note	Interest	Maturity	July 1, 2016	Additions	Reductions	June 30,2017
2016 Tax Anticipation Note	.75%	2017	$0	$1,500,000	$1,500,000	$0

Short-term liabilities consist of the following as of June 30, 2016:

Note	Interest	Maturity	July 1, 2015	Additions	Reductions	June 30,2016
2015 Tax Anticipation Note	.80%	2016	$0	$2,000,000	$2,000,000	$0

The College will not need to issue a Tax Anticipation Note for the fiscal year of June 30, 2018.

Note 10 - Long-Term Liabilities

Following is the long-term liability activity for the year ended June 30, 2017 and 2016:

	July 1, 2016	Additions	Reductions	June 30,2017	Current Portion
Note Payable					
Key government Finance (50% HVAC System)	$8,075,981	$0	$225,978	$7,850,003	$463,889
Signature Public Funding Corp. (50% HVAC System)	8,075,981	0	205,384	7,870,597	421,925
	$16,151,962	$0	$431,362	$15,720,600	$885,814
Other Payables					
Accrued Vacation	$406,916	$379,659	$406,916	$379,659	$379,659

	July 1, 2015	Additions	Reductions	June 30,2016	Current Portion
Note Payable					
Key government Finance (50% HVAC System)	$0	$8,075,981	$0	$8,075,981	$215,681
Sterling National Bank (50% HVAC System)	0	8,075,981	0	8,075,981	215,681
	$0	$16,151,962	$0	$16,151,962	$431,362
Other Payables					
Accrued Vacation	$416,789	$438,194	$448,067	$406,916	$406,916

Note 10 - Long-Term Liabilities (concluded)

In 2015, the College secured financing for the construction of a new HVAC system. The financing was split 50/50 between Key Government Finance and Signature Public Funding Corp. assigned by Sterling National Bank on March 10, 2017. Terms of each note are as follows:

- Key Government Finance HVAC Note: Term note, payable $367,308 Semi-annually beginning March 30, 2016, including interest at 3.5% due September 30, 2030, secured by HVAC system.

- Signature Public Funding Corp. HVAC Note: Term note, payable $350,751 Semi-annually beginning March 30, 2016, including interest at 3.6% due September 30, 2031, secured by HVAC system.

Annual principal and interest requirements to maturity for the above note payable obligations are as follows:

Fiscal Year	Principal	Interest	Total
2018	$885,814	$550,304	$1,436,118
2019	917,518	518,600	1,436,118
2020	950,357	485,761	1,436,118
2021	984,372	451,746	1,436,118
2022	1,019,605	416,514	1,436,119
2023 & After	10,962,934	2,088,926	13,051,860
	$15,720,600	$4,511,851	$20,232,451

Note 11 - Operating Leases

Rental expense for equipment totaled $47,627 and $57,162 for fiscal years 2017 and 2016, respectively.

Future minimum lease commitments for office equipment as of June 30, 2017, are as follows:

2018	$17,372
2019-2023	0
	$17,372

Note 12 - Property Taxes

The College received 2.1794 mills for both fiscal years 2017 and 2016 for current operations. The College also received .85 mills for 2017 for maintenance and improvements. The property taxes were levied on December l of the fiscal year, based on assessed valuation as of the preceding December 31. The taxable values for real and personal property were $5.66 and $5.65 billion for both fiscal 2017 and 2016 tax collections, respectively. The taxable value is approximately 50% of the properties' fair market value with limits on the annual increase.

Note 13 - Tax Abatement

Municipalities within the College boundaries entered into property tax abatement agreements with local businesses under two programs: The Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, and the Brownfield Redevelopment Financing Act, under Act 381 of 1996, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1-12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50 percent of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties. The Brownfield Program uses tax increment financing (TIF) to reimburse brownfield related costs incurred while redeveloping contaminated, functionally obsolete, blighted, or historic properties.

For the year ended June 30, 2017, the College's property tax revenue for general operations was reduced by $142,924 under these programs. The abatements issued by other governmental units are as follows:

Governmental Unit	IFT	Brownfield	Total
Ash	$999	$0	$999
Bedford	11,815	642	12,457
Berlin	2,760	0	2,760
Dundee	61,792	533	62.325
Erie	357	0	357
Frenchtown	6,476	0	6,476
Monroe	519	0	519
Summerfield	1,180	0	1,180
Whiteford	1,337	0	1,337
Monroe City	28,776	22,799	51,575
Milan City	2,939	0	2,939
	$118,950	$23,974	$142,924

Note 14 - Self Insurance

Beginning July 1, 2015, the College is partially self-insured for healthcare benefits. The self-insured healthcare plan covers approximately 100 employees and their dependents. Claims are funded by the College and paid by the plan administrator; actual payments are based on claims filed. An insurance policy covers claims in excess of $35,000 per covered employee and/or their dependent. The College pays the administrative costs of the plan. Self-insured employee benefit liability for the year ending June 30, 2017 and 2016 were as follows:

	2017	2016
Balance, beginning of year	$21,416	$0
Claims incurred, premiums paid and changes in estimates	2,146,035	1,974,133
Claim and premium payments	(2,086,988)	(1,952,717)
Balance, end of year	$80,463	$21,416

Beginning July 1, 2016, the College is partially self-insured for dental and vision.

Beginning July 1, 2017, the College is switching health care providers going from Blue Cross Blue Shield of Michigan to Priority Health.

Note 15 - Risk Management

The College is exposed to various risks of loss related to property loss, errors and omissions, 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 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. Members' premiums are used to purchase commercial excess coverage for claims in excess of $100,000 for each insured amount, and to pay member claims in excess of deductible amounts. The College has a share of the reserve for future claims in the shared-risk pool of $878,676 and $761,654 as of June 30, 2017 and 2016, respectively. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College. All payments to the pool were expensed by the College in the year paid.

Note 16 - Commitments, Contingencies and Capital Outlay

In the normal course of its activities, the College is party to various legal actions. It is the opinion of College officials that the potential claims in excess of insurance coverage resulting from the remaining litigation would not have a material effect on the financial statements.

The College began construction of the new HVAC system in fiscal year 2016. This project will replace the College's boilers and provide up-to-date heating and cooling for the entire campus. The project is anticipated to be completed in fiscal year 2018 for a total cost of $16.1 million. As of June 30, 2017, the entire amount of financing has been taken and placed in a money market account in which the College draws on for progress payments. Construction completed and recorded as Construction in Progress as of June 30, 2017 and 2016 was $6,663,102 and $7,885,307, respectively, leaving approximately $1.6 million to be completed and spent in fiscal year 2018.

The College began construction on the Life Science Building in fiscal year 2017 with the façade improvement project. This project will replace the sunshades on the building, which are pulling the brick that could have caused a potential hazardous situation. In addition to the façade improvements project, construction on the Life Science Building for an addition will begin in fiscal year 2018. Both projects will be completed in fiscal 2018 for a total cost of $2,299,075. Construction completed and recorded as Construction in Progress as of June 30, 2017 was $133,061, leaving approximately $2.1 million to be completed and spent in fiscal year 2018.

The College received planning authorization from the State of Michigan for a capital outlay project to renovate the East and West Technology Buildings. The total cost of the renovation is $9,000,000, of which the State of Michigan will pay $3,750,000. Construction is anticipated to begin in May of 2018 provided construction authorization is granted by the State of Michigan. The College on September 5, 2017, committed to $100,000 in architectural services for the planning and design of the renovation project.

Note 17 - Foundation at Monroe County Community College, a Component Unit

Unrestricted net position, expendable endowments, scholarships and grants and nonexpendable endowments are available at June 30, 2017 and 2016 for the following purposes:

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Non-expendable endowments	Total June 30, 2017
College designated	$39,825	$0	$0	$39,825
Scholarships	0	1,043,331	2,127,602	3,170,933
Grants	0	178,052	25,000	203,052
Enrichment of the cultural and performing arts	0	1,934,833		1,934,833
Construction of the career technology center	0	728,383		728,383
Total	$39,825	$3,884,599	$2,152,602	$6,077,026

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Non-Expendable Endowments	Total June 30, 2016
College designated	$17,188	$0	$0	$17,188
Scholarships	0	765,326	2,005,230	2,770,556
Grants	0	213,872	25,000	238,872
Gift Annuity	0	29,200	0	29,200
Enrichment of the cultural and performing arts	0	1,805,041	0	1,805,041
Construction of the career technology center	0	421,932	0	421,932
Total	$17,188	$3,235,371	$2,030,230	$5,282,789

Note 17 - Foundation at Monroe County Community College, a Component Unit (concluded)

All investments of the Foundation are either donor-restricted endowments, donor restricted grants, Foundation designated endowments or College designated endowments. The Foundation's investments are stated at fair value based on quoted market prices for active market assets using Level 1 inputs. The fair value of the Foundation investments in mutual funds at June 30 are as follows:

	2017 Fair Value	2016 Fair Value
Money Market (a)	$113,313	$128,067
Individual Securities: (b)		
Corporate stocks	291,763	285,313
Mutual Funds: (c)		
Equity funds	1,880,005	1,557,482
Fixed income funds	680,876	692,756
Total Mutual Funds	2,560,881	2,250,238
Exchange Traded Funds: (d)		
Equity funds	867,302	731,253
Fixed income funds	755,055	698,300
REIT	251,338	292,520
Total Exchange Traded Funds	1,873,695	1,722,073
Total Brokeraged Investments	$4,839,652	$4,385,691

The net position and all activity of the Foundation are reported as a discretely presented component unit in the College's financial statements. The net position of the Foundation totaled $6,077,026 and $5,282,789 at June 30, 2017 and 2016, respectively.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation board approved a distribution policy to allow an amount equal to four percent of the three years rolling average of each endowment. In considering the long-term expected return on its endowment, the Foundation expects the current spending policy to allow its endowment to grow 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 SUPPLEMENTAL INFORMATION

MONROE COUNTY COMMUNITY COLLEGE

Schedule of the College's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Reitrement Plan
Last 10 College Fiscal Years (Amounts determined as of 9/30 of each year)

	2016	2015	2014
A. The College's proportion of net pension liability (%)	0.13740%	0.13386%	0.13504%
B. The College's proportion proporitionate share of net pension liability	$34,281,171	$32,695,153	$29,745,273
C. The College's covered-employee payroll	$11,497,098	$14,659,767	$14,470,277
D. The College's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	33.54%	44.84%	48.65%
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	66.20%	66.20%

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June 30, 2015.

MONROE COUNTY COMMUNITY COLLEGE

Schedule of the College's Contributions
Michigan Public School Employees Reitirement Plan
Last 10 College Fiscal Years (Amounts determined as of 6/30 of each year)

	2017	**2016**	**2015**
A. Statutorily required contributions	$3,085,478	$2,582,318	$2,097,300
B. Contributions in relation to statutorily required contributions*	$3,085,478	$2,582,318	$2,097,300
C. Contribution deficiency (excess)	$0	$0	$0
D. The College's covered-employee payroll	$10,886,855	$14,142,540	$14,463,840
E. Contributions as a percentage of covered-employee payroll	28.34%	18.26%	14.50%

*Contribution in relation to statutorily required contributions are the contributions a college actually made to MPSERS, which may differ from the statutorily required contributions.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June 30, 2015.

OTHER SUPPLEMENTAL INFORMATION

MONROE COUNTY COMMUNITY COLLEGE

Combining Statements of Net Position
June 30, 2017 and 2016

	2017			
	General Fund	Retirement Fund	Designated Fund	Auxiliary Activities Fund
ASSETS				
Current Assets				
Cash and cash equivalents	$8,190,397	$131,833	$295,829	$1,091,426
Property taxes receivable				
(net of allowance $12,136 and $16,485)	19,745	0	0	0
State appropriation receivable	853,039	263,666	0	0
Federal and state receivable	38,645	0	0	0
Interest receivable	0	0	0	0
Accounts receivable				
(net of allowance $1,026,949 and $992,746)	573,774	0	0	136,650
Inventories	11,108	0		176,093
Prepaid expenses and other assets	172,214	0	84,352	6,750
Due from (to) other funds	44,463	0	0	0
Total Current Assets	9,903,385	395,499	380,181	1,410,919
Restricted short-term investments	0	0	0	0
Property and Equipment				
(net of accumulated depreciation)	0	0	0	0
TOTAL ASSETS	9,903,385	395,499	380,181	1,410,919
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	0	4,628,931	0	0
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	$266,397	$0	$1,245	$26,128
Accrued payroll and fringes	1,549,280	395,499	0	3,668
Deposits	53,325	0	0	0
Unearned revenue	225,985	0	0	0
Current portion of debit obligations	0	0	0	0
Total Current Liabilities	2,094,987	395,499	1,245	29,796
Long term Liabilities				
Debt obligations	0	0	0	0
Net pension liability	0	34,281,171	0	0
TOTAL LIABILITIES	2,094,987	34,676,670	1,245	29,796
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	0	263,097	0	0
Net Position				
Invested in capital assets	0	0	0	0
Restricted for:				
Nonexpendable endowments	0	0	0	0
Expendable:				
Scholarships	0	0	0	0
Other	0	0	0	0
Unrestricted (deficit)	7,808,398	(29,915,337)	378,936	1,381,123
Total Net Position	$7,808,398	($29,915,337)	$378,936	$1,381,123

Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Combined Total	2016 Combined Total
$130,233	$18,667	$265,159	$8,608,825	$18,732,369	$20,137,160
0	0	0	6,161	25,906	16,419
0	0	0	0	1,116,705	1,087,433
52,783	0	0	0	91,428	100,870
0	0	948	0	948	50
62,829	0	7,178	0	780,431	969,220
0	0	0	0	187,201	399,979
39,934	0	0	0	303,250	348,534
(44,463)	0	0	0	0	0
241,316	18,667	273,285	8,614,986	21,238,238	23,059,665
0	0	177,606	0	177,606	177,539
0	0	59,100	46,997,975	47,057,075	42,329,241
241,316	18,667	509,991	55,612,961	68,472,919	65,566,445
0	0	0	0	4,628,931	3,565,822
$18,370	$0	$0	$715,557	$1,027,697	$3,565,624
15,493	0	0	0	1,963,940	2,000,861
81,431	0	0	0	134,756	90,343
2,279	0	0	0	228,264	237,722
0	0	0	885,814	885,814	431,362
117,573	0	0	1,601,371	4,240,471	6,325,912
0	0	0	14,834,786	14,834,786	15,720,600
0	0	0	0	34,281,171	32,695,153
117,573	0	0	1,601,371	53,356,428	54,741,665
0	0	0	0	263,097	328,898
0	0	59,100	46,997,975	47,057,075	42,329,241
0	0	177,539	0	177,539	177,539
9,729	0	0	0	9,729	12,789
114,014	490	0	0	114,504	127,582
0	18,177	273,352	(7,821,171)	(27,876,522)	(28,471,162)
$123,743	$18,667	$509,991	$39,176,804	$19,482,325	$14,175,989

MONROE COUNTY COMMUNITY COLLEGE

Combining Statements of Revenue, Expenses, Transfers and Changes in Net Position
For the Years Ended June 30, 2017 and 2016

	2017		
	General Fund	Retirement Fund	Designated Fund
REVENUE			
Operating Revenue			
Tuition and fees (net of scholarship allowance of $3,127,921 and $3,230,964	$8,577,606	$0	$1,274,172
Federal grants	7,640	0	0
State grants	0	0	0
Auxiliary activities (net of scholarship allowance of $330,761 and $356,155)	(7,729)	0	0
Indirect cost recoveries	12,088	0	0
Other sources	224,352	0	0
Total Operating Revenue	8,813,957	0	1,274,172
EXPENSES			
Operating Expenses			
Instruction	11,155,453	1,029,060	546,956
Public services	193,057	18,578	1,575
Instructional support	3,283,118	304,693	277,865
Student services	2,768,816	245,780	164,310
Institutional administration	3,012,655	232,230	128,462
Operation and maintenance of plant	2,887,835	191,216	26,091
Depreciation expense	0		
Total Operating Expenses	23,300,934	2,021,557	1,145,259
Operating Income (Loss)	(14,486,977)	(2,021,557)	128,913
NONOPERATING REVENUE (EXPENSES)			
State appropriations	$5,199,535	$1,450,164	$0
Property tax levy	12,356,491	0	0
Federal pell grant revenue	0	0	0
Investment income	11,115	0	0
Gifts	0	0	0
Loss on disposal of assets			
Net Nonoperating Revenue (Expense)	17,567,141	1,450,164	0
Income (Loss) Before Other Revenue and Expenses	3,080,164	(571,393)	128,913
Transfers In (Out)	(1,456,000)	0	0
Net Increase (Decrease) in Net Position	1,624,164	(571,393)	128,913
NET POSITION			
Beginning of Year	6,184,234	(29,343,944)	250,023
End of Year	$7,808,398	($29,915,337)	$378,936

Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Combined Total	2016 Combined Total
$0	($2,611,713)	$500	$0	$0	$7,240,565	$6,969,137
0	814,018	0	0	0	821,658	1,027,919
0	42,300	0	0	0	42,300	47,788
1,504,423	(323,032)	0	0		1,173,662	1,028,979
0	(12,088)	0	0	0	0	0
0	0	0	0	0	224,352	418,490
1,504,423	(2,090,515)	500	0	0	9,502,537	9,492,313
0	212,172	0	0	(128,870)	12,814,771	12,809,481
105,224	47,926	0	0	0	366,360	366,513
0	61,817	0	0	(3,085)	3,924,408	4,050,904
1,279,780	1,303,366	1,005	0	(4,519)	5,758,538	5,428,328
0	363	0	2,977	566,469	3,943,156	3,606,560
0	3,740	0	0	29,083	3,137,965	4,015,935
0	0	0	0	1,824,694	1,824,694	1,831,426
1,385,004	1,629,384	1,005	2,977	2,283,772	31,769,892	32,109,147
119,419	(3,719,899)	(505)	(2,977)	(2,283,772)	(22,267,355)	(22,616,834)
$0	$0	$0	$0	$0	$6,649,699	$5,969,706
0	0	0	0	4,816,905	17,173,396	12,317,196
0	3,439,575	0	0	0	3,439,575	3,568,793
0	0	0	17,319	15,845	44,279	34,481
0	262,231	0	0	101,000	363,231	461,992
			286,721	(383,210)	(96,489)	
0	3,701,806	0	304,040	4,550,540	27,573,691	22,352,168
119,419	(18,093)	(505)	301,063	2,266,768	5,306,336	(264,666)
(2,500)	2,500	0	(37,378)	1,493,378	0	0
116,919	(15,593)	(505)	263,685	3,760,146	5,306,336	(264,666)
1,264,204	139,336	19,172	246,306	35,416,658	14,175,989	14,440,655
$1,381,123	$123,743	$18,667	$509,991	$39,176,804	$19,482,325	$14,175,989

Community College District of Monroe County, Michigan d/b/a Monroe County Community College

Federal Awards Supplemental
Information June 30, 2017

Contents

Cooley Hehl Wohlgamuth & Carlton P. L. L. C. Certified Public Accountants

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Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Trustees
Community College District of Monroe
County, Michigan d/b/a Monroe County
Community College

We have audited the basic financial statements of Community College District of Monroe County, Michigan d/b/a Monroe County Community College (the "College") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the College's basic financial statements. We issued our report thereon dated November 3, 2017, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 3, 2017.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cooley Hehl Wohlgamuth & Carlton

November 3, 2017

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Trustees
Community College District of Monroe
County, Michigan d/b/a Monroe County
Community College

We have audited, 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, the financial statements of Community College District of Monroe County, Michigan d/b/a Monroe County Community College (the "College") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 3, 2017. The financial statements of the Foundation at Monroe County Community College were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community College District of Monroe County, Michigan d/b/a Monroe County Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To Management and the Board of Trustees
Community College District of Monroe
County, Michigan d/b/a Monroe County
Community College

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community College District of Monroe County, Michigan d/b/a Monroe County Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cooley Hehl Wohlgamuth & Carlton

November 3, 2017

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Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Community College District of Monroe
County, Michigan d/b/a Monroe County
Community College

Report on Compliance for Each Major Federal Program

We have audited Community College District of Monroe County, Michigan d/b/a Monroe County Community College's (the "College") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2017. Community College District of Monroe County, Michigan d/b/a Monroe County Community College's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community College District of Monroe County, Michigan d/b/a Monroe County Community College's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community College District of Monroe County, Michigan d/b/a Monroe County Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Trustees
Community College District of Monroe
County, Michigan d/b/a Monroe County
Community College

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Community College District of Monroe County, Michigan d/b/a Monroe County Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Community College District of Monroe County, Michigan d/b/a Monroe County Community College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Community College District of Monroe County, Michigan d/b/a Monroe County Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community College District of Monroe County, Michigan d/b/a Monroe County Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Trustees
Community College District of Monroe
County, Michigan d/b/a Monroe County
Community College

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2017-001, that we consider to be a significant deficiency.

Community College District of Monroe County, Michigan d/b/a Monroe County Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community College District of Monroe County, Michigan d/b/a Monroe County Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cooley Hehl Wohlgamuth & Carlton

November 3, 2017

Community College District of Monroe County, Michigan
d/b/a Monroe County Community College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity/ Grant Identifying Number Amount	Award	Total Amount Provided to Subrecipients	Federal Expenditures
Cluster:					
U.S. Department of Education - Student Financial Aid Cluster:					
Pell Grant	84.063	P063P151643	$ 3,433,645	$ -	$ 3,433,645
Pell Administrative Cost Allowance	84.063	P063P151643	5,930	-	5,930
Federal Work Study	84.033	P033A152048	61,549	-	61,583
Federal Supplemental Educational Opportunity Grant	84.007	P007A162048	60,659	-	60,625
Federal Direct Loans:					
Subsidized	84.268	P268K161643	1,503,491	-	1,503,491
Unsubsidized	84.268	N/A	2,084,346	-	2,084,346
Plus	84.268	N/A	24,815	-	24,815
Total Student Financial Aid Cluster			7,174,435	-	7,174,435
TRIO Cluster:					
Upward Bound 9/1/15 - 8/31/16 Monroe	84.047	P047A121221 - 16	250,000	-	78,564
Upward Bound 9/1/16 - 8/31/17 Monroe	84.047	P047A121221 - 17	250,000	-	169,152
Upward Bound 9/1/15 - 8/31/16 Airport	84.047	P047A121231 - 16	250,000	-	79,900
Upward Bound 9/1/16 - 8/31/17 Airport	84.047	P047A121231 - 17	250,000	-	168,453
Total TRIO Cluster			1,000,000	-	496,069
Total clusters			8,174,435	-	7,670,504
Other federal awards -					
U.S. Department of Education - Vocational Education - Passed through the Michigan Department of Education:					
Local Administration	84.048A	143250	7,640	-	7,640
Local Administration	84.048A	143670	1,560	-	1,560
Professional Development CAP	84.048A	143670	-	-	-
Regional Allocation	84.048A	143510	194,180	-	194,180
Total other federal awards			203,380	-	203,380
Total federal awards			$ 8,377,815	$ -	$ 7,873,884

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Community College District of Monroe County, Michigan d/b/a Monroe County Community College (the "College") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Community College District of Monroe County, Michigan d/b/a Monroe County Community College, it is not intended to and does not present the financial position, changes in net position, or cash flows of Community College District of Monroe County, Michigan d/b/a Monroe County Community College.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The College has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2017, the College transferred $34 of the Federal Supplemental Educational Opportunity Grant award to the 2016-2017 Federal Work-Study Program (84.033) award, which it expended in the 2016-2017 award year.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______Yes __X__None reported

Noncompliance material to financial statements noted? ______Yes __X__No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______Yes __X__No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__Yes ______None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? __X__Yes ______No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.063, 84.007, 84.033, and 84.268	Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__Yes ______No

Section II - Financial Statement Audit Findings

None

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2017

Section III - Federal Program Audit Findings

Reference Number	Finding
2017-001	**CFDA Number, Federal Agency, and Program Name** - Student Financial Aid Cluster - 84.268, 84.063

Federal Award Identification Number and Year - P268K161643

Pass-through Entity - N/A **Finding**

Type - Significant deficiency

Repeat Finding - No

Criteria - Institutions shall submit, in accordance with deadline dates established by the secretary, through publication in the Federal Register, other reports and information the secretary requires and shall comply with the procedures the secretary finds necessary to ensure that the reports are correct. (34 CFR 690.83(b)(2) and 34 CFR 685.309)

Condition - The College did not report certain students, previously reported as withdrawn, to graduated after their application for graduation was approved.

Questioned Costs - None

Identification of How Questioned Costs were Computed - N/A

Context - Of the 25 students selected in testing during the 2016-2017 academic year, three students were not reported as graduated to the National Student Loan Data System (NSLDS).

Cause and Effect - A control was lacking to ensure proper reporting of graduated students was submitted to the NSLDS. As a result, certain graduated students were not reported.

Recommendation - The College should implement controls to ensure all graduated students are reported as such to the NSLDS.

Views of Responsible Officials and Planned Corrective Actions - The College agrees with the finding and has corrected the three student records by reporting their graduation status date to the national clearinghouse and NSLDS. To prevent this issue with future enrollment reporting cycles, the registrar has modified the SAVEDLIST used to identify students in the Colleague system who have graduated during the academic year. The updated SAVEDLIST now identifies all students who have a graduated status during the award year, regardless of whether or not the student was actually enrolled during the award year.

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November 3, 2017

To the Board of Trustees
Monroe County Community College

We have audited the financial statements of Monroe County Community College (the "College") and it's discretely presented component unit for the years ended June 30, 2017 and 2016 and have issued our report thereon dated November 3, 2017. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I – Communications Required Under AU 265
Communicating Internal Control Related Matters Identified in an Audit

Section II – Communications Required Under AU 260
Auditor's Communication With Those Charged With Governance

Section I includes any deficiencies we observed in the College's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the College's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the board of Trustees.

The Foundation at Monroe County Community College (Foundation) has received this communication under a separate report dated September 29, 2017.

This report is intended solely for the use of the board of Trustees and management of Monroe County Community College and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Cooley Hehl Wohlgamuth & Carlton

Cooley Hehl Wohlgamuth & Carlton, PLLC

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November 3, 2017

To the Board of Trustees
Monroe County Community College

Section I – Communications Required Under AU 265
Communicating Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of Monroe County Community College and its discretely presented component unit as of and for the years ended June 30, 2017 and 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reports (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

Our consideration of internal control was for the limited purposes described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

During our audit, we became aware of the following deficiency in internal control identified other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

Colleges are required to have effective administrative and financial internal controls over the reporting of assets. It is necessary to report assets on hand correctly. It was noted that a sale of an asset was reported, however the cost basis associated with the sale was not removed from the College's physical properties fund. We recommend that the current procedures first be reviewed; and then, updated to improve and strengthen; and finally, the process be documented. It would also be beneficial if asset transactions were recorded at the time of an occurrence rather than waiting until the end of the fiscal year to go back and account for these transactions.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Section II – Communications Required Under AU 260
Auditor's Communication With Those Charged With Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 16, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatements.

As part of our audit, we considered the internal control of Monroe County Community College. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the College's financial statements has also been conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States; and Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Under Government Auditing Standards and Uniform Guidance, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the College. Including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during the audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Monroe County Community College are described in Note 2 to the financial statements. During 2017, the College implemented Governmental Accounting Standard Board Statement Number 77, Tax abatement disclosures. We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Qualitative Aspects of Accounting Practices (concluded)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the College's financial statements were:

> Allowance of Uncollectible Receivables - Management estimates the value of tuition accounts receivable and property taxes receivable by establishing an allowance of estimated uncollectible amounts. We evaluated the allowance for uncollectible accounts to determine if the amounts recorded are reasonable.
>
> Scholarship Allowance - Management estimates the scholarship allowances for tuition revenue using a historical relationship between financial aid awarded for books in excess of the associated tuition revenue. We evaluated this estimate to determine if it was reasonable in relation to the overall financial statements.
>
> Capital Asset Useful Life – Management estimates the useful lives of depreciable capital assets based on the length of time those assets will provide economic benefit in the future.
>
> Compensated Absences – Management estimates the accrual based on formulas and conditions specified in various contracts regarding vacation benefits.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

When the College reported the sale of property it owns, the amount of the sale was recorded; however, the related cost basis was not removed from the physical properties fund, which in turn overstated revenue.

Disagreements with Management

For the purpose of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the College's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety if matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We would like to bring to your attention to an accounting principle that has changed recently, and that will have a substantial impact on the College:

> GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans –* Statement No. 75, which was issued in June 2015, requires governments that provide post-employment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees Retirement Plan (MPSERS). The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. However, the approximate liability based on the actuarial accrued liability as computed by the Office of Retirement Services and allocated based on covered payroll, results in an estimated liability of $20 million. The provisions of this statement are effective for College's financial statements for the year ending June 30, 2018.

Other Matters

We applied certain limited procedures to the pension schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the other supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

This information is intended solely for the information and use of the Board of Directors and management of Monroe County Community College and is not intended to be and should not be used by anyone other than these specified parties.