MONROE COUNTY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT

June 30, 2019 and 2018

MONROE COUNTY
COMMUNITY COLLEGE

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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, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent 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 financial statements of The Foundation at Monroe County Community College were 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 College'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 College'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.

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To the Board of Trustees
Monroe County Community College

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Monroe County Community College and it's discretely presented component unit as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 2 and 7 to the financial statements, in 2018 the College adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.* The guidance requires beginning net position of business-type activities as of July 1, 2017 to be restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the College's proportionate share of net pension and net OPEB liabilities, and schedules of college contributions for pension and OPEB be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 College's basic financial statements. The other supplementary information is presented for purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate 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 supplementary 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, under separate cover, our report dated November 4, 2019, on our consideration of Monroe County Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the College's internal control over financial reporting and compliance.

Cooley Hehl Sabo & Calkins, PLLC

November 4, 2019

Introduction

The following is management's discussion and analysis ("MD&A") of Monroe County Community College's (the "College") financial position and results of operations. This discussion and analysis has been prepared by management and includes the College's financial statements for the three most recent fiscal years (July 1 – June 30). It should be read in conjunction with the financial statements and the notes thereto, which follow this section. 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.

Using the Financial Report

The annual financial report includes the report of independent auditors, this MD&A, the basic financial statements, which consist of the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Following the basic financial statements and footnotes are four supplementary schedules: the GASB 68 and GASB 75 required supplementary information, the Combining Statement of Net Position and the Combining Statement of Revenues, Expenses and Transfers and Changes in Net Position as of and for the year ended June 30, 2019.

Each of the College's financial statements tell a different story: the Statement of Net Position presents the assets, liabilities, and net position of the College using the accrual basis of accounting as of the end of the fiscal year; the Statement of Revenues, Expenses, and Changes in Net Position reflects revenues earned and expenses incurred during the fiscal year; and the Statement of Cash Flows provides information on all of the cash inflows and outflows for the institution by major category during the fiscal year.

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

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

The following is a comparative analysis of key components of the Statement of Net Position as of June 30 (rounded in $000's):

	2019	2018	2017
Assets			
Current assets	$ 29,341	$ 23,990	$ 21,238
Endowed assets	182	179	178
Capital assets, net of depreciation	49,595	49,885	47,057
Total assets	**$ 79,118**	**$ 74,054**	**$ 68,473**
Deferred outflows of resources - pension	$ 12,379	$ 7,352	$ 4,629
Deferred outflows of resources - OPEB	$ 1,748	$ 643	$ -
Liabilities			
Current liabilities	$ 5,648	$ 4,206	$ 4,240
Debt obligations	12,967	13,917	14,835
Net pension liability	38,579	34,142	34,281
Net OPEB liability	10,036	11,706	-
Total liabilities	**$ 67,230**	**$ 63,971**	**$ 53,356**
Deferred inflows of resources - pension	$ 4,451	$ 2,970	$ 263
Deferred inflows of resources - OPEB	$ 2,730	$ 396	$ -
Net position			
Invested in capital assets, net of related debt	$ 49,595	$ 49,885	$ 47,057
Restricted - expendable	114	111	124
Restricted - nonexpendable	178	178	178
Unrestricted	(31,053)	(35,462)	(27,877)
Total net position	**$ 18,834**	**$ 14,712**	**$ 19,482**

The Statement of Net Position (continued)

The College's financial position remains strong at June 30, 2019 with assets totaling $79,118,000 and current liabilities of $5,648,000. Total net position increased from $14,712,000 to $18,834,000 primarily due to the maintenance and improvement millage.

Current assets and current liabilities increased $5,351,000 and $1,442,000 respectively. The amount of working capital designated to cover operating expenses increased from $9,195,343 in 2018 to $10,185,715 in 2019.

The College adheres to Governmental Accounting Standards Board Statement No. 68, *Accounting for Pensions*, which requires governments providing defined benefit pensions through a cost-sharing plan to recognize their unfunded pension benefit obligation as a liability to more comprehensively and comparably measure the annual costs of pension benefits. In accordance with the statement, the College has reported under Net Position-Unrestricted (Deficit) of $30,651,495, which is the total of the Net Pension Liability and related deferred inflows and outflows as of June 30, 2019.

For the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting for Postemployment Benefits Other than Pensions*. This new standard requires governments providing other post-employment benefits, such as healthcare, through a cost-sharing plan to recognize their unfunded other post-employment benefit (OPEB) obligation as a liability. In accordance with the statement, the College has reported under Net Position-Unrestricted (Deficit) of $11,018,223, which is the total of the Net OPEB Liability and related deferred inflows and outflows as of June 30, 2019.

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

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 revenues and expenses. Operating revenues primarily include net student tuition and fees, grants and contracts, and auxiliary services. Non-operating revenues include state appropriations, property taxes, and federal Pell Grant revenue.

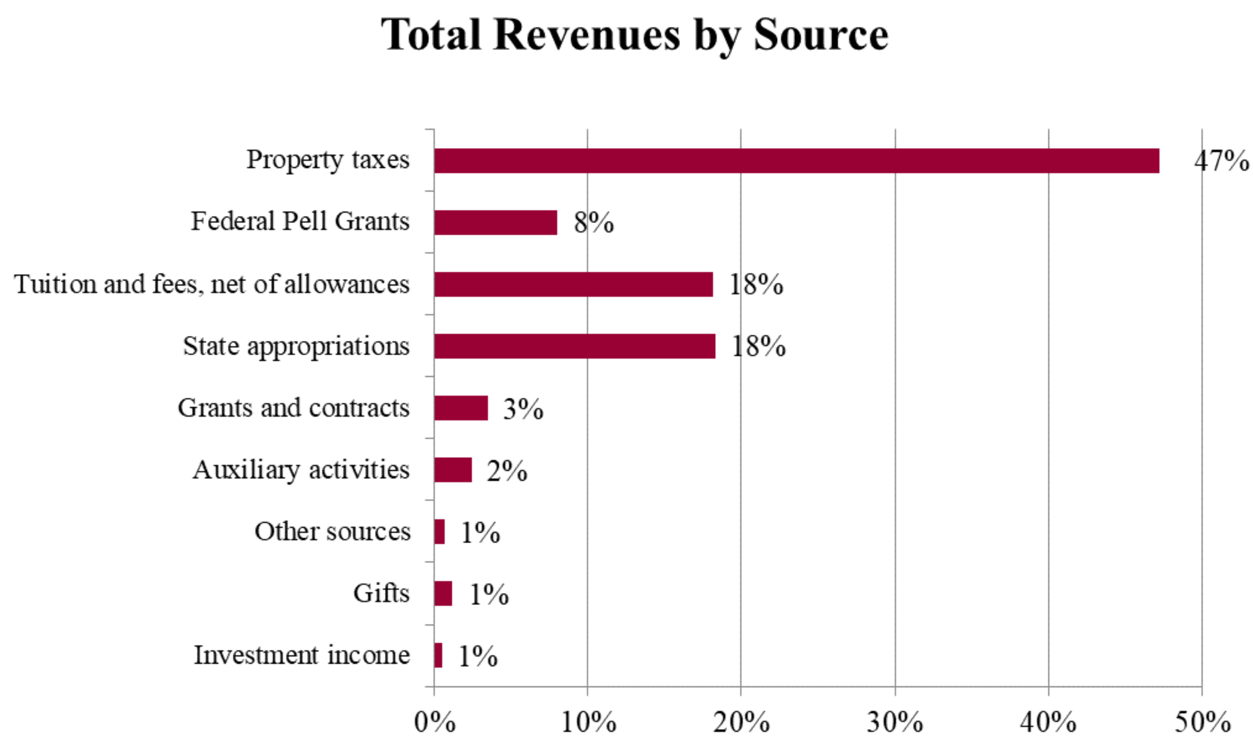
Because the components that create the non-operating revenues are usually greater than the components of the operating revenues, the College's financial statements reflect an annual operating loss.

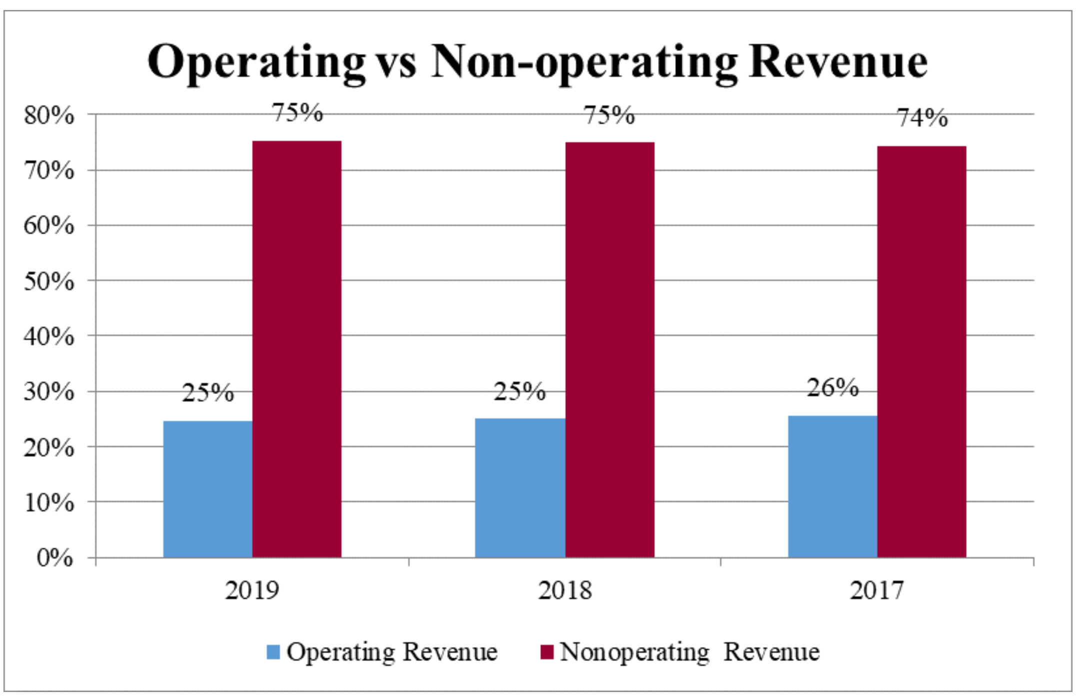
The following is a comparative analysis of key components of the Statement of Revenues, Expenses and Changes in Net Position as of June 30 (rounded in $000's):

	2019	2018	2017
Operating revenues			
Tuition and fees, net of allowances	$ 6,934	$ 7,201	$ 7,241
Grants and contracts	1,327	1,059	864
Auxiliary activities	943	1,156	1,174
Other sources	264	233	224
Total operating revenues	**$ 9,468**	**$ 9,649**	**$ 9,503**
Operating expenses	$ 34,130	$ 31,105	$ 31,770
Operating Loss	**$ (24,662)**	**$ (21,456)**	**$ (22,267)**
Non-operating revenues			
State appropriations	7,003	7,280	6,650
Property tax levy	18,049	17,486	17,173
Federal Pell Grant revenue	3,074	3,088	3,439
Investment income	207	123	44
Gifts	457	815	363
Loss on disposal of assets	(6)	0	(96)
Total non-operating revenues	**$ 28,784**	**$ 28,792**	**$ 27,573**
Increase/(decrease) in net position	**$ 4,122**	**$ 7,336**	**$ 5,306**
Net position - beginning of year	$ 14,712	$ 19,482	$ 14,176
Adjustment for change in accounting principle		(12,106)	
Net position, beginning of year, as restated	14,712	7,376	14,176
Net position - end of year	**$ 18,834**	**$ 14,712**	**$ 19,482**

Revenues by Source

The following is an illustration of the percentage of total revenue ($38,252,000 combined operating and non-operating) by source for the year ended June 30, 2019:





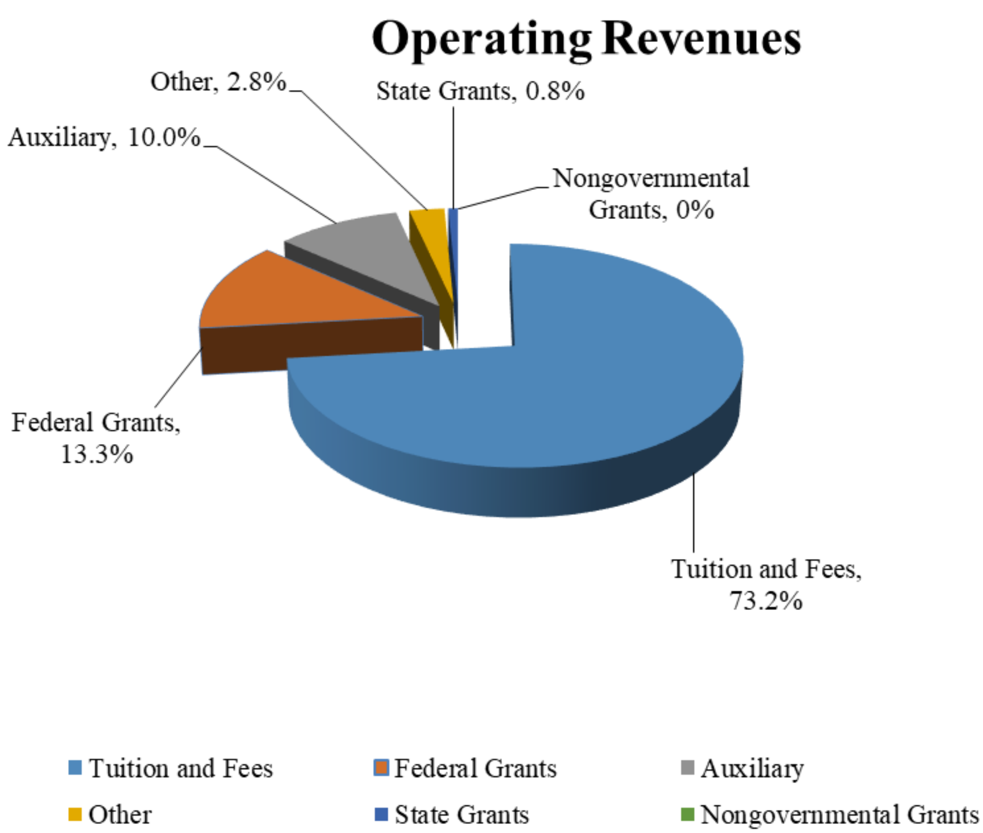
Operating Revenues

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, 2019:

- Student tuition and fee revenue decreased by 3.7 percent or $267,000 in comparison to the prior year. This is due to decreased enrollment at the College. The Board of Trustees approved a 2.3 percent increase in tuition per billable contact hour.
- Grants and contracts revenue increased $268,000.
- Auxiliary services revenue decreased by 18 percent or $213,000 from the prior year most of which was from a decline in revenue from book sales and rentals.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2019:



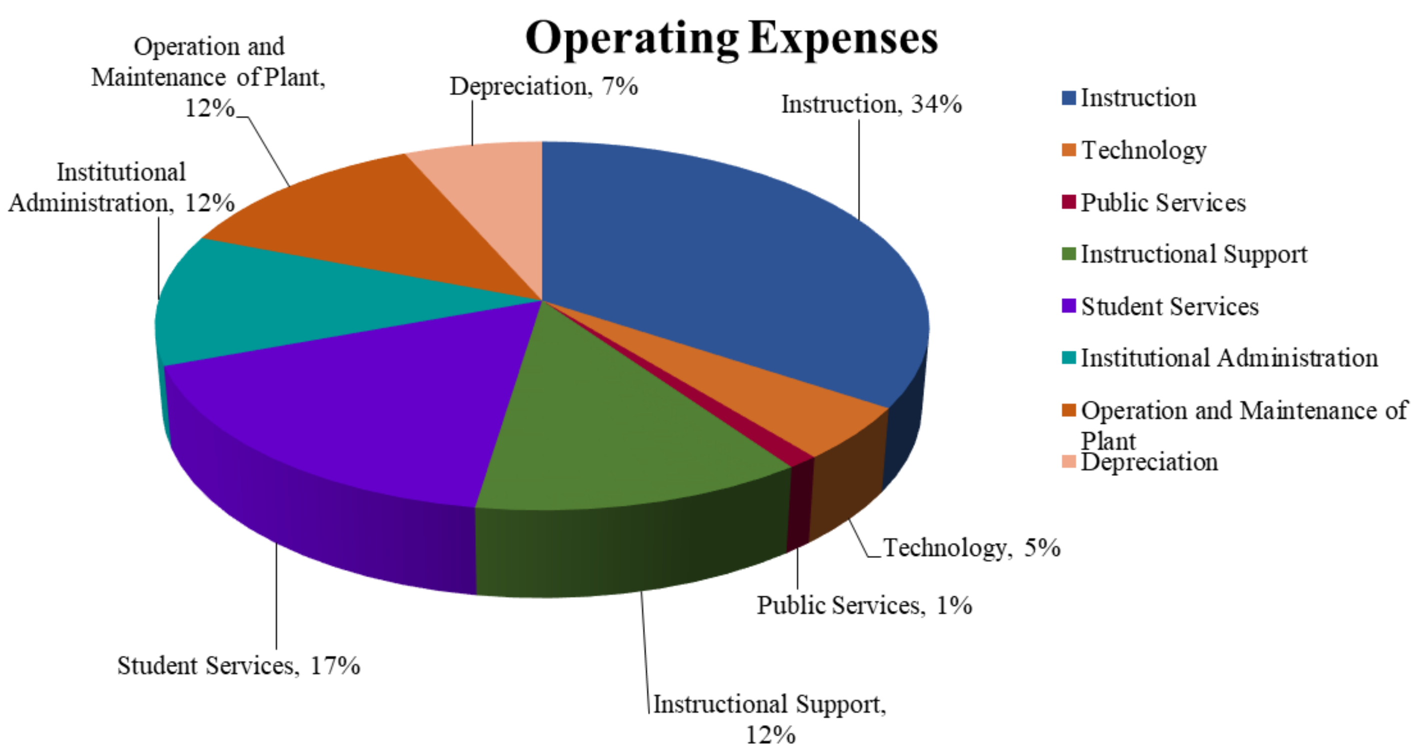
Operating Expenses

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

Operating expense changes were the result of the following for the year ended June 30, 2019:

- Operating expenses increased $3,025,500, which is 9.7 percent, from the fiscal year ended June 30, 2018. Operating expenses totaled $34.1 million, compared to $31.1 million the prior year.
- Depreciation and the operation and maintenance of plant experienced an increase of expenses by $1,498,000. This is expected as major maintenance and improvement projects continue at the College.
- Wages and salaries expense increased by $366,000 from the prior year, which is about 2.6 percent.
- Fringe benefit expenses increased about $979,000 from the prior year. About half of that is due to the expenses associated with the changes in Net Pension and Net OPEB Liabilities for the fiscal year. The remaining increase in fringe benefit expenses is due to increased costs in both retirement and healthcare plans.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2019:



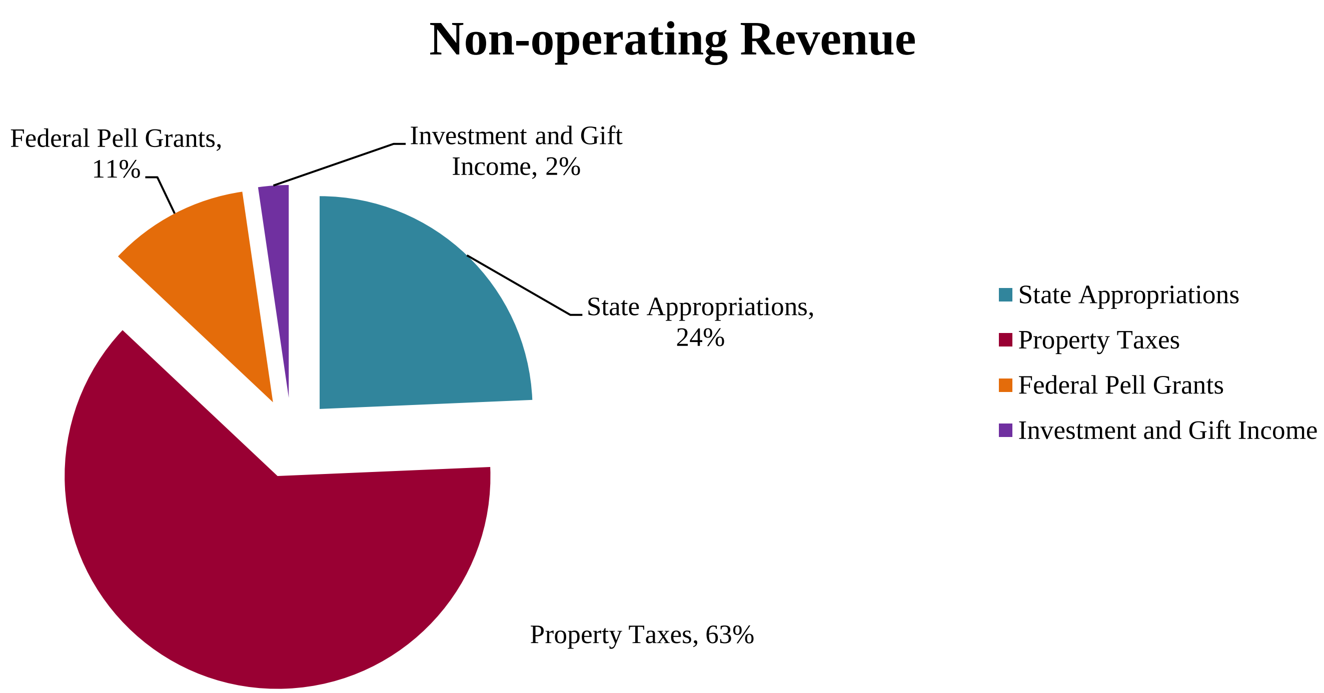
Non-operating Revenues

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, 2019:

- Property taxes increased $564,000, or 3.2 percent, from the prior year due to increased property values.
- State appropriations decreased 3.8 percent, a reduction of $276,000. The appropriations included $1,437,376 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 $1,437,376 amount is paid back to the state to cover retirement costs. The reimbursement in personal property tax losses from the Local Community Stabilization Authority decreased to $609,474 in 2019 compared to $809,115 in 2018.
- Gifts from The Foundation increased $452,000.

The following is a graphic illustration of non-operating revenues by source for the year ended June 30, 2019:



Statement of Cash Flows

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 eliminates all payables and receivables from the previous financial statements to 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

The following is a comparative analysis of key components of the Statement of Cash Flows as of June 30 (rounded in $000's):

		2019		2018		2017
Net cash provided (used) by:						
Operating activities	$	(20,609)	$	(20,568)	$	(21,951)
Non-capital financing activities		28,539		28,607		27,587
Capital and related financing activities		(2,883)		(5,603)		(7,080)
Investing activities		202		168		39
Net increase (decrease) in cash and cash equivalents	**$**	**5,249**	**$**	**2,604**	**$**	**(1,405)**

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

- The College had a net increase in cash and cash equivalents of $5,249,000 compared to the prior year's increase of $2,604,000.
- Cash used for operating activities was $20,609,000, a slight increase of $41,000 compared to 2018. 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 used for capital and related financing activities decreased $2,720,000 compared to 2018. This is primarily because the bulk of construction on the HVAC project and the Life Science Building was completed in 2018. In 2019, projects included the East and West Technology Building, the roof restoration of the Administration Building, and various campus technology and security projects. As projects near completion and additional projects begin, cash used for capital and related financing activities will rise.

Capital Assets

The following is a comparative analysis of key components of the College's investment in capital assets as of June 30 (rounded in $000's):

	2019	2018	2017
Capital assets			
Land	$ 1,368	$ 1,368	$ 1,368
Building and site improvement	79,518	79,518	60,784
Construction in progress	1,825	210	14,682
Equipment	6,998	6,992	6,753
Less: accumulated depreciation	(40,114)	(38,202)	(36,530)
Total capital assets	**$ 49,595**	**$ 49,885**	**$ 47,057**

The College has $89.7 million invested in capital assets, net of accumulated depreciation of $40.1 million.

Debt

In fiscal year 2015-2016, 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.

In previous years, the College would issue a Tax Anticipation Note between $1,000,000 and $6,000,000 in order to cover short-term cash flow needs through November, December, and January. The tax anticipation note would require an allocation of each property tax receipt to be set aside for debt retirement. The College would settle the note sometime in March. The cost to borrow was a minimal amount usually less than $25,000.

The College did not have a need to issue a Tax Anticipation Note for fiscal year 2018-2019 and will not issue a Tax Anticipation Note for fiscal year 2019-2020.

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 does not receive a payment in September. Property taxes, which were 63 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

DTE Energy has requested a review of the taxable values 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. The requested taxable value decrease would result in estimated losses of $1,150,000 per year to general fund revenues and $450,000 per year to millage maintenance and replacement fund revenues. The College is evaluating operational impacts should the taxable value be adjusted.

Taxable values for property in Southeast Michigan have started to increase the last few years. It is anticipated that taxable values will continue to rise after having reached the point where they have leveled out after the 2013-14 fiscal year. The College budgeted a 4.8% increase in property taxes for the 2019-2020 fiscal year, while setting aside $500,000 that could be potentially paid back to DTE from the requested taxable value of its plants mentioned above.

The College completed a major heating, ventilating and air conditioning (HVAC) project. This project replaces the College's boilers and provides 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. The College expects to be saving upwards of $200,000 per year in energy costs from implementing this project.

The College has faced declining enrollment over the past decade. That trend continued for fiscal year 2018-19. It is anticipated that enrollment will continue to experience a decline for 2019-20. The Board of Trustees approved to increase tuition rates 2.5% for the 2019-20 year. The Board of Trustees has 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 three of its maintenance and improvement millage and will continue to receive additional property tax revenue for the next two years. The façade improvements and building addition for the Life Science Building were the first projects from this millage and have been completed. The total cost for the projects was $2,353,000.

Construction is underway on the renovation of the College's East and West Technology Buildings. The total estimated cost of the renovation is $9,000,000 of which the State of Michigan will pay $3,750,000. Property tax revenue generated from the maintenance and improvement millage will fund the $5,250,000 difference. Anticipated completion of the project is spring of 2020.

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, 2019 and 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents - Note 2	$26,585,922	$21,336,847
Property taxes receivable (net of allowance $20,544 and $15,226)	30,245	29,250
State appropriation receivable	893,013	1,117,903
Federal and state grants receivable	352,837	59,079
Interest receivable	2,224	1,347
Accounts receivable (net of allowance $742,454 and $928,300)	873,711	894,474
Inventories	231,865	228,072
Prepaid expenses and other assets	371,343	322,799
Total Current Assets	29,341,160	23,989,771
Noncurrent Assets:		
Restricted short-term investments - Note 2	181,788	179,318
Property and Equipment (net of accumulated depreciation) - Note 4	49,595,272	49,885,474
Total Noncurrent Assets	49,777,060	50,064,792
TOTAL ASSETS	79,118,220	74,054,563
DEFERRED OUTFLOWS OF RESOURCES		
Deferred pension amounts - Note 6	12,378,902	4,628,931
Deferred OPEB amounts - Note 7	1,748,236	643,269
Total deferred outflows of resources	14,127,138	5,272,200
LIABILITIES		
Current Liabilities:		
Accounts payable	1,870,647	915,954
Accrued payroll and fringes - Note 5	2,304,567	2,031,071
Deposits	139,650	119,756
Unearned revenue	382,708	221,683
Current portion of debt obligations - Note 10	950,357	917,518
Total Current Liabilities	5,647,929	4,205,982
Noncurrent Liabilities:		
Debt obligations - Note 10	12,966,911	14,834,786
Net pension liability - Note 6	38,578,916	34,142,091
Net OPEB liability - Note 7	10,036,686	11,705,722
Total Noncurrent Liabilities	61,582,513	60,682,599
TOTAL LIABILITIES	67,230,442	64,888,581
DEFERRED INFLOWS OF RESOURCES		
Deferred pension amounts - Note 6	4,451,481	263,097
Deferred OPEB amounts - Note 7	2,729,773	395,738
Total deferred inflows of resources	7,181,254	658,835
NET POSITION		
Net investment in capital assets	49,595,272	49,885,474
Restricted for:		
Nonexpendable endowments	177,539	177,539
Expendable:		
Endowments, Scholarships, and Grants	9,262	8,194
Other	104,540	102,808
Unrestricted (Deficit) - Note 1	(31,052,951)	(35,462,179)
TOTAL NET POSITION	$18,833,662	$14,711,836

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, 2019 and 2018

	2019	2018
OPERATING REVENUE		
Tuition and fees (net of scholarship allowance of $2,631,853 and $2,792,471)	$6,934,423	$7,200,674
Federal grants	1,255,512	924,587
State grants	71,794	134,147
Auxiliary activities (net of scholarship allowance of $291,410 and $323,177)	942,445	1,158,217
Other sources	263,919	230,892
Total Operating Revenue	9,468,093	9,648,517
OPERATING EXPENSES		
Instruction	11,698,618	11,010,578
Information technology	1,636,934	1,705,064
Public services	390,252	390,660
Instructional support	4,165,308	3,769,193
Student services	5,794,366	5,462,042
Institutional administration	3,927,246	3,747,900
Operation and maintenance of plant	4,261,405	3,130,174
Depreciation	2,256,108	1,889,107
Total Operating Expenses	34,130,237	31,104,718
Operating Loss	(24,662,144)	(21,456,201)
NONOPERATING REVENUE		
State appropriations	7,003,220	7,279,589
Property tax levy	18,049,661	17,485,813
Federal pell grant revenue	3,073,607	3,088,145
Investment income	206,830	123,451
Gifts between College and Foundation	456,266	815,029
Gifts	0	0
Loss on disposal of assets	(5,614)	0
Net Nonoperating Revenues	28,783,970	28,792,027
Increase (Decrease) in Net Position	4,121,826	7,335,826
NET POSITION		
Beginning of Year	14,711,836	19,482,325
Adjustment for change in accounting principle	0	(12,106,315)
Adjusted net position, beginning of year	14,711,836	7,376,010
End of Year	$18,833,662	$14,711,836

The accompanying notes are an integral part of these statements

MONROE COUNTY COMMUNITY COLLEGE

Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$7,262,345	$7,283,554
Grants and contracts	1,325,211	981,717
Payments to suppliers	(15,930,637)	(15,998,443)
Payments to employees	(14,534,971)	(14,220,542)
Collection of loans from students	217	725
Auxiliary enterprise charges	1,007,707	1,156,373
Other	261,299	228,601
Net Cash Used For Operating Activities	(20,608,829)	(20,568,015)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes	18,046,927	17,481,570
Gifts and contributions for other than capital purposes	443,420	742,715
Pell Grant revenue	3,081,600	3,104,839
Federal direct lending receipts	3,215,232	3,021,085
Federal direct lending payments	(3,215,232)	(3,021,085)
State appropriations	6,966,770	7,278,391
Net Cash Provided by Noncapital Financing Activities	28,538,717	28,607,515
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,965,905)	(4,717,507)
Principal debt payments	(917,518)	(885,814)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,883,423)	(5,603,321)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investment	179,318	177,606
Investment income	205,080	170,011
Purchase of investments	(181,788)	(179,318)
Net Cash Provided by Investing Activities	202,610	168,299
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,249,075	2,604,478
CASH AND CASH EQUIVALENTS - Beginning of Year	21,336,847	18,732,369
CASH AND CASH EQUIVALENTS - End of Year	$26,585,922	$21,336,847

The accompanying notes are an integral part of these statements

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019 and 2018

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

	2019	2018
Operating loss	($24,662,144)	($21,456,201)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	2,256,108	1,889,107
Loss on disposcal of assets	(5,614)	0
(Increase) decrease in assets:		
Accounts receivable	139	(2,181)
Federal and state grant receivable	(4,331)	(69,950)
Inventories	(3,792)	(40,872)
Prepaid assets and other current assets	(48,544)	(19,549)
Increase (decrease) in liabilities:		
Accounts payable	963,583	(95,819)
Accrued payroll and fringes	249,411	62,173
Deposits	10,267	2,343
Unearned tuition and fees	161,025	(6,580)
Net pension and OPEB liability	475,063	(830,486)
NET CASH USED FOR OPERATING ACTIVITIES	($20,608,829)	($20,568,015)

The accompanying notes are an integral part of these statements

THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$853,614	$751,598
Prepaid expenses	0	220
Unconditional promises to give:		
Restricted for scholarships	2,445	653,905
Restricted other (net of allowance $200 and $3,300)	17,430	146,728
Total unconditional promises to give	19,875	800,633
Total Current Assets	873,489	1,552,451
Brokeraged investments, at market value:		
Endowment investments	4,175,742	3,138,714
Cultural investments	2,120,166	2,051,885
Total brokeraged investments, at market value	6,295,908	5,190,599
Long-term unconditional promises to give:		
Restricted other (net of allowance $0 and $0)	50,000	50,000
Total Assets	$7,219,397	$6,793,050
LIABILITIES		
Accounts payable	$45,697	$32,661
Deferred revenue	1,000	0
Total Current Liabilities	46,697	32,661
NET ASSETS		
Net Assets, without restrictions	65,765	68,171
Net Assets, with restrictions	7,106,935	6,692,218
Total Net Assets	7,172,700	6,760,389
Total Liabilities and Net Assets	$7,219,397	$6,793,050

(See accompanying notes to financial statements)

THE FOUNDATION AT MONROE COUNTY COMMUNITY COLLEGE

STATEMENTS OF ACTIVITIES
June 30, 2019 and 2018

	2019	2018
REVENUES, GAINS, AND OTHER SUPPORT:		
Contributions	$327,213	$1,094,204
Corporate grants	130,000	0
Special events	36,881	33,375
Donated administrative support	267,578	237,252
Net investment income	413,135	349,832
Total Revenues, Gains, and Other Support	1,174,807	1,714,663
EXPENSES:		
Scholarships	160,693	160,974
Grants	327,605	625,588
Fund raising	5,403	6,208
Donated administrative expenses	267,578	237,252
Other	1,217	1,278
Total Expenses	762,496	1,031,300
Changes in Net Assets	412,311	683,363
Net Assets at Beginning of Year	6,760,389	6,077,026
Net Assets at End of Year	$7,172,700	$6,760,389

(See accompanying notes to financial statements)

Note 1 – Reporting Entity, Basis of Presentation and Significant Accounting Policies

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.

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.

Basis of Presentation

<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.

<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.

Summary of Significant Accounting Policies

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.

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.

Restricted Investments

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

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, 2019 and 2018. 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.

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.

Inventories

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

Prepaid Expenses

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

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

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 reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Notes 6 and 7.

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.

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,	
	2019	2018
Other	$2,236	$218
Tuition:		
Spring semester	0	15,558
Summer semester	258,149	60,306
Fall semester	122,323	145,601
	380,472	221,465
Total	$382,708	$221,683

Pension and Other Postemployment Benefit (OPEB)
For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expenses, 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. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

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 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 reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as funding received through state appropriations for contributions to the plans after the measurement date and the difference between projected and actual earnings of the plan's investments. More detailed information can be found in Notes 6 and 7.

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.

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

	June 30,	
	2019	2018
Designated for:		
Working capital	$10,185,716	$9,195,343
Retirement fund	(41,600,732)	(41,219,477)
Technology equipment	831,933	446,907
Auxiliary activities	1,530,452	1,473,081
Student loans	18,237	18,217
Quasi-endowment	278,809	275,462
Major maintenance and renovation	(2,297,366)	(5,651,712)
Unrestricted and undesignated	0	0
Total Unrestricted Net Position	($31,052,951)	($35,462,179)

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.

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 4, 2019 which is the date the financial statements were available to be issued.

Adoption of New Standard
For the year ended June 30, 2018, the College implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which requires governments providing postemployment benefits other than pensions (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of $12,106,315, which is the net of the net OPEB liability and related deferred inflows and outflows as of July 1, 2017.

Upcoming Accounting Pronouncements

Effective December 15, 2019, the GASB issued Statement No. 87, *Leases,* which establishes a single model for reporting all leases (Including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

Effective after June 15, 2019, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt,* which provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the College.

Note 2 – Deposits and Investments

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

	June 30, 2019	June 30, 2018
Cash and cash equivalents	$26,585,922	$21,336,847
Restricted short-term investments	181,788	179,318
Total	$26,767,710	$21,516,165

As of June 30, 2019 and 2018, the College's investments are comprised entirely of bank certificates of deposit.

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

	June 30, 2019	June 30, 2018
Bank deposits (checking accounts, savings accounts and certificates of deposits)	$26,765,422	$21,513,877
Petty cash and cash on hand	2,288	2,288
Total	$26,767,710	$21,516,165

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 $27,082,886 and $21,806,821 for 2019 and 2018, respectively. Of that amount, $619,800 and $610,469 were covered by federal depository insurance for 2019 and 2018, 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.

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.

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:	2019		2018	
PNC Bank	98	%	98	%
Flagstar	1		1	
Monroe Bank & Trust	1		1	
	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 3 - Fair Value Measurements

The College and its Component Unit categorize their 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 that the College has the ability to access; 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 and Component Unit assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The College has the following recurring fair value measurements as of June 30, 2019 and 2018:

Assets measured at Fair Value on a Recurring Basis at June 30, 2019

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair Value level:				
Bank certificate of deposit	$ 181,788	$ 0	$ 0	$ 188,788
Total investments measured at fair value	$ 181,788			

Assets measured at Fair Value on a Recurring Basis at June 30, 2018

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair Value level:				
Bank certificate of deposit	$ 179,318	$ 0	$ 0	$ 179,318
Total investments measured at fair value	$ 179,318			

The fair value of the Bank certificate of deposit at June 30, 2019 and 2018, was determined primarily based on level 3 inputs. The College records the fair value of this investment using the cost plus interest incrementally earned.

Note 4 - Property and Equipment

The following table presents the changes in the various fixed class categories for the year ended June 30, 2019, as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Balance
Nondepreciable Capital Assets:				
Land	$1,368,163	$0	$0	$1,368,163
Construction in progress	210,455	1,614,451	0	1,824,906
Total Nondepreciable Capital Assets	1,578,618	1,614,451	0	3,193,069
Depreciable Capital Assets:				
Land improvements	3,505,044	0	0	3,505,044
Building and improvements	73,791,485	0	0	73,791,485
Infrastructure	2,221,214	0	0	2,221,214
Furniture, fixtures and equipment	6,991,546	338,516	331,986	6,998,076
Total Depreciable Capital Assets	86,509,209	338,516	331,986	86,515,819
Total Capital Assets	83,586,646	1,952,667	331,986	89,708,888
Less Accumulated Depreciation:				
Land improvements	3,427,311	35,876	0	3,463,187
Building and improvements	27,109,162	1,834,426	0	28,943,588
Infrastructure	2,183,622	18,583	18,552	2,183,653
Furniture, fixtures and equipment	5,482,338	367,223	326,373	5,523,188
Total Accumulated Depreciation	38,202,433	2,256,108	344,925	40,113,616
Total Capital Assets, Net	$49,885,474			$49,595,272

The following table presents the changes in the various fixed class categories for the year ended June 30, 2018, as follows:

	Beginning Balance	Additions	Transfers/ Deletions	Balance
Nondepreciable Capital Assets:				
Land	$1,368,163	$0	$0	$1,368,163
Construction in progress	14,681,470	210,455	14,681,470	210,455
Total Nondepreciable Capital Assets	16,049,633	210,455	14,681,470	1,578,618
Depreciable Capital Assets:				
Land improvements	3,505,044	0	0	3,505,044
Building and improvements	55,057,546	18,733,939	0	73,791,485
Infrastructure	2,221,214	0	0	2,221,214
Furniture, fixtures and equipment	6,753,209	466,827	228,490	6,991,546
Total Depreciable Capital Assets	67,537,013	19,200,766	228,490	86,509,289
Total Capital Assets	83,586,646	19,411,221	14,909,960	88,087,907
Less Accumulated Depreciation:				
Land improvements	3,384,533	42,778	0	3,427,311
Building and improvements	25,700,383	1,408,319	0	27,109,162
Infrastructure	2,132,880	50,742	0	2,183,622
Furniture, fixtures and equipment	5,311,316	387,268	216,246	5,482,338
Total Accumulated Depreciation	36,529,572	1,889,107	216,246	38.202,433
Total Capital Assets, Net	$47,057,075			$49,885,474

Note 5 - Accrued Payroll and Fringes

Accrued payroll and fringes include the following:

	June 30,	
	2019	2018
Payroll	$867,971	$788,121
Accrued vacation	429,004	415,150
Pension plan	392,010	367,188
Other retirement and fringes	615,582	460,612
	$2,304,567	$2,031,071

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

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/orsschools.

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

Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. 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, 2015 - September 30, 2016 14.56% - 18.95%
October 1, 2016 - September 30, 2017 15.27% - 19.03%
October 1, 2017 - September 30, 2018 13.54% - 19.74%

Depending on the plan selected, plan member contributions range from 0.0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions. The College's required contributions to the plan for the years ended June 30, 2019 and 2018 were $3,494,508 and $3,090,243, respectively. In addition, the College recognized Section 147(c)(1) payments allocable to the pension contribution of $1,437,376 and $1,346,365 in revenue from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2019 and 2018, respectively. These funds were also remitted to the plan.

Pension Liabilities

At June 30, 2019 and 2018, the College reported a liability of $38,578,916 and $34,142,091 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and 2016, which used updated procedures to roll forward the estimated liability to September 30, 2018 and 2017. The College's proportion of the net pension liability was 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, 2018 and 2017, the College's proportion was 0.12833 percent and 0.13175 percent, respectively.

For the year ended June 30, 2019 and 2018, the College recognized pension expense of $4,453,774 and $3,360,537, respectively. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$179,013	($280,346)	$296,718	($167,528)
Changes of assumptions	8,934,845	0	3,740,537	0
Net differences between projected and actual plan investment earnings	0	(2,637,817)	0	(1,632,217)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	309,541	(1,533,318)	510,007	(1,170,980)
The College's contributions subsequent to the measurement date	2,955,503	0	2,804,268	0
	$12,378,902	($4,451,481)	$7,351,530	($2,970,725)

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

Deferred (Inflow) and Deferred Outflow of Resources by Year (To be Recognized in Future Pension Expenses)	
2019	$2,155,454
2020	1,472,155
2021	931,264
2022	413,045

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

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, 2018 and 2017, based on the results of an actuarial valuation dated September 30, 2017 and 2016 and rolled forward, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75 to 3.5%
Investment Rate of Return:	6.00 to 7.50%, net of investment and administrative expenses based on the groups
Projected Salary Increase:	2.75 to 12.3%, including wage inflation of 2.75 to 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality basis at 9/30/18:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Mortality basis at 9/30/17:	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 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. 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, 2018 and 2017, is based on the results of an actuarial valuation date of September 30, 2017 and 2016, respectively, 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: 4.5304 and 4.5188 as of September 30, 2018 and 2017, respectively

Recognition period for assets in years: 5.0000

Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report (www.michigan.gov/orsschools).

Rate of return – For the fiscal year ended September 30, 2018 and 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11% and 13.24%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate
A discount rate of 7.05% and 7.5%, as of September 30, 2018 and 2017, respectively, was used to measure the total pension liability (7.0% for Pension Plus plan, 6.0% for the Pension Plus 2 plan). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% and 7.5% as of September 30, 2018 and 2017, respectively (7.0% for Pension Plus plan, 6.0% for the Pension Plus 2 plan). 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, 2018 and 2017, are summarized in the following table:

	2018		2017	
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%	5.70%	28.00%	5.60%
Private Equity Pools	18.00%	9.20%	18.00%	8.70%
International Equity Pools	16.00%	7.20%	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%	10.50%	-0.10%
Real Estate and Infrastructure Pools	10.00%	3.90%	10.00%	4.20%
Absolute Return Pools	15.50%	5.20%	15.50%	5.00%
Short Term Investment Pools	2.00%	0.00%	2.00%	-0.90%
	100.00%		100.00%	

* Long term rate of return does not include 2.30% inflation

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 depending on the plan option, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2019		
	1% Decrease (6.05% / 6.0% / 5.0%)	Discount Rate (7.05% / 7.0% / 6.0%)	1% Increase (8.05% / 8.0% / 7.0%)
Net Pension Liability	$50,651,137	$38,578,916	$28,549,863

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

	June 30, 2018		
	1% Lower (6.5% / 6.0%)	Discount Rate (7.5% / 7.0%)	1% Higher (8.5% / 8.0%)
Net Pension Liability	$44,475,788	$34,142,091	$25,441,776

*The Basic plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with defined benefit and defined contribution components.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payable to the Pension Plan

At June 30, 2019 and 2018, the College reported a payable of $123,174 and $114,399, respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019 and 2018.

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 2019 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 2019 and 2018, the average contribution percentages for the participants were approximately 5.99% and 6.98% respectively. Total covered payroll and College contributions for the years ended June 30, 2019 and 2018 were approximately $3,347,487 and $740,368 and $2,966,669 and $696,850, respectively. The contribution percentages for the College and the participant are now maxed out at 12% and 4% respectively.

Note 7 - Postemployment Benefits Other Than Pensions (OPEB)

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's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 20, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal years ended September 30, 2018 and 2017:

	2018		2017	
Benefit Structure	Member	Employer	Member	Employer
Premium Subsidy	3.00%	6.44%	3.00%	5.91%
Personal Healthcare Fund (PHF)	0.00%	6.13%	0.00%	5.69%

Required contributions to the OPEB plan from the College were $819,577 and $1,029,126 for the years ended September 30, 2018 and 2017.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

At June 30, 2019 and 2018, the College reported a liability of $10,036,686 and $11,705,722, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017 and 2016. The College's proportion of the net OPEB liability was determined by dividing each employer statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018 and 2017, the College's proportion was 0.12626 and 0.13219 percent, which was a decrease of .00593 and 5.47785 percent from its proportion measured as of October 1, 2017 and 2016, respectively.

For the year ending June 30, 2019 and 2018, the College recognized OPEB expense of $387,005 and $783,467, respectively. At June 30, 2019 and 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred (Inflows) of Resources	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between actual and expected experience	$0	($1,868,085)	$0	($124,631)
Changes of assumptions	1,062,890	0	0	0
Net differences between projected and actual plan investment earnings	0	(385,734)	0	(271,107)
Changes in proportion and differences between the College's contributions and proportionate share of contributions	1,737	(475,954)	2,237	0
The College's contributions subsequent to the measurement date	683,609	0	641,032	0
	$1,748,236	($2,729,773)	$643,269	($395,738)

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future Pension Expenses)

2019	($397,038)
2020	(397,038)
2021	(397,038)
2022	(318,576)
2023	(155,456)

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.

Additional information as of the September 30, 2017 and 2016 actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75 to 3.5%
Investment Rate of Return:	7.15 to 7.5%
Projected Salary Increases:	2.75 to 12.3%, including wage inflation at 2.75 to 3.5%
Health Cost Trend Rate:	7.5% Year 1 graded to 3.0 to 3.5% Year 12
Mortality at 9/30/18 :	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Mortality at 9/30/17:	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. 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 OPEB valuations beginning with the September 30, 2014 valuation. The total OPEB liability as of September 30, 2018 and 2017, is based on the results of an actuarial valuation date of September 30, 2017 and 2016, respectively, 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: 4.5304 and 4.5188 as of September 30, 2018 and 2017, respectively
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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 OPEB plan's target asset allocation as of September 30, 2018 and 2017, are summarized in the following table:

	2018		2017	
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%	5.70%	28.00%	5.60%
Private Equity Pools	18.00%	9.20%	18.00%	8.70%
International Equity Pools	16.00%	7.20%	16.00%	7.20%
Fixed Income Pools	10.50%	0.50%	10.50%	-0.10%
Real Estate and Infrastructure Pools	10.00%	3.90%	10.00%	4.20%
Absolute Return Pools	15.50%	5.20%	15.50%	5.00%
Short Term Investment Pools	2.00%	0.00%	2.00%	-0.90%
	100.00%		100.00%	

* Long term rate of return does not include 2.30% inflation

Rate of Return

For the fiscal year ended September 30, 2018 and 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75% and 11.82%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% and 7.5% was used to measure the total OPEB liability at September 30, 2018 and 2017, respectively. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15% and 7.5% % as of September 30, 2018 and 2017, respectively. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the College's proportionate share of the net OPEB liability at June 30, 2019 and 2018, calculated using the discount rate of 7.15% and 7.5%, respectively, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

June 30, 2019		
1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$12,048,837	$10,036,686	$8,344,221

June 30, 2018		
1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
$13,710,784	$11,705,722	$10,004,053

Sensitivity of the College's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

June 30, 2019		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$8,255,064	$10,036,686	$12,080,571

June 30, 2018		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
$9,913,173	$11,705,722	$13,741,037

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

At June 30, 2019 and 2018, the College reported a payable of approximately $60,680 and $54,805, respectively, for the outstanding amount of contributions to the OPEB plan required for the years ended June 30, 2019 and 2018.

Note 8 - Federal Direct Lending Program

The College distributed $3,215,232 and $3,021,085 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2019 and 2018, respectively. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

Note 9 - Collateralized State Bonds

The State of Michigan has made several construction projects 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
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 10 - Long-Term Liabilities

Following is the long-term liability activity for the year ended June 30, 2019 and 2018:

	July 1, 2018	Additions	Reductions	June 30,2019	Current Portion
Note Payable					
Key government Finance (50% HVAC System)	$7,386,114	$0	$480,267	$6,905,847	$497,224
Sterling National Bank (50% HVAC System)	7,448,672	0	437,251	7,011,421	453,133
	$14,834,786	$0	$917,518	$13,917,268	$950,357

	July 1, 2017	Additions	Reductions	June 30,2018	Current Portion
Note Payable					
Key government Finance (50% HVAC System)	$7,850,003	$0	$463,889	$7,386,114	$480,267
Sterling National Bank (50% HVAC System)	7,870,597	0	421,925	7,448,672	437,251
	$15,720,600	$0	$885,814	$14,834,786	$917,518

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
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	1,056,098	380,020	1,436,118
2024	1,093,899	342,220	1,436,119
2025 – 2029	6,085,592	1,095,000	7,180,592
2030 - 2032	2,727,345	128,336	2,855,681
	$13,917,268	$3,299,597	$17,216,865

Note 11 - Operating Leases

Rental expense for equipment totaled $43,645 and $51,199 for fiscal years 2019 and 2018, respectively.

Future minimum lease commitments for office equipment as of June 30, 2019 and 2018, are as follows:

2020	$10,790
2021	10,790
2022	10,790
2023	10,791
Totals	$43,161

Note 12 - Property Taxes

The College received 2.1794 mills for both fiscal years 2019 and 2018 for current operations. The College also received .85 mills for both fiscal years 2019 and 2018 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 $5.98 and $5.78 billion for both fiscal 2019 and 2018 tax collections, respectively. The taxable value is approximately 50% of the properties' fair market value with limits on the annual increase.

Note 13 - 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. As of June 30, 2019, and 2018, the College's insurance policy covers claims in excess of $25,000. 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 were as follows:

	2019	2018
Balance, beginning of year	($23,626)	$80,463
Claims incurred, premiums and changes in estimates	2,303,098	2,269,807
Claim and premium payments	(2,181,579)	(2,373,896)
Balance, end of year	$97,893	($23,626)

Note 14 - 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 years ended June 30, 2019 and 2018, the College's property tax revenue for general operations was reduced by $164,093 and $158,681, respectively under these programs. The abatements issued by other governmental units are as follows:

Governmental Unit	IFT	Brownfield	PA 328 of 1998	2019 Total
Ash	$3,816	$0	$28,689	$32,505
Bedford	13,857	133	0	13,990
Dundee	45,638	1,019	0	46,657
Erie	535	0	0	535
Frenchtown	7,335	0	0	7,335
Monroe	633	0	777	1,410
Summerfield	368	0	0	368
Whiteford	1,869	0	0	1,869
Monroe City	23,230	34,807	0	58,037
Milan City	1,387	0	0	1,387
	$98,668	$35,959	$29,466	$164,093

Governmental Unit	IFT	Brownfield	PA 328 of 1998	2018 Total
Ash	$5,379	$0	$0	$5,379
Bedford	13,935	56	0	13,991
Dundee	51,953	3,120	0	55,073
Erie	481	0	0	481
Frenchtown	5,467	0	0	5,467
Monroe	674	0	0	674
Summerfield	405	0	0	405
Whiteford	1,843	0	0	1,843
Monroe City	31,962	39,466	0	71,428
Milan City	3,940	0	0	3,940
	$116,039	$42,642	$0	$158,681

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 $992,937 and $964,662 as of June 30, 2019 and 2018, 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.

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 completed construction on the new HVAC system in fiscal year 2018. This project replaces the College's boilers and provide up-to-date heating and cooling for the entire campus. The total cost of this project was $16.2 million. The total payments for each fiscal year through 2031 will be $1,436,119.

On May 29, 2018, DTE Electric Company filed petitions with the Michigan Tax Tribunal requesting a large reduction in their taxable values on both the Monroe Power Plant located in the City of Monroe by 50.5%, and the Fermi 2 Nuclear Power Plant located in Frenchtown Charter Township by 60%. Based on these requested reductions in taxable values, the estimated annual tax revenue loss per year, beginning in fiscal year 2019, would be $1,150,000 for the General Fund and $450,000 for the Millage Maintenance and Replacement Fund, totaling an annual loss of $1.6 million to the College. Currently, officials with DTE and governmental agency representatives are attempting negotiations to reduce the impact on the community as a whole. The College is anticipating some loss; however, an amount is not reasonably determinable at this time.

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 of Michigan will pay $3,750,000. Anticipated completion of the project is spring of 2020. Construction in progress as of June 30, 2019 and 2018 was $1,824,906 and $210,455, respectively, leaving approximately $7.2 million to be spent in fiscal year 2020.

The College signed a contract on June 18, 2019 with Monroe Plumbing and Heating for a pipe lining project for the East and West Technology Buildings. The total estimated cost of this project is $517,800. This project is separate from the $9,000,000 project on the East and West Technology Buildings; however, it was included in the budgeted list of maintenance and improvement millage projects. Work on the project is anticipated to begin in August 2019.

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, 2019 and 2018 for the following purposes:

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Non-expendable endowments	Total June 30, 2019
College designated	$65,765	$0	$0	$65,765
Scholarships	0	1,428,063	3,081,428	4,509,491
Grants	0	326,756	25,000	351,756
Enrichment of the cultural and performing arts	0	2,108,805	0	2,108,805
Construction of the career technology center	0	136,883	0	136,883
Total	$65,765	4,000,507	$3,106,428	$7,172,700

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Non-Expendable Endowments	Total June 30, 2018
College designated	$68,171	$0	$0	$68,171
Scholarships	0	1,224,499	2,916,923	4,141,422
Grants	0	212,966	25,000	237,966
Enrichment of the cultural and performing arts	0	2,029,047	0	2,029,047
Construction of the career technology center	0	283,783	0	283,783
Total	$68,171	$3,750,295	$2,941,923	$6,760,389

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:

	2019 Fair Value	2018 Fair Value
Money Market (a)	$332,723	$169,260
Individual Securities: (b)		
Corporate stocks	358,748	297,059
Mutual Funds: (c)		
Equity funds	2,588,886	1,974,058
Fixed income funds	1,119,509	814,327
Total Mutual Funds	3,708,395	2,762,744
Exchange Traded Funds: (d)		
Equity funds	895,714	934,045
Fixed income funds	826,339	780,912
REIT	173,989	246,579
Total Exchange Traded Funds	1,896,042	1,961,536
Total Brokeraged Investments	$6,295,908	$5,190,599

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 $7,172,700 and $6,760,389 at June 30, 2019 and 2018, 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)

	2018	2017	2016	2015	2014
A. The College's proportion of net pension liability (%)	0.12833%	0.13175%	0.13740%	0.13386%	0.13504%
B. The College's proportion proporitionate share of net pension liability	$38,578,916	$34,142,091	$34,281,171	$32,695,153	$29,745,273
C. The College's covered-employee payroll	$10,768,390	$10,838,312	$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 (%)	27.91%	31.74%	33.54%	44.84%	48.65%
E. Plan fiduciary net position as a percentage of total pension liability	62.36%	64.21%	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 Reitrement Plan
Last 10 College Fiscal Years (Amounts determined as of 6/30 of each year)

	2019	**2018**	**2017**	**2016**	**2015**
A. Statutorily required contributions	$3,494,508	$3,090,243	$3,085,478	$2,582,318	$2,097,300
B. Contributions in relation to statutorily required contributions*	$3,494,508	$3,090,243	$3,085,478	$2,582,318	$2,097,300
C. Contribution deficiency (excess)	$0	$0	$0	$0	$0
D. The College's covered-employee payroll	$10,746,574	$10,747,216	$10,886,855	$14,142,540	$14,463,840
E. Contributions as a percentage of covered-employee payroll	32.52%	28.75%	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.

MONROE COUNTY COMMUNITY COLLEGE

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

	2019	2018
A. Statutorily required OPEB contributions	$819,577	$1,029,126
B. OPEB contributions in relation to statutorily required contributions*	$819,577	$1,029,126
C. Contribution deficiency (excess)	$0	$0
D. The College's covered-employee payroll	$10,746,574	$10,747,216
E. OPEB contributions as a percentage of covered-employee payroll	7.63%	9.58%

*Contribution in relation to statutorily required contributions are the contributions a college actually made to the OPEB plan, as distinct 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.

MONROE COUNTY COMMUNITY COLLEGE

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

	2018	2017
A. The College's proportion of net OPEB liability (%)	0.12626%	0.13219%
B. The College's proportion proporitionate share of net OPEB liability	$10,036,686	$11,705,722
C. The College's covered-employee payroll	$10,768,390	$10,838,312
D. The College's proportionate share of net OPEB liability as a percentage of its covered-employee payroll (%)	107.29%	92.59%
E. Plan fiduciary net position as a percentage of total OPEB liability	42.95%	36.39%

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.

OTHER SUPPLEMENTAL INFORMATION

MONROE COUNTY COMMUNITY COLLEGE

Combining Statements of Net Position
June 30, 2019 and 2018

	2019			
	General Fund	Pension and OPEB Liability Fund	Designated Fund	Auxiliary Activities Fund
ASSETS				
Current Assets				
Cash and cash equivalents	$10,997,275	$145,309	$643,824	$1,259,539
Property taxes receivable (net of allowance $20,544 and $15,226)	21,761	0	0	0
State appropriation receivable	893,013	0	0	0
Federal and state receivable	19,777	261,340	0	0
Interest receivable	0	0	0	0
Accounts receivable (net of allowance $742,454 and $928,300)	595,904	54,347	0	83,720
Inventories	13,413	0		218,452
Prepaid expenses and other assets	92,891	0	190,122	15,150
Due from (to) other funds	19,777	0	0	0
Total Current Assets	12,653,811	460,996	833,946	1,576,861
Restricted short-term investments	0	0	0	0
Property and Equipment (net of accumulated depreciation)	0	0	0	0
TOTAL ASSETS	12,653,811	460,996	833,946	1,576,861
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension amounts	0	12,378,902	0	0
Deferred OPEB amounts	0	1,748,236	0	0
Total deferred outflows of resources	0	14,127,138	0	0
LIABILITIES AND NET POSITION				
Current Liabilities				
Accounts payable	$132,968	$0	$2,013	$43,008
Accrued payroll and fringes	1,888,720	392,010	0	3,401
Deposits	65,935	0	0	0
Unearned revenue	380,472	0	0	0
Current portion of debit obligations	0	0	0	0
Total Current Liabilities	2,468,095	392,010	2,013	46,409
Long term Liabilities				
Debt obligations	0	0	0	0
Net pension liability	0	38,578,916	0	0
Net OPEB liability	0	10,036,686	0	0
TOTAL LIABILITIES	2,468,095	49,007,612	2,013	46,409
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	0	4,451,481	0	0
Deferred OPEB amounts	0	2,729,773	0	0
Total deferred inflows of resources	0	7,181,254	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)	10,185,716	(41,600,732)	831,933	1,530,452
Total Net Position	$10,185,716	($41,600,732)	$831,933	$1,530,452

	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Combined Total	2018 Combined Total
	($1,348)	$18,434	$264,286	$13,258,603	$26,585,922	$21,336,847
	0	0	0	8,484	30,245	29,250
	0	0	0	0	893,013	1,117,903
	71,720	0	0	0	352,837	59,079
	0	0	2,224	0	2,224	1,347
	131,690	0	8,050	0	873,711	894,474
	0	0	0	0	231,865	228,072
	73,180	0	0	0	371,343	322,799
	(19,777)	0	0	0	0	0
	255,465	18,434	274,560	13,267,087	29,341,160	23,989,771
	0	0	181,788	0	181,788	179,318
	0	0	59,100	49,536,172	49,595,272	49,885,474
	255,465	18,434	515,448	62,803,259	79,118,220	74,054,563
	0	0	0	0	12,378,902	7,351,530
	0	0	0	0	1,748,236	643,269
	0	0	0	0	14,127,138	7,994,799
	$45,473	$0	$0	$1,647,185	$1,870,647	$915,954
	20,436	0	0	0	2,304,567	2,031,071
	73,715	0	0	0	139,650	119,756
	2,236	0	0	0	382,708	221,683
	0	0	0	950,357	950,357	917,518
	141,860	0	0	2,597,542	5,647,929	4,205,982
	0	0	0	12,966,911	12,966,911	13,917,268
	0	0	0	0	38,578,916	34,142,091
	0	0	0	0	10,036,686	11,705,722
	141,860	0	0	15,564,453	67,230,442	63,971,063
	0	0	0	0	4,451,481	2,970,725
	0	0	0	0	2,729,773	395,738
	0	0	0	0	7,181,254	3,366,463
	0	0	59,100	49,536,172	49,595,272	49,885,474
	0	0	177,539	0	177,539	177,539
	9,262	0	0	0	9,262	8,194
	104,343	197	0	0	104,540	102,808
	0	18,237	278,809	(2,297,366)	(31,052,951)	(35,462,179)
	$113,605	$18,434	$515,448	$47,238,806	$18,833,662	$14,711,836

MONROE COUNTY COMMUNITY COLLEGE

Combining Statements of Revenue, Expenses, Transfers and Changes in Net Position
For the Years Ended June 30, 2019 and 2018

	2019		
	General Fund	Pension and OPEB Liability Fund	Designated Fund
REVENUE			
Operating Revenue			
Tuition and fees (net of scholarship allowance of $2,631,853 and $2,792,471	$7,883,339	$0	$1,171,287
Federal grants	7,637	0	0
State grants	0	0	0
Auxiliary activities (net of scholarship allowance of $291,410 and $323,177)	(8,790)	0	0
Indirect cost recoveries	15,830	0	0
Other sources	217,882	0	35,549
Total Operating Revenue	8,115,898	0	1,206,836
EXPENSES			
Operating Expenses			
Instruction	10,516,107	945,777	135,855
Information technology	1,179,534	91,193	477,894
Public services	210,083	17,054	600
Instructional support	3,591,387	256,528	133,741
Student services	2,700,669	201,018	25,404
Institutional administration	3,031,952	350,555	31,098
Operation and maintenance of plant	3,049,160	181,506	17,218
Depreciation expense	0	0	0
Total Operating Expenses	24,278,892	2,043,631	821,810
Operating Income (Loss)	(16,162,994)	(2,043,631)	385,026
NONOPERATING REVENUE (EXPENSES)			
State appropriations	$5,565,844	$1,437,376	$0
Property tax levy	12,988,218	0	0
Federal pell grant revenue	0	0	0
Investment income	186,250	0	0
Gifts	0	0	0
Loss on disposal of assets	0		
Net Nonoperating Revenue (Expense)	18,740,312	1,437,376	0
Income (Loss) Before Other Revenue and Expenses	2,577,318	(606,255)	385,026
Transfers In (Out)	(1,586,945)	225,000	0
Net Increase (Decrease) in Net Position	990,373	(381,255)	385,026
NET POSITION			
Beginning of Year	9,195,343	(41,219,477)	446,907
Adjustment for change in accounting principle	0	0	0
Adjusted net position, beginning of year	9,195,343	(41,219,477)	446,907
End of Year	$10,185,716	($41,600,732)	$831,933

Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund	Combined Total	2018 Combined Total
$0	($2,120,420)	$217	$0	$0	$6,934,423	$7,200,674
0	1,247,875	0	0	0	1,255,512	924,587
0	71,794	0	0	0	71,794	134,147
1,233,855	(282,620)	0	0		942,445	1,158,217
0	(15,830)	0	0	0	0	0
10,488	0	0	0	0	263,919	230,892
1,244,343	(1,099,201)	217	0	0	9,468,093	9,648,517
0	236,316	0	0	(135,437)	11,698,618	11,010,578
0	0	0	0	(111,687)	1,636,934	1,705,064
123,504	54,294	0	0	(15,283)	390,252	390,660
0	183,652	0	0	0	4,165,308	3,769,193
1,060,968	1,805,622	685	0	0	5,794,366	5,462,042
0	0	0	3,178	510,463	3,927,246	3,747,900
0	0	0	0	1,013,521	4,261,405	3,130,174
0	0	0	0	2,256,108	2,256,108	1,889,107
1,184,472	2,279,884	685	3,178	3,517,685	34,130,237	31,104,718
59,871	(3,379,085)	(468)	(3,178)	(3,517,685)	(24,662,144)	(21,456,201)
$0	$0	$0	$0	$0	$7,003,220	$7,279,589
0	0	0	0	5,061,443	18,049,661	17,485,813
0	3,073,607	0	0	0	3,073,607	3,088,145
0	0	0	20,575	5	206,830	123,451
0	306,266	0	0	150,000	456,266	815,029
			0	(5,614)	(5,614)	0
0	3,379,873	0	20,575	5,205,834	28,783,970	28,792,027
59,871	788	(468)	17,397	1,688,149	4,121,826	7,335,826
(2,500)	2,500	0	(14,050)	1,375,995	0	0
57,371	3,288	(468)	3,347	3,064,144	4,121,826	7,335,826
1,473,081	110,317	18,902	512,101	44,174,662	14,711,836	19,482,325
0	0	0	0	0	0	(12,106,315)
1,473,081	110,317	18,902	512,101	44,174,662	14,711,836	7,376,010
$1,530,452	$113,605	$18,434	$515,448	$47,238,806	$18,833,662	$14,711,836

COOLEY HEHL SABO & CALKINS
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees
Monroe County Community College

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, 2019 and 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting (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.

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.

Our consideration of internal control was for the limited purposes described in the first 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.

This communication is intended solely for the information and 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 specific parties.

Very Truly Yours,

Cooley Hehl Sabo & Calkins, PLLC

November 4, 2019

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COOLEY HEHL SABO & CALKINS
CERTIFIED PUBLIC ACCOUNTANTS

November 4, 2019

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, 2019 and 2018 and have issued our report thereon dated November 4, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2019. Professional standards also require that we communicate to you the following information related to our audit. following information related to our audit which is divided into the following sections:

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Monroe County Community College are described in Note 1 to the financial statements. During 2018, the College implemented Governmental Accounting Standard Board Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension. The guidance requires beginning net position of business-type activities as of July 1, 2017 to be restated. 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.

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.

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Qualitative Aspects of Accounting Practices (concluded)

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. We did not have any adjustments to the financial statements.

Disagreements with Management

For the purpose of this letter, professional standards define 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 4, 2019.

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 accounting principles that have changed recently:

Upcoming Accounting Pronouncements

Effective June 15, 2019, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which address accounting and financial reporting for certain asset retirement obligations—legally enforceable liabilities associated with the retirement of a tangible capital asset. We do not expect this standard to have any significant effect on the College.

Effective December 15, 2019, the GASB issued Statement No. 84, *Fiduciary Activities,* which establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods. Due to the number of specific factors to consider, we will continue to assess the degree to which this standard may impact the College.

Effective December 15, 2019, the GASB issued Statement No. 87, *Leases,* which establishes a single model for reporting all leases (Including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

Effective June 15, 2019, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt,* which provides guidance on note disclosures related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. We do not expect this standard to have any significant effect on the College.

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.

Very truly yours,

Cooley Hehl Sabo & Calkins, PLLC