Montcalm Community College

Years Ended June 30, 2018 and 2017

Financial Statements and Supplementary Information

Rehmann

	1
	12
	16
Statements of Net Position	17
Statements of Revenues, Expenses and Changes in Net Position	18
Statements of Cash Flows	19
Notes to Financial Statements	21
	54
MPSERS Cost Sharing Multiple-Employer Plan	
Schedule of the College's Proportionate Share of the Net Pension Liability	55
Schedule of the College's Pension Contributions	56
Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability	57
Schedule of the College's Other Postemployment Benefits Contributions	58
	59
Combining Statement of Net Position	60
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position	62

Management’s Discussion and Analysis

The discussion and analysis of ***Montcalm Community College’s*** (the “College”) financial statements provides an overview of the College’s financial activities for

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

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

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

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

Other Revenue

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

Statement of Cash Flows

Another way to assess the financial health of a College is to look at the Statement ofnon

Rehm

Rehmann Robson

2330 East Paris Ave. SE
Grand Rapids, MI 49546
Ph: 616.975.4100
Fx: 616.975.4400
rehmann.com

November 14, 2018

To the Board of Trustees
Montcalm Community College
Sidney, Michigan

We have audited the accompanying financial statements of the business-type activities of ***0 □()* *)) 1 0 ((! !*** (the òCollegeó) as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Collegeõs basic financial statements as listed in the table of contents.

□ □ !) ! 0 ! (0 " . 0 ! □ □(0□0) ! 0

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.

! ! ! 0 1 0 . ! (0

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditorsõ 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 entityõs preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entityõs 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.

2!.)! 0 1 0 0□ □.

In accordance with , we have also issued under separate cover, our report dated November 14, 2018, on our consideration of **0□()))1 0** &ROOHJHhH·Vinternal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with in considering **0□()))1 0** &ROOHJHhH·Vinternal control over financial reporting and complanciitern1(l)]1t.GD.6gn-1cio06(n)4.a

Tuition and fees, net of scholarship allowance of $1,970,118 ($1,996,935 in 2017)	$ 4,299,850	

Tuition and fees, net	$ 4,268,822	$ 4,170,644
Grants and contracts	518,130	819,830
Payments to suppliers	(4,012,584)	

Condensed statement of net position		
Total assets	$ 20,341,732	$ 17,588,813
Total liabilities	(6,675)	(22,868)
Condensed statement of revenues, expenses and changes in net position		
Revenues	$ 3,424,941	$ 4,263,290
Expenses	(655,829)	(663,113)
Changes in net position	2,769,112	3,600,177
Beginning net posMC CQP36expe		

1 2(! 0

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

1 0 ! ! 2 (!

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

! 2! 1! ! 0

Revenue from state appropriations are recognized in accordance with the accounting method described in the [2]

which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted.

Operating revenues of the College consist of tuition and fees, grants other than Federal Pell grants, and contracts, sales and services of

2! 0) ! 0

ɑ. ▫(!.2 !   02 0!

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

. !.0 ▫ !

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

! " 0) ▫ɑ

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

) ! ▫ !

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

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

!"!..! 10'(" ! 1. !

!"!..! "(" ! 1. !

! 0 ! (0!

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

! 0 2! 0) ! 0 0 (! 0

!) 1 0 . 1 !)! 0

0 α)! 0 1 0 (! .0 " . α) ( )! 0 ! !"0
0!. ! ((! !

As of July 1, 2017, the College adopted GASB Stah865sASB ina.61 Tc 23.52 0 T02

! (" 0

1 ! 1! 0 2! 0 1 0

Bank deposits (checking, savings and cash sweep accounts)	$ 3,526,938	$ 653,159	$ 4,180,097
Petty cash	4,000	-	4,000
Mutual funds and cash	-	5,675,484	5,675,484
Exchange traded funds	-	11,122,560	11,122,560

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

ɑ.! 0 ▫ɑ '

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

.! 0 '

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

! ɑ▫0 " .! 0 '

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

&XVWRGLDO &UHGLW 5LVN ² 'HSRVLWV

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

&XVWRGLDO &UHGLW 5LVN ² ,QYHVWPHQWV

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College and the Foundation do not have a policy for investment custodial credit risk. However, all investments are in the name of the College or Foundation, as applicable, and the investments are held in trust accounts(n)4.9 02((r

▫. ▫(1! !.▫.

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

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. The Foundation holds no securities classified as Level 2.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset. The Foundation holds no securities classified as Level 3.

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

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

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

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

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

Cash	$ 569,506	$ -	$ -	$ 569,506
Mutual funds				
Large growth	2,227,184	-	-	2,227,184
Large value	1,389,354	-	-	1,389,354
Multi-sector bond	647,662	-	-	647,662
Corporate bond	653,158	-	-	653,158
Mid-cap value	1,643,605	-	-	1,643,605
Exchange traded funds				
Muti-strategy allocation	625,700	-	-	625,700
Fixed income	1,846,247	-	-	1,846,247
International equity	2,928,068	-	-	2,928,068
Equity index	6,915,181	-	-	6,915,181

Cash	$ 302,770	$ -	$ -	$ 302,770
Mutual funds				
Large growth	1,445,588	-	-	1,445,588
Large value	1,003,279	-	-	1,003,279
Mid-cap blend	1,358,317	-	-	1,358,317
Intermediate-term bond	801,420	-	-	801,420
Multi-sector bond	764,110	-	-	764,110
Exchange traded funds				
Muti-strategy allocation	562,643	-	-	562,643
Fixed income	1,679,336	-	-	1,679,336
International equity	2,542,328	-	-	2,542,328
Equity index	5,897,388	-	-	5,897,388
Global real estate	440,865	-	-	440,865

Nondepreciable capital assets				
Land	$ 808,786	$ -	$ -	$ 808,786
Construction in progress	-	45,997	-	45,997

Nondepreciable capital assets				
Land	808,786			

Bonds payable	$ 3,200,000	$ 3,165,000	$ 3,280,000	$ 3,085,000	$ 245,000
Note payable	627,091	-	128,557	498,534	131,665

Bonds payable	$ 3,400,000	$ -	$ 200,000	$ 3,200,000	$ 200,000
Note payable	742,270	-	115,179	627,091	128,558

!   ! !" 0 . 2 !

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by

0 ! .   ɑ) (   ) ! 0 ! !" 0   . 2 !

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

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

Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

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

! ▫ (0! ! ! ! ▫ !"!..! 1ơ(" ! 1. ! ▫ !"!..! "(" ! 1. ! !(▫ɑ 0 !

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

Differences between expected and actual experience			

2019	$	285,279
2020		595,529

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

¤ (0! ! ! ¤ !"!..! 10̈(" ! 1. ! ¤ !"!..! "("

Differences between expected and actual experience	$ -	$ 64,872	$ (64,872)
Net difference between projected and actual earnings on OPEB plan investments	-	141,114	(141,114)
Changes in proportion and differences between employer contributions and proportionate share of contributions	229	-	229
	229	205,986	(205,757)
College contributions subsequent to the measurement date	357,310	-	357,310

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

2019	$ (49,726)
2020	(49,726)
2021	(49,726)
2022	(49,726)
2023	(6,853)

α□. □(1) 0

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5% (8% for 2015)
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members

College's proportionate share of the net pension liability	$ 23,070,417	$ 17,710,136	$ 13,197,121

College's proportionate share of the net pension liability	$ 21,768,391	$ 16,904,228	$ 12,803,271

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the Collegeõs proportionate share of the net OPEB liability would be if it were calculunt RIl

College's proportionate share of the net OPEB liability	$ 7,136,607	$ 6,092,951	$ 5,207,214

College's proportionate share of the net OPEB liability	$ 5,159,911	$ 6,092,951	$ 7,152,354

! ▫ (▫ 1 ▫. !0 0

▫ ▫ (! 0 0! ! (▫

▫ ▫ (! 0 0! (▫

Foll8a0 g/TT0 9 Tf408.07 195.86 Td[($)-5( )-5( )-5( )-5( )-5( )-5( )]TJETQq5.6 reW*n4 669.e96 177.62 494

Donor restricted endowment funds	$ -	$ 4,396,478	$ 312,539	$ 4,709,017
Board designated endowment funds	7,671,602	-	-	7,671,602
Term endowment funds	-	7,954,438	-	7,954,438

Investment return				
Investment income	$ 162,826	$ 325,886	$ -	$ 488,712
Realized and unrealized gains	343,169	796,573	-	1,139,742
	505,995	1,122,459	-	1,628,454
Contributions	1,497,549	298,938	-	1,796,487
Expenses and expenditures	(174,772)	(481,057)	-	(655,829)
Change in net position	1,828,772	940,340	-	2,769,112
Endowment net position				
Beginning of year	5,842,830	11,410,576	312,539	17,565,945

Donor restricted				
endowment funds	$ -	$ 2,261,171	$ 312,539	$ 2,573,710
Board designated				
endowment funds	5,842,830	-	-	5,842,830
Term endowment funds	-	9,149,405	-	9,149,405

Investment return				
Investment income	$ 96,595	$ 289,062	$ -	$ 385,657
Realized and unrealized				
gains	426,292	1,253,515	-	1,679,807
Net investment return	522,887	1,542,577	-	2,065,464
Contributions	2,090,210	107,616	-	2,197,826
Expenses and expenditures	(207,445)	(455,668)	-	(663,113)
Transfers	(1,409,253)	1,409,253	-	-
Change in net position	996,399	2,603,778	-	3,600,177
Endowment net position				
Beginning of year	4,846,431	8,806,798	312,539	13,965,768

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

! ɑ. ! 0 2! ▫ ' ▫.▫) ! ɑ.

ɑ▫ɑ !) (! " . ! 2 ! 0 2!

! (▫ 0 ! 2! 0) ! 0 ! 0 2! !(▫ɑ 0 ! (

The Foundation has an annual spending policy of 5.0% of its endowment

" " " " "

MPSERS Cost-Sharing Multiple-Employer Plans

Contractually required contribution	$ 1,919,043	$ 1,623,914	$ 1,576,914	$ 1,828,741
Contributions in relation to the contractually required contribution	(1,919,043)	(1,623,914)	(1,576,914)	(1,828,741)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 6,088,670	$ 5,788,609	$ 6,321,533	$ 6,518,944
Contributions as a percentage of covered payroll	31.52%	28.05%	24.95%	28.05%

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

MPSERS Cost-Sharing Multiple-Employer Plans

Statutorily required contribution	$ 435,766
Contributions in relation to the statutorily required contribution	(435,766)
Contribution deficiency (excess)	$ -
College's covered payroll	$ 6,088,670
Contributions as a percentage of covered payroll	7.16%

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

June 30, 2018 (Unaudited)

Year Ended June 30, 2018 (Unaudited)