

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**COMMUNITY COLLEGE DISTRICT
OF GOGEBIC COUNTY
IRONWOOD, MICHIGAN**

June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Community College District of Gogebic County
Ironwood, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Community College District of Gogebic County and the discretely presented component unit, Gogebic Community College Foundation, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Community College District of Gogebic County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant

accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Community College District of Gogebic County and its discretely presented component unit as of June 30, 2014 and 2013, and the respective changes in financial position, and, where applicable, cash flows, thereof, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Community College District of Gogebic County's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 27, 2014 on our consideration of Community College District of Gogebic County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Community College District of Gogebic County's internal control over financial reporting and compliance.

Makela, Pollock & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
October 27, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2014

Management's Discussion and Analysis

The discussion and analysis of Community College District of Gogebic County's (College) financial statements provides an overview of the College's financial activities for the year ended June 30, 2014. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using this Report

In June 1999, the Governmental Accounting Standards Board (GASB) released statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Government. Statement No. 34 requires a comprehensive look at the entity as a whole, including capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities, which applies these standards to public colleges and universities. The State of Michigan has adopted these standards and has revised and issued the Manual for Uniform Financial Reporting for Michigan Public Community Colleges, 2001.

GASB issued Statements No. 39, Determining Whether Certain Organizations are Component Units and No. 61, The Financial Reporting Entity: Omnibus. These statements require separate legal entities which are associated with a primary government that meet certain criteria be included with the financial statements of the Primary Reporting Unit. In compliance with these statements, the Gogebic Community College Foundation is reported as a component unit of the College and its financial activity is discretely reported herein. Separately issued financial statements for the Foundation are also available from the Foundation office.

This annual financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements in the format described above, notes to the financial statements, other information and supplemental reports.

Financial Highlights

The College's financial position remained strong at June 30, 2014, with assets of \$15.7 million, liabilities of \$5.30 million and deferred inflow of resources of \$8,750. Net position, which represents the residual interest in the College's assets after liabilities are deducted, is \$10.4 million. The net position consists of \$9.2 invested in capital assets, net of related debt, \$388,000 restricted and \$829,000 unrestricted. Net position increased for the year by \$315,191.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information on the College as a whole. These statements report the College's financial position as of June 30, 2014 and 2013 and changes in net assets for the years then ended. 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 Gogebic Community College's operating results.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position include all assets, liabilities, revenues and expenses using the accrual basis of accounting which is similar to the accounting used by most private sector entities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Condensed Statement of Net Position

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash, cash equivalents and investments	\$ 1,084,094	\$ 1,785,022
Receivables	1,458,604	1,507,092
Other assets	516,230	527,437
Capital assets and bond discount, net of depreciation	<u>12,672,802</u>	<u>12,307,158</u>
TOTAL ASSETS	<u>\$ 15,731,730</u>	<u>\$ 16,126,709</u>
LIABILITIES		
Note payable	\$ 850,000	\$ 850,000
Other current liabilities	717,011	1,074,596
Long term debt:		
Due in one year	379,266	377,670
Due in more than one year	<u>3,353,203</u>	<u>3,706,668</u>
TOTAL LIABILITIES	<u>\$ 5,299,480</u>	<u>\$ 6,008,934</u>
DEFERRED INFLOW OF RESOURCES		
Summer school tuition and state grants	<u>\$ 8,751</u>	<u>\$ 9,467</u>
NET POSITION	<u>\$ 10,423,499</u>	<u>\$ 10,108,308</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenses and Changes in Net Position

	<u>Year ended June 30,</u>	
	<u>2014</u>	<u>2013</u>
Operating revenues	\$ 4,166,577	\$ 4,022,871
Operating expenses	<u>(12,720,985)</u>	<u>(12,299,475)</u>
OPERATING LOSS	\$ (8,554,408)	\$ (8,276,604)
Nonoperating revenue	<u>8,869,599</u>	<u>8,013,755</u>
INCREASE (DECREASE) IN NET POSITION	\$ 315,191	\$ (262,849)
Net Position - Beginning of year	<u>10,108,308</u>	<u>10,371,157</u>
NET POSITION - END OF YEAR	<u>\$ 10,423,499</u>	<u>\$ 10,108,308</u>

Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees, Lindquist Student Center, Student Housing, Snack Bar, and Bookstore operations. In addition, certain federal, state and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

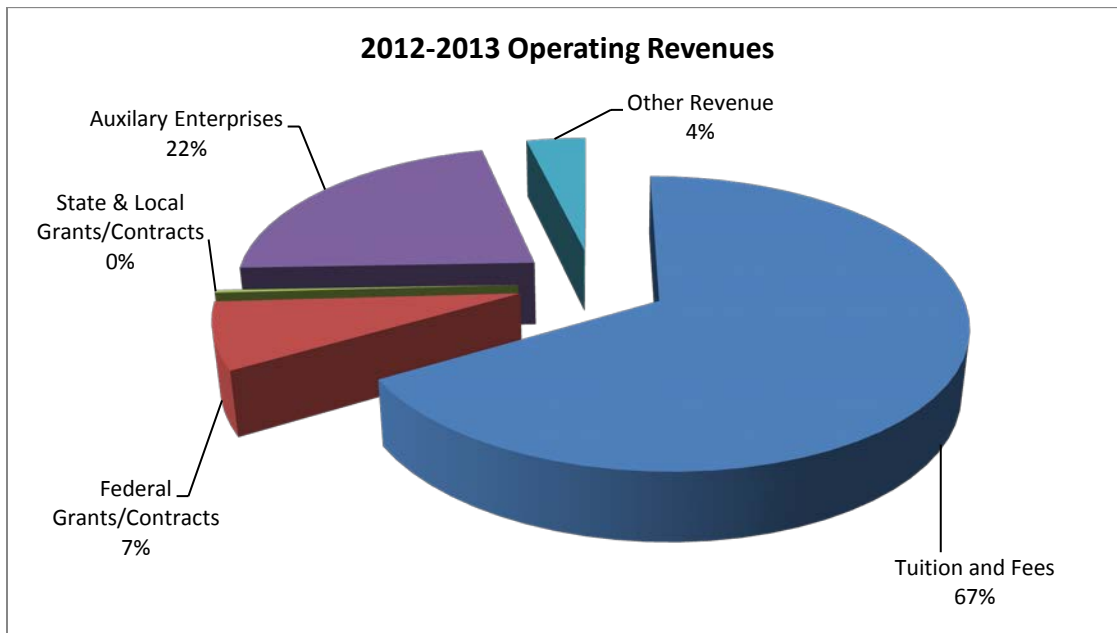
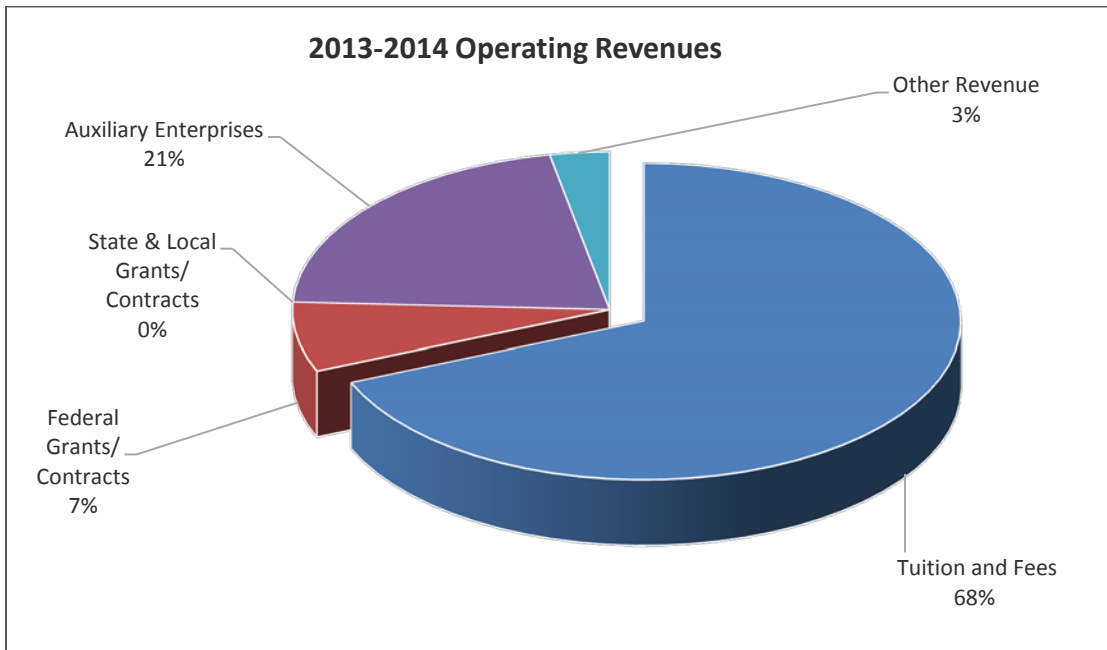
Operating revenue changes were the result of the following factors:

- For the year ended June 30, 2014, student tuition and fee revenue increased \$162,473 as a result of the College incurring a 2.3% increase in enrollment and a Board approved tuition increase of \$3 per credit hour for In-District and \$6 per credit hour for Out-of-District and Out-of-District Reciprocity, \$6 per credit hour for Out-of-State, and no tuition increase for International. The Board also approved fee increases for a small number of courses.
- For the year ended June 30, 2013, student tuition and fee revenue increased \$69,354 as a result of the College incurring an 8% decrease in enrollment and a Board approved tuition increase of \$3 per credit hour for In-District and \$6 per credit hour for Out-of-District and Out-of-District Reciprocity, \$7 per credit hour for Out-of-State, and \$10 per credit hour tuition increase for International. The Board also approved fee increases for a small number of courses.
- For the year ended June 30, 2014, auxiliary services revenues decreased by 8% and expenses increased by 2.7%, due to the increased operations of the Porcupine Mountain Ski Area, the decrease in Mt. Zion use, and reduced sales in the Bookstore. These factors resulted in a \$26,414 increase in transfers to the auxiliary services. There was a decrease of \$65,577 in the amount transferred from the Bookstore to the General Fund and \$10,842 decrease in the amount transferred from the Bookstore to other funds. The net effect resulted in a \$34,479 decrease in net position.
- For the year ended June 30, 2013, auxiliary services revenues increased by 6.1% and expenses increased by 9.5%, due to the operation of the Porcupine Mountain Ski Area. These factors resulted in a \$48,909 increase in transfers to the auxiliary services. There was a decrease of \$2,491 in the amount transferred from the Bookstore to the General Fund. The net effect resulted in a \$10,696 increase in net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

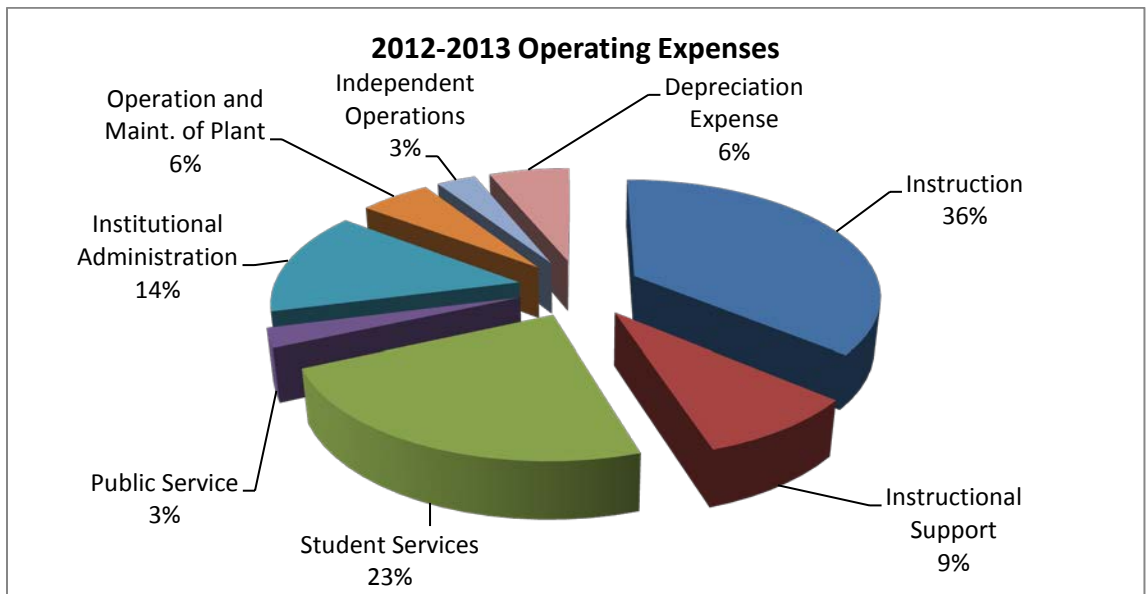
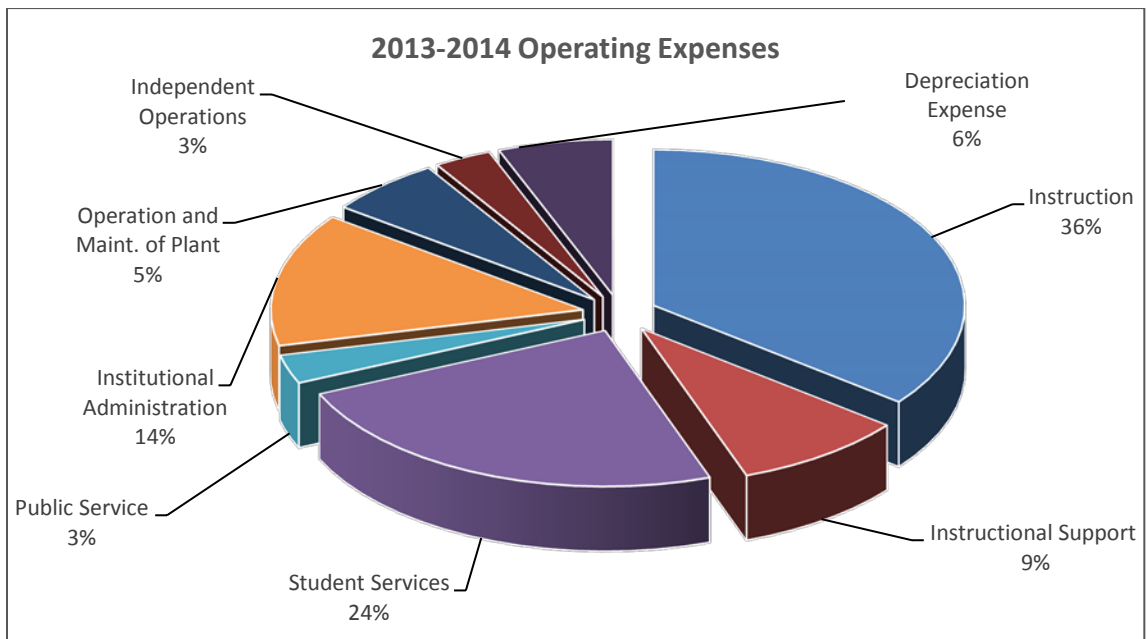
Operating Revenues (Continued)

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



Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College. The operating expenses of the General Fund for the year ended June 30, 2014 increased \$359,515 to \$9,694,861. The operating expenses of the General Fund for the year ended June 30, 2013 increased \$141,410 to \$9,335,346. Instruction, Instructional Support, and Student Services account for 70% of all expenses. The following is a graphic illustration of the operating expenses by function:



Non-operating Revenues

Non-operating revenues are all revenue sources that are primarily non-exchange in nature. They consist of state appropriations, property tax revenue, investment income, and grants and contracts that do not require any services to be performed, in addition to the clarification of GASB 34/35 which reclassifies Pell grants as non-operating revenue.

Non-operating revenue changes were the result of the following factors:

- Pell grant funding decreased \$69,670.
- The taxable value of property within the Community College district decreased by .1%, and property tax revenue increased by \$8,100.

Other Revenue

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples are additions to permanent endowments and transfers in (out) from other funds.

Statement of Cash Flows

The Statement of Cash Flows primary purpose is to provide relevant information about the cash receipts and cash payments of the College during the period. The Statement of Cash Flows also helps users assess:

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

The College's cash position decreased during the year by \$701,387. Cash and cash equivalents were \$971,640 as of June 30, 2014. Details of how the decrease occurred are contained in the Statement of Cash Flows.

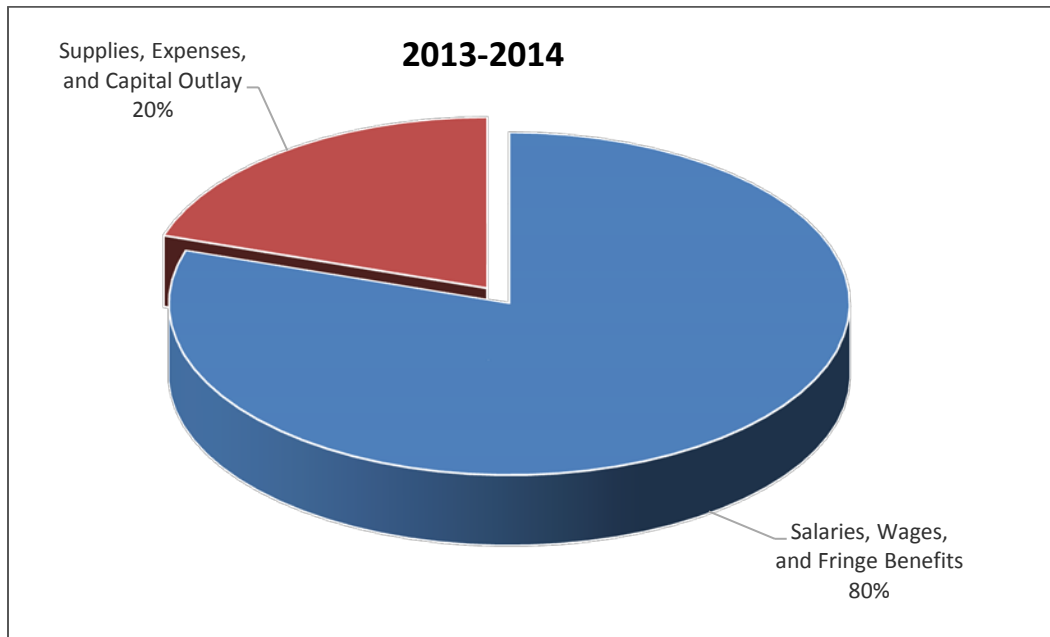
General Fund Expenditures

General Fund salaries and wages increased \$154,368 and fringe benefits increased \$34,630 for the year ended June 30, 2014. This amounted to a 3.1% increase in salaries and a less than 1.3% increase in benefits. Increased wages were reflective of an increase in time for the new Off Campus Instructor, a new Director of Student Engagement and Success, and miscellaneous intermittent time increases for current staff. This was coupled with the following factors:

- The College granted early retirement payments to one employee, totaling \$32,000.

Since General Fund salaries, wages and fringe benefits accounted for 80% of total expenditures for the year ending June 30, 2014 and 81% for the year ending June 30, 2013, the College maintains a prudent watch over these categories and has and will continue a concerted effort to keep these costs contained and still maintain financial viability while continuing the mission of the College.

The following is a graphic illustration of the breakdown of total General Fund expenditures for the year ended June 30, 2014.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2014, the College had \$12.6 million invested in capital assets, net of accumulated depreciation of \$13.6 million. Capital investments for the year were \$1,126,930 and depreciation charges totaled \$755,324. Details of these assets as of June 30, 2014 are outlined below.

	<u>Balance June 30,</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 95,968	\$ 95,968
Land improvements	1,352,910	1,346,018
Buildings	18,171,659	16,608,935
Equipment	6,585,894	6,430,553
Construction in progress	<u> </u>	<u>614,547</u>
	\$ 26,206,431	\$ 25,096,021
Accumulated depreciation:		
Land improvements	\$ 900,646	\$ 859,591
Buildings	7,827,213	7,429,586
Equipment	<u>4,886,600</u>	<u>4,586,478</u>
	<u>\$ 13,614,459</u>	<u>\$ 12,875,655</u>
	<u>\$ 12,591,972</u>	<u>\$ 12,220,366</u>

The majority of the College's investment in capital assets is in buildings. Buildings have a cost value of \$18.2 million before depreciation. College buildings have been well maintained with several having undergone major renovation and repairs in recent years. These buildings have significant useful lives remaining and will provide functional use for many years to come.

The College has invested \$6.6 million in furniture, fixtures, equipment, library materials and vehicles, listed above as equipment. Although a significant portion of these assets have been depreciated, these assets continue to provide functional benefit and utility for the College in both instructional and non-instructional areas.

Debt

As of June 30, 2014, the College had long term debt totaling \$3.7 million. This amount consists of \$2.86 million of revenue bonds, \$.74 million in capital leases and an installment agreements, \$.14 million in retirement incentives and post employment health insurance payable to employees. Debt payments of \$383,869 were made during the year ended June 30, 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Economic Factors That Will Affect The Future

The economic position of the College is closely tied to that of the State of Michigan with State appropriations amounting to 43% of its General Fund revenues. The College is involved in and is working very closely with the State and Michigan Community College Association with all state appropriation base funding issues.

Gogebic Community College will be subject to GASB 68 in the 2015 fiscal year, and will be recognizing the unfunded Michigan Pension Cost allocated to the College. This recording will have an impact on the College's financial statements as the unfunded liability in the State pension plan will now be pushed down to the individual community colleges, even though the colleges have little to no input on the fiscal management of the funds. This entry will potentially place the college with a negative net position like with many other institutions in the State of Michigan.

The College is investing in their satellite campus in the Copper County of Upper Michigan. The site has proven to be a positive investment and the needs of the surrounding areas are still unmet. The growth is welcome and the educational reach of the College will continue to expand as there remains a gap in educational services. Currently the region is embracing the Early College Program with the local high schools. The College is incurring increased enrollment off campus due to this new program.

The College continues to keep tuition as affordable as possible and increase student retention rates as shown by numerous citations the College has received for its efforts over the past years. The College is positioned to remain sustainable and is dedicated to providing a quality education to the student body with diversified and new programs, even in the economic times that are encompassing the institution currently.

The Gogebic Range and the Upper Peninsula of Michigan have many opportunities for economic expansion and the College is working with numerous businesses, governmental agencies, and others to provide educational assistance and training to enhance the economic development in the region.

Contacting the College

If you have any questions about this report or need additional information, contact the Dean of Business's office at Gogebic Community College, 4946 Jackson Road, Ironwood, MI 49938.

BASIC
FINANCIAL
STATEMENTS

STATEMENTS OF
COMMUNITY COLLEGE DISTRICT

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	June 30,		June 30,	
	2014	2013	2014	2013
ASSETS				
Cash	\$ 971,640	\$ 1,673,027	\$ 31,476	\$ 3,985
Investments	112,454	111,995	3,543,938	3,139,413
State appropriation receivable	784,995	854,547		
Property taxes receivable (net of allowance: 2014 - \$4,110; 2013 - \$4,188)	8,036	34,378		
Other accounts receivable	630,440	618,167		
Inventories	383,630	389,902		
Prepaid expenses and other assets	132,600	137,535		
Due from component unit	35,133			
Bond discount	131,167	131,167		
Less accumulated amortization	(50,337)	(44,375)		
Capital assets	26,206,431	25,096,021	23,764	23,764
Less accumulated depreciation	<u>(13,614,459)</u>	<u>(12,875,655)</u>	<u>(11,137)</u>	<u>(10,373)</u>
TOTAL ASSETS	<u>\$ 15,731,730</u>	<u>\$ 16,126,709</u>	<u>\$ 3,588,041</u>	<u>\$ 3,156,789</u>

NET POSITION
OF GOGEBIC COUNTY

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	June 30,		June 30,	
	2014	2013	2014	2013
LIABILITIES				
Accounts payable	\$ 140,752	\$ 578,142		
Due to Community College District of Gogebic County			\$ 35,133	
Salaries, wages and related liabilities payable	502,206	413,723		
Interest payable	41,427	37,751		
Note payable	850,000	850,000		
Due to depositors and other liabilities	32,626	44,980		
Long-term debt:				
Due in one year	379,266	377,670		
Due in more than one year	<u>3,353,203</u>	<u>3,706,668</u>		
TOTAL LIABILITIES	\$ <u>5,299,480</u>	\$ <u>6,008,934</u>	\$ <u>35,133</u>	
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue -				
Summer school tuition and state grants	<u>\$ 8,751</u>	<u>\$ 9,467</u>		
NET POSITION				
Invested in capital assets, net of related debt	\$ 9,206,476	\$ 8,664,285	\$ 12,627	\$ 13,391
Net position restricted for:				
Instructional Support	279,381	241,158		
Expendable scholarships	108,312	100,438		
Other		2,753		
Temporarily restricted Foundation assets			665,443	600,019
Permanently restricted Foundation assets			2,259,005	1,874,893
Unrestricted	<u>829,330</u>	<u>1,099,674</u>	<u>615,833</u>	<u>668,486</u>
TOTAL NET POSITION	\$ <u>10,423,499</u>	\$ <u>10,108,308</u>	\$ <u>3,552,908</u>	\$ <u>3,156,789</u>

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

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	<u>Year ended June 30.</u>		<u>Year ended June 30.</u>	
	2014	2013	2014	2013
OPERATING REVENUES				
Tuition and fees (net of scholarship allowances: 2014 - \$2,047,203; 2013 - \$2,114,264)	\$ 2,254,250	\$ 2,024,716		
Federal grants and contracts	460,160	465,903		
State and local grants and contracts	30,017	19,324		
Intermediate School District rent	20,863	21,395		
Sales and Services of Education Activities	55,443	61,600		
Sales and Services of Auxiliary Enterprises	1,234,767	1,279,123		
Other revenues	<u>111,077</u>	<u>150,810</u>	\$ 12,135	\$ 15,877
TOTAL OPERATING REVENUES	\$ 4,166,577	\$ 4,022,871	\$ 12,135	\$ 15,877
OPERATING EXPENSES				
Instruction	\$ 4,547,690	\$ 4,443,624		
Instruction support	1,108,203	1,097,952		
Student services	3,027,318	2,869,613	\$ 59,287	\$ 60,625
Public Service	356,430	321,837		
Institutional administration	1,756,300	1,753,186		
Operation and maintenance of plant	750,378	672,637	164,567	119,711
Independent operations	413,380	374,014		
Depreciation and amortization expense, unallocated	<u>761,286</u>	<u>766,612</u>		
TOTAL OPERATING EXPENSES	\$ 12,720,985	\$ 12,299,475	\$ 223,854	\$ 180,336
OPERATING LOSS	\$ (8,554,408)	\$ (8,276,604)	\$ (211,719)	\$ (164,459)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	Year ended June 30,		Year ended June 30,	
	2014	2013	2014	2013
NONOPERATING REVENUES (EXPENSES)				
State appropriation	\$ 4,546,075	\$ 4,361,923		
Federal grants and contracts	2,217,837	2,287,507		
State and local grants and contracts	685,949			
Property tax levy	1,452,245	1,444,145		
Gifts	132,013	79,495	\$ 144,335	\$ 681,780
Investment income	898	1,221	463,503	253,393
Interest on capital asset related debt	<u>(165,418)</u>	<u>(160,536)</u>		
NET NONOPERATING REVENUES	<u>\$ 8,869,599</u>	<u>\$ 8,013,755</u>	<u>\$ 607,838</u>	<u>\$ 935,173</u>
INCREASE (DECREASE) IN NET POSITION	\$ 315,191	\$ (262,849)	\$ 396,119	\$ 770,714
NET POSITION - BEGINNING OF YEAR	<u>10,108,308</u>	<u>10,371,157</u>	<u>3,156,789</u>	<u>2,386,075</u>
NET POSITION - END OF YEAR	<u>\$ 10,423,499</u>	<u>\$ 10,108,308</u>	<u>\$ 3,552,908</u>	<u>\$ 3,156,789</u>

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

STATEMENTS OF CASH FLOWS

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	<u>Year ended June 30,</u>		<u>Year ended June 30,</u>	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$ 2,314,796	\$ 2,030,859		
Grants and contracts	467,640	465,644		
Auxiliary enterprise and other revenues	1,403,831	1,472,175	\$ 12,135	\$ 15,877
Payments to suppliers and employees	<u>(11,907,076)</u>	<u>(10,866,709)</u>	<u>(187,957)</u>	<u>(179,475)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$ (7,720,809)	\$ (6,898,031)	\$ (175,822)	\$ (163,598)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations	\$ 4,615,627	\$ 4,260,197		
Property tax collections	1,478,587	1,423,006		
Gifts	132,013	79,495	\$ 144,335	\$ 681,780
Federal grants and contracts	2,217,837	2,287,507		
Student organization and agency transactions	<u>(12,354)</u>	<u>2,773</u>		
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 8,431,710	\$ 8,052,978	\$ 144,335	\$ 681,780
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	\$ (1,530,948)	\$ (545,026)		
Proceeds from the issuance of long-term debt		835,000		
Proceeds from State grants	685,949			
Principal paid on long-term debt	(405,986)	(320,744)		
Interest paid	<u>(161,742)</u>	<u>(163,560)</u>		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (1,412,727)	\$ (194,330)		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments			\$ 69,767	\$ 738,756
Purchase of investments	\$ (459)	\$ (586)	(121,245)	(1,336,424)
Investment income	<u>898</u>	<u>1,221</u>	<u>110,456</u>	<u>66,160</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 439	\$ 635	\$ 58,978	\$ (531,508)
NET INCREASE (DECREASE) IN CASH	\$ (701,387)	\$ 961,252	\$ 27,491	\$ (13,326)
Cash at beginning of year	<u>1,673,027</u>	<u>711,775</u>	<u>3,985</u>	<u>17,311</u>
CASH AT END OF YEAR	<u>\$ 971,640</u>	<u>\$ 1,673,027</u>	<u>\$ 31,476</u>	<u>\$ 3,985</u>

STATEMENTS OF CASH FLOWS (CONTINUED)

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	<u>Year ended June 30,</u>		<u>Year ended June 30,</u>	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating loss	\$ (8,554,408)	\$ (8,276,604)	\$ (211,719)	\$ (164,459)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	\$ 761,286	\$ 766,612	\$ 764	\$ 861
Deferred compensation and other postemployment benefits accrued	54,117	112,791		
(Increase) decrease in current assets:				
Accounts receivable	(47,406)	(62,043)		
Inventories	6,272	82,029		
Prepaid expenses and other assets	4,935	129,506		
Increase (decrease) in current liabilities:				
Accounts payable	(33,372)	74,026	35,133	
Note payable		200,000		
Salaries, wages and related liabilities payable	88,483	83,502		
Unavailable revenue	<u>(716)</u>	<u>(7,850)</u>		
Total adjustments	<u>\$ 833,599</u>	<u>\$ 1,378,573</u>	<u>\$ 35,897</u>	<u>\$ 861</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ (7,720,809)</u>	<u>\$ (6,898,031)</u>	<u>\$ (175,822)</u>	<u>\$ (163,598)</u>

Supplemental schedule of noncash capital and
related financing activities:

Capital lease obligation to purchase equipment	\$ 404,018
Early Retirement Incentives and Other Postemployment Benefits accrued	\$ 27,316 \$ 79,174

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

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2014

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles outlined in the *Manual for Uniform Financial Reporting--Michigan Public Community Colleges, 2001*.

Reporting Entity and Basis of Presentation – Community College District of Gogebic County (the College) is a community college district organized under Act No. 188, Michigan Public Acts of 1954, as amended, the boundaries of which are coterminous with the boundaries of the County of Gogebic, Michigan.

The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit.

The Gogebic Community College Foundation (Foundation) is a separate legal entity established as a 501(c)(3) corporation formed for the purpose of receiving funds for the sole benefit of the College and its students. The College provides accounting services and office space to the Foundation. The assets and activity of the Foundation are included in the financial statements of the College as a discretely presented component unit. The separately issued financial statements of the Foundation can be obtained by contacting its Executive Director at the Foundation office at the College.

Basis of Accounting – The financial statements of the College have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and Investments – Cash includes cash on hand, demand deposits and certificates of deposit with a maturity date of less than three months. Investments include certificates of deposit with a maturity date of more than three months, mutual funds and United States government securities.

State of Michigan statutes authorize investments in direct obligations of the United States or an agency of the United States; banks which are a member of the federal deposit insurance corporation; commercial paper that is supported by an irrevocable letter of credit issued by an eligible bank; commercial paper of corporations located in the State of Michigan rated prime by at least one of the standard rating services; bankers' acceptances of United States banks; certain mutual funds and repurchase agreements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets – Assets with a stated cost or a market value at date of gift of \$5,000 or more are capitalized and depreciated. Office equipment items are capitalized and depreciated, regardless of cost. Major renovations of \$20,000 or more to buildings or other long-lived assets are considered for capitalization and depreciation. The Dean of Business Services has final authority over capitalization determinations. Depreciation is provided for on the straight-line method over the useful lives of the assets, as follows:

Land improvements	20 years
Buildings	20-50 years
Equipment	5-15 years

Capitalized Interest – Interest incurred on debt related to the construction of fixed assets, net of interest earned on the funds prior to distribution, is capitalized as part of the assets.

Impairment of Long-lived Assets - Management reviews long-lived assets held and used by the College for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

Inventories and Prepaid Expenses – Inventories are stated at cost and consist principally of supplies and merchandise for sale in the Auxiliary Activities Fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Property Taxes – Property taxes attach as an enforceable lien on property as of December 31. Current property taxes are collected for the College by the Cities of Bessemer, Ironwood and Wakefield and the Townships of Bessemer, Erwin, Ironwood, Marenisco, Wakefield and Watersmeet. Each unit forwards the taxes to the County of Gogebic for disbursement to the College. College taxes are levied on July 1 and must be paid to collecting units by February 15 of each year.

Delinquent real property taxes of the College are purchased annually by the County of Gogebic.

Unemployment Insurance – The College reimburses the Michigan Employment Security Commission for the actual amount disbursed on behalf of the College.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet 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 periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports unavailable revenue from federal and state grants. These amounts are unavailable and recognized as an inflow of resources in the period that the amounts become available.

Investment in Capital Assets, Net of Related Debt – This is a portion of the net assets of the College that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position – Net position is restricted when there are constraints on their use by external parties or by statute. The Foundation's restricted position consists mainly of endowed funds with the use of the income restricted for student scholarships by the benefactors. Restricted resources are utilized first to finance qualifying activities.

Unrestricted Net Position – Net position not meeting either criteria above are considered unrestricted.

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

Subsequent Events – Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following:

	<u>College</u>		<u>Foundation</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 971,640	\$ 1,673,027	\$ 31,476	\$ 3,985
Investments:				
Certificates of deposit	112,454	111,995		
Mutual Funds	<u> </u>	<u> </u>	<u>3,543,938</u>	<u>3,139,413</u>
	<u>\$ 1,084,094</u>	<u>\$ 1,785,022</u>	<u>\$ 3,575,414</u>	<u>\$ 3,143,398</u>

The Foundation's investment policy objectives are to invest long-term in a manner that will provide current income to support its current goals and objectives, preserve and maintain the principal value of assets and optimize the total rate of return on investable assets. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation Board of Directors began utilizing the services of an investment manager with guidelines of investing one-half of the net assets in fixed income securities and one-half in equity investments, with a ten percent fluctuation allowed, as a way to minimize the interest rate risk.

Cash, Cash Equivalents and Certificates of Deposit

Deposits were made in accordance with State of Michigan statutes and under authorization of the College Board of Trustees. Deposits are carried at cost as listed above. Following is a summary of the bank balances at June 30, 2014 and 2013.

	<u>June 30,</u>	
	<u>2014</u>	<u>2013</u>
Deposits in banks insured by federal depository insurance:		
Insured	\$ 316,016	\$ 315,638
Uncollateralized amounts exceeding insurance limits and uninsured money market funds	<u>974,701</u>	<u>1,613,409</u>
	<u>\$ 1,290,717</u>	<u>\$ 1,929,047</u>

The College places its deposits with what it believes to be high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the College, subject to minimal custodial credit risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments

All investments were made in accordance with State of Michigan statutes and under authorization of the College Board of Trustees. The certificates of deposit are stated at the market value in the statement of net position and the mutual funds, considered Level I type investments, are valued at quoted market prices.

NOTE C – ACCOUNTS RECEIVABLE

The College extends credit to students who will be having their expenses paid by scholarships, grants or entitlements. The direct charge-off method is used for recognizing uncollectible accounts.

Accounts receivable were comprised of the following at June 30, 2014:

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Auxiliary Enterprise Fund</u>	<u>Restricted Fund</u>	<u>Plant Fund</u>	<u>Total</u>
State of Michigan	\$ 64,783			\$ 12,252	\$ 46,065	\$ 123,100
Federal government	1,659			42,484		44,143
Other local units	15,641					15,641
Students	280,515					280,515
Sundry	<u>167,009</u>	<u> </u>	<u>\$ 32</u>	<u> </u>	<u> </u>	<u>167,041</u>
TOTALS	<u>\$ 529,607</u>	<u>\$ 0</u>	<u>\$ 32</u>	<u>\$ 54,736</u>	<u>\$ 46,065</u>	<u>\$ 630,440</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2014</u>
Land	\$ 95,968			\$ 95,968
Land improvements	1,346,018	\$ 6,892		1,352,910
Buildings	16,608,935	1,562,724		18,171,659
Equipment	<u>6,430,553</u>	<u>171,861</u>	<u>\$ 16,520</u>	<u>6,585,894</u>
	\$ 24,481,474	\$ 1,741,477	\$ 16,520	\$ 26,206,431
Accumulated depreciation:				
Land improvements	\$ 859,591	\$ 41,055		\$ 900,646
Buildings	7,429,586	397,627		7,827,213
Equipment	<u>4,586,478</u>	<u>316,642</u>	<u>\$ 16,520</u>	<u>4,886,600</u>
	\$ 12,875,655	\$ 755,324	\$ 16,520	\$ 13,614,459
Construction in progress	<u>614,547</u>	<u> </u>	<u>614,547</u>	<u> </u>
	<u>\$ 12,220,366</u>	<u>\$ 986,153</u>	<u>\$ 614,547</u>	<u>\$ 12,591,972</u>

Depreciation expense was not allocable to specific functions. Construction in progress consisted of two projects. One project was a major renovation to the Kleimola Tech Building which was completed during the year ended June 30, 2014 with a cost \$1,221,000. The other project in progress at June 30, 2013, was a pole building. This building was completed in the year ended June 30, 2014, with a cost \$68,400. The July 1, 2013, accumulated depreciation balances for land improvements and buildings were each adjusted by \$197,431 from the balance reported in previous years to properly report the categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT

The short-term state aid anticipation note payable is recorded in the General Fund. Activity for the year ended June 30, 2014, was as follows:

	Balance at July 1, <u>2013</u>	<u>Additions</u>	<u>Deductions</u>	Balance at June 30, <u>2014</u>
Merit Bank, due August 9, 2013, with interest at .98%	\$ 850,000		\$ 850,000	
Gogebic Range Bank, due August 8, 2014, with interest at 1.5%	<u> </u>	\$ 850,000	<u> </u>	\$ 850,000
	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>	<u>\$ 850,000</u>

Changes in long-term debt are summarized as follows:

	Balance July 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2014</u>	<u>Current Portion</u>
2013 Community College Facility Bonds	\$ 835,000		\$ 65,000	\$ 770,000	\$ 70,000
Community College Facilities Bonds, Series 2006	2,191,523		106,277	2,085,246	111,384
Capital Leases Payable	136,262		23,501	112,761	34,709
Energy Conservation Installment Purchase Agreement	732,245		104,606	627,639	104,606
Deferred Compensation Payable	110,333	\$ 32,000	53,000	89,333	46,333
Other Postemployment Benefits See Note H	<u>78,975</u>	<u> </u>	<u>31,485</u>	<u>47,490</u>	<u>12,234</u>
	<u>\$ 4,084,338</u>	<u>\$ 32,000</u>	<u>\$ 383,869</u>	<u>\$ 3,732,469</u>	<u>\$ 379,266</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

The aggregate amounts of long-term debt principal and interest maturities for the five years ending June 30, 2019, and five year totals to maturity, are:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 379,266	\$ 157,495	\$ 536,761
2016	415,142	138,167	553,309
2017	317,446	122,171	439,617
2018	318,187	108,803	426,990
2019	327,625	94,995	422,620
2020-2024	1,291,698	294,185	1,585,883
2025-2029	<u>683,105</u>	<u>62,035</u>	<u>745,140</u>
	<u>\$ 3,732,469</u>	<u>\$ 977,851</u>	<u>\$ 4,710,320</u>

2013 Community College Facility Bonds

On December 18, 2012, the College passed a resolution to issue \$835,000 of 2013 Community College Facility Bonds for the purpose of remodeling, equipping and re-equipping and furnishing and refurbishing a College facility. The Bonds are dated January 8, 2013, mature November 1, 2022, and bear interest rates of 1.70% to 2.60%. The bonds are payable on each November 1 and interest is payable on each May 1 and each November 1. A summary of the annual principal and interest requirements until maturity follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 70,000	\$ 16,555	\$ 86,555
2016	75,000	15,203	90,203
2017	75,000	13,750	88,750
2018	80,000	12,160	92,160
2019	85,000	10,385	95,385
2020	90,000	8,415	98,415
2021	95,000	6,240	101,240
2022	100,000	3,850	103,850
2023	<u>100,000</u>	<u>1,300</u>	<u>101,300</u>
	<u>\$ 770,000</u>	<u>\$ 87,858</u>	<u>\$ 857,858</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

Community College Facilities Bonds, Series 2006

On December 20, 2005, the College passed a resolution to issue \$2,757,630 of Community College Facilities Bonds, Series 2006 for the purpose of constructing dormitory facilities on the campus. The Bonds are dated January 25, 2006, mature December 15, 2027, and bear an interest rate of 4.95%. The bonds are payable on the 15th of each month with principal and interest payments totaling \$17,676 each month until maturity. Bond discount costs were \$131,167 and are being amortized over the bond repayment period. A summary of the annual principal and interest requirements until maturity follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 111,384	\$ 100,728	\$ 212,112
2016	117,023	95,089	212,112
2017	122,950	89,162	212,112
2018	129,176	82,936	212,112
2019	135,717	76,395	212,112
2020	142,590	69,522	212,112
2021	149,810	62,302	212,112
2022	157,396	54,716	212,112
2023	165,367	46,745	212,112
2024	173,741	38,371	212,112
2025	182,539	29,573	212,112
2026	191,782	20,330	212,112
2027	201,494	10,618	212,112
2028	<u>104,277</u>	<u>1,514</u>	<u>105,791</u>
	<u>\$ 2,085,246</u>	<u>\$ 778,001</u>	<u>\$ 2,863,247</u>

The bonds are now subject to optional redemption in whole or in part in such order as the College may determine on any date, at a redemption price of 100%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

Capital Leases Payable

On June 30, 2014, the College was obligated under two capital leases entered into during the year ended June 30, 2011, to finance the purchase of a postage meter and a snow groomer. These assets and the related liabilities are recorded in the Plant Fund. Data relative to these capital leases at June 30, 2014, was as follows:

	<u>Postage Meter</u>	<u>Snow Groomer</u>
Capital asset cost	\$ 15,177	\$ 190,000
Date of lease	June 6, 2011	November 1, 2010
Quarterly payments, including interest	\$ 1,053	
Annual payments, including interest		Various
Interest rate	14.61%	6.689%
Minimum lease payments:		
June 30, 2015	\$ 4,738	\$ 40,000
June 30, 2016	<u>4,737</u>	<u>76,500</u>
Future net minimum payments	\$ 9,475	\$ 116,500
Less amount for interest	<u>1,093</u>	<u>12,121</u>
Present value of future net minimum payment	<u>\$ 8,382</u>	<u>\$ 104,379</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – CURRENT NOTE PAYABLE AND LONG-TERM DEBT (CONTINUED)

Energy Conservation Installment Purchase Agreement

On August 27, 2009, the College financed numerous energy conservation improvements costing \$1,046,064 through an installment purchase agreement, which was assigned to a local bank at an interest rate of 5.25%. The agreement requires interest payments each January 1 and principal and interest payments due each July 1. A summary of the annual principal and interest requirements until maturity follows:

<u>Year ending June 30,</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total</u>
2015	\$ 104,606	\$ 30,183	\$ 134,789
2016	104,606	24,691	129,297
2017	104,607	19,259	123,866
2018	104,607	13,707	118,314
2019	104,607	8,215	112,822
2020	<u>104,606</u>	<u>2,723</u>	<u>107,329</u>
	<u>\$ 627,639</u>	<u>\$ 98,778</u>	<u>\$ 726,417</u>

Deferred Compensation Payable

Deferred compensation payable consists of early retirement incentives that the College pays to instructors, secretaries and custodians as required by the union contract and to administrators and support staff per Board policy. The College currently has seven employees each receiving early retirement incentives of \$3,333 to \$10,667 each year with total payments of \$10,000 to \$32,000. Following is a summary of future required payments:

	<u>Amount</u>
Cash payments during year ending:	
June 30, 2015	\$ 46,333
June 30, 2016	32,333
June 30, 2017	<u>10,667</u>
	<u>\$ 89,333</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The College participates in the statewide Michigan Public School Employees' Retirement System (System) which 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 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, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The System issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management and Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions - Pension

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. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members. A DB member or Pension Plus hybrid plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Funding Policy

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan Member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining, or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

Each College or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits on prefunded basis. The College pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System (MPSERS), which is administered by the State of Michigan. These contributions are required by law and are calculated by using contribution rates established by MPSERS. The District contributions to MPSERS were equal to the required contribution for those years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Funding Policy (Continued)

Employer Contributions (Continued)

The College's contributions to MPSERS are as follows:

Fiscal year ending <u>June 30,</u>	Contributions <u>to MPSERS</u>
2014	\$ 921,634
2013	1,012,518
2012	797,967

Included in the amounts paid above, the College received \$204,540 and \$84,894 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPSERS. The College has recorded these amounts as state revenue and additional pension expenditures/expenses for the years ended June 30, 2014 and 2013.

PA 464 Retirees Returning to Work, effective December 27, 2012 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts, if any, are included in the amounts paid above.

Benefit Provisions – Other Postemployment

Introduction

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. Beginning in fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, 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 health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Benefit Provisions – Other Postemployment

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the MPSERS, 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 December 1, 2012.

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) accounts no later than their first pay date after February 1, 2013.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2012 who are rehired on or after September 4, 2012, will make a 3% contribution to retiree healthcare and will retain the subsidy benefit. Returning members who made the retirement healthcare election will retain whichever option they chose.

Under Public Act 300 of 2012, the State no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2012. Instead, all new employees will be placed into the Personal Healthcare Fund (PHF) where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401 (k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (CONTINUED)

Benefit Provisions – Other Postemployment (Continued)

Participants in the PHF, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the State will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401(k) are forfeited and the State will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

NOTE G – DEFINED CONTRIBUTION PLAN

In addition to the pension benefits described in Note F, effective July 1, 2007, the College established a 403(b) retirement annuity as required by the State of Michigan. The plan is an alternative to the MPSEB plan and is available to faculty and professional staff and may be elected within the first 90 days of employment or if there is a status change from part time to full time. The plan is provided by TIAA-CREF and requires the employee to contribute 4% and the College to contribute 11%. The vesting of this plan is full and immediate upon enrollment. The College's contribution to the plan for the years ended June 30, 2014, 2013 and 2012, were \$139,014, \$119,992, and \$105,589, respectively.

NOTE H – OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note F, the College pays the retirees' portion of health insurance costs of certain retirees until the retiree, or spouse if covered, is eligible for Medicare benefits. The employee must have been eligible for early retirement under the Michigan Public School Employees Retirement System. Currently, the College has fifteen employees who have elected early retirement and are receiving this benefit. There are no active employees who will become eligible for this benefit as it is no longer offered. The College elected to implement Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009.

The College contributes 10 percent of the current-year premiums and pays the annual deductible for eligible retirees and their spouses, if covered. During the years ended June 30, 2014 and 2013, the College contributed \$26,802 and \$33,617 towards the plan. The College has estimated the cost of providing this retiree health care benefit through an actuarial valuation as of June 30, 2014 using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

The actuarial accrued liability (AAL) was determined to be \$47,490 as of June 30, 2014. The College has elected to accrue the entire liability. This amount is unfunded as of June 30, 2014. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the future. Examples include assumptions about the healthcare cost trends and the rate of return on investments.

NOTE I – RISK MANAGEMENT

The College is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College has obtained coverage from commercial insurance companies.

All risk management activities are accounted for in the General Fund and Auxiliary Enterprise Fund of the College. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the College as of June 30, 2014, will not materially affect the financial condition of the College. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE J – COLLECTIVE BARGAINING AGREEMENTS

Approximately 66% of the College employees are covered by collective bargaining agreements. 5% are part of the American Federation of State, County, and Municipal Employees, AFLCIO, 16% are part of the Education Support Personnel, WUPEA/MEA-NEA and 45% belong to the Michigan Association of Higher Education. All collective bargaining units have contracts in place.

NOTE K – OPERATING LEASES

During January 2013 the College entered into a lease for an off-campus classroom/office space. According to the lease, the College is to make payments each month for a period of ten years. The monthly payments are adjusted annually. The monthly payment also includes a prorated share of the property taxes and other operating expenses. The total paid for this lease during the year ended June 30, 2014 was \$120,037. The annual payments for the next five years are expected to be about \$116,500 each year.

The College also leases equipment for specific programs on a short-term basis. The rent expense for these types of rental agreements is minimal with no future lease obligations.

The College has entered into capital lease arrangements, which are described in Note E along with long-term debt.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – DEFERRED INFLOW OF RESOURCES

The College's deferred inflow of resources at June 30, 2014, consisted of unspent summer school tuition of \$2,251 and grant monies from the State of Michigan: Credit When Due of \$6,500; for a total of \$8,751.

NOTE M – CAPITAL LEASE OBLIGATION

During the year ended June 30, 2002, the College completed a general campus renovation project to repair and replace exterior stucco and entryways to various buildings at a total cost of approximately \$1,362,000. The project was financed by grants from the State of Michigan, totaling \$700,200, with the remainder financed by Michigan State Building Authority (SBA) Revenue Bonds. The SBA bond issue was secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the SBA, the State of Michigan and the College. During the lease term, which was not to exceed 35 years, the SBA held title to the building, the State of Michigan made all lease payments to the SBA and the College paid all operating and maintenance costs. In December 2013, the bonds were paid off and the SBA conveyed the title to the College for one dollar.

During the year ended June 30, 2007, the College completed three campus renovation/maintenance projects to repair elevators, replace chemical exhaust in Biology and Chemistry rooms, and to replace all roofs on campus at a total cost of \$999,019. The project was financed by grants and a bond issue from the SBA for \$998,919, with the remainder appropriated by the State of Michigan. The SBA bond issue is secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the SBA, State of Michigan, and the College. During the lease term, which is not to exceed 20 years, the SBA will hold title to the buildings, the State of Michigan will make all lease payments to the SBA and the College will pay all operating expenses and maintenance costs. At the expiration of the lease, which is when bonds are paid off, the SBA has agreed to convey the title to the College for one dollar.

During the year ended June 30, 2013, the College started a building renovation project in the Kleimola Tech Building at a total cost of \$1,460,000. This project was completed in August 2013. The project was financed by grants from the State of Michigan and a bond issue from the SBA for \$625,000, with the remaining \$835,000 financed by a general obligation – limited tax 2013 Community College Facility Bond purchased by a local financial institution. The SBA bond issue is secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement among the SBA, State of Michigan, and the College. During the lease term, which is not to exceed 40 years, the SBA will hold title to the buildings, the State of Michigan will make all lease payments to the SBA and the College will pay all operating expenses and maintenance costs. At the expiration of the lease, which is when bonds are paid off, the SBA has agreed to convey the title to the College for one dollar.

The College has entered into other capital lease arrangements, which are described in Note E along with long-term debt.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE N – SERVICE CONCESSION ARRANGEMENT

In October 2012 the College entered into a use agreement with State of Michigan Department of Natural Resources to operate the State owned Porcupine Mountain Ski Hill for the 2012/13 ski season as part of its Ski Area Management program. In September 2013 the use agreement was extended for three additional years. The use agreement contains clauses stating the State of Michigan will reimburse the College for any operating losses incurred and for any capital improvements. The activity is reported as an independent operation in the Auxiliary Enterprises Fund.

NOTE O – UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by GASB in June 2012 and will be effective for the College's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position an actuarial calculation of the net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement will also improve the comparability and consistency of how governments calculate the pension liabilities and expense. The College is in the process of evaluating the financial statement impact of this statement and believes the impact of this statement on the district-wide financial statements will be significant.

OTHER
FINANCIAL
INFORMATION

CONSOLIDATING STATEMENT OF NET POSITION
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2014

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
ASSETS								
Cash	\$ 616,370	\$ 250,447	\$ 27,949	\$ 13,852	\$ 63,022			\$ 971,640
Investments	40,250	72,204						112,454
State appropriation receivable	784,995							784,995
Property taxes receivable (net of \$4,110 and \$4,188 allowance)	8,036							8,036
Other accounts receivable	529,607		32	54,736	46,065			630,440
Inventories	14,908	62,285	306,437					383,630
Prepaid expenses and other assets	131,691	80	829					132,600
Due from component unit		35,133						35,133
Due from (due to) other funds	133,463	(28,958)	(220,278)	(5,439)	113,136	\$ 8,076		
Bond discount					131,167			131,167
Less accumulated amortization					(50,337)			(50,337)
Capital assets					26,206,431			26,206,431
Less accumulated depreciation					(13,614,459)			(13,614,459)
TOTAL ASSETS	\$ 2,259,320	\$ 391,191	\$ 114,969	\$ 63,149	\$ 12,895,025	\$ 8,076	\$ 0	\$ 15,731,730

CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
LIABILITIES								
Accounts payable	\$ 116,826	\$ 12,657	\$ 11,269					\$ 140,752
Salaries, wages and related liabilities payable	502,206							502,206
Interest payable	11,546				\$ 29,881			41,427
Note payable	850,000							850,000
Due to depositors and other liabilities	10,750		13,800			\$ 8,076		32,626
Long-term debt:								
Due in one year	46,333	\$ 12,234			320,699			379,266
Due in more than one year	43,000	35,256			3,274,947			3,353,203
TOTAL LIABILITIES	<u>\$ 1,580,661</u>	<u>\$ 60,147</u>	<u>\$ 25,069</u>	<u>\$ 0</u>	<u>\$ 3,625,527</u>	<u>\$ 8,076</u>	<u>\$ 0</u>	<u>\$ 5,299,480</u>
DEFERRED INFLOW OF RESOURCES								
Unavailable revenue - Summer school tuition and state grants	<u>\$ 2,251</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,751</u>
NET POSITION								
Invested in capital assets, net of related debt					\$ 9,206,476			\$ 9,206,476
Net assets restricted for:								
Instructional Support		\$ 279,381						279,381
Expendable scholarships		51,663		\$ 56,649				108,312
Unrestricted	<u>\$ 676,408</u>		<u>\$ 89,900</u>		<u>63,022</u>			<u>829,330</u>
TOTAL NET POSITION	<u>\$ 676,408</u>	<u>\$ 331,044</u>	<u>\$ 89,900</u>	<u>\$ 56,649</u>	<u>\$ 9,269,498</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,423,499</u>

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

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2014

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Eliminations	Consolidated Total
OPERATING REVENUES							
Tuition and fees	\$ 4,301,453					\$ 2,047,203	\$ 2,254,250
Federal grants and contracts	75,645			\$ 384,515			460,160
State and local grants and contracts				30,017			30,017
Intermediate School District rent	20,863						20,863
Sales and Services of Education Activities	25,443	\$ 30,000					55,443
Sales and Services of Auxiliary Enterprises		43,771	\$ 1,273,469			82,473	1,234,767
Current funds capital expenditures					\$ 320,656	320,656	
Other revenues	49,226	1,015	60,836				111,077
TOTAL OPERATING REVENUES	\$ 4,472,630	\$ 74,786	\$ 1,334,305	\$ 414,532	\$ 320,656	\$ 2,450,332	\$ 4,166,577
OPERATING EXPENSES							
Instruction	\$ 4,504,354	\$ 129,019		\$ 25,725		\$ 111,408	\$ 4,547,690
Instruction support	1,031,544	84,623		265		8,229	1,108,203
Student services	1,587,656	37,780	\$ 854,083	2,690,196		2,142,397	3,027,318
Public service	330,003	26,427					356,430
Institutional administration	1,490,926	377,498				112,124	1,756,300
Operation and maintenance of plant	750,378	128,822				128,822	750,378
Independent operations		17,155	409,942			13,717	413,380
Depreciation and amortization expense, unallocated					\$ 761,286		761,286
TOTAL OPERATING EXPENSES	\$ 9,694,861	\$ 801,324	\$ 1,264,025	\$ 2,716,186	\$ 761,286	\$ 2,516,697	\$ 12,720,985
OPERATING INCOME (LOSS)	\$ (5,222,231)	\$ (726,538)	\$ 70,280	\$ (2,301,654)	\$ (440,630)	\$ (66,365)	\$ (8,554,408)

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Eliminations	Consolidated Total
NONOPERATING REVENUES (EXPENSES)							
State appropriation	\$ 4,546,075						\$ 4,546,075
Federal grants and contracts				\$ 2,217,837			2,217,837
State and local grants and contracts					\$ 685,949		685,949
Property tax levy	1,452,245						1,452,245
Gifts		\$ 110,600	\$ 21,413	66,365		\$ 66,365	132,013
Investment income	400	463	23		12		898
Interest on capital asset related debt					(165,418)		(165,418)
	<u>5,998,720</u>	<u>111,063</u>	<u>21,436</u>	<u>2,284,202</u>	<u>520,543</u>	<u>66,365</u>	<u>8,869,599</u>
NET NONOPERATING REVENUES	\$ 5,998,720	\$ 111,063	\$ 21,436	\$ 2,284,202	\$ 520,543	\$ 66,365	\$ 8,869,599
INCOME (LOSS) BEFORE TRANSFERS	\$ 776,489	\$ (615,475)	\$ 91,716	\$ (17,452)	\$ 79,913	\$ 0	\$ 315,191
TRANSFERS							
Transfers in (out)	<u>(1,037,366)</u>	<u>658,521</u>	<u>(126,195)</u>	<u>17,750</u>	<u>487,290</u>		
INCREASE (DECREASE) IN NET POSITION	\$ (260,877)	\$ 43,046	\$ (34,479)	\$ 298	\$ 567,203	\$ 0	\$ 315,191
NET POSITION - BEGINNING OF YEAR	<u>937,285</u>	<u>287,998</u>	<u>124,379</u>	<u>56,351</u>	<u>8,702,295</u>		<u>10,108,308</u>
NET POSITION - END OF YEAR	<u><u>\$ 676,408</u></u>	<u><u>\$ 331,044</u></u>	<u><u>\$ 89,900</u></u>	<u><u>\$ 56,649</u></u>	<u><u>\$ 9,269,498</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 10,423,499</u></u>

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

CONSOLIDATING STATEMENT OF NET POSITION
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2013

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
ASSETS								
Cash	\$ 552,567	\$ 271,634	\$ 70,146	\$ 740,670	\$ 38,010			\$ 1,673,027
Investments	40,180	71,815						111,995
State appropriation receivable	854,547							854,547
Property taxes receivable (net of \$4,188 allowance)	34,378							34,378
Other accounts receivable	428,091		55,422	134,654				618,167
Inventories	13,215	58,021	318,666					389,902
Prepaid expenses and other assets	128,226	85	9,224					137,535
Due from (due to) other funds	430,746	(155)	(309,568)	(816,980)	686,486	\$ 9,471		
Bond discount					131,167			131,167
Less accumulated amortization					(44,375)			(44,375)
Capital assets					25,096,021			25,096,021
Less accumulated depreciation					(12,875,655)			(12,875,655)
TOTAL ASSETS	<u>\$ 2,481,950</u>	<u>\$ 401,400</u>	<u>\$ 143,890</u>	<u>\$ 58,344</u>	<u>\$ 13,031,654</u>	<u>\$ 9,471</u>	<u>\$ 0</u>	<u>\$ 16,126,709</u>

CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
LIABILITIES								
Accounts payable	\$ 134,886	\$ 34,427	\$ 4,811		\$ 404,018			\$ 578,142
Salaries, wages and related liabilities payable	413,723							413,723
Interest payable	7,440				30,311			37,751
Note payable	850,000							850,000
Due to depositors and other liabilities	20,809		14,700			\$ 9,471		44,980
Long-term debt:								
Due in one year	53,000	24,494			300,176			377,670
Due in more than one year	57,333	54,481			3,594,854			3,706,668
TOTAL LIABILITIES	<u>\$ 1,537,191</u>	<u>\$ 113,402</u>	<u>\$ 19,511</u>	<u>\$ 0</u>	<u>\$ 4,329,359</u>	<u>\$ 9,471</u>	<u>\$ 0</u>	<u>\$ 6,008,934</u>
DEFERRED INFLOW OF RESOURCES								
Unavailable revenue - Summer school tuition and state grants	<u>\$ 7,474</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,993</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,467</u>
NET POSITION								
Invested in capital assets, net of related debt					\$ 8,664,285			\$ 8,664,285
Net assets restricted for:								
Instructional Support		\$ 241,158						241,158
Expendable scholarships		44,087		\$ 56,351				100,438
Other		2,753						2,753
Unrestricted	<u>\$ 937,285</u>		<u>\$ 124,379</u>		<u>38,010</u>			<u>1,099,674</u>
TOTAL NET POSITION	<u>\$ 937,285</u>	<u>\$ 287,998</u>	<u>\$ 124,379</u>	<u>\$ 56,351</u>	<u>\$ 8,702,295</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,108,308</u>

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

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2013

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Eliminations	Consolidated Total
OPERATING REVENUES							
Tuition and fees	\$ 4,138,980					\$ 2,114,264	\$ 2,024,716
Federal grants and contracts	89,860			\$ 376,043			465,903
State and local grants and contracts				19,324			19,324
Intermediate School District rent	21,395						21,395
Sales and Services of Education Activities	21,564	\$ 40,036					61,600
Sales and Services of Auxiliary Enterprises		27,484	\$ 1,329,170			77,531	1,279,123
Current funds capital expenditures					\$ 374,801	374,801	
Other revenues	38,811	9,123	102,876				150,810
TOTAL OPERATING REVENUES	\$ 4,310,610	\$ 76,643	\$ 1,432,046	\$ 395,367	\$ 374,801	\$ 2,566,596	\$ 4,022,871
OPERATING EXPENSES							
Instruction	\$ 4,402,293	\$ 44,049		\$ 49,437		\$ 52,155	\$ 4,443,624
Instruction support	1,003,401	98,719		3,707		7,875	1,097,952
Information technology							
Student services	1,457,960	40,094	\$ 899,776	2,704,107		2,232,324	2,869,613
Public service	316,284	5,553					321,837
Institutional administration	1,506,396	557,192				310,402	1,753,186
Operation and maintenance of plant	649,012	11,076			\$ 23,625	11,076	672,637
Independent operations		53,588	330,345			9,919	374,014
Depreciation and amortization expense, unallocated					766,612		766,612
TOTAL OPERATING EXPENSES	\$ 9,335,346	\$ 810,271	\$ 1,230,121	\$ 2,757,251	\$ 790,237	\$ 2,623,751	\$ 12,299,475
OPERATING INCOME (LOSS)	\$ (5,024,736)	\$ (733,628)	\$ 201,925	\$ (2,361,884)	\$ (415,436)	\$ (57,155)	\$ (8,276,604)

CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Eliminations	Consolidated Total
NONOPERATING REVENUES (EXPENSES)							
State appropriation	\$ 4,361,923						\$ 4,361,923
Federal grants and contracts				\$ 2,287,507			2,287,507
Property tax levy	1,444,145						1,444,145
Gifts		\$ 41,909	\$ 37,586	57,155		\$ 57,155	79,495
Investment income	702	476	26		\$ 17		1,221
Interest on capital asset related debt					(160,536)		(160,536)
NET NONOPERATING REVENUES	<u>\$ 5,806,770</u>	<u>\$ 42,385</u>	<u>\$ 37,612</u>	<u>\$ 2,344,662</u>	<u>\$ (160,519)</u>	<u>\$ 57,155</u>	<u>\$ 8,013,755</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>\$ 782,034</u>	<u>\$ (691,243)</u>	<u>\$ 239,537</u>	<u>\$ (17,222)</u>	<u>\$ (575,955)</u>	<u>\$ 0</u>	<u>\$ (262,849)</u>
TRANSFERS							
Transfers in (out)	<u>(945,493)</u>	<u>738,970</u>	<u>(228,841)</u>	<u>25,971</u>	<u>409,393</u>		
INCREASE (DECREASE) IN NET POSITION	<u>\$ (163,459)</u>	<u>\$ 47,727</u>	<u>\$ 10,696</u>	<u>\$ 8,749</u>	<u>\$ (166,562)</u>	<u>\$ 0</u>	<u>\$ (262,849)</u>
NET POSITION - BEGINNING OF YEAR	<u>1,100,744</u>	<u>240,271</u>	<u>113,683</u>	<u>47,602</u>	<u>8,868,857</u>		<u>10,371,157</u>
NET POSITION - END OF YEAR	<u>\$ 937,285</u>	<u>\$ 287,998</u>	<u>\$ 124,379</u>	<u>\$ 56,351</u>	<u>\$ 8,702,295</u>	<u>\$ 0</u>	<u>\$ 10,108,308</u>

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

DETAILS OF GENERAL FUND EXPENSES
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

	Year ended June 30,					2013
	2014					
	Salaries	Fringe Benefits	Supplies and Expenses	Capital Outlay	Total	Total
Instruction:						
Fine and performing arts and humanities	\$ 79,993	\$ 31,821	\$ 174		\$ 111,988	\$ 136,524
Communication	289,260	125,807	1,765		416,832	397,949
Social science	330,015	161,941	1,929		493,885	463,952
Mathematics	232,706	116,447	2,387		351,540	363,727
Sciences	365,194	157,030	20,223		542,447	457,670
Physical education	5,386	139	2,785		8,310	10,853
Health education	3,637	216	456		4,309	3,262
Business	206,072	126,319	20,255		352,646	341,398
Computer science and data processing	157,076	84,046	14,439		255,561	239,658
Secretarial and office	65,575	35,433	1,119		102,127	99,092
Public service	80,248	28,257	218		108,723	119,074
Media production and related technologies	15,295	10,401	902		26,598	41,179
Personal service trades related technologies	80,672	50,180	22,632		153,484	139,620
Agriculture and Forestry	24,218	11,993	3,899		40,110	2,014
Design technologies	68,902	45,254	21,859		136,015	180,730
Mechanical trades and mechanical service technologies	151,641	90,673	83,084		325,398	307,278
Construction trade technologies	73,009	43,430	1,674		118,113	121,015
Electrical trades	1,779	636	321		2,736	83,234
Transportation and equipment operation	28,482	12,336	35,489		76,307	75,386
Nursing	455,659	191,364	67,262		714,285	698,283
Other health related technologies	60,273	24,476	6,765		91,514	70,174
Traditional classroom	163				163	9,817
Learning labs/self-paced instruction	35,207	12,603			47,810	400
Human Development	10,091	3,583	6,061		19,735	31,658
Personal interest	2,652	1,051	15		3,718	8,346
	<u>\$ 2,823,205</u>	<u>\$ 1,365,436</u>	<u>\$ 315,713</u>	<u>\$ 0</u>	<u>\$ 4,504,354</u>	<u>\$ 4,402,293</u>
Instructional Support:						
Library services	\$ 55,735	\$ 33,681	\$ 11,527	\$ 24,422	125,365	\$ 113,903
Education media services	55,423	33,681	25,684		114,788	114,305
Instructional administration and support	425,499	222,588	72,118		720,205	766,143
Instructional facility rental			71,186		71,186	9,050
	<u>\$ 536,657</u>	<u>\$ 289,950</u>	<u>\$ 180,515</u>	<u>\$ 24,422</u>	<u>\$ 1,031,544</u>	<u>\$ 1,003,401</u>

DETAILS OF GENERAL FUND EXPENSES (CONTINUED)

	Year ended June 30,					2013
	2014				Total	
	Salaries	Fringe Benefits	Supplies and Expenses	Capital Outlay		
Student Services:						
Student service administration	\$ 234,569	\$ 126,395	\$ 24,515		\$ 385,479	\$ 304,246
Social and cultural development	10,431	2,341	20,935		33,707	51,632
Counseling and guidance and special student services	136,313	85,769	122		222,204	190,717
Financial aid and placement	140,968	85,567	108,024		334,559	331,419
Auxiliary	39,933	13,103	5,590		58,626	55,220
Intercollegiate athletics	47,306	16,502	105,133		168,941	178,846
Student recruitment, admissions and records	<u>144,912</u>	<u>93,661</u>	<u>145,567</u>		<u>384,140</u>	<u>345,880</u>
	\$ 754,432	\$ 423,338	\$ 409,886	\$ 0	\$ 1,587,656	\$ 1,457,960
Public Service	150,819	41,324	137,860		330,003	316,284
Institutional Administration:						
Executive management	\$ 202,256	\$ 105,326	\$ 236,631		\$ 544,213	\$ 499,098
Public Relations			17,942		17,942	20,830
General administration and instructional services	<u>448,735</u>	<u>252,466</u>	<u>227,570</u>		<u>928,771</u>	<u>986,468</u>
	\$ 650,991	\$ 357,792	\$ 482,143	\$ 0	\$ 1,490,926	\$ 1,506,396
Physical Plant Operations:						
Physical plant administration			\$ 4,222		\$ 4,222	\$ 3,012
Building and grounds maintenance and repairs	\$ 45,186	\$ 28,243	168,291		241,720	191,930
Custodial services	142,099	87,769	93,984		323,852	294,707
Energy services			143,852		143,852	129,331
Health and Safety Services	<u>20,080</u>	<u>11,672</u>	<u>4,980</u>		<u>36,732</u>	<u>30,032</u>
	\$ 207,365	\$ 127,684	\$ 415,329	\$ 0	\$ 750,378	\$ 649,012
	<u>\$ 5,123,469</u>	<u>\$ 2,605,524</u>	<u>\$ 1,941,446</u>	<u>\$ 24,422</u>	<u>\$ 9,694,861</u>	<u>\$ 9,335,346</u>

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

DETAILS OF AUXILIARY ACTIVITIES FUND
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2014

	Net Position July 1, 2013	Revenues			Expenses			Revenues Over (Under) Expenses	Net Transfers In (Out)	Net Position June 30, 2014
		Sales and Services	Other	Total	Salaries and Fringe Benefits	Supplies and Expenses	Total			
Food operations		\$ 41,380	\$ 1,599	\$ 42,979	\$ 32,898	\$ 35,013	\$ 67,911	\$ (24,932)	\$ 24,932	
Student facilities:										
Bookstore	\$ 40,000	\$ 491,984	\$ 6,058	\$ 498,042	\$ 78,163	\$ 393,670	\$ 471,833	\$ 26,209	\$ (26,209)	\$ 40,000
Residential housing	59,753	341,680	10,123	351,803	54,016	98,538	152,554	199,249	(211,893)	47,109
Lindquist Student Center	<u>22,837</u>	<u>115,361</u>	<u>20,396</u>	<u>135,757</u>	<u>62,172</u>	<u>99,613</u>	<u>161,785</u>	<u>(26,028)</u>	<u>3,191</u>	
	\$ 122,590	\$ 949,025	\$ 36,577	\$ 985,602	\$ 194,351	\$ 591,821	\$ 786,172	\$ 199,430	\$ (234,911)	\$ 87,109
Independent operations:										
Porcupine Mountain	\$ 1,789	\$ 185,720	\$ 38,621	\$ 224,341	\$ 100,790	\$ 122,549	\$ 223,339	\$ 1,002		\$ 2,791
Mt. Zion		<u>97,344</u>	<u>5,475</u>	<u>102,819</u>	<u>100,071</u>	<u>86,532</u>	<u>186,603</u>	<u>(83,784)</u>	\$ 83,784	
	\$ <u>1,789</u>	\$ <u>283,064</u>	\$ <u>44,096</u>	\$ <u>327,160</u>	\$ <u>200,861</u>	\$ <u>209,081</u>	\$ <u>409,942</u>	\$ <u>(82,782)</u>	\$ <u>83,784</u>	\$ <u>2,791</u>
TOTALS	\$ <u>124,379</u>	\$ <u>1,273,469</u>	\$ <u>82,272</u>	\$ <u>1,355,741</u>	\$ <u>428,110</u>	\$ <u>835,915</u>	\$ <u>1,264,025</u>	\$ <u>91,716</u>	\$ <u>(126,195)</u>	\$ <u>89,900</u>

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

DETAILS OF AUXILIARY ACTIVITIES FUND
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2013

	Net Position July 1, 2012	Revenues			Expenses			Revenues Over (Under) Expenses	Net Transfers In (Out)	Net Position June 30, 2013
		Sales and Services	Other	Total	Salaries and Fringe Benefits	Supplies and Expenses	Total			
Food operations		\$ 53,767	\$ 3,520	\$ 57,287	\$ 64,479	\$ 35,748	\$ 100,227	\$ (42,940)	\$ 42,940	
Student facilities:										
Bookstore	\$ 40,000	\$ 548,538	\$ 31,621	\$ 580,159	\$ 72,653	\$ 404,878	\$ 477,531	\$ 102,628	\$ (102,628)	\$ 40,000
Residential housing	73,683	378,998	13,921	392,919	48,906	146,237	195,143	197,776	(211,706)	59,753
Lindquist Student Center		<u>124,165</u>	<u>25,547</u>	<u>149,712</u>	<u>48,419</u>	<u>78,456</u>	<u>126,875</u>	<u>22,837</u>		<u>22,837</u>
	\$ 113,683	\$ 1,051,701	\$ 71,089	\$ 1,122,790	\$ 169,978	\$ 629,571	\$ 799,549	\$ 323,241	\$ (314,334)	\$ 122,590
Independent operations:										
Porcupine Mountain Mt. Zion		\$ 110,129	\$ 50,588	\$ 160,717	\$ 80,492	\$ 78,436	\$ 158,928	\$ 1,789		\$ 1,789
		<u>113,573</u>	<u>15,291</u>	<u>128,864</u>	<u>94,211</u>	<u>77,206</u>	<u>171,417</u>	<u>(42,553)</u>	\$ 42,553	
		<u>\$ 223,702</u>	<u>\$ 65,879</u>	<u>\$ 289,581</u>	<u>\$ 174,703</u>	<u>\$ 155,642</u>	<u>\$ 330,345</u>	<u>\$ (40,764)</u>	<u>\$ 42,553</u>	<u>\$ 1,789</u>
TOTALS	<u>\$ 113,683</u>	<u>\$ 1,329,170</u>	<u>\$ 140,488</u>	<u>\$ 1,469,658</u>	<u>\$ 409,160</u>	<u>\$ 820,961</u>	<u>\$ 1,230,121</u>	<u>\$ 239,537</u>	<u>\$ (228,841)</u>	<u>\$ 124,379</u>

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

SCHEDULE OF EXPENDITURES
COMMUNITY COLLEGE DISTRICT

Year ended

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal C.F.D.A. Number	Approved Grant Award Amount
<u>U. S. Department of Education</u>			
Direct from the U.S. Treasury:			
Student Financial Assistance Programs Cluster: *			
PELL:			
Grant (2013-2014)	P063P131633	84.063	\$ 2,218,810
Grant (2012-2013)	P063P121633	84.063	2,287,507
Supplemental Education Opportunity:			
Grant (2013-2014) (Note 4)	P007A132008	84.007	28,878
Grant (2012-2013) (Note 4)	P007A122008	84.007	30,801
College Work-Study Program:			
Grant (2013-2014) (Notes 4)	P033A132008	84.033	58,605
Grant (2012-2013) (Notes 4)	P033A122008	84.033	58,605
Federal Direct Student Loans:			
Student Loans (2013-2014)	P268K141633	84.268	2,082,074
Student Loans (2012-2013)	P268K131633	84.268	<u>2,063,612</u>
Total Student Financial Assistance Programs Cluster			\$ 8,828,892
TRIO Cluster - Student Support Services Grants:		84.042A	
(9/1/13 to 8/31/14) (Note 5)	P042A100343-13		\$ 234,632
(9/1/12 to 8/31/13) (Note 5)	P042A100343-12		<u>247,580</u>
Total TRIO Cluster			\$ <u>482,212</u>
Total Direct From the U.S. Treasury			\$ 9,311,104

OF FEDERAL AWARDS

OF GOGEBIC COUNTY

June 30, 2014

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2013	Adjustments	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred/A/P) Revenue June 30, 2014
\$ 2,287,507	\$ 55,726		\$ 2,192,808 55,726	\$ 2,217,837	\$ 25,029
30,801	10,405	\$ (6,972)	33,646 10,405	35,850	2,204
64,447	9,266	8,861 (5,842)	48,085 9,266	49,744	1,659
<u>2,063,612</u>	<u>38,612</u>		2,071,747 <u>38,612</u>	2,082,821	11,074
\$ 4,446,367	\$ 114,009	\$ (3,953)	\$ 4,460,295	\$ 4,386,252	\$ 39,966
\$ <u>192,023</u>	\$ <u>10,684</u>	\$ 11,534 <u>17,786</u>	\$ 217,948 <u>48,455</u>	\$ 223,098 <u>37,771</u>	\$ 5,150
\$ <u>192,023</u>	\$ <u>10,684</u>	\$ <u>29,320</u>	\$ <u>266,403</u>	\$ <u>260,869</u>	\$ <u>5,150</u>
\$ 4,638,390	\$ 124,693	\$ 25,367	\$ 4,726,698	\$ 4,647,121	\$ 45,116

SCHEDULE OF EXPENDITURES

Federal Grantor Pass Through Grantor Program Title	Project Number	Federal C.F.D.A. Number	Approved Grant Award Amount
Passed through the Michigan Department of Education:			
Carl D. Perkins Voc Ed Grants:		84.048A	
Local Annual (2013-2014) (Note 6)	13351013216		\$ 70,818
Local Annual (2012-2013)	13351013216		83,522
Local Leadership (2013-2014)	12325014256		18,400
CAP Leadership Grants:			
(8/20/12-6/30/13)	13367013246		1,200
(8/20/12-6/30/13) (Note 6)	1336701324611		2,360
(8/20/12-6/30/13) (Note 6)	1336701324612		901
(8/20/12-6/30/13)	1336701324615		3,195
(8/20/12-6/30/13) (Note 6)	1336701324616		1,190
(8/20/12-6/30/13) (Note 6)	1336701324617		699
(8/20/12-6/30/13)	1336701324619		3,480
(8/20/12-6/30/13)	133670132463		370
(8/20/12-6/30/13)	133670132464		800
(8/20/12-6/30/13)	133670162467		1,500
(8/20/12-6/30/13) (Note 6)	133670162469		2,500
(8/1/13-6/30/14)	14367014246		6,250
(8/1/13-6/30/14) (Note 6)	143670142462		<u>11,000</u>
Total Passed Through Michigan Department of Education			\$ <u>208,185</u>
TOTAL FEDERAL AWARDS			\$ <u><u>9,519,289</u></u>

The accompanying notes are an integral part of this schedule.

OF FEDERAL AWARDS (CONTINUED)

(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2013	Adjustments	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred/A/P) Revenue June 30, 2014
\$ 83,522	\$ 5,622	\$ 20	\$ 65,020	\$ 70,798	\$ 5,778
			5,622		
			15,000	18,400	3,400
1,200	263		263		
2,325	749	35	749		
900	64	1	64		
3,195	520		520		
1,150	1,150	40	1,150		
660	660	39	660		
3,480	3,480		3,480		
370	14		14		
800	150		150		
1,500	1,500		1,500		
2,499	2,499	1	2,499		
			6,000	6,250	250
		252	6,104	10,748	4,644
<u>\$ 101,601</u>	<u>\$ 16,671</u>	<u>\$ 388</u>	<u>\$ 108,795</u>	<u>\$ 106,196</u>	<u>\$ 14,072</u>
<u>\$ 4,739,991</u>	<u>\$ 141,364</u>	<u>\$ 25,755</u>	<u>\$ 4,835,493</u>	<u>\$ 4,753,317</u>	<u>\$ 59,188</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

1. * Designates a Major Program for Single Audit purposes.
2. This schedule was prepared on the accrual basis of accounting, as were the financial statements. The Student Financial Assistance Programs cluster was considered to be a Type A program (over \$300,000). All other programs were considered Type B. The Student Financial Assistance Programs cluster was selected as the major program under the 25% coverage rule for a low-risk auditee.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements. The various required financial reports are in agreement with the financial statements and the amounts reported on the Grant Auditor Report reconcile with this schedule.
4. The amount of award reconciles with the expenditures as follows:

	Supplemental Education Opportunity Grant		College Work- Study Program	
	Year ended June 30,		Year ended June 30,	
	2014	2013	2014	2013
Amount of award	\$ 28,878	\$ 30,801	\$ 58,605	\$ 58,605
Carry from (to) prior year				\$ 5,842
Carry from (to) subsequent year			\$ (1,889)	
Transfer Work-Study to SEOG	<u>\$ 6,972</u>	<u> </u>	<u>(6,972)</u>	<u> </u>
Adjustment	<u>\$ 6,972</u>	<u>\$ 0</u>	<u>\$ (8,861)</u>	<u>\$ 5,842</u>
Current year expenditures	<u>\$ 35,850</u>	<u>\$ 30,801</u>	<u>\$ 49,744</u>	<u>\$ 64,447</u>
Expenditures consist of the following:				
SEOG awards	\$ 35,850	\$ 27,493		
Federal share of on-campus wages			\$ 45,668	\$ 64,102
Administrative expenses	<u> </u>	<u>3,308</u>	<u>4,076</u>	<u>345</u>
	<u>\$ 35,850</u>	<u>\$ 30,801</u>	<u>\$ 49,744</u>	<u>\$ 64,447</u>

5. The unused award will be spent in the College's next fiscal year.
6. These unexpended grant awards will not be used in the future.
7. The total federal grants and contracts revenue shown in the financial statements differs from the amount in this schedule by the \$7,501 administrative allowance for the Pell student financial aid program and the \$2,082,821 Federal Direct Student Loan Program loans not reported in the financial statements.

SUPPLEMENTAL
REPORTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Community College District of Gogebic County
Ironwood, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Community College District of Gogebic County and the discretely presented component unit, Gogebic Community College Foundation as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community College District of Gogebic County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community College District of Gogebic County's internal control. Accordingly, we do not express an opinion on the effectiveness of Community College District of Gogebic County'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
October 27, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Community College District of Gogebic County
Ironwood, Michigan

Report on Compliance for Each Major Federal Program

We have audited Community College District of Gogebic County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Community College District of Gogebic County's major federal programs for the year ended June 30, 2014. Community College District of Gogebic County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Community College District of Gogebic County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community College District of Gogebic County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Community College District of Gogebic County, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Community College District of Gogebic County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Community College District of Gogebic County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Community College District of Gogebic County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Makela, Pollock & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
October 27, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2014

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

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

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Aid Programs Cluster:
84.063	Pell Grant
84.007	Supplemental Education Opportunity Grant
84.033	College Work Study
84.268	Federal Direct Student Loan Programs

Dollar threshold used to distinguish Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no significant deficiencies disclosed during the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings and questioned costs related to the federal award programs.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

Year ended June 30, 2014

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no significant deficiencies disclosed during the financial statements audit.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

There were no findings and questioned costs related to the federal award programs.