

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

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

**June 30, 2016**

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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, 2016 and 2015, 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, 2016 and 2015, 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 and the required supplemental information on pages 50 and 51, 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 31, 2016 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 31, 2016

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

Year ended June 30, 2016

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**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, 2016. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

**Using this Report**

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, without the implementation of GASB's Statements No. 68 and 71, remained strong at June 30, 2016, with assets of \$14.8 million and deferred outflow of resources of \$1.14 million, liabilities of \$15.6 million and deferred inflow of resources of \$.55 million. Net position, which represents the residual interest in the College's assets after liabilities are deducted, is (\$207,469). The net position consists of \$8.8 million invested in capital assets, net of related debt, \$.33 million restricted and a \$9.4 million deficit in unrestricted assets. At the beginning of the prior year the net position was decreased by \$9,752,273, due to the implementation of GASB Statements No. 68 and 71, recording of pension liabilities. The effect of these GASB's further reduced the net position by \$165,727 during the year ended June 30, 2016. These GASB's require the College to record its share of the State of Michigan's unfunded pension liability costs which are not controlled by the College and we have no input or control on their performance.

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, 2016 and 2015 and changes in net position 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>2016</u>	<u>2015</u>
ASSETS		
Cash, cash equivalents and investments	\$ 1,030,362	\$ 403,265
Receivables	1,530,854	1,596,048
Other assets	430,708	591,513
Capital assets, net of depreciation	<u>11,822,101</u>	<u>12,211,166</u>
TOTAL ASSETS	<u>\$ 14,814,025</u>	<u>\$ 14,801,992</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to pensions	<u>\$ 1,140,296</u>	<u>\$ 1,050,573</u>
LIABILITIES		
Note payable	\$ 1,200,000	\$ 850,000
Other current liabilities	831,034	770,823
Long term debt:		
Due in one year	414,582	421,960
Due in more than one year	2,688,832	2,885,920
Net pension liability	<u>10,478,031</u>	<u>9,699,598</u>
TOTAL LIABILITIES	<u>\$ 15,612,479</u>	<u>\$ 14,628,301</u>
DEFERRED INFLOW OF RESOURCES		
Related to pensions and summer school tuition	<u>\$ 549,311</u>	<u>\$ 1,073,596</u>
NET POSITION	<u>\$ (207,469)</u>	<u>\$ 150,668</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Condensed Statement of Revenues, Expenses and Changes in Net Position**

	<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating revenues	\$ 4,271,352	\$ 4,499,341
Operating expenses	<u>(12,392,465)</u>	<u>(13,136,461)</u>
OPERATING LOSS	\$ (8,121,113)	\$ (8,637,120)
Nonoperating revenue	<u>7,762,976</u>	<u>8,116,562</u>
(DECREASE) IN NET POSITION	<u>\$ (358,137)</u>	<u>\$ (520,558)</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:

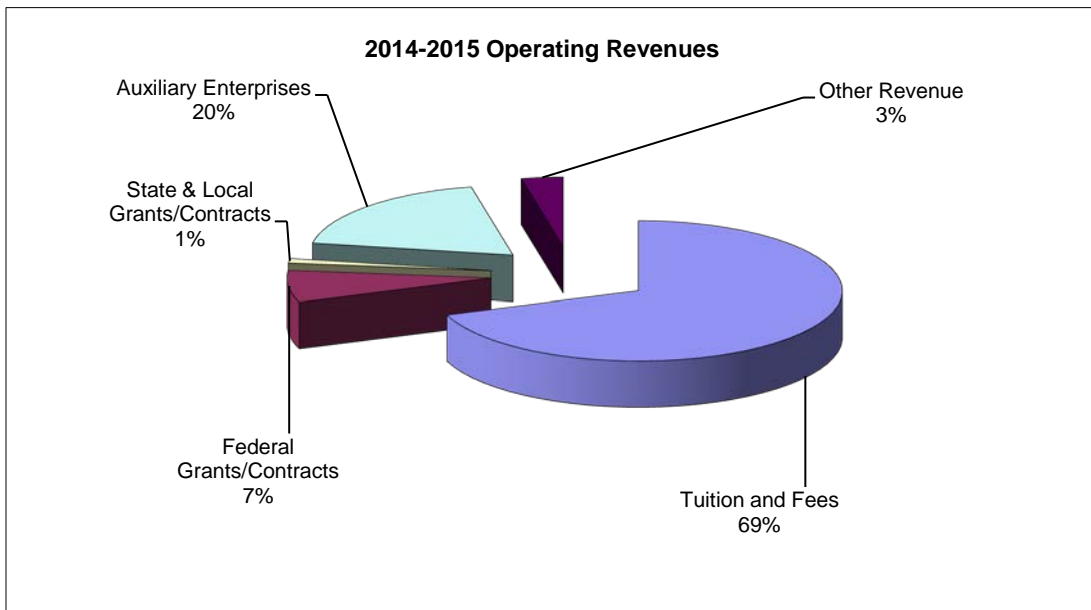
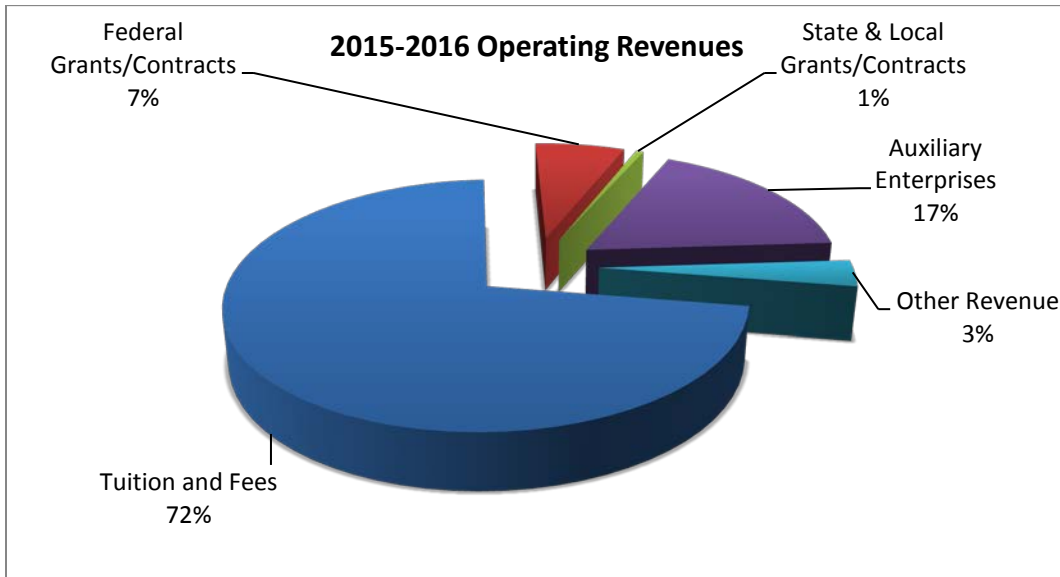
- For the year ended June 30, 2016, student tuition and fee revenue decreased \$180,068 as a result of a drop in enrollment and a Board approved tuition increase of \$4 per credit hour In-District, \$6 increase per credit hour for Out-of-District and Out-of-State Reciprocity, \$6 increase per credit hour for Out-of-State, and no increase for International tuition per credit hour. The Board also approved fee increases for a small number of courses.
- For the year ended June 30, 2015, student tuition and fee revenue increased \$83,032 as a result of the College incurring relatively flat enrollment and a Board approved tuition increase of \$0 per credit hour for In-District and \$4 per credit hour for Out-of-District and Out-of-State Reciprocity, \$2 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, 2016, auxiliary services revenues decreased by 17% and expenditures decreased by 11% due to a reduction in student headcount and credits. These decreases resulted in a decrease of transfers in the General Fund by \$6,586, and no General Fund transfer from the Bookstore this fiscal year. The net effect was a reduction of \$65,675 in net position.
- For the year ended June 30, 2015, auxiliary services revenues increased by 2% and expenses decreased 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 \$23,946 increase in transfers to the auxiliary services. There was a decrease of \$1,209 in the amount transferred from the Bookstore to the General Fund and \$510 decrease in the amount transferred from the Bookstore to other funds. The net effect resulted in a \$1,662 increase in net position.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

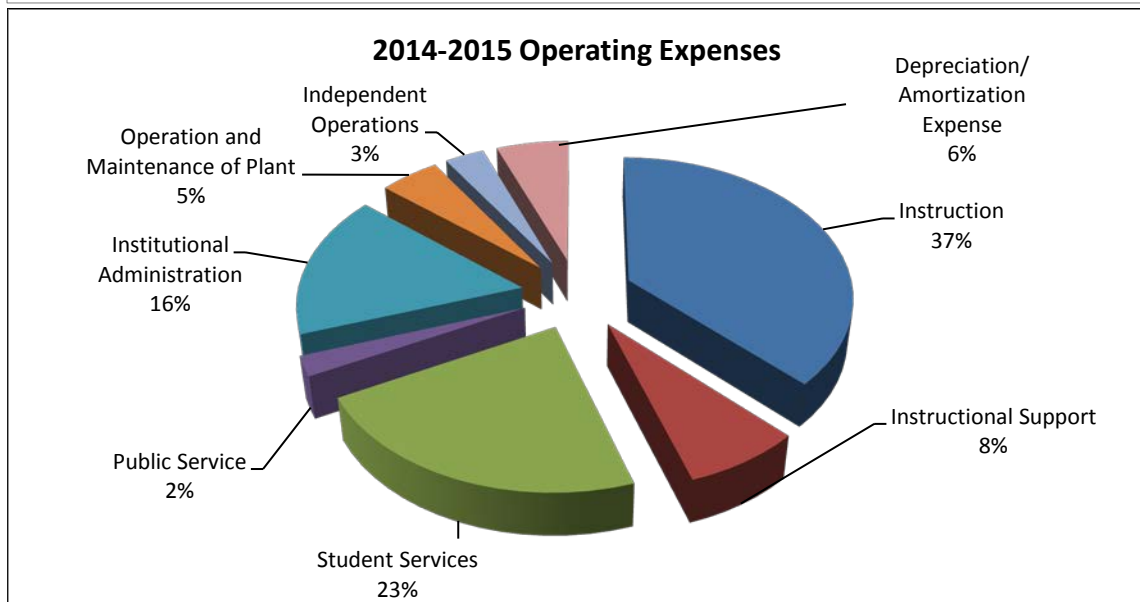
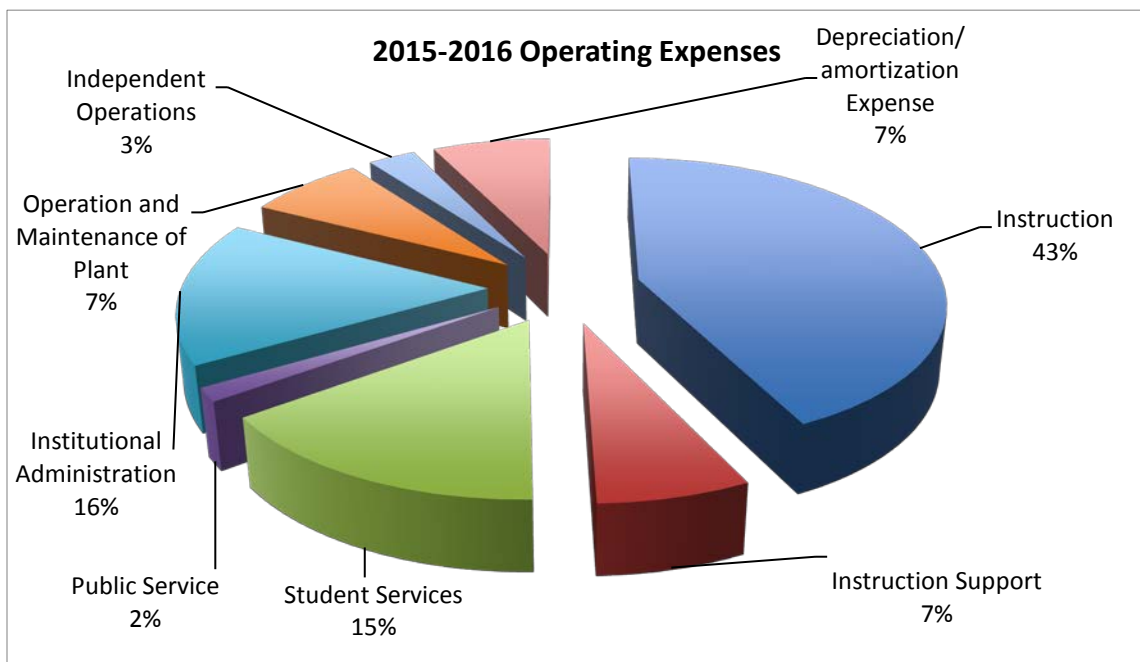
**Operating Revenues (Continued)**

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, 2016 decreased \$717,659 to \$9,340,752. The operating expenses of the General Fund for the year ended June 30, 2015 increased \$363,550 to \$10,058,411. Instruction, Instructional Support, and Student Services account for 66% 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 Statements No. 34 and 35, which reclassifies Pell grants as non-operating revenue.

Non-operating revenue decreased \$353,586 during the year ended June 30, 2016, as a result of the following factors:

- Pell grant funding decreased \$269,256.
- State appropriations decreased \$134,851 as a result of State required adjustments to the pension liabilities.

### **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 increased during the year by \$626,728. Cash and cash equivalents were \$917,106 as of June 30, 2016. Details of how the decrease occurred are contained in the Statement of Cash Flows.

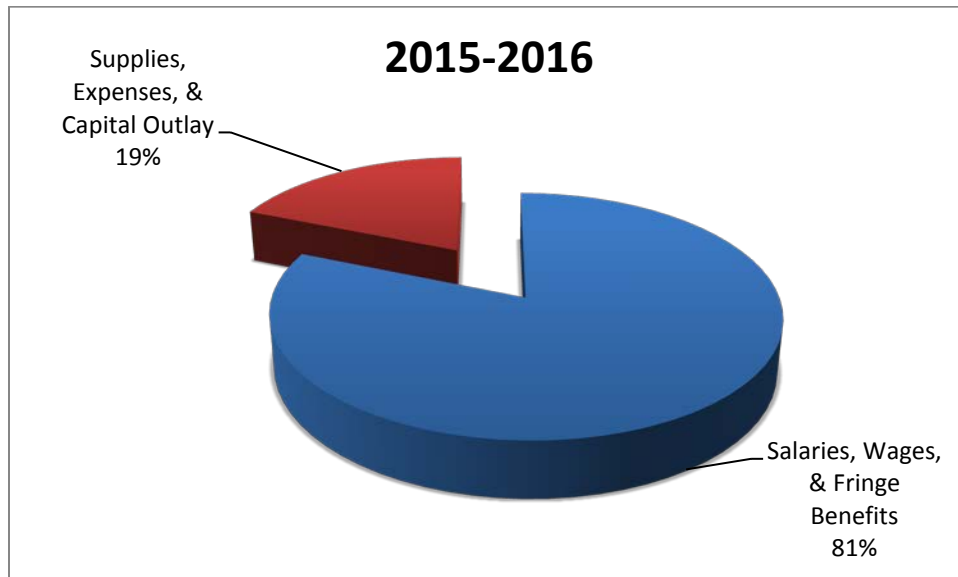
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**General Fund Expenditures**

General Fund salaries and wages decreased \$245,573 and fringe benefits decreased \$229,406 for the year ended June 30, 2016. This amounted to a 4.7% decrease in salaries and a 8.1% decrease in the cost of benefits. This was offset by the tuition reduction and the state aid reductions caused by the GASB's pension liability requirements left a \$102,046 increase in the General Fund net position this year. This shows improvement from the \$304,451 reduction last year. The net effect of the GASB required adjustments and related state aid received and used for pensions are recorded in the Pension Liability Fund this year.

Since General Fund salaries, wages and fringe benefits accounted for 81% of total expenditures for the year ending June 30, 2016 and 80% for the year ending June 30, 2015, 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, 2016.



MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Capital Asset and Debt Administration**

**Capital Assets**

As of June 30, 2016, the College had \$11.8 million invested in capital assets, net of accumulated depreciation of \$15million. Capital investments for the year were \$374,232 and depreciation charges totaled \$752,958. Details of these assets as of June 30, 2016 are outlined below.

	<u>Balance June 30.</u>	
	<u>2016</u>	<u>2015</u>
Land	\$ 95,968	\$ 95,968
Land improvements	1,388,815	1,388,815
Buildings	18,351,612	18,328,202
Equipment	<u>7,002,920</u>	<u>6,726,076</u>
	\$ 26,839,315	\$ 26,539,061
 Accumulated depreciation:		
Land improvements	\$ 985,163	\$ 942,940
Buildings	8,738,645	8,236,590
Equipment	<u>5,293,406</u>	<u>5,148,365</u>
	<u>\$ 15,017,214</u>	<u>\$ 14,327,895</u>
	<u>\$ 11,822,101</u>	<u>\$ 12,211,166</u>

The majority of the College's investment in capital assets is in buildings. Buildings have a cost value of \$18.3 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 \$7 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, 2016, the College had long term debt totaling \$3.1 million. This amount consists of \$2.41 million of revenue bonds, \$.58 million in capital leases and installment agreements, and \$.11 million in retirement incentives and post employment health insurance payable to employees. Debt payments of \$411,662 were made during the year ended June 30, 2016.

**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 45% of its General Fund revenues. The College is involved in and is working very closely with the State and the Michigan Community College Association with all state appropriation base funding issues.

Gogebic Community College implemented GASB's Statements No. 68 and 71 in the prior fiscal year, and is now recognizing the unfunded Michigan Pension Cost allocated to the College. This recording has a significant impact on the College's financial statements as the unfunded liability in the State pension plan is now pushed down to the individual community colleges and local school districts, even though these entities have little to no input on the fiscal management of the funds. The implementation of this reduced the College's net position by \$9,887,046 at the end of the year, an increase of \$165,727 for the year. The inclusion of the GASB reporting does not reduce the College's cash balances but does recognize an unfunded liability.

In the prior year, the College invested in their satellite campus in the Copper County of Upper Michigan, expanding the site by an additional 7,500 sq. feet. The site has proven to be a positive investment and the needs of the surrounding areas are still unmet. The growth in enrollment in the current year was sizable 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 and partnerships with local school districts.

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,	
	2016	2015	2016	2015
<b>ASSETS</b>				
Cash and cash equivalents	\$ 917,106	\$ 290,378	\$ 23,942	\$ 30,711
Investments	113,256	112,887	3,991,841	3,689,924
State appropriation receivable	819,983	809,347		
Property taxes receivable (net of allowance - \$3,907)	14,815	9,789		
Other accounts receivable	696,056	776,912		
Inventories	372,517	379,325		
Prepaid expenses and other assets	58,191	212,188		
Capital assets not being depreciated	95,968	95,968		
Capital assets net of accumulated depreciation	<u>11,726,133</u>	<u>12,115,198</u>	<u>12,500</u>	<u>12,500</u>
<b>TOTAL ASSETS</b>	<u>\$ 14,814,025</u>	<u>\$ 14,801,992</u>	<u>\$ 4,028,283</u>	<u>\$ 3,733,135</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>				
Related to pensions	<u>\$ 1,140,296</u>	<u>\$ 1,050,573</u>		



NET POSITION  
OF GOGEBIC COUNTY

	Community College District of Gogebic County		Gogebic Community College Foundation (Component Unit)	
	June 30,		June 30,	
	2016	2015	2016	2015
<b>LIABILITIES</b>				
Accounts payable	\$ 97,963	\$ 168,351		
Salaries, wages and related liabilities payable	671,502	533,165		
Interest payable	33,685	38,374		
Note payable	1,200,000	850,000		
Due to depositors and other liabilities	27,884	30,933		
Long-term debt:				
Due in one year	414,582	421,960		
Due in more than one year	2,688,832	2,885,920		
Net pension liability	<u>10,478,031</u>	<u>9,699,598</u>		
<b>TOTAL LIABILITIES</b>	<b><u>\$ 15,612,479</u></b>	<b><u>\$ 14,628,301</u></b>		
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue - summer school tuition			\$ 1,302	
Related to pensions	\$ 246,627	1,072,294		
State aid funding for pensions	<u>302,684</u>			
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b><u>\$ 549,311</u></b>	<b><u>\$ 1,073,596</u></b>		
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	\$ 8,830,500	\$ 9,052,414	\$ 12,500	\$ 12,500
Net position restricted for:				
Instructional Support	182,595	217,633		
Expendable scholarships	148,710	120,663		
Temporarily restricted Foundation assets			698,960	668,690
Permanently restricted Foundation assets			2,660,070	2,434,366
Unrestricted	<u>(9,369,274)</u>	<u>(9,240,042)</u>	<u>656,753</u>	<u>617,579</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ (207,469)</u></b>	<b><u>\$ 150,668</u></b>	<b><u>\$ 4,028,283</u></b>	<b><u>\$ 3,733,135</u></b>

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>	
	2016	2015	2016	2015
<b>OPERATING REVENUES</b>				
Tuition and fees (net of scholarship allowances: 2016 - \$1,574,180; 2015 - \$1,808,717)	\$ 2,630,237	\$ 2,575,768		
Federal grants and contracts	391,117	462,477		
State and local grants and contracts	32,876	65,943		
Intermediate School District rent	21,033	24,430		
Sales and Services of Education Activities	17,878	22,056		
Sales and Services of Auxiliary Enterprises	1,018,009	1,196,365		
Other revenues	<u>160,202</u>	<u>152,302</u>	\$ 12,952	\$ 12,065
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,271,352</b>	<b>\$ 4,499,341</b>	<b>\$ 12,952</b>	<b>\$ 12,065</b>
<b>OPERATING EXPENSES</b>				
Instruction	\$ 4,584,999	\$ 4,911,682		
Instruction support	810,766	987,616		
Student services	2,837,410	2,959,602	\$ 97,632	\$ 66,558
Public Service	161,272	298,898		
Institutional administration	2,066,140	2,149,971		
Operation and maintenance of plant	867,694	639,269	104,905	102,721
Independent operations	305,264	421,878		
Depreciation and amortization expense, unallocated	<u>758,920</u>	<u>767,545</u>		
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 12,392,465</b>	<b>\$ 13,136,461</b>	<b>\$ 202,537</b>	<b>\$ 169,279</b>
<b>OPERATING LOSS</b>	<b>\$ (8,121,113)</b>	<b>\$ (8,637,120)</b>	<b>\$ (189,585)</b>	<b>\$ (157,214)</b>

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,	
	2016	2015	2016	2015
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriation	\$ 4,653,956	\$ 4,788,807		
Federal grants and contracts	1,617,072	1,886,328		
Property tax levy	1,438,339	1,427,579		
Gifts	184,203	168,522	\$ 277,842	\$ 255,822
Investment income	2,361	794	206,891	81,619
Interest on capital asset related debt	(139,145)	(155,468)		
Gain on disposal of assets	6,190			
<b>NET NONOPERATING REVENUES</b>	<u>\$ 7,762,976</u>	<u>\$ 8,116,562</u>	<u>\$ 484,733</u>	<u>\$ 337,441</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ (358,137)</u>	<u>\$ (520,558)</u>	<u>\$ 295,148</u>	<u>\$ 180,227</u>
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>	\$ 150,668	\$ 10,423,499		\$ 3,552,908
Adoption of GASB Statements No. 68 and 71:				
Net Pension Liability		(10,312,209)		
Deferred Outflows		559,936		
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<u>\$ 150,668</u>	<u>\$ 671,226</u>	<u>\$ 3,733,135</u>	<u>\$ 3,552,908</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (207,469)</u>	<u>\$ 150,668</u>	<u>\$ 4,028,283</u>	<u>\$ 3,733,135</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)	
	Year ended June 30,		Year ended June 30,	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees	\$ 2,729,300	\$ 2,575,854		
Grants and contracts	500,386	450,161		
Auxiliary enterprise and other revenues	1,121,220	1,354,538	\$ 12,952	\$ 12,065
Payments to suppliers and employees	<u>(10,791,156)</u>	<u>(12,349,815)</u>	<u>(202,537)</u>	<u>(204,285)</u>
NET CASH USED IN OPERATING ACTIVITIES	\$ (6,440,250)	\$ (7,969,262)	\$ (189,585)	\$ (192,220)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
State appropriations	\$ 4,643,320	\$ 4,764,455		
Property tax collections	1,433,313	1,425,826		
Gifts	184,203	168,522	\$ 277,842	\$ 255,822
Federal grants and contracts	1,617,072	1,886,328		
Student organization and agency transactions	<u>(3,049)</u>	<u>(1,693)</u>		
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	\$ 7,874,859	\$ 8,243,438	\$ 277,842	\$ 255,822
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	\$ (234,498)	\$ (380,777)		
Principal paid on long-term debt	(431,541)	(416,501)		
Interest paid	<u>(143,834)</u>	<u>(158,521)</u>		
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	\$ (809,873)	\$ (955,799)		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from sale of investments			\$ 199,955	\$ 331,983
Purchase of investments	\$ (369)	\$ (433)	(442,480)	(548,622)
Investment income	<u>2,361</u>	<u>794</u>	<u>147,499</u>	<u>152,272</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ 1,992	\$ 361	\$ (95,026)	\$ (64,367)
NET INCREASE (DECREASE) IN CASH	\$ 626,728	\$ (681,262)	\$ (6,769)	\$ (765)
Cash at beginning of year	<u>290,378</u>	<u>971,640</u>	<u>30,711</u>	<u>31,476</u>
CASH AT END OF YEAR	<u>\$ 917,106</u>	<u>\$ 290,378</u>	<u>\$ 23,942</u>	<u>\$ 30,711</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>	
	2016	2015	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating loss	\$ (8,121,113)	\$ (8,637,120)	\$ (189,585)	\$ (157,214)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization expense	\$ 758,920	\$ 767,545		\$ 127
Deferred compensation and other postemployment benefits accrued	97,908	66,780		
Related to pensions	165,727	(30,954)		
(Increase) decrease in current assets:				
Accounts receivable	80,856	(111,339)		
Inventories	11,104	66,590		
Prepaid expenses and other assets	149,701	(141,873)		
Increase (decrease) in current liabilities:				
Accounts payable	(70,388)	27,599		(35,133)
Salaries, wages and related liabilities payable	138,337	30,959		
Notes Payable	350,000			
Unavailable revenue	<u>(1,302)</u>	<u>(7,449)</u>		
Total adjustments	<u>\$ 1,680,863</u>	<u>\$ 667,858</u>	<u>\$ 0</u>	<u>\$ (35,006)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u>\$ (6,440,250)</u>	<u>\$ (7,969,262)</u>	<u>\$ (189,585)</u>	<u>\$ (192,220)</u>
<b>Supplemental schedule of noncash capital and related financing activities:</b>				
Effect of implementing GASB Statements No. 68 and 71		\$ (9,752,273)		
Early Retirement Incentives and Other Postemployment Benefits accrued	\$ 14,749	\$ 20,434		
Capital leases entered into for the purchase of assets	\$ 124,234			

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, 2016

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#### 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)

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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 excluded as not depreciable):

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)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Appropriations - Annually the State of Michigan appropriates funding for the community colleges through the state. The amount of the appropriation allocated to the College for the State's fiscal year ending September 30, 2016, was \$4,509,900. The funds received in July and August of 2016 are State appropriations for the year ended June 30, 2016, and, as such, are recorded as accounts receivable.

Federal Revenue - Expenditure-driven grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met.

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

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College has one item that qualifies for reporting in this category. Deferred outflows are recognized for pension related items which are expensed in the plan year in which it applies.

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 generally has two items that qualify for reporting in this category. The College reports unavailable revenue from summer school tuition as an inflow of resources in the period that the amounts become available. The College has future resources yet to be recognized in relation to the pension actuarial calculation and state funding to offset pension costs. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	College		Foundation	
	June 30,		June 30,	
	2016	2015	2016	2015
Cash and cash equivalents	\$ 917,106	\$ 290,378	\$ 23,942	\$ 30,711
Investments:				
Certificates of deposit	113,256	112,887		
Mutual Funds	_____	_____	3,991,841	3,689,924
	\$ 1,030,362	\$ 403,265	\$ 4,015,783	\$ 3,720,635

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, 2016 and 2015.

	June 30,	
	2016	2015
Deposits in banks insured by federal depository insurance:		
Insured	\$ 316,680	\$ 266,177
Uncollateralized amounts exceeding insurance limits and uninsured money market funds	732,831	186,625
	\$ 1,049,511	\$ 452,802

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 market value in the statement of net position. The mutual funds, considered Level I type investments, are valued at quoted market prices and had costs of \$3,566,870 and \$3,298,608 as of June 30, 2016 and 2015, respectively.

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, 2016:

	General <u>Fund</u>	Designated <u>Fund</u>	Auxiliary Enterprise <u>Fund</u>	Restricted <u>Fund</u>	<u>Total</u>
State of Michigan	\$ 90,917		\$ 1,596	\$ 40,068	\$ 132,581
Federal government	19,006			18,273	37,279
Other local units	8,391				8,391
Students	179,114				179,114
Sundry	<u>338,400</u>	<u>          </u>	<u>291</u>	<u>          </u>	<u>338,691</u>
TOTALS	<u>\$ 635,828</u>	<u>\$ 0</u>	<u>\$ 1,887</u>	<u>\$ 58,341</u>	<u>\$ 696,056</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2016, were as follows:

	<u>Balance at July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2016</u>
Land	\$ 95,968			\$ 95,968
Land improvements	1,388,815			1,388,815
Buildings	18,328,202	\$ 23,410		18,351,612
Equipment	<u>6,726,076</u>	<u>350,822</u>	<u>\$ 73,978</u>	<u>7,002,920</u>
	\$ 26,539,061	\$ 374,232	\$ 73,978	\$ 26,839,315
Accumulated depreciation:				
Land improvements	\$ 942,940	\$ 42,223		\$ 985,163
Buildings	8,236,590	502,055		8,738,645
Equipment	<u>5,148,365</u>	<u>208,680</u>	<u>\$ 63,639</u>	<u>5,293,406</u>
	<u>\$ 14,327,895</u>	<u>\$ 752,958</u>	<u>\$ 63,639</u>	<u>\$ 15,017,214</u>
	<u>\$ 12,211,166</u>	<u>\$ (378,726)</u>	<u>\$ 10,339</u>	<u>\$ 11,822,101</u>

Depreciation expense was not allocable to specific functions. Land is not depreciable.

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, 2016, was as follows:

	Balance at July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance at June 30, <u>2016</u>
Merit Bank, due August 7, 2016, with interest at 1.2%		\$ 1,200,000		\$ 1,200,000
Merit Bank, due August 7, 2015, with interest at 1.25%	\$ 850,000		\$ 850,000	
Merit Bank, due August 7, 2015, with interest at .97%	<u>                    </u>	<u>450,000</u>	<u>450,000</u>	<u>                    </u>
	<u>\$ 850,000</u>	<u>\$ 1,650,000</u>	<u>\$ 1,300,000</u>	<u>\$ 1,200,000</u>

Changes in long-term debt are summarized as follows:

	Balance at July 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance at June 30, <u>2016</u>	<u>Current Portion</u>
2013 Community College Facility Bonds	\$ 700,000		\$ 75,000	\$ 625,000	\$ 75,000
Community College Facilities Bonds, Series 2006	1,973,862		117,024	1,856,838	122,950
Capital Leases Payable	77,784	\$ 124,234	41,774	160,244	64,392
Energy Conservation Installment Purchase Agreement	523,033		104,607	418,426	104,607
Deferred Compensation Payable	74,667	77,000	64,667	87,000	49,667
Other Postemployment Benefits See Note H	33,402		8,590	24,812	3,928
Bond Discount	<u>(74,868)</u>	<u>                    </u>	<u>(5,962)</u>	<u>(68,906)</u>	<u>(5,962)</u>
	<u>\$ 3,307,880</u>	<u>\$ 201,234</u>	<u>\$ 405,700</u>	<u>\$ 3,103,414</u>	<u>\$ 414,582</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 (excluding bond discount) for the five years ending June 30, 2021, and five year totals to maturity, are:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 420,544	\$ 130,352	\$ 550,896
2018	377,909	114,348	492,257
2019	365,169	98,860	464,029
2020	372,268	82,723	454,991
2021	249,665	68,687	318,352
2022-2026	1,080,995	194,885	1,275,880
2027-2031	<u>305,770</u>	<u>12,132</u>	<u>317,902</u>
	<u>\$ 3,172,320</u>	<u>\$ 701,987</u>	<u>\$ 3,874,307</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>
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>\$ 625,000</u>	<u>\$ 56,100</u>	<u>\$ 681,100</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 15<sup>th</sup> 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>
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>104,276</u>	<u>1,514</u>	<u>105,790</u>
	<u>\$ 1,856,838</u>	<u>\$ 582,184</u>	<u>\$ 2,439,022</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, 2016, the College was obligated under three capital leases. During the year ended June 30, 2016, the College entered into two capital leases, one for the purchase of a new postage meter and one for the purchase of a Snow Groomer. The College also satisfied the obligations of the prior capital lease for a postage meter by returning the postage meter when the new postage meter was obtained. These assets and the related liabilities are recorded in the Plant Fund. Data relative to these capital leases at June 30, 2016, was as follows:

	<u>Postage Meter</u>	<u>Snow Groomer</u>	<u>Snow Groomer</u>
Capital asset cost	\$ 14,234	\$ 190,000	\$ 125,500
Date of lease	February 28, 2016	November 1, 2010	March 1, 2016
Quarterly payments, including interest	\$ 1,012		
Annual payments, including interest		Various	\$ 30,875
Interest rate	14.828%	6.689%	4.760%
Minimum lease payments:			
June 30, 2017	\$ 4,385	\$ 37,314	\$ 30,875
June 30, 2018	4,048		30,875
June 30, 2019	4,048		30,875
June 30, 2020	4,048		30,875
June 30, 2021	<u>2,699</u>	<u>          </u>	<u>          </u>
Future net minimum payments	\$ 19,228	\$ 37,314	\$ 123,500
Less amount for interest	<u>5,484</u>	<u>814</u>	<u>13,500</u>
Present value of future net minimum payments	<u>\$ 13,744</u>	<u>\$ 36,500</u>	<u>\$ 110,000</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>
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>\$ 418,427</u>	<u>\$ 43,904</u>	<u>\$ 462,331</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 six employees each receiving early retirement incentives of \$5,000 to \$10,667 each year with total payments of \$15,000 to \$32,000. Following is a summary of future required payments:

	<u>Amount</u>
Cash payments during year ending:	
June 30, 2017	\$ 49,667
June 30, 2018	30,667
June 30, 2019	<u>6,666</u>
	<u>\$ 87,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State), originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes the Board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/mpsers-cafr>.

Benefits Provided

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

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 (FAC) 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.

Prior to Pension Reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the MIP was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0% - 7.0%.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

#### Benefits Provided (Continued)

##### Pension Reform 2010

On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by FAC and years of service. Disability and survivor benefits are available to Pension Plus members.

##### Pension Reform 2012

On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and 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 pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP).

##### Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60<sup>th</sup> birthday and has credited service in each of the last 5 years; for Pension Plus members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of FAC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE F – DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

#### Benefits Provided (Continued)

##### Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, Plus Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution (DC) plan). As a DC participant they receive a 4% employer contribution to a tax – deferred 401 (k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provided a 50% employer match up to 3% of salary on the employee contributions.

Final Average Compensation - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

#### Member Contributions

Depending on the plan selected, member contributions range from 0%-7%. Plan members electing the defined contribution plan are not required to make additional contributions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Employer contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

October 1, 2015 – March 9, 2015	15.44% - 18.37%
March 10, 2015 – September 30, 2015	18.76% - 23.07%
October 1, 2015 – September 30, 2016	14.56% - 18.95%

The College's pension contributions for the years ended June 30, 2016 and 2015 were equal to the required contribution total. Pension contributions for the year ended June 30, 2016 were approximately \$1,159,586, with \$963,735 specifically for the Defined Benefit Plan and approximately \$1,325,800, with \$1,143,300 specifically for the Defined Benefit Plan for the year ended June 30, 2015. These amounts include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (69.45% for pension and 30.55% for OPEB for 2016 and 100% for OBEP for 2015).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Pension Liabilities

At June 30, 2016 and 2015, the College reported a liability of \$10,478,031 and \$9,699,598, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2014 and 2013 and rolled-forward using generally accepted actuarial procedures. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the College's proportion was .04290% and .04404%.

<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Total pension liability	\$ 66,312,041,902	\$ 65,160,887,182
Plan fiduciary net position	\$ 41,887,015,147	\$ 43,134,384,072
Net pension liability	\$ 24,425,026,755	\$ 22,026,503,110
Proportionate share	0.04290%	0.04404%
Net Pension liability for the District	\$ 10,478,031	\$ 9,699,598

For the years ended June 30, 2016 and 2015, the College recognized pension expense of approximately \$524,094 and \$785,760, respectively. The 2016 amount excludes contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

At June 30, 2016 and 2015, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>As of June 30, 2016</u>		<u>As of June 30, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Change in assumptions	\$ 257,991		\$ 357,894	
Net difference between projected and actual earnings on pension plan investment earnings	53,482			\$ (1,072,294)
Differences between expected and actual experience		\$ (34,706)		
Changes in proportion and differences between employer contributions and proportionate share of contributions		(211,921)		
Reporting unit's contributions subsequent to the measurement date	<u>828,823</u>	<u>                    </u>	<u>692,679</u>	<u>                    </u>
	<u>\$ 1,140,296</u>	<u>\$ (246,627)</u>	<u>\$ 1,050,573</u>	<u>\$ (1,072,294)</u>

The amounts reported as deferred outflows of resources related to pensions resulting from College employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the next year.



NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

Other amounts reported as deferred outflows of resources and (deferred inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2017	\$ (27,629)
2018	(27,629)
2019	(41,618)
2020	<u>161,722</u>
	<u>\$ 64,846</u>

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.5%

Mortality assumptions – RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projection scale AA for men and women were used.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments - The rate of 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Investment Category</u>	<u>Year ended June 30, 2016</u>		<u>Year ended June 30, 2015</u>	
	<u>Target Location</u>	<u>Long-term Expected Real Rate of Return*</u>	<u>Target Location</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.90%	28.00%	4.80%
Alternate Investment Pools	18.00%	9.20%	18.00%	8.50%
International Equity	16.00%	7.20%	16.00%	6.10%
Fixed Income Pools	10.50%	0.90%	10.50%	1.50%
Real Estate and Infrastructure Pools	10.00%	4.30%	10.00%	5.30%
Absolute Return Pools	15.50%	6.00%	15.50%	6.30%
Short Term Investment Pools	<u>2.00%</u>	0.00%	<u>2.00%</u>	(0.2)%
	<u>100.00%</u>		<u>100.00%</u>	

\*Long term rate of return does not include 2.1% inflation for 2016 and 2.5% for 2015.

Discount rate - The discount rate used to measure the total pension liability was 8% (7% for Pension Plus Plan). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Reporting Unit’s proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the Reporting Unit’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Lower <u>(6.0%-7.0%)</u>	Discount Rate <u>(7.0%-8.0%)</u>	1% Higher <u>(8.0%-9.0%)</u>
June 30, 2016 - Reporting Unit's proportionate share of net pension liability	<u>\$ 13,508,868</u>	<u>\$ 10,478,031</u>	<u>\$ 7,922,911</u>
June 30, 2015 - Reporting Unit's proportionate share of net pension liability	<u>\$ 12,788,075</u>	<u>\$ 9,699,598</u>	<u>\$ 7,097,510</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

Payable to the Pension Plan

At June 30, 2016, the College is current on all required pension plan payments. Amounts accrued at June 30, 2016 for accounting purposes were \$133,473 and included in the financial statements liability titled accrued salaries, benefits, and related withholdings. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from State revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

#### 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.

##### *Retiree Healthcare Reform of 2012*

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after 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 will be deposited into their 401(k) accounts.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

#### Benefit Provisions - Other Postemployment (Continued)

##### *Employer Contributions*

The employer contribution rate ranged from 5.52% - 6.45% of covered payroll for the period October 1, 2013 to March 9, 2015, 2.2% to 2.71% of covered payroll for the period from March 10, 2015 to September 30, 2015, and from 6.4% to 6.83% of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The College postemployment healthcare contributions to MPSERS for the year ended June 30, 2016 and 2015 were approximately \$340,418 and \$450,882, respectively.

### 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 MPSEER 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 13%, up 1% from prior years. The vesting of this plan is full and immediate upon enrollment. The College's contribution to the plan for the years ended June 30, 2016, 2015 and 2014, were \$187,016, \$173,024, and \$139,014, respectively.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 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 six 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, 2016 and 2015, the College contributed \$14,749 and \$20,434 towards the plan. The College has estimated the cost of providing this retiree health care benefit through an actuarial valuation as of June 30, 2016 using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members.

The actuarial accrued liability (AAL) was determined to be \$24,812 as of June 30, 2016. The College has elected to accrue the entire liability. This amount is unfunded as of June 30, 2016. 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, 2016, 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 64% of the College employees are covered by collective bargaining agreements. 4% 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 44% belong to the Michigan Association of Higher Education. All collective bargaining units have contracts in place.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE K – OPERATING LEASES

During January 2013 the College entered into a lease for off-campus classroom/office space. According to the lease, the College is to make payments each month for a period of ten years. In March 2015 the College entered into a lease for additional off-campus classroom/office space for a period of ten years starting in August 2015. The monthly payments for each lease are adjusted annually. The monthly payments also include a prorated share of the property taxes and other operating expenses. The total paid for this lease during the year ended June 30, 2016 was \$212,788. The annual payments for the next five years are expected to be about \$202,230 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.

### NOTE L – DEFERRED OUTFLOW/INFLOW OF RESOURCES

The College's deferred outflow/inflow of resources reported in the Statement of Net Position at June 30, 2015, includes unspent summer school tuition of \$1,302. The deferred outflow/inflow of resources related to pensions is discussed in Note F – Defined Benefit Plan and Post Retirement Benefits.

### NOTE M – CAPITAL LEASE OBLIGATIONS

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.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### NOTE M – CAPITAL LEASE OBLIGATIONS (CONTINUED)

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

### 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 and again in October 2016, 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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued by the GASB in June 2015 and will be effective for the College's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB 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. GASB Statement No. 75 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

GASB Statement No. 77, *Tax Abatement Disclosures*, was issued by GASB in August 2015 and will be effective for the College's 2017 fiscal year. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose brief descriptive information about the tax abatements, the gross dollar amount of taxes abated during the period and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The Statement will improve the user's understanding on how tax abatements affect the reporting unit's financial position and results of operations, including their ability to raise resources in the future.



REQUIRED  
SUPPLEMENTAL  
INFORMATION

SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE SHARE  
OF NET PENSION LIABILITY AND RELATED NOTES  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2016

	<u>Year ended September 30,</u>	
	2015	2014
Reporting unit's proportion of net pension liability (%)	\$ 10,478,031	\$ 9,699,598
Reporting unit's proportionate share of net pension liability	0.04290%	0.04404%
Reporting unit's covered-employee payroll	\$ 3,658,881	\$ 3,799,783
Reporting unit's proportionate share of net pension liability as a percentage of its covered-employee payroll	286.37%	255.27%
Plan fiduciary net position as a percentage of total pension liability	63.71%	66.20%

Notes:

1. This schedule is presented to illustrate the College's pension liability in the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of September 30 of each fiscal year). However, until a full 10 year trend is compiled, the College presents information for those years for which information is available.
2. Changes of benefit terms: There were no changes of benefit terms in 2015.
3. Changes of assumptions: There were no changes of benefit assumptions in 2015.

SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS  
AND RELATED NOTES  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY  
June 30, 2016

	<u>Year ended June 30,</u>	
	2016	2015
Statutorily required contributions	\$ 963,735	\$ 816,712
Contributions in relation to statutorily required contributions	<u>963,735</u>	<u>816,712</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Reporting unit's covered-employee payroll	\$ 3,413,193	\$ 3,733,269
Contributions as a percentage of covered-employee payroll	28.24%	21.88%

Notes:

1. This schedule is presented to illustrate the College's contributions to the Michigan Public School Employees Retirement Plan for the last 10 fiscal years (amounts were determined as of June 30 of each fiscal year). However, until a full 10 year trend is compiled, the College presents information for those years for which information is available.
2. Changes of benefit terms: There were no changes of benefit terms in 2015.
3. Changes of assumptions: There were no changes of benefit assumptions in 2015.

OTHER  
FINANCIAL  
INFORMATION

CONSOLIDATING STATEMENT OF NET POSITION  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2016

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Pension Liability Fund *	Plant Fund	Agency Fund	Eliminations	Consolidated Total
ASSETS									
Cash and cash equivalents	\$ 651,215	\$ 198,246	\$ 12,668	\$ 6,141		\$ 48,836			\$ 917,106
Investments	87,828	25,428							113,256
State appropriation receivable	819,983								819,983
Property taxes receivable (net of \$3,907 allowance)	14,815								14,815
Other accounts receivable	635,828		1,887	58,341					696,056
Inventories	18,171	66,582	287,764						372,517
Prepaid expenses and other assets	58,172	19							58,191
Due from (due to) other funds	213,091	(14,750)	(256,163)	30,089		20,799	\$ 6,934		
Capital assets not being depreciated						95,968			95,968
Capital assets, net of accumulated depreciation						11,726,133			11,726,133
<b>TOTAL ASSETS</b>	<b><u>\$ 2,499,103</u></b>	<b><u>\$ 275,525</u></b>	<b><u>\$ 46,156</u></b>	<b><u>\$ 94,571</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 11,891,736</u></b>	<b><u>\$ 6,934</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 14,814,025</u></b>
DEFERRED OUTFLOW OF RESOURCES									
Related to Pensions	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,140,296</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,140,296</u>

CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Pension Liability Fund *	Plant Fund	Agency Fund	Eliminations	Consolidated Total
<b>LIABILITIES</b>									
Accounts payable	\$ 76,065	\$ 13,979	\$ 7,919						\$ 97,963
Salaries, wages and related liabilities payable	671,502								671,502
Interest payable	12,887					\$ 20,798			33,685
Note payable	1,200,000								1,200,000
Due to depositors and other liabilities	8,600		12,350				\$ 6,934		27,884
Long-term debt:									
Due in one year	49,667	3,928				360,987			414,582
Due in more than one year	37,333	20,884				2,630,615			2,688,832
Net pension liability					\$ 10,478,031				10,478,031
<b>TOTAL LIABILITIES</b>	<b><u>\$ 2,056,054</u></b>	<b><u>\$ 38,791</u></b>	<b><u>\$ 20,269</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 10,478,031</u></b>	<b><u>\$ 3,012,400</u></b>	<b><u>\$ 6,934</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 15,612,479</u></b>
<b>DEFERRED INFLOW OF RESOURCES</b>									
Related to pensions					\$ 246,627				\$ 246,627
State aid funding for pensions					302,684				302,684
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 549,311</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 549,311</u></b>
<b>NET POSITION</b>									
Invested in capital assets, net of related debt						\$ 8,830,500			\$ 8,830,500
Net assets restricted for:									
Instructional Support		\$ 182,595							182,595
Expendable scholarships		54,139		\$ 94,571					148,710
Unrestricted	\$ 443,049		\$ 25,887		\$ (9,887,046)	48,836			(9,369,274)
<b>TOTAL NET POSITION</b>	<b><u>\$ 443,049</u></b>	<b><u>\$ 236,734</u></b>	<b><u>\$ 25,887</u></b>	<b><u>\$ 94,571</u></b>	<b><u>\$ (9,887,046)</u></b>	<b><u>\$ 8,879,336</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ (207,469)</u></b>

\* - The Pension Liability Fund reflects GASB 68 adjustments and related state appropriations for UAAL.

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, 2016

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Pension Liability Fund *	Plant Fund	Eliminations	Consolidated Total
<b>OPERATING REVENUES</b>								
Tuition and fees	\$ 4,204,417						\$ 1,574,180	\$ 2,630,237
Federal grants and contracts	75,279			\$ 315,838				391,117
State and local grants and contracts				32,876				32,876
Intermediate School District rent	21,033							21,033
Sales and Services of Education Activities	17,878							17,878
Sales and Services of Auxiliary Enterprises		\$ 41,351	\$ 1,053,883				77,225	1,018,009
Current funds capital expenditures						\$ 234,471	234,471	
Other revenues	<u>59,961</u>	<u>3,525</u>	<u>96,716</u>					<u>160,202</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,378,568</b>	<b>\$ 44,876</b>	<b>\$ 1,150,599</b>	<b>\$ 348,714</b>	<b>\$ 0</b>	<b>\$ 234,471</b>	<b>\$ 1,885,876</b>	<b>\$ 4,271,352</b>
<b>OPERATING EXPENSES</b>								
Instruction	\$ 4,452,884	\$ 51,705		\$ 11,911	\$ 92,195		\$ 23,696	\$ 4,584,999
Instruction support	705,495	94,205			11,066			810,766
Student services	1,612,285	38,540	\$ 724,390	2,048,496	26,632		1,612,933	2,837,410
Public service	157,037	101			4,134			161,272
Institutional administration	1,662,821	452,338			24,828		73,847	2,066,140
Operation and maintenance of plant	750,230	134,002			6,872		23,410	867,694
Independent operations		81,559	375,695				151,990	305,264
Depreciation and amortization expense, unallocated						\$ 758,920		758,920
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 9,340,752</b>	<b>\$ 852,450</b>	<b>\$ 1,100,085</b>	<b>\$ 2,060,407</b>	<b>\$ 165,727</b>	<b>\$ 758,920</b>	<b>\$ 1,885,876</b>	<b>\$ 12,392,465</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (4,962,184)</b>	<b>\$ (807,574)</b>	<b>\$ 50,514</b>	<b>\$ (1,711,693)</b>	<b>\$ (165,727)</b>	<b>\$ (524,449)</b>	<b>\$ 0</b>	<b>\$ (8,121,113)</b>

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

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Pension Liability Fund *	Plant Fund	Eliminations	Consolidated Total
<b>NONOPERATING REVENUES (EXPENSES)</b>								
State appropriation	\$ 4,653,956							\$ 4,653,956
Federal grants and contracts				\$ 1,617,072				1,617,072
Property tax levy	1,438,339							1,438,339
Gifts		\$ 77,513	\$ 6,927	99,763				184,203
Investment income	1,682	536	19			\$ 124		2,361
Interest on capital asset related debt						(139,145)		(139,145)
Gain on disposal of assets						6,190		6,190
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET NONOPERATING REVENUES	\$ <u>6,093,977</u>	\$ <u>78,049</u>	\$ <u>6,946</u>	\$ <u>1,716,835</u>	\$ <u>0</u>	\$ <u>(132,831)</u>	\$ <u>0</u>	\$ <u>7,762,976</u>
INCOME (LOSS) BEFORE TRANSFERS	\$ 1,131,793	\$ (729,525)	\$ 57,460	\$ 5,142	\$ (165,727)	\$ (657,280)	\$ 0	\$ (358,137)
<b>TRANSFERS</b>								
Transfers in (out)	<u>(1,029,747)</u>	<u>700,137</u>	<u>(123,135)</u>	<u>17,255</u>	<u>                    </u>	<u>435,490</u>	<u>                    </u>	<u>                    </u>
INCREASE (DECREASE) IN NET POSITION	\$ 102,046	\$ (29,388)	\$ (65,675)	\$ 22,397	\$ (165,727)	\$ (221,790)	\$ 0	\$ (358,137)
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>								
Transfer to Pension Liability Fund	<u>(30,954)</u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>\$ (9,721,319)</u>	<u>9,752,273</u>	<u>                    </u>	<u>                    </u>
NET POSITION - BEGINNING OF YEAR, AS RESTATED	\$ <u>341,003</u>	\$ <u>266,122</u>	\$ <u>91,562</u>	\$ <u>72,174</u>	\$ <u>(9,721,319)</u>	\$ <u>9,101,126</u>	\$ <u>0</u>	\$ <u>150,668</u>
NET POSITION - END OF YEAR	\$ <u>443,049</u>	\$ <u>236,734</u>	\$ <u>25,887</u>	\$ <u>94,571</u>	\$ <u>(9,887,046)</u>	\$ <u>8,879,336</u>	\$ <u>0</u>	\$ <u>(207,469)</u>

\* - The Pension Liability Fund reflects GASB 68 adjustments and related state appropriations for UAAL.

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



CONSOLIDATING STATEMENT OF NET POSITION  
COMMUNITY COLLEGE DISTRICT OF GOGEBIC COUNTY

June 30, 2015

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
ASSETS								
Cash and cash equivalents	\$ 52,838	\$ 143,707	\$ 40,498	\$ 4,623	\$ 48,712			\$ 290,378
Investments	87,646	25,241						112,887
State appropriation receivable	809,347							809,347
Property taxes receivable (net of \$3,907 allowance)	9,789							9,789
Other accounts receivable	647,851		32	129,029				776,912
Inventories	17,437	62,285	299,603					379,325
Prepaid expenses and other assets	69,132	143,056						212,188
Due from (due to) other funds	320,277	(74,765)	(229,256)	(61,478)	38,739	\$ 6,483		
Bond discount					131,167			131,167
Less accumulated amortization					(56,299)			(56,299)
Capital assets					26,539,061			26,539,061
Less accumulated depreciation					(14,327,895)			(14,327,895)
<b>TOTAL ASSETS</b>	<b>\$ 2,014,317</b>	<b>\$ 299,524</b>	<b>\$ 110,877</b>	<b>\$ 72,174</b>	<b>\$ 12,373,485</b>	<b>\$ 6,483</b>	<b>\$ 0</b>	<b>\$ 14,876,860</b>
DEFERRED OUTFLOW OF RESOURCES								
Related to pensions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,050,573	\$ 0	\$ 0	\$ 1,050,573

CONSOLIDATING STATEMENT OF NET POSITION (CONTINUED)

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Agency Fund	Eliminations	Consolidated Total
<b>LIABILITIES</b>								
Accounts payable	\$ 161,986		\$ 6,365					\$ 168,351
Salaries, wages and related liabilities payable	533,165							533,165
Interest payable	9,740				\$ 28,634			38,374
Note payable	850,000							850,000
Due to depositors and other liabilities	11,500		12,950			\$ 6,483		30,933
Long-term debt:								
Due in one year	45,667	\$ 7,842			374,413			427,922
Due in more than one year	29,000	25,560			2,900,266			2,954,826
Net pension liability					9,699,598			9,699,598
<b>TOTAL LIABILITIES</b>	<b>\$ 1,641,058</b>	<b>\$ 33,402</b>	<b>\$ 19,315</b>	<b>\$ 0</b>	<b>\$ 13,002,911</b>	<b>\$ 6,483</b>	<b>\$ 0</b>	<b>\$ 14,703,169</b>
<b>DEFERRED INFLOW OF RESOURCES</b>								
Unavailable revenue - summer school tuition	\$ 1,302							\$ 1,302
Related to Pensions					\$ 1,072,294			1,072,294
<b>TOTAL DEFERRED INFLOW OF RESOURCES</b>	<b>\$ 1,302</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,072,294</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,073,596</b>
<b>NET POSITION</b>								
Invested in capital assets, net of related debt					\$ 9,052,414			\$ 9,052,414
Net assets restricted for:								
Instructional Support		\$ 217,633						217,633
Expendable scholarships		48,489		\$ 72,174				120,663
Unrestricted	\$ 371,957		\$ 91,562		(9,703,561)			(9,240,042)
<b>TOTAL NET POSITION</b>	<b>\$ 371,957</b>	<b>\$ 266,122</b>	<b>\$ 91,562</b>	<b>\$ 72,174</b>	<b>\$ (651,147)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 150,668</b>

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, 2015

	General Fund	Designated Fund	Auxiliary Enterprises Fund	Restricted Fund	Plant Fund	Eliminations	Consolidated Total
<b>OPERATING REVENUES</b>							
Tuition and fees	\$ 4,384,485					\$ 1,808,717	\$ 2,575,768
Federal grants and contracts	73,226			\$ 389,251			462,477
State and local grants and contracts				65,943			65,943
Intermediate School District rent	24,430						24,430
Sales and Services of Education Activities	22,056						22,056
Sales and Services of Auxiliary Enterprises		\$ 29,385	\$ 1,247,580			80,600	1,196,365
Current funds capital expenditures					\$ 366,450	366,450	
Other revenues	<u>38,279</u>	<u>2,526</u>	<u>111,497</u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>152,302</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 4,542,476</b>	<b>\$ 31,911</b>	<b>\$ 1,359,077</b>	<b>\$ 455,194</b>	<b>\$ 366,450</b>	<b>\$ 2,255,767</b>	<b>\$ 4,499,341</b>
<b>OPERATING EXPENSES</b>							
Instruction	\$ 4,901,704	\$ 116,277		\$ 33,040		\$ 139,339	\$ 4,911,682
Instruction support	891,214	100,484				4,082	987,616
Student services	1,544,805	37,638	\$ 816,926	2,401,959		1,841,726	2,959,602
Public service	279,104	19,794					298,898
Institutional administration	1,664,217	511,228		1,049		26,523	2,149,971
Operation and maintenance of plant	777,367	44,902				183,000	639,269
Independent operations		70,626	412,349			61,097	421,878
Depreciation and amortization expense, unallocated	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>767,545</u>	<u>          </u>	<u>767,545</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 10,058,411</b>	<b>\$ 900,949</b>	<b>\$ 1,229,275</b>	<b>\$ 2,436,048</b>	<b>\$ 767,545</b>	<b>\$ 2,255,767</b>	<b>\$ 13,136,461</b>
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (5,515,935)</b>	<b>\$ (869,038)</b>	<b>\$ 129,802</b>	<b>\$ (1,980,854)</b>	<b>\$ (401,095)</b>	<b>\$ 0</b>	<b>\$ (8,637,120)</b>

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
<b>NONOPERATING REVENUES (EXPENSES)</b>							
State appropriation	\$ 4,788,807						\$ 4,788,807
Federal grants and contracts				\$ 1,886,328			1,886,328
Property tax levy	1,427,579						1,427,579
Gifts		\$ 69,995	\$ 21,975	76,552			168,522
Investment income	490	260	26		\$ 18		794
Interest on capital asset related debt					(155,468)		(155,468)
<b>NET NONOPERATING REVENUES</b>	<u>\$ 6,216,876</u>	<u>\$ 70,255</u>	<u>\$ 22,001</u>	<u>\$ 1,962,880</u>	<u>\$ (155,450)</u>	<u>\$ 0</u>	<u>\$ 8,116,562</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>\$ 700,941</u>	<u>\$ (798,783)</u>	<u>\$ 151,803</u>	<u>\$ (17,974)</u>	<u>\$ (556,545)</u>	<u>\$ 0</u>	<u>\$ (520,558)</u>
<b>TRANSFERS</b>							
Transfers in (out)	<u>(1,005,392)</u>	<u>733,861</u>	<u>(150,141)</u>	<u>33,499</u>	<u>388,173</u>		
<b>INCREASE (DECREASE) IN NET POSITION</b>	<u>\$ (304,451)</u>	<u>\$ (64,922)</u>	<u>\$ 1,662</u>	<u>\$ 15,525</u>	<u>\$ (168,372)</u>	<u>\$ 0</u>	<u>\$ (520,558)</u>
<b>NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>							
	\$ 676,408	\$ 331,044	\$ 89,900	\$ 56,649	\$ 9,269,498	\$ 0	\$ 10,423,499
<b>Adoption of GASB Statements No. 68 and 71:</b>							
Net Pension Liability					(10,312,209)		(10,312,209)
Deferred Outflows					559,936		559,936
<b>NET POSITION - BEGINNING OF YEAR, AS RESTATED</b>	<u>\$ 676,408</u>	<u>\$ 331,044</u>	<u>\$ 89,900</u>	<u>\$ 56,649</u>	<u>\$ (482,775)</u>	<u>\$ 0</u>	<u>\$ 671,226</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 371,957</u>	<u>\$ 266,122</u>	<u>\$ 91,562</u>	<u>\$ 72,174</u>	<u>\$ (651,147)</u>	<u>\$ 0</u>	<u>\$ 150,668</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,					
	2016			2015		
	Salaries	Fringe Benefits	Supplies and Expenses	Capital Outlay	Total	Total
<b>Instruction:</b>						
Fine and performing arts and humanities	\$ 80,531	\$ 28,847	\$ 289		\$ 109,667	\$ 137,535
Communication	318,069	159,264	1,854		479,187	529,074
Social science	330,193	174,408	1,572		506,173	522,770
Mathematics	283,084	135,256	2,433		420,773	340,118
Sciences	373,813	169,428	13,502		556,743	661,677
Physical education	3,938	91	3,174		7,203	11,400
Health education	3,375	213	662		4,250	5,096
Business	209,620	129,661	9,675		348,956	358,364
Computer science and data processing	139,125	80,292	8,326		227,743	280,883
Secretarial and office	49,724	27,504	2,382		79,610	110,598
Public service	80,144	26,940	312		107,396	109,049
Media production and related technologies						10,586
Personal service trades related technologies	88,359	54,237	23,244		165,840	165,387
Agriculture and Forestry	52,864	18,513	1,778		73,155	45,539
Design technologies	65,715	45,215	9,195		120,125	178,796
Mechanical trades and mechanical service technologies	125,695	79,199	58,699		263,593	370,335
Construction trade technologies	78,768	47,305	3,416		129,489	121,375
Transportation and equipment operation	29,429	18,752	15,564		63,745	71,975
Nursing	452,223	193,835	80,662		726,720	733,414
Other health related technologies	29,322	16,328	980		46,630	96,039
Traditional classroom						96
Learning labs/self-paced instruction	6,501	1,532			8,033	17,542
Human Development	3,429	32	4,392		7,853	20,258
Personal interest						3,798
Total Instruction	\$ 2,803,921	\$ 1,406,852	\$ 242,111	\$ 0	\$ 4,452,884	\$ 4,901,704
<b>Instructional Support:</b>						
Library services	\$ 40,610	\$ 27,379	\$ 22,273	\$ 10,699	100,961	\$ 104,336
Education media services			4,819		4,819	100,906
Instructional administration and support	314,202	194,343	82,435		590,980	670,348
Instructional facility rental			8,735		8,735	15,624
Total Instructional Support	\$ 354,812	\$ 221,722	\$ 118,262	\$ 10,699	\$ 705,495	\$ 891,214

DETAILS OF GENERAL FUND EXPENSES (CONTINUED)

	Year ended June 30,					
	2016				2015	
	Salaries	Fringe Benefits	Supplies and Expenses	Capital Outlay	Total	Total
<b>Student Services:</b>						
Student service administration	\$ 223,952	\$ 118,794	\$ 26,011		\$ 368,757	\$ 367,898
Social and cultural development	8,229	1,735	20,896		30,860	31,096
Counseling and guidance and special student services	112,415	56,562	3,008		171,985	125,937
Financial aid and placement	136,136	85,811	93,365		315,312	341,089
Auxiliary	44,892	14,129	4,267		63,288	62,134
Intercollegiate athletics	48,593	16,763	113,013		178,369	188,225
Student recruitment, admissions and records	<u>177,824</u>	<u>116,377</u>	<u>189,513</u>		<u>483,714</u>	<u>428,426</u>
Total Student Services	\$ 752,041	\$ 410,171	\$ 450,073	\$ 0	\$ 1,612,285	\$ 1,544,805
Public Service	\$ 89,691	\$ 36,902	\$ 30,444	\$ 0	\$ 157,037	279,104
<b>Institutional Administration:</b>						
Executive management	\$ 214,167	\$ 113,393	\$ 199,645		\$ 527,205	\$ 574,604
Public Relations			15,350		15,350	15,793
General administration and instructional services	<u>552,897</u>	<u>282,957</u>	<u>284,412</u>		<u>1,120,266</u>	<u>1,073,820</u>
Total Institutional Administration	\$ 767,064	\$ 396,350	\$ 499,407	\$ 0	\$ 1,662,821	\$ 1,664,217
<b>Physical Plant Operations:</b>						
Physical plant administration			\$ 3,518		\$ 3,518	\$ 2,550
Building and grounds maintenance and repairs	\$ 63,506	\$ 40,205	128,832		232,543	213,063
Custodial services	109,403	68,502	104,788		282,693	362,113
Energy services			190,307		190,307	154,199
Health and Safety Services	<u>23,547</u>	<u>13,535</u>	<u>4,087</u>		<u>41,169</u>	<u>45,442</u>
Total Physical Plant Operations	\$ 196,456	\$ 122,242	\$ 431,532	\$ 0	\$ 750,230	\$ 777,367
TOTALS	<u>\$ 4,963,985</u>	<u>\$ 2,594,239</u>	<u>\$ 1,771,829</u>	<u>\$ 10,699</u>	<u>\$ 9,340,752</u>	<u>\$ 10,058,411</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, 2016

	Net Position July 1, 2015	Revenues			Expenses			Revenues Over (Under) Expenses	Net Transfers In (Out)	Net Position June 30, 2016
		Sales and Services	Other	Total	Salaries and Fringe Benefits	Supplies and Expenses	Total			
Food operations		\$ 50,943	\$ 5,110	\$ 56,053	\$ 35,515	\$ 47,024	\$ 82,539	\$ (26,486)	\$ 26,486	
Student facilities:										
Bookstore	\$ 33,449	\$ 364,413	\$ 5,972	\$ 370,385	\$ 82,006	\$ 290,941	\$ 372,947	\$ (2,562)	\$ (5,000)	\$ 25,887
Residential housing	58,113	271,794	8,501	280,295	57,600	80,021	137,621	142,674	(200,787)	
Lindquist Student Center		127,718	3,565	131,283	57,108	74,175	131,283			
	\$ 91,562	\$ 763,925	\$ 18,038	\$ 781,963	\$ 196,714	\$ 445,137	\$ 641,851	\$ 140,112	\$ (205,787)	\$ 25,887
Independent operations:										
Porcupine Mountain		\$ 165,811	\$ 73,414	\$ 239,225	\$ 116,048	\$ 123,177	\$ 239,225			
Mt. Zion		73,204	7,100	80,304	79,441	57,029	136,470	\$ (56,166)	\$ 56,166	
		\$ 239,015	\$ 80,514	\$ 319,529	\$ 195,489	\$ 180,206	\$ 375,695	\$ (56,166)	\$ 56,166	
<b>TOTALS</b>	<b>\$ 91,562</b>	<b>\$ 1,053,883</b>	<b>\$ 103,662</b>	<b>\$ 1,157,545</b>	<b>\$ 427,718</b>	<b>\$ 672,367</b>	<b>\$ 1,100,085</b>	<b>\$ 57,460</b>	<b>\$ (123,135)</b>	<b>\$ 25,887</b>

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, 2015

	Net Position July 1, 2014	Revenues			Expenses			Revenues Over (Under) Expenses	Net Transfers In (Out)	Net Position June 30, 2015
		Sales and Services	Other	Total	Salaries and Fringe Benefits	Supplies and Expenses	Total			
Food operations		\$ 52,052	\$ 3,200	\$ 55,252	\$ 32,714	\$ 41,106	\$ 73,820	\$ (18,568)	\$ 18,568	
Student facilities:										
Bookstore	\$ 40,000	\$ 447,281	\$ 6,570	\$ 453,851	\$ 77,708	\$ 357,184	\$ 434,892	\$ 18,959	\$ (25,510)	\$ 33,449
Residential Housing	47,109	357,512	6,603	364,115	55,338	85,891	141,229	222,886	(211,882)	58,113
Lindquist Student Center		<u>138,742</u>	<u>20,567</u>	<u>159,309</u>	<u>53,897</u>	<u>113,088</u>	<u>166,985</u>	<u>(7,676)</u>	<u>7,676</u>	
	\$ 87,109	\$ 943,535	\$ 33,740	\$ 977,275	\$ 186,943	\$ 556,163	\$ 743,106	\$ 234,169	\$ (229,716)	\$ 91,562
Independent operations:										
Porcupine Mountain Mt. Zion	\$ 2,791	\$ 171,710	\$ 92,131	\$ 263,841	\$ 113,828	\$ 152,804	\$ 266,632	\$ (2,791)		\$ 0
		<u>80,283</u>	<u>4,427</u>	<u>84,710</u>	<u>92,095</u>	<u>53,622</u>	<u>145,717</u>	<u>(61,007)</u>	\$ 61,007	
	\$ 2,791	\$ 251,993	\$ 96,558	\$ 348,551	\$ 205,923	\$ 206,426	\$ 412,349	\$ (63,798)	\$ 61,007	\$ 0
<b>TOTALS</b>	<u>\$ 89,900</u>	<u>\$ 1,247,580</u>	<u>\$ 133,498</u>	<u>\$ 1,381,078</u>	<u>\$ 425,580</u>	<u>\$ 803,695</u>	<u>\$ 1,229,275</u>	<u>\$ 151,803</u>	<u>\$ (150,141)</u>	<u>\$ 91,562</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 (2015-2016)	P063P151633	84.063	\$ 1,617,072
Grant (2014-2015)	P063P141633	84.063	1,886,328
Supplemental Education Opportunity:			
Grant (2015-2016) (Note 7)	P007A152008	84.007	29,602
Grant (2014-2015) (Note 7)	P007A142008	84.007	30,675
College Work-Study Program:			
Grant (2015-2016) (Note 7)	P033A152008	84.033	58,605
Grant (2014-2015) (Note 7)	P033A142008	84.033	58,605
Federal Direct Student Loans:			
Student Loans (2015-2016)	P268K161633	84.268	1,630,655
Student Loans (2014-2015)	P268K151633	84.268	<u>1,939,562</u>
Total Student Financial Assistance Programs Cluster			\$ 7,251,104
TRIO Cluster - Student Support Services Grants:		84.042A	
(9/1/15 to 8/31/16) (Note 8)	P042A150238		\$ 247,580
(9/1/14 to 8/31/15) (Note 9)	P042A100343-14		<u>247,580</u>
Total TRIO Cluster			<u>\$ 495,160</u>
Total Direct From the U.S. Treasury			\$ 7,746,264

OF FEDERAL AWARDS

OF GOGEBIC COUNTY

June 30, 2016

(Memo Only) Prior Year Expenditures	Accrued (Deferred/A/P) Revenue July 1, 2015	Adjustments	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred/A/P) Revenue June 30, 2016
			\$ 1,605,781	\$ 1,617,072	\$ 11,291
\$ 1,886,328	\$ 12,547		12,547		
		\$ (12,506)	42,108	42,108	
37,400	14,575	(6,725)	14,575		
		8,368	31,231	50,237	19,006
47,909	2,313	10,696	2,313		
			1,617,000	1,630,655	13,655
<u>1,939,562</u>	<u>19,626</u>		<u>19,626</u>		
\$ 3,911,199	\$ 49,061	\$ (167)	\$ 3,345,181	\$ 3,340,072	\$ 43,952
		\$ 70,413	\$ 162,045	\$ 177,167	\$ 15,122
\$ 219,702	\$ 62,265	18	90,125	27,860	
<u>219,702</u>	<u>62,265</u>	<u>70,431</u>	<u>252,170</u>	<u>205,027</u>	<u>15,122</u>
\$ 4,130,901	\$ 111,326	\$ 70,264	\$ 3,597,351	\$ 3,545,099	\$ 59,074

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 (2015-2016) (Note 9)	16351016216		\$ 76,327
Local Annual (2014-2015)	15351015216		81,201
Local Leadership (2015-2016)	16325016256		18,400
Local Leadership (2014-2015)	15325015256		18,400
CAP Leadership Grants:			
(8/11/14-6/30/15)	153670152406-2		9,500
(8/11/14-6/30/15) (Note 9)	153670152406-2-2		<u>9,041</u>
Total Passed Through Michigan Department of Education			<u>\$ 212,869</u>
TOTAL FEDERAL AWARDS			<u>\$ 7,959,133</u>

The accompanying notes are an integral part of this schedule.

OF FEDERAL AWARDS (CONTINUED)

(Memo Only) Prior Year Expenditures	Accrued (Deferred/A/P) Revenue July 1, 2015	Adjustments	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred/A/P) Revenue June 30, 2016
\$ 81,201	\$ 9,766	\$ 7,624	\$ 51,993	\$ 68,703	\$ 16,710
18,400	3,700		9,766	18,400	6,400
9,500	4,500		12,000		
<u>9,004</u>	<u>3,194</u>	<u>37</u>	<u>3,194</u>		
\$ 118,105	\$ 21,160	\$ 7,661	\$ 85,153	\$ 87,103	\$ 23,110
<u>\$ 4,249,006</u>	<u>\$ 132,486</u>	<u>\$ 77,925</u>	<u>\$ 3,682,504</u>	<u>\$ 3,632,202</u>	<u>\$ 82,184</u>

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

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### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Community College District of Gogebic County under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of Community College District of Gogebic County it is not intended to and does not present the financial position of Community College District of Gogebic County.
2. The expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
3. Community College District of Gogebic County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
4. The major federal assistance program is denoted by an \* on the federal schedule and is listed in the Schedule of Findings and Questioned Costs. Ironwood Area Schools of Gogebic County qualifies as a low risk auditee in accordance with the Uniform Guidance. Major programs, which must exceed 20% of the total federal awards expended, were selected using a risk-based approach based on auditors' risk assessments. All other federal programs are considered non-major.
5. The federal oversight agency for the College is the U.S. Department of Education.
6. 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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

7. The amount of award reconciles with the expenditures as follows:

	<u>Supplemental Education</u> <u>Opportunity Grant</u>		<u>College Work-</u> <u>Study Program</u>	
	<u>Year ended June 30,</u>		<u>Year ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Amount of award	\$ 29,602	\$ 30,675	\$ 58,605	\$ 58,605
Carry from (to) prior year			\$ 5,860	\$ 1,889
Carry from (to) subsequent year			(1,722)	(5,860)
Transfer Work-Study to SEOG	<u>\$ 12,506</u>	<u>\$ 6,725</u>	<u>(12,506)</u>	<u>(6,725)</u>
Adjustment	<u>\$ 12,506</u>	<u>\$ 6,725</u>	<u>\$ (8,368)</u>	<u>\$ (10,696)</u>
Current year expenditures	<u>\$ 42,108</u>	<u>\$ 37,400</u>	<u>\$ 50,237</u>	<u>\$ 47,909</u>
Expenditures consist of the following:				
SEOG awards	\$ 42,108	\$ 37,400		
Federal share of on-campus wages			\$ 45,840	\$ 43,847
Administrative expenses	_____	_____	<u>4,397</u>	<u>4,062</u>
	<u>\$ 42,108</u>	<u>\$ 37,400</u>	<u>\$ 50,237</u>	<u>\$ 47,909</u>

8. The unused award was spent in the College's next fiscal year prior to the grant period end of August 31, 2016.
9. The unexpended grant awards for these grants were not expended and are not eligible for carryforward to future years.
10. The College did not use any sub-recipients during the year ended June 30, 2016.
11. The total federal grants and contracts revenue shown in the financial statements differs from the amount in this schedule by the \$6,642 administrative allowance for the Pell student financial aid program and the \$1,630,655 Federal Direct Student Loan Program loans not reported in the financial statements.

SUPPLEMENTAL  
REPORTS

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
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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, 2016, 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 31, 2016.

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



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community College District of 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 results 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 31, 2016

**MAKELA, POLLACK & AHONEN, P.L.L.C.**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Community College District of 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, 2016.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 over compliance* 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Makela, Pollock + Ahonen, PLLC*

Certified Public Accountants

Ironwood, Michigan  
October 31, 2016

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

Year ended June 30, 2016

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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 in accordance with 200.51(a) of the Uniform Guidance?  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: \$750,000

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, 2016

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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.