

Mid Michigan Community College

Audited Financial Statements

Years ended June 30, 2016 and 2015

Mid Michigan Community College

Audited Financial Statements

Years ended June 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Trustees
Mid Michigan Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Mid Michigan Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise Mid Michigan Community College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

To the Board of Trustees
Mid Michigan Community College

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Mid Michigan Community College and its discretely presented component unit as of June 30, 2016 and 2015, and the respective changes in its financial position, and, where applicable, cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2016, the College adopted the provision of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the College's Proportionate Share of the Net Pension Liability, and Schedule of College Contributions on pages 4-15 and 42 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mid Michigan Community College's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining statement of net position and the combining statement of revenue, expenses, transfers, and changes in net position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of net position and the combining statement of revenue, expenses, transfers, and changes in net position are fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of Trustees
Mid Michigan Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016 on our consideration of Mid Michigan Community College'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 Mid Michigan Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 26, 2016

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

The discussion and analysis of Mid Michigan Community College's (the "College") financial statements provides an overview of the College's financial activities for the years ended June 30, 2016, 2015, and 2014. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of the information rests with the College's management.

Using the Financial Report

This financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements, and notes to the financial statements. The basic financial statements consist of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Following the basic financial statements and notes are three supplemental schedules: the GASB 68 required supplementary information, the combining statement of net position and the combining statement of revenue, expenses, transfers, and changes in net position as of and for the year ended June 30, 2016.

The College's financial statements include all assets and liabilities using the accrual basis of accounting. All revenue and expenses are recorded as incurred regardless of when cash is received or paid. Revenue and expenses are separated into categories of operating and nonoperating.

Under the provision of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, the Mid Michigan Community College Foundation (the "Foundation") has been determined to be a component unit. Accordingly, the Foundation is discretely presented in the College's financial statements. Refer to Note 1 and Note 10 to the financial statements for information regarding the Foundation.

Financial Highlights

The College's financial position remained strong at June 30, 2016 with assets of \$68.2 million and liabilities of \$37.3 million. An adjustment to restate the College's net position and record the unfunded Michigan Public School Employees' Retirement (MPERS) pension liability of \$27.5 million as required by GASB 68 was reflected as of July 1, 2014. The net pension liability was \$25.7 million at June 30, 2015 and increased to \$31.9 million at June 30, 2016. Excluding the impact of GASB 68, net position, which represents the residual interest in the College's assets after liabilities are deducted, increased \$3.6 million during fiscal year 2016.

Total capital expenditures as of June 30, 2016 were approximately \$406,000. Additional information about capital additions is included in the capital asset section of this discussion as well as in the footnotes to the financial statements.

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

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

The statement of net position and the statement of revenue, 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 changes in net position for the year then ended.

Total net position at June 30, 2016, 2015, and 2014 is \$34.8 million, \$35.6 million, and \$55.9 million, respectively. The College's statement of net position at June 30 is summarized as follows:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current assets	\$ 19,381,246	\$ 16,886,993	\$ 15,965,499
Noncurrent assets			
Capital assets - Net	44,674,987	46,877,868	44,912,337
Long-term investments	<u>4,120,480</u>	<u>4,465,820</u>	<u>3,214,299</u>
Total assets	<u>68,176,713</u>	<u>68,230,681</u>	<u>64,092,135</u>
Deferred Outflows of Resources	<u>4,772,041</u>	<u>2,755,143</u>	<u>-</u>
Current liabilities	3,982,432	3,381,350	6,593,376
Long-term liabilities	1,426,954	1,418,928	1,645,520
Long-term pension liability	<u>31,889,650</u>	<u>27,506,796</u>	<u>-</u>
Total liabilities	<u>37,299,036</u>	<u>32,307,074</u>	<u>8,238,896</u>
Deferred Inflows of Resources	<u>856,076</u>	<u>3,041,045</u>	<u>-</u>
Net invested in capital assets	42,906,378	45,155,091	42,999,583
Unrestricted	<u>(8,112,736)</u>	<u>(9,517,386)</u>	<u>12,853,656</u>
Total net position	<u>\$ 34,793,642</u>	<u>\$ 35,637,705</u>	<u>\$ 55,853,239</u>

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

Statement of Net Position

The primary changes in the assets and liabilities of the College between 2016 and 2015 are as follows:

- Current assets increased by approximately \$2.5 million due to reclassification of investments, and current liabilities increased by approximately \$601,000 as the College accrued more payroll and benefits due to the timing of payroll in relation to year end and retirement incentives.
- Noncurrent assets decreased approximately \$2.5 million primarily due to fixed asset depreciation.
- Noncurrent liabilities increased approximately \$4.4 million primarily due to the College recording additional pension liability for unfunded obligations to the MPSERS plan, in accordance with GASB 68.
- Overall net position decreased approximately \$844,000 as a result of declining student enrollment, increased faculty payroll and fringe expense, and increased depreciation expense, due to the completion of the unification project.

The primary changes in the assets and liabilities of the College between 2015 and 2014 are as follows:

- Current assets increased by approximately \$921,000, and current liabilities decreased by approximately \$3.2 million as the College invested less of its current resources in capital expenditures. There were fewer large outstanding purchases in accounts payable compared to last year given the conclusion of the Center for Liberal Arts and Business and the Morey Technical Education Center during the fiscal year.
- Noncurrent assets increased approximately \$3.2 million primarily due to the purchase of long-term investments and the completion of the capital additions related to the Center for Liberal Arts and Business and the Morey Technical Education Center.
- Noncurrent liabilities increased approximately \$27.3 million primarily due to the College recording a \$27.5 million net pension liability for unfunded obligations to the MPSERS plan.
- The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires governments providing defined benefit pension plans, such as the College's MPSERS plan, to recognize their share of the unfunded pension benefit obligation as a liability and certain deferred inflows and outflows associated with the timing of cash contributions into the plan. The College restated net position at July 1, 2014 to reflect a proportionate share of the pension liability of \$27.6 million net of deferred inflows of resources. In addition, net deferred inflows of \$286,000 were also recognized at June 30, 2015.
- Excluding the impact of GASB 68, overall net position increased approximately \$7.4 million as a result of maintaining operating revenues, containing costs, receiving a \$3 million gift transferred from the Foundation to fund capital projects, and recognizing non-operating revenue of approximately \$2.9 million in connection with a capital appropriation received from the State of Michigan to help finance the construction of the Center for Liberal Arts and Business.

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

Statement of Revenue, Expenses, and Changes in Net Position

The following is a comparative analysis of components of the revenue, expenses, and changes in net position for the years ended June 30, 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total operating revenue	\$ 16,358,075	\$ 18,123,793	\$ 17,359,627
Total operating expenses	<u>32,328,924</u>	<u>31,979,060</u>	<u>31,114,866</u>
Net operating loss	(15,970,849)	(13,855,267)	(13,755,239)
Net nonoperating revenue	<u>15,041,355</u>	<u>18,363,644</u>	<u>15,831,987</u>
Change in net position, before other revenue	(929,494)	4,508,377	2,076,748
State appropriations - Capital	<u>85,431</u>	<u>2,853,442</u>	<u>5,736,139</u>
Change in Net Position	(844,063)	7,361,819	7,812,887
Net Position - Beginning of year	35,637,705	55,853,239	48,040,352
Adjustment for change in accounting principle		(27,577,353)	-
Net Position - Beginning of year, as restated	<u>35,637,705</u>	<u>28,275,886</u>	<u>48,040,352</u>
Net Position - End of year	<u><u>\$ 34,793,642</u></u>	<u><u>\$ 35,637,705</u></u>	<u><u>\$ 55,853,239</u></u>

Operating Revenue

Operating revenue includes charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and certain federal, state, and private grants that were considered a contract for services. Operating revenue consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tuition and fees, net	\$ 12,596,503	\$ 13,515,933	\$ 12,510,127
Federal grants and contracts	1,227,092	1,687,803	1,486,296
State grants and contracts	52,196	64,274	39,154
Nongovernmental contracts	25,692	32,558	57,670
Auxiliary enterprises	2,237,888	2,589,146	3,040,708
Miscellaneous	<u>218,704</u>	<u>234,079</u>	<u>225,672</u>
Total operating revenue	<u><u>\$ 16,358,075</u></u>	<u><u>\$ 18,123,793</u></u>	<u><u>\$ 17,359,627</u></u>

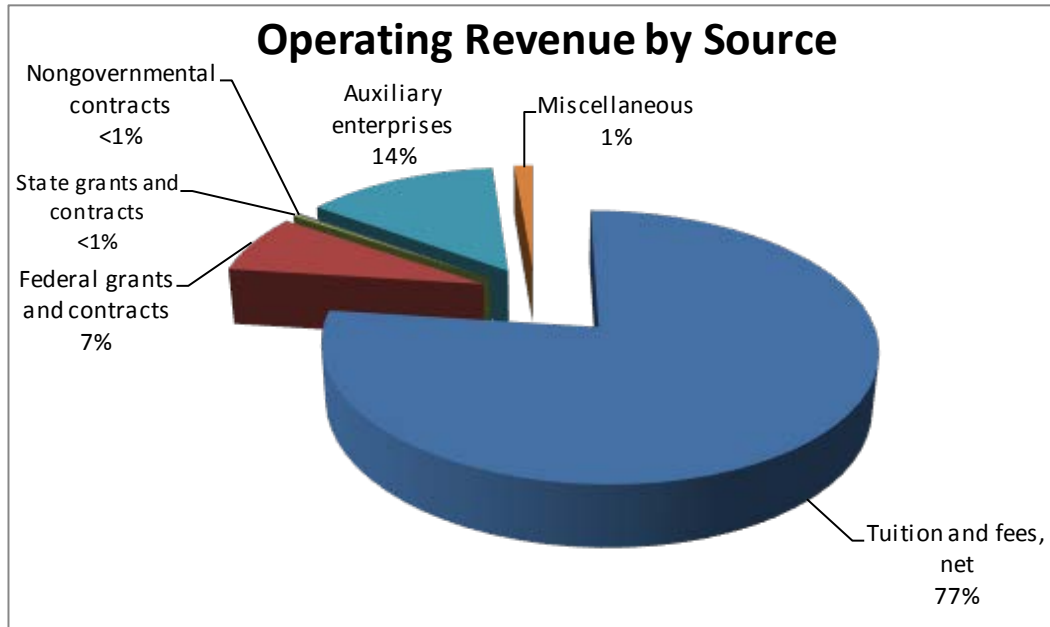
Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

2015-2016 operating revenue decreased when compared to the prior year as a result of declining student enrollment and decreasing bookstore revenue. Federal grants and contracts revenue decreased approximately 27% as a result of the completion of Title III and NSF grants, as well as a decrease in Pell grant funding.

2014-2015 operating revenue increased when compared to the prior year as a result of an average tuition rate increase of 2.3% for the academic year and a 120% increase in international enrollment, offset by a 13% decrease in enrollment. Federal grants and contracts revenue increased approximately 14% as a result of the activity on the NSF grant. Revenue from auxiliary enterprises decreased by 15% due to closure of the cafeteria and a decrease in bookstore purchases lost to online text providers, combined with an enrollment decline.

The following is a graphic illustration of operating revenues for fiscal year 2016:



Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

Operating Expenses

Operating expenses represent the costs necessary to provide services and conduct the programs of the College. Operating expenses consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 10,754,528	\$ 9,933,903	\$ 9,750,009
Public services	759,128	830,443	793,158
Instructional support	3,187,702	3,166,927	3,069,429
Student services	8,321,848	8,970,808	9,654,328
Institutional administration	3,733,699	3,855,898	3,329,165
Operation and maintenance of plant	2,561,868	2,648,329	2,297,946
Depreciation and amortization	3,010,151	2,572,752	2,220,831
Total operating expenses	<u><u>\$ 32,328,924</u></u>	<u><u>\$ 31,979,060</u></u>	<u><u>\$ 31,114,866</u></u>

2015-2016 operating expense changes were the result of the following factors:

- Instructional expenses increased \$821,000 primarily due to increased staffing and related benefits.
- Student services expenses decreased \$649,000 primarily due to decreasing auxiliary services inventory.
- Depreciation and amortization increased \$437,000 due to the completion of the CLAB building and Morey Technical building in the previous year, resulting in a full year of depreciation during the current year.

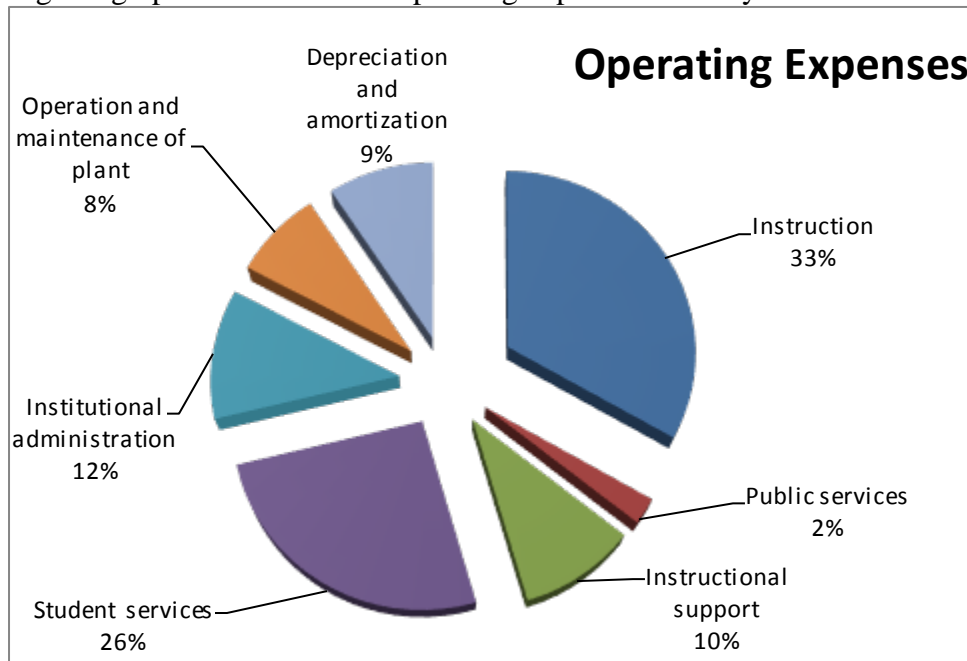
2014-2015 operating expense changes were the result of the following factors:

- Instructional expenses increased \$184,000 primarily due to salary increases and fringe benefits for full-time faculty and adjunct instructors.
- Student services expenses decreased \$684,000 primarily due to the closure of the cafeteria and a decrease in bookstore inventory.
- Institutional administration expenses increased \$527,000 due to an increase in doubtful student accounts receivable, staff/program additions (Director of Institutional Research, Center for Learning and Leadership Excellence, Accounting Manager, Community Relations), and salary and fringe increases.
- Operation and maintenance of plant expenses increased \$350,000 due to the addition of the Center for Liberal Arts and Business and the Morey Technical Education Center. Both opened in the fall of 2014.
- Depreciation and amortization increased \$352,000 due to completing both the Center for Liberal Arts and Business and the Morey Technical Education Center and placing the buildings into service during the year.

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

The following is a graphic illustration of operating expenses for the year ended June 30, 2016:



Nonoperating Revenue

Nonoperating revenue represents all revenue sources that are primarily non-exchange in nature. They consist primarily of state operating appropriations, Federal Pell grant revenue, property tax revenue, and investment income (including realized and unrealized gains and losses).

Nonoperating revenue was composed of the following:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
State appropriations	\$ 5,365,657	\$ 5,661,989	\$ 5,097,003
Federal Pell grant	6,683,770	7,103,316	8,281,090
Property tax levy	2,296,994	2,281,303	2,290,572
Gifts	146,904	177,838	126,685
Investment income	99,021	85,857	74,192
Unrealized gain (loss) on investments	86,653	23,904	6,561
Other	50,015	44,215	60,464
Gifts and transfers between College and Foundation	362,427	3,061,162	(19,685)
Interest on capital asset-related debt	(50,086)	(75,940)	(84,895)
Total nonoperating revenue	<u>\$ 15,041,355</u>	<u>\$ 18,363,644</u>	<u>\$ 15,831,987</u>

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

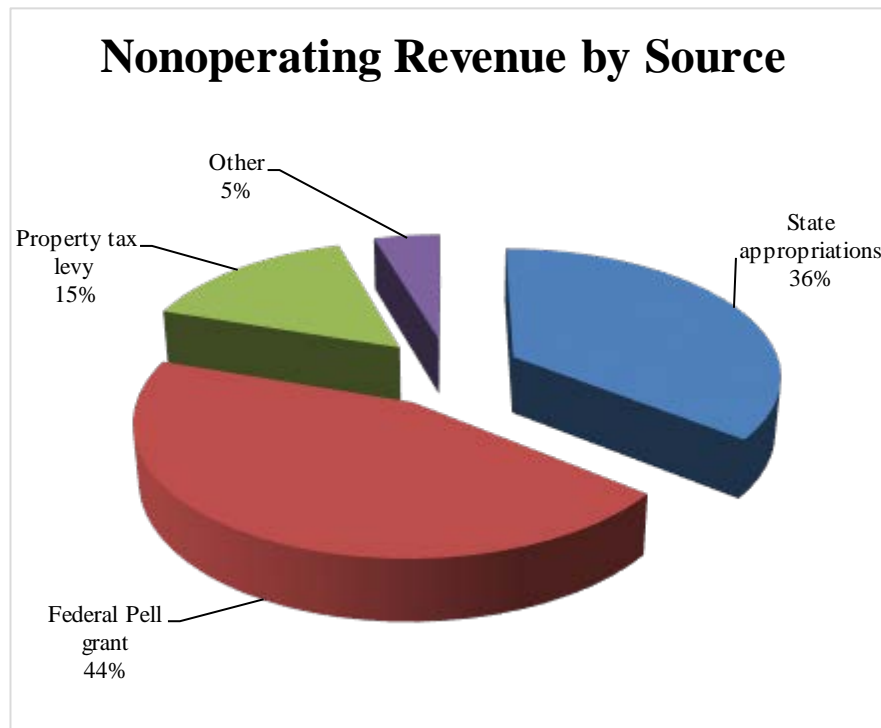
2015-2016 nonoperating significant revenue changes were the result of the following factors:

- State operating appropriations decreased \$296,000 due in part to a reduction adjustment made to state aid funding for MPSERS pension UAAL payments made after measurement date of September 30, 2015.
- Federal Pell decreased \$419,000 due to a decrease in enrollment.
- Gifts and transfers between the College and the Foundation decreased \$2.7 million due to the transfer of funds from the Foundation to the general fund for the completion of the building projects for the Center for Liberal Arts and Business and the Morey Technical Education Center.

2014-2015 nonoperating significant revenue changes were the result of the following factors:

- State operating appropriations increased \$565,000 due to a 3.6% increase in general appropriations and an additional \$400,000 UAAL allocation.
- Federal Pell decreased \$1.2 million due to decreasing enrollment and fewer billable hours per student.
- Gifts and transfers between the College and the Foundation increased \$3.0 million due to a large transfer of capital campaign funds from the Foundation to the College to fund both the Center for Liberal Arts and Business and the Morey Technical Education Center, which were placed into service during the year.

The following is a graphic illustration of nonoperating revenue for the year ended June 30, 2016:



Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

Other Revenue

In addition to the nonoperating revenue described above, the College recognized approximately \$85,400 and \$2.9 million of other revenue during 2016 and 2015, respectively, in connection with an \$8.9 million capital appropriation approved by the State of Michigan to help finance the construction of the Mount Pleasant Campus Unification Project (Center for Liberal Arts and Business building).

Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps assess:

- An entity's ability to generate net cash flows from operations
- Its ability to meet its obligations as they come due, and
- Its needs for external financing

For 2015-2016, net cash used in operating activities totaled \$13.7 million. This was financed by \$14.5 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell grants, and state appropriations. Net cash provided by capital and related financing activities totaled \$2.4 million during 2016, which included \$406,000 used in capital additions (net of unpaid retainages and accounts payable) and long-term debt payments of \$356,000 for the year, offset by \$2.9 million of capital appropriations and \$362,000 of gifts received from the Foundation designated for capital projects. Net cash provided by investing activities totaled approximately \$528,000. The net result of all cash flows is an increase in cash of \$3,713,000 from 2015.

For 2014-2015, net cash used in operating activities totaled \$14.1 million. This was financed by \$15.0 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell grants and state appropriations. Net cash provided by capital and related financing activities totaled \$2.7 million during 2015, which included \$4.5 million used in capital additions (net of unpaid retainages and accounts payable) and long-term debt payments of \$190,000 for the year, offset by \$4.4 million of capital appropriations and \$3.0 million of gifts received from the Foundation designated for capital projects. Net cash used in investing activities totaled approximately \$669,000. The net result of all cash flows is an increase in cash of \$2,929,000 from 2014.

Capital Asset and Debt Administration

Capital Assets

The College had \$44.7 million, \$46.9 million, and \$44.9 million invested in capital assets, net of accumulated depreciation of \$31.4 million, \$28.7 million, and \$26.1 million at June 30, 2016, 2015, and 2014, respectively. Depreciation charges totaled \$3.0 million, \$2.6 million, and \$2.2 million, respectively, for the years then ended.

During 2016, the College completed final construction on the Center for Liberal Arts and Business building on its Summerton Road campus to unify their Mount Pleasant operations.

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

This project began in 2013 and was substantially completed in the College's fiscal year 2015 with a total cost of \$17.7 million. The building was 50 percent funded with State of Michigan capital appropriations as previously described. The College also began its construction of the Morey Technical Education Center in 2014, which also concluded in 2015.

In addition to the capital appropriation described above, the Foundation embarked on a successful capital campaign from 2012 through 2014 to help finance the construction and maintenance of these buildings. The Foundation has approximately \$1.4 million and \$1.8 million of restricted net assets designated for future transfer to the College to help finance the construction and maintenance of these buildings as of June 30, 2016 and 2015, respectively. \$388,125 of capital campaign funds were transferred from the Foundation to the College during the fiscal year 2016.

Debt

As of June 30, 2016, 2015, and 2014, the College had \$1.5 million, \$1.7 million, and \$1.9 million in debt, respectively, primarily consisting of bonds outstanding.

In December 2015 the College entered into a new five-year lease obligation with MOS for printer/copiers.

The College's general obligation unlimited tax bond rating was "AAA" at the time of issuing bonds in prior years.

Economic Factors That Will Affect the Future

The economic position of Mid Michigan Community College (MMCC) is closely tied to that of the State of Michigan as well as student enrollment.

The College's low millage rate and stagnant state appropriations funding leave MMCC more heavily reliant on tuition and fee revenue than other Michigan community colleges. Mid Michigan has taken several intentional steps to bolster enrollment including expanded dual enrollment and direct credit initiatives in local and under-served K-12 districts across Michigan. The ongoing discussions in the Michigan Legislature regarding annexing non-contiguous districts could increase the importance of establishing these relationships now. Additionally, the College is allocating additional resources to enroll and support the growing population of international students in the Mt. Pleasant area.

MMCC continues to apply for federal, state and private grants as they become available. The College was awarded the TRiO Educational Talent Search/Student Support Services grant to provide intensive support to those who need it most: low income students, first generation students, and students with disabilities. In March 2016, it was announced that the College is one of 20 community colleges in Michigan chosen to participate in the Right Signals initiative. The purpose of the initiative is to standardize a credentialing system that will recognize quality credentials that will send the "right signals" to prospective employers, students, and other colleges regarding the meaning of the credentials.

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Management's Discussion and Analysis - Unaudited

In April 2015, MMCC engaged Neumann/Smith Architecture to partner with the College to develop a Campus Master Plan. Over twenty focus groups, consisting of over two hundred students, faculty, administrators, support staff, community members and business representatives, and Board of Trustee members dedicated extensive time and effort providing input through information gathering sessions. The process involved understanding MMCC's mission statement and core values, evaluating the existing characteristics and conditions of each campus, establishing and prioritizing needs, and developing a framework to guide how these needs may be addressed in the future. The Master Plan is intended to guide the College in evaluating and prioritizing future capital projects and places strong emphasis on the needs of and opportunities for the Harrison Campus to address the issue of declining enrollment at this location.

While the debate on whether or not community colleges should be allowed to offer Bachelor degrees in Nursing rages on in the Michigan legislature, MMCC continues to strengthen its relationship with Central Michigan University (CMU). Currently, CMU does not offer a Bachelor of Science in Nursing (BSN) degree, but with its Medical School now in operation they have indicated an interest in a Master of Science in Nursing (MSN) program that would nicely complement a MMCC BSN degree. The cost and intricacies of developing a BSN program at MMCC would be extensive and would need to be fully vetted prior to implementation should legislation be adopted.

The Employee Support Personnel Association ratified and the College Board of Trustees approved a four year agreement effective through June 30, 2017. The average annual wage and step increase for the duration of the contract is 2%. The Faculty Senate bargaining unit membership ratified and the College Board of Trustees approved a contract running through August 19, 2017 with average annual wage and step increases of 3% for the duration of the contract with additional merit payments comparable to administration for 2016 and 2017. College administrators received a 1.5% salary increase for 2016-2017 with an anticipated additional merit payment of 2.2% based on college performance for the fiscal year.

PA 152 imposed a cap on the annual per-employee health benefit costs paid by governmental agencies in Michigan and limits the College's incremental exposure to the rate of medical inflation. The full financial impact of the Affordable Care Act has not yet been realized. The numerous reporting requirements and new taxes will impact both the College and its employees individually.

As of January 2016, the College made a five-year commitment to self-funding employee healthcare in an attempt to better control cost increases. The College is partnering with Ballard Benefits and Blue Cross/Blue Shield to administer the plan, which is insured with a \$35,000 stop-loss figure per member. The purpose of stop-loss insurance is to limit the risk of exposure to the College.

Mid Michigan Community College

Management's Discussion and Analysis - Unaudited

Most College employees participate in the Michigan Public School Employees' Retirement System (MPERS) with employer contributions mandated by the State. Contribution rates have risen significantly in recent years to fund retiree healthcare benefits and the unfunded pension liability. Employer contribution rates range from 20.96% - 25.78% depending on the plan in which employees are enrolled. Rates will decline approximately 1% in October 2016. When applied to the College's total payroll, this represents a sizeable commitment.

The Governmental Accounting Standards Board issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which requires governments that provide postemployment benefits other than pensions (OPEB) to recognize their share of the net OPEB liability related to participation in the MPERS plan. The College expects this statement to have a significant impact on the Statement of Changes in Net Position and financial statement footnote disclosures during the year of implementation and is currently evaluating its impact. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

The Pickard Building in Mt. Pleasant was vacated in the fall of 2014 when the Center for Liberal Arts and Business was opened on the Summerton Campus, thus unifying the College's Mt. Pleasant operations. The building has been minimally maintained in the past year and it is the desire of the College Board of Trustees to intensify efforts to sell this property.

The Board of Trustees approved a tuition increase of 4% for all students, effective with the 2016 fall term.

The College's current financial and capital plans indicate that the infusion of additional financial resources from the foregoing actions will enable it to maintain its present level of services.

MID MICHIGAN COMMUNITY COLLEGE

**STATEMENT OF NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015**

Assets	College		Component Unit - Foundation	
	2016	2015	2016	2015
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 13,036,781	\$ 9,324,145	\$ 494,367	\$ 488,282
Short-term investments (Notes 2, 9, 10)	1,848,322	1,844,891	2,410,621	2,075,813
Property taxes receivable	90,679	3,527	-	-
State appropriations receivable	1,105,119	3,877,182	-	-
Student receivables - net (Note 1)	412,338	326,550	-	-
Accounts receivable	34,382	96,191	-	-
Federal and state grants receivable	1,957,172	524,015	-	-
Current portion of pledges receivable (Note 10)	-	-	412,075	382,568
Inventories	319,144	310,296	-	-
Due (to) from other	44,386	(13,589)	(44,385)	13,589
Prepaid expenses and other assets	532,923	593,785	-	-
Total Current Assets	19,381,246	16,886,993	3,272,678	2,960,252
Long-term investments (Note 2, 9, 10)	4,120,480	4,465,820	1,169,320	981,404
Pledges receivable - net of current portion (Note 10)	-	-	735,263	1,094,177
Property and equipment - net (Note 3)	44,674,987	46,877,868	-	-
Total Assets	68,176,713	68,230,681	5,177,261	5,035,833
Deferred Outflows of Resources (Note 1)	4,772,041	2,755,143	-	-
Liabilities				
Current liabilities:				
Current portion of debt obligations (Note 5)	341,655	303,849	-	-
Accounts payable	195,256	465,023	-	-
Accrued interest payable	8,799	10,986	-	-
Accrued payroll and other	2,225,033	1,539,439	-	-
Unearned revenue	1,211,689	1,062,053	-	-
Total Current Liabilities	3,982,432	3,381,350	-	-
Long-term debt obligations (Note 5)	1,426,954	1,418,928	-	-
Net pension liability (Note 4)	31,889,650	27,506,796	-	-
Total Liabilities	37,299,036	32,307,074	-	-
Deferred Inflows of Resources (Note 1)	856,076	3,041,045	-	-
Net Position				
Net investment in capital assets	42,906,378	45,155,091	-	-
Restricted for:				
Nonexpendable scholarships	-	-	1,033,645	674,353
Expendable scholarships and grants	-	-	351,172	237,343
Expendable capital campaign proceeds	-	-	1,446,701	1,753,897
Unrestricted (Note 1)	(8,112,736)	(9,517,386)	2,345,743	2,370,240
Total Net Position	\$ 34,793,642	\$ 35,637,705	\$ 5,177,261	\$ 5,035,833

MID MICHIGAN COMMUNITY COLLEGE

**STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015**

	College		Component Unit - Foundation	
	2016	2015	2016	2015
Operating Revenue				
Operating revenue:				
Tuition and fees (net of scholarship allowance of \$4,764,133 in 2016 and \$4,683,156 in 2015)	\$ 12,596,503	\$ 13,515,933	\$ -	\$ -
Federal grants and contracts	1,227,092	1,687,803	-	-
State grants and contracts	52,196	64,274	-	-
Nongovernmental grants	25,692	32,558	-	-
Auxiliary enterprises (net of scholarship allowance of \$179,546 in 2016 and \$56,886 in 2015)	2,237,888	2,589,146	-	-
Miscellaneous	218,704	234,079	-	-
Total Operating Revenue	16,358,075	18,123,793	-	-
Operating Expenses				
Operating expenses:				
Instruction	10,754,528	9,933,903	-	-
Public service	759,128	830,443	-	-
Instructional support	3,187,702	3,166,927	-	-
Student services	8,321,848	8,970,808	100,369	102,965
Institutional administration	3,733,699	3,855,898	71,374	109,086
Operation and maintenance of plant	2,561,868	2,648,329	-	-
Depreciation and amortization	3,010,151	2,572,752	-	-
Total Operating Expenses	32,328,924	31,979,060	171,743	212,051
Operating Loss	(15,970,849)	(13,855,267)	(171,743)	(212,051)
Nonoperating Revenue (Expenses)				
State appropriations - operating	5,365,657	5,661,989	-	-
Federal Pell grants	6,683,770	7,103,316	-	-
Property tax levy	2,296,994	2,281,303	-	-
Gifts	146,904	177,838	236,212	270,096
Interest income	99,021	85,857	60,337	53,375
Realized and unrealized gain (loss) on investments	86,653	23,904	(62,746)	11,041
Other	50,015	44,215	-	-
Interest on capital asset-related debt	(50,086)	(75,940)	-	-
Gifts and transfers between College and Foundation	362,427	3,061,162	(362,427)	(3,061,162)
Nonoperating Revenue - net	15,041,355	18,363,644	(128,624)	(2,726,650)
Change in net position, before other revenue	(929,494)	4,508,377	(300,367)	(2,938,701)
Other Revenue				
State appropriations - capital	85,431	2,853,442	-	-
Capital campaign donations	-	-	82,503	67,341
Additions to permanent endowments	-	-	359,292	12,275
Change in Net Position	(844,063)	7,361,819	141,428	(2,859,085)
Net Position				
Net position at beginning of year	35,637,705	55,853,239	5,035,833	7,894,918
Adjustment for change in accounting principle (Note 1)	-	(27,577,353)	-	-
Net position - Beginning of year, as restated	35,637,705	28,275,886	5,035,833	7,894,918
Net position at end of year	\$ 34,793,642	\$ 35,637,705	\$ 5,177,261	\$ 5,035,833

MID MICHIGAN COMMUNITY COLLEGE

**STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
Cash Flows From Operating Activities		
Tuition and fees	\$ 12,660,351	\$ 13,325,340
Grants and contracts	626,020	1,865,808
Payments to suppliers	(17,925,270)	(18,859,251)
Payments to employees	(11,495,007)	(13,169,521)
Auxiliary enterprise charges	2,237,888	2,589,146
Other	222,538	186,275
Net cash used in operating activities	(13,673,480)	(14,062,203)
Cash Flows From Noncapital Financing Activities		
Direct lending receipts	8,454,617	10,353,457
Direct lending disbursements	(9,123,383)	(10,527,722)
Local property taxes	2,209,842	2,280,900
Gifts and contributions	196,919	217,893
State appropriations	6,034,610	5,557,060
Federal Pell grant	6,683,770	7,103,316
Net cash provided by non-capital financing activities	14,456,375	14,984,904
Cash Flows From Capital and Related Financing Activities		
Capital appropriations	2,853,442	4,418,112
Purchase of capital assets	(405,814)	(4,482,961)
Principal paid on capital debt	(355,624)	(189,977)
Interest paid on capital debt	(52,273)	(79,369)
Gifts designated for capital projects	362,427	3,010,000
Net cash provided by capital and related financing activities	2,402,158	2,675,805
Cash Flows From Investing Activities		
Proceeds from sale of investments	428,562	971,025
Interest income	99,021	85,857
Purchase of investments, net	-	(1,726,002)
Net cash provided by (used in) investing activities	527,583	(669,120)
Net Increase in Cash and Cash Equivalents	3,712,636	2,929,386
Cash and cash equivalents at beginning of year	9,324,145	6,394,759
Cash and cash equivalents at end of year	\$ 13,036,781	\$ 9,324,145
Reconciliation of Operating Loss to Net Cash From Operating Activities		
Operating loss	\$ (15,970,849)	\$ (13,855,267)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	3,010,151	2,572,752
Bad debt expense	(492,369)	607,093
(Increase) decrease in assets, deferred outflows of resources, and deferred inflows of resources:		
Accounts receivable	(268,545)	(526,721)
Inventories	(8,848)	227,904
Prepaid expenses and other assets	60,862	(58,097)
Deferred outflows of resources	-	-
Accounts payable	(269,767)	(2,582,353)
Accrued payroll and other compensation	685,594	(425,263)
Unearned revenue	149,636	(237,596)
Net pension liability	4,382,854	215,345
Deferred inflows of resources	(4,952,199)	-
Net Cash Used in Operating Activities	\$ (13,673,480)	\$ (14,062,203)

Mid Michigan Community College

Notes to Financial Statements

1. Basis of Presentation and Significant Accounting Policies

Reporting Entity

Mid Michigan Community College (the “College”) is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, and *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

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 and services.

The accompanying financial statements have been prepared in accordance with criteria established by the 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.

The Mid Michigan Community College Foundation (the “Foundation”) is a separate legal entity established as a 501(c)(3) corporation to accept, collect, hold, and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. The Foundation is discretely presented in the financial statements of the College (see Note 10).

Basis of Accounting - Mid Michigan Community College

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.

Basis of Accounting - Component Unit

The Foundation reports under the provisions of Accounting Standards Codification Topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

Significant accounting policies followed by the College are described below.

Cash and Cash Equivalents

Cash and cash equivalents consist of all deposit accounts and highly liquid investments with an initial maturity of three months or less.

1. Basis of Presentation and Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices and may not be indicative of net realizable value or reflective of future fair values.

Accounts Receivable

Student receivables are recorded at invoice amounts net of allowance for uncollectible accounts of \$384,770 for the year ended June 30, 2016 and \$877,139 for the year ended June 30, 2015. The allowance for uncollectible accounts is a general reserve based on a percentage of receivables and historical write-off amounts.

Inventories

Inventories are stated at the lower of cost or market using the first-in, first-out method.

Capital Assets

Capital assets are recorded at cost, or if acquired by gift, at the fair market value as of the date of acquisition. Depreciation is provided for physical properties on a straight-line basis over the estimated useful lives of the assets.

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports 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. For more about the College's deferred outflows of resources related to the net pension liability, see Note 4.

Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. For the year ended June 30, 2016, unearned revenue consists of \$505,085 of payments for classes which began prior to June 30, 2016, but were not completed until after June 30, 2016 and \$499,729 of payments for classes that will begin in August 2016. For the year ended June 30, 2015, unearned revenue consists of \$545,416 of payments for classes which began prior to June 30, 2015, but were not completed until after June 30, 2015 and \$370,994 of payments for classes that began in August 2015. Grant revenues received prior to qualifying expenditures are also included in unearned revenue. Generally, the College first applies restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

1. Basis of Presentation and Significant Accounting Policies (continued)

Revenue

All transactions that result in sales and/or receipt from goods and services, such as tuition and fees and sales from the College's bookstore, are classified as operating revenue. All revenue sources that are primarily non-exchange in nature in which the College received value without directly giving equal value in return are classified as nonoperating revenue.

Tuition and Fees

Student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances represent the difference between the stated charge for goods and services provided by the College and the amount that is paid by the students or third parties on behalf of the students, where the College has discretion over such expenses.

Auxiliary

Auxiliary activities primarily represent revenues generated from the bookstore and various other departmental activities that provide services to the student body, faculty, staff, and general public.

Pell Grant

Pell grant revenue is classified as nonoperating revenue due to its non-exchange nature. The amounts received for 2016 and 2015 were \$6,683,770 and \$7,103,316, respectively.

Property Taxes

Property tax revenue is recognized in the year for which taxes have been levied.

Property taxes are levied on December 1st based on taxable values as of the preceding December 31st. The taxes, which are collected and remitted to the College by townships within the College district boundaries, are collected through February 28th. Uncollected real property taxes of the College are turned over to the counties in which the district is located for subsequent collection. The College is subsequently paid 100% of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2016 and 2015, \$1.2232 of tax per \$1,000 of taxable property value in the College taxing district was levied for general operating purposes on all property. Total operating property tax revenue was \$2,296,994 and \$2,281,303 for the years ended June 30, 2016 and 2015, respectively.

Net Position

Net Investment in Capital Assets

Net position that consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Mid Michigan Community College

Notes to Financial Statements (continued)

1. Basis of Presentation and Significant Accounting Policies (continued)

Restricted Net Position

Expendable - Net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time.

Nonexpendable - Net position subject to donor imposed constraints that they be maintained permanently by the College. Nonexpendable net position includes the corpus portion (historical value) of gifts to the College's permanent endowment funds.

Unrestricted Net Position

Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties.

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

	<u>2016</u>	<u>2015</u>
Designated for future technology outlay	\$ 406,216	\$ 433,530
Designated for retirement incentives	200,000	200,000
Designated for program development	1,003,868	1,332,827
Designated for future capital projects	11,258,856	10,115,764
Unrestricted and unallocated	<u>(20,981,676)</u>	<u>(21,599,507)</u>
Total unrestricted net position	<u>\$ (8,112,736)</u>	<u>\$ (9,517,386)</u>

Pensions

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 School Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

1. Basis of Presentation and Significant Accounting Policies (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, net deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue or expense reduction) until that time. Deferred inflows of resources at June 30, 2016 include \$750,331 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and \$105,745 related to the pension plan described in Note 4. Deferred inflows of resources at June 30, 2015 relate to the pension plan described in Note 4.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts and disclosures in financial statements. Actual results could differ from those estimates.

Adoption of New Standard

As of June 30, 2016, the College retrospectively applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

Reclassification

A deferred outflow of resources totaling \$2,775,143 related to MPSERS pension plan which was presented net with deferred inflows of resources in 2015 has been reclassified to the deferred outflows of resources line on the 2015 statement of net position.

2. Cash and Investments

Bank Deposits and Investments

The College’s policy for reducing risk is to invest surplus funds in accordance with the provisions set forth in Michigan Public Act 153 of 2012. This act allows the College to invest in bonds; bills or notes of the United States or its agencies; obligations of the State of Michigan; corporate commercial paper rated prime by at least one of the standard rating services; bankers’ acceptances issued by and certificates of deposit of financial institutions which are members of the Federal Deposit Insurance Corporation; mutual funds and investment pools that are composed of authorized investment instruments; and certain repurchase agreements. The College does not have a formal investment policy further limiting its investment options.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of bank failure, the College’s deposits may not be returned to it. The College’s investment policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial credit risk be used for the College’s deposits.

2. Cash and Investments (continued)

The above deposits at June 30, 2016 were reflected in the accounts of the bank (without recognition of checks written but not cleared, or of deposits in transit) at \$13,526,140. Of these bank deposits, \$2,690,542 was covered by federal depository insurance. Additionally, under the direction of the Board of Trustees, general checking account funds of \$9,773,214 are covered under a repurchase agreement in which they are secured and collateralized by treasuries that back these funds every night. The remainder of the deposits is uninsured and uncollateralized.

The above deposits at June 30, 2015 were reflected in the accounts of the bank (without recognition of checks written but not cleared, or of deposits in transit) at \$12,580,109. Of these bank deposits, \$2,192,362 was covered by federal depository insurance. Additionally, under the direction of the Board of Trustees, general checking account funds of \$6,540,892 are covered under a repurchase agreement in which they are secured and collateralized by treasuries that back these funds every night. The remainder of the deposits is uninsured and uncollateralized.

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

Credit Risk

Credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's policy for custodial credit risk states that custodial credit risk will be minimized by limiting investments to the types of securities allowed by state law.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. There is not a formal policy limiting investment maturities; however, the College manages its exposure to interest rate risk by generally limiting investment maturities to less than 10 years. See the maturity schedule for the College's investments summarized below.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the organization's investment in a single issuer. The College does not have a policy limiting the amount the College is allowed to invest in any one issuer; however, the College evaluates each issuer with which it invests funds and assesses the level of risk of each issuer. The College invests only in those issuers with an acceptable estimated risk level.

Mid Michigan Community College

Notes to Financial Statements (continued)

2. Cash and Investments (continued)

At June 30, 2016, the College had the following investments and maturities:

Investment Type	Fair Market Value	2016			
		By Maturity			
		Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	\$2,945,620	\$1,848,649	\$ 996,824	\$ 100,147	\$ -
U.S. Government Bonds	<u>\$3,023,182</u>	<u>-</u>	<u>900,131</u>	<u>2,123,051</u>	<u>-</u>
Total investments	<u>\$5,968,802</u>	<u>\$1,848,649</u>	<u>\$1,896,955</u>	<u>\$2,223,198</u>	<u>\$ -</u>

At June 30, 2015, the College had the following investments and maturities:

Investment Type	Fair Market Value	2015			
		By Maturity			
		Less Than One Year	1-5 Years	6-10 Years	More Than 10 Years
Certificates of deposit	\$3,285,372	\$ 959,592	\$1,977,135	\$ 348,645	\$ -
U.S. Government Bonds	<u>3,025,339</u>	<u>-</u>	<u>940,010</u>	<u>2,085,329</u>	<u>-</u>
Total investments	<u>\$6,310,711</u>	<u>\$ 959,592</u>	<u>\$2,917,145</u>	<u>\$2,433,974</u>	<u>\$ -</u>

Mid Michigan Community College

Notes to Financial Statements (continued)

3. Capital Assets

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

	Beginning Balance	Additions	Adjustments	Deletions	Ending Balance	Estimated Useful Life - Years
Capital assets						
Land	\$ 2,567,343	\$ 110,032			\$ 2,677,375	
Construction in progress	1,348	220			1,568	
Total non-depreciable assets	2,568,691	110,252		-	2,678,943	
Land improvements	2,057,401	40,477			2,097,878	
Infrastructure	1,685,796				1,685,796	10-40
Buildings and improvements	56,374,351	1,957	(14,317)		56,361,991	10-40
Equipment	3,451,805	69,552		219,549	3,301,808	5-7
Perkins equipment	1,664,745	93,727			1,758,472	5-7
Furniture and fixtures	3,002,876	92,756			3,095,632	5-7
Library books	1,125,463				1,125,463	10
Vehicles	471,412		28,506		499,918	5-7
Computer and software	3,189,368	412,867		104,508	3,497,727	3-5
Total depreciable assets	73,023,217	711,336	14,189	324,057	73,424,685	
Total capital assets	75,591,908	821,588	14,189	324,057	76,103,628	
Accumulated depreciation						
Land improvements	1,380,065	176,092			1,556,157	
Infrastructure	705,224	49,306			754,530	
Buildings and improvements	17,855,427	1,677,778			19,533,205	
Equipment	2,632,114	194,622		219,549	2,607,187	
Perkins equipment	1,180,348	118,203			1,298,551	
Furniture and fixtures	1,560,529	256,449			1,816,978	
Library books	1,122,717	2,381			1,125,098	
Vehicles	375,466	70,472	-		445,938	
Computer and software	1,902,150	493,355		104,508	2,290,997	
Total accumulated depreciation	28,714,040	3,038,658	-	324,057	31,428,641	
Capital assets, net	\$ 46,877,868	\$ (2,217,070)	\$ 14,189	\$ -	\$ 44,674,987	

Mid Michigan Community College

Notes to Financial Statements (continued)

3. Capital Assets (continued)

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2015:

	Beginning Balance	Additions	Adjustments	Deletions	Ending Balance	Estimated Useful Life - Years
Capital assets						
Land	\$ 2,567,343	\$ -		\$ -	\$ 2,567,343	
Construction in progress	17,649,641	8,875,978		26,524,271	1,348	
Total non-depreciable assets	20,216,984	8,875,978		26,524,271	2,568,691	
Land improvements	1,720,066	338,459		1,124	2,057,401	
Infrastructure	1,685,796	-		-	1,685,796	10-40
Buildings and improvements	36,851,445	19,522,906			56,374,351	10-40
Equipment	2,947,966	503,839		-	3,451,805	5-7
Perkins equipment	1,574,945	89,800		-	1,664,745	5-7
Furniture and fixtures	2,274,403	728,473			3,002,876	5-7
Library books	1,125,463	-		-	1,125,463	10
Vehicles	409,997	61,415		-	471,412	5-7
Computer and software	2,246,561	942,807			3,189,368	3-5
Total depreciable assets	50,836,642	22,187,699		1,124	73,023,217	
Total capital assets	71,053,626	31,063,677		26,525,395	75,591,908	
Accumulated depreciation						
Land improvements	1,267,788	112,277		-	1,380,065	
Infrastructure	640,275	64,949		-	705,224	
Buildings and improvements	16,409,109	1,446,423		105	17,855,427	
Equipment	2,437,239	194,875		-	2,632,114	
Perkins equipment	1,056,544	123,804		-	1,180,348	
Furniture and fixtures	1,331,227	229,302		-	1,560,529	
Library books	1,109,938	12,779		-	1,122,717	
Vehicles	326,771	48,695		-	375,466	
Computer and software	1,562,398	339,752		-	1,902,150	
Total accumulated depreciation	26,141,289	2,572,856		105	28,714,040	
Capital assets, net	\$ 44,912,337	\$ 28,490,821		\$ 26,525,290	\$ 46,877,868	

Mid Michigan Community College

Notes to Financial Statements (continued)

3. Capital Assets (continued)

Several of the College's buildings were partially financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into among the SBA, the State of Michigan, and the College. During the lease term, the SBA will hold title to the buildings, the State of Michigan will make all lease payments to the SBA, and the College will be responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer the title of the buildings to the College. The cost and accumulated depreciation for these facilities are included in the accompanying statement of net position.

4. Retirement Plans

Defined Benefit Pension Plan

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

Contributions

Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each College district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Mid Michigan Community College

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

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

July 1, 2014 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - June 30, 2016	14.56% - 18.95%

For benefit options that include a defined contribution plan, the College District is required to contribute 0 to 4 percent as of June 30, 2016 and 2015.

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The College's required and actual contributions to the plan for the years ended June 30, 2016 and 2015 were \$1,730,616 and \$2,338,748, respectively. In addition, the College recognized contributions of \$1,320,473 and \$948,547 in revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2016 and 2015, respectively. These funds were also remitted to the plan.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Mid Michigan Community College

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members that do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2016 and 2015, the College reported a liability of \$31,889,650 and \$27,506,796, 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 as of September 30, 2014 and 2013, which used update procedures to roll forward the estimated liability to September 30, 2014. 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, as actuarially determined. At September 30, 2015 and September 30, 2014, the College's proportion was 0.13056 and 0.12488 percent.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of \$2,992,274 and \$2,228,128, respectively. At June 30, 2016 and 2015, the College reported deferred inflows of resources related to pensions and deferred outflows of resources from the following sources:

	<u>2016</u>		<u>2015</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (105,628)		
Changes of assumptions	785,191		1,014,942	
Net difference between projected and actual earnings on pension plan assets	162,771	-		(3,040,887)
Changes in proportion and differences between College contributions and proportionate share of contributions	1,103,424	(117)		(158)
College contributions subsequent to the measurement date	2,720,655		1,740,201	
Total	<u>\$ 4,772,041</u>	<u>\$ (105,745)</u>	<u>\$ 2,755,143</u>	<u>\$ (3,041,045)</u>

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

<u>Year Ending June 30</u>	<u>Amount</u>
2017	386,401
2018	386,401
2019	343,832
2020	829,007
Thereafter	-
Total	<u>\$ 1,945,641</u>

Mid Michigan Community College

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

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

Actuarial Assumptions

The total pension liability as of September 30, 2015 and 2014 is based on the results of an actuarial valuation date of September 30, 2014 and 2013, rolled forward, and was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 net of investment expenses based on the groups
Rate of pay increases	3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

The actuarial assumptions used for the September 30, 2014 and 2013 valuations were based on the results of an actuarial experience study for the period from October 1, 2007 to September 30, 2012. As a result of this study, the actuarial assumptions were adjusted to more closely reflect actual experience.

Discount Rate

The discount rate used to measure the total pension liability at September 30, 2015 and 2014 was 7.00 to 8.00 percent depending on the plan option. 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 employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for 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.

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

Mid Michigan Community College

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

Investment Category	September 30, 2015		September 30, 2014	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28%	5.9%	28%	4.8%
Private Equity Pools	18%	9.2%	17%	8.5%
International Equity Pools	16%	7.2%	16%	6.1%
Fixed Income Pools	10.5%	0.9%	11%	1.5%
Real Estate & Infrastructure Pools	10%	4.6%	10%	5.3%
Real Return, Opportunistic, and Absolute Pools	15.5%	6.0%	16%	6.3%
Short Term Investment Pools	2%	0.0%	2%	-0.2%
Total	100%		100%	

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the College, calculated using the discount rate of 7.00 to 8.00 percent depending on the plan option, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

	September 30, 2015		
	1.00 percent decrease (7.00/6.00)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
Net pension liability	\$ 41,113,933	\$ 31,889,650	\$ 24,113,201

	September 30, 2014		
	1.00 percent decrease (7.00/6.00)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
Net pension liability	\$ 36,265,316	\$ 27,506,796	\$ 20,127,614

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Mid Michigan Community College

Notes to Financial Statements (continued)

4. Retirement Plans (continued)

Postemployment Benefits Other Than Pensions (OPEB)

Under the MPSERS Act, all retirees participating in the MPSERS pension plan, with the exception of those in pension plus, PHF, new hires, or DC converted to PHF, have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS Board of trustees annually sets the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from July 1, 2014 through September 30, 2014, and from 2.2 percent to 2.71 percent of covered payroll for the period October 1, 2014 through September 30, 2015 and from 6.4 percent to 6.83 percent from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account.

The College's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016, 2015, and 2014 were \$273,215, \$289,059, and \$696,225, respectively.

Defined Contribution Plan

As an alternative pension option, the College offers all full-time faculty and administrative employees the opportunity to participate in the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Funding for the plan consists of employer contributions of 23.28% and employee contributions of 4% for the year ended June 30, 2016, and 22.29% to 23.28% and employee contributions of 4% for the year ended June 30, 2015. Benefits are vested immediately. Compensation covered under the plan for the year ended June 30, 2016 was \$1,218,519, resulting in contributions of \$283,674 and \$41,655 from the College and employees, respectively. Compensation covered under the plan for the year ended June 30, 2015 was \$1,170,971, resulting in contributions of \$268,650 and \$40,655 from the College and employees, respectively.

Mid Michigan Community College

Notes to Financial Statements (continued)

5. Long-term Liabilities

Long-term liability activity for the years ended June 30, 2016 and June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2016					
Bonds payable	\$ 1,600,000	\$ -	\$ 240,000	\$1,360,000	\$250,000
Other	\$ 122,777	\$ 401,455	\$ 115,623	\$ 408,609	\$ 91,655
Total	\$ 1,722,777	\$ 401,455	\$ 355,623	\$1,768,609	\$341,655
2015					
Bonds payable	\$ 1,825,000	\$ -	\$ 225,000	\$1,600,000	\$240,000
Other	\$ 87,754	\$ 101,449	\$ 66,426	\$ 122,777	\$ 63,849
Total	\$ 1,912,754	\$ 101,449	\$ 291,426	\$1,722,777	\$303,849

The College issued 2006 Community College Facilities Bonds (General Obligation-Limited Tax) totaling \$5.5 million on August 31, 2006 to fund a 50% match required by the State of Michigan for capital outlay projects. Principal payments are due annually in May through maturity. Interest on the bonds ranges from 3.80% to 3.95%, payable semiannually, maturing in May 2021.

Maturities on the bonds for the next five years are as follows:

Year	Total Principal	Total Interest
2017	250,000	53,080
2018	260,000	43,580
2019	270,000	33,440
2020	285,000	22,910
2021	295,000	11,653
Total	\$ 1,360,000	\$ 164,663

Cash paid for interest was \$50,087 and \$79,369 for the years ended June 30, 2016 and 2015, respectively.

6. Federal Direct Lending Program

The College distributed \$9,123,383 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2016. The College distributed \$10,527,722 for student loans through the U.S. Department of Education federal direct lending program for the year ended June 30, 2015. These distributions and related funding source are not included as expenses or revenue in the accompanying financial statements.

Mid Michigan Community College

Notes to Financial Statements (continued)

7. Risk Management

The College is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation). The College participates in the Michigan Community College Risk Management Authority (MCCRMA) risk pool for claims relating to auto, property, and liability. The College is insured for workers' compensation benefits through the School Employers Trust/School Employers Group (SET SEG). Settled claims of both MCCRMA and SET SEG have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Risk-sharing Programs

The MCCRMA risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to MCCRMA, which MCCRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

Self-insurance Programs

As of January 2016, the College began participating in a self-insurance program through the School Employers Group. This program provides substantially all the insurance needs of the College. The possibility of additional claims exists, but the amount of liability to the College would be immaterial by the time the aggregate stop-loss coverages are triggered. There is also a possibility of a refund due to the College. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The College is self-insured for certain dental benefits paid on behalf of its employees. Effective January 1, 2016, the College is also self-insured for certain medical benefits paid on behalf of its employees. Payments are made to the plan administrator based on actual claims. A startup amount is expected to cover claims which have been incurred but not reported. The College has employed an outside consultant to monitor the plan. Expenditures related to the dental plans during the year ended June 30, 2016 totaled \$71,311. Expenses related to the medical plan during the year ended June 30, 2016 totaled \$623,952, which includes an estimate of claims incurred but not reported at June 30, 2016.

Mid Michigan Community College

Notes to Financial Statements (continued)

7. Risk Management (continued)

Dental Liability	
	2016
Unpaid claims - beginning of year	\$ -
Incurred claims	71,311
Claims payments	<u>67,069</u>
Unpaid claims - end of year	<u>\$ 4,242</u>

Health Liability	
	2016
Unpaid claims - beginning of year	\$ -
Incurred claims	623,952
Claims payments	<u>522,651</u>
Unpaid claims - end of year	<u>\$ 101,301</u>

8. Commitments and Contingencies

In the normal course of its activities, the College is a party to various legal actions. The College is of the opinion that the outcome of asserted and unasserted claims outstanding will not have a material effect on the financial statements.

9. Fair Value Measurements

The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The College has the following recurring fair value measurements as of June 30, 2016 and 2015:

Mid Michigan Community College

Notes to Financial Statements (continued)

9. Fair Value Measurements (continued)

	Fair Value Measurements Using			
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
College Investments by fair value level:				
Debt Securities				
U.S. government bonds	\$ 3,023,182	\$ -	\$ 3,023,182	\$ -
Certificate of deposits (participating)	1,134,930	-	1,134,930	-
Total College investments by fair value level	<u>4,158,112</u>	<u>\$ -</u>	<u>\$ 4,158,112</u>	<u>\$ -</u>
Certificate of deposits at amortized cost	1,810,690			
Total College investments	<u>\$ 5,968,802</u>			

	Fair Value Measurements Using			
	Balance at June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
College Investments by fair value level:				
Debt Securities				
U.S. government bonds	\$ 3,025,339	\$ -	\$ 3,025,339	\$ -
Certificate of deposits (participating)	1,172,837	-	1,172,837	-
Total College investments by fair value level	<u>4,198,176</u>	<u>\$ -</u>	<u>\$ 4,198,176</u>	<u>\$ -</u>
Certificate of deposits at amortized cost	2,112,535			
Total College investments	<u>\$ 6,310,711</u>			

The fair value of U.S. Treasury securities and participating certificates of deposits at June 30, 2016 and 2015 was determined primarily based on Level 2 inputs. The College estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

10. Mid Michigan Community College Foundation

The significant accounting policies and cycles of the Foundation are as follows:

Investments

Substantially all investments are recorded at fair value based on quoted market prices. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in investment securities will occur in the near term and that such changes could materially affect amounts reported. The market value of the Foundation investments at June 30, 2016 and June 30, 2015 is as follows:

Mid Michigan Community College

Notes to Financial Statements (continued)

10. Mid Michigan Community College Foundation (continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments by fair value level:				
Debt Securities				
U.S. Treasury securities	\$ 177,853	\$ -	\$ 177,853	\$ -
Certificate of deposits (participating)	381,186	-	381,186	-
Corporate bonds	<u>716,743</u>	<u>-</u>	<u>716,743</u>	<u>-</u>
Total debt securities	1,275,782	-	1,275,782	-
Equity securities				
Domestic mutual funds	\$ 891,472	\$ 891,472	\$ -	\$ -
International mutual funds	322,297	322,297	-	-
Open end mutual funds	<u>1,090,390</u>	<u>1,090,390</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>2,304,159</u>	<u>2,304,159</u>	<u>-</u>	<u>-</u>
Total Foundation investments by fair value level	<u>\$ 3,579,941</u>	<u>\$ 2,304,159</u>	<u>\$ 1,275,782</u>	<u>\$ -</u>

	Balance at June 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Foundation Investments by fair value level:				
Debt Securities				
U.S. Treasury securities	\$ 177,198	\$ -	\$ 177,198	\$ -
Certificate of deposits (participating)	250,682	-	250,682	-
Corporate bonds	<u>723,922</u>	<u>-</u>	<u>723,922</u>	<u>-</u>
Total debt securities	1,151,802	-	1,151,802	-
Equity securities				
Domestic mutual funds	\$ 706,711	\$ 706,711	\$ -	\$ -
International mutual funds	274,788	274,788	-	-
Open end mutual funds	<u>923,916</u>	<u>923,916</u>	<u>-</u>	<u>-</u>
Total equity securities	<u>1,905,415</u>	<u>1,905,415</u>	<u>-</u>	<u>-</u>
Total Foundation investments by fair value level	<u>\$ 3,057,217</u>	<u>\$ 1,905,415</u>	<u>\$ 1,151,802</u>	<u>\$ -</u>

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of future cash flows. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Foundation Pledges Receivable

The amount of pledges receivable at June 30, 2016 consists of unconditional promises to give as follows:

Mid Michigan Community College

Notes to Financial Statements (continued)

10. Mid Michigan Community College Foundation (continued)

	2016
Gross promises to give before unamortized discount	\$ 1,155,502
Present value discount	(8,164)
Net pledges receivable	<u>\$ 1,147,338</u>
Amounts due in:	
Less than one year	\$ 412,075
One to five years	735,263
Over five years	-
Total	<u>\$ 1,147,338</u>

The amount of pledges receivable at June 30, 2015 consist of unconditional promises to give as follows:

	2015
Gross promises to give before unamortized discount	\$ 1,490,153
Present value discount	(13,408)
Net pledges receivable	<u>\$ 1,476,745</u>
Amounts due in:	
Less than one year	\$ 382,568
One to five years	1,094,177
Over five years	-
Total	<u>\$ 1,476,745</u>

There were no allowances for uncollectible pledges for the years ended June 30, 2016 and June 30, 2015.

The Foundation calculated the present value of future cash flows by using the risk-free treasury rate at the time of the pledge.

Net Position

Unrestricted, restricted-expendable, and restricted-nonexpendable net position are available at June 30, 2016 and 2015 for the following purposes:

Mid Michigan Community College

Notes to Financial Statements (continued)

10. Mid Michigan Community College Foundation (continued)

	June 30, 2016			
	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Scholarships and grants	\$ -	\$ 351,172	\$ 1,033,645	\$ 1,384,817
Capital campaign	-	1,446,701	-	\$ 1,446,701
Foundation designated	2,345,742	-	-	\$ 2,345,742
	<u>\$ 2,345,742</u>	<u>\$ 1,797,873</u>	<u>\$ 1,033,645</u>	<u>\$ 5,177,260</u>

	June 30, 2015			
	Unrestricted	Restricted Expendable	Restricted Nonexpendable	Total
Scholarships and grants	\$ -	\$ 237,343	\$ 674,353	\$ 911,696
Capital campaign	-	1,753,897	-	\$ 1,753,897
Foundation designated	2,370,240	-	-	\$ 2,370,240
	<u>\$ 2,370,240</u>	<u>\$ 1,991,240</u>	<u>\$ 674,353</u>	<u>\$ 5,035,833</u>

Through a resolution by the Foundation's Board of Trustees, the Foundation distributes income from unrestricted endowed funds of no more than 4% of a five-year moving average of the market value of the unrestricted investment portfolio (calculated using the prior five June 30 year-end financial reports). In the event that current income does not provide for a 4% distribution, income remaining after any fees can be distributed. This amount may be supplemented with previously accumulated retained earnings at the discretion of the Foundation. In addition, the Foundation distributes all donations and grant awards received by the Foundation on behalf of the College for educational activities, cultural activities, and capital. During the years ended June 30, 2016 and 2015, the Foundation transferred approximately \$362,000 and \$3,061,000, respectively, to the College to reimburse the College for certain capital expenditures. The College provides personnel support, supplies, equipment and office space to the Foundation.

11. Upcoming Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting for governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPERS) plan. This Statement also enhances supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

SUPPLEMENTAL INFORMATION

**MID MICHIGAN COMMUNITY COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

Schedule of the College's Proportionate Share of the Net

<u>Pension Liability</u>		
<u>(Amounts were determined as of 9/30 of each fiscal year)</u>	<u>2015</u>	<u>2014</u>
Mid Michigan Community College's proportion of the collective MPSERS net pension liability:		
As a percentage	0.13056%	0.12488%
Amount	\$ 31,889,650	\$ 27,506,796
 Mid Michigan Community College's covered-employee MPSERS payroll	 \$ 11,213,512	 \$ 10,752,276
 Mid Michigan Community College's proportionate share of the collective MPSERS pension liability, as a percentage of covered-employee payroll	 284.39%	 255.82%
 MPSERS fiduciary net position as a percentage of the total pension liability	 63.17%	 66.20%

Schedule of College Contributions

<u>(Amounts were determined as of 6/30 of each fiscal year)</u>		
	<u>2016</u>	<u>2015</u>
Statutorily required contribution to MPSERS	\$ 1,730,616	\$ 2,338,748
 Contributions in relation to the actuarially determined contractually required contribution to MPSERS	 \$ 1,730,616	 \$ 2,338,748
 Contribution deficiency (excess)	 \$ -	 \$ -
 MPSERS covered employee payroll	 \$ 11,091,555	 \$ 11,091,555
 Contributions as a percentage of MPSERS covered employee payroll	 15.60%	 21.09%

MID MICHIGAN COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION
June 30, 2016 (with 2015 comparative totals)

	2015	Combined Total 2016	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund
Assets							
Current assets:							
Cash and cash equivalents	\$ 9,324,145	\$ 13,036,781	\$ 12,239,222	\$ 35	\$ 258	\$ 1	\$ 797,265
Short-term investments	1,844,891	1,848,322	1,020,204	-	-	-	828,118
Property taxes receivable	3,527	90,679	90,679	-	-	-	-
State appropriations receivable	3,877,182	1,105,119	1,105,119	-	-	-	-
Student receivables - net	326,550	412,338	412,338	-	-	-	-
Accounts receivable	96,191	34,382	39,395	-	(5,059)	46	-
Federal and state grants receivable	524,015	1,957,172	-	-	-	1,957,172	-
Inventories	310,296	319,144	1,283	-	317,861	-	-
Due (to) from other	(13,589)	44,386	(6,863,303)	159,762	1,710,859	(1,772,650)	6,809,718
Prepaid expenses and other assets	593,785	532,923	532,923	-	-	-	-
Total current assets	16,886,993	19,381,246	8,577,860	159,797	2,023,919	184,569	8,435,101
Long-term investments	4,465,820	4,120,480	1,286,410	-	-	-	2,834,070
Property and equipment:							
Land and improvements	4,624,744	4,775,252	-	-	-	-	4,775,252
Buildings and improvements	58,060,147	58,047,787	-	-	-	-	58,047,787
Equipment	3,451,805	3,301,808	-	-	-	-	3,301,808
Equipment - Perkins	1,664,745	1,758,472	-	-	-	-	1,758,472
Furniture and fixtures	3,002,876	3,095,632	-	-	-	-	3,095,632
Library books	1,125,463	1,125,463	-	-	-	-	1,125,463
Vehicles	471,412	499,918	-	-	-	-	499,918
Computers and software	3,189,368	3,497,727	-	-	-	-	3,497,727
Construction in progress	1,348	1,568	-	-	-	-	1,568
Allowance for depreciation	(28,714,040)	(31,428,640)	-	-	-	-	(31,428,640)
Total property and equipment - net	46,877,868	44,674,987	-	-	-	-	44,674,987
Total assets	\$ 68,230,681	\$ 68,176,713	\$ 9,864,270	\$ 159,797	\$ 2,023,919	\$ 184,569	\$ 55,944,158
Deferred Outflows of Resources	\$ 2,755,143	\$ 4,772,041	4,772,041	\$ -	\$ -	\$ -	\$ -

MID MICHIGAN COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION (Continued)
June 30, 2016 (with 2015 comparative totals)

	2015	Combined Total 2016	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund
Liabilities							
Current liabilities:							
Current portion of debt obligations	\$ 303,849	\$ 341,655	\$ -	\$ -	\$ -	\$ -	\$ 341,655
Accounts payable	465,023	195,256	195,256	-	-	-	-
Accrued interest payable	10,986	8,799	-	-	-	-	8,799
Accrued payroll and other	1,539,439	2,225,033	2,225,033	-	-	-	-
Unearned revenue	1,062,053	1,211,689	1,027,114	-	-	184,575	-
Total current liabilities	3,381,350	3,982,432	3,447,403	-	-	184,575	350,454
Long-term debt obligations	1,418,928	1,426,954	-	-	-	-	1,426,954
Net pension liability	27,506,796	31,889,650	31,889,650	-	-	-	-
Total liabilities	32,307,074	37,299,036	35,337,053	-	-	184,575	1,777,408
Deferred Inflows of Resources	3,041,045	856,076	856,076	-	-	-	-
Net position							
Net investment in capital assets	45,155,091	42,906,378	-	-	-	-	42,906,378
Restricted for:							
Nonexpendable scholarships	-	-	-	-	-	-	-
Expendable scholarships and grants	-	-	-	-	-	-	-
Unrestricted	(9,517,386)	(8,112,736)	(21,556,818)	159,797	2,023,919	(6)	11,260,372
Total net position	\$ 35,637,705	\$ 34,793,642	\$ (21,556,818)	\$ 159,797	\$ 2,023,919	\$ (6)	\$ 54,166,750

MID MICHIGAN COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUE, EXPENSES,
TRANSFERS, AND CHANGES IN NET POSITION
For the year ended June 30, 2016 (with 2015 comparative totals)

	2015	Combined Total 2016	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Plant Fund
Revenue								
Operating revenue:								
Tuition and fees	\$ 13,515,933	\$ 12,596,503	(4,764,133)	\$ 17,188,303	\$ 172,333	\$ -	\$ -	\$ -
Federal grants and contracts	1,687,803	1,227,092	-	-	-	-	1,227,092	-
State grants and contracts	64,274	52,196	-	-	-	-	52,196	-
Nongovernmental grants	32,558	25,692	-	-	-	-	25,692	-
Auxiliary enterprises	2,589,146	2,237,888	(179,546)	-	-	2,417,434	-	-
Indirect cost recoveries	30,233	23,720	-	23,720	-	-	-	-
Miscellaneous	203,846	194,984	-	133,686	-	-	61,298	-
Total operating revenue	18,123,793	16,358,075	(4,943,679)	17,345,709	172,333	2,417,434	1,366,278	-
Expenses								
Operating expenses:								
Instruction	9,933,903	10,754,528	(71,818)	10,826,346	-	-	-	-
Public service	830,443	759,128	(35,909)	485,842	-	-	309,195	-
Instructional support	3,166,927	3,187,702	-	2,731,895	-	-	455,807	-
Student services	8,970,808	8,321,848	(4,800,043)	3,099,733	257,647	2,053,807	7,710,704	-
Institutional administration	3,855,898	3,733,699	(35,909)	3,769,608	-	-	-	-
Operation and maintenance of plant	2,648,329	2,561,868	-	2,394,035	-	-	-	167,833
Depreciation and amortization	2,572,752	3,010,151	-	-	-	-	-	3,010,151
Total operating expenses	31,979,060	32,328,924	(4,943,679)	23,307,459	257,647	2,053,807	8,475,706	3,177,984
Operating (loss) income	(13,855,267)	(15,970,849)	-	(5,961,750)	(85,314)	363,627	(7,109,428)	(3,177,984)
Nonoperating revenue (expenses)								
State appropriations - operating	5,661,989	5,365,657	-	5,365,657	-	-	-	-
Federal Pell grants	7,103,316	6,683,770	-	-	-	-	6,683,770	-
Property tax levy	2,281,303	2,296,994	-	2,296,994	-	-	-	-
Gifts	177,838	146,904	-	-	-	-	146,904	-
Interest income	85,857	99,021	-	30,470	-	-	-	68,551
Realized and unrealized gain (loss) on investments	23,904	86,653	-	22,849	-	-	-	63,804
Other	44,215	50,015	-	9,013	28,311	-	-	12,691
Interest on capital asset-related debt	(75,940)	(50,086)	-	-	-	-	-	(50,086)
Gifts and transfers between College and Foundation	3,061,162	362,427	-	362,427	-	-	-	-
Fund transfers	-	-	-	(2,154,711)	-	(17,525)	278,748	1,893,488
Net nonoperating revenue (expenses)	18,363,644	15,041,355	-	5,932,699	28,311	(17,525)	7,109,422	1,988,448
Increase (decrease) in net position, before other revenue	4,508,377	(929,494)	-	(29,051)	(57,003)	346,102	(6)	(1,189,536)
Other revenue								
State appropriations - capital	2,853,442	85,431	-	-	-	-	-	85,431
Change in net position	7,361,819	(844,063)	-	(29,051)	(57,003)	346,102	(6)	(1,104,105)
Net position at beginning of year	55,853,239	35,637,705	-	(21,527,767)	216,800	1,677,817	-	55,270,855
Adjustment for change in accounting principle	(27,577,353)	-	-	-	-	-	-	-
Net position - Beginning of year, as restated	28,275,886	35,637,705	-	(21,527,767)	216,800	1,677,817	-	55,270,855
Net position at end of year	\$ 35,637,705	\$ 34,793,642	\$ -	\$ (21,556,818)	\$ 159,797	\$ 2,023,919	\$ (6)	\$ 54,166,750