



Washtenaw Community College

Years Ended  
June 30,  
2016 and 2015

Financial  
Statements  
and  
Supplementary  
Information

# WASHTENAW COMMUNITY COLLEGE

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# Washtenaw Community College Management's Discussion and Analysis Year Ended June 30, 2016

## Introduction to the Financials

The discussion and analysis of Washtenaw Community College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2016. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College administration.

## Using this Report

The College's annual financial report includes the report of independent auditors, the management's discussion and analysis, the basic financial statements, notes to financial statements, and supplemental information.

These statements are organized so the reader can understand the College financially as a whole. These financial statements are prepared in accordance with Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities* and Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are recognized as incurred.

Beginning with the year ended June 30, 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This standard requires the College to record its proportionate share of the pension liability of the Michigan Public School Employees Retirement System (MPERS), the defined benefit plan in which the majority of the employees of the College participate. This standard has had a significant impact on the liabilities and net position of the College as discussed below. Additional information is also included in Note 8 to the financial statements, and in the required supplementary information following the footnotes.

## The Statements of Net Position and the Statements of Revenue, Expenses, and Changes in Net Position

The College's financial position improved approximately \$1.6 million during the fiscal year ended June 30, 2016, which includes a negative \$5.9 million impact due to the recording of pension liabilities per GASB Statement 68. Excluding the impact of GASB 68, the College's net position increased by approximately \$7.5 million, or 4.85 percent, and unrestricted net position increased \$3.5 million due to an increase of \$7.9 million from general fund operations offset by a decrease of \$4.4 million in net position previously designated for capital improvements. The amount invested in capital assets increased by approximately \$4.0 million, as \$8.5 million in new asset purchases and \$1.5 million in principal debt reductions were offset by \$6.0 million in depreciation of new and existing assets.

The College's Net Pension Liability increased \$12.9 million, from \$97.8 million to \$110.7 million as of June 30, 2015 and June 30, 2016, respectively. The increase was due to plan performance; changes in assumptions; and an increase in the College's proportionate share of the overall liabilities of the MPSERS plan. The College's total assets at fiscal year-end were \$190.1 million, an increase of 2.2 percent or \$4.2 million. The following is a comparison of the major components of the net position of the College as of June 30, 2016, June 30, 2015, and June 30, 2014:

**Net Position as of June 30 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Assets</b>			
Current assets	\$ 23,408	\$ 22,440	\$ 21,505
Noncurrent assets			
Capital assets, net	144,128	141,193	142,609
Investments	<u>22,534</u>	<u>22,277</u>	<u>19,803</u>
Total assets	<u><b>190,070</b></u>	<u><b>185,910</b></u>	<u><b>183,918</b></u>
<b>Deferred outflows of resources</b>	<u><b>14,794</b></u>	<u><b>15,000</b></u>	<u><b>-</b></u>
<b>Liabilities</b>			
Current liabilities	16,677	18,683	18,354
Noncurrent liabilities			
Net pension liability	110,719	97,802	-
Other	<u>12,479</u>	<u>13,823</u>	<u>14,594</u>
Total liabilities	<u><b>139,875</b></u>	<u><b>130,308</b></u>	<u><b>32,948</b></u>
<b>Deferred inflows of resources</b>	<u><b>3,634</b></u>	<u><b>10,812</b></u>	<u><b>-</b></u>
<b>Net Position</b>			
Invested in capital assets	130,936	126,972	126,942
Restricted - Expendable	11	10	10
Unrestricted (deficit)	<u>(69,592)</u>	<u>(67,194)</u>	<u>24,018</u>
Total net position	<u><b>\$ 61,355</b></u>	<u><b>\$ 59,790</b></u>	<u><b>\$ 150,970</b></u>

Internally, the College accounts for its activities using fund accounting, which is then reorganized into operating and nonoperating components for the audited financial statements. Fiscal Year 2015 includes an adjustment to beginning retained earnings of \$95.8 million due to the implementation of GASB 68. Due to the significance of the variances generated by the GASB 68 entries, and the related pension expense resulting from the State of Michigan contributions to the MPSERS pension plan, Operating Expenses are displayed below with those items shown separately from other College operating expenses. Following is a comparison of the major components of operating results of the College for the years ended June 30, 2016, June 30, 2015, and June 30, 2014:

**Operating Results for the Year Ended June 30 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Revenue</b>	\$ 40,786	\$ 39,629	\$ 39,368
<b>Operating Expenses</b>			
MPSERS - restricted & GASB 68	7,322	1,773	2,396
Operating expenses - all other	<u>112,411</u>	<u>113,849</u>	<u>113,573</u>
	<u>119,733</u>	<u>115,622</u>	<u>115,969</u>
<b>Operating Loss</b>	(78,947)	(75,993)	(76,602)
<b>Nonoperating Revenue</b>	<u>80,131</u>	<u>80,413</u>	<u>78,707</u>
<b>Income - Before other revenue</b>	1,184	4,420	2,106
<b>Other Revenue</b>	<u>381</u>	<u>215</u>	<u>485</u>
<b>Increase in Net Position</b>	<b>1,565</b>	<b>4,635</b>	<b>2,591</b>
<b>Net Position</b>			
Beginning of year	59,790	150,970	148,379
Implementation of GASB 68	<u>-</u>	<u>(95,815)</u>	<u>-</u>
<b>End of year</b>	<u><b>\$ 61,355</b></u>	<u><b>\$ 59,790</b></u>	<u><b>\$ 150,970</b></u>

**Operating Revenues**

Operating revenues include tuition and fees, federal grants, state grants, private gifts, and contracts. Certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

The following table shows operating revenues by source for the years ended June 30, 2016, June 30, 2015, and June 30, 2014:

	<b>2016</b>		<b>2015</b>		<b>2014</b>	
	\$ in 000s	% of total	\$ in 000s	% of total	\$ in 000s	% of total
Tuition and fees	26,442	65%	25,435	64%	25,365	65%
Grants and contracts	4,000	10%	4,156	11%	4,101	10%
Auxiliary services	4,481	11%	4,350	11%	4,400	11%
Other sources	5,863	14%	5,688	14%	5,502	14%
	<b>40,786</b>		<b>39,629</b>		<b>39,368</b>	

**Fiscal Year 2016**

For the College as a whole, total operating revenue increased by 2.9 percent or \$1.16 million.

Significant changes included the following:

- Student tuition and fees revenue increased by 4.0 percent, or approximately \$1 million. Overall, gross tuition charges were roughly flat year over year, however, accounting standards require that when awarded grants and scholarships are applied against student tuition charges, those amounts must reduce reported tuition and fee revenue. This adjustment is referred to as the Scholarship Allowance, which declined by approximately \$850,000 in Fiscal 2016, as compared to Fiscal 2015. The scholarship allowance decreased due to a drop in Federal Pell Grants, which are the single largest source of grant dollars for WCC students.

**Fiscal Year 2015**

For the College as a whole, total operating revenue increased by 0.66 percent or \$0.26 million.

Significant changes included the following:

- Student tuition and fees revenue was stable compared to fiscal 2014, as overall credit hour enrollment for the year was down approximately 1 percent, which was offset by a 2.2 percent increase in tuition rates.
- Other sources of revenue increased by 3.39 percent, or \$186,000, due to an increase in the rental of College facilities by community groups and an increased participation level in the summer programming provided to skilled trades organizations, such as the United Association of Plumbers and Pipefitters and the International Association of Ironworkers.

**Operating Expenses**

Operating expenses are all the costs necessary to perform, conduct, and support academic programs, student services and community activities. They include salaries and benefits, utilities, supplies, services, and depreciation and are then categorized by function. For this financial report, the different funds of the College are netted and interfund activities are eliminated.

The following table shows operating expenses by function for the institution as a whole at June 30, 2016, June 30, 2015, and June 30, 2014.

	2016		2015		2014	
	\$ in 000s	% of total	\$ in 000s	% of total	\$ in 000s	% of total
Instruction	46,714	39%	45,683	40%	45,344	39%
Public Service	4,629	4%	4,717	4%	4,539	4%
Instructional Support	12,973	11%	11,592	10%	11,225	10%
Student Services and Student Aid	23,536	20%	23,401	20%	24,226	21%
Institutional Administration	12,536	10%	11,637	10%	11,569	10%
Physical Plant Operations	12,922	11%	12,393	11%	12,849	11%
Depreciation	6,423	5%	6,199	5%	6,217	5%
	<b>119,733</b>		<b>115,622</b>		<b>115,969</b>	

#### Fiscal Year 2016

During fiscal year 2016, institution-wide operating expenses increased 3.6 percent, or \$4.11 million. An increase in GASB 68 pension expense of \$4.27 million, plus an increase of \$1.28 million in State of Michigan pass-through of unfunded pension liability expenses combined for a total increase of \$5.55 million in pension expenses. Excluding those amounts, operating expenses decreased \$1.44 million, or 1.3 percent due to a one-time decrease of approximately \$2.2 million in the year-end accrual for faculty wages and related expenses; offset by general inflationary increases in other spending.

#### Fiscal Year 2015

During fiscal year 2015, institution-wide operating expenses decreased 0.3 percent, or \$0.34 million. Significant variance items affecting all functional areas include an increase of \$0.96 million in State of Michigan pass-through of unfunded pension liability expenses; offset by a \$1.58 million decrease in pension expense from the implementation of GASB 68. Excluding these two items, overall institution-wide expenses were level, with inflationary increases in wages and related expenses of approximately \$1.5 million largely offset by decreases of \$1.2 million in grant-related spending, particularly student aid awarded through the federal Pell grant program.

### **Non-operating Revenues (Expenses)**

The following table shows net non-operating revenues (expenses) for the years June 30, 2016, June 30, 2015, and June 30, 2014:

	\$ in 000s			
	2016	2015	2014	Change 2016 to 2015
Pell Grant Award	14,497	16,235	17,160	(1,738)
State appropriations	14,834	16,545	15,139	1,711
Property taxes	49,298	47,751	46,581	1,547
Investment and interest income	654	410	444	245
Unrealized gain on investments	1,253	303	127	950
Loss on disposal of equipment	-	(109)	-	109
Interest on capital asset - related debt	(405)	(722)	(743)	317
	<b>80,131</b>	<b>80,413</b>	<b>78,707</b>	<b>(281)</b>

### **Fiscal Year 2016**

Net non-operating revenues decreased by \$282,000. Significant variance items include the following:

- Federal Pell Grant decreased by 10.70 percent, or \$1.74 million. The decline was due to generally improved economic conditions resulting in fewer students meeting the eligibility requirements for these grants.
- Local government (property) taxes increased by 3.24%, or \$1.55 million, due to increased taxable values throughout the county.
- State Appropriations decreased by 10.34 percent, or \$1.71 million, due to a combination of three factors: \$0.23 million of the change resulted from an increase in general funding - an across the board increase, plus an additional amount based on certain performance factors, for which the College received the highest percentage allocation of any community college in the state; additionally \$1.28 million of the change resulted from an increase in a pass-through revenue item, with an equal and offsetting expense, related to the unfunded liability in the MPSERS state teachers' pension plan. These two increases were offset by a decrease resulting from a \$3.2 million non-cash adjustment in the Pension Liability Fund, which defers recognition of a portion of the pass-through money until Fiscal 2017.
- The College recognized an unrealized gain on investments of \$1.25 million, a change of 313 percent, or \$0.95 million as compared to the unrealized gain on investments of \$0.3 million recorded in Fiscal 2015. The College invests its surplus monies in interest-bearing instruments. Changes in the interest rates available in the marketplace, relative to the interest rates attached to the instruments in the College's investment portfolio, have impacted the market value of the portfolio significantly over the past three years. Historically, the College has held its investments until maturity, thus negating the impact of these market adjustments over time.

## Fiscal Year 2015

Net non-operating revenues increased by \$1.71 million. Significant variance items include the following:

- Federal Pell Grant decreased by 5.39 percent, or \$0.92 million. The decline in dollars is in line with a 5.5 percent decline in Pell grant applications, due to the tightening of Pell eligibility requirements and lower enrollment.
- Local government (property) taxes increased by 2.51%, or \$1.17 million, due to increased taxable values throughout the county.
- State Appropriations increased by 9.29 percent, or \$1.41 million, due to a combination of two factors: \$0.45 million increase in general funding - an inflationary adjustment, plus an additional amount based on certain performance factors, for which the College received the highest percentage allocation of any community college in the state; the remaining \$0.96 million is a pass-through revenue item, with an equal and offsetting expense, related to the unfunded liability in the MPSERS state teachers' pension plan.
- The College recorded an unrealized gain on investments of \$.3 million, an increase of 138 percent, or \$0.18 million compared to the prior year.

## Other Revenue

	\$ in 000s			
	2016	2015	2014	Change 2016 to 2015
Capital grants	381	215	485	166

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples would be state capital appropriations and capital grants and gifts. Fiscal years 2016, 2015, and 2014 include contributions from the United Association of Plumbers and Pipefitters for capital upgrades to the College's physical plant, which benefit both the ongoing needs of the specific UA training programs and the College overall.

## Statement of Cash Flows

Another way to assess the financial health of the College is to look at the statement of cash flows. Its primary purpose 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 users assess:

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

**Cash Flows for the Year Ended June 30 (in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>Change 2016 to 2015</u>
<b>Cash Provided by (Used in)</b>				
Operating activities	\$ (72,179)	\$ (72,789)	\$ (69,230)	\$ 610
Noncapital financing activities	81,575	80,952	81,441	623
Capital and related financing activities	(10,406)	(6,149)	(5,523)	(4,257)
Investing activities	<u>(3,490)</u>	<u>(1,782)</u>	<u>3,216</u>	<u>(1,709)</u>
<b>Net (Decrease) Increase in Cash</b>	(4,501)	232	9,904	(4,733)
<b>Cash - Beginning of year</b>	<u>16,600</u>	<u>16,368</u>	<u>6,464</u>	<u>232</u>
<b>Cash - End of year</b>	<u><b>\$ 12,099</b></u>	<u><b>\$ 16,600</b></u>	<u><b>\$ 16,368</b></u>	<u><b>\$ (4,501)</b></u>

**Fiscal Year 2016**

The net result of all cash flows for the year ended June 30, 2016, is a decrease in cash of \$4.5 million, a decrease of \$4.7 million over the prior year. This change falls into two main categories: capital spending; and investment strategy. The College increased its spending on capital and related financing activities by \$4.3 million, as spending on deferred maintenance items increased, as well as spending on the CC-STEP project, a state-funded project which is allowing the College to maintain state-of-the-art equipment for training the next generation of skilled trade workers. Investing activities used \$1.7 million more cash than in the prior year, as the College began to execute on a new investment strategy allowing investments in a wider variety of interest-bearing vehicles generating improved investment returns with minimal increase in risk.

**Fiscal Year 2015**

The net result of all cash flows for the year ended June 30, 2015, is an increase in cash of \$0.23 million, a decrease of \$9.7 million compared to the prior year. This change falls into three broad categories: operations; capital spending; and investment strategy. The combined impact of cash flows from operating and non-capital financing activities generated a decrease of \$4.0 million in cash for fiscal 2015 compared to fiscal 2014. The significant year-over-year changes include: a \$1.3 million increase in cash from property taxes; a decrease of \$2.7 million for the combined impact of Federal Pell grants and Direct Loans; and, a \$2.6 million decrease in cash from increased payments to employees and the related benefit providers. The College increased its spending on capital and related financing activities by \$0.63 million, which represents an 11.3 percent increase over fiscal 2014. This includes an increase in capital asset purchases of \$0.72 million and a slight decrease in cash required for debt service. Notably, the College refinanced its outstanding long-term debt obligations during fiscal 2015. Though this did not impact the cash required for debt service during the current fiscal year, the College will realize savings of approximately \$1.5 million over the remaining life of the new debt obligations. Net cash provided from investing activities decreased \$5.0 million as the College revised its investment approach during fiscal 2015 and began investing some of its surplus cash into longer term investment vehicles. While GASB 68 had significant impact on the other financial statements, it had no impact on the Statement of Cash Flows.

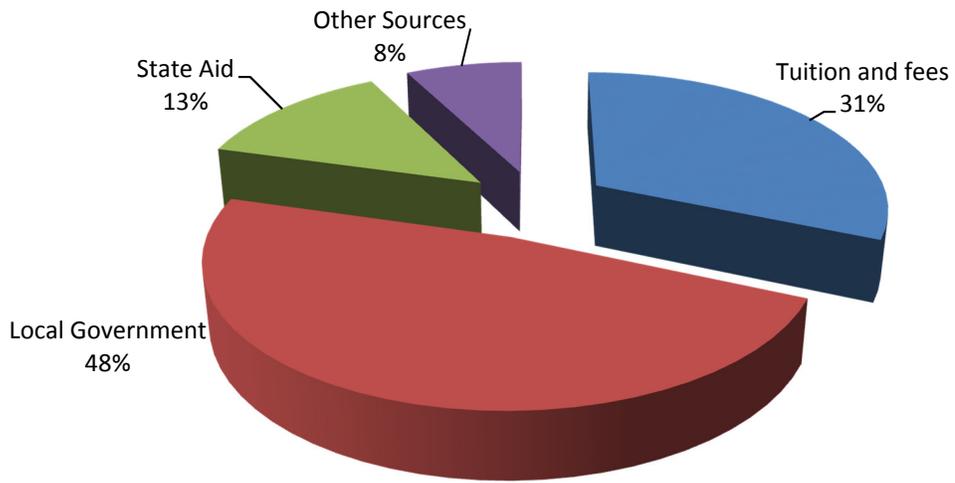
### Supplementary Information

Immediately following the footnotes to the financial statements are two additional schedules of required supplementary information and two statements of other supplementary information. The Schedule of the College's Proportionate Share of Net Pension Liability and Schedule of College Contributions are related to the implementation of GASB 68 and reflect the College's participation in the MPSERS pension plan. The Combining Statement of Net Position and Combining Statement of Changes in Net Position show the breakdown of the College's financial information into the various fund types which the College uses to manage its activities. The GASB 68 entries are reflected in a separate column labeled, Pension Liability Fund, in order to provide a clearer picture of the impact of this significant activity. The College accounts for its primary programs and operations in its General Fund. The General Fund is primarily financed through the following sources of revenue - tuition and fees, local government taxes, state (aid) appropriations, and other sources, including investment income. For this report, these sources of revenue are classified as both operating and non-operating.

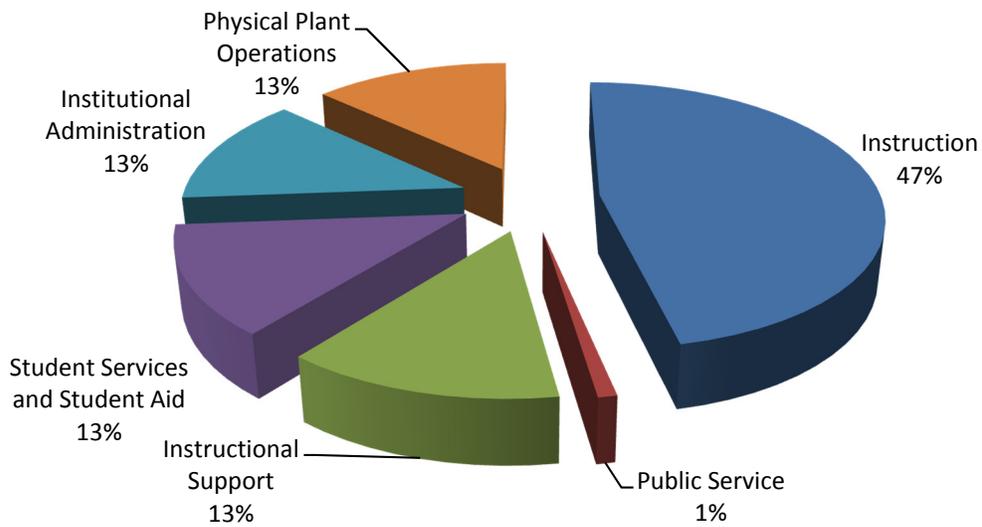
General Fund expenditures are classified by functional area and include both personnel and direct expenditures. Personnel and related expenditures accounted for approximately 82 percent of the General Fund operating expenses for the year ended June 30, 2016.

The following charts show the percentage of revenues, by source, and the percentage of expenses, by function, as they were reported in the General Fund for the year ended June 30, 2016.

### General Fund Revenues - By Source



### General Fund Expenses - By Function



## **Capital Assets and Debt Administration**

### **Capital Assets**

#### **Fiscal Year 2016**

At June 30, 2016, the College had \$144.13 million invested in capital assets, net of accumulated depreciation of approximately \$106.14 million. Depreciation charges totaled \$6.42 million for the current fiscal year.

Major capital projects in progress at June 30, 2016, were as follows:

- CC-STEP State of Michigan Skilled Trades Equipment Grant project
- Campus Chiller Replacement and Temperature Control Upgrades
- Crane Liberal Arts and Science Building Renovations

#### **Fiscal Year 2015**

At June 30, 2015, the College had \$141.19 million invested in capital assets, net of accumulated depreciation of approximately \$99.7 million. Depreciation charges totaled \$6.20 million for the current fiscal year.

Major capital projects in progress at June 30, 2015, were as follows:

- Storage and Receiving Building Addition
- Crane Liberal Arts & Science Building renovations
- Parking surface replacement in several lots around the campus

### **Debt**

At June 30, 2016 and 2015, the College had \$13.27 million and \$14.84 million, respectively, outstanding in general obligation bonds. In March 2015, the College took advantage of the existing low interest rate environment and refinanced its outstanding long-term debt obligations. The impact of the refinancing will result in savings of approximately \$1.5 million over the remaining life of the bonds. Footnote 7 to these financial statements discusses the transaction in greater detail.

### **Economic Factors that Will Affect the Future**

Nationally, community colleges continue to be at the forefront due to affordable tuition rates and responsive curriculum. However, even with the relatively low cost for education, our students still greatly rely on federal and state aid and loans to fund their educational pursuit. In FY 2016, WCC students received in excess of \$33 million in federal & state funding to support the cost of their education at WCC. To the extent that these funding sources could change due to future legislation, this may impact students' ability to pursue their education.

WCC is committed to providing quality, affordable education for our credit and non-credit students, while also serving as a resource for our entire community. As evidenced by the current rate freeze for in-district tuition rates in the upcoming school year, ongoing efforts to maintain low operating costs and to pursue external funding sources have allowed the College to offer outstanding programs at affordable tuition rates.

The economic conditions facing Washtenaw County and the State of Michigan have an impact on the College. As the economic recovery in both our county and state continues, there is a counter cyclical impact on enrollment. Coupled with declining high school populations for Washtenaw County, the College has experienced a decline in enrollment since its peak in 2010. However, over the past three years, and in contrast to much larger declines experienced by many of our peer institutions across the state, the College has successfully maintained steady enrollment due to proactive measures taken to align our programs and course offerings to market demand.

In August 2016, following the close of the fiscal year, the citizens of Washtenaw County voted with overwhelming support to renew an expiring operating tax millage, which, based on current assessed values, is expected to generate approximately \$12.5 million per year for the next ten years. Revenue from property taxes is expected to increase modestly in the upcoming year as property values in Washtenaw County continue to improve. However, in August 2014, legislation to eliminate industrial personal property taxes became final. While the final impact of this legislation is not certain, the legislation did provide for a tax revenue replacement mechanism which is anticipated to largely offset the impact of reduced property tax revenues related to industrial property.

State funding accounts for approximately 13 percent of the College's annual operating budget. The College continues to perform well against state performance metrics. However, state funding is constantly threatened by various legislative initiatives which include potential restriction of use of the state School Aid Fund.

The Michigan Public School Employees Retirement System (MPSERS), the state-run pension fund in which many of the College's employees participate, continues to be a significant and increasing cost to the College. Per MPSERS' comprehensive annual financial report as of September 30, 2015, the unfunded actuarial accrued liability for pensions and other postemployment benefits ("OPEB/Healthcare") for MPSERS is \$26.5 billion and \$11.2 billion, respectively. Pursuant to accounting standards for pensions (GASB No. 68), the College's financial statements reflect a liability of \$110.7 million as of June 30, 2016, its proportionate share of the unfunded pension liability. A new and related statement, GASB No. 75, was issued in June 2015 for implementation in Fiscal Year 2018, which will require the College to record its proportionate share of the OPEB/Healthcare liabilities, in addition to the pension liabilities that are now recorded. The College will need to record an additional significant liability to accommodate this new standard. The State has begun to address this funding obligation by increasing the level of mandatory contributions by the College to MPSERS, on behalf of its plan participants. The State has also provided additional restricted funding to the College each of the past four years to supplement the College's contribution to MPSERS towards its proportionate unfunded pension obligation.

## INDEPENDENT AUDITORS' REPORT

October 10, 2016

To the Board of Trustees  
Washtenaw Community College  
Ann Arbor, Michigan

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditors' Responsibility*

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of **Washtenaw Community College** as of June 30, 2016 and 2015, and the respective results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

## **Implementation of GASB Statement No. 68**

As described in Notes 1 and 8, the College implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the prior year. Accordingly, beginning net position of business-type activities as of July 1, 2014 was restated. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated October 10, 2016, on our consideration of **Washtenaw Community College's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Washtenaw Community College's** internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

# WASHTENAW COMMUNITY COLLEGE

## STATEMENTS OF NET POSITION

	June 30	
	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 12,098,873	\$ 16,599,934
Investments	5,140,132	-
Property taxes receivable, net	73,032	74,141
State appropriations receivable	3,261,749	2,987,973
Accounts receivable, net	2,351,601	2,339,604
Student notes receivable, net	1,095	1,095
Accrued interest receivable	85,120	84,054
Inventories	66,536	44,117
Prepaid and other assets	330,341	308,739
<b>Total current assets</b>	<b>23,408,479</b>	<b>22,439,657</b>
<b>Noncurrent assets</b>		
Investments	22,533,800	22,276,908
Capital assets, net	144,127,776	141,193,749
<b>Total noncurrent assets</b>	<b>166,661,576</b>	<b>163,470,657</b>
<b>Total assets</b>	<b>190,070,055</b>	<b>185,910,314</b>
<b>Deferred outflows of resources</b>		
Deferred charge on refunding	577,891	616,903
Deferred pension amounts (Notes 1 and 8)	14,216,609	14,382,966
<b>Total deferred outflows of resources</b>	<b>14,794,500</b>	<b>14,999,869</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	3,738,548	3,857,472
Accrued payroll and withholdings	6,570,282	8,480,089
Accrued vacation	2,000,000	1,920,000
Accrued interest payable	117,669	145,524
Deposits	245,829	255,602
Unearned revenue	2,250,852	2,452,687
Bonds payable, current portion	1,643,088	1,571,792
Capital lease obligation, current portion	110,733	-
<b>Total current liabilities</b>	<b>16,677,001</b>	<b>18,683,166</b>
<b>Noncurrent liabilities</b>		
Bonds payable, net of current portion	11,623,416	13,266,504
Accrued vacation, net of current portion	464,054	556,775
Net pension liability (Notes 1 and 8)	110,718,864	97,802,079
Capital lease obligation, net of current portion	391,973	-
<b>Total noncurrent liabilities</b>	<b>123,198,307</b>	<b>111,625,358</b>
<b>Total liabilities</b>	<b>139,875,308</b>	<b>130,308,524</b>
<b>Deferred inflows of resources</b>		
Deferred pension amount (Notes 1 and 8)	3,634,378	10,812,084
<b>Net position</b>		
Net investment in capital assets	130,936,458	126,972,355
Restricted for:		
Federal student loan program - Federal portion	9,575	8,690
Federal student loan program - Institutional portion	1,064	966
Unrestricted deficit (Note 1)	(69,592,228)	(67,192,436)
<b>Total net position</b>	<b>\$ 61,354,869</b>	<b>\$ 59,789,575</b>

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

# WASHTENAW COMMUNITY COLLEGE

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30	
	2016	2015
<b>Operating revenues</b>		
Tuition and fees, net of scholarship allowance of of \$6,019,547 (\$6,868,050 in 2015)	\$ 26,441,775	\$ 25,434,849
Federal grants and contracts	2,643,413	3,069,522
State grants and contracts	358,514	276,173
Private grants and contracts	998,041	810,724
Sales and services of educational activities	391,191	417,785
Auxiliary services	4,481,110	4,349,955
Other sources	5,472,192	5,270,248
<b>Total operating revenues</b>	<b>40,786,236</b>	<b>39,629,256</b>
<b>Operating expenses</b>		
Instruction	46,714,309	45,683,296
Public service	4,629,159	4,716,692
Instructional support	12,973,318	11,591,807
Student services and student aid	23,535,518	23,400,962
Institutional administration	12,536,151	11,636,713
Physical plant operations	12,921,662	12,393,419
Depreciation	6,423,312	6,199,141
<b>Total operating expenses</b>	<b>119,733,429</b>	<b>115,622,030</b>
<b>Operating loss</b>	<b>(78,947,193)</b>	<b>(75,992,774)</b>
<b>Nonoperating revenues (expenses)</b>		
Federal grant - Pell award	14,497,239	16,235,003
State appropriations	14,833,859	16,545,094
Property taxes	49,297,668	47,751,140
Investment and interest income	654,362	410,038
Unrealized gain on investments	1,253,313	302,953
Loss on disposal of equipment	-	(108,627)
Interest on capital asset - related debt	(404,798)	(722,766)
<b>Net nonoperating revenues</b>	<b>80,131,643</b>	<b>80,412,835</b>
<b>Income before other revenues</b>	<b>1,184,450</b>	<b>4,420,061</b>
<b>Other revenues</b>		
Capital grants	380,844	214,795
<b>Increase in net position</b>	<b>1,565,294</b>	<b>4,634,856</b>
Net position, beginning of year	59,789,575	150,969,889
Implementation of GASB 68 (Notes 1 and 8)	-	(95,815,170)
<b>Adjusted net position, beginning of year</b>	<b>59,789,575</b>	<b>55,154,719</b>
<b>Net position, end of year</b>	<b>\$ 61,354,869</b>	<b>\$ 59,789,575</b>

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

# WASHTENAW COMMUNITY COLLEGE

## STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	2015
<b>Cash flows from operating activities</b>		
Tuition and fees	\$ 26,693,531	\$ 25,310,898
Grants and contracts	4,014,879	3,928,587
Payments to suppliers and students	(29,346,999)	(29,878,019)
Payments to employees	(83,493,853)	(81,770,802)
Other	9,953,302	9,620,203
<b>Net cash used in operating activities</b>	<b>(72,179,140)</b>	<b>(72,789,133)</b>
<b>Cash flows from noncapital financing activities</b>		
Federal grant - Pell award	14,471,303	16,361,998
Local property taxes	49,298,777	47,978,125
State appropriations	17,781,516	16,278,975
Federal Direct Student Loan receipts	18,686,868	16,583,430
Federal Direct Student Loan disbursements	(18,663,931)	(16,250,776)
State scholarships and grant receipts	547,619	581,504
State scholarships and grant disbursements	(547,619)	(581,504)
<b>Net cash provided by noncapital financing activities</b>	<b>81,574,533</b>	<b>80,951,752</b>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(8,531,897)	(4,359,582)
Principal paid on capital debt	(1,467,053)	(1,515,411)
Capital grant receipts	193,344	402,295
Interest paid on capital debt	(600,433)	(676,331)
<b>Net cash used in capital and related financing activities</b>	<b>(10,406,039)</b>	<b>(6,149,029)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sales and maturities of investments	21,983,021	3,125,813
Interest on investments	640,453	442,382
Purchase of investments	(26,113,889)	(5,350,097)
<b>Net cash used in investing activities</b>	<b>(3,490,415)</b>	<b>(1,781,902)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(4,501,061)</b>	<b>231,688</b>
Cash and cash equivalents, beginning of year	16,599,934	16,368,246
<b>Cash and cash equivalents, end of year</b>	<b>\$ 12,098,873</b>	<b>\$ 16,599,934</b>

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

# WASHTENAW COMMUNITY COLLEGE

## STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2016	2015
<b>Reconciliation of operating loss to net cash used in operating activities</b>		
Operating loss	\$ (78,947,193)	\$ (75,992,774)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,423,312	6,199,141
Bad debts	534,318	536,106
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(644,507)	(1,360,751)
Inventories, prepaid and other assets	(44,021)	(277,200)
Accounts payable	(238,416)	(171,304)
Accrued payroll and other compensation	(1,922,528)	(200,284)
Unearned revenue	(14,335)	55,077
Deposits	(9,773)	6,829
Change in net pension liability and deferred amounts	2,684,003	(1,583,973)
<b>Net cash used in operating activities</b>	<b><u>\$ (72,179,140)</u></b>	<b><u>\$ (72,789,133)</u></b>

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

# WASHTENAW COMMUNITY COLLEGE

## FOUNDATION STATEMENTS OF FINANCIAL POSITION

	June 30	
	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 452,354	\$ 288,189
Contributions receivable, net of discount and allowance of \$30,797 in 2016 and \$59,531 in 2015	437,125	797,730
Investments	18,585,186	18,664,951
Investments held under split-interest agreements	97,757	108,832
Beneficial interest in charitable remainder trust	355,826	366,937
<b>Total assets</b>	<b>\$ 19,928,248</b>	<b>\$ 20,226,639</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,690	\$ 1,010
Revolving loan fund advance	100,000	100,000
Split-interest agreements payable	34,427	35,886
<b>Total liabilities</b>	<b>139,117</b>	<b>136,896</b>
<b>Net assets</b>		
Unrestricted		
Board designated	423,341	423,341
Undesignated	1,388,914	1,575,177
Temporarily unrestricted	5,872,567	6,322,304
Permanently restricted	12,104,309	11,768,921
<b>Total net assets</b>	<b>19,789,131</b>	<b>20,089,743</b>
<b>Total liabilities and net assets</b>	<b>\$ 19,928,248</b>	<b>\$ 20,226,639</b>

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

# WASHTENAW COMMUNITY COLLEGE

## FOUNDATION STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2016	2015
<b>Revenue and support</b>		
Contributions	\$ 704,552	\$ 1,229,541
Fundraising events - net of expenses of \$82,137 in 2016 and \$56,847 in 2015	149,266	188,845
Investment income	341,859	330,074
Changes in value of split-interest agreements	(20,727)	(19,979)
Net realized and unrealized (losses) gains on investments	(437,694)	464,321
Miscellaneous revenue	-	5,000
Personnel services received from affiliate	371,044	443,822
<b>Total revenue and support</b>	<b>1,108,300</b>	<b>2,641,624</b>
<b>Expenses</b>		
Support services		
Salaries	69,102	59,713
Marketing	3,331	10,567
Computer training and support	16,371	15,397
Bad debts	91,026	35,072
Personnel services received from affiliate	371,044	443,822
Other	96,598	130,543
Program services		
Scholarships	696,188	561,096
Other grants to College	65,252	83,126
<b>Total expenses</b>	<b>1,408,912</b>	<b>1,339,336</b>
<b>(Decrease) increase in net assets</b>	<b>(300,612)</b>	<b>1,302,288</b>
Net assets, beginning of year	20,089,743	18,787,455
<b>Net assets, end of year</b>	<b>\$ 19,789,131</b>	<b>\$ 20,089,743</b>

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

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

Washtenaw 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 Governmental Accounting Standards Board (GASB) No. 35 and the *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 or services.

As required by generally accepted accounting principles, these financial statements present the College and its component unit, Washtenaw Community College Foundation (the “Foundation”), described below. A component unit is a separate legal entity that is included in the College’s reporting entity because of the significance of its operational and financial relationship with the College.

The Foundation is discretely reported as a part of the College’s reporting entity (although it is a separate legal entity established as a 501(c)(3) not-for-profit corporation and governed by its own board of directors). Separate financial statements of the Foundation are available by contacting Washtenaw Community College Foundation, 4800 E. Huron River Drive, Ann Arbor, MI 48105.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader:

#### Basis of Presentation

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

#### Cash and Cash Equivalents

Cash and cash equivalents consist of bank demand deposit and savings accounts, cash on hand, and all highly liquid investments with an initial maturity of three months or less.

#### Fair Value Measurements

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

A description of each category in the fair value hierarchy is as follows:

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

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all-significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurement, refer to Note 3 to the financial statements.

### Short-Term Investments

Short-term investments, comprised of readily marketable debt securities with original maturities of more than 90 days at the time of purchase and which mature within one year, are carried at fair value.

### Investments

The College carries its investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

### Accounts Receivable

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

### Inventories

Inventories consist primarily of culinary arts and automotive service center supplies and are stated at the lower of cost or market using the first-in, first-out method.

### Property and Equipment

Property and equipment are recorded at cost. However, gifts of property are recorded at fair value at the time gifts are received. Library books are recorded using a historically based estimated value. Expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. The following estimated useful lives are used to compute depreciation:

Land improvements and infrastructure	10-15 years
Buildings and improvements	40 years
Equipment, furniture, and software	3-7 years
Library books	7 years

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### Revenue and Expense Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Student tuition does not include Federal Pell grant, Direct Loans and certain other state grants and scholarships awarded directly to students. While these amounts are reflected in the statement of cash flows at gross value, students use some or all of these funds to satisfy account balances.

Operating revenues of the College consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, State appropriations, property taxes, and Pell Grant revenue are components of nonoperating and other revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

### Unearned Revenue

Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2016 and 2015 consists of approximately \$1,491,000 and \$1,457,000 for the 2016 and 2015 spring/summer semesters, respectively. Unearned revenue also includes approximately \$320,000 and \$380,000 at June 30, 2016 and 2015 for payments received toward Fall 2016 and 2015 tuition and fees, respectively. Grants received prior to qualifying expenditures are also included in unearned revenue.

### Accrued Vacation

Accrued vacation represents the accumulated liability to be paid under the College's vacation leave policy. The amount of accrued vacation to be paid during the next fiscal year is classified as current in the accompanying statement of net position.

### Restricted Net Position

Restricted net position represents amounts over which third parties have imposed restrictions that cannot be changed by the Board, including amounts that the Board has agreed to set aside under contractual agreements with third parties. The restricted balance consists of funds restricted for student loans.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### Unrestricted Net Deficit

The College has designated the use of unrestricted net (deficit) position as follows at June 30:

	2016	2015
Encumbrances	\$ 521,433	\$ 451,368
Future conference funds	39,120	96,817
Health insurance claims	600,000	690,000
Designated for capital improvements	2,272,781	6,694,800
Pension liability fund deficit	(110,136,633)	(94,231,197)
Unrestricted and unallocated	<u>27,111,071</u>	<u>19,105,776</u>
<b>Total unrestricted net deficit</b>	<b><u>\$(69,592,228)</u></b>	<b><u>\$(67,192,436)</u></b>

### Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports a deferred outflow of resources for its deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This deferred outflow is amortized over the shorter of the life of the refunded or refunding bonds. The College also reports deferred outflows of resources for certain pension related amounts, such as changes in expected and actual investment returns, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information, including the amortization of these amounts, can be found in Note 8.

### Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension related amounts, such as the difference between projected and actual earnings of the pension plan's investments, and the pension portion of Sec 147c state aid revenue received subsequent to the measurement date. More detailed information can be found in Note 8.

### Net Pension Liability

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 Plan, and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### Use of Estimates

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

### Reclassifications

Certain 2015 amounts have been reclassified to conform to the 2016 presentation.

### New Accounting Pronouncement

As of July 1, 2014, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires that the College recognize a net pension liability on the statement of net position, equal to the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 8. As a result of this change, the College recognized a net pension liability of \$104,041,940 and deferred outflows of resources of \$8,226,770, which resulted in a decrease in net position of \$95,815,170 as of July 1, 2014.

## 2. PROPERTY TAXES

Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by Washtenaw County, are collected through February 28. Uncollected real property taxes of the College are turned over to Washtenaw County for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through Washtenaw County's tax revolving funds. These payments are usually received within three to five months after the delinquency date.

Property tax revenue levied for general operating purposes was \$49,297,668 and \$47,751,140 based on \$3.4576 of tax per \$1,000 of taxable property value in the College's taxing district for the years ended June 30, 2016 and 2015, respectively.

## 3. CASH AND INVESTMENTS

The College's deposits and investments are included on the statements of net position under the following classifications as of June 30:

	2016	2015
Cash and cash equivalents	\$ 12,098,873	\$ 16,599,934
Investments	<u>27,673,932</u>	<u>22,276,908</u>
<b>Total</b>	<b><u>\$ 39,772,805</u></b>	<b><u>\$ 38,876,842</u></b>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The College's cash and cash equivalents consist of the following as of June 30:

	2016	2015
Bank deposits (checking accounts, savings accounts, money market accounts and certificates of deposit)	\$ 12,096,507	\$ 16,597,672
Petty cash or cash on hand	<u>2,366</u>	<u>2,262</u>
<b>Total</b>	<b><u>\$ 12,098,873</u></b>	<b><u>\$ 16,599,934</u></b>

### Deposits

The above deposits at June 30, 2016 and 2015 were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$12,771,714 and \$17,157,833, respectively. Of the amount at June 30, 2016, \$1,107,688 was covered by federal depository insurance and \$11,664,026 was uninsured and uncollateralized. Of the amount at June 30, 2015, \$1,164,620 was covered by federal depository insurance and \$15,993,213 was uninsured and uncollateralized.

The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each institution 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.

### Investments

The College utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2016 or 2015.

*U.S. agencies:* U.S agencies funds are valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

*Municipal bonds:* Certain municipal bonds and debentures valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

*State of Michigan bonds:* Level 1 fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded.

*Commercial paper:* Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The following tables set forth by level, within the fair value hierarchy, the College's investments measured at fair value on a recurring basis as of June 30:

2016	Level 1	Level 2	Level 3	Total
U.S. agencies	\$ 7,066,530	\$ -	\$ -	\$ 7,066,530
Municipal bonds	15,607,302	-	-	15,607,302
State of Michigan Bonds	2,003,000	-	-	2,003,000
Commercial paper	<u>2,997,100</u>	<u>-</u>	<u>-</u>	<u>2,997,100</u>
<b>Total investments at fair value</b>	<b><u>\$ 27,673,932</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 27,673,932</u></b>

2015	Level 1	Level 2	Level 3	Total
U.S. agencies	\$ 18,174,898	\$ -	\$ -	\$ 18,174,898
Municipal bonds	<u>4,102,010</u>	<u>-</u>	<u>-</u>	<u>4,102,010</u>
<b>Total investments at fair value</b>	<b><u>\$ 22,276,908</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 22,276,908</u></b>

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Greater Than 10
Municipal bonds	\$ 15,607,302	\$ 2,143,032	\$ 10,774,740	\$ 1,075,410	\$ 1,614,120
U.S. agencies	7,066,530	-	-	1,032,490	6,034,040
State of Michigan Bonds	2,003,000	-	2,003,000	-	-
Commercial paper	<u>2,997,100</u>	<u>2,997,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 27,673,932</u></b>	<b><u>\$ 5,140,132</u></b>	<b><u>\$ 12,777,740</u></b>	<b><u>\$ 2,107,900</u></b>	<b><u>\$ 7,648,160</u></b>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	Greater Than 10
U.S. agencies	\$ 18,174,898	\$ -	\$ -	\$ 5,785,844	\$ 12,389,054
Municipal bonds	4,102,010	-	1,007,040	1,580,030	1,514,940
Total	<u>\$ 22,276,908</u>	<u>\$ -</u>	<u>\$ 1,007,040</u>	<u>\$ 7,365,874</u>	<u>\$ 13,903,994</u>

### Interest Rate Risk

As a means of limiting its exposure to portfolio and market risk, the College's investment policy states that investments are to be diversified by security type, financial institution, and maturity date of securities. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

### Credit Risk

The College is authorized by Michigan Public Act 331, as amended through 1997, and by resolution of the board of trustees' policy to invest surplus monies in U.S. Treasury or agency bonds, bills, notes, or bankers' acceptances issued by a bank that is a member of the FDIC; negotiable certificates of deposit, savings accounts, or other interest-earning deposit accounts of a financial institution; commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC; commercial paper of corporations located in the state rated prime by at least one of the standard rating services; mutual funds, trusts, or investment pools that are composed entirely of instruments that are eligible collateral; repurchase agreements against eligible collateral, the market value of which must be maintained during the life of the agreements at levels equal to or greater than the amounts advanced and obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by at least one rating service. The College's investments in the bonds of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service at June 30, 2016 and 2015. The College's investments in Michigan municipalities were rated AA- to AAA and AA- to AA+ by Standard & Poor's at June 30, 2016 and 2015, respectively. The College's investments in State of Michigan Bonds were rated AA- by Standard & Poor's at June 30, 2016. The College's investments in Commercial Paper were rated A-1+ to A-3 by Standard & Poor's at June 30, 2016.

### Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. As of June 30, 2016, the College's investments were concentrated by issuer as follows: 56 percent issued by Michigan municipalities; 26 percent issued by U.S. agencies; 11 percent commercial paper and 7 percent State of Michigan bonds. As of June 30, 2015, the College's investments were concentrated by issuer as follows: 82 percent issued by U.S. agencies and 18 percent issued by Michigan municipalities.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### Custodial Credit Risk

Custodial credit risk is the risk that, in the event of 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 does not have a policy for custodial credit risk. The College's investments are uninsured, unregistered, and held by the College's agent in the College's name. At June 30, 2016, approximately 46 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 22 percent were in the custody of Key Bank Capital Markets; 17 percent were in the custody of PNC Capital Markets and 15 percent were in the custody of Stifel, Nicolaus & Company, Inc. At June 30, 2015, approximately 55 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 21 percent were in the custody of Key Bank Capital Markets; 24 percent were in the custody of PNC Capital Markets.

## 4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2016	2015
Student accounts	\$ 3,252,044	\$ 2,771,775
Miscellaneous grants	441,317	456,228
Pell	119,070	93,134
Federal Direct Loans	123,207	146,144
Other	<u>210,963</u>	<u>311,323</u>
Total	4,146,601	3,778,604
Less allowance for doubtful accounts	<u>1,795,000</u>	<u>1,439,000</u>
Accounts receivable, net	<u>\$ 2,351,601</u>	<u>\$ 2,339,604</u>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 5. CAPITAL ASSETS

The following tables present the changes in each of the capital assets class categories for the years ended June 30, 2016 and 2015:

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Assets not being depreciated:					
Land and other	\$ 2,229,447	\$ -	\$ -	\$ -	\$ 2,229,447
Construction in progress	<u>1,491,753</u>	<u>5,050,945</u>	<u>-</u>	<u>(1,479,427)</u>	<u>5,063,271</u>
Total capital assets not being depreciated	<u>3,721,200</u>	<u>5,050,945</u>	<u>-</u>	<u>(1,479,427)</u>	<u>7,292,718</u>
Capital assets being depreciated:					
Land improvements and Infrastructure	13,426,357	587,403	-	411,630	14,425,390
Buildings and Improvements	188,834,184	2,272,650	-	914,265	192,021,099
Equipment, furniture, and software	31,397,841	1,427,460	(49,995)	153,532	32,928,838
Library books	<u>3,530,495</u>	<u>68,876</u>	<u>-</u>	<u>-</u>	<u>3,599,371</u>
Total capital assets being depreciated	<u>237,188,877</u>	<u>4,356,394</u>	<u>(49,995)</u>	<u>1,479,427</u>	<u>242,974,698</u>
Less accumulated depreciation:					
Land improvements and Infrastructure	8,011,408	690,983	-	-	8,702,391
Buildings and Improvements	61,559,901	4,251,262	-	-	65,811,163
Equipment, furniture, and software	27,026,688	1,345,569	-	-	28,372,257
Library books	<u>3,118,331</u>	<u>135,498</u>	<u>-</u>	<u>-</u>	<u>3,253,829</u>
Total accumulated depreciation	<u>99,716,328</u>	<u>6,423,312</u>	<u>-</u>	<u>-</u>	<u>106,139,640</u>
Capital assets being depreciated, net	<u>137,472,549</u>	<u>(2,066,923)</u>	<u>(49,995)</u>	<u>1,479,427</u>	<u>136,835,058</u>
Capital assets, net	<u>\$ 141,193,749</u>	<u>\$ 2,984,022</u>	<u>\$ (49,995)</u>	<u>\$ -</u>	<u>\$ 144,127,776</u>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

	Balance July 1, 2014	Additions	Deletions	Transfers	Balance June 30, 2015
Assets not being depreciated:					
Land and other	\$ 2,229,447	\$ -	\$ -	\$ -	\$ 2,229,447
Construction in progress	892,194	1,450,269	-	(850,710)	1,491,753
Total capital assets not being depreciated	<u>3,121,641</u>	<u>1,450,269</u>	<u>-</u>	<u>(850,710)</u>	<u>3,721,200</u>
Capital assets being depreciated:					
Land improvements and Infrastructure	13,020,686	187,529	-	218,142	13,426,357
Buildings and Improvements	186,204,326	2,030,250	-	599,608	188,834,184
Equipment, furniture, and software	30,580,227	1,095,018	(310,364)	32,960	31,397,841
Library books	3,401,244	129,251	-	-	3,530,495
Total capital assets being depreciated	<u>233,206,483</u>	<u>3,442,048</u>	<u>(310,364)</u>	<u>850,710</u>	<u>237,188,877</u>
Less accumulated depreciation:					
Land improvements and Infrastructure	7,387,431	623,977	-	-	8,011,408
Buildings and Improvements	57,390,288	4,169,613	-	-	61,559,901
Equipment, furniture, and software	25,974,671	1,253,753	(201,736)	-	27,026,688
Library books	2,966,533	151,798	-	-	3,118,331
Total accumulated depreciation	<u>93,718,923</u>	<u>6,199,141</u>	<u>(201,736)</u>	<u>-</u>	<u>99,716,328</u>
Capital assets being depreciated, net	<u>139,487,560</u>	<u>(2,757,093)</u>	<u>(108,628)</u>	<u>850,710</u>	<u>137,472,549</u>
Capital assets, net	<u>\$142,609,201</u>	<u>\$ (1,306,824)</u>	<u>\$ (108,628)</u>	<u>\$ -</u>	<u>\$ 141,193,749</u>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The College is in the process of renovating existing buildings and constructing new buildings on College grounds. At June 30, 2016 and 2015, construction in progress for these capital improvement projects was as follows:

	2016	2015
CC-STEP State of Michigan Skilled Trades Equipment project	\$ 3,972,882	\$ -
Crane Liberal Arts & Science Building	-	594,197
Parking Lot Replacement	-	373,048
Storage and Receiving Building	-	299,228
Chiller Replacement and Temperature Control Upgrade projects	770,755	-
Miscellaneous construction projects	<u>319,634</u>	<u>225,280</u>
<b>Total construction in progress</b>	<b><u>\$ 5,063,271</u></b>	<b><u>\$ 1,491,753</u></b>

Total future commitments at June 30, 2016 and 2015 related to these projects approximated \$4,503,000 and \$2,238,000, respectively. Funding for these projects is included within the College's net position designated for capital improvement, supplemented by a State of Michigan CC-STEP grant award of \$4,399,634.

## 6. LEASES

### Capital Leases

The College entered into a lease agreement as lessee for financing the purchase of certain office equipment, which meets the capitalization criteria specified by generally accepted accounting principles. Therefore, it has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 7). The cost and accumulated depreciation of the assets under the capital leases totaled approximately \$605,000 and \$121,000 as of June 30, 2016, respectively.

The following is a schedule of annual future minimum lease payments required under the capital lease as of June 30, 2016:

Years Ending	Amount
2017	\$ 147,809
2018	147,809
2019	147,809
2020	<u>147,809</u>
Total minimum lease payments	591,236
Less amount representing interest	<u>(88,530)</u>
<b>Present value at June 30, 2016</b>	<b><u>\$ 502,706</u></b>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 7. LONG-TERM OBLIGATIONS

Long-term obligation activity during the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
July 25, 2006, Building and Site Bonds	\$ 795,000	\$ -	\$ 795,000	\$ -	\$ -
March 2015, Refunding Bonds	12,785,000	-	570,000	12,215,000	1,455,000
Bond Premium on 2015 Refunding Bonds	1,258,296	-	206,792	1,051,504	188,088
Capital lease obligations	-	604,759	102,053	502,706	110,733
Accrued vacation pay	<u>2,476,775</u>	<u>1,904,239</u>	<u>1,916,960</u>	<u>2,464,054</u>	<u>2,000,000</u>
<b>Total</b>	<b><u>\$ 17,315,071</u></b>	<b><u>\$ 2,508,998</u></b>	<b><u>\$ 3,590,805</u></b>	<b><u>\$ 16,233,264</u></b>	<b><u>\$ 3,753,921</u></b>

Long-term obligation activity during the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
March 14, 2005B Refunding Bonds	\$ 2,575,000	\$ -	\$ 2,575,000	\$ -	\$ -
July 25, 2006, Building and Site Bonds	13,090,000	-	12,295,000	795,000	795,000
March 2015, Refunding Bonds	-	12,785,000	-	12,785,000	570,000
Bond Discount on 2005B Refunding Bonds	(12,727)	-	(12,727)	-	-
Bond Discount on 2006 Building and Site Bonds	(130,650)	-	(130,650)	-	-
Bond Premium on 2015 Refunding Bonds	-	1,314,821	56,525	1,258,296	206,792
Capital lease obligations	145,411	-	145,411	-	-
Accrued vacation pay	<u>2,429,147</u>	<u>1,931,520</u>	<u>1,883,892</u>	<u>2,476,775</u>	<u>1,920,000</u>
<b>Total</b>	<b><u>\$ 18,096,181</u></b>	<b><u>\$ 16,031,341</u></b>	<b><u>\$ 16,812,451</u></b>	<b><u>\$ 17,315,071</u></b>	<b><u>\$ 3,491,792</u></b>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### Bond Defeasance

In March 2015, the College issued \$12,785,000 of Refunding Bonds, Series 2015 with an average interest rate of 3.76% which, in conjunction with a debt service fund contribution, were used to refund \$1,965,000 of outstanding Refunding Bonds, Series 2005B and advance refund \$11,535,000 of Facilities Bonds, Series 2006, with average interest rates of 3.95% and 4.44%, respectively. The net proceeds of \$13,990,731 (after payment of \$109,090 in underwriting fees and other issuance costs), plus an additional \$293,236 of prior debt retirement fund monies, were used to purchase U.S. treasury securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the College's long-term obligations. In prior years, the College defeased certain other bonds. At June 30, 2016 and 2015, \$14,190,000 and \$15,440,000 of bonds outstanding are considered defeased, respectively.

### General Obligation Bonds

At June 30, 2016, general obligation bonds totaling \$12,215,000 were outstanding with interest rates varying from 2.5% to 4.0%. Principal payments are due annually in April with payments for the upcoming year totaling \$1,455,000. Interest payments are due semiannually in April and October in the amount of \$235,000. These bonds are insured and mature in varying amounts through 2027.

At June 30, 2015, general obligation bonds totaling \$13,580,000 were outstanding with interest rates varying from 2.5% to 4.25%. Principal payments are due annually in April with payments for the upcoming year ranging from \$570,000 to \$795,000. Interest payments are due semiannually in April and October ranging from \$16,900 to \$274,000. These bonds are insured and mature in varying amounts through 2027.

Total principal and interest maturities on the general obligation bonds for years succeeding June 30, 2016 are summarized as follows:

Year	Debt Obligations		
	Principal	Interest	Total
2017	\$ 1,455,000	\$ 470,675	\$ 1,925,675
2018	1,515,000	412,475	1,927,475
2019	870,000	351,875	1,221,875
2020	910,000	317,075	1,227,075
2021	945,000	280,675	1,225,675
2022 - 2026	5,325,000	804,975	6,129,975
2027	1,195,000	29,875	1,224,875
<b>Totals</b>	<b>\$ 12,215,000</b>	<b>\$ 2,667,625</b>	<b>\$ 14,882,625</b>

### Accrued Vacation Pay

The liability has been recorded based on the number of days available for each employee.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 8. RETIREMENT PLANS

#### Defined Benefit Plan

*Plan Description.* The College contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multi-employer state-wide, defined benefit public employee retirement plan governed by the state of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio.

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

The System's financial statements are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr).

*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 for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2015 will be amortized over a 21-year period.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 18.76 % to 26.26% of covered payroll for the College's fiscal 2016. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2016.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 15.44% to 23.07% of covered payroll for the College's fiscal 2015. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2015.

The College's contribution to MPSERS under all pension plans for the years ended June 30, 2016 and 2015 were approximately \$10,532,000 and \$8,278,000, respectively. The College's contributions to MPSERS for all plans, including other postemployment benefits as described on page 40, for the year ended June 30, 2014 was \$11,832,000. These amounts are equal to the College's required contributions for each year.

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

At June 30, 2016 and 2015, the College reported a liability of \$110,718,864 and \$97,802,079, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014 and 2013, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the System during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the College's proportion was 0.45330% and 0.44402% at September 30, 2014, an increase of 0.00928%.

For the year ended June 30, 2016, the College recognized its proportional share of the Plan's pension expense of \$9,811,705. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 2,726,133	\$ -	\$ 2,726,133
Differences between expected and actual experience	-	366,733	(366,733)
Change in proportion and differences between employer contribution and proportionate share	1,731,080	46,212	1,684,868
Net difference between projected and actual earnings on pension plan investments	565,130	-	565,130
	<u>5,022,343</u>	<u>412,945</u>	<u>4,609,398</u>
Pension portion of Sec 147c state aid award (State fiscal year 2015-2016)	-	3,221,433	(3,221,433)
College contributions subsequent to the measurement date	<u>9,194,266</u>	<u>-</u>	<u>9,194,266</u>
<b>Total</b>	<b><u>\$ 14,216,609</u></b>	<b><u>\$ 3,634,378</u></b>	<b><u>\$ 10,582,231</u></b>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

\$9,194,266 reported as deferred outflows of resources related to pensions resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. \$3,221,433 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State Aid revenue for the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2017	\$ 764,278
2018	764,278
2019	616,360
2020	<u>2,464,482</u>
<b>Total</b>	<b><u>\$ 4,609,398</u></b>

For the year ended June 30, 2015, the College recognized its proportional share of the Plan's pension expense of \$7,922,915. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2015	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 3,608,696	\$ -	\$ 3,608,696
Change in proportion and differences between employer contribution and proportionate share	2,519	-	2,519
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>10,812,084</u>	<u>(10,812,084)</u>
	3,611,215	10,812,084	(7,200,869)
College contributions subsequent to the measurement date	<u>10,771,751</u>	<u>-</u>	<u>10,771,751</u>
<b>Total</b>	<b><u>\$ 14,382,966</u></b>	<b><u>\$ 10,812,084</u></b>	<b><u>\$ 3,570,882</u></b>

# WASHTENAW COMMUNITY COLLEGE

## ■ NOTES TO FINANCIAL STATEMENTS

*Actuarial Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 and 2013 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Projected salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5% for 2014 (7% for 2013)
Cost of living adjustments	3.0% annual, non-compounded for MIP members

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015 and 2014, respectively, is based on the results of an actuarial valuation date of September 30, 2014 and 2013, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study for the 2014 valuation.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

*Long-Term Expected Return on Plan Assets.* The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 and 2014, are summarized in the following tables:

<u>2015</u>			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	5.90 %	1.64 %
Alternative investment pools	18.00	9.20	1.66
International equity	16.00	7.20	1.15
Fixed income pools	10.50	0.90	0.09
Real estate and infrastructure pools	10.00	4.30	0.43
Absolute return pools	15.50	6.00	0.93
Short-term investment pools	<u>2.00</u>	0.00	<u>0.00</u>
	<u>100.00 %</u>		5.90 %
Inflation			<u>2.10</u>
<b>Investment rate of return</b>			<u><b>8.00 %</b></u>

<u>2014</u>			
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	4.80 %	1.34 %
Alternative investment pools	18.00	8.50	1.53
International equity	16.00	6.10	0.98
Fixed income pools	10.50	1.50	0.16
Real estate and infrastructure pools	10.00	5.30	0.53
Absolute return pools	15.50	6.30	0.98
Short-term investment pools	<u>2.00</u>	-0.20	<u>-0.02</u>
	<u>100.00 %</u>		5.50 %
Inflation			<u>2.50</u>
<b>Investment rate of return</b>			<u><b>8.00 %</b></u>

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

*Discount Rate.* A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of the College as of June 30, 2016 and 2015, calculated using the discount rate of 8.0%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of net pension liability (2016)	\$ 142,744,998	\$ 110,718,864	\$ 83,719,521
College's proportionate share of net pension liability (2015)	\$ 128,943,815	\$ 97,802,079	\$ 71,565,112

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

*Payable to the Pension Plan.* At June 30, 2016, the College reported a payable of \$1,440,724 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016. The College reported a payable of \$1,838,855 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

### **Other Postemployment Benefits**

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a pre-funded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 9.62 to 10.34% and 9.83 to 11.01% of covered payroll for fiscal 2016 and 2015, respectively. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

Plan members enrolled on or after September 4, 2012 participate in the *Personal Healthcare Fund*. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 were declared unconstitutional by the Michigan Supreme Court. If sustained upon appeal, such amounts will be refunded by MPSERS to each College, including interest, and will then be refunded to individual employees.

The College's contributions to MPSERS for other postemployment benefits were \$3,665,221 and \$4,580,293 for the years ended June 30, 2016 and 2015, respectively.

### Defined Contribution Plan

Beginning in October 1996, the College established a 401(a) plan as an alternative to the retirement plan from the MPSERS. All full-time educators and administrators are eligible to participate in the plan. The plan has 240 members as of June 30, 2016.

The plan requires College and participant contributions to be made as a percentage of the participants' gross earnings. The College must contribute 12 percent of gross earnings, and the participants must contribute 3 percent of gross earnings. The College made contributions to the plan totaling approximately \$1,842,000 and \$1,809,000 for the years ended June 30, 2016 and 2015, respectively.

## 9. RISK MANAGEMENT

The College funds its employees' health benefit plan on a partially uninsured basis, providing coverage for employees' medical, dental, and vision claims. The College's maximum stop-loss is limited to \$55,000 per employee contract covered under the plan. At June 30, 2016 and 2015, the estimated maximum stop-loss that the College could incur approximated \$15,895,000 and \$18,810,000, respectively.

The College is partially uninsured for workers' compensation to a maximum of \$350,000 for each accident and, in the aggregate, for claims up to approximately \$5,000,000 for the 12-month insurance policy period expiring July 1, 2015.

# WASHTENAW COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The College estimates the liability for health benefit claims and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. For the years ended June 30, 2016 and 2015, changes in the estimated liabilities were as follows:

	Workers' Compensation	Health Benefits
Estimated liability, July 1, 2013	\$ 154,051	\$ 1,123,445
Estimated claims incurred, including changes in estimates	94,462	4,862,298
Less claim payments	<u>56,426</u>	<u>4,890,633</u>
<b>Estimated liability, June 30, 2014</b>	<b><u>\$ 192,087</u></b>	<b><u>\$ 1,095,110</u></b>
Estimated liability, July 1, 2014	\$ 192,087	\$ 1,095,110
Estimated claims incurred, including changes in estimates	141,709	5,960,427
Less claim payments	<u>196,383</u>	<u>5,741,045</u>
<b>Estimated liability, June 30, 2015</b>	<b><u>\$ 137,413</u></b>	<b><u>\$ 1,314,492</u></b>
Estimated liability, July 1, 2015	\$ 137,413	\$ 1,314,492
Estimated claims incurred, including changes in estimates	(8,216)	4,864,939
Less claim payments	<u>71,787</u>	<u>4,987,037</u>
<b>Estimated liability, June 30, 2016</b>	<b><u>\$ 57,410</u></b>	<b><u>\$ 1,192,394</u></b>

### 10. RELATED PARTIES

The Washtenaw Community College Foundation (the "Foundation") is a separate legal entity established as a 501(c)(3) not-for-profit corporation and governed by its own board of directors to accept, collect, hold, and invest donations made for the promotion of educational activities.

The College provides employees and office space to the Foundation at no charge. The amount of such assistance for the years ended June 30, 2016 and 2015 was approximately \$466,000 and \$509,000, respectively.

In addition, the College received payments from the Foundation for student scholarships and support totaling approximately \$717,000 and \$629,000 for the years ended June 30, 2016 and 2015, respectively.

# WASHTENAW COMMUNITY COLLEGE

## ■ NOTES TO FINANCIAL STATEMENTS

The Washtenaw Community College Board of Trustees is the chartering body for the Washtenaw Technical Middle College (the “Academy”). The College has entered into several contractual agreements with the Academy, including a facility use license agreement, an administrative and educational support services agreement, and a joint enrollment agreement. For both the years ended June 30, 2016 and 2015, the facility use license agreement and education support services agreement required that the Academy pay the College \$150,000 and \$150,000, respectively. Under the joint enrollment agreement, the Academy students may be jointly enrolled in both the College and the Academy. The Academy pays all tuition and fees for students enrolled at the College. Tuition and fees under this agreement were approximately \$1,329,000 and \$1,320,000 for the years ended June 30, 2016 and 2015, respectively.



## **SUPPLEMENTARY INFORMATION**

# WASHTENAW COMMUNITY COLLEGE

## Required Supplementary Information MPSERS Cost-Sharing Multiple-Employer Plan

### Schedule of the College's Proportionate Share of the Net Pension Liability (Unaudited)

	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability	0.45330%	0.44402%
College's proportionate share of the net pension liability	\$ 110,718,864	\$ 97,802,079
College's covered-employee payroll	38,675,423	38,039,183
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	286.28%	257.11%
Plan fiduciary net position as a percentage of the total pension liability	63.17%	66.20%

The amounts presented for the fiscal year were determined as of September 30 of the preceding year.

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

# WASHTENAW COMMUNITY COLLEGE

## Required Supplementary Information

### MPSERS Cost-Sharing Multiple-Employer Plan

#### Schedule of College Contributions (Unaudited)

	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	\$ 10,532,263	\$ 8,277,610
Contributions in relation to the contractually required contribution	<u>(10,532,263)</u>	<u>(8,277,610)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 37,968,811	\$ 38,653,956
Contributions as a percentage of covered employee payroll	27.7%	21.4%

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

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION - UNAUDITED  
 JUNE 30, 2016 (with comparative totals for June 30, 2015)

	Current Funds			Auxiliary Fund	Student Loan Fund	Plant Fund	Agency Fund	Eliminations	Combined Total	
	General Fund	Restricted Fund	Pension Liability Fund						June 30, 2016	June 30, 2015
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 7,505,194	\$ -	\$ -	\$ 843,058	\$ 9,544	\$ 3,558,491	\$ 182,586	\$ -	\$ 12,098,873	\$ 16,599,934
Investments	5,140,132	-	-	-	-	-	-	-	5,140,132	-
Accounts receivable:										
Property taxes receivable, less allowance of \$86,000 (\$90,000 in 2015)	73,032	-	-	-	-	-	-	-	73,032	74,141
State appropriations receivable	2,418,385	843,364	-	-	-	-	-	-	3,261,749	2,987,973
Accounts receivable, less allowance of \$1,795,000 (\$1,439,000 in 2015)	1,457,044	683,594	-	40,354	-	155,000	15,609	-	2,351,601	2,339,604
Student notes receivable, less allowance of \$33,000 (\$33,000 in 2015)	-	-	-	-	1,095	-	-	-	1,095	1,095
Accrued interest receivable	85,120	-	-	-	-	-	-	-	85,120	84,054
Due (to) from other funds	(26,586)	118,534	-	(95,764)	-	3,816	-	-	-	-
Inventories	66,536	-	-	-	-	-	-	-	66,536	44,117
Prepaid and other assets	330,341	-	-	-	-	-	-	-	330,341	308,739
<b>Total current assets</b>	<b>17,049,198</b>	<b>1,645,492</b>	<b>-</b>	<b>787,648</b>	<b>10,639</b>	<b>3,717,307</b>	<b>198,195</b>	<b>-</b>	<b>23,408,479</b>	<b>22,439,657</b>
<b>Noncurrent assets</b>										
Investments	22,533,800	-	-	-	-	-	-	-	22,533,800	22,276,908
Capital assets, net of accumulated depreciation:										
Land	-	-	-	-	-	2,086,937	-	-	2,086,937	2,086,937
Land improvements and infrastructure	-	-	-	-	-	5,722,999	-	-	5,722,999	5,414,950
Buildings and improvements	-	-	-	-	-	126,352,444	-	-	126,352,444	127,416,790
Equipment, furniture, and software	-	-	-	-	-	4,556,582	-	-	4,556,582	4,371,153
Library books	-	-	-	-	-	345,543	-	-	345,543	412,166
Construction in progress	-	-	-	-	-	5,063,271	-	-	5,063,271	1,491,753
<b>Total noncurrent assets</b>	<b>22,533,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>144,127,776</b>	<b>-</b>	<b>-</b>	<b>166,661,576</b>	<b>163,470,657</b>
<b>Total assets</b>	<b>39,582,998</b>	<b>1,645,492</b>	<b>-</b>	<b>787,648</b>	<b>10,639</b>	<b>147,845,083</b>	<b>198,195</b>	<b>-</b>	<b>190,070,055</b>	<b>185,910,314</b>
<b>Deferred outflows of resources</b>										
Deferred charge on refunding	-	-	-	-	-	577,891	-	-	577,891	616,903
Deferred pension amounts	-	-	14,216,609	-	-	-	-	-	14,216,609	14,382,966
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>14,216,609</b>	<b>-</b>	<b>-</b>	<b>577,891</b>	<b>-</b>	<b>-</b>	<b>14,794,500</b>	<b>14,999,869</b>

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION - UNAUDITED (CONCLUDED)  
 JUNE 30, 2016 (with comparative totals for June 30, 2015)

	Current Funds							Combined Total		
	General Fund	Restricted Fund	Pension Liability Fund	Auxiliary Fund	Student Loan Fund	Plant Fund	Agency Fund	Eliminations	June 30, 2016	June 30, 2015
<b>Liabilities</b>										
<b>Current liabilities</b>										
Accounts payable	\$ 2,105,669	\$ 191,620	\$ -	\$ 114,329	\$ -	\$ 1,326,856	\$ 74	\$ -	\$ 3,738,548	\$ 3,857,472
Accrued expenses:										
Payroll and withholdings	5,227,495	1,340,839	-	-	-	-	1,948	-	6,570,282	8,480,089
Vacation - current	1,951,300	45,271	-	-	-	-	3,429	-	2,000,000	1,920,000
Interest payable	-	-	-	-	-	117,669	-	-	117,669	145,524
Deposits	53,085	-	-	-	-	-	192,744	-	245,829	255,602
Unearned revenue	1,853,454	67,762	-	329,636	-	-	-	-	2,250,852	2,452,687
Bonds payable, current portion	-	-	-	-	-	1,643,088	-	-	1,643,088	1,571,792
Capital lease obligation, current portion	-	-	-	-	-	110,733	-	-	110,733	-
<b>Total current liabilities</b>	<b>11,191,003</b>	<b>1,645,492</b>	<b>-</b>	<b>443,965</b>	<b>-</b>	<b>3,198,346</b>	<b>198,195</b>	<b>-</b>	<b>16,677,001</b>	<b>18,683,166</b>
<b>Noncurrent liabilities</b>										
Bonds payable	-	-	-	-	-	11,623,416	-	-	11,623,416	13,266,504
Accrued vacation	464,054	-	-	-	-	-	-	-	464,054	556,775
Net pension liability	-	-	110,718,864	-	-	-	-	-	110,718,864	97,802,079
Capital lease obligation	-	-	-	-	-	391,973	-	-	391,973	-
<b>Total noncurrent liabilities</b>	<b>464,054</b>	<b>-</b>	<b>110,718,864</b>	<b>-</b>	<b>-</b>	<b>12,015,389</b>	<b>-</b>	<b>-</b>	<b>123,198,307</b>	<b>111,625,358</b>
<b>Total liabilities</b>	<b>11,655,057</b>	<b>1,645,492</b>	<b>110,718,864</b>	<b>443,965</b>	<b>-</b>	<b>15,213,735</b>	<b>198,195</b>	<b>-</b>	<b>139,875,308</b>	<b>130,308,524</b>
<b>Deferred inflows of resources</b>										
Deferred pension amounts	-	-	3,634,378	-	-	-	-	-	3,634,378	10,812,084
<b>Net position (deficit)</b>										
Net investment in capital assets	-	-	-	-	-	130,936,458	-	-	130,936,458	126,972,355
Restricted for:										
Federal student loan program - Federal portion	-	-	-	-	9,575	-	-	-	9,575	8,690
Federal student loan program - Institutional portion	-	-	-	-	1,064	-	-	-	1,064	966
Unrestricted (deficit)	27,927,941	-	(100,136,633)	343,683	-	2,272,781	-	-	(69,592,228)	(67,192,436)
<b>Total net position (deficit)</b>	<b>\$ 27,927,941</b>	<b>\$ -</b>	<b>\$ (100,136,633)</b>	<b>\$ 343,683</b>	<b>\$ 10,639</b>	<b>\$ 133,209,239</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,354,869</b>	<b>\$ 59,789,575</b>

WASHTENAW COMMUNITY COLLEGE

**COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN  
NET POSITION - UNAUDITED  
YEAR ENDED JUNE 30, 2016 (with comparative totals for year ended June 30, 2015)**

	Current Funds			Auxiliary Fund	Student Loan Fund	Plant Fund	Eliminations	Combined Total	
	General Fund	Restricted Funds	Pension Liability Fund					June 30, 2016	June 30, 2015
<b>Operating revenues</b>									
Tuition and fees, net of scholarship allowance of \$6,019,547 (\$6,868,050 in 2015)	\$ 32,343,041	\$ -	\$ -	\$ 118,281	\$ -	\$ -	\$ (6,019,547)	\$ 26,441,775	\$ 25,434,849
Federal grants and contracts	-	2,643,413	-	-	-	-	-	2,643,413	3,069,522
State grants and contracts	-	358,514	-	-	-	-	-	358,514	276,173
Private grants and contracts	-	998,041	-	-	-	-	-	998,041	810,724
Sales and services of educational activities	391,191	-	-	-	-	-	-	391,191	417,785
Current fund expenditures for equipment and capital improvements	-	-	-	-	-	958,487	(958,487)	-	-
Auxiliary services	-	-	-	4,481,110	-	-	-	4,481,110	4,349,955
Other sources	5,493,271	27,800	-	-	1,117	-	(49,996)	5,472,192	5,270,248
<b>Total operating revenues</b>	<b>38,227,503</b>	<b>4,027,768</b>	<b>-</b>	<b>4,599,391</b>	<b>1,117</b>	<b>958,487</b>	<b>(7,028,030)</b>	<b>40,786,236</b>	<b>39,629,256</b>
<b>Operating expenses</b>									
Instruction	42,171,032	3,391,510	1,394,340	-	-	-	(242,573)	46,714,309	45,683,296
Public service	829,346	725,108	17,446	3,057,367	-	-	(108)	4,629,159	4,716,692
Instructional support	11,926,207	905,066	363,682	-	-	-	(221,637)	12,973,318	11,591,807
Student services and student aid	11,751,870	17,464,080	341,405	-	-	-	(6,021,837)	23,535,518	23,400,962
Institutional administration	11,801,253	617,706	270,548	-	134	-	(153,490)	12,536,151	11,636,713
Physical plant operations	11,891,718	537,265	296,582	-	-	584,482	(388,385)	12,921,662	12,393,419
Depreciation	-	-	-	-	-	6,423,312	-	6,423,312	6,199,141
<b>Total operating expenses</b>	<b>90,371,426</b>	<b>23,640,735</b>	<b>2,684,003</b>	<b>3,057,367</b>	<b>134</b>	<b>7,007,794</b>	<b>(7,028,030)</b>	<b>119,733,429</b>	<b>115,622,030</b>
<b>Operating (loss) income</b>	<b>(52,143,923)</b>	<b>(19,612,967)</b>	<b>(2,684,003)</b>	<b>1,542,024</b>	<b>983</b>	<b>(6,049,307)</b>	<b>-</b>	<b>(78,947,193)</b>	<b>(75,992,774)</b>
<b>Nonoperating revenues (expenses)</b>									
Federal grant - Pell award	-	14,497,239	-	-	-	-	-	14,497,239	16,235,003
State appropriations	13,416,800	4,638,492	(3,221,433)	-	-	-	-	14,833,859	16,545,094
Property taxes	49,297,668	-	-	-	-	-	-	49,297,668	47,751,140
Investment and interest income	653,124	-	-	1,238	-	-	-	654,362	410,038
Unrealized gain on investments	1,253,313	-	-	-	-	-	-	1,253,313	302,953
Loss on disposal of equipment	-	-	-	-	-	-	-	-	(108,627)
Interest on capital asset - related debt	-	-	-	-	-	(404,798)	-	(404,798)	(722,766)
<b>Net nonoperating revenues</b>	<b>64,620,905</b>	<b>19,135,731</b>	<b>(3,221,433)</b>	<b>1,238</b>	<b>-</b>	<b>(404,798)</b>	<b>-</b>	<b>80,131,643</b>	<b>80,412,835</b>
<b>Income (loss) before other revenues</b>	<b>12,476,982</b>	<b>(477,236)</b>	<b>(5,905,436)</b>	<b>1,543,262</b>	<b>983</b>	<b>(6,454,105)</b>	<b>-</b>	<b>1,184,450</b>	<b>4,420,061</b>
<b>Other revenues</b>									
Capital grants	-	-	-	-	-	380,844	-	380,844	214,795
<b>Increase (decrease) in net position - before transfers</b>	<b>12,476,982</b>	<b>(477,236)</b>	<b>(5,905,436)</b>	<b>1,543,262</b>	<b>983</b>	<b>(6,073,261)</b>	<b>-</b>	<b>1,565,294</b>	<b>4,634,856</b>
Transfers in (out)	(4,526,914)	477,236	-	(1,565,667)	-	5,615,345	-	-	-
<b>Net increase (decrease) in net position</b>	<b>7,950,068</b>	<b>-</b>	<b>(5,905,436)</b>	<b>(22,405)</b>	<b>983</b>	<b>(457,916)</b>	<b>-</b>	<b>1,565,294</b>	<b>4,634,856</b>
Net position (deficit), beginning of year	19,977,873	-	(94,231,197)	366,088	9,656	133,667,155	-	59,789,575	150,969,889
Implementation of GASB 68	-	-	-	-	-	-	-	-	(95,815,170)
<b>Adjusted net position (deficit), beginning of year</b>	<b>19,977,873</b>	<b>-</b>	<b>(94,231,197)</b>	<b>366,088</b>	<b>9,656</b>	<b>133,667,155</b>	<b>-</b>	<b>59,789,575</b>	<b>55,154,719</b>
<b>Net position (deficit), end of year</b>	<b>\$ 27,927,941</b>	<b>\$ -</b>	<b>\$(100,136,633)</b>	<b>\$ 343,683</b>	<b>\$ 10,639</b>	<b>\$ 133,209,239</b>	<b>\$ -</b>	<b>\$ 61,354,869</b>	<b>\$ 59,789,575</b>