

Washtenaw Community College



Washtenaw Community College

Years Ended
June 30,
2015 and 2014

Financial
Statements
and
Supplementary
Information

WASHTENAW COMMUNITY COLLEGE

■ TABLE OF CONTENTS	PAGE
Management's Discussion and Analysis	1-14
Independent Auditors' Report	15-16
Audited Financial Statements for the Years Ended June 30, 2015 and 2014	
Statements of Net Position	17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19-20
Foundation Statements of Financial Position	21
Foundation Statements of Activities and Changes in Net Assets	22
Notes to Financial Statements	23-42
Supplementary Information for the Year Ended June 30, 2015 - Unaudited	
MPSERS Cost-Sharing Multiple-Employer Plan	
Schedule of the College's Proportionate Share of the Net Pension Liability	43
Schedule of College Contributions	44
Combining Statement of Net Position	45-46
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position	47

Washtenaw Community College Management's Discussion and Analysis Year Ended June 30, 2015

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, 2015. 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.

For 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 new 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 new standard has had a significant impact on the liabilities and net position of the College as discussed below. In addition, Note 8 to the financial statements includes a number of new items related to the implementation of this standard, and two new schedules are included with 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 was significantly impacted by the implementation of GASB Statement 68 during the fiscal year ended June 30, 2015. Excluding the impact of GASB 68, the College's net position increased by approximately \$3.0 million, or 2.0 percent, from general operations. The amount invested in capital assets remained flat, as new asset purchases and principal debt reductions were offset by the depreciation of new and existing assets.

Three new line items appear on the Statement of Net Position for Fiscal Year 2015, each related to GASB 68: Deferred Outflows of Resources; Deferred Inflows of Resources; and Net Pension Liability. Each of these categories represents a separate piece of the required presentation for the College's participation in the MPSERS pension plan. As of June 30, 2015, the combined impact to the College of these new captions is a decrease of \$94.2 million in unrestricted net position, resulting from a \$95.8 million restatement of beginning net position, and a current year reduction to pension expense of \$1.58 million. These items are discussed in greater detail in the footnotes to the financial statements and the required supplementary information following the footnotes. It is important to note that while this new standard raises awareness of potential future obligations of the College, its implementation has no immediate impact on the cash position of the College or its ability to meet current obligations.

The College's total assets at fiscal year-end were \$185.9 million, an increase of 1.08 percent or \$1.99 million. In fiscal years 2014 and 2013, total assets were \$183.9 and \$182.4 million, respectively.

The following is a comparison of the major components of the net position (Assets plus Deferred Outflows less Liabilities and Deferred Inflows) of the College as of June 30, 2015, June 30, 2014, and June 30, 2013:

Net Position as of June 30 (in thousands)			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current assets	\$ 22,440	\$ 21,505	\$ 16,635
Noncurrent assets			
Capital assets, net	141,194	142,609	145,332
Other	<u>22,277</u>	<u>19,803</u>	<u>20,464</u>
Total assets	<u>185,911</u>	<u>183,918</u>	<u>182,431</u>
Deferred outflows of resources	<u>14,998</u>	<u>-</u>	<u>-</u>
Liabilities			
Current liabilities	18,683	18,354	18,020
Noncurrent liabilities			
Net pension liability	97,802	-	-
Other	<u>13,824</u>	<u>14,594</u>	<u>16,032</u>
Total liabilities	<u>130,309</u>	<u>32,948</u>	<u>34,052</u>
Deferred inflows of resources	<u>10,812</u>	<u>-</u>	<u>-</u>
Net Position			
Invested in capital assets	126,972	126,942	128,210
Restricted – Expendable	10	10	9
Unrestricted (deficit)	<u>(67,194)</u>	<u>24,018</u>	<u>20,160</u>
Total net position	<u>\$ 59,788</u>	<u>\$ 150,970</u>	<u>\$ 148,379</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. Following is a comparison of the major components of operating results of the College for the years ended June 30, 2015, June 30, 2014, and June 30, 2013:

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operating Revenue	\$ 39,629	\$ 39,368	\$ 37,020
Operating Expenses	<u>115,624</u>	<u>115,969</u>	<u>112,181</u>
Operating Loss	(75,995)	(76,602)	(75,161)
Nonoperating Revenue	<u>80,413</u>	<u>78,707</u>	<u>76,954</u>
Income - Before other revenue	4,418	2,106	1,793
Other Revenue	<u>215</u>	<u>485</u>	<u>733</u>
Increase in Net Position	4,633	2,591	2,527
Net Position			
Beginning of year	150,970	148,379	145,853
Implementation of GASB 68	<u>(95,815)</u>	<u>-</u>	<u>-</u>
End of year	<u>\$ 59,788</u>	<u>\$ 150,970</u>	<u>\$ 148,379</u>

Operating Revenues

Operating revenues include all exchange transactions such as 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, 2015, June 30, 2014, and June 30, 2013:

	2015		2014		2013	
	\$ in 000s	% of total	\$ in 000s	% of total	\$ in 000s	% of total
Tuition and fees	25,435	64%	25,365	64%	24,659	67%
Grants and contracts	4,156	10%	4,101	10%	3,022	8%
Auxiliary services	4,350	11%	4,400	11%	4,410	12%
Other sources	5,688	14%	5,502	14%	4,928	13%
	39,629		39,368		37,020	

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.

Fiscal Year 2014

For the College as a whole, total operating revenue increased by 6.3 percent or \$2.35 million.

Significant changes included the following:

- Student tuition and fees revenue increased by 2.9 percent, or approximately \$706,000, largely attributable to a larger percentage of revenue for the Spring/Summer 2013 term being recognized in fiscal 2014 coupled with increased enrollment for Spring/Summer 2014. Overall credit hour enrollment for the year was down approximately 2 percent, which was offset by a 2.2 percent increase in tuition rates.

- Federal grants increased by \$1.04 million due to increased activity levels for both the Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant through the U.S. Department of Labor, and the Job Seekers grant awarded through Washtenaw County. These awards were new to the College in Fiscal 2013.
- Other sources of revenue increased by 11.6 percent, or \$573,000, due to mainly two factors: the College extended its contract with the United Association of Plumbers and Pipefitters through the year 2029 resulting in additional revenue to the College in 2014; additionally, the College established a federally negotiated indirect cost recovery rate in 2013 in connection with the TAACCCT grant award, resulting in increased revenue for the administration of grant activities.

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 internal expenses are eliminated.

The following table shows operating expenses by function for the institution as a whole at June 30, 2015, June 30, 2014, and June 30, 2013.

	2015		2014		2013	
	\$ in 000s	% of total	\$ in 000s	% of total	\$ in 000s	% of total
Instruction	45,685	40%	45,344	39%	42,508	38%
Public Service	4,717	4%	4,539	4%	4,119	4%
Instructional Support	11,592	10%	11,225	10%	10,807	10%
Student Services and Student Aid	23,401	20%	24,226	21%	25,429	23%
Institutional Administration	11,637	10%	11,569	10%	10,946	10%
Physical Plant Operations	12,393	11%	12,849	11%	12,127	11%
Depreciation	6,199	5%	6,217	5%	6,245	6%
	115,624		115,969		112,181	

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.

Fiscal Year 2014

During fiscal year 2014, institution-wide operating expenses increased 3.4 percent, or \$3.79 million. Significant variance items affecting all functional areas include: an increase of \$1.67 million in State of Michigan pass-through of unfunded pension liability expenses resulting from 2012 pension reform legislation; an increase in grant-related spending of approximately \$0.6 million; and inflationary increases in wages and related expenses of approximately \$1.2 million. Additionally, the College modified its method of allocating Information Technology costs across functional areas causing an increase in Instructional expenditures and a decrease in Student Services and Student Aid.

Non-operating Revenues (Expenses)

Non-operating revenues and expenses are primarily non-exchange in nature. They consist of Federal Pell Grant, state appropriations, property taxes, investment income, and interest on capital debt.

The following table shows net non-operating revenues for the years June 30, 2015, June 30, 2014, and June 30, 2013:

	\$ in 000s			
	2015	2014	2013	Change 2015 to 2014
Pell Grant Award	16,235	17,160	17,594	(925)
State appropriations	16,545	15,139	13,093	1,406
Property taxes	47,751	46,581	48,023	1,170
Investment and interest income	410	444	498	(34)
Unrealized gain(loss) on investments	303	127	(1,340)	176
Loss on disposal of equipment	(109)	-	-	(109)
Interest on capital asset - related debt	(722)	(743)	(914)	20
	80,413	78,707	76,954	1,705

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 again 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. Both the revenue and expense for this pension-related transaction are reported in the College's Restricted Funds.
- The College recorded an unrealized gain on investments of \$.3 million in the current fiscal year, an increase of 138 percent, or \$0.18 million compared to the prior year. 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 with gains in Fiscal 2015 and 2014 offsetting some of the losses from Fiscal 2013. Historically, the College has held its investments until maturity, thus negating the impact of these market adjustments over time.

Fiscal Year 2014

Net non-operating revenues increased by \$1.75 million. Significant variance items include the following:

- Federal Pell Grant decreased by 2.47 percent, or \$0.43 million. The decline was a combination of the enrollment decline and fewer students meeting the eligibility requirements for these grants.
- Local government (property) taxes decreased by 3.0%, or \$1.44 million. This is due to the absence of a debt service millage, which provided \$2.42 million of tax revenue in 2013, partially offset by an increase in general operating tax revenues of \$0.98 million, resulting from increased taxable values within the county.
- State Appropriations increased by 15.63 percent, or \$2.05 million, due to a combination of two factors: \$0.38 million of the increase is 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; the remaining \$1.67 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.

- In Fiscal Year 2014, the College recognized an unrealized gain on investments of \$0.13 million, a change of \$1.47 million as compared to an unrealized loss on investments of \$1.34 million recorded in Fiscal 2013.

Other Revenue

	\$ in 000s			
	2015	2014	2013	Change 2015 to 2014
State capital appropriations	-	-	177	-
Capital grants	215	485	556	(270)
	215	485	733	(270)

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 2015, 2014, and 2013 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. Fiscal year 2013 also reflects the final payment of state capital appropriation for the Skilled Trades Training Complex, which includes renovations to both the Larry L. Whitworth Occupational Education Building and the Henry S. Landau Skilled Trades Building.

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>2015</u>	<u>2014</u>	<u>2013</u>	Change 2015 to <u>2014</u>
Cash Provided	\$ (72,789)	\$ (69,230)	\$ (68,101)	\$ (3,559)
Operating activities	80,952	81,441	73,675	(489)
Noncapital financing activities	(6,149)	(5,523)	(11,014)	(626)
Capital and related financing activities	<u>(1,782)</u>	<u>3,216</u>	<u>246</u>	<u>(4,998)</u>
Net Increase (Decrease) in Cash	232	9,904	(5,194)	(9,672)
Cash – Beginning of year	<u>16,368</u>	<u>6,464</u>	<u>11,658</u>	<u>9,904</u>
Cash – End of year	<u>\$ 16,600</u>	<u>\$ 16,368</u>	<u>\$ 6,464</u>	<u>\$ 232</u>

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.

Fiscal Year 2014

The net result of all cash flows for the year ended June 30, 2014, is an increase in cash of \$9.9 million, an increase of \$15.1 million over the prior year. This change falls into three broad categories: capital spending; operations; and investment strategy. The College reduced its spending on capital and related financing activities by \$5.5 million. This includes a reduction of \$2.8 million for debt service, net of taxes levied for buildings, resulting from the retirement of two debt obligations in fiscal year 2013. The College also spent \$3.2 million less on capital purchases as the focus of capital spending shifted from large building projects to smaller deferred maintenance items. The combined impact of cash flows from operating and non-capital financing activities generated an increase of \$6.6 million in cash for fiscal 2014 compared to fiscal 2013. The significant year-over-year changes include: an increase in cash provided from Grants and Contracts of \$1.7 million; an increase of \$3.7 million for the combined impact of Federal Pell grants and Direct Loans, which is largely timing in nature; and a \$1.0 million increase in property tax revenue, notable in that this is the first increase in this category since fiscal year 2008. Net cash provided from investing activities increased \$3.0 million reflecting a reassessment of the short term investment strategies of the College in light of current financial market conditions.

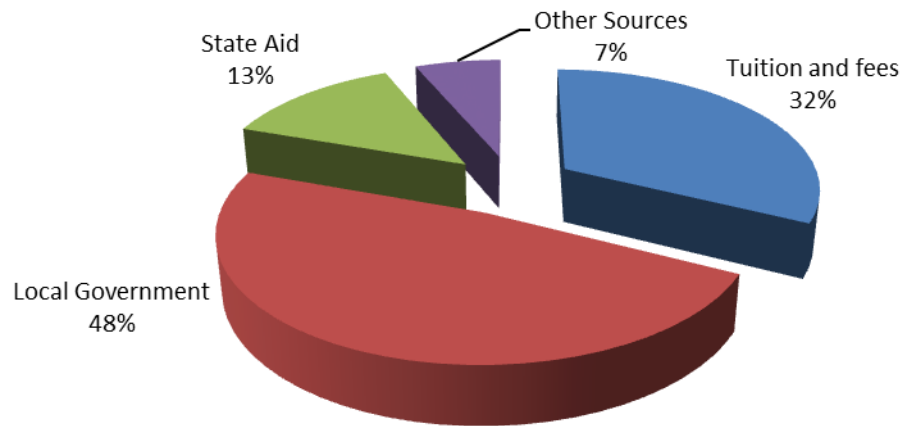
Supplementary Information

Immediately following the footnotes to the financial statements are two additional schedules of required supplementary information and two statements of other supplementary information. Two new schedules, 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 new 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.

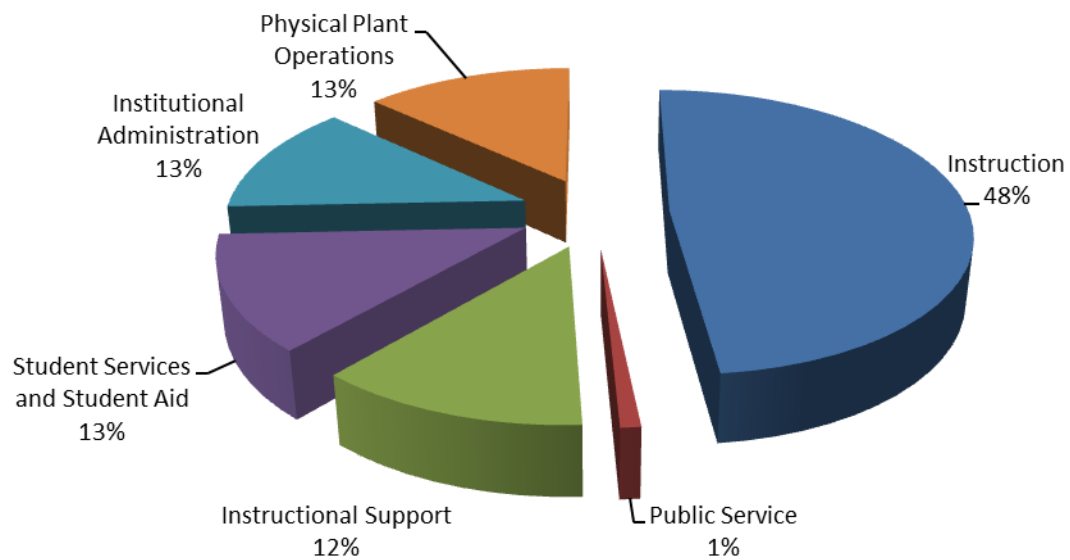
General Fund expenditures are classified by functional area and include both personnel and direct expenditures. Personnel and related expenditures accounted for approximately 83 percent of the General Fund operating expenses for the year ended June 30, 2015.

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, 2015.

General Fund Revenues - By Source



General Fund Expenses - By Function



Capital Assets and Debt Administration

Capital Assets

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

Fiscal Year 2014

At June 30, 2014, the College had \$142.61 million invested in capital assets, net of accumulated depreciation of approximately \$93.72 million. Depreciation charges totaled \$6.22 million for the current fiscal year.

Major capital projects in progress at June 30, 2014, were as follows:

- Larry L Whitworth Occupational Education Building - ITF Integrated Power System
- Storage and Receiving Building Addition

Debt

At June 30, 2015, and 2014, the College had \$14.84 million and \$15.52 million, respectively, outstanding in general obligation bonds. In March 2015, the College took advantage of the current 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

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. The College has been facing a downward trend in enrollment from its spike in 2010. This trend, coupled with declining high school populations for Washtenaw County, has caused enrollment decreases since 2010. However, due in part to the proactive measures by the college to align our programs and course offerings to market demand, FY 2015 enrollment only decreased by approximately (1)% as compared to average declines in excess of (6.5)% for Michigan Community Colleges.

The College has a portion of its total property tax millage expiring in 2016. This millage generated \$11.5 million in revenue for Fiscal 2015. The College intends to seek renewal of this millage and fully expects that it will be supported and approved by the voters. 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 12 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 (MPERS), 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 MPERS' comprehensive annual financial report as of September 30, 2014, the unfunded actuarial accrued liability ("UAAL") for pensions and other postemployment benefits ("OPEB/Healthcare") for MPERS is \$22.0 billion and \$12.5 billion, respectively. Pursuant to a new accounting standard (GASB No. 68), the College recorded its proportionate share of the unfunded pension liability of \$104.0 million as an adjustment to beginning net position in the current year, with the ending balance being \$97.8 million as of June 30, 2015. 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 MPERS, on behalf of its plan participants. The State has also provided additional restricted funding to the College each of the past three years to supplement the College's contribution to MPERS towards its proportionate unfunded pension obligation.

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 2015, WCC students received in excess of \$32 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. 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.

INDEPENDENT AUDITORS' REPORT

October 22, 2015

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, 2015 and 2014, 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, 2015 and 2014, 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 current year. Accordingly, beginning net position of business-type activities as of July 1, 2014 was restated. Application of this new standard to July 1, 2013, the earliest year presented, is not practical as complete information is not available. 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 combining statements, as listed in the table of contents, are presented for purposes of additional analysis and are 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 22, 2015, 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.



WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

	June 30	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 16,599,934	\$ 16,368,246
Property taxes receivable, less allowance of \$90,000 (\$150,000 in 2014)	74,141	301,126
State appropriations receivable	2,987,973	2,721,854
Accounts receivable, net	2,339,604	1,974,608
Student notes receivable, less allowance of \$33,000 (\$33,000 in 2014)	1,095	1,095
Accrued interest receivable	84,054	62,781
Inventories	44,117	41,816
Prepaid and other assets	308,739	33,840
Total current assets	22,439,657	21,505,366
Noncurrent assets		
Investments	22,276,908	19,803,288
Capital assets, net	141,193,749	142,609,201
Total noncurrent assets	163,470,657	162,412,489
Total assets	185,910,314	183,917,855
Deferred outflows of resources		
Deferred charge on refunding	616,903	-
Deferred pension amounts (Notes 1 and 8)	14,382,966	-
Total deferred outflows of resources	14,999,869	-
Liabilities		
Current liabilities		
Accounts payable	3,857,472	3,496,042
Accrued payroll and withholdings	8,480,089	8,728,001
Accrued vacation	1,920,000	2,000,000
Accrued interest payable	145,524	168,859
Deposits	255,602	248,773
Unearned revenue	2,452,687	2,210,110
Bonds payable, current portion	1,571,792	1,356,769
Capital lease obligation, current portion	-	145,411
Total current liabilities	18,683,166	18,353,965
Noncurrent liabilities		
Bonds payable, net of current portion	13,266,504	14,164,854
Accrued vacation, net of current portion	556,775	429,147
Net pension liability (Notes 1 and 8)	97,802,079	-
Total noncurrent liabilities	111,625,358	14,594,001
Total liabilities	130,308,524	32,947,966
Deferred inflows of resources		
Deferred pension amount (Notes 1 and 8)	10,812,084	-
Net position		
Net investment in capital assets	126,972,355	126,942,167
Restricted for:		
Federal student loan program - Federal portion	8,690	8,810
Federal student loan program - Institutional portion	966	979
Unrestricted (deficit) (Note 1)	(67,192,436)	24,017,933
Total net position	\$ 59,789,575	\$ 150,969,889

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	
	2015	2014
Operating revenues		
Tuition and fees, net of scholarship allowance of of \$6,868,050 (\$6,882,372 in 2014)	\$ 25,434,849	\$ 25,365,451
Federal grants and contracts	3,069,522	3,091,571
State grants and contracts	276,173	279,035
Private grants and contracts	810,724	730,021
Sales and services of educational activities	417,785	484,339
Auxiliary services	4,349,955	4,400,268
Other sources	5,270,248	5,017,212
Total operating revenues	39,629,256	39,367,897
Operating expenses		
Instruction	45,683,296	45,344,209
Public service	4,716,692	4,538,932
Instructional support	11,591,807	11,225,471
Student services and student aid	23,400,962	24,225,751
Institutional administration	11,636,713	11,568,823
Physical plant operations	12,393,419	12,849,286
Depreciation	6,199,141	6,216,967
Total operating expenses	115,622,030	115,969,439
Operating loss	(75,992,774)	(76,601,542)
Nonoperating revenues (expenses)		
Federal grant - Pell award	16,235,003	17,159,622
State appropriations	16,545,094	15,139,359
Property taxes	47,751,140	46,580,704
Investment and interest income	410,038	443,683
Unrealized gain on investments	302,953	127,066
Loss on disposal of equipment	(108,627)	-
Interest on capital asset - related debt	(722,766)	(742,976)
Net nonoperating revenues	80,412,835	78,707,458
Income before other revenues	4,420,061	2,105,916
Other revenues		
Capital grants	214,795	485,000
Increase in net position	4,634,856	2,590,916
Net position, beginning of year	150,969,889	148,378,973
Implementation of GASB 68 (Notes 1 and 8)	(95,815,170)	-
Adjusted net position, beginning of year	55,154,719	148,378,973
Net position, end of year	\$ 59,789,575	\$ 150,969,889

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

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2015	2014
Cash flows from operating activities		
Tuition and fees	\$ 24,615,392	\$ 26,468,480
Grants and contracts	4,624,093	4,238,646
Payments to suppliers and students	(29,878,019)	(31,120,593)
Payments to employees	(81,770,802)	(78,233,657)
Other	9,620,203	9,417,480
Net cash used in operating activities	(72,789,133)	(69,229,644)
Cash flows from noncapital financing activities		
Federal grant - Pell award	16,361,998	17,779,917
Local property taxes	47,978,125	46,628,901
State appropriations	16,278,975	15,369,174
Federal Direct Student Loan receipts	16,583,430	22,815,786
Federal Direct Student Loan disbursements	(16,250,776)	(21,152,236)
State scholarships and grant receipts	581,504	567,485
State scholarships and grant disbursements	(581,504)	(567,485)
Net cash provided by noncapital financing activities	80,951,752	81,441,542
Cash flows from capital and related financing activities		
Purchases of capital assets	(4,359,582)	(3,642,860)
Principal paid on capital debt	(1,515,411)	(1,467,810)
Capital grant receipts	402,295	330,439
Interest paid on capital debt	(676,331)	(742,840)
Net cash used in capital and related financing activities	(6,149,029)	(5,523,071)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	3,125,813	2,662,394
Interest on investments	442,382	553,425
Purchase of investments	(5,350,097)	-
Net cash (used in) provided by investing activities	(1,781,902)	3,215,819
Net increase in cash and cash equivalents	231,688	9,904,646
Cash and cash equivalents, beginning of year	16,368,246	6,463,600
Cash and cash equivalents, end of year	\$ 16,599,934	\$ 16,368,246

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

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2015	2014
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (75,992,774)	\$ (76,601,542)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,199,141	6,216,967
Bad debts	536,106	900,524
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(1,360,751)	(395,658)
Inventories, prepaid and other assets	(277,200)	(18,891)
Accounts payable	(171,304)	(627,326)
Accrued payroll and other compensation	(200,284)	991,865
Unearned revenue	55,077	251,843
Deposits	6,829	52,574
Change in net pension liability and deferred amounts	(1,583,973)	-
Net cash used in operating activities	<u>\$ (72,789,133)</u>	<u>\$ (69,229,644)</u>

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

WASHTENAW COMMUNITY COLLEGE

FOUNDATION STATEMENTS OF FINANCIAL POSITION

	June 30	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 288,189	\$ 418,087
Contributions receivable, net of discount and allowance of \$59,531 in 2015 and \$67,480 in 2014	797,730	526,783
Investments	18,664,951	17,382,723
Investments held under split-interest agreements	108,832	116,355
Beneficial interest in charitable remainder trust	366,937	380,956
Total assets	\$ 20,226,639	\$ 18,824,904
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,010	\$ -
Revolving loan fund advance	100,000	-
Split-interest agreements payable	35,886	37,449
Total liabilities	136,896	37,449
Net assets		
Unrestricted		
Board designated	423,341	423,341
Undesignated	1,575,177	1,399,850
Temporarily unrestricted	6,322,304	5,963,846
Permanently restricted	11,768,921	11,000,418
Total net assets	20,089,743	18,787,455
Total liabilities and net assets	\$ 20,226,639	\$ 18,824,904

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	
	2015	2014
Operating revenues		
Contributions	\$ 1,229,541	\$ 2,243,341
Fundraising events - net of expenses of \$56,847 in 2015 and \$62,937 in 2014	188,845	164,885
Investment income	330,074	292,040
Changes in value of split-interest agreements	(19,979)	18,009
Net realized and unrealized gains on investments	464,321	2,361,646
Miscellaneous revenue	5,000	10,000
Personnel services received from affiliate	443,822	-
Total operating revenues	2,641,624	5,089,921
Expenses		
Support services		
Salaries	59,713	57,743
Marketing	10,567	13,746
Computer training and support	15,397	17,079
Bad debts	35,072	9,257
Personnel services received from affiliate	443,822	-
Other	130,543	73,401
Program services		
Scholarships	561,096	483,548
Other grants to College	83,126	92,313
Total expenses	1,339,336	747,087
Increase in net assets	1,302,288	4,342,834
Net assets, beginning of year	18,787,455	14,444,621
Net assets, end of year	\$ 20,089,743	\$ 18,787,455

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.

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.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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, 2015 and 2014 consists of approximately \$1,457,000 and \$1,474,000 for the 2015 and 2014 spring/summer semesters, respectively. Unearned revenue also includes approximately \$380,000 and \$295,000 at June 30, 2015 and 2014 for payments received toward Fall 2015 and 2014 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.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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.

Unrestricted Net (Deficit) Position

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

	2015	2014
Encumbrances	\$ 451,368	\$ 259,317
Future conference funds	96,817	68,274
Health insurance claims	690,000	920,000
Designated for capital improvements	6,694,800	7,464,108
Pension liability fund deficit	(94,231,197)	-
Unrestricted and unallocated	<u>19,105,776</u>	<u>15,306,234</u>
Total unrestricted net (deficit) position	<u><u>\$(67,192,436)</u></u>	<u><u>\$ 24,017,933</u></u>

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. More detailed information can be found in Note 8.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles 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 2014 amounts have been reclassified to conform to the 2015 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. Application of this new standard to July 1, 2013, the earliest year presented, is not practical as complete information is not available.

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 \$47,751,140 and \$46,580,704 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, 2015 and 2014, respectively.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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:

	2015	2014
Cash and cash equivalents	\$ 16,599,934	\$ 16,368,246
Investments	<u>22,276,908</u>	<u>19,803,288</u>
Total	<u>\$ 38,876,842</u>	<u>\$ 36,171,534</u>

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

	2015	2014
Bank deposits (checking accounts, savings accounts, money market accounts and certificates of deposit)	\$ 16,597,672	\$ 16,365,594
Investments in U.S. agencies	18,174,898	19,803,288
Investments in Municipal Bonds	4,102,010	-
Petty cash or cash on hand	<u>2,262</u>	<u>2,652</u>
Total	<u>\$ 38,876,842</u>	<u>\$ 36,171,534</u>

Deposits

The above deposits at June 30, 2015 and 2014 were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$17,157,833 and \$16,818,199, respectively. Of the amount at June 30, 2015, \$1,164,620 was covered by federal depository insurance and \$15,993,213 was uninsured and uncollateralized. Of the amount at June 30, 2014, \$1,614,330 was covered by federal depository insurance and \$15,203,869 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.

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
Municipal Bonds	\$ 4,102,010	\$ -	\$ 1,007,040	\$ 1,580,030	\$ 1,514,940
U.S. agencies	18,174,898	-	-	5,785,844	12,389,054
Total	<u>\$ 22,276,908</u>	<u>\$ -</u>	<u>\$ 1,007,040</u>	<u>\$ 7,365,874</u>	<u>\$ 13,903,994</u>

As of June 30, 2014, 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	<u>\$ 19,803,288</u>	<u>\$ -</u>	<u>\$ 999,160</u>	<u>\$ 4,779,681</u>	<u>\$ 14,024,447</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, 2015 and 2014. The College's investments in Michigan municipalities were rated AA- to AA+ by Standard & Poor's at June 30, 2015.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. 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. As of June 30, 2014, the College's deposits and investments were concentrated by issuer as follows: 100 percent issued by U.S. agencies.

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, 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; 24 percent were in the custody of PNC Bank. At June 30, 2014, approximately 62 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 18 percent were in the custody of Key Bank; 18 percent were in the custody of PNC Bank.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2015	2014
Student accounts	\$ 2,771,775	\$ 2,952,078
Miscellaneous grants	456,228	501,809
Pell	93,134	148,619
Federal Direct Loans	146,144	276,895
Other	<u>311,323</u>	<u>215,207</u>
Total	3,778,604	4,094,608
Less allowance for doubtful accounts	<u>1,439,000</u>	<u>2,120,000</u>
Net accounts receivable	<u>\$ 2,339,604</u>	<u>\$ 1,974,608</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, 2015 and 2014:

	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	892,193	1,450,269	-	(850,710)	1,491,752
Total capital assets not being depreciated	<u>3,121,640</u>	<u>1,450,269</u>	<u>-</u>	<u>(850,710)</u>	<u>3,721,199</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	<u>3,401,244</u>	<u>129,251</u>	<u>-</u>	<u>-</u>	<u>3,530,495</u>
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	7,387,430	623,977	-	-	8,011,407
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	<u>2,966,533</u>	<u>151,798</u>	<u>-</u>	<u>-</u>	<u>3,118,331</u>
Total accumulated Depreciation	<u>93,718,922</u>	<u>6,199,141</u>	<u>(201,736)</u>	<u>-</u>	<u>99,716,327</u>
Capital assets being depreciated, net	<u>139,487,561</u>	<u>(2,757,093)</u>	<u>(108,628)</u>	<u>850,710</u>	<u>137,472,550</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

	Balance July 1, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Assets not being depreciated:					
Land and other	\$ 2,229,447	\$ -	\$ -	\$ -	\$ 2,229,447
Construction in progress	913,705	789,444	1,169	(809,787)	892,193
Total capital assets not being depreciated	<u>3,143,152</u>	<u>789,444</u>	<u>1,169</u>	<u>(809,787)</u>	<u>3,121,640</u>
Capital assets being depreciated:					
Land improvements and infrastructure	12,501,764	267,318	-	251,604	13,020,686
Buildings and improvements	184,968,996	850,626	-	384,704	186,204,326
Equipment, furniture, and software	29,051,396	1,465,388	110,036	173,479	30,580,227
Library books	<u>3,278,414</u>	<u>122,830</u>	<u>-</u>	<u>-</u>	<u>3,401,244</u>
Total capital assets being depreciated	<u>229,800,570</u>	<u>2,706,162</u>	<u>110,036</u>	<u>809,787</u>	<u>233,206,483</u>
Less accumulated depreciation:					
Land improvements and infrastructure	6,793,682	593,748	-	-	7,387,430
Buildings and improvements	53,251,796	4,138,492	-	-	57,390,288
Equipment, furniture, and software	24,749,939	1,334,768	110,036	-	25,974,671
Library books	<u>2,816,574</u>	<u>149,959</u>	<u>-</u>	<u>-</u>	<u>2,966,533</u>
Total accumulated depreciation	<u>87,611,991</u>	<u>6,216,967</u>	<u>110,036</u>	<u>-</u>	<u>93,718,922</u>
Capital assets being depreciated, net	<u>142,188,579</u>	<u>(3,510,805)</u>	<u>-</u>	<u>809,787</u>	<u>139,487,561</u>
Capital assets, net	<u>\$ 145,331,731</u>	<u>\$ (2,721,361)</u>	<u>\$ 1,169</u>	<u>\$ -</u>	<u>\$ 142,609,201</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, 2015 and 2014, construction in progress for these capital improvement projects was as follows:

	2015	2014
Larry L. Whitworth Occupational Education Building	\$ -	\$ 525,508
Crane Liberal Arts & Science Building	594,197	-
Parking Lot Replacement	373,048	-
Storage and Receiving Building	299,227	221,004
Miscellaneous construction projects	<u>225,280</u>	<u>145,681</u>
Total construction in progress	<u>\$ 1,491,752</u>	<u>\$ 892,193</u>

Total future commitments at June 30, 2015 and 2014 related to these projects approximated \$2,238,000 and \$740,000, respectively. Funding for these projects is included within the College's net position designated for capital improvements.

6. LEASES

Capital Leases

The College entered into two lease agreements as lessee for financing the purchase of certain office equipment. Both lease agreements qualified as capital leases for accounting purposes and, therefore, had been recorded at the present value of the future minimum lease payments as of the inception date. Both lease agreements ended during the 2015 fiscal year and the College disposed of the related equipment as of June 30, 2015. The cost and accumulated depreciation of the assets under the capital leases totaled approximately \$614,000 and \$432,000 as of June 30, 2014, respectively.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

7. LONG-TERM OBLIGATIONS

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>
Total	<u>\$ 18,096,181</u>	<u>\$ 16,031,341</u>	<u>\$ 16,812,451</u>	<u>\$ 17,315,071</u>	<u>\$ 3,491,792</u>

Long-term obligation activity during the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
March 14, 2005B Refunding Bonds	\$ 3,160,000	\$ -	\$ 585,000	\$ 2,575,000	\$ 610,000
July 25, 2006, Building and Site Bonds	13,820,000	-	730,000	13,090,000	760,000
Bond Discount on 2005B Refunding Bonds	(15,907)	-	(3,180)	(12,727)	(3,180)
Bond Discount on 2006 Building and Site Bonds	(140,701)	-	(10,051)	(130,650)	(10,051)
Capital lease obligations	298,221	-	152,810	145,411	145,411
Accrued vacation pay	<u>2,265,115</u>	<u>2,121,857</u>	<u>1,957,825</u>	<u>2,429,147</u>	<u>2,000,000</u>
Total	<u>\$ 19,386,728</u>	<u>\$ 2,121,857</u>	<u>\$ 3,412,404</u>	<u>\$ 18,096,181</u>	<u>\$ 3,502,180</u>

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, 2015, \$15,440,000 of bonds outstanding are considered defeased.

The refunding and advanced refunding reduced total debt service payments by \$1,505,041, which represents an economic gain of approximately \$1,322,000. Bond issuance costs of \$109,090 are included as expenses in the accompanying financial statements.

General Obligation Bonds

At June 30, 2015, general obligation bonds totaling \$13,580,000 were outstanding with interest rates varying from 2.5% percent to 4.25% percent. 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.

At June 30, 2014, general obligation bonds totaling \$15,665,000 were outstanding with interest rates varying from 3.75 percent to 4.50 percent. Principal payments are due annually in April with payments for the upcoming year ranging from \$610,000 to \$795,000. Interest payments are due semiannually in April and October ranging from \$50,000 to \$287,000. 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, 2015 are summarized as follows:

Year	Debt Obligations		
	Principal	Interest	Total
2016	\$ 1,365,000	\$ 554,678	\$ 1,919,678
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 - 2025	5,120,000	1,009,775	6,129,775
2026 - 2027	2,345,000	105,750	2,450,750
Totals	<u>\$ 13,580,000</u>	<u>\$ 3,222,303</u>	<u>\$ 16,802,303</u>

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Accrued Vacation Pay

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

8. RETIREMENT PLANS

Defined Benefit Plan

Plan Description. The College contributes to the Michigan Public School Employees Retirement System (MPERS), a cost-sharing multi-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

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

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

The *Member Investment Plan* (MIP) includes additional subgroups based on hire date. The *MIP Fixed* plan includes members hired prior to January 1, 1990. The *MIP Graded* plan includes members first hired from January 1, 1990 through June 30, 2008. The *MIP Plus* plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the *MIP 7 %* plan.

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the *Pension Plus* plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are matched at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (*Basic 4%*). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the *defined contribution* plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 years
Basic	Age 55 with 30 years or Age 60 with 10 years	10 years
Pension Plus	Age 60 with 10 years	4 years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the College is invoiced monthly an amount that approximates 21% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The College's contributions to MPSERS for all pension plans described above were \$11,836,000 for the year ended June 30, 2015. The College's contributions to MPSERS for all plans, including other postemployment benefits as described on page 40, for the years ended June 30, 2014 and 2013 were \$11,832,000 and \$9,889,000, respectively. These amounts are equal to the College's required contributions for each year.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2015, the College reported a liability of \$97,802,079 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the College's proportion (as calculated by MPSERS) was 0.44402%.

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	-	10,812,084	(10,812,084)
	<u>3,611,215</u>	<u>10,812,084</u>	<u>(7,200,869)</u>
College contributions subsequent to the measurement date	<u>10,771,751</u>	<u>-</u>	<u>10,771,751</u>
Total	<u>\$ 14,382,966</u>	<u>\$ 10,812,084</u>	<u>\$ 3,570,882</u>

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The amount of deferred outflows of resources related to College contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. 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
2016	\$ (1,763,994)
2017	(1,763,994)
2018	(1,763,994)
2019	<u>(1,908,887)</u>
Total	<u>\$ (7,200,869)</u>

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return	8% (7% for the Pension Plus plan), net of pension plan investment expense, including inflation
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

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 periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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>		<u>5.50 %</u>
Inflation			<u>2.50</u>
Investment rate of return			<u><u>8.00 %</u></u>

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the College's contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the College, calculated using the discount rate of 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	\$ 128,943,815	\$ 97,802,079	\$ 71,565,112

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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.

Payable to the Pension Plan. At June 30, 2015, 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 cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. 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.

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 are pending a Supreme Court resolution.

The College's contributions to MPSERS for other postemployment benefits were \$1,223,759 for the year ended June 30, 2015.

Defined Contribution Plan

Beginning in October 1996, the College established a 403(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 238 members as of June 30, 2015.

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 \$1,809,000 and \$1,594,000 for the years ended June 30, 2015 and 2014, respectively.

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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, 2015 and 2014, the estimated maximum stop-loss that the College could incur approximated \$18,810,000 and \$28,545,000, 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.

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, 2015 and 2014, changes in the estimated liabilities were as follows:

	Workers' Compensation	Health Benefits
Estimated liability, July 1, 2012	\$ 69,823	\$ 671,245
Estimated claims incurred, including changes in estimates	115,012	4,169,716
Less claim payments	<u>30,784</u>	<u>3,717,516</u>
Estimated liability, June 30, 2013	<u>\$ 154,051</u>	<u>\$ 1,123,445</u>
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>
Estimated liability, June 30, 2014	<u>\$ 192,087</u>	<u>\$ 1,095,110</u>
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>
Estimated liability, June 30, 2015	<u>\$ 137,413</u>	<u>\$ 1,314,492</u>

WASHTENAW COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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, 2015 and 2014 was approximately \$509,000 and \$547,000, respectively.

In addition, the College received payments from the Foundation for student scholarships and support totaling approximately \$629,000 and \$631,000 for the years ended June 30, 2015 and 2014, respectively.

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, 2015 and 2014, the facility use license agreement and education support services agreement required that the Academy pay the College \$150,000 and \$99,400, 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 \$1,320,000 and \$1,180,000 for the years ended June 30, 2015 and 2014, respectively.

11. SUBSEQUENT EVENT

On July 1, 2015, the College entered into a sixty-month lease agreement on certain office equipment, which meets capitalization criteria specified by generally accepted accounting principles. The total minimum payments due under this lease agreement are approximately \$1,700,000, including interest.

■ ■ ■ ■ ■

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, 2015
College's proportion of the net pension liability	0.44%
College's proportionate share of the net pension liability	\$ 97,802,079
College's covered-employee payroll	38,039,183
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	257.11%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015
Contractually required contribution	\$ 11,836,485
Contributions in relation to the contractually required contribution	<u>(11,836,485)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
College's covered-employee payroll	\$ 38,653,956
Contributions as a percentage of covered employee payroll	30.6%

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, 2015 (with comparative totals for June 30, 2014)

	Current Funds			Auxiliary Fund	Student Loan Fund	Plant Fund	Agency Fund	Eliminations	Combined Total	
	General Fund	Restricted Fund	Pension Liability Fund						June 30, 2015	June 30, 2014
Assets										
Current assets										
Cash and cash equivalents	\$ 7,771,372	\$ -	\$ -	\$ 662,494	\$ 8,561	\$ 7,975,180	\$ 182,327	\$ -	\$ 16,599,934	\$ 16,368,246
Accounts receivable:										
Property taxes receivable, less allowance of \$90,000 (\$150,500 in 2014)	74,141	-	-	-	-	-	-	-	74,141	301,126
State appropriations receivable	2,377,693	610,280	-	-	-	-	-	-	2,987,973	2,721,854
Accounts receivable, less allowance of \$1,439,000 (\$2,120,000 in 2014)	1,332,775	695,506	-	38,615	-	256,191	16,517	-	2,339,604	1,974,608
Student notes receivable, less allowance of \$33,000 (\$33,000 in 2014)	84,054	-	-	-	1,095	-	-	-	1,095	1,095
Accrued interest receivable	(46,159)	(74,604)	-	-	-	-	-	-	84,054	62,781
Due (to) from other funds	44,117	-	-	116,947	-	3,816	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	44,117	41,816
Prepaid and other assets	306,789	1,950	-	-	-	-	-	-	308,739	33,840
Total current assets	11,944,782	1,233,132	-	818,056	9,656	8,235,187	198,844	-	22,439,657	21,505,366
Noncurrent assets										
Investments	22,276,908	-	-	-	-	-	-	-	22,276,908	19,803,288
Capital assets, net of accumulated depreciation:										
Land	-	-	-	-	-	2,086,937	-	-	2,086,937	2,086,937
Land improvements and infrastructure	-	-	-	-	-	5,414,950	-	-	5,414,950	5,633,256
Buildings and improvements	-	-	-	-	-	127,416,790	-	-	127,416,790	128,956,545
Equipment, furniture, and software	-	-	-	-	-	4,371,153	-	-	4,371,153	4,605,555
Library books	-	-	-	-	-	412,166	-	-	412,166	434,713
Construction in progress	-	-	-	-	-	1,491,753	-	-	1,491,753	892,195
Total noncurrent assets	22,276,908	-	-	-	-	141,193,749	-	-	163,470,657	162,412,489
Total assets	34,221,690	1,233,132	-	818,056	9,656	149,428,936	198,844	-	185,910,314	183,917,855
Deferred outflows of resources										
Deferred charge on refunding	-	-	-	-	-	616,903	-	-	616,903	-
Deferred pension amounts	-	-	14,382,966	-	-	-	-	-	14,382,966	-
Total deferred outflows of resources	-	-	14,382,966	-	-	616,903	-	-	14,999,869	-

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION - UNAUDITED (CONCLUDED)
JUNE 30, 2015 (with comparative totals for June 30, 2014)

	Current Funds			Auxiliary Fund	Student Loan Fund	Plant Fund	Agency Fund	Eliminations	Combined Total	
	General Fund	Restricted Fund	Pension Liability Fund						June 30, 2015	June 30, 2014
Liabilities										
Current liabilities										
Accounts payable	\$ 2,408,736	\$ 106,117	\$ -	\$ 133,495	\$ -	\$ 1,207,364	\$ 1,760	\$ -	\$ 3,857,472	\$ 3,496,042
Accrued expenses:										
Payroll and withholdings	7,470,012	1,008,650	-	-	-	-	1,427	-	8,480,089	8,728,001
Vacation - current	1,864,950	50,980	-	-	-	-	4,070	-	1,920,000	2,000,000
Interest payable	-	-	-	-	-	145,524	-	-	145,524	168,859
Deposits	64,015	-	-	-	-	-	191,587	-	255,602	248,773
Unearned revenue	1,879,329	67,385	-	318,473	-	187,500	-	-	2,452,687	2,210,110
Bonds payable, current portion	-	-	-	-	-	1,571,792	-	-	1,571,792	1,356,769
Capital lease obligation, current portion	-	-	-	-	-	-	-	-	-	145,411
Total current liabilities	13,687,042	1,233,132	-	451,968	-	3,112,180	198,844	-	18,683,166	18,353,965
Noncurrent liabilities										
Bonds payable	-	-	-	-	-	13,266,504	-	-	13,266,504	14,164,854
Accrued vacation	556,775	-	-	-	-	-	-	-	556,775	429,147
Net pension liability	-	-	-	-	-	-	-	-	97,802,079	-
Total noncurrent liabilities	556,775	-	-	-	-	13,266,504	-	-	111,625,358	14,594,001
Total liabilities	14,243,817	1,233,132	97,802,079	451,968	-	16,378,684	198,844	-	130,308,524	32,947,966
Deferred inflows of resources										
Deferred pension amounts	-	-	-	-	-	-	-	-	10,812,084	-
Net position (deficit)										
Net investment in capital assets	-	-	-	-	-	126,972,355	-	-	126,972,355	126,942,167
Restricted for:										
Federal student loan program - Federal portion	-	-	-	-	8,690	-	-	-	8,690	8,810
Federal student loan program - Institutional portion	-	-	-	-	966	-	-	-	966	979
Unrestricted (deficit)	19,977,873	-	(94,231,197)	366,088	-	6,694,800	-	-	(67,192,436)	24,017,933
Total net position (deficit)	\$ 19,977,873	\$ -	\$ (94,231,197)	\$ 366,088	\$ 9,656	\$ 133,667,155	\$ -	\$ -	\$ 59,789,575	\$ 150,969,889

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN

NET POSITION - UNAUDITED

YEAR ENDED JUNE 30, 2015 (with comparative totals for year ended June 30, 2014)

	Current Funds		Pension Liability Fund	Auxiliary Fund	Student Loan Fund	Plant Fund	Eliminations	Combined Total	
	General Fund	Restricted Funds						June 30, 2015	June 30, 2014
Operating revenues									
Tuition and fees, net of scholarship allowance of \$6,868,050 (\$6,882,372 in 2014)	\$ 32,169,777	\$ -	\$ -	\$ 133,122	\$ -	\$ -	\$ (6,868,050)	\$ 25,434,849	\$ 25,365,451
Federal grants and contracts	-	3,069,522	-	-	-	-	-	3,069,522	3,091,571
State grants and contracts	-	276,173	-	-	-	-	-	276,173	279,035
Private grants and contracts	-	810,724	-	-	-	-	-	810,724	730,021
Sales and services of educational activities	417,785	-	-	-	-	-	-	417,785	484,339
Current fund expenditures for equipment and capital improvements	-	-	-	-	-	815,503	(815,503)	-	-
Auxiliary services	-	-	-	4,349,955	-	-	-	4,349,955	4,400,268
Other sources	5,211,723	58,525	-	-	-	-	-	5,270,248	5,017,212
Total operating revenues	37,799,285	4,214,944	-	4,483,077	-	815,503	(7,683,553)	39,629,256	39,367,897
Operating expenses									
Instruction	44,011,635	2,850,067	(871,638)	-	-	-	(306,768)	45,683,296	45,344,209
Public service	844,442	859,781	(22,982)	3,036,649	-	-	(1,198)	4,716,692	4,538,932
Instructional support	11,118,634	864,839	(208,748)	-	-	-	(182,918)	11,591,807	11,225,471
Student services and student aid	11,757,491	18,714,494	(196,699)	-	-	-	(6,874,324)	23,400,962	24,225,751
Institutional administration	11,375,353	534,952	(95,536)	-	133	-	(178,189)	11,636,713	11,568,823
Physical plant operations	12,027,774	399,166	(188,370)	-	-	295,005	(140,156)	12,393,419	12,849,286
Depreciation	-	-	-	-	-	6,199,141	-	6,199,141	6,216,967
Total operating expenses	91,135,329	24,223,299	(1,583,973)	3,036,649	133	6,494,146	(7,683,553)	115,622,030	115,969,439
Operating (loss) income	(53,336,044)	(20,008,355)	1,583,973	1,446,428	(133)	(5,678,643)	-	(75,992,774)	(76,601,542)
Nonoperating revenues (expenses)									
Federal grant - Pell award	-	16,235,003	-	-	-	-	-	16,235,003	17,159,622
State appropriations	13,188,560	3,356,534	-	-	-	-	-	16,545,094	15,139,359
Property taxes	47,751,140	-	-	-	-	-	-	47,751,140	46,580,704
Investment and interest income	408,778	-	-	1,260	-	-	-	410,038	443,683
Unrealized (loss) gain on investments	302,953	-	-	-	-	-	-	302,953	127,066
Loss on disposal of equipment	-	-	-	-	-	(108,627)	-	(108,627)	-
Interest on capital asset - related debt	-	-	-	-	-	(722,766)	-	(722,766)	(742,976)
Net nonoperating revenues	61,651,431	19,591,537	-	1,260	-	(831,393)	-	80,412,835	78,707,458
Income (loss) before other revenues	8,315,387	(416,818)	1,583,973	1,447,688	(133)	(6,510,036)	-	4,420,061	2,105,916
Other revenues									
Capital grants	-	-	-	-	-	214,795	-	214,795	485,000
Increase (decrease) in net position - before transfers	8,315,387	(416,818)	1,583,973	1,447,688	(133)	(6,295,241)	-	4,634,856	2,590,916
Transfers in (out)	(4,579,474)	416,818	-	(1,393,465)	-	5,556,121	-	-	-
Net Increase (decrease) in net position	3,735,913	-	1,583,973	54,223	(133)	(739,120)	-	4,634,856	2,590,916
Net position, beginning of year	16,241,960	-	-	311,865	9,789	134,406,275	-	150,969,889	148,378,973
Implementation of GASB 68	-	-	(95,815,170)	-	-	-	-	(95,815,170)	-
Adjusted net position, beginning of year	16,241,960	-	(95,815,170)	311,865	9,789	134,406,275	-	55,154,719	148,378,973
Net position, end of year	\$ 19,977,873	\$ -	\$ (94,231,197)	\$ 366,088	\$ 9,656	\$ 133,667,155	\$ -	\$ 59,789,575	\$ 150,969,889