Washtenaw Community College

Years Ended June 30, 2017 and 2016

Financial Statements and Supplementary Information

Rehmann

Business wisdom delivered.

WASHTENAW COMMUNITY COLLEGE

TABLE OF CONTENTS

Washtenaw Community College
Management's Discussion and Analysis
Year Ended June 30, 2017

Introduction to the Financials

The discussion and analysis of Washtenaw Community College's (the "College" or "WCC") financial statements provide an overview of the College's financial activities for the year ended June 30, 2017. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College administration.

Using this Report

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

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

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

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

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

The College's financial position improved approximately $6.3 million during the fiscal year ended June 30, 2017, which includes a negative $1.2 million impact due to the recording of pension liabilities per GASB Statement 68. Excluding the impact of GASB 68, the College's net position increased by approximately $7.5 million, or 4.64 percent. Of this change, unrestricted net position increased $3.9 million due to an increase of $1.8 million from general fund operations and an increase of $2.1 million in net position designated for capital improvements. Additionally, the amount invested in capital assets increased by approximately $3.6 million, as $8.4 million in new asset purchases and $1.7 million in principal debt reductions were offset by $6.5 million in depreciation of new and existing assets.

The College’s Net Pension Liability increased $5.9 million, from $110.7 million to $116.6 million as of June 30, 2016 and June 30, 2017, respectively. The increase was due to plan performance; changes in assumptions; and an increase in the College’s proportionate share of the overall liabilities of the MPSERS plan. The College's total assets at fiscal year-end were $196.5 million, an increase of 3.4 percent or $6.4 million. The following is a comparison of the major components of the net position of the College as of June 30, 2017, June 30, 2016, and June 30, 2015:

Net Position as of June 30 (in thousands)

	2017	2016	2015
Assets			
Current assets	$ 29,958	$ 23,408	$ 22,440
Noncurrent assets			
Capital assets, net	146,031	144,128	141,193
Investments	20,501	22,534	22,277
Total assets	**196,490**	**190,070**	**185,910**
Deferred outflows of resources	**19,722**	**14,794**	**15,000**
Liabilities			
Current liabilities	17,359	16,677	18,683
Noncurrent liabilities			
Net pension liability	116,608	110,719	97,802
Other	10,648	12,479	13,823
Total liabilities	**144,615**	**139,875**	**130,308**
Deferred inflows of resources	**3,942**	**3,634**	**10,812**
Net Position			
Invested in capital assets	134,524	130,936	126,972
Restricted - Expendable	-	11	10
Unrestricted deficit	(66,869)	(69,592)	(67,194)
Total net position	**$ 67,655**	**$ 61,355**	**$ 59,790**

Internally, the College accounts for its activities using fund accounting, which is then reorganized into operating and nonoperating components for the audited financial statements. Fiscal Year 2015 includes an adjustment to beginning retained earnings of $95.8 million due to the implementation of GASB 68. Due to the significance of the variances generated by the GASB 68 entries, and the related pension expense resulting from the State of Michigan contributions to the MPSERS pension plan, Operating Expenses are displayed below with those items shown separately from other College operating expenses. Following is a comparison of the major components of operating results of the College for the years ended June 30, 2017, June 30, 2016, and June 30, 2015:

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

	2017	2016	2015
Operating Revenue	$ 40,701	$ 39,605	$ 38,643
Operating Expenses			
MPSERS – restricted & GASB 68	5,773	7,322	1,773
Operating expenses – all other	115,379	111,230	112,863
	121,152	118,552	114,636
Operating Loss	(80,451)	(78,947)	(75,993)
Nonoperating Revenue	82,383	80,131	80,413
Income - Before other revenue	1,932	1,184	4,420
Other Revenue	4,368	381	215
Increase in Net Position	**6,300**	**1,565**	**4,635**
Net Position			
Beginning of year	61,355	59,790	150,970
Implementation of GASB 68	-	-	(95,815)
End of year	**$ 67,655**	**$ 61,355**	**$ 59,790**

Operating Revenues

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

The following table shows operating revenues by source for the years ended June 30, 2017, June 30, 2016, and June 30, 2015:

	2017		**2016**		**2015**	
	$ in 000's	% of total	$ in 000's	% of total	$ in 000's	% of total
Tuition and fees	26,826	66%	26,188	65%	25,203	65%
Grants and contracts	3,207	8%	3,073	10%	3,402	10%
Auxiliary services	4,835	12%	4,481	11%	4,350	11%
Other sources	5,832	14%	5,863	14%	5,688	14%
	40,700		**39,605**		**38,643**	

Fiscal Year 2017

For the College as a whole, total operating revenue increased by 2.77 percent or $1.10 million.

Significant changes included the following:

- Student tuition and fees revenue increased 2.4 percent or $0.6 million compared to the prior year, despite overall credit hour enrollment remaining essentially flat, and no changes to In-District rates. Tuition rates increased between 2 and 6 percent for students coming from outside the WCC district. Additionally, the College's In-District students are increasingly choosing Online course offerings, at an average $13/credit hour premium over the traditional On Campus delivery mode.
- Auxiliary services revenue increased by 7.91 percent, or $354,000, due to an increase in membership revenue at The Health and Fitness Center of Washtenaw Community College.

Fiscal Year 2016

For the College as a whole, total operating revenue increased by 2.5 percent or $0.96 million.

Significant changes included the following:

- Student tuition and fees revenue increased by 3.9 percent, or approximately $1 million. Overall, gross tuition charges were roughly flat year over year, however, accounting standards require that when awarded grants and scholarships are applied against student tuition charges, those amounts must reduce reported tuition and fee revenue. This adjustment is referred to as the Scholarship Allowance, which declined by approximately $830,000 in Fiscal 2016, as compared to Fiscal 2015. The scholarship allowance decreased due to a drop in Federal Pell Grants, which are the single largest source of grant dollars for WCC students.

<u>Operating Expenses</u>

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

The following table shows operating expenses by function for the institution as a whole for the years ended June 30, 2017, June 30, 2016, and June 30, 2015:

	2017		2016		2015	
	$ in 000s	% of total	$ in 000s	% of total	$ in 000s	% of total
Instruction	48,713	40%	46,714	39%	45,683	39%
Public Service	5,167	4%	4,629	4%	4,717	4%
Instructional Support	12,870	11%	12,974	11%	11,592	11%
Student Services and Student Aid	21,761	18%	22,354	20%	22,415	20%
Institutional Administration	12,669	10%	12,536	10%	11,637	10%
Physical Plant Operations	13,418	11%	12,922	11%	12,393	11%
Depreciation	6,554	6%	6,423	5%	6,199	5%
	121,152		**118,552**		**114,636**	

Fiscal Year 2017

During fiscal year 2017, institution-wide operating expenses increased 2.2 percent, or $2.60 million. A decrease in GASB 68 pension expense of $1.89 million, net of an increase of $0.3 million in State of Michigan pass-through of unfunded pension liability expenses combined for a total decrease of $1.59 million in pension expenses. Excluding those amounts, operating expenses increased $4.14 million, or 3.7 percent due to a one-time decrease in Fiscal Year 2016 of approximately $2.2 million in the year-end accrual for faculty wages and related expenses; plus general inflationary increases in other spending.

Fiscal Year 2016

During fiscal year 2016, institution-wide operating expenses increased 3.4 percent, or $3.92 million. An increase in GASB 68 pension expense of $4.27 million, plus an increase of $1.28 million in State of Michigan pass-through of unfunded pension liability expenses combined for a total increase of $5.55 million in pension expenses. Excluding those amounts, operating expenses decreased $1.63 million, or 1.4 percent due to a one-time decrease of approximately $2.2 million in the year-end accrual for faculty wages and related expenses; offset by general inflationary increases in other spending.

Non-operating Revenues (Expenses)
The following table shows net non-operating revenues (expenses) for the years June 30, 2017, June 30, 2016, and June 30, 2015:

	$ in 000s			
	2017	**2016**	**2015**	**Change 2017 to 2016**
Pell Grant Award	13,473	14,497	16,235	(1,024)
State appropriations	18,967	14,834	16,545	4,133
Property taxes	50,240	49,298	47,751	942
Investment and interest income	593	654	410	(61)
Unrealized (loss) gain on investments	(515)	1,253	303	(1,768)
Loss on disposal of equipment	-	-	(109)	-
Interest on capital asset - related debt	(375)	(405)	(722)	30
	82,383	**80,131**	**80,413**	**2,252**

Fiscal Year 2017

Net non-operating revenues increased by $2.25 million. Significant variance items include the following:

- Federal Pell Grant decreased by 7.07 percent, or $1.02 million. The decline was due to generally improved economic conditions resulting in fewer students meeting the eligibility requirements for these grants.
- Local government (property) taxes increased by 1.91%, or $0.94 million, due to increased taxable values throughout the county.
- State Appropriations increased by 27.86 percent, or $4.13 million, due to a combination of three factors: $0.23 million of the change resulted from an increase in general funding - an across the board increase, plus an additional amount based on certain performance factors, for which the College received the highest percentage allocation of any community college in the state; $0.74 million of the change came from the Local Community Stabilization Authority - a new source of revenue established to replace personal property tax revenue lost due to legislation passed in 2014; and $3.16 million of the increase came from changes in the recognition of the state portion of MPSERS pension-related appropriations, as required by GASB 68.
- The College recognized an unrealized loss on investments of $0.51 million, a decline of 141 percent, or ($1.77 million) as compared to the unrealized gain on investments of $1.25 million recorded in Fiscal 2016. The College invests its surplus monies in interest-bearing instruments. Changes in the interest rates available in the marketplace, relative to the interest rates attached to the instruments in the College's investment portfolio, have impacted the market value of the portfolio significantly over the past three years. Historically, the College has held its investments until maturity, thus negating the impact of these market adjustments over time.

Fiscal Year 2016

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

- Federal Pell Grant decreased by 10.70 percent, or $1.74 million. The decline was due to generally improved economic conditions resulting in fewer students meeting the eligibility requirements for these grants.
- Local government (property) taxes increased by 3.24%, or $1.55 million, due to increased taxable values throughout the county.

- State Appropriations decreased by 10.34 percent, or $1.71 million, due to a combination of three factors: $0.23 million of the change resulted from an increase in general funding - an across the board increase, plus an additional amount based on certain performance factors, for which the College received the highest percentage allocation of any community college in the state; additionally $1.28 million of the change resulted from an increase in a pass-through revenue item, with an equal and offsetting expense, related to the unfunded liability in the MPSERS state teachers' pension plan. These two increases were offset by a decrease resulting from a $3.2 million non-cash adjustment in the Pension Liability Fund, which defers recognition of a portion of the pass-through money until Fiscal 2017.
- The College recognized an unrealized gain on investments of $1.25 million, a change of 313 percent, or $0.95 million as compared to the unrealized gain on investments of $0.3 million recorded in Fiscal 2015.

Other Revenue

	$ in 000s			
	2017	**2016**	**2015**	**Change 2017 to 2016**
State capital grant	4,368	-	-	4,368
Capital grants	-	381	215	(381)

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples would be state capital grant and capital grants and gifts. Fiscal year 2017 includes revenue from the State of Michigan Community College Skilled Trades Equipment Program (CC-STEP). The College used this funding to invest in new equipment in the welding, robotics and automotive programs. Fiscal years 2016 and 2015 include contributions from the United Association of Plumbers and Pipefitters (UA) for capital upgrades to the College's physical plant, which benefit both the ongoing needs of the specific UA training programs and the College overall.

Statement of Cash Flows

Another way to assess the financial health of the College is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps users assess:

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

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

	2017	2016	2015	Change 2017 to 2016
Cash Provided by (Used in)				
Operating activities	$ (73,558)	$ (72,179)	$ (72,789)	$ (1,378)
Noncapital financing activities	82,679	81,575	80,952	1,105
Capital and related financing activities	(5,848)	(10,406)	(6,149)	4,558
Investing activities	(743)	(3,490)	(1,782)	2,747
Net Increase (Decrease) in Cash and Cash Equivalents	2,530	(4,501)	232	7,031
Cash and Cash Equivalents - Beginning of year	12,099	16,600	16,368	(4,501)
Cash and Cash Equivalents - End of year	$ 14,629	$ 12,099	$ 16,600	$ 2,530

Fiscal Year 2017

Cash flows increased $2.5 million for the year ended June 30, 2017, which reflects an increase of $7.0 million over the prior year. This change falls into two main categories: capital spending; and investment strategy. The use of cash for capital and related financing activities decreased by $4.5 million, due to $4.3 million received from the State of Michigan on the CC-STEP project. Excluding the State grant, the College’s spending on capital assets and reduction of debt was level with the prior year. As the College continues to execute both its long-term and short-term investment strategy, net investing activities used $0.7 million of cash in Fiscal Year 2017, a decrease of $2.7 million as compared to the cash used in the prior year. The College invests in a wide variety of interest-bearing vehicles maximizing investment returns with minimal increase in risk.

Fiscal Year 2016

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

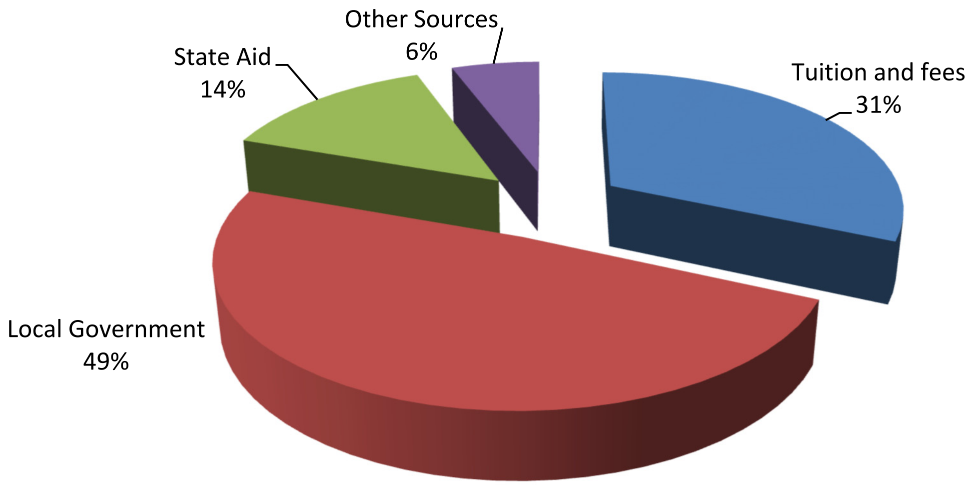
Supplementary Information

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

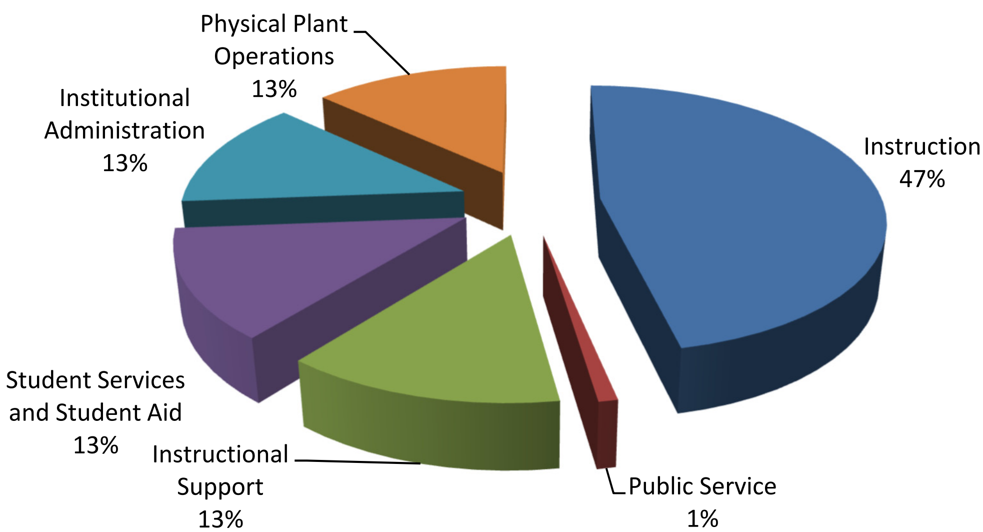
General Fund expenditures are classified by functional area and include both personnel and direct expenditures. Personnel and related expenditures accounted for approximately 82 percent of the General Fund operating expenses for the year ended June 30, 2017.

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, 2017.

General Fund Revenues - By Source



General Fund Expenses - By Function



Capital Assets and Debt Administration

Capital Assets

Fiscal Year 2017

At June 30, 2017, the College had $146.03 million invested in capital assets, net of accumulated depreciation of approximately $112.42 million. Depreciation charges totaled $6.55 million for the current fiscal year.

Major capital projects in progress at June 30, 2017, were as follows:
- CC-STEP State of Michigan Skilled Trades Equipment Grant project
- Parking lot replacements
- Technology Upgrades

Fiscal Year 2016

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

Major capital projects in progress at June 30, 2016, were as follows:
- CC-STEP State of Michigan Skilled Trades Equipment Grant project
- Campus Chiller Replacement and Temperature Control Upgrades
- Crane Liberal Arts and Science Building Renovations

Debt

At June 30, 2017 and 2016, the College had $10.76 million and $12.22 million, respectively, outstanding in general obligation bonds. In March 2015, the College took advantage of the existing low interest rate environment and refinanced its outstanding long-term debt obligations. The impact of the refinancing will result in savings of approximately $1.5 million over the remaining life of the bonds. Footnote 7 to these financial statements discusses the transaction in greater detail.

Economic Factors that Will Affect the Future

Nationally, community colleges continue to be at the forefront due to affordable tuition rates and responsive curriculum. However, even with the relatively low cost for education, our students still greatly rely on federal and state aid and loans to fund their educational pursuit. In FY 2017, WCC students received in excess of $33 million in federal & state funding to support the cost of their education at WCC. To the extent that these funding sources could change due to future legislation, this may impact students' ability to pursue their education.

WCC is committed to providing quality, affordable education for our credit and non-credit students, while also serving as a resource for our entire community. As evidenced by the rate freeze for Fiscal 2017 in-district tuition rates, ongoing efforts to maintain low operating costs and to pursue external funding sources have allowed the College to offer outstanding programs at affordable tuition rates.

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

In August 2016, the citizens of Washtenaw County voted with overwhelming support to renew an expiring operating tax millage, which, based on current assessed values, is expected to generate approximately $12.5 million per year for the next ten years. Revenue from property taxes is expected to increase modestly in the upcoming year as property values in Washtenaw County continue to improve. However, in August 2014, legislation to eliminate industrial personal property taxes became final. The legislation provided for a tax revenue replacement mechanism, which, in Fiscal 2017 more than offset the impact of reduced property tax revenues related to industrial property. For the upcoming year budget, the State has incorporated this replacement revenue into its funding formula for general appropriations.

State funding accounts for approximately 14 percent of the College's annual operating budget. The College continues to perform well against state performance metrics. However, state funding is constantly threatened by various legislative initiatives which include potential restriction of use of the state School Aid Fund.

The Michigan Public School Employees Retirement System (MPSERS), the state-run pension fund in which many of the College's employees participate, continues to be a significant and increasing cost to the College. Per MPSERS' comprehensive annual financial report as of September 30, 2016, the unfunded actuarial accrued liability for pensions and other postemployment benefits ("OPEB/Healthcare") for MPSERS is $26.7 billion and $9.3 billion, respectively. Pursuant to accounting standards for pensions (GASB No. 68), the College's financial statements reflect a liability of $116.6 million as of June 30, 2017, its proportionate share of the unfunded pension liability. A new and related statement, GASB No. 75, was issued in June 2015 for implementation in Fiscal Year 2018, which will require the College to record its proportionate share of the OPEB/Healthcare liabilities, in addition to the pension liabilities that are now recorded. The College will need to record an additional significant liability to accommodate this new standard. The State has not provided an estimate of that liability on a per-institution basis, however, the College estimates its portion of the unfunded OPEB liability to be at least $30 million. The State has begun to address this funding obligation by increasing the level of mandatory contributions by the College to MPSERS on behalf of its plan participants. Since 2013, the State has also provided additional restricted funding to the College to supplement the College's contribution to MPSERS. That supplemental State funding has more than doubled from 2014 to 2017 and is absorbing a larger portion of the State budget. As a result, the State passed a new MPSERS reform law in July 2017 in a further attempt to reduce the potential for continued growth in these unfunded liabilities. The new plan structure encourages new plan members to select the defined contribution (DC) plan over the traditional defined benefit (DB) plan with more generous employer contributions to the DC plan and higher employee contributions to the DB plan. In the short-term, it actually increases costs due to the more generous employer match; however, the long-term goal is to reduce the risk and cost associated with the DB plan model.

Rehmann

Rehmann Robson
675 Robinson Rd.
Jackson, MI 49203
Ph: 517.787.6503
Fx: 517.788.8111
rehmann.com

INDEPENDENT AUDITORS' REPORT

September 28, 2017

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, 2017 and 2016, 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. The financial statements of Washtenaw Community College Foundation were not audited in accordance with *Government Auditing Standards*.

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, 2017 and 2016, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued under separate cover our report dated September 28, 2017, on our consideration of ***Washtenaw Community College's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ***Washtenaw Community College's*** internal control over financial reporting and compliance.

Rehmann Robson LLC

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

	June 30	
	2017	2016
Assets		
Current assets		
Cash and cash equivalents	$ 14,628,576	$ 12,098,873
Investments	7,988,600	5,140,132
Property taxes receivable, net	54,802	73,032
State appropriations receivable	3,366,862	3,261,749
Accounts receivable, net	3,336,201	2,351,601
Student notes receivable, net	-	1,095
Accrued interest receivable	90,303	85,120
Inventories	45,756	66,536
Prepaid and other assets	446,889	330,341
Total current assets	**29,957,989**	**23,408,479**
Noncurrent assets		
Investments	20,501,270	22,533,800
Capital assets, net	146,030,766	144,127,776
Total noncurrent assets	**166,532,036**	**166,661,576**
Total assets	**196,490,025**	**190,070,055**
Deferred outflows of resources		
Deferred charge on refunding	508,480	577,891
Deferred pension amounts (Note 8)	19,213,747	14,216,609
Total deferred outflows of resources	**19,722,227**	**14,794,500**
Liabilities		
Current liabilities		
Accounts payable	5,137,102	3,738,548
Accrued payroll and withholdings	5,607,885	6,570,282
Accrued vacation	2,110,000	2,000,000
Accrued interest payable	103,119	117,669
Deposits	277,774	245,829
Unearned revenue	2,323,852	2,250,852
Bonds payable, current portion	1,678,842	1,643,088
Capital lease obligation, current portion	120,150	110,733
Total current liabilities	**17,358,724**	**16,677,001**
Noncurrent liabilities		
Bonds payable, net of current portion	9,944,574	11,623,416
Accrued vacation, net of current portion	432,126	464,054
Net pension liability (Note 8)	116,608,139	110,718,864
Capital lease obligation, net of current portion	271,823	391,973
Total noncurrent liabilities	**127,256,662**	**123,198,307**
Total liabilities	**144,615,386**	**139,875,308**
Deferred inflows of resources		
Deferred pension amount (Note 8)	**3,942,283**	**3,634,378**
Net position		
Net investment in capital assets	134,523,857	130,936,458
Restricted for:		
Federal student loan program - Federal portion	-	9,575
Federal student loan program - Institutional portion	-	1,064
Unrestricted deficit (Note 1)	(66,869,274)	(69,592,228)
Total net position	**$ 67,654,583**	**$ 61,354,869**

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	
	2017	**2016**
Operating revenues		
Tuition and fees, net of scholarship allowance of of $5,823,652 ($6,273,248 in 2016)	$ 26,826,174	$ 26,187,974
Federal grants and contracts	2,619,739	2,643,413
State grants and contracts	532,118	358,514
Private grants and contracts	54,957	70,591
Sales and services of educational activities	370,745	391,191
Auxiliary services	4,835,412	4,481,110
Other sources	5,461,369	5,472,192
Total operating revenues	**40,700,514**	**39,604,985**
Operating expenses		
Instruction	48,712,798	46,714,309
Public service	5,167,166	4,629,159
Instructional support	12,869,433	12,973,318
Student services and student aid	21,760,880	22,354,267
Institutional administration	12,669,201	12,536,151
Physical plant operations	13,418,392	12,921,662
Depreciation	6,553,941	6,423,312
Total operating expenses	**121,151,811**	**118,552,178**
Operating loss	**(80,451,297)**	**(78,947,193)**
Nonoperating revenues (expenses)		
Federal grant - Pell award	13,472,510	14,497,239
State appropriations	18,966,641	14,833,859
Property taxes	50,240,448	49,297,668
Investment and interest income	593,063	654,362
Unrealized (loss) gain on investments	(514,910)	1,253,313
Interest on capital asset - related debt	(374,525)	(404,798)
Net nonoperating revenues	**82,383,227**	**80,131,643**
Income before other revenues	**1,931,930**	**1,184,450**
Other revenues		
State capital grant	4,367,784	-
Capital grants	-	380,844
Total other revenues	**4,367,784**	**380,844**
Increase in net position	**6,299,714**	**1,565,294**
Net position, beginning of year	61,354,869	59,789,575
Net position, end of year	**$ 67,654,583**	**$ 61,354,869**

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

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2017	**2016**
Cash flows from operating activities		
Tuition and fees	$ 27,125,410	$ 26,693,531
Grants and contracts	2,537,779	3,087,429
Payments to suppliers and students	(26,738,211)	(28,165,748)
Payments to employees	(86,780,341)	(83,493,853)
Other	10,296,781	9,953,302
Net cash used in operating activities	**(73,558,582)**	**(72,179,140)**
Cash flows from noncapital financing activities		
Federal grant - Pell award	13,439,733	14,471,303
Local property taxes	50,033,678	49,298,777
State appropriations	19,272,239	17,781,516
Federal Direct Student Loan receipts	18,832,204	18,686,868
Federal Direct Student Loan disbursements	(18,898,798)	(18,663,931)
External scholarships and grant receipts	1,650,422	1,475,069
External scholarships and grant disbursements	(1,650,422)	(1,475,069)
Net cash provided by noncapital financing activities	**82,679,056**	**81,574,533**
Cash flows from capital and related financing activities		
Purchases of capital assets	(8,071,512)	(8,531,897)
Principal paid on capital debt	(1,565,733)	(1,467,053)
Capital grant receipts	-	193,344
State capital grant	4,297,194	-
Interest paid on capital debt	(507,752)	(600,433)
Net cash used in capital and related financing activities	**(5,847,803)**	**(10,406,039)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	49,160,000	21,983,021
Interest on investments	512,995	640,453
Purchase of investments	(50,415,963)	(26,113,889)
Net cash used in investing activities	**(742,968)**	**(3,490,415)**
Net increase (decrease) in cash and cash equivalents	**2,529,703**	**(4,501,061)**
Cash and cash equivalents, beginning of year	12,098,873	16,599,934
Cash and cash equivalents, end of year	**$ 14,628,576**	**$ 12,098,873**

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

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2017	2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (80,451,297)	$ (78,947,193)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	6,553,941	6,423,312
Bad debts	384,725	534,318
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(1,198,269)	(644,507)
Inventories, prepaid and other assets	(95,768)	(44,021)
Accounts payable	1,238,135	(238,416)
Accrued payroll and other compensation	(884,325)	(1,922,528)
Unearned revenue	73,000	(14,335)
Deposits	31,945	(9,773)
Change in net pension liability and deferred amounts	789,331	2,684,003
Net cash used in operating activities	**$ (73,558,582)**	**$ (72,179,140)**

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

WASHTENAW COMMUNITY COLLEGE

FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2017	2016
ASSETS		
Cash and cash equivalents	$ 59,340	$ 452,354
Contributions receivable, net of discount and allowance of $19,081 in 2017 and $30,797 in 2016	278,531	437,125
Prepaid insurance	1,082	-
Revolving loan fund receivable	8,020	-
Investments	21,563,090	18,585,186
Investments held under split-interest agreements	104,895	97,757
Beneficial interest in charitable remainder trust	382,314	355,826
Total assets	**$ 22,397,272**	**$ 19,928,248**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and grants payable	$ 48,662	$ 4,690
Revolving loan fund advance	100,000	100,000
Split-interest agreements payable	32,814	34,427
Total liabilities	**181,476**	**139,117**
Net assets		
Unrestricted		
Board designated	423,341	423,341
Undesignated	1,653,030	1,388,914
Temporarily unrestricted	7,764,010	5,872,567
Permanently restricted	12,375,415	12,104,309
Total net assets	**22,215,796**	**19,789,131**
Total liabilities and net assets	**$ 22,397,272**	**$ 19,928,248**

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

FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2017	2016
Revenue and support		
Contributions	$ 481,061	$ 704,552
Fundraising events - net of expenses of $74,541 in 2017 and $82,137 in 2016	164,643	149,266
Investment income	305,611	341,859
Changes in value of split-interest agreements	35,240	(20,727)
Net realized and unrealized gains (losses) on investments	2,417,804	(437,694)
Miscellaneous revenue	1,000	-
Personnel services received from affiliate	355,457	371,044
Total revenue and support	**3,760,816**	**1,108,300**
Expenses		
Support services		
Salaries	87,815	69,102
Marketing	5,292	3,331
Computer training and support	22,194	16,371
Bad debts (recoveries)	(8,515)	91,026
Personnel services received from affiliate	355,457	371,044
Other	75,786	96,598
Program services		
Scholarships	714,239	696,188
Other grants to College	81,883	65,252
Total expenses	**1,334,151**	**1,408,912**
Increase (decrease) in net assets	**2,426,665**	**(300,612)**
Net assets, beginning of year	19,789,131	20,089,743
Net assets, end of year	**$ 22,215,796**	**$ 19,789,131**

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

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity
Washtenaw Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) No. 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001.*

The College reports as a business-type activity, as defined by GASB Statement No. 35. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Land improvements and infrastructure	10-15 years
Buildings and improvements	40 years
Equipment, furniture, and software	3-15 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, 2017 and 2016 consists of approximately $1,546,000 and $1,491,000 of tuition revenue for the 2017 and 2016 spring/summer semesters, respectively. Unearned revenue also includes approximately $326,000 and $320,000 at June 30, 2017 and 2016 for payments received toward Fall 2017 and 2016 tuition and fees, respectively. Grants received prior to qualifying expenditures are also included in unearned revenue.

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

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

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

	2017	2016
Encumbrances	$ 418,962	$ 521,433
Future conference funds	73,221	39,120
Health insurance claims	500,000	600,000
Designated for capital improvements	4,375,858	2,272,781
Pension liability fund deficit	(101,336,675)	(100,136,633)
Unrestricted and unallocated	29,099,360	27,111,071
Total unrestricted net deficit	**$ (66,869,274)**	**$ (69,592,228)**

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

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

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

Use of Estimates

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

Reclassifications

Certain 2016 amounts have been reclassified to conform to the 2017 presentation.

New Accounting Pronouncement

The Governmental Accounting Standards Board has issued GASB Statement No. 75, *Postemployment Benefits Other Than Pensions*, which will be effective for the College's fiscal year ending June 30, 2018. This statement will require the recognition of a net OPEB liability on the statement of net position, equal to the College's proportionate share of the net OPEB liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard. While the exact amount of this liability is not readily determinable at this time, management estimates that it will be at least $30 million. This statement will require the net OPEB liability to be recorded for the year ending June 30, 2018, by restating beginning net position as of July 1, 2017.

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 $50,240,448 and $49,297,668 based on $3.4360 and $3.4576 of tax per $1,000 of taxable property value in the College's taxing district for the years ended June 30, 2017 and 2016, respectively.

3. CASH AND INVESTMENTS

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

	2017	2016
Cash and cash equivalents	$ 14,628,576	$ 12,098,873
Investments	28,489,870	27,673,932
Total	**$ 43,118,446**	**$ 39,772,805**

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

	2017	2016
Bank deposits (checking accounts, savings accounts, money market accounts and certificates of deposit)	$ 14,626,205	$ 12,096,507
Petty cash or cash on hand	2,371	2,366
Total	**$ 14,628,576**	**$ 12,098,873**

Deposits
The above deposits at June 30, 2017 and 2016 were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at $15,456,826 and $12,771,714, respectively. Of the amount at June 30, 2017, $1,157,514 was covered by federal depository insurance and $14,299,312 was uninsured and uncollateralized. Of the amount at June 30, 2016, $1,107,688 was covered by federal depository insurance and $11,664,026 was uninsured and uncollateralized.

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

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

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2017 or 2016.

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

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

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

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

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

2017	Level 1	Level 2	Level 3	Total
U.S. agencies	$ 7,913,260	$ -	$ -	$ 7,913,260
Municipal bonds	14,608,665	-	-	14,608,665
State of Michigan Bonds	2,983,700	-	-	2,983,700
Commercial paper	2,984,245	-	-	2,984,245
Total investments at fair value	**$ 28,489,870**	**$ -**	**$ -**	**$ 28,489,870**

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

As of June 30, 2017, the College had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	Greater Than 10
Municipal bonds	$ 14,608,665	$ 2,010,395	$ 10,015,690	$ 1,019,010	$ 1,563,570
U.S. agencies	7,913,260	2,993,960	1,999,910	1,025,970	1,893,420
State of Michigan Bonds	2,983,700	-	1,972,810	-	1,010,890
Commercial paper	2,984,245	2,984,245	-	-	-
Total	**$ 28,489,870**	**$ 7,988,600**	**$ 13,988,410**	**$ 2,044,980**	**$ 4,467,880**

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

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

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, 2017 and 2016. The College's investments in Michigan municipalities were rated AA- to AAA and AA- to AA+ by Standard & Poor's at June 30, 2017 and 2016, respectively. Additionally, as of June 30, 2017 and 2016, 75 and 67 percent of the College's Michigan municipality bonds, respectively, were included in the Michigan School Bond Qualification and Loan Program, which enhances the ratings for these bonds. As of June 30, 2017 and 2016, the Michigan School Bond Qualification and Loan Program was rated AA- by S&P and Aa1 by Moody's. The College's investments in State of Michigan Bonds were rated AA- by Standard & Poor's at June 30, 2017 and 2016. The College's investments in Commercial Paper were rated A-1+ to A-2 and A-1+ to A-3 by Standard & Poor's at June 30, 2017 and 2016, respectively.

Concentration of Credit Risk

The College places no limit on the amount the College may invest in any one issuer. As of June 30, 2017, the College's investments were concentrated by issuer as follows: 51 percent issued by Michigan municipalities; 28 percent issued by U.S. agencies; 11 percent commercial paper and 10 percent State of Michigan bonds. As of June 30, 2016, the College's investments were concentrated by issuer as follows: 56 percent issued by Michigan municipalities; 26 percent issued by U.S. agencies; 11 percent commercial paper and 7 percent State of Michigan bonds. For the years ended June 30, 2017 and 2016, the College had 21 and 20 unique bond issuers within its portfolio, respectively. The largest single issuer accounted for approximately 19 and 21 percent as of June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, this issuer was Federal National Mortgage Association which was rated Aaa by Moody's.

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, 2017, approximately 41 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 24 percent were in the custody of Key Bank Capital Markets; 12 percent were in the custody of PNC Capital Markets, 19 percent were in the custody of Stifel, Nicolaus & Company, Inc.; and 4 percent were in the custody of Morgan Stanley. At June 30, 2016, approximately 46 percent of the College's investments were in the custody of Fifth Third Securities, Inc.; 22 percent were in the custody of Key Bank Capital Markets; 17 percent were in the custody of PNC Capital Markets and 15 percent were in the custody of Stifel, Nicolaus & Company, Inc.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2017	2016
Student accounts	$ 3,723,763	$ 3,252,044
Miscellaneous grants	1,110,352	441,317
Pell	151,847	119,070
Federal Direct Loans	189,801	123,207
Other	285,438	210,963
Total	5,461,201	4,146,601
Less allowance for doubtful accounts	2,125,000	1,795,000
Accounts receivable, net	**$ 3,336,201**	**$ 2,351,601**

5. CAPITAL ASSETS

The following tables present the changes in each of the capital assets class categories for the years ended June 30, 2017 and 2016:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Assets not being depreciated:					
Land and other	$ 2,229,447	$ -	$ -	$ -	$ 2,229,447
Construction in progress	5,063,271	3,039,928	-	(5,041,097)	3,062,102
Total capital assets not being depreciated	7,292,718	3,039,928	-	(5,041,097)	5,291,549
Capital assets being depreciated:					
Land improvements and Infrastructure	14,425,390	388,003	-	17,220	14,830,613
Buildings and Improvements	192,021,099	1,143,094	-	9,550	193,173,743
Equipment, furniture, and software	32,928,838	3,817,269	(274,915)	5,013,827	41,485,019
Library books	3,599,371	68,637	-	500	3,668,508
Total capital assets being depreciated	242,974,698	5,417,003	(274,915)	5,041,097	253,157,883
Less accumulated depreciation:					
Land improvements and Infrastructure	8,702,391	707,253	-	-	9,409,644
Buildings and Improvements	65,811,163	4,027,113	-	-	69,838,276
Equipment, furniture, and software	28,372,257	1,700,310	(274,915)	-	29,797,652
Library books	3,253,829	119,265	-	-	3,373,094
Total accumulated depreciation	106,139,640	6,553,941	(274,915)	-	112,418,666
Capital assets being depreciated, net	136,835,058	(1,136,938)	-	5,041,097	140,739,217
Capital assets, net	**$ 144,127,776**	**$ 1,902,990**	**$ -**	**$ -**	**$ 146,030,766**

	Balance July 1, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Assets not being depreciated:					
Land and other	$ 2,229,447	$ -	$ -	$ -	$ 2,229,447
Construction in progress	1,491,753	5,050,945	-	(1,479,427)	5,063,271
Total capital assets not being depreciated	3,721,200	5,050,945	-	(1,479,427)	7,292,718
Capital assets being depreciated:					
Land improvements and Infrastructure	13,426,357	587,403	-	411,630	14,425,390
Buildings and Improvements	188,834,184	2,272,650	-	914,265	192,021,099
Equipment, furniture, and software	31,397,841	1,427,460	(49,995)	153,532	32,928,838
Library books	3,530,495	68,876	-	-	3,599,371
Total capital assets being depreciated	237,188,877	4,356,389	(49,995)	1,479,427	242,974,698
Less accumulated depreciation:					
Land improvements and Infrastructure	8,011,408	690,983	-	-	8,702,391
Buildings and Improvements	61,559,901	4,251,262	-	-	65,811,163
Equipment, furniture, and software	27,026,688	1,345,569	-	-	28,372,257
Library books	3,118,331	135,498	-	-	3,253,829
Total accumulated depreciation	99,716,328	6,423,312	-	-	106,139,640
Capital assets being depreciated, net	137,472,549	(2,066,923)	(49,995)	1,479,427	136,835,058
Capital assets, net	**$ 141,193,749**	**$ 2,984,022**	**$ (49,995)**	**$ -**	**$ 144,127,776**

The College is in the process of upgrading technology and equipment, renovating existing buildings, and improving infrastructure on College grounds. At June 30, 2017 and 2016, construction in progress for these capital improvement projects was as follows:

	2017	2016
CC-STEP State of Michigan Skilled Trades Equipment project	$ 905,983	$ 3,972,882
Crane Liberal Arts & Science Building	57,572	-
Parking Lot Replacement	1,401,285	-
Technology Upgrades	450,305	-
Control Upgrade projects	19,055	770,755
Miscellaneous construction projects	227,902	319,634
Total construction in progress	**$ 3,062,102**	**$ 5,063,271**

Total future commitments at June 30, 2017 and 2016 related to these projects approximated $73,000 and $4,503,000, respectively.

6. LEASES

Capital Leases

During fiscal 2016, the College entered into a lease agreement as lessee for financing the purchase of certain office equipment, which meets the capitalization criteria specified by generally accepted accounting principles. Therefore, it has been recorded at the present value of the future minimum lease payments as of the inception date (see Note 7). The cost and accumulated depreciation of the assets under the capital leases totaled approximately $605,000 and $242,000 as of June 30, 2017. The cost and accumulated depreciation of the assets under the capital leases totaled approximately $605,000 and $121,000 as of June 30, 2016.

The following is a schedule of annual future minimum lease payments required under the capital lease as of June 30, 2017:

Years Ending	Amount
2018	$ 147,809
2019	147,809
2020	147,809
Total minimum lease payments	443,427
Less amount representing interest	(51,454)
Present value at June 30, 2017	**$ 391,973**

7. LONG-TERM OBLIGATIONS

Long-term obligation activity during the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
March 2015, Refunding Bonds	$ 12,215,000	$ -	$ 1,455,000	$ 10,760,000	$ 1,515,000
Bond Premium on 2015 Refunding Bonds	1,051,504	-	188,088	863,416	163,842
Capital lease obligations	502,706	-	110,733	391,973	120,150
Accrued vacation pay	2,464,054	2,143,787	2,065,715	2,542,126	2,110,000
Total	**$ 16,233,264**	**$ 2,143,787**	**$ 3,819,536**	**$ 14,557,515**	**$ 3,908,992**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
July 25, 2006, Building and Site Bonds	$ 795,000	$ -	$ 795,000	$ -	$ -
March 2015, Refunding Bonds	12,785,000	-	570,000	12,215,000	1,455,000
Bond Premium on 2015 Refunding Bonds	1,258,296	-	206,792	1,051,504	188,088
Capital lease obligations	-	604,759	102,053	502,706	110,733
Accrued vacation pay	2,476,775	1,904,239	1,916,960	2,464,054	2,000,000
Total	**$ 17,315,071**	**$ 2,508,998**	**$ 3,590,805**	**$ 16,233,264**	**$ 3,753,821**

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, 2017 and 2016, $12,060,000 and $14,190,000 of bonds outstanding are considered defeased, respectively.

General Obligation Bonds
At June 30, 2017, general obligation bonds totaling $10,760,000 were outstanding with interest rates varying from 2.5% to 4.0%. Principal payments are due annually in April with the payment for the upcoming year of $1,515,000. Interest payments are due semiannually in April and October of $206,000 each. These bonds are insured and mature in varying amounts through 2027.

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

Total principal and interest maturities on the general obligation bonds for years succeeding June 30, 2017 are summarized as follows:

	Debt Obligations		
Year	Principal	Interest	Total
2018	$ 1,515,000	$ 412,475	$ 1,927,475
2019	870,000	351,875	1,221,875
2020	910,000	317,075	1,227,075
2021	945,000	280,675	1,225,675
2022	985,000	242,875	1,227,875
2023 - 2027	5,535,000	591,975	6,126,975
Totals	**$ 10,760,000**	**$ 2,196,950**	**$ 12,956,950**

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

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

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided. Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of September 30, 2016 will be amortized over a 20-year period.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 21.87% to 27.56% of covered payroll for the College's fiscal 2017. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's fiscal 2017.

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

The College's contribution to MPSERS under all pension plans for the years ended June 30, 2017, 2016, and 2015 were $11,197,000, $10,532,000, and $8,278,000, respectively. These amounts are equal to the College's required contributions for each year.

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

At June 30, 2017 and 2016, the College reported a liability of $116,608,139 and $110,718,864, respectively for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015 and 2014, respectively. The College’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016, the College’s proportion was 0.46738%, which was an increase of 0.01408% from its proportion measured as of September 30, 2015 of 0.45330%.

For the year ended June 30, 2017, the College recognized its proportional share of the Plan’s pension expense of $12,348,963. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	$ 1,823,077	$ -	$ 1,823,077
Differences between expected and actual experience	1,453,245	276,364	1,176,881
Change in proportion and differences between employer contribution and proportionate share	4,098,112	33,775	4,064,337
Net difference between projected and actual earnings on pension plan investments	1,938,026	-	1,938,026
	9,312,460	310,139	9,002,321
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	3,632,144	(3,632,144)
College contributions subsequent to the measurement date	9,901,287	-	9,901,287
Total	**$ 19,213,747**	**$ 3,942,283**	**$ 15,271,464**

$9,901,287 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The $3,632,144 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriation revenue for the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2018	$ 2,153,032
2019	2,000,522
2020	3,910,072
2021	938,695
Total	**$ 9,002,321**

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

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

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2015 and 2014 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Projected salary increases	3.5% to 12.3%, including wage inflation at 3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7% for 2015 (7.5% for 2014)
Cost of living adjustments	3.0% annual, non-compounded for MIP members

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

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016 and 2015, respectively, is based on the results of an actuarial valuation date of September 30, 2015 and 2014, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 and 2015, are summarized in the following tables:

2016 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	5.90 %	1.64 %
Alternative investment pools	18.00	9.20	1.66
International equity	16.00	7.20	1.15
Fixed income pools	10.50	0.90	0.09
Real estate and infrastructure pools	10.00	4.30	0.43
Absolute return pools	15.50	6.00	0.93
Short-term investment pools	2.00	0.00	0.00
			5.90 %
	100.00 %		
Inflation			2.10
Investment rate of return			**8.00 %**

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the College as of June 30, 2017 and 2016, 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 (2017)	$ 150,161,932	$ 116,608,139	$ 88,319,066
College's proportionate share of net pension liability (2016)	$ 142,744,998	$ 110,718,864	$ 83,719,521

Change in Pension Plan Actuarial Assumption. On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8.0% to 7.5% for the September 30, 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions for fiscal year 2019 and beyond and the net pension liability as of June 30, 2019 and beyond will increase as a result of lowering the assumed investment rate of return.

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, 2017, the College reported a payable of $1,137,367 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017. As of June 30, 2016, the College reported a payable of $1,440,724 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the *Premium Subsidy* plan, a defined benefit postemployment healthcare plan, which is funded by employers on a pre-funded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 8.86% to 10.05% and 9.62 to 10.34% of covered payroll for fiscal 2017 and 2016, respectively. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

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

The College's contributions to MPSERS for other postemployment benefits were $3,847,718, $3,665,221 and $4,580,293 for the years ended June 30, 2017, 2016 and 2015, respectively.

Defined Contribution Plan

Beginning in October 1996, the College established a 401(a) plan as an alternative to the retirement plan from the MPSERS. All full-time educators and administrators are eligible to participate in the plan. The plan has 162 members as of June 30, 2017.

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 $1,866,000 and $1,842,000 for the years ended June 30, 2017 and 2016, respectively.

9. RISK MANAGEMENT

The College funds its employees' health benefit plan on a partially uninsured basis, providing coverage for employees' medical, dental, and vision claims. The College's maximum stop-loss is limited to $55,000 per employee contract covered under the plan. At June 30, 2017 and 2016, the estimated maximum stop-loss that the College could incur approximated $10,450,000 and $15,895,000, respectively.

The College is partially uninsured for workers' compensation to a maximum of $400,000 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, 2017.

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, 2017 and 2016, changes in the estimated liabilities were as follows:

	Workers' Compensation	Health Benefits
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	196,383	5,741,045
Estimated liability, June 30, 2015	**$ 137,413**	**$ 1,314,492**
Estimated liability, July 1, 2015	$ 137,413	$ 1,314,492
Estimated claims incurred, including changes in estimates	(8,216)	4,864,939
Less claim payments	71,787	4,987,037
Estimated liability, June 30, 2016	**$ 57,410**	**$ 1,192,394**
Estimated liability, July 1, 2016	$ 57,410	$ 1,192,394
Estimated claims incurred, including changes in estimates	77,642	3,967,068
Less claim payments	53,543	4,152,605
Estimated liability, June 30, 2017	**$ 81,509**	**$ 1,006,857**

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, 2017 and 2016 was approximately $461,000 and $466,000, respectively.

In addition, the College received payments from the Foundation for student scholarships and support totaling approximately $813,000 and $717,000 for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, the facility use license agreement and education support services agreement required that the Academy pay the College $150,000 and $150,000, respectively. Under the joint enrollment agreement, the Academy students may be jointly enrolled in both the College and the Academy. The Academy pays all tuition and fees for students enrolled at the College. Tuition and fees under this agreement were approximately $1,447,000 and $1,329,000 for the years ended June 30, 2017 and 2016, respectively.

■ ■ ■ ■ ■

SUPPLEMENTARY INFORMATION

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, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability	0.46738%	0.45330%	0.44402%
College's proportionate share of the net pension liability	$ 116,608,139	$ 110,718,864	$ 97,802,079
College's covered-employee payroll	$ 41,220,476	$ 38,675,423	$ 38,039,183
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	282.89%	286.28%	257.11%
Plan fiduciary net position as a percentage of the total pension liability	63.27%	63.17%	66.20%

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

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

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of College Contributions (Unaudited)

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 11,196,524	$ 10,532,263	$ 8,277,610
Contributions in relation to the contractually required contribution	(11,196,524)	(10,532,263)	(8,277,610)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered-employee payroll	$ 40,900,320	$ 37,968,811	$ 38,653,956
Contributions as a percentage of covered employee payroll	27.38%	27.74%	21.41%

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, 2017 (with comparative totals for June 30, 2016)

	Current Funds								Combined Total	
	General Fund	Restricted Fund	Pension Liability Fund	Auxiliary Fund	Student Loan Fund	Plant Fund	Agency Fund	Eliminations	June 30, 2017	June 30, 2016
Assets										
Current assets										
Cash and cash equivalents	$ 7,459,636	$ -	$ -	$ 992,326	$ -	$ 5,961,846	$ 214,768	$ -	$ 14,628,576	$ 12,098,873
Investments	7,988,600	-	-	-	-	-	-	-	7,988,600	5,140,132
Accounts receivable:										
Property taxes receivable, less allowance of $72,000 ($86,000 in 2016)	54,802	-	-	-	-	-	-	-	54,802	73,032
State appropriations receivable	2,460,730	906,132	-	-	-	-	-	-	3,366,862	3,261,749
Accounts receivable, less allowance of $2,125,000 ($1,795,000 in 2016)	1,598,566	1,452,000	-	56,667	-	225,590	3,378	-	3,336,201	2,351,601
Student notes receivable, (less allowance of $33,000 in 2016)	-	-	-	-	-	-	-	-	-	1,095
Accrued interest receivable	90,303	-	-	-	-	-	-	-	90,303	85,120
Due from (to) other funds	1,312,200	(1,257,273)	-	(58,743)	-	3,816	-	-	-	-
Inventories	45,756	-	-	-	-	-	-	-	45,756	66,536
Prepaid and other assets	438,254	-	-	8,635	-	-	-	-	446,889	330,341
Total current assets	**21,448,847**	**1,100,859**	**-**	**998,885**	**-**	**6,191,252**	**218,146**	**-**	**29,957,989**	**23,408,479**
Noncurrent assets										
Investments	20,501,270	-	-	-	-	-	-	-	20,501,270	22,533,800
Capital assets, net of accumulated depreciation:										
Land	-	-	-	-	-	2,086,937	-	-	2,086,937	2,086,937
Land improvements and infrastructure	-	-	-	-	-	5,420,969	-	-	5,420,969	5,722,999
Buildings and improvements	-	-	-	-	-	123,477,974	-	-	123,477,974	126,352,444
Equipment, furniture, and software	-	-	-	-	-	11,687,368	-	-	11,687,368	4,556,582
Library books	-	-	-	-	-	295,416	-	-	295,416	345,543
Construction in progress	-	-	-	-	-	3,062,102	-	-	3,062,102	5,063,271
Total noncurrent assets	**20,501,270**	**-**	**-**	**-**	**-**	**146,030,766**	**-**	**-**	**166,532,036**	**166,661,576**
Total assets	**41,950,117**	**1,100,859**	**-**	**998,885**	**-**	**152,222,018**	**218,146**	**-**	**196,490,025**	**190,070,055**
Deferred outflows of resources										
Deferred charge on refunding	-	-	-	-	-	508,480	-	-	508,480	577,891
Deferred pension amounts	-	-	19,213,747	-	-	-	-	-	19,213,747	14,216,609
Total deferred outflows of resources	**-**	**-**	**19,213,747**	**-**	**-**	**508,480**	**-**	**-**	**19,722,227**	**14,794,500**

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION - UNAUDITED (CONCLUDED)
JUNE 30, 2017 (with comparative totals for June 30, 2016)

	Current Funds								Combined Total	
	General Fund	Restricted Fund	Pension Liability Fund	Auxiliary Fund	Student Loan Fund	Plant Fund	Agency Fund	Eliminations	June 30, 2017	June 30, 2016
Liabilities										
Current liabilities										
Accounts payable	$ 3,127,321	$ 50,180	$ -	$ 242,178	$ -	$ 1,712,275	$ 5,148	$ -	$ 5,137,102	$ 3,738,548
Accrued expenses:		-								
Payroll and withholdings	4,644,051	961,920	-	-	-	-	1,914	-	5,607,885	6,570,282
Vacation - current	2,048,492	55,461	-	-	-	-	6,047	-	2,110,000	2,000,000
Interest payable	-	-	-	-	-	103,119	-	-	103,119	117,669
Deposits	72,737	-	-	-	-	-	205,037	-	277,774	245,829
Unearned revenue	1,915,062	33,298	-	375,492	-	-	-	-	2,323,852	2,250,852
Bonds payable, current portion	-	-	-	-	-	1,678,842	-	-	1,678,842	1,643,088
Capital lease obligation, current portion	-	-	-	-	-	120,150	-	-	120,150	110,733
Total current liabilities	**11,807,663**	**1,100,859**	**-**	**617,670**	**-**	**3,614,386**	**218,146**	**-**	**17,358,724**	**16,677,001**
Noncurrent liabilities										
Bonds payable	-	-	-	-	-	9,944,574	-	-	9,944,574	11,623,416
Accrued vacation	432,126	-	-	-	-	-	-	-	432,126	464,054
Net pension liability	-	-	116,608,139	-	-	-	-	-	116,608,139	110,718,864
Capital lease obligation	-	-	-	-	-	271,823	-	-	271,823	391,973
Total noncurrent liabilities	**432,126**	**-**	**116,608,139**	**-**	**-**	**10,216,397**	**-**	**-**	**127,256,662**	**123,198,307**
Total liabilities	**12,239,789**	**1,100,859**	**116,608,139**	**617,670**	**-**	**13,830,783**	**218,146**	**-**	**144,615,386**	**139,875,308**
Deferred inflows of resources										
Deferred pension amounts	**-**	**-**	**3,942,283**	**-**	**-**	**-**	**-**	**-**	**3,942,283**	**3,634,378**
Net position (deficit)										
Net investment in capital assets	-	-	-	-	-	134,523,857	-	-	134,523,857	130,936,458
Restricted for:										
Federal student loan program - Federal portion	-	-	-	-	-	-	-	-	-	9,575
Federal student loan program - Institutional portion	-	-	-	-	-	-	-	-	-	1,064
Unrestricted (deficit)	29,710,328	-	(101,336,675)	381,215	-	4,375,858	-	-	(66,869,274)	(69,592,228)
Total net position (deficit)	**$ 29,710,328**	**$ -**	**$ (101,336,675)**	**$ 381,215**	**$ -**	**$ 138,899,715**	**$ -**	**$ -**	**$ 67,654,583**	**$ 61,354,869**

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION - UNAUDITED
YEAR ENDED JUNE 30, 2017 (with comparative totals for year ended June 30, 2016)

	Current Funds							Combined Total	
	General Fund	Restricted Funds	Pension Liability Fund	Auxiliary Fund	Student Loan Fund	Plant Fund	Eliminations	June 30, 2017	June 30, 2016
Operating revenues									
Tuition and fees, net of scholarship allowance of $5,823,652 ($6,273,348 in 2016)	$ 32,540,908	$ -	$ -	$ 108,918	$ -	$ -	$ (5,823,652)	$ 26,826,174	$ 26,187,974
Federal grants and contracts	-	2,619,739	-	-	-	-	-	2,619,739	2,643,413
State grants and contracts	-	532,118	-	-	-	-	-	532,118	358,514
Private grants and contracts	-	54,957	-	-	-	-	-	54,957	70,591
Sales and services of educational activities	370,745	-	-	-	-	-	-	370,745	391,191
Current fund expenditures for equipment and capital improvements	-	-	-	-	-	1,358,522	(1,358,522)	-	-
Auxiliary services	-	-	-	4,835,412	-	-	-	4,835,412	4,481,110
Other sources	5,419,869	41,500	-	-	-	-	-	5,461,369	5,472,192
Total operating revenues	**38,331,522**	**3,248,314**	**-**	**4,944,330**	**-**	**1,358,522**	**(7,182,174)**	**40,700,514**	**39,604,985**
Operating expenses									
Instruction	45,271,438	3,613,498	419,451	-	-	-	(591,589)	48,712,798	46,714,309
Public service	750,674	1,153,425	3,473	3,268,547	-	-	(8,953)	5,167,166	4,629,159
Instructional support	12,120,192	857,820	102,013	-	-	-	(210,592)	12,869,433	12,973,318
Student services and student aid	12,152,169	15,406,694	97,325	-	-	-	(5,895,308)	21,760,880	22,354,267
Institutional administration	12,164,378	652,370	80,274	-	60,759	-	(288,580)	12,669,201	12,536,151
Physical plant operations	12,750,109	595,750	86,795	-	-	172,890	(187,152)	13,418,392	12,921,662
Depreciation	-	-	-	-	-	6,553,941	-	6,553,941	6,423,312
Total operating expenses	**95,208,960**	**22,279,557**	**789,331**	**3,268,547**	**60,759**	**6,726,831**	**(7,182,174)**	**121,151,811**	**118,552,178**
Operating (loss) income	**(56,877,438)**	**(19,031,243)**	**(789,331)**	**1,675,783**	**(60,759)**	**(5,368,309)**	**-**	**(80,451,297)**	**(78,947,193)**
Nonoperating revenues (expenses)									
Federal grant - Pell award	-	13,472,510	-	-	-	-	-	13,472,510	14,497,239
State appropriations	14,393,626	4,983,726	(410,711)	-	-	-	-	18,966,641	14,833,859
Property taxes	50,240,448	-	-	-	-	-	-	50,240,448	49,297,668
Investment and interest income	591,463	-	-	1,600	-	-	-	593,063	654,362
Unrealized (loss) gain on investments	(514,910)	-	-	-	-	-	-	(514,910)	1,253,313
Interest on capital asset - related debt	-	-	-	-	-	(374,525)	-	(374,525)	(404,798)
Net nonoperating revenues (expenses)	**64,710,627**	**18,456,236**	**(410,711)**	**1,600**	**-**	**(374,525)**	**-**	**82,383,227**	**80,131,643**
Income (loss) before other revenues	**7,833,189**	**(575,007)**	**(1,200,042)**	**1,677,383**	**(60,759)**	**(5,742,834)**	**-**	**1,931,930**	**1,184,450**
Other revenues									
State capital grant	-	-	-	-	-	4,367,784	-	4,367,784	-
Capital grants	-	-	-	-	-	-	-	-	380,844
Total other revenues	**-**	**-**	**-**	**-**	**-**	**4,367,784**	**-**	**4,367,784**	**380,844**
Increase (decrease) in net position - before transfers	**7,833,189**	**(575,007)**	**(1,200,042)**	**1,677,383**	**(60,759)**	**(1,375,050)**	**-**	**6,299,714**	**1,565,294**
Transfers (out) in	(6,050,802)	575,007	-	(1,639,851)	50,120	7,065,526	-	-	-
Net increase (decrease) in net position	**1,782,387**	**-**	**(1,200,042)**	**37,532**	**(10,639)**	**5,690,476**	**-**	**6,299,714**	**1,565,294**
Net position, beginning of year	27,927,941	-	(100,136,633)	343,683	10,639	133,209,239	-	61,354,869	59,789,575
Net position, end of year	**$ 29,710,328**	**$ -**	**$(101,336,675)**	**$ 381,215**	**$ -**	**$ 138,899,715**	**$ -**	**$ 67,654,583**	**$ 61,354,869**