Washtenaw Community College

Years Ended June 30, 2018 and 2017

Financial Statements and Supplementary Information

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WASHTENAW COMMUNITY COLLEGE

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Management's Discussion and Analysis
Year Ended June 30, 2018

Introduction to the Financials

The discussion and analysis of Washtenaw Community College's (the "College") financial statements provide an overview of the College's financial activities for the year ended June 30, 2018. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College administration.

Using this Report

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

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

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

For the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Postemployment Benefits Other Than Pensions* (GASB 75). This standard for the first time requires the College to record its proportionate share of the other postemployment benefits (OPEB) liability associated with providing healthcare to retirees in 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, coupled with the pension-related liability disclosures first reported for the fiscal year ended June 30, 2015 under Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), 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

Excluding the impact of GASB Statements 68 and 75, the College's net position increased by approximately $3.3 million, or 2.0 percent for the year ended June 30, 2018. Of this change, unrestricted net position increased $4.5 million. Continuing to prioritize maintenance of and investment in its physical plant, the College designated $3.0 million of the current year increase for future capital improvements. The amount invested in capital assets decreased by approximately $1.2 million, as $7.0 million in depreciation expense offsets $4.3 million in new asset purchases and $1.5 million in principal debt reductions.

The College's financial position was significantly impacted by the implementation of GASB 75 during the fiscal year ended June 30, 2018, and continues to be impacted negatively by GASB 68. The College's overall net position declined approximately $1.3 million during the fiscal year ended June 30, 2018, which includes a negative $4.6 million impact due to the recording of net pension and OPEB liabilities per GASB Statements 68 and 75. Additionally, the College recorded a $41.7 million reduction to Beginning of Year Net Position as a result of the GASB 75 implementation.

Three new line items appear on the Statement of Net Position as of June 30, 2018, each related to GASB 75. Deferred OPEB amounts appears in both the Deferred Outflows of Resources, and the Deferred Inflows of Resources categories. Additionally, Net OPEB Liability appears in the Noncurrent Liabilities category. Each of these lines represents a separate component of the required reporting for the College's participation in the MPSERS OPEB plan. As of June 30, 2018, the combined impact to the College of these new requirements is a decrease of $41.8 million in unrestricted net position, resulting from a $41.7 million restatement of beginning of year net position, and a current year increase to retirement expense of $0.1 million. These items are discussed in greater detail in the footnotes to the financial statements and the required supplementary information following the footnotes. It is important to note that while this new standard raises awareness of potential future obligations of the College, its implementation has no immediate impact on the cash position of the College nor its ability to meet current obligations.

The College's net liabilities for pension and OPEB costs increased $50.5 million, from $116.6 million to $167.1 million as of June 30, 2017 and June 30, 2018, respectively. $42.7 million came from the implementation of GASB 75. The remaining increase for the pension plan was due to plan performance; changes in assumptions; and an increase in the College's proportionate share of the overall net liability of the MPSERS pension plan. The College's total assets at fiscal year-end were $195.9 million, a decrease of 0.3 percent or $0.6 million. The following is a comparison of the major components of the net position of the College as of June 30, 2018, 2017 and 2016:

Net Position as of June 30 (in thousands)

	2018	2017	2016
Assets			
Current assets	$ 33,679	$ 29,958	$ 23,408
Noncurrent assets			
Capital assets, net	143,125	146,031	144,128
Investments	19,095	20,501	22,534
Total assets	**195,899**	**196,490**	**190,070**
Deferred outflows of resources	**34,347**	**19,722**	**14,794**
Liabilities			
Current liabilities	14,392	17,359	16,677
Noncurrent liabilities			
Net pension & OPEB liabilities	167,156	116,608	110,719
Other	9,630	10,649	12,479
Total liabilities	**191,178**	**144,615**	**139,875**
Deferred inflows of resources	**14,406**	**3,942**	**3,634**
Net Position			
Net investment in capital assets	133,353	134,524	130,936
Restricted – Expendable	-	-	11
Unrestricted (deficit) net position			
Pension & OPEB deficits	(147,659)	(101,337)	(100,137)
Other unrestricted	38,968	34,468	30,545
Total net position	**$ 24,662**	**$ 67,655**	**$ 61,355**

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 2018 includes an adjustment to beginning of year net position of $41.7 million due to the implementation of GASB 75. Due to the significance of the variances generated by the GASB 68 and 75 entries, and the related pension and OPEB expense resulting from the State of Michigan contributions to the MPSERS retirement 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, 2018, June 30, 2017, and June 30, 2016:

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

	2018	2017	2016
Operating Revenues	$ 42,329	$ 40,701	$ 39,605
Operating Expenses			
MPSERS – restricted & GASB 68/75	8,281	5,773	7,322
Operating expenses – all other	120,031	115,379	111,230
	128,312	121,152	118,552
Operating Loss	(85,983)	(80,451)	(78,947)
Nonoperating Revenues	84,504	82,383	80,131
Income (Loss) - Before other revenues	(1,479)	1,932	1,184
Other Revenues	160	4,368	381
(Decrease) Increase in Net Position	**(1,319)**	**6,300**	**1,565**
Net Position			
Beginning of year	67,655	61,355	59,790
Implementation of GASB 75	(41,674)	-	-
End of year	**$ 24,662**	**$ 67,655**	**$ 61,355**

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, 2018, June 30, 2017, and June 30, 2016:

	2018		**2017**		**2016**	
	$ in 000's	% of total	$ in 000's	% of total	$ in 000's	% of total
Tuition and fees	27,396	65%	26,826	66%	26,188	65%
Grants and contracts	3,539	8%	3,207	8%	3,073	10%
Auxiliary services	5,143	12%	4,835	12%	4,481	11%
Other sources	6,251	15%	5,832	14%	5,863	14%
	42,329		**40,701**		**39,605**	

Fiscal Year 2018

For the College as a whole, total operating revenue increased by 4.0 percent or $1.63 million.

Significant changes included the following:

- Student tuition and fees revenue increased 2.1 percent or $0.6 million compared to the prior year. Overall credit hour enrollment rose just slightly, and tuition rates increased between 1 and 5 percent. In response to shifting demographics and student feedback, the College has made significant efforts over the past several years to increase course offerings delivered in an Online mode. The results from Fiscal 2018 demonstrate the impact of those efforts, as credit hour enrollments in Online courses now comprise 24 percent of all enrollments, up from 19 percent only two years ago.
- Revenue from grants and contracts increased 10.3 percent, or $0.3 million, over the prior year. The College's highly successful GED program received over $80,000 of additional funding to expand its offerings. In addition, a grant from the US Department of Transportation through the University of Michigan, provided more than $100,000 of increased funding to support research and program development in the field of automated and connected vehicles.
- Compared to Fiscal 2017, Auxiliary services revenue, from the operation of the Health and Fitness Center of Washtenaw Community College, increased $0.3 million; and other sources of revenue rose $0.4 million. For many years, the College has partnered with different building trade unions to provide summer training programs for their members. Increased participation in those events contributed to more than half of the increase in Other revenue.

Fiscal Year 2017

For the College as a whole, total operating revenue increased by 2.8 percent or $1.1 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 7.9 percent, or $354,000, due to an increase in membership revenue at the Health and Fitness Center of Washtenaw Community College.

Operating Expenses

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

The following table shows operating expenses by function for the institution as a whole for the years ended June 30, 2018, June 30, 2017, and June 30, 2016:

	2018		2017		2016	
	$ in 000's	% of total	$ in 000's	% of total	$ in 000's	% of total
Instruction	47,755	37%	45,002	37%	43,009	36%
Technology	7,758	6%	6,982	6%	7,126	6%
Public Service	5,542	4%	5,136	4%	4,586	4%
Instructional Support	12,371	10%	11,967	10%	12,004	10%
Student Services and Student Aid	21,803	17%	20,899	17%	22,631	19%
Institutional Administration	13,067	10%	11,959	10%	11,816	10%
Physical Plant Operations	13,002	10%	12,651	10%	12,138	10%
Depreciation	7,014	6%	6,554	6%	6,423	5%
	128,312		**121,152**		**118,552**	

Fiscal Year 2018

During fiscal year 2018, institution-wide operating expenses increased 5.9 percent, or $7.16 million. General operating expenses for personnel increased approximately $2.4 million. Non-personnel expenses, including depreciation, increased approximately $1.7 million. Expenses for grants and other restricted activities increased $1.0 million, and an additional $2.0 million is attributable to non-cash and pass-through pension expenses.

Fiscal Year 2017

During fiscal year 2017, institution-wide operating expenses increased 2.2 percent, or $2.6 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 $1.55 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.

Non-operating Revenues (Expenses)

The following table shows net non-operating revenues (expenses) for the years ended June 30, 2018, June 30, 2017, and June 30, 2016:

	$ in 000s			
	2018	**2017**	**2016**	**Change 2018 to 2017**
Pell Grant Award	14,080	13,473	14,497	607
State appropriations	18,457	18,967	14,834	(510)
Property taxes	51,864	50,240	49,298	1,624
Investment and interest income	847	593	654	254
Unrealized (loss)/gain on investments	(419)	(515)	1,253	96
Interest on capital asset - related debt	(325)	(375)	(405)	50
	84,504	**82,383**	**80,131**	**2,121**

Fiscal Year 2018

Net non-operating revenues increased by $2.1 million. Significant variance items include the following:

- Federal Pell Grant increased by 4.5 percent, or $0.61 million. The increase was due to the availability of Pell Grants for students continuing their education during the 2018 Spring/Summer semester.
- Local government (property) taxes increased by 3.2 percent, or $1.62 million, due to increased taxable values throughout the county.
- State Appropriations revenue decreased by 2.7 percent, or $0.51 million, due to a combination of several factors. Overall cash payments from the State increased approximately $1.5 million. However, these increases were offset by a $2.0 million increase in Deferred Inflows for Pension Amounts as required by GASB 68. Compared to Fiscal 2017, the College received an increase of $97,000 in general appropriations; $67,000 in Local Community Stabilization; $267,000 in funds to offset increases in required contributions to the MPSERS pension plan; and $1.05 million in of pass-through, stabilizing funding to the MPSERS plan. The GASB 68 rules require the current year pass-through funding to be recognized in a future year, which offset the increases in cash payments received during the current fiscal year.
- The College realized $0.85 million of investment and interest income, an increase of almost 43 percent over the prior year, due to slight increases in market interest rates and diligently executing the strategies outlined in its investment policy. Partially offsetting that income was an unrealized loss on investments of $0.42 million. 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 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.

<u>Other Revenues</u>

	$ in 000s			
	2018	**2017**	**2016**	**Change 2018 to 2017**
State capital grant	160	4,368	-	(4,208)
Capital grants	-	-	381	-

Other revenue consists of items that are typically nonrecurring, extraordinary, or unusual to the College. Examples would be state capital appropriations and capital grants and gifts. Fiscal years 2018 and 2017 include 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 year 2016 includes 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)

	2018	2017	2016	Change 2018 to 2017
Cash Provided by (Used in)				
Operating activities	$ (78,294)	$ (73,558)	$ (72,179)	$ (4,736)
Noncapital financing activities	86,665	82,679	81,575	3,986
Capital and related financing activities	(6,482)	(5,848)	(10,406)	(634)
Investing activities	363	(743)	(3,490)	1,106
Net Increase (Decrease) in Cash	2,252	2,530	(4,501)	(278)
Cash – Beginning of year	14,629	12,099	16,600	2,530
Cash – End of year	**$ 16,881**	**$ 14,629**	**$ 12,099**	**$ 2,252**

Fiscal Year 2018

Cash flows increased $2.2 million for the year ended June 30, 2018, which reflects a decrease of $0.27 million over the prior year. The results are similar to the prior year. The first two categories, Operating and Noncapital financing activities reflect the basic operations of the College. These activities, which include tuition revenue, as well as property tax revenue and state appropriations, net of operating expenses, generated approximately $8.4 million in cash flows during fiscal 2018. This net cash flow then financed $4.4 million of investments in capital assets and $2.1 million of debt reduction. As the College continues to execute both its long-term and short-term investment strategy, net investing activities generated $0.4 million of cash in Fiscal Year 2018. The College invests in a wide variety of interest-bearing vehicles maximizing investment returns with minimal increase in risk.

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 contribution, 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.

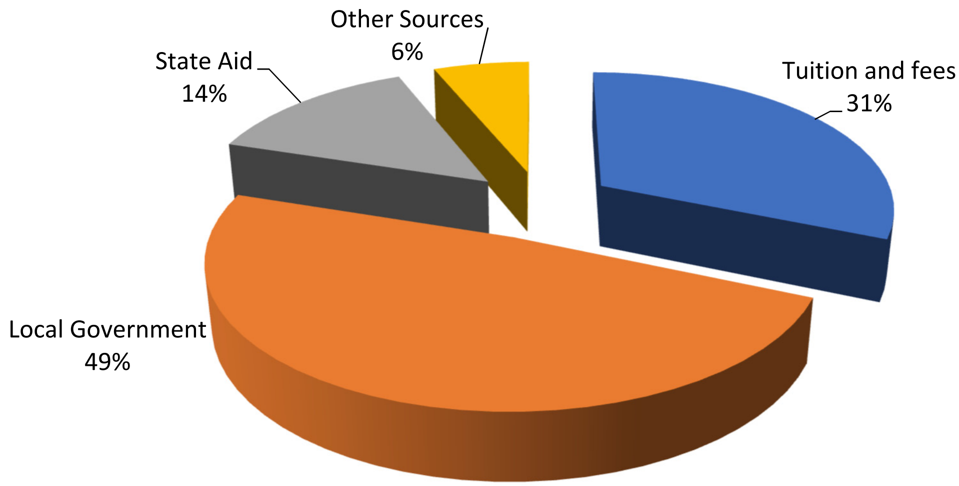
Supplementary Information

Immediately following the footnotes to the financial statements are four 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 the Schedule of College Pension Contributions are related to GASB 68. The Schedule of the College's Proportionate Share of Net Other Postemployment Benefits Liability and the Schedule of the College's Other Postemployment Benefits Contributions are new in Fiscal 2018, and are related to the implementation of GASB 75. All four of these schedules reflect the College's participation in the MPSERS retirement plan. The Combining Statement of Net Position and Combining Statement of Revenue, Expenses, Transfer and 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 and GASB 75 entries are combined and reflected in a separate column labeled, Pension & OPEB Liabilities 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.

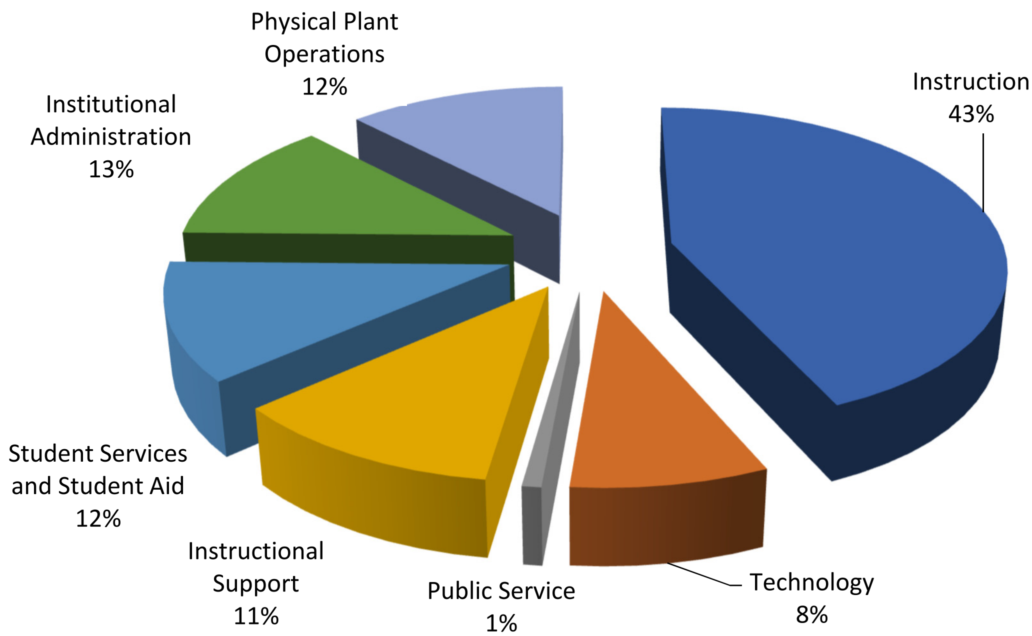
General Fund expenditures are classified by functional area and include both personnel and direct expenditures. Personnel and related expenditures accounted for approximately 82 percent of the General Fund operating expenses for the year ended June 30, 2018.

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, 2018.

General Fund Revenues - By Source



General Fund Expenses - By Function



Capital Assets and Debt Administration

Capital Assets

Fiscal Year 2018

At June 30, 2018, the College had $143.12 million invested in capital assets, net of accumulated depreciation of approximately $119.43 million. Depreciation charges totaled $7.01 million for the current fiscal year.

One major capital project in progress at June 30, 2018, is as follows:
- Fan-coil replacement for the Business Education Building

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

Debt

At June 30, 2018 and 2017, the College had $9.25 million and $10.76 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 2018, WCC students received in excess of $32 million in federal & state funding to support the cost of their education at WCC. To the extent that these funding sources could change due to future legislation, this may impact students' ability to pursue their education.

WCC is committed to providing quality, affordable education for our credit and non-credit students, while also serving as a resource for our entire community. Fiscal 2018 in-district tuition rates increased one percent over the prior year. Ongoing efforts to maintain low operating costs and to pursue external funding sources have allowed the College to offer outstanding programs at affordable tuition rates.

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

The College counts on the strong support of the citizens and business leaders of Washtenaw County. The health of the local economy has provided a consistent source of funding to the College through local property tax revenues. Revenue from property taxes is expected to increase modestly in the upcoming year as property values in Washtenaw County continue to improve.

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 retirement 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, 2017, the unfunded actuarial accrued liability for pensions and other postemployment benefits ("OPEB/Healthcare") for MPSERS is $29.1 billion and $9.5 billion, respectively. Pursuant to accounting standards for pensions (GASB 68) and OPEB (GASB 75), the College's financial statements reflect liabilities totaling $167.2 million as of June 30, 2018, its proportionate share of the unfunded pension and OPEB liabilities. 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 2018 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.

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INDEPENDENT AUDITORS' REPORT

October 3, 2018

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, 2018 and 2017, 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, 2018 and 2017, and the respective results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Notes 1 and 8, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year. Accordingly, beginning net position of business-type activities as of July 1, 2017 was restated. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated October 3, 2018, 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

STATEMENTS OF NET POSITION

	June 30	
	2018	**2017**
Assets		
Current assets		
Cash and cash equivalents	$ 16,881,027	$ 14,628,576
Investments	9,456,591	7,988,600
Property taxes receivable, net	113,845	54,802
State appropriations receivable	3,453,086	3,366,862
Accounts receivable, net	3,183,360	3,336,201
Accrued interest receivable	94,550	90,303
Inventories	47,254	45,756
Prepaid and other assets	448,858	446,889
Total current assets	**33,678,571**	**29,957,989**
Noncurrent assets		
Investments	19,094,422	20,501,270
Capital assets, net	143,125,346	146,030,766
Total noncurrent assets	**162,219,768**	**166,532,036**
Total assets	**195,898,339**	**196,490,025**
Deferred outflows of resources		
Deferred charge on refunding	444,212	508,480
Deferred OPEB amounts (Notes 1 and 8)	2,404,955	-
Deferred pension amounts (Note 8)	31,498,134	19,213,747
Total deferred outflows of resources	**34,347,301**	**19,722,227**
Liabilities		
Current liabilities		
Accounts payable	3,848,699	5,137,102
Accrued payroll and withholdings	4,356,972	5,607,885
Accrued vacation	2,100,000	2,110,000
Accrued interest payable	87,969	103,119
Deposits	283,282	277,774
Unearned revenue	2,573,249	2,323,852
Bonds payable, current portion	1,011,512	1,678,842
Capital lease obligation, current portion	130,368	120,150
Total current liabilities	**14,392,051**	**17,358,724**
Noncurrent liabilities		
Bonds payable, net of current portion	8,933,062	9,944,574
Accrued vacation, net of current portion	555,199	432,126
Net OPEB liability (Notes 1 and 8)	42,669,543	-
Net pension liability (Note 8)	124,486,379	116,608,139
Capital lease obligation, net of current portion	141,455	271,823
Total noncurrent liabilities	**176,785,638**	**127,256,662**
Total liabilities	**191,177,689**	**144,615,386**
Deferred inflows of resources		
Deferred OPEB amounts (Notes 1 and 8)	1,519,064	-
Deferred pension amounts (Note 8)	12,886,949	3,942,283
Total deferred inflows of resources	**14,406,013**	**3,942,283**
Net position		
Net investment in capital assets	133,353,160	134,523,857
Unrestricted deficit (Note 1)	(108,691,222)	(66,869,274)
Total net position	**$ 24,661,938**	**$ 67,654,583**

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	
	2018	**2017**
Operating revenues		
Tuition and fees, net of scholarship allowance of of $6,131,439 ($5,823,652 in 2017)	$ 27,396,129	$ 26,826,174
Federal grants and contracts	2,995,569	2,619,739
State grants and contracts	492,319	532,118
Private grants and contracts	50,866	54,957
Sales and services of educational activities	358,958	370,745
Auxiliary services	5,143,464	4,835,412
Other sources	5,891,885	5,461,369
Total operating revenues	**42,329,190**	**40,700,514**
Operating expenses		
Instruction	47,754,956	45,002,423
Technology	7,757,747	6,982,326
Public service	5,542,540	5,136,417
Instructional support	12,371,135	11,967,266
Student services and student aid	21,803,018	20,899,325
Institutional administration	13,067,156	11,959,097
Physical plant operations	13,002,057	12,651,016
Depreciation	7,013,710	6,553,941
Total operating expenses	**128,312,319**	**121,151,811**
Operating loss	**(85,983,129)**	**(80,451,297)**
Nonoperating revenues (expenses)		
Federal grant - Pell award	14,080,305	13,472,510
State appropriations	18,457,482	18,966,641
Property taxes	51,863,652	50,240,448
Investment and interest income	847,058	593,063
Unrealized loss on investments	(418,642)	(514,910)
Interest on capital asset - related debt	(325,410)	(374,525)
Net nonoperating revenues	**84,504,445**	**82,383,227**
(Loss) income before other revenues	**(1,478,684)**	**1,931,930**
Other revenues		
State capital grants	**159,732**	**4,367,784**
(Decrease) increase in net position	**(1,318,952)**	**6,299,714**
Net position, beginning of year	67,654,583	61,354,869
Implementation of GASB 75 (Notes 1 and 8)	(41,673,693)	-
Adjusted net position, beginning of year	**25,980,890**	**61,354,869**
Net position, end of year	**$ 24,661,938**	**$ 67,654,583**

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

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2018	**2017**
Cash flows from operating activities		
Tuition and fees	$ 27,733,624	$ 27,125,410
Grants and contracts	3,629,270	2,537,779
Payments to suppliers and students	(31,006,202)	(26,738,211)
Payments to employees	(89,686,498)	(86,780,341)
Other	11,035,349	10,296,781
Net cash used in operating activities	**(78,294,457)**	**(73,558,582)**
Cash flows from noncapital financing activities		
Federal grant - Pell award	14,140,120	13,439,733
Local property taxes	51,654,609	50,033,678
State appropriations	20,776,397	19,272,239
Federal Direct Student Loan receipts	17,415,336	18,832,204
Federal Direct Student Loan disbursements	(17,321,057)	(18,898,798)
External scholarships and grant receipts	1,986,812	1,650,422
External scholarships and grant disbursements	(1,986,812)	(1,650,422)
Net cash provided by noncapital financing activities	**86,665,405**	**82,679,056**
Cash flows from capital and related financing activities		
Purchases of capital assets	(4,636,562)	(8,071,512)
Principal paid on capital debt	(1,635,150)	(1,565,733)
State capital grant receipts	230,323	4,297,194
Interest paid on capital debt	(440,134)	(507,752)
Net cash used in capital and related financing activities	**(6,481,523)**	**(5,847,803)**
Cash flows from investing activities		
Proceeds from sales and maturities of investments	50,500,000	49,160,000
Interest on investments	598,127	512,995
Purchase of investments	(50,735,101)	(50,415,963)
Net cash provided by (used in) investing activities	**363,026**	**(742,968)**
Net increase in cash and cash equivalents	**2,252,451**	**2,529,703**
Cash and cash equivalents, beginning of year	14,628,576	12,098,873
Cash and cash equivalents, end of year	**$ 16,881,027**	**$ 14,628,576**

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

WASHTENAW COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2018	2017
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (85,983,129)	$ (80,451,297)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,013,710	6,553,941
Bad debts	416,313	384,725
Changes in operating assets and liabilities that (used) provided cash:		
Accounts receivable	(596,657)	(1,198,269)
Inventories, prepaid and other assets	(3,467)	(95,768)
Accounts payable	(501,631)	1,238,135
Accrued payroll and other compensation	(1,137,840)	(884,325)
Unearned revenue	249,397	73,000
Deposits	5,508	31,945
Change in net pension and OPEB liability and deferred amounts	2,243,339	789,331
Net cash used in operating activities	**$ (78,294,457)**	**$ (73,558,582)**

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

WASHTENAW COMMUNITY COLLEGE

FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2018	2017
ASSETS		
Cash and cash equivalents	$ 376,545	$ 59,340
Contributions receivable, net of discount and allowance of $11,106 in 2018 and $19,081 in 2017	174,443	278,531
Prepaid insurance	-	1,082
Revolving loan fund receivable	6,660	8,020
Investments	23,202,939	21,563,090
Investments held under split-interest agreements	108,113	104,895
Beneficial interest in charitable remainder trust	408,440	382,314
Total assets	**$ 24,277,140**	**$ 22,397,272**
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts and grants payable	$ 227,419	$ 48,662
Revolving loan fund advance	100,000	100,000
Split-interest agreements payable	31,236	32,814
Total liabilities	**358,655**	**181,476**
Net assets		
Unrestricted		
Board designated	423,341	423,341
Undesignated	1,850,531	1,653,030
Temporarily unrestricted	8,844,834	7,764,010
Permanently restricted	12,799,779	12,375,415
Total net assets	**23,918,485**	**22,215,796**
Total liabilities and net assets	**$ 24,277,140**	**$ 22,397,272**

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

WASHTENAW COMMUNITY COLLEGE

FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2018	2017
Revenue and support		
Contributions	$ 668,538	$ 481,061
Fundraising events - net of expenses of $92,887 in 2018 and $74,541 in 2017	147,908	164,643
Investment income	351,294	305,611
Changes in value of split-interest agreements	30,921	35,240
Net realized and unrealized gains on investments	1,732,738	2,417,804
Miscellaneous revenue	10,500	1,000
Personnel services received from College	528,683	355,457
Total revenue and support	**3,470,582**	**3,760,816**
Expenses		
Support services		
Salaries	88,524	87,815
Marketing	21,980	5,292
Computer training and support	23,107	22,194
Bad debt recoveries	(5,603)	(8,515)
Personnel services received from College	528,683	355,457
Other	83,506	75,786
Program services		
Scholarships	948,194	714,239
Other grants to College	79,502	81,883
Total expenses	**1,767,893**	**1,334,151**
Increase in net assets	**1,702,689**	**2,426,665**
Net assets, beginning of year	22,215,796	19,789,131
Net assets, end of year	**$ 23,918,485**	**$ 22,215,796**

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

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

Cash and Cash Equivalents
Cash and cash equivalents consist of bank demand deposit and savings accounts, cash on hand, and all highly liquid investments with an initial maturity of ninety days 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	3-7 years
Library books	7 years

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

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

Unearned Revenue
Revenue received prior to year end that is related to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2018 and 2017 consists of approximately $1,664,000 and $1,546,000 of tuition revenue for the 2018 and 2017 spring/summer semesters, respectively. Unearned revenue also includes approximately $469,000 and $326,000 at June 30, 2018 and 2017 for payments received toward Fall 2018 and 2017 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.

Unrestricted Net Deficit
The components of the College's unrestricted net (deficit) position as follows at June 30:

	2018	2017
Encumbrances	$ 938,929	$ 418,962
Future conference funds	105,569	73,221
Health insurance claims	500,000	500,000
Designated for capital improvements	7,333,834	4,375,858
Pension and OPEB liabilities fund deficit	(147,658,846)	(101,336,675)
Unrestricted and unallocated	30,089,292	29,099,360
Total unrestricted net deficit	**$ (108,691,222)**	**$ (66,869,274)**

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 and Other Post-employment Benefit (OPEB) 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 and OPEB 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.

Net OPEB Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB 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 2017 amounts have been reclassified to conform to the 2018 presentation.

New Accounting Pronouncement

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires that the College recognize a net Other Postemployment Benefits (OPEB) liability in 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. More detailed information can be found in Note 8. As a result of this change, the College recognized a net OPEB liability of $45,006,914, and deferred outflows of resources of $3,333,221, which resulted in a decrease in net position of $41,673,693 as of July 1, 2017. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available.

2. PROPERTY TAXES

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

Property tax revenue levied for general operating purposes was $51,863,652 and $50,240,448 based on $3.4267 and $3.4360 of tax per $1,000 of taxable property value in the College's taxing district for the years ended June 30, 2018 and 2017, 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:

	2018	2017
Cash and cash equivalents	$ 16,881,027	$ 14,628,576
Investments	28,551,013	28,489,870
Total	**$ 45,432,040**	**$ 43,118,446**

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

	2018	2017
Bank deposits (checking accounts, savings accounts, money market accounts and certificates of deposit)	$ 16,878,435	$ 14,626,205
Petty cash or cash on hand	2,592	2,371
Total	**$ 16,881,027**	**$ 14,628,576**

Deposits
The above deposits at June 30, 2018 and 2017 were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at $17,746,105 and $15,456,826, respectively. Of the amount at June 30, 2018, $1,267,603 was covered by federal depository insurance and $16,478,502 was uninsured and uncollateralized. Of the amount at June 30, 2017, $1,157,514 was covered by federal depository insurance and $14,299,312 was uninsured and uncollateralized.

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, 2018 or 2017.

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

U.S. treasuries: U.S. treasuries funds 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:

2018	Level 1	Level 2	Level 3	Total
U.S. agencies	$ 6,816,650	$ -	$ -	$ 6,816,650
U.S. treasuries	1,986,877	-	-	1,986,877
Municipal bonds	12,873,952	-	-	12,873,952
State of Michigan bonds	3,876,220	-	-	3,876,220
Commercial paper	2,997,314	-	-	2,997,314
Total investments at fair value	**$ 28,551,013**	**$ -**	**$ -**	**$ 28,551,013**

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**

As of June 30, 2018, 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	$ 12,873,952	$ 2,485,200	$ 7,860,467	$ 2,528,285	$ -
U.S. treasuries	1,986,877	1,986,877	-	-	-
U.S. agencies	6,816,650	1,987,200	1,960,960	2,868,490	-
State of Michigan bonds	3,876,220	-	2,899,530	-	976,690
Commercial paper	2,997,314	2,997,314	-	-	-
Total	**$ 28,551,013**	**$ 9,456,591**	**$ 12,720,957**	**$ 5,396,775**	**$ 976,690**

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**

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, 2018 and 2017. The College's investments in U.S. treasuries were rated Aaa by Moody's at June 30, 2018. The College's investments in Michigan municipalities were rated AA- to AA+ and AA- to AAA by Standard & Poor's at June 30, 2018 and 2017, respectively. Additionally, as of June 30, 2018 and 2017, 77 and 75 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, 2018 and 2017, 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, 2018 and 2017. The College's investments in Commercial Paper were rated A-1+ to A-2 and A-1+ to A-2 by Standard & Poor's at June 30, 2018 and 2017, 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, 2018, the College's investments were concentrated by issuer as follows: 45 percent issued by Michigan municipalities; 24 percent issued by U.S. agencies; 7 percent issued by U.S. treasuries; 10 percent commercial paper and 14 percent State of Michigan bonds. 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. For the years ended June 30, 2018 and 2017, the College had 22 and 21 unique bond issuers within its portfolio, respectively. The largest single issuer accounted for approximately 14 and 19 percent as of June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017 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, 2018, 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; 19 percent were in the custody of PNC Capital Markets; and 16 percent were in the custody of Stifel, Nicolaus & Company, Inc. 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 and 19 percent were in the custody of Stifel, Nicolaus & Company, Inc.; and 4 percent were in the custody of Morgan Stanley.

4. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	2018	2017
Student accounts	$ 4,239,678	$ 3,723,763
Miscellaneous grants	1,020,640	1,110,352
Pell	92,032	151,847
Federal Direct Loans	95,522	189,801
Other	170,488	285,438
Total	5,618,360	5,461,201
Less allowance for doubtful accounts	2,435,000	2,125,000
Accounts receivable, net	**$ 3,183,360**	**$ 3,336,201**

5. CAPITAL ASSETS

The following tables present the changes in each of the capital assets class categories for the years ended June 30, 2018 and 2017:

	Balance July 1, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Assets not being depreciated:					
Land and other	$ 2,229,447	$ -	$ -	$ -	$ 2,229,447
Construction in progress	3,062,102	2,031,417	-	(3,042,380)	2,051,139
Total capital assets not being depreciated	5,291,549	2,031,417	-	(3,042,380)	4,280,586
Capital assets being depreciated:					
Land improvements and Infrastructure	14,830,613	201,575	-	1,420,035	16,452,223
Buildings and Improvements	193,173,743	100,531	-	144,260	193,418,534
Equipment, furniture, and software	41,485,019	1,721,199		1,478,085	44,684,303
Library books	3,668,508	53,568	-	-	3,722,076
Total capital assets being depreciated	253,157,883	2,076,873		3,042,380	258,277,136
Less accumulated depreciation:					
Land improvements and infrastructure	9,409,644	751,431	-	-	10,161,075
Buildings and Improvements	69,838,276	4,041,576	-	-	73,879,852
Equipment, furniture, and software	29,797,652	2,116,617	-	-	31,914,269
Library books	3,373,094	104,086	-	-	3,477,180
Total accumulated depreciation	112,418,666	7,013,710	-	-	119,432,376
Capital assets being depreciated, net	140,739,217	(4,936,837)	-	-	138,844,760
Capital assets, net	**$ 146,030,766**	**$ (2,905,420)**	**$ -**	**$ -**	**$ 143,125,346**

	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)	-	-	140,739,217
Capital assets, net	**$ 144,127,776**	**$ 1,902,990**	**$ -**	**$ -**	**$ 146,030,766**

The College is in the process of upgrading technology and equipment, renovating existing buildings, and improving infrastructure on College grounds. At June 30, 2018 and 2017, construction in progress for these capital improvement projects was as follows:

	2018	2017
CC-STEP State of Michigan Skilled Trades Equipment project	$ -	$ 905,983
Business Education Fan Coil Replacement	517,333	-
Crane Liberal Arts & Science Building	250,352	57,572
Parking Lot Replacement	-	1,401,285
Technology Upgrades	-	450,305
Campus Security System Upgrades	89,099	-
Control Upgrade projects	114,652	19,055
Maintenance Garage	106,168	-
Gunder Myran Flooring Replacement	162,611	-
Nursing Lab Upgrades	157,078	-
Student Center Renovations	259,164	-
Energy Center Heating Pumps	53,610	-
Miscellaneous construction projects	341,072	227,902
Total construction in progress	**$ 2,051,139**	**$ 3,062,102**

Total future commitments at June 30, 2018 and 2017 related to these projects approximated $943,000 and $73,000, 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 $363,000 as of June 30, 2018, respectively. The cost and accumulated depreciation of the assets under the capital leases totaled approximately $605,000 and $242,000 as of June 30, 2017, respectively.

The following is a schedule of annual future minimum lease payments required under the capital lease as of June 30, 2018:

Years Ending	Amount
2019	$ 147,809
2020	147,809
Total minimum lease payments	295,618
Less amount representing interest	(23,795)
Present value at June 30, 2018	**$ 271,823**

7. LONG-TERM OBLIGATIONS

Long-term obligation activity during the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
March 2015, Refunding Bonds	$ 10,760,000	$ -	$ 1,515,000	$ 9,245,000	$ 870,000
Bond Premium on 2015 Refunding Bonds	863,416	-	163,842	699,574	141,512
Capital lease obligations	391,973	-	120,150	271,823	130,368
Accrued vacation pay	2,542,126	2,175,490	2,062,417	2,655,199	2,100,000
Total	**$ 14,557,515**	**$ 2,175,490**	**$ 3,861,409**	**$ 12,871,596**	**$ 3,241,880**

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**

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, 2018 and 2017, $9,835,000 and $12,060,000 of bonds outstanding are considered defeased, respectively.

General Obligation Bonds

At June 30, 2018, general obligation bonds totaling $9,245,000 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 $870,000. Interest payments are due semi-annually in April and October of $176,000 each. These bonds are insured and mature in varying amounts through fiscal 2027.

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 payments for the upcoming year totaling $1,515,000. Interest payments are due semi-annually in April and October in the amount of $206,000. These bonds are insured and mature in varying amounts through fiscal 2027.

Total principal and interest maturities on the general obligation bonds for years succeeding June 30, 2018 are summarized as follows:

Year Ended June 30	Debt Obligations		
	Principal	Interest	Total
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	1,020,000	203,475	1,223,475
2024 - 2027	4,515,000	388,500	4,903,500
Totals	**$ 9,245,000**	**$ 1,784,475**	**$ 11,029,475**

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 member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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 the ORS website at www.michigan.gov/orsschools.

Pension 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.

A DB 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.

Other Postemployment Benefits Provided. Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions. 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 actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2018, inclusive of the MPSERS UAAL Stabilization rates:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	27.56% - 29.21%
Member Investment Plan (MIP)	3.00% - 7.00%	27.56% – 29.21%
Pension Plus	3.00% - 6.40%	26.93% – 29.93%
Pension Plus 2	6.20%	31.06%
Defined Contribution	0.00%	23.80% – 24.86%

Required contributions to the pension plan from the College were $12,882,000, $11,197,000 and $10,532,000 for the years ended June 30, 2018, 2017 and 2016, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 9.08%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 8.86%

Required contributions to the OPEB plan from the College were $2,830,342, $3,847,718 and $3,665,221 for the years ended June 30, 2018, 2017 and 2016, respectively.

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

At June 30, 2018 and 2017, the College reported a liability of $124,486,379 and $116,608,139, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2016 and 2015, 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, 2017, the College's proportion was 0.48038%, which was an increase of 0.01300% from its proportion measured as of September 30, 2016 of 0.46738%.

For the year ended June 30, 2018, the College recognized pension expense of $14,697,611. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	$ 13,638,472	$ -	$ 13,638,472
Differences between expected and actual experience	1,081,872	610,829	471,043
Change in proportion and differences between employer contributions and proportionate share	5,268,892	287,573	4,981,319
Net difference between projected and actual earnings on pension plan investments	-	5,951,268	(5,951,268)
	19,989,236	6,849,670	13,139,566
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	6,037,279	(6,037,279)
College contributions subsequent to the measurement date	11,508,898	-	11,508,898
Total	**$ 31,498,134**	**$ 12,886,949**	**$ 18,611,185**

The $11,508,898 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, 2019. The $6,037,279 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, 2019. 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
2019	$ 4,062,177
2020	6,028,415
2021	2,991,528
2022	57,446
Total	**$ 13,139,566**

For the year ended June 30, 2017, the College recognized 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**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College reported a liability of $42,669,543 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the College's proportion was 0.48184%.

For the year ended June 30, 2018, the College recognized OPEB expense of $2,836,960. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 454,305	$ (454,305)
Net difference between projected and actual earnings on OPEB plan investments	-	988,236	(988,236)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	76,523	(76,523)
	-	1,519,064	(1,519,064)
College contributions subsequent to the measurement date	2,404,955	-	2,404,955
Total	**$ 2,404,955**	**$ 1,519,064**	**$ 885,891**

The $2,404,955 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in pension expense as follows:

Years Ended June 30	Amount
2019	$ (365,695)
2020	(365,695)
2021	(365,695)
2022	(365,695)
2023	(56,284)
Total	**$ (1,519,064)**

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 and OPEB liabilities in the September 30, 2016 and 2015 actuarial valuations were 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)	7.5% (8.0% for 2015)
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the system. 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.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

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, 2017 and 2016, is based on the results of an actuarial valuation date of September 30, 2016 and 2015, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Plan Assets. The long-term expected rate of return on pension and OPEB 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 and OPEB plans' target asset allocation as of September 30, 2017 and 2016, are summarized in the following tables:

2017 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00 %	5.60 %	1.56 %
Alternative investment pools	18.00	8.70	1.57
International equity	16.00	7.20	1.15
Fixed income pools	10.50	-0.10	-0.01
Real estate and infrastructure pools	10.00	4.20	0.42
Absolute return pools	15.50	5.00	0.78
Short-term investment pools	2.00	-0.90	-0.02
			5.45 %
	100.00 %		
Inflation			2.05
Investment rate of return			**7.50 %**

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 %**

Discount Rate. A discount rate of 7.5% and 8.0% were used to measure the total pension and OPEB liabilities (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only) as of September 30, 2017 and 2016, respectively. This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% and 8.0% (7.0% for the Pension Plus plan) as of September 30, 2017 and 2016, respectively. 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 and OPEB 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the College's Proportionate Share of Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of net pension liability as of June 30, 2018, calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.5%) or 1% higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of net pension liability (2018)	$ 162,164,347	$ 124,486,379	$ 92,763,930

The following presents the College's proportionate share of net pension liability as of June 30, 2017, calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), 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

Sensitivity of College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net OPEB liability as of June 30, 2018, calculated using the discount rate of 7.5%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 49,978,367	$ 42,669,543	$ 36,466,639

Sensitivity of College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 36,135,367	$ 42,669,543	$ 50,088,644

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 and OPEB Plans Fiduciary Net Position. Detailed information about the pension and OPEB 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, 2018, the College reported a payable of $1,038,640 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018. As of 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.

Payable to the OPEB Plan. At June 30, 2018, the College reported a payable of $45,395 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

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 181 members as of June 30, 2018.

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 $2,079,000 and $1,866,000 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, the estimated maximum stop-loss that the College could incur approximated $7,975,000 and $10,450,000, 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, 2019.

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, 2018 and 2017, changes in the estimated liabilities were as follows:

	Workers' Compensation	Health Benefits
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**
Estimated liability, July 1, 2017	$ 81,509	$ 1,006,857
Estimated claims incurred, including changes in estimates	29,648	3,559,033
Less claim payments	96,704	3,592,694
Estimated liability, June 30, 2018	**$ 14,453**	**$ 973,196**

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, 2018 and 2017 was approximately $624,000 and $461,000, respectively.

In addition, the College received payments from the Foundation for student scholarships and support totaling approximately $910,000 and $813,000 for the years ended June 30, 2018 and 2017, respectively. The Foundation also makes direct payments on behalf of students and faculty.

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 of the years ended June 30, 2018 and 2017, the facility use license agreement and education support services agreement required that the Academy pay the College $150,000. 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 $1,526,000 and $1,447,000 for the years ended June 30, 2018 and 2017, respectively.

11. CONTINGENCY

The College has become aware of a potential issue related to the MPSERS pension plan member status of part-time students employed by the College. Public Act 328 (PA 328), which went into effect on July 2, 2018, provides greater clarity regarding the obligations of community colleges with respect to contributions made on behalf of part-time students to the MPSERS system. It also includes a request for information regarding each college's student worker population for the four most recent fiscal years. The Office of Retirement Services (ORS) has recently issued a communication to all Michigan community colleges that outlines their position regarding this group of employees for periods prior to the effective date of PA 328, which is inconsistent with how WCC handled the reporting of these student workers to the pension system. Management has determined that while the College has not received any finding from ORS that has taken exception to the treatment of part-time student employees, given the most recent ORS communication, it is possible that the College may have a potential MPSERS contribution liability related to these student workers, however, such potential liability cannot be estimated at this time.

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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, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability	0.48038%	0.46738%	0.45330%	0.44402%
College's proportionate share of the net pension liability	$ 124,486,379	$ 116,608,139	$ 110,718,864	$ 97,802,079
College's covered-employee payroll	41,032,987	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	303.38%	282.89%	286.28%	257.11%
Plan fiduciary net position as a percentage of the total pension liability	64.21%	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 Pension Contributions (Unaudited)

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 12,882,238	$ 11,196,524	$ 10,532,263	$ 8,277,610
Contributions in relation to the contractually required contribution	(12,882,238)	(11,196,524)	(10,532,263)	(8,277,610)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered-employee payroll	$ 39,073,246	$ 40,900,320	$ 37,968,811	$ 38,653,956
Contributions as a percentage of covered employee payroll	32.97%	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.

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability (Unaudited)

	Year Ended June 30, 2018
College's proportion of the net OPEB liability	0.48184%
College's proportionate share of the net OPEB liability	$ 42,669,543
College's covered-employee payroll	41,032,987
College's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	103.99%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

WASHTENAW COMMUNITY COLLEGE

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Other Postemployment Benefits Contributions (Unaudited)

	Year Ended June 30, 2018
Contractually required contribution	$ 2,830,342
Contributions in relation to the contractually required contribution	(2,830,342)
Contribution deficiency (excess)	$ -
College's covered-employee payroll	$ 39,073,246
Contributions as a percentage of covered employee payroll	7.24%

Note: GASB 75 was implemented in fiscal year 2018. 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, 2018 (with comparative totals for June 30, 2017)

	Current Funds							Combined Total	
	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund	Auxiliary Fund	Plant Fund	Agency Fund	Eliminations	June 30, 2018	June 30, 2017
Assets									
Current assets									
Cash and cash equivalents	$ 7,580,300	$ -	$ -	$ 709,805	$ 8,446,990	$ 143,932	$ -	$ 16,881,027	$ 14,628,576
Investments	9,456,591	-	-	-	-	-	-	9,456,591	7,988,600
Accounts receivable:									
Property taxes receivable, less allowance of $66,000 ($72,000 in 2017)	113,845	-	-	-	-	-	-	113,845	54,802
State appropriations receivable	2,525,740	927,346	-	-	-	-	-	3,453,086	3,366,862
Accounts receivable, less allowance of $2,435,000 ($2,125,000 in 2017)	1,805,482	1,207,390	-	35,465	46,499	88,524	-	3,183,360	3,336,201
Student notes receivable, (less allowance)									
Accrued interest receivable	94,550	-	-	-	-	-	-	94,550	90,303
Due from (to) other funds	939,118	(807,802)	-	(135,132)	3,816	-	-	-	-
Inventories	46,404	-	-	850	-	-	-	47,254	45,756
Prepaid and other assets	448,858	-	-	-	-	-	-	448,858	446,889
Total current assets	**23,010,888**	**1,326,934**	**-**	**610,988**	**8,497,305**	**232,456**	**-**	**33,678,571**	**29,957,989**
Noncurrent assets									
Investments	19,094,422	-	-	-	-	-	-	19,094,422	20,501,270
Capital assets, net of accumulated depreciation:									
Land	-	-	-	-	2,086,937	-	-	2,086,937	2,086,937
Land improvements and infrastructure	-	-	-	-	6,291,148	-	-	6,291,148	5,420,969
Buildings and improvements	-	-	-	-	119,681,192	-	-	119,681,192	123,477,974
Equipment, furniture, and software	-	-	-	-	12,770,034	-	-	12,770,034	11,687,368
Library books	-	-	-	-	244,896	-	-	244,896	295,416
Construction in progress	-	-	-	-	2,051,139	-	-	2,051,139	3,062,102
Total noncurrent assets	**19,094,422**	**-**	**-**	**-**	**143,125,346**	**-**	**-**	**162,219,768**	**166,532,036**
Total assets	**42,105,310**	**1,326,934**	**-**	**610,988**	**151,622,651**	**232,456**	**-**	**195,898,339**	**196,490,025**
Deferred outflows of resources									
Deferred charge on refunding	-	-	-	-	444,212	-	-	444,212	508,480
Deferred OPEB amounts	-	-	2,404,955	-	-	-	-	2,404,955	-
Deferred pension amounts	-	-	31,498,134	-	-	-	-	31,498,134	19,213,747
Total deferred outflows of resources	**-**	**-**	**33,903,089**	**-**	**444,212**	**-**	**-**	**34,347,301**	**19,722,227**

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION - UNAUDITED (CONCLUDED)
JUNE 30, 2018 (with comparative totals for June 30, 2017)

	Current Funds							Combined Total	
	General Fund	Restricted Fund	Pension & OPEB Liabilities Fund	Auxiliary Fund	Plant Fund	Agency Fund	Eliminations	June 30, 2018	June 30, 2017
Liabilities									
Current liabilities									
Accounts payable	$ 2,364,313	$ 255,543	$ -	$ 144,677	$ 1,075,503	$ 8,663	$ -	$ 3,848,699	$ 5,137,102
Accrued expenses:									
Payroll and withholdings	3,372,984	983,354	-	-	-	634	-	4,356,972	5,607,885
Vacation - current	2,033,456	59,462	-	-	-	7,082	-	2,100,000	2,110,000
Interest payable	-	-	-	-	87,969	-	-	87,969	103,119
Deposits	67,205	-	-	-	-	216,077	-	283,282	277,774
Unearned revenue	2,167,600	28,575	-	377,074	-	-	-	2,573,249	2,323,852
Bonds payable, current portion	-	-	-	-	1,011,512	-	-	1,011,512	1,678,842
Capital lease obligation, current portion	-	-	-	-	130,368	-	-	130,368	120,150
Total current liabilities	**10,005,558**	**1,326,934**	**-**	**521,751**	**2,305,352**	**232,456**	**-**	**14,392,051**	**17,358,724**
Noncurrent liabilities									
Bonds payable	-	-	-	-	8,933,062	-	-	8,933,062	9,944,574
Accrued vacation	555,199	-	-	-	-	-	-	555,199	432,126
Net OPEB liability	-	-	42,669,543	-	-	-	-	42,669,543	-
Net pension liability	-	-	124,486,379	-	-	-	-	124,486,379	116,608,139
Capital lease obligation	-	-	-	-	141,455	-	-	141,455	271,823
Total noncurrent liabilities	**555,199**	**-**	**167,155,922**	**-**	**9,074,517**	**-**	**-**	**176,785,638**	**127,256,662**
Total liabilities	**10,560,757**	**1,326,934**	**167,155,922**	**521,751**	**11,379,869**	**232,456**	**-**	**191,177,689**	**144,615,386**
Deferred inflows of resources									
Deferred OPEB amounts	-	-	1,519,064	-	-	-	-	1,519,064	-
Deferred pension amounts	-	-	12,886,949	-	-	-	-	12,886,949	3,942,283
Total deferred inflows of resources	**-**	**-**	**14,406,013**	**-**	**-**	**-**	**-**	**14,406,013**	**3,942,283**
Net position (deficit)									
Net investment in capital assets	-	-	-	-	133,353,160	-	-	133,353,160	134,523,857
Unrestricted (deficit)	31,544,553	-	(147,658,846)	89,237	7,333,834	-	-	(108,691,222)	(66,869,274)
Total net position (deficit)	**$ 31,544,553**	**$ -**	**$ (147,658,846)**	**$ 89,237**	**$ 140,686,994**	**$ -**	**$ -**	**$ 24,661,938**	**$ 67,654,583**

WASHTENAW COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION - UNAUDITED
YEAR ENDED JUNE 30, 2018 (with comparative totals for year ended June 30, 2017)

	Current Funds						Combined Total	
	General Fund	Restricted Funds	Pension & OPEB Liabilities Fund	Auxiliary Fund	Plant Fund	Eliminations	June 30, 2018	June 30, 2017
Operating revenues								
Tuition and fees, net of scholarship allowance of $6,131,439 ($5,823,652 in 2017)	$ 33,430,445	$ -	$ -	$ 97,123	$ -	$ (6,131,439)	$ 27,396,129	$ 26,826,174
Federal grants and contracts	-	2,995,569	-	-	-	-	2,995,569	2,619,739
State grants and contracts	-	492,319	-	-	-	-	492,319	532,118
Private grants and contracts	-	50,866	-	-	-	-	50,866	54,957
Sales and services of educational activities	358,958	-	-	-	-	-	358,958	370,745
Current fund expenditures for equipment and capital improvements	-	-	-	-	1,156,653	(1,156,653)	-	-
Auxiliary services	-	-	-	5,143,464	-	-	5,143,464	4,835,412
Other sources	5,836,137	55,748	-	-	-	-	5,891,885	5,461,369
Total operating revenues	**39,625,540**	**3,594,502**	**-**	**5,240,587**	**1,156,653**	**(7,288,092)**	**42,329,190**	**40,700,514**
Operating expenses								
Instruction	42,599,646	4,328,297	1,112,025	-	-	(285,012)	47,754,956	45,002,423
Technology	7,823,486	205,854	115,756	-	-	(387,349)	7,757,747	6,982,326
Public service	762,309	1,276,086	9,647	3,494,498	-	-	5,542,540	5,136,417
Instructional support	11,078,963	1,093,183	270,546	-	-	(71,557)	12,371,135	11,967,266
Student services and student aid	11,563,770	16,108,217	262,470	-	-	(6,131,439)	21,803,018	20,899,325
Institutional administration	12,279,299	710,700	237,569	-	-	(160,412)	13,067,156	11,959,097
Physical plant operations	11,942,937	693,540	235,326	-	382,577	(252,323)	13,002,057	12,651,016
Depreciation	-	-	-	-	7,013,710	-	7,013,710	6,553,941
Total operating expenses	**98,050,410**	**24,415,877**	**2,243,339**	**3,494,498**	**7,396,287**	**(7,288,092)**	**128,312,319**	**121,151,811**
Operating (loss) income	**(58,424,870)**	**(20,821,375)**	**(2,243,339)**	**1,746,089**	**(6,239,634)**	**-**	**(85,983,129)**	**(80,451,297)**
Nonoperating revenues (expenses)								
Federal grant - Pell award	-	14,080,305	-	-	-	-	14,080,305	13,472,510
State appropriations	14,825,342	6,037,279	(2,405,139)	-	-	-	18,457,482	18,966,641
Property taxes	51,863,652	-	-	-	-	-	51,863,652	50,240,448
Investment and interest income	845,009	-	-	2,049	-	-	847,058	593,063
Unrealized loss on investments	(418,642)	-	-	-	-	-	(418,642)	(514,910)
Interest on capital asset - related debt	-	-	-	-	(325,410)	-	(325,410)	(374,525)
Net nonoperating revenues (expenses)	**67,115,361**	**20,117,584**	**(2,405,139)**	**2,049**	**(325,410)**	**-**	**84,504,445**	**82,383,227**
Income (loss) before other revenues	**8,690,491**	**(703,791)**	**(4,648,478)**	**1,748,138**	**(6,565,044)**	**-**	**(1,478,684)**	**1,931,930**
Other revenues								
State capital grants	-	-	-	-	159,732	-	159,732	4,367,784
Increase (decrease) in net position - before transfers	**8,690,491**	**(703,791)**	**(4,648,478)**	**1,748,138**	**(6,405,312)**	**-**	**(1,318,952)**	**6,299,714**
Transfers (out) in	(6,856,266)	703,791		(2,040,116)	8,192,591	-	-	-
Net increase (decrease) in net position	**1,834,225**	**-**	**(4,648,478)**	**(291,978)**	**1,787,279**	**-**	**(1,318,952)**	**6,299,714**
Net position, beginning of year	29,710,328	-	(101,336,675)	381,215	138,899,715	-	67,654,583	61,354,869
Implementation of GASB 75	-	-	(41,673,693)	-	-	-	(41,673,693)	-
Adjusted net position, beginning of year	**29,710,328**	**-**	**(143,010,368)**	**381,215**	**138,899,715**	**-**	**25,980,890**	**61,354,869**
Net position, end of year	**$ 31,544,553**	**$ -**	**$ (147,658,846)**	**$ 89,237**	**$ 140,686,994**	**$ -**	**$ 24,661,938**	**$ 67,654,583**