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MACOMB COMMUNITY COLLEGE

**FINANCIAL REPORT**

FOR THE YEAR ENDED JUNE 30, 2015

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**Macomb**  
Community College

Education • Enrichment • Economic Development

**Discover. Connect. *Advance.***<sup>SM</sup>



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# MACOMB COMMUNITY COLLEGE

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## Independent Auditor's Report

To the Board of Trustees  
Macomb Community College

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Macomb Community College and its discretely presented component unit (Community College District of the County of Macomb) (the "College") as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise Macomb Community College basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component unit was not audited under *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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Macomb Community College and its discretely presented component unit as of June 30, 2015 and 2014 and the respective changes in its financial position, and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees  
Macomb Community College

### **Emphasis of Matter**

As discussed in Note 1, during the year ended June 30, 2015, Macomb Community College adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. In accordance with Statement No. 68, the College is now recognizing its unfunded pension benefit obligation as a liability on the statement of net position for the first time. This Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of pension funding progress and pension contributions on pages 3 through 13, and page 37 respectively, 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, which 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 supplemental 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 Macomb Community College and its discretely presented component unit's basic financial statements. The other supplemental information, as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2015 on our consideration of the Macomb Community College and its discretely presented component unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Macomb Community College and its discretely presented component unit's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

November 11, 2015

# **Macomb Community College**

## **Management's Discussion and Analysis - Unaudited**

The discussion and analysis of Macomb Community College's (the College) financial statements provides an overview of the College's financial position at June 30, 2015, 2014 and 2013 and its activities for the three years ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section. The financial statements, footnotes and this discussion are the responsibility of management and are prepared in accordance with Governmental Accounting Standards Board (GASB) pronouncements.

### **Using the Financial Report**

This financial report includes the report of independent auditors, management's discussion and analysis, the basic financial statements, which consist of the statement of net position, the statement of revenues, expenses and changes in net position, the statement of cash flows and notes to the financial statements. Following the basic financial statements and footnotes are three supplemental schedules: the GASB 68 required supplementary information, the combining statement of net position and the combining statement of revenues, expenses and changes in net position as of and for the year ended June 30, 2015.

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

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

### **Financial Highlights**

The financial statements report information on the College as a whole. These statements report the College's financial position as of June 30, 2015 and 2014 and changes in net position for the two years ended June 30, 2015. The College's financial position remained strong at June 30, 2015 and 2014, with assets of \$369.3 million and \$356.3 million, respectively and liabilities of \$170.6 million and \$25.6 million, respectively. An adjustment to restate the College's net position and record the unfunded Michigan Public School Employees' Retirement System (MPERS) pension liability of \$147.0 million as required by GASB 68 was reflected as of July 1, 2014. MPERS is a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan that covers most employees of the College. For the fiscal year ended June 30, 2015, the College's revenues and other support exceeded expenses, thereby increasing the net position of the College by \$14.3 million as compared to \$12.0 million in the previous year.

The College completed several capital projects during the fiscal year including building renovations, mechanical upgrades, infrastructure replacement and repairs at both south and center campuses. Additional information about capital additions is included in the capital asset section of this discussion as well as in the footnotes to the financial statements.

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

### The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

The following is a comparative analysis of key components of the Statement of Net Position as of June 30:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Assets</b>			
Current assets	\$ 33,170,189	\$ 41,369,284	\$ 29,704,703
Restricted cash and investments	429,292	961,304	2,418,597
Long-term investments	194,844,266	178,118,248	170,761,755
Capital assets	<u>140,864,286</u>	<u>135,861,955</u>	<u>141,401,276</u>
<b>Total Assets</b>	<u>369,308,033</u>	<u>356,310,791</u>	<u>344,286,331</u>
<b>Liabilities</b>			
Current liabilities	22,251,100	19,701,585	16,788,289
Long-term liabilities	2,828,868	5,893,898	8,788,672
Long-term pension liability	<u>145,510,485</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>170,590,453</u>	<u>25,595,483</u>	<u>25,576,961</u>
<b>Deferred Inflows of Resources</b>	<u>683,988</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>			
Net Investment in capital assets	137,844,286	129,866,955	133,458,499
Restricted for:			
Expendable endowments, scholarships and grants	2,096,763	1,020,533	1,172,355
Expendable debt service	429,292	961,304	1,450,432
Unrestricted	<u>57,663,251</u>	<u>198,866,516</u>	<u>182,628,084</u>
<b>Total Net Position</b>	<u>\$ 198,033,592</u>	<u>\$ 330,715,308</u>	<u>\$ 318,709,370</u>

At June 30, 2015, unrestricted net position is designated for future capital outlay and maintenance improvements as well as for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additional information regarding this upcoming accounting pronouncement can be found in Note 1.

The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions* which requires governments providing defined benefit pension plans, such as the College's MPERS plan, to recognize their share of the unfunded pension benefit obligation as a liability. The College restated net position at July 1, 2014 to reflect a proportionate share of the pension liability of \$147 million.

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

The following is a comparative analysis of key components of the revenues, expenses and change in net position for the years ended June 30:

	2015	2014	2013
<b>Operating Revenues</b>			
Tuition and fees	\$ 47,493,206	\$ 44,883,755	\$ 43,642,309
Federal grants and contracts	6,390,917	3,542,649	4,719,085
State and local grants and contracts	378,599	343,137	345,277
Nongovernmental grants	199,038	373,464	580,424
Center for Performing Arts revenue	1,849,291	1,748,767	1,715,520
Miscellaneous	4,375,226	4,157,518	4,270,251
<b>Total Operating Revenues</b>	<b>60,686,277</b>	<b>55,049,290</b>	<b>55,272,866</b>
<b>Operating Expenses</b>	<b>159,356,691</b>	<b>151,007,351</b>	<b>152,184,764</b>
<b>Operating Loss</b>	<b>(98,670,414)</b>	<b>(95,958,061)</b>	<b>(96,911,898)</b>
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	37,978,656	34,922,836	32,645,737
Property tax levy	37,577,936	37,143,926	38,447,770
Federal Pell grants	29,089,997	29,295,246	29,933,412
Investment income	4,507,080	4,258,470	3,754,474
Net realized and unrealized gain (loss) on investments	3,726,944	1,657,403	(8,977,239)
Interest expense	(128,182)	(187,052)	(243,802)
Gifts between College and Foundation	(126,343)	873,170	716,020
<b>Net Nonoperating Revenues</b>	<b>112,626,088</b>	<b>107,963,999</b>	<b>96,276,372</b>
<b>Other Revenues</b>			
State capital appropriations	267,362	-	-
Capital gifts and grants	106,947	-	-
<b>Total Other Revenues</b>	<b>374,309</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>14,329,983</b>	<b>12,005,938</b>	<b>(635,526)</b>
<b>Net Position - Beginning of year</b>	<b>330,715,308</b>	<b>318,709,370</b>	<b>319,344,896</b>
Adjustment for change in accounting principle	(147,011,699)	-	-
Net Position - Beginning of year, as restated	183,703,609	318,709,370	319,344,896
<b>Net Position - End of year</b>	<b>\$ 198,033,592</b>	<b>\$ 330,715,308</b>	<b>\$ 318,709,370</b>



# Macomb Community College

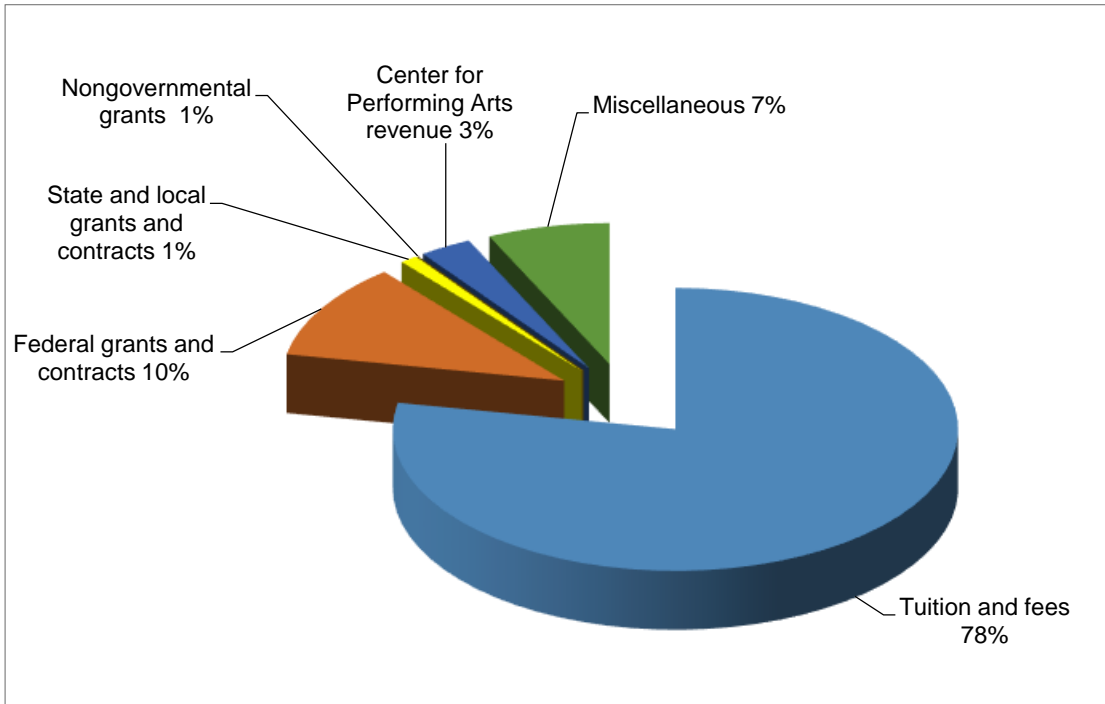
## Management's Discussion and Analysis – Unaudited (Continued)

### Operating Revenues

Operating revenues include all transactions that result in sales and / or receipts from goods and services, such as tuition and fees and ticket sales revenue from the Macomb Center for Performing Arts. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services. Operating revenues consisted of the following during the years ended June 30:

	2015	2014	2013
<b>Operating Revenues</b>			
Tuition and fees	\$ 47,493,206	\$ 44,883,755	\$ 43,642,309
Federal grants and contracts	6,390,917	3,542,649	4,719,085
State and local grants and contracts	378,599	343,137	345,277
Nongovernmental grants	199,038	373,464	580,424
Center for Performing Arts revenue	1,849,291	1,748,767	1,715,520
Miscellaneous	4,375,226	4,157,518	4,270,251
<b>Total Operating Revenues</b>	<b>\$ 60,686,277</b>	<b>\$ 55,049,290</b>	<b>\$ 55,272,866</b>

The following is a graphic illustration of operating revenues for fiscal year 2015:



# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

- Student tuition and fee revenue increased by \$3,851,000 or 8.8 percent during the three years ended June 30, 2015. This revenue increase is due to a combination of a 6.4 percent increase in tuition rates and a 5.9 percent decline in credit hours during the three year period.
- The increase in federal grants from 2013 is a result of a September 2013 award of \$24.9 million from the Department of Labor to lead a consortium of eight Michigan community colleges to leverage growth opportunities in advanced manufacturing for the creation and expansion of innovative partnerships between community colleges and businesses and to educate and train workers for in-demand jobs. The College's associated grant revenue of \$9.6 million will be received over the period of four years through September 30, 2017.
- Ticket sales at the Center for Performing Arts increased \$134,000 or 7.8 percent during the three years ended June 30, 2015. The Performing Arts Center continues to be a popular venue for entertainment within the county.
- Other revenue, which consists primarily of food service revenue, facility rental revenue and bookstore sales commissions, increased by \$105,000 or 2.5 percent from 2013 through 2015 due to increasing sales at the bookstores, delinquent account fees recovered from students and increases in facility rentals.

### Operating Expenses

Operating expenses are the costs necessary for the College to provide services and conduct the programs necessary to carry out the College's mission. Operating expenses consisted of the following for the three years ended June 30:

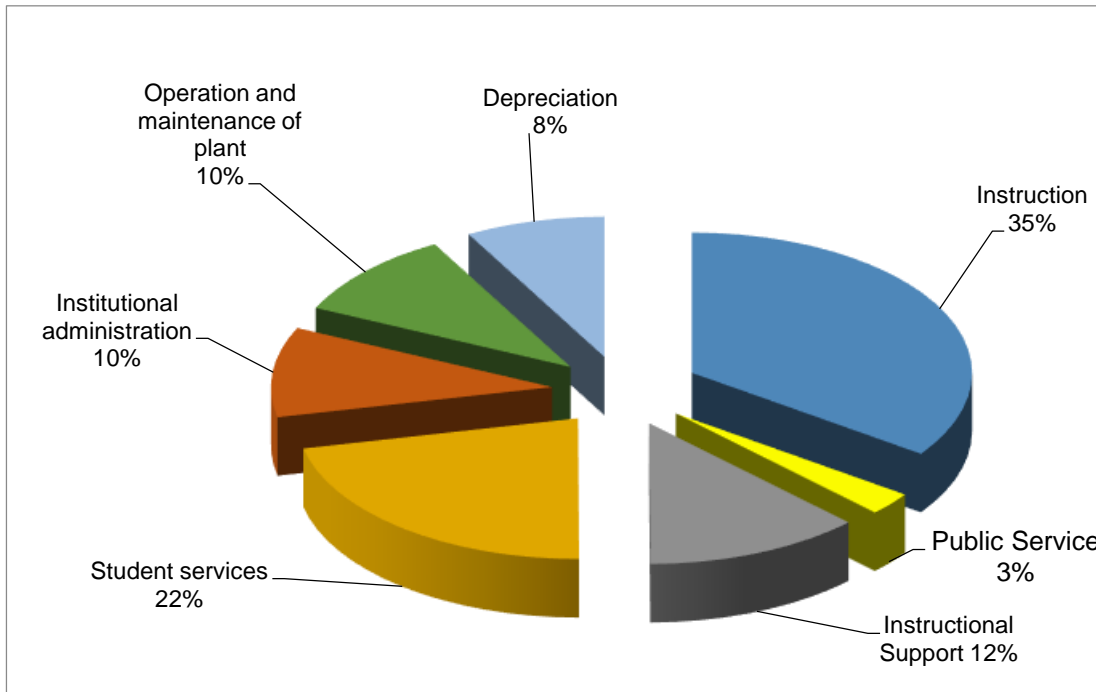
	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Operating Expenses</b>			
Instruction	\$ 55,436,881	\$ 53,928,495	\$ 52,735,880
Public service	4,213,662	4,171,916	3,784,058
Instructional support	19,932,531	19,982,287	19,347,435
Student services	34,438,939	32,984,456	32,577,464
Institutional administration	16,520,901	10,654,524	13,606,937
Operation and maintenance of plant	16,005,641	16,165,665	16,209,478
Depreciation	<u>12,808,136</u>	<u>13,120,008</u>	<u>13,923,512</u>
<b>Total Operating Expenses</b>	<u>\$ 159,356,691</u>	<u>\$ 151,007,351</u>	<u>\$ 152,184,764</u>

Included in institutional administrative expenses are amounts funded through state appropriations to pay the College's portion of the MPSERS Unfunded Actuarial Accrued Liability (UAAL). The amounts were \$5.0 million, \$2.8 million and \$1.1 million as of June 30, 2015, 2014 and 2013, respectively.

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

The following is a graphic illustration of operating expenses for the year ended June 30, 2015:



The primary operating expenses of the College are salaries, payroll taxes and related fringe benefits. The College incurred approximately \$101.8 million, \$96.0 million, and \$95.3 million of payroll-related expenses during the three years ended June 30, 2015. This represents 63.9 percent, 63.6 percent and 62.6 percent of the College's operating expenses during those years, respectively.

Wage expenses have increased \$3.0 million or 4.6 percent during the three years ended June 30, 2015 primarily due to contractual increases, filling vacant positions, renovation related work and grant-funded positions.

Benefit expenses have increased \$3.6 million or 11.5 percent during the three years ended June 30, 2015. This increase is offset by a \$3.9 million increase in the state appropriation revenue over the same period, which was received to assist in funding the MPSERS unfunded pension liability. The UAAL revenue received in state appropriations was \$5.0 million, \$2.8 million and \$1.1 million in 2015, 2014 and 2013, respectively.

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

### Nonoperating Revenues

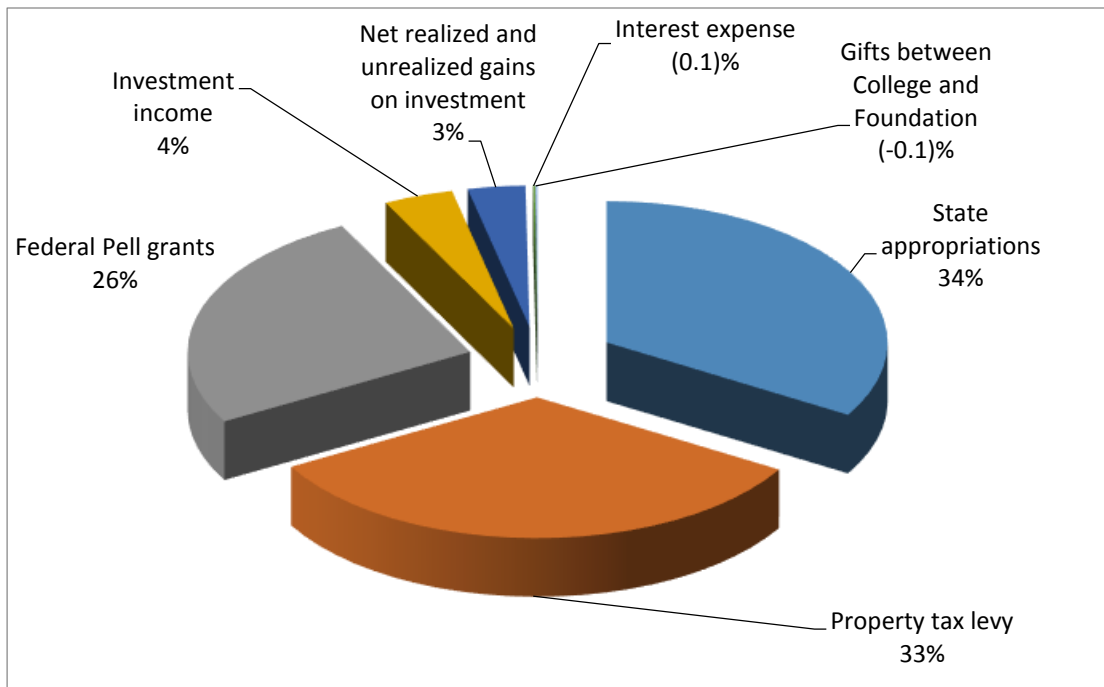
The College receives substantial nonoperating support from state appropriations, property tax revenue and Federal Pell grants thus operating expenses normally exceed operating revenues resulting in an operating loss. Nonoperating revenues and expenses are an integral component in funding annual operations.

Nonoperating revenues represent revenue sources that are primarily non-exchange in nature in which the College receives value without directly giving equal value in return. They consist primarily of state appropriations, property tax revenue and Federal Pell grants.

Nonoperating revenues (expenses) were comprised of the following for the three years ended June 30, 2015:

	2015	2014	2013
<b>Nonoperating Revenues (Expenses)</b>			
State appropriations	\$ 37,978,656	\$ 34,922,836	\$ 32,645,737
Property tax levy	37,577,936	37,143,926	38,447,770
Federal Pell grants	29,089,997	29,295,246	29,933,412
Investment income	4,507,080	4,258,470	3,754,474
Net realized and unrealized gain (loss) on investments	3,726,944	1,657,403	(8,977,239)
Interest expense	(128,182)	(187,052)	(243,802)
Gifts between College and Foundation	(126,343)	873,170	716,020
<b>Net Nonoperating Revenues</b>	<b>\$ 112,626,088</b>	<b>\$ 107,963,999</b>	<b>\$ 96,276,372</b>

The following is a graphic illustration of nonoperating revenues (expenses) for the year ended June 30, 2015:



# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

Due to stabilizing economic conditions within the State, there was an increase of \$894,000 or 2.8 percent in state appropriations during 2015. In addition, Public Act 300 of 2012 instituted a 20.96 percent cap on the employer's share of the UAAL for reported MPERS wages. This resulted in a state appropriation of \$5.0 million and \$2.8 million in 2015 and 2014, respectively, as well as MPERS related expenses of equal amounts.

Property tax values increased by 1.9 percent in 2015 as compared to a 1.1 percent decrease in 2014. Recent changes in housing market values and new construction have increased property taxes. Prior market value declines, foreclosures and lower levels of new construction in Macomb County resulted in a decrease of \$870,000 in property tax revenue over the three year period, which has been partially offset by property tax revenue from the College's debt levy of \$2.6 million, \$2.7 million and \$3.7 million for the years ending June 2015, 2014 and 2013, respectively. The combined operating and technology millage rate was 1.4212 for years 2013, 2014 and 2015. The debt retirement millage rate was 0.15 in 2013, 0.11 in 2014 and 0.105 in 2015.

Improving economic conditions and related job markets in southeastern Michigan contributed to a 5.5 percent enrollment decline and a 7.1 percent decline in the number of financial aid students over the three year period. As a result, Federal Pell grants decreased by \$843,000 or 2.8 percent during the three year period.

Higher interest rates resulted in an increase in investment income of \$249,000 in 2015 after a similar increase of \$503,000 in 2014. The weighted average interest rates on cash and investments for the years 2015, 2014, and 2013 were 2.25, 2.14, and 2.05 percent, respectively.

The market value for government agency bonds increased in 2015 as a result of interest rate fluctuations during the year. The net realized and unrealized gain on investments was \$3.7 million in 2015 and \$1.7 million in 2014, as compared to a net realized and unrealized loss of \$8.98 million in 2013. The College portfolio is heavily weighted in government agency bonds that fluctuate in value with rising and declining interest rates. As the College intends to hold the bonds to maturity or call, the market value fluctuations do not indicate true or realized gains or losses.

### **Other Revenues**

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College.

### **Statement of Cash Flows**

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

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

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

Following is a comparative analysis of the cash flows of the College for the three years ended June 30:

	2015	2014	2013
<b>Cash provided by (used in):</b>			
Operating activities	\$ (84,806,041)	\$ (80,535,710)	\$ (81,927,950)
Noncapital financing activities	101,587,091	99,978,926	96,555,435
Capital and related financing activities	(18,456,664)	(7,992,664)	(6,664,022)
Investing activities	(8,505,617)	(524,119)	(12,369,182)
<b>Net change in cash and equivalents</b>	(10,181,231)	10,926,433	(4,405,719)
Cash and equivalents- Beginning of year	26,850,819	15,924,386	20,330,105
<b>Cash and equivalents- End of year</b>	<u>\$ 16,669,588</u>	<u>\$ 26,850,819</u>	<u>\$ 15,924,386</u>

Net cash and equivalents used in operating activities totaled \$84.8 million in 2015. This was financed by \$101.6 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell grants and state appropriations. Net cash used in capital and related financing activities totaled \$18.5 million during 2015, which is primarily the result of capital expenditures. Net cash used in investing activities totaled approximately \$8.5 million. The net result of all cash flows is a decrease in cash and equivalents of \$10.2 million from 2014.

Net cash and equivalents used in operating activities totaled \$80.5 million in 2014. This was financed by \$100.0 million of net cash flows from noncapital financing activities such as property taxes, Federal Pell grants and state appropriations. Net cash used in capital and related financing activities totaled \$8.0 million during 2014, which is primarily the result of capital expenditures. Net cash used in investing activities totaled approximately \$0.5 million. The net result of all cash flows is an increase in cash and equivalents of \$10.9 million from 2013.

### Capital Assets

The College had \$140.9 million and \$135.9 million invested in capital assets, net of accumulated depreciation of \$200.6 million and \$190.1 million at June 30, 2015 and 2014 respectively. Depreciation charges totaled \$12.8 million and \$13.1 million, respectively, for the years then ended.

	2015	2014	2013
<b>Capital assets</b>			
Land and improvements	\$ 15,888,774	\$ 14,180,468	\$ 14,039,870
Infrastructure	16,957,058	15,647,730	15,447,123
Building and improvements	251,506,824	244,245,028	240,216,532
Furniture, fixtures and equipment	49,042,079	47,663,673	48,032,395
Library materials	2,509,627	2,571,317	2,662,732
Construction in progress	5,594,901	1,619,217	1,351,736
Accumulated depreciation	(200,634,977)	(190,065,478)	(180,349,112)
<b>Total Capital assets</b>	<u>\$ 140,864,286</u>	<u>\$ 135,861,955</u>	<u>\$ 141,401,276</u>

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

Major capital additions completed during 2015 were as follows:

<u>Campus</u>	<u>Description</u>	<u>Amount</u>
South	E building renovation	\$ 3,900,000
South, Center	Renovation projects	2,540,000
South	Front entrance and crosswalk	1,540,000
Center	University Center mechanical	1,570,000
Center	University Center roof	275,000
South, Center	Mechanical upgrades	1,120,000
Center, East	Repaving	1,290,000
	Total	<u>\$ 12,235,000</u>

### Debt

At year-end, the College had \$3.0 million in debt outstanding from the issuance of the bonds authorized on March 31, 2011. Bond principal payments are due annually each May through maturity in fiscal year 2016. Interest payments are due semi-annually through maturity at the rate of 2.5 percent. The College's general obligation bond rating was rated Aa2 by Moody's in March 2011 upon issuance.

### Economic Factors that will Affect the Future

The economic position of the College is closely tied to that of Macomb County and the State of Michigan. While there has been recent economic stabilization in employment and housing markets, the economic future continues to remain uncertain. State appropriations for community colleges continue to lag inflation and decline as a percentage of all funding sources. In fiscal year 2002, state appropriations were 27 percent of the College revenues and in 2015 they were 19 percent of College revenues. State appropriations increased by 2.7 percent for the fiscal year ending 2015 and are anticipated to increase by an additional 1.7 percent in 2016. State appropriation revenue levels will continue to remain uncertain for future years as the State of Michigan continues to address balancing the state budget as well as the unfunded pension liabilities.

Macomb County taxable value and the resulting property tax revenue increased by 1.9 percent in 2014-15 and are expected to increase 3.7 percent in 2015-16 due to inflation and an increase in home sales and new construction. This increase has helped offset prior year property tax losses; however over a five year period there has been a decline in operating property tax revenue of approximately \$4.4 million or 11.1 percent, including settlements from tax tribunal cases. Home sales and new construction have improved particularly in the northern areas of the county, indicating that property tax declines are beginning to reverse. At approximately 22 percent of total general fund revenue, property tax revenue has been a very important source of revenue to the College over the years, especially in light of uncertain state appropriations which have also lagged inflation since 2002. This has and will continue to have a significant impact on College resources for the next few years; even when economic conditions improve, property tax values due to State statute can not increase at a rate greater than inflation.

To partially offset property tax revenue losses and state appropriation declines, tuition rates will increase approximately 2.7 percent beginning in the fall 2015 semester. Despite these increases, the College's tuition rates remain below the average rate charged by Michigan community colleges and are approximately one quarter of the university tuition rates in southeastern Michigan.

# Macomb Community College

## Management's Discussion and Analysis – Unaudited (Continued)

Payroll and related expenses represent approximately 63.9 percent of the total operating expenditures reported on the June 30, 2015 statement of revenues, expenses and changes in net position. As signed into law on June 13, 2013, the Education Omnibus Budget (PA 60 of 2013) will provide state appropriated funding to community colleges for fiscal years 2013, 2014 and 2015. This act results in state funding for the Unfunded Actuarial Accrued MPSERS liability in excess of the 20.96 percent cap and resulted in revenue of \$1.1 million, \$2.8 million and \$5.0 million for fiscal year 2013, 2014 and 2015 respectively with a corresponding expense of equal amounts in each year. Uncertainty remains regarding future MPSERS funding levels due to various factors including post-employment benefits funded on a cash basis, greater numbers of retirees receiving benefits from the pension system and a lawsuit filed in the Michigan Court of Claims against MPSERS, challenging the legality of Public Act 75 that requires all school employees to pay an additional 3 percent of their compensation into a fund for retiree health insurance with no guarantee that the benefits will be available to them upon retirement.

The Governmental Accounting Standards Board issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* which requires governments that provide postemployment benefits other than pensions (OPEB) to recognize their share of the net OPEB liability related to participation in the MPSERS plan. The College has designated \$80 million of unrestricted net position as an estimate of the liability to be recognized in the financial statements for the year ended June 30, 2018 when the provisions of this Statement take effect.

Public Act 102 was approved by the Governor of the State of Michigan on July 3, 2013. This act provided a planning authorization for the renovation of the College's south campus C building. This renovation is estimated to cost \$8.5 million with the State and College sharing the costs equally at \$4.25 million each. This project is on schedule to be completed in 2016.

The College is committed to expanding educational and enrichment opportunities for our students and the community as well as the College's strategy to apply for grants to fund certain initiatives. The table below outlines future major construction and renovation projects as approved by the College Board of Trustees, which support this commitment and are to be financed by designated College funds.

Campus	Description	Future Cost
South and Center	Technology projects and updates	\$ 1,050,000
South and Center	Exterior maintenance and repair work	300,000
South and Center	Classroom and interior renovations	3,000,000
South	C building renovation	8,500,000
South	G and H building renovation	9,555,000
Center	A building renovation	5,640,000
Center	F building renovation	3,168,000
Center	Roofing	235,000
	Total	<u>\$ 31,448,000</u>



**Macomb Community College**

**Statement of Net Position  
June 30, 2015 and 2014**

	<b>College</b>		<b>Component Unit - Foundation</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents - Note 2	\$ 16,240,296	\$ 25,889,515	\$ 37,940	\$ 11,681
Short-term investments - Note 2	1,515,719	1,502,096	21,308,287	19,198,033
Property taxes receivable - net of allowance for doubtful accounts of \$160,000 in 2015 and \$180,000 in 2014	62,005	64,403	-	-
State appropriation receivable	6,961,770	6,423,054	-	-
Accounts receivable - net of allowance for doubtful accounts of \$200,000 in 2015 and 2014	2,727,764	2,036,215	-	-
Federal and state grants receivable	2,341,129	1,684,608	-	-
Student loans receivable	149,512	327,683	-	-
Inventories	233,530	245,862	-	-
Prepaid expenses and other assets	2,938,464	3,195,848	5,779	6,519
<b>Total Current Assets</b>	<b>33,170,189</b>	<b>41,369,284</b>	<b>21,352,006</b>	<b>19,216,233</b>
Restricted cash and investments - Note 2	429,292	961,304	-	-
Long-term investments - Note 2	194,844,266	178,118,248	-	-
Capital assets - Note 3	140,864,286	135,861,955	-	-
<b>Total Assets</b>	<b>369,308,033</b>	<b>356,310,791</b>	<b>21,352,006</b>	<b>19,216,233</b>
<b>LIABILITIES</b>				
Current Liabilities				
Current portion of debt obligations - Note 6	3,020,000	2,975,000	-	-
Accounts payable	7,156,427	5,550,061	(75,093)	(71,413)
Accrued interest payable	12,583	72,435	-	-
Accrued payroll and other compensation	6,739,058	6,115,384	-	-
Other accrued liabilities	2,238,632	1,549,089	-	-
Deposits	281,502	274,770	-	-
Unearned revenue	2,802,898	3,164,846	-	-
<b>Total Current Liabilities</b>	<b>22,251,100</b>	<b>19,701,585</b>	<b>(75,093)</b>	<b>(71,413)</b>
Long-term Debt Obligations - Note 6	-	3,020,000	-	-
Accrued Vacation - Note 6	2,828,868	2,873,898	-	-
Net pension liability - Note 4	145,510,485	-	-	-
<b>Total Liabilities</b>	<b>170,590,453</b>	<b>25,595,483</b>	<b>(75,093)</b>	<b>(71,413)</b>
<b>DEFERRED INFLOWS OF RESOURCES - Note 4</b>	<b>683,988</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	137,844,286	129,866,955	-	-
Restricted for:				
Nonexpendable endowments	-	-	5,883,395	5,731,462
Expendable endowments, scholarships and grants	2,096,763	1,020,533	3,673,438	2,715,607
Expendable debt service	429,292	961,304	-	-
Unrestricted - Note 1	57,663,251	198,866,516	11,870,266	10,840,577
<b>Total Net Position</b>	<b>\$ 198,033,592</b>	<b>\$ 330,715,308</b>	<b>\$ 21,427,099</b>	<b>\$ 19,287,646</b>

The accompanying notes are an integral part of these statements.

**Macomb Community College**
**Statement of Revenues, Expenses and Changes in Net Position  
Years Ended June 30, 2015 and 2014**

	<b>College</b>		<b>Component Unit - Foundation</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>OPERATING REVENUES</b>				
Tuition and fees - Net of scholarship allowances of \$11,100,000 in 2015 and \$11,300,000 in 2014	\$ 47,493,206	\$ 44,883,755	\$ -	\$ -
Federal grants and contracts	6,390,917	3,542,649	-	-
State and local grants and contracts	378,599	343,137	-	-
Nongovernmental grants	199,038	373,464	1,000,000	-
Center for Performing Arts revenue	1,849,291	1,748,767	-	-
Miscellaneous	4,375,226	4,157,518	4,998	-
<b>Total Operating Revenues</b>	<u>60,686,277</u>	<u>55,049,290</u>	<u>1,004,998</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Instruction	55,436,881	53,928,495	-	-
Public service	4,213,662	4,171,916	-	-
Instructional support	19,932,531	19,982,287	-	-
Student services	34,438,939	32,984,456	-	-
Institutional administration	16,520,901	10,654,524	-	-
Operation and maintenance of plant	16,005,641	16,165,665	-	-
Depreciation	12,808,136	13,120,008	-	-
Foundation operations and fundraising	-	-	75,000	-
<b>Total Operating Expenses</b>	<u>159,356,691</u>	<u>151,007,351</u>	<u>75,000</u>	<u>-</u>
<b>OPERATING LOSS</b>	<u>(98,670,414)</u>	<u>(95,958,061)</u>	<u>929,998</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State appropriations	37,978,656	34,922,836	-	-
Property tax levy	37,577,936	37,143,926	-	-
Federal Pell grants	29,089,997	29,295,246	-	-
Investment income	4,507,080	4,258,470	772,246	538,088
Net realized and unrealized gain (loss) on investments	3,726,944	1,657,403	(213,104)	1,704,626
Interest expense	(128,182)	(187,052)	-	-
Gifts between College and Foundation	(126,343)	873,170	126,343	(873,170)
Gifts	-	-	372,037	441,254
<b>Net Nonoperating Revenues</b>	<u>112,626,088</u>	<u>107,963,999</u>	<u>1,057,522</u>	<u>1,810,798</u>
<b>OTHER REVENUES</b>				
State capital appropriations	267,362	-	-	-
Capital gifts and grants	106,947	-	-	-
Additions to permanent endowments	-	-	151,933	72,546
<b>Total Other Revenues</b>	<u>374,309</u>	<u>-</u>	<u>151,933</u>	<u>72,546</u>
<b>CHANGE IN NET POSITION</b>	<u>14,329,983</u>	<u>12,005,938</u>	<u>2,139,453</u>	<u>1,883,344</u>
Net Position - Beginning of Year	330,715,308	318,709,370	19,287,646	17,404,302
Adjustment for change in accounting principle - Note 1	(147,011,699)	-	-	-
Net Position - Beginning of year, as restated	<u>183,703,609</u>	<u>318,709,370</u>	<u>19,287,646</u>	<u>17,404,302</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 198,033,592</u>	<u>\$ 330,715,308</u>	<u>\$ 21,427,099</u>	<u>\$ 19,287,646</u>

The accompanying notes are an integral part of these statements.

**Macomb Community College**

**Statement of Cash Flows  
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 46,439,709	\$ 46,107,796
Grants and contracts	6,686,342	3,493,942
Payments to suppliers	(77,769,053)	(72,263,700)
Payments to employees	(66,387,556)	(63,780,033)
Center for Performing Arts charges	1,849,291	1,748,767
Other	<u>4,375,226</u>	<u>4,157,518</u>
Net Cash Used For Operating Activities	(84,806,041)	(80,535,710)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Local property taxes	35,005,326	34,474,373
Gifts and contributions for other than capital purposes	(126,343)	873,170
William D. Ford direct lending receipts	10,268,703	9,317,265
William D. Ford direct lending disbursements	(10,090,532)	(9,430,647)
Federal Pell grants	29,089,997	29,295,246
State appropriations	<u>37,439,940</u>	<u>35,449,519</u>
Net Cash Provided By Noncapital Financing Activities	101,587,091	99,978,926
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of capital assets	(17,868,638)	(7,587,121)
Principal paid on capital debt	(2,975,000)	(2,900,000)
Debt fund property tax	2,575,008	2,657,803
Interest paid on capital debt	<u>(188,034)</u>	<u>(163,346)</u>
Net Cash Used For Capital and Related Financing Activities	(18,456,664)	(7,992,664)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investment	61,785,485	20,048,194
Interest on investments	4,418,738	4,315,092
Purchase of investments	<u>(74,709,840)</u>	<u>(24,887,405)</u>
Net Cash Used For Investing Activities	<u>(8,505,617)</u>	<u>(524,119)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(10,181,231)	10,926,433
CASH AND CASH EQUIVALENTS - Beginning of year	<u>26,850,819</u>	<u>15,924,386</u>
<b>CASH AND CASH EQUIVALENTS - End of year</b>	<u>\$ 16,669,588</u>	<u>\$ 26,850,819</u>

The accompanying notes are an integral part of these statements.

**Macomb Community College****Statement of Cash Flows (continued)  
Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>STATEMENT OF NET POSITION CLASSIFICATIONS OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	\$ 16,240,296	\$ 25,889,515
Restricted cash	429,292	961,304
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u>\$ 16,669,588</u>	<u>\$ 26,850,819</u>
<b>RECONCILIATION OF NET OPERATING EXPENSES TO NET CASH USED FOR OPERATING ACTIVITIES:</b>		
Operating loss	\$ (98,670,414)	\$ (95,958,061)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	12,808,136	13,120,007
Net disposal of capital assets	58,171	6,435
(Increase) decrease in assets:		
Accounts receivable	(317,239)	726,506
Federal and state grant receivable	(656,521)	(765,308)
Inventories	12,332	(29,323)
Prepaid assets and other current assets	257,384	(530,781)
(Decrease) increase in liabilities:		
Accounts payable	1,606,366	1,521,275
Accrued payroll and other compensation	578,644	351,929
Other accrued liabilities	689,542	572,670
Deposits	6,732	(48,595)
Unearned tuition and fees	(361,948)	497,536
Net pension liability	<u>(817,226)</u>	<u>-</u>
<b>NET CASH USED FOR OPERATING ACTIVITIES</b>	<u>\$ (84,806,041)</u>	<u>\$ (80,535,710)</u>

The accompanying notes are an integral part of these statements.

## Note 1 - Basis of Presentation and Significant Accounting Policies

**Reporting Entity** - Macomb Community College (the College) is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles applicable to public colleges and universities outlined in Governmental Accounting Standards Board (GASB) Statement 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.

The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College.

The Macomb Community College Foundation (the Foundation) is a separate legal entity established as a 501(c)(3) corporation to accept, collect, hold and invest donations made for the promotion of educational and cultural activities at and on behalf of the College. The Foundation is discretely presented in the financial statements of the College. Separate audited financial statements of the Foundation are available by contacting the Macomb Community College Foundation at 14500 E. 12 Mile Road, Warren, MI 48088-3896.

**Basis of Accounting Macomb Community College** - The financial statements have been prepared using an economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

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

**Significant Accounting Policies** - Significant accounting policies followed by Macomb Community College are described below.

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

## Note 1 - Basis of Presentation and Significant Accounting Policies (continued)

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

**Restricted Cash and Investments** - Restricted cash and investments consist of cash and investments that have restrictions for the purpose of unspent bond proceeds and unspent debt service funds.

**Accounts Receivable** - Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on historical loss experience.

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

**Risks and Uncertainties** - The College invests in various investments which are exposed to risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of net position.

**Inventories** - Inventories 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 or, if acquired by gift, at the fair market value as of the date of acquisition. Depreciation is provided for property and equipment on a straight-line basis over the estimated useful life of the asset.

**Unearned Revenue** - Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned tuition and fee revenue at June 30, 2015 includes \$2,593,000 for the 2015 summer semester, which began on May 26, 2015 and ended on August 15, 2015. Unearned revenue at June 30, 2014 included \$2,657,000 for the 2014 summer semester, which began on May 27, 2014 and ended on August 16, 2014.

**Gifts and Pledges** - Gifts are recorded at estimated fair value when received and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

**Accrued Vacation** - Accrued vacation represents the accumulated liability to be paid under the College's current vacation pay policy. Under the College's policy, employees earn vacation time based on time of service with the College.

## Note 1 - Basis of Presentation and Significant Accounting Policies (continued)

**Deferred Inflows of Resources** – In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College's inflows of resources relates to the net pension liability. Additional disclosure is found in Note 4.

**Net Position** – GASB Statement No. 34 establishes standards for external financial reporting of public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories.

**Net Investment in Capital Assets** – Net investment in capital assets represents capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted Net Position** - Restricted net position represent amounts over which third parties have imposed restrictions that cannot be changed by the College. The restricted balance consists primarily of funds restricted for endowments, scholarships, grants, unspent debt service funds and other purposes.

**Unrestricted Net Position** - The College has designated the use of unrestricted net position for future capital outlay and maintenance improvements as well as for the implementation of the upcoming accounting pronouncement, GASB 75 further described below.

**Revenue** - All transactions that result in sales and / or receipts from goods and services, such as tuition and fees and ticket sales from the Center for Performing Arts are classified as operating revenue. All revenue sources that are primarily non-exchange in nature in which the College received value without directly giving equal value in return are classified as nonoperating revenue.

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 townships and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to Macomb County for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the County's tax revolving funds.

**Note 1 - Basis of Presentation and Significant Accounting Policies (continued)**

Property tax revenue levied for general operating/technology purposes was \$35,003,000 and \$34,486,000 based on \$1.4212 of tax per \$1,000 of taxable property value in the College's taxing district for the years ended June 30, 2015 and 2014, respectively. Property tax revenue for the infrastructure/technology debt levy was \$2,575,000 and \$2,658,000 based on \$0.105 and \$0.11 of tax per \$1,000 of taxable property value in the College's taxing district for the years ended June 30, 2015 and 2014, respectively.

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

**Adoption of New Standard** – The GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 71 is a clarification to GASB 68 requiring a government to recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Statements also enhance accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statement, the College has reported a Net Pension Liability of \$147 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014. June 30, 2014 amounts have not been restated to reflect the impact of GASB 68 because the information is not available to calculate the impact on pension expense for the fiscal year ending June 30, 2014.



**Note 1 - Basis of Presentation and Significant Accounting Policies (continued)**

**Upcoming Accounting Pronouncements** - In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2016.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the MPSERS plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The College is currently evaluating the impact this standard will have on the financial statements when adopted. However, the approximated liability based on the actuarial accrued liability as computed by the Office of Retirement Services and allocated based on covered payroll, results in an estimated liability of \$80 million. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

**Note 2 - Cash and Investments**

**Cash and Bank Deposits** - Investment policies for cash and bank deposits as set forth by the Board of Trustees are in accordance with Michigan State law and authorize the College to invest in demand accounts, negotiable certificates of deposit, saving accounts, or other interest-earning deposit accounts of banks that are members of the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA). An estimated \$1,364,000 and \$1,010,000 of cash and deposits was covered by FDIC and an estimated \$20,015,000 and \$28,758,000 of cash and deposits were not covered by FDIC insurance at June 30, 2015 and 2014, respectively. The standard maximum deposit covered by FDIC is \$250,000 per financial institution.

## Macomb Community College

### Notes to Financial Statements June 30, 2015 and 2014

#### Note 2 – Cash and Investments (continued)

**Investments** - Investment policies as set forth by the Board of Trustees also authorize the College to invest in bonds, bills or notes of the United States or of an agency or instrumentality of the United States or obligations of the state of Michigan and rated prime by at least one of the standard rating agencies. Funds may also be invested in commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the FDIC and commercial paper of corporations located in Michigan. Reports are submitted to the Board of Trustees on a monthly basis to ensure compliance with the prescribed policy.

**Credit Risk** - Investments in U.S. agency bonds consist of Federal Home Loan Bank, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bureau and Government National Mortgage Association and are rated AA+ by Standard & Poor's, Aaa by Moody's and AAA by Fitch. The College also has investments in Michigan Municipal Bonds that are rated at or above Aa by Moody's and AA by Standard & Poor's.

**Interest Rate Risk** - The College's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

	Fair Market Value	Less Than One Year	1-5 Years	More Than 5 Years
Certificates of deposit	\$ 4,522,880	\$ 1,515,719	\$ 3,007,161	\$ -
U.S. agency bonds	185,506,635	-	12,505,330	173,001,305
Michigan municipal bonds	6,330,470	-	816,008	5,514,462
Total Investments	<u>\$ 196,359,985</u>	<u>\$ 1,515,719</u>	<u>\$ 16,328,499</u>	<u>\$ 178,515,767</u>

As of June 30, 2014, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-5 Years	More Than 5 Years
Certificates of deposit	\$ 3,005,065	\$ 1,502,096	\$ 1,502,969	\$ -
U.S. agency bonds	169,582,734	-	1,502,912	168,079,822
Michigan municipal bonds	7,032,545	-	827,992	6,204,553
Total Investments	<u>\$ 179,620,344</u>	<u>\$ 1,502,096</u>	<u>\$ 3,833,873</u>	<u>\$ 174,284,375</u>

Portions of these investments are reported as cash equivalents or restricted cash and investments on the statement of net position.

# Macomb Community College

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## Notes to Financial Statements June 30, 2015 and 2014

### Note 2 – Cash and Investments (continued)

**Custodial Credit Risk** - The College's investment policy does not address custodial credit risk. However, all of the investments are in the name of the College, as applicable, and the investments are held in trust accounts with each financial institution from which they were purchased.

**Concentration of Credit Risk** - Certificates of deposit and commercial paper investments are limited in any given financial institution or issuer to no more than 50 percent of the capitalization value of the institution and not greater than \$15,100,000. The College's investment policy does not limit investments in U.S. agency or Michigan municipal bonds.

More than five percent of the College's investments at June 30, 2015 and 2014 were invested as follows:

<u>Issuer</u>	<u>2015</u>	<u>2014</u>
Federal Home Loan Bank	23%	26%
Federal National Mortgage Association	41%	38%
Federal Home Loan Mortgage Co.	17%	17%
Federal Farm Credit Bureau	5%	6%
Government National Mortgage Association	8%	7%

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 3 - Property and Equipment

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

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 8,771,470	\$ -	\$ -	\$ 8,771,470	
Constuction in progress	1,619,217	5,488,756	(1,513,072)	5,594,901	
Total nondepreciable capital assets	<u>10,390,687</u>	<u>5,488,756</u>	<u>(1,513,072)</u>	<u>14,366,371</u>	
Depreciable capital assets:					
Land improvements	5,408,998	1,168,492	539,814	7,117,304	10
Building and improvements	244,245,028	6,559,539	702,257	251,506,824	10-40
Infrastructure	15,647,730	1,038,325	271,002	16,957,057	10-20
Furniture, fixtures and equipment	47,663,673	3,467,735	(2,089,329)	49,042,079	3-10
Library materials	2,571,317	145,791	(207,480)	2,509,628	10
Total depreciable capital assets	<u>315,536,746</u>	<u>12,379,882</u>	<u>(783,736)</u>	<u>327,132,892</u>	
Total capital assets	325,927,433	17,868,638	(2,296,808)	341,499,263	
Less accumulated depreciation:					
Land improvements	5,192,832	137,641	-	5,330,473	
Building and improvements	135,633,501	7,955,471	-	143,588,972	
Infrastructure	8,178,103	919,737	-	9,097,840	
Furniture, fixtures and equipment	39,302,217	3,616,694	(2,031,157)	40,887,754	
Library materials	1,758,825	178,593	(207,480)	1,729,938	
Total accumulated depreciation	<u>190,065,478</u>	<u>12,808,136</u>	<u>(2,238,637)</u>	<u>200,634,977</u>	
Total capital assets, net	<u>\$ 135,861,955</u>	<u>\$ 5,060,502</u>	<u>\$ (58,171)</u>	<u>\$ 140,864,286</u>	

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 3 - Property and Equipment (continued)

The following table presents the changes in the various fixed asset class categories for the year ended June 30, 2014:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 8,771,470	\$ -	\$ -	\$ 8,771,470	
Constuction in progress	1,351,736	1,619,217	(1,351,736)	1,619,217	
Total nondepreciable capital assets	<u>10,123,206</u>	<u>1,619,217</u>	<u>(1,351,736)</u>	<u>10,390,687</u>	
Depreciable capital assets:					
Land improvements	5,268,400	39,359	101,239	5,408,998	10
Building and improvements	240,216,532	2,777,999	1,250,497	244,245,028	10-40
Infrastructure	15,447,123	200,607	-	15,647,730	10-20
Furniture, fixtures and equipment	48,032,395	2,814,260	(3,182,982)	47,663,673	3-10
Library materials	2,662,732	135,679	(227,094)	2,571,317	10
Total depreciable capital assets	<u>311,627,182</u>	<u>5,967,904</u>	<u>(2,058,340)</u>	<u>315,536,746</u>	
Total capital assets	321,750,388	7,587,121	(3,410,076)	325,927,433	
Less accumulated depreciation:					
Land improvements	5,160,701	32,131	-	5,192,832	
Building and improvements	127,974,895	7,658,606	-	135,633,501	
Infrastructure	7,288,487	889,616	-	8,178,103	
Furniture, fixtures and equipment	38,121,966	4,356,798	(3,176,547)	39,302,217	
Library materials	1,803,063	182,856	(227,094)	1,758,825	
Total accumulated depreciation	<u>180,349,112</u>	<u>13,120,007</u>	<u>(3,403,641)</u>	<u>190,065,478</u>	
Total capital assets, net	<u>\$ 141,401,276</u>	<u>\$ (5,532,886)</u>	<u>\$ (6,435)</u>	<u>\$ 135,861,955</u>	

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

**Note 4 – Retirement Plans**

**Defined Benefit Pension Plan**

**Plan Description** – The College participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

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

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

July 1, 2013 - September 30, 2013	12.78% - 15.21%
October 1, 2013 - September 30, 2014	15.44% - 18.34%
October 1, 2014 - June 30, 2015	18.76% - 23.07%

Depending on the plan selected, plan member contributions range from 0.0 percent up to 6.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The College's required and actual contributions to the plan for the years ended June 30, 2015 and 2014 were \$12,775,000 and \$12,919,000, respectively. In addition, the College recognized contributions of \$4,996,000 and \$2,835,000 in revenue received from the State of Michigan to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the year ended June 30, 2015 and 2014, respectively. These funds were also remitted to the plan.

### Note 4 – Retirement Plans (continued)

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

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

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

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

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

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2015, the College reported a liability of \$145,510,485 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013, which used updated procedures to roll forward the estimated liability to September 30, 2014. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2014 and September 30, 2013, the College's proportion was 0.66062 percent.

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 – Retirement Plans (continued)

For the year ended June 30, 2015 and 2014, the College recognized pension expense of \$9,443,000 and \$12,919,000, respectively. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	5,369,026	-
Net difference between projected and actual earnings on pension plan assets	-	16,086,243
Changes in proportion and differences between College contributions and proportionate share of contributions	984	-
College contributions subsequent to the measurement date	10,032,245	-
Total	<u>\$ 15,402,255</u>	<u>\$ 16,086,243</u>

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

Year Ending June 30	Amount
2016	\$ 2,607,407
2017	2,607,407
2018	2,607,407
2019	2,894,012
Thereafter	0
Total	<u>\$ 10,716,233</u>

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



**Note 4 – Retirement Plans (continued)**

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

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

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

**Discount Rate** – The discount rate used to measure the total pension liability was 7.0 - 8.00 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 4 – Retirement Plans (continued)

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28%	4.8%
Private Equity Pools	18%	8.5%
International Equity Pools	16%	6.1%
Fixed Income Pools	11%	1.5%
Real Estate & Infrastructure Pools	10%	5.3%
Real Return, Opportunistic, and Absolute Pools	16%	6.3%
Short Term Investment Pools	1%	-0.2%
Total	100%	

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the College, calculated using the discount rate of 7.00 - 8.00 percent, depending on the plan option, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower (7.00/6.00 percent) or 1.00 percentage point higher (9.00/8.00 percent) than the current rate:

	1.00 percent decrease (7.00/6.00 percent)	Current Discount Rate (8.00/7.00 percent)	1.00 percent increase (9.00/8.00 percent)
Net pension liability	\$ 191,842,904	\$ 145,510,485	\$ 106,474,738

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

**Payable to the Pension Plan** – At June 30, 2015, the College reported a payable of \$1,539,000 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

**Postemployment Benefits Other Than Pensions (OPEB)** - Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of

**Note 4 - Retirement Plans (continued)**

receiving the benefits. The MPSERS Board of trustees annually sets the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 5.52 percent to 6.45 percent of covered payroll for the period from October 1, 2013 through September 30, 2014, and from 2.2 percent to 2.71 percent of covered payroll for the period October 1, 2014 through June 30, 2015 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403(b) account.

The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2015, 2014 and 2013 were \$2,097,000, \$3,863,000 and \$5,104,000, respectively.

**Optional Defined Contribution Plan**

Professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under the ORP, the College contributes 11.5 percent, and the participant contributes 3.9 percent of the participant's compensation. Total covered payroll and College contributions for the years ended June 30, 2015 and 2014 were approximately \$6,278,000 and \$722,000 and \$6,057,000 and \$697,000, respectively.

In addition to the MPSERS and ORP plans, the College also provides deferred compensation plans to all of its full-time employees under Sections 403(b) and 457(b) of the U.S. Internal Revenue Code. The College contributes varying amounts up to 7 percent of salary for certain employee groups. Employees may make elective deferrals up to amounts allowable by current tax law. In accordance with these requirements, the College contributed approximately \$1,036,000 and \$990,000 and the employees contributed approximately \$2,780,000 and \$2,756,000 for the years ended June 30, 2015 and 2014, respectively.

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 5 - Federal Direct Lending Program

The College distributed \$10,090,532 and \$9,430,647 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2015 and 2014, respectively. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

### Note 6 - Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 5,995,000	\$ -	\$ 2,975,000	\$ 3,020,000	\$ 3,020,000
Accrued vacation	3,112,534	150,903	187,775	3,075,662	246,794
	<u>\$ 9,107,534</u>	<u>\$ 150,903</u>	<u>\$ 3,162,775</u>	<u>\$ 6,095,662</u>	<u>\$ 3,266,794</u>

Long-term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable	\$ 8,910,942	\$ -	\$ 2,915,942	\$ 5,995,000	\$ 2,975,000
Accrued vacation	2,928,754	291,146	107,366	3,112,534	238,636
	<u>\$ 11,839,696</u>	<u>\$ 291,146</u>	<u>\$ 3,023,308</u>	<u>\$ 9,107,534</u>	<u>\$ 3,213,636</u>

In 1996, the voters approved the issuance of up to \$19.6 million of debt for the purpose of improving, restoring and equipping existing college facilities. An additional \$19.2 million in bonds was approved in 1998 for technology improvements.

On March 31, 2011 the College issued the remaining approved amounts of \$7.4 million of the 1996 bond authorization and \$6.9 million of the 1998 bond authorization. The total amount of \$3,020,000 and \$5,995,000 was outstanding as of June 30, 2015 and June 30, 2014, respectively. Bond principal payments are due annually each May through maturity in fiscal year 2016. Interest payments are due semi-annually through maturity at a rate of 2.5 percent.

As of June 30, 2015 bond maturities are as follows:

Year	Principal	Interest	Total
2016	\$ 3,020,000	\$ 75,500	\$ 3,095,500

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 7 – Self Insurance

Beginning January 1, 2014, the College is partially self-insured for vision and healthcare benefits. The self-insured healthcare plan covers approximately 450 employees and their dependents. Claims are funded by the College and paid by the plan administrator; actual payments are based on claims filed. An insurance policy covers claims in excess of \$100,000 per covered employee and/or their dependent. The College pays the administrative costs of the plan.

Self-insured employee benefit liabilities for the period July 1, 2014 to June 30, 2015 and January 1, 2014 to June 30, 2014 were as follows:

	2015	2014
Balance, beginning of year	\$ 339,453	\$ -
Claims incurred, premiums paid and changes in estimates	5,321,205	1,909,569
Claim and premium payments	(5,400,658)	(1,570,116)
Balance, end of year	<u>\$ 260,000</u>	<u>\$ 339,453</u>

### Note 8 - Risk Management

The College is exposed to various risks of loss related to property loss, errors and omissions, workers' compensation, as well as medical benefits provided to employees.

The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 9 - Commitments, Contingencies and Capital Outlay

There are various lawsuits in which the College is a defendant. It is the opinion of College officials that the potential claims in excess of insurance coverage resulting from the remaining litigation would not have a material effect on the financial statements.

The College has numerous renovation and capital improvement projects in process at June 30, 2015. Total future commitments related to these projects approximates \$5.3 million.

### Note 10 - Macomb Community College Foundation

All investments of the Foundation are either donor-restricted endowments, donor restricted grants, Foundation designated endowments or College designated endowments. The Foundation's investments are stated at fair value based on quoted market prices for active market assets.

The market value of the Foundation investments in mutual funds at June 30 are as follows:

<u>Investment Fund Type</u>	<u>June 30, 2015 Market Value</u>	<u>June 30, 2014 Market Value</u>
Fixed Income	\$ 8,119,825	\$ 7,308,134
Equity	12,785,112	10,906,817
Balanced	403,350	983,082
	<u>\$ 21,308,287</u>	<u>\$ 19,198,033</u>

The net position and all activity of the Foundation are reported as a discretely presented component unit in the College's financial statements. The net position of the Foundation totaled \$21,427,099 and \$19,287,646 for the years ended June 30, 2015 and 2014, respectively.

# Macomb Community College

## Notes to Financial Statements June 30, 2015 and 2014

### Note 10 - Macomb Community College Foundation (continued)

Unrestricted net position, expendable endowments, scholarships and grants and nonexpendable endowments are available at June 30, 2015 for the following purposes:

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Nonexpendable endowments	Total June 30, 2015
College designated	\$ 10,621,786	\$ -	\$ -	\$ 10,621,786
Center for Performing Arts	-	1,197,266	2,641,418	3,838,684
Innovation Fund	937,927	1,013,975	-	1,951,902
Scholarships and financial aid	-	1,220,155	2,649,749	3,869,904
Foundation designated	310,553	-	-	310,553
Library and other	-	242,042	592,228	834,270
Total	<u>\$ 11,870,266</u>	<u>\$ 3,673,438</u>	<u>\$ 5,883,395</u>	<u>\$ 21,427,099</u>

Unrestricted net position, expendable endowments, scholarships and grants and nonexpendable endowments were available at June 30, 2014 for the following purposes:

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Nonexpendable endowments	Total June 30, 2014
College designated	\$ 10,586,483	\$ -	\$ -	\$ 10,586,483
Center for Performing Arts	-	1,238,137	2,635,043	3,873,180
Scholarships and financial aid	-	1,232,629	2,540,977	3,773,606
Foundation designated	254,094	-	-	254,094
Library and other	-	244,841	555,442	800,283
Total	<u>\$ 10,840,577</u>	<u>\$ 2,715,607</u>	<u>\$ 5,731,462</u>	<u>\$ 19,287,646</u>

Through a resolution by the Foundation's Board of Directors, the Foundation distributes 4 percent of the three year average fair market value of the investment total to the College for purposes specified by donors not to exceed the Foundation's temporarily restricted net position. In addition, the Foundation distributes all donations and grant awards received by the Foundation on behalf of the College for educational and cultural activities. The College provides personnel support, supplies, equipment and office space to the Foundation.

**Schedule of Pension Funding Progress**  
(As of the Plan's Year End, September 30)

	<u>2014</u>
Macomb Community College's proportion of the collective MPSERS net pension liability :	
As a percentage	0.66062%
Amount	\$ 145,510,485
 Macomb Community College's covered employee payroll	 \$ 58,146,877
 Macomb Community College's proportionate share of the collective MPSERS pension liability, as a percentage of covered-employee payroll percent	 250.25%
 MPSERS fiduciary net position as a percentage of total pension liability	 66.15%

**Schedule of Pension Contributions**  
(As of the College's Year End, June 30)

	<u>2015</u>
Statutorily required contributions	\$ 12,775,183
Contributions in relation to the actuarially determined contractually required contribution	\$ 12,775,183
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 60,027,383
Contributions as a percentage of covered employee payroll	21.28%



**Macomb Community College**

**Combining Statement of Net Position  
June 30, 2015**

	Combined Total	General Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund
<b>ASSETS</b>						
Current Assets						
Cash and cash equivalents	\$ 16,240,296	\$ 16,240,296	\$ -	\$ -	\$ -	\$ -
Short-Term investments	1,515,719	1,515,719	-	-	-	-
Property taxes receivable	62,005	62,005	-	-	-	-
State appropriation receivable	6,961,770	6,961,770	-	-	-	-
Accounts receivable	2,727,764	2,727,764	-	-	-	-
Federal and state grants receivable	2,341,129	-	2,043,887	-	267,362	29,880
Student loans receivable	149,512	-	-	149,512	-	-
Inventories	233,530	233,530	-	-	-	-
Prepaid expenses and other assets	2,938,464	2,897,171	41,293	-	-	-
<b>Total Current Assets</b>	<b>33,170,189</b>	<b>30,638,255</b>	<b>2,085,180</b>	<b>149,512</b>	<b>267,362</b>	<b>29,880</b>
Restricted cash and investments	429,292	-	-	-	429,292	-
Long-term investments	194,844,266	194,844,266	-	-	-	-
Capital Assets, net						
Land and improvements	10,558,301	-	-	-	10,558,301	-
Infrastructure	7,859,217	-	-	-	7,859,217	-
Buildings and improvements	107,917,852	-	-	-	107,917,852	-
Equipment and library materials	8,934,015	-	-	-	8,934,015	-
Construction in progress	5,594,901	-	-	-	5,594,901	-
<b>Total Capital Assets</b>	<b>140,864,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>140,864,286</b>	<b>-</b>
<b>Total Assets</b>	<b>369,308,033</b>	<b>225,482,521</b>	<b>2,085,180</b>	<b>149,512</b>	<b>141,560,940</b>	<b>29,880</b>
<b>LIABILITIES</b>						
Current Liabilities						
Current portion of debt obligations	3,020,000	-	-	-	3,020,000	-
Accounts payable	7,156,427	7,156,427	-	-	-	-
Accrued interest payable	12,583	-	-	-	12,583	-
Accrued payroll and other compensation	6,739,058	6,621,802	111,870	-	1,886	3,500
Other accrued liabilities	2,238,632	1,398,072	-	-	840,560	-
Deposits	281,502	-	-	-	-	281,502
Unearned revenue	2,802,898	2,802,898	-	-	-	-
Due to (from) other funds	-	175,284,512	(123,453)	149,512	(175,055,449)	(255,122)
<b>Total Current Liabilities</b>	<b>22,251,100</b>	<b>193,263,711</b>	<b>(11,583)</b>	<b>149,512</b>	<b>(171,180,420)</b>	<b>29,880</b>
Accrued Vacation	2,828,868	2,828,868	-	-	-	-
Net pension liability	145,510,485	145,510,485	-	-	-	-
<b>Total Liabilities</b>	<b>170,590,453</b>	<b>341,603,064</b>	<b>(11,583)</b>	<b>149,512</b>	<b>(171,180,420)</b>	<b>29,880</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>683,988</b>	<b>683,988</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	137,844,286	-	-	-	137,844,286	-
Restricted for						
Expendable endowments, scholarships and grants	2,096,763	-	2,096,763	-	-	-
Expendable debt service	429,292	-	-	-	429,292	-
Unrestricted	57,663,251	(116,804,531)	-	-	174,467,782	-
<b>Total Net Position</b>	<b>\$ 198,033,592</b>	<b>\$ (116,804,531)</b>	<b>\$ 2,096,763</b>	<b>\$ -</b>	<b>\$ 312,741,360</b>	<b>\$ -</b>

**Macomb Community College**

**Combining Statement of Revenues, Expenses and Changes in Net Position  
June 30, 2015**

	Combined Total	Elimination	General Fund	Expendable Restricted Fund	Student Loan Fund	Plant Fund
<b>OPERATING REVENUES</b>						
Tuition and fees (net of scholarship allowance of \$11,100,000)	\$ 47,493,206	\$ (11,100,000)	\$ 58,593,206	\$ -	\$ -	\$ -
Federal grants and contracts	6,390,917	-	28,797	6,362,120	-	-
State and local grants and contracts	378,599	-	-	378,599	-	-
Nongovernmental grants	199,038	-	104,948	94,090	-	-
Center for Performing Arts revenue	1,849,291	-	1,849,291	-	-	-
Indirect cost recoveries	-	(354,019)	354,019	-	-	-
Miscellaneous	4,375,226	-	3,955,341	-	-	419,885
<b>Total Operating Revenues</b>	<b>60,686,277</b>	<b>(11,454,019)</b>	<b>64,885,602</b>	<b>6,834,809</b>	<b>-</b>	<b>419,885</b>
<b>OPERATING EXPENSES</b>						
Instruction	55,436,881	(219,353)	52,663,362	2,992,872	-	-
Public services	4,213,662	-	4,213,662	-	-	-
Instructional support	19,932,531	(6,306)	18,305,160	1,633,677	-	-
Student services	34,438,939	(11,197,185)	14,444,613	31,191,511	-	-
Institutional administration	16,520,901	(31,175)	15,307,411	1,244,665	-	-
Operation and maintenance of plant	16,005,641	-	14,743,164	4,091	-	1,258,386
Depreciation	12,808,136	-	-	-	-	12,808,136
<b>Total Operating Expenses</b>	<b>159,356,691</b>	<b>(11,454,019)</b>	<b>119,677,372</b>	<b>37,066,816</b>	<b>-</b>	<b>14,066,522</b>
<b>OPERATING LOSS</b>	<b>(98,670,414)</b>	<b>-</b>	<b>(54,791,770)</b>	<b>(30,232,007)</b>	<b>-</b>	<b>(13,646,637)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
State appropriations	37,978,656	-	37,978,656	-	-	-
Property tax levy	37,577,936	-	35,002,928	-	-	2,575,008
Federal Pell grants	29,089,997	-	-	29,089,997	-	-
Investment income	4,507,080	-	785,902	-	-	3,721,178
Net realized and unrealized gain on investments	3,726,944	-	3,726,944	-	-	-
Interest expense	(128,182)	-	-	-	-	(128,182)
Gifts between College and Foundation	(126,343)	-	(550,255)	423,912	-	-
<b>Net Nonoperating Revenues</b>	<b>112,626,088</b>	<b>-</b>	<b>76,944,175</b>	<b>29,513,909</b>	<b>-</b>	<b>6,168,004</b>
<b>OTHER REVENUE</b>						
State capital appropriations	267,362	-	-	-	-	267,362
Capital gifts and grants	106,947	-	-	-	-	106,947
<b>Total Other Revenue</b>	<b>374,309</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>374,309</b>
Transfers In (Out)	-	-	(19,078,529)	1,794,328	-	17,284,201
<b>CHANGE IN NET POSITION</b>	<b>14,329,983</b>	<b>-</b>	<b>3,073,876</b>	<b>1,076,230</b>	<b>-</b>	<b>10,179,877</b>
Net Position - Beginning of Year	330,715,308	-	27,133,292	1,020,533	-	302,561,483
Adjustment for change in accounting principle	(147,011,699)	-	(147,011,699)	-	-	-
Net Position - Beginning of Year, as restated	<u>183,703,609</u>	<u>-</u>	<u>(119,878,407)</u>	<u>1,020,533</u>	<u>-</u>	<u>302,561,483</u>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 198,033,592</b>	<b>\$ -</b>	<b>\$ (116,804,531)</b>	<b>\$ 2,096,763</b>	<b>\$ -</b>	<b>\$ 312,741,360</b>