MACOMB COMMUNITY COLLEGE

FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2017

Macomb Community College
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Macomb Community College

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MACOMB COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

September 27, 2017

Board of Trustees
Macomb Community College
Warren, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of *Macomb Community College* (the "College"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of Macomb Community College Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College'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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of *Macomb Community College* as of June 30, 2017, and the results of their operations and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Predecessor Auditor

The financial statements of *Macomb Community College* as of June 30, 2016 were audited by other auditors whose report dated September 13, 2016, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated September 27, 2017, on our consideration of *Macomb Community College's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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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, 2017, 2016 and 2015 and its activities for the three years ended June 30, 2017. 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, 2017.

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, 2017 and 2016 and changes in net position for the two years ended June 30, 2017. The College's financial position remained strong at June 30, 2017 and 2016, with assets of $386.5 million and $387.5 million, respectively and liabilities of $197.6 million and $193.8 million, respectively. The College recorded additional net pension liability of $8.7 million to reflect its share of the unfunded Michigan Public School Employees' Retirement System (MPSERS) long-term net pension liability. The increase was offset by a $3.2 million decrease in accrued payroll and other compensation. The change in net position was impacted by the change in market value of investments. In 2017, the College had $6.5 million in net realized and unrealized losses, compared to a net realized and unrealized gain of $5.0 million in 2016. For the fiscal year ended June 30, 2017, the College's revenues and other support exceeded expenses, thereby increasing the net position of the College by $1.1 million as compared to $14.1 million in the previous year.

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:

	2017	2016	2015
Assets			
Current assets	$ 31,940,831	$ 34,832,544	$ 33,170,189
Restricted cash and investments	-	-	429,292
Long-term investments	202,205,384	202,211,919	194,844,266
Capital assets, net	152,350,384	150,444,804	140,864,286
Total Assets	386,496,599	387,489,267	369,308,033
Deferred Outflows of Resources	30,276,943	23,891,260	15,402,255
Liabilities			
Current liabilities	17,139,120	22,243,052	22,251,100
Long-term liabilities, net	2,917,554	2,779,064	2,828,868
Net pension liability	177,493,906	168,757,285	145,510,485
Total Liabilities	197,550,580	193,779,401	170,590,453
Deferred Inflows of Resources	6,030,011	5,477,133	16,086,243
Net Position			
Net Investment in capital assets	152,350,384	150,444,804	137,844,286
Restricted for:			
Expendable endowments, scholarships and grants	1,803,070	2,127,319	2,096,763
Expendable debt service	-	-	429,292
Unrestricted	59,039,492	59,551,870	57,663,251
Total Net Position	$ 213,192,946	$ 212,123,993	$ 198,033,592

At June 30, 2017, 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*, which the College's share of the liability is estimated to be $66 million.

The College recorded an additional $8.7 million and $23.2 million in 2017 and 2016, respectively, to reflect the College's share of the MPSERS long-term net pension liability as required by GASB No. 68.

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

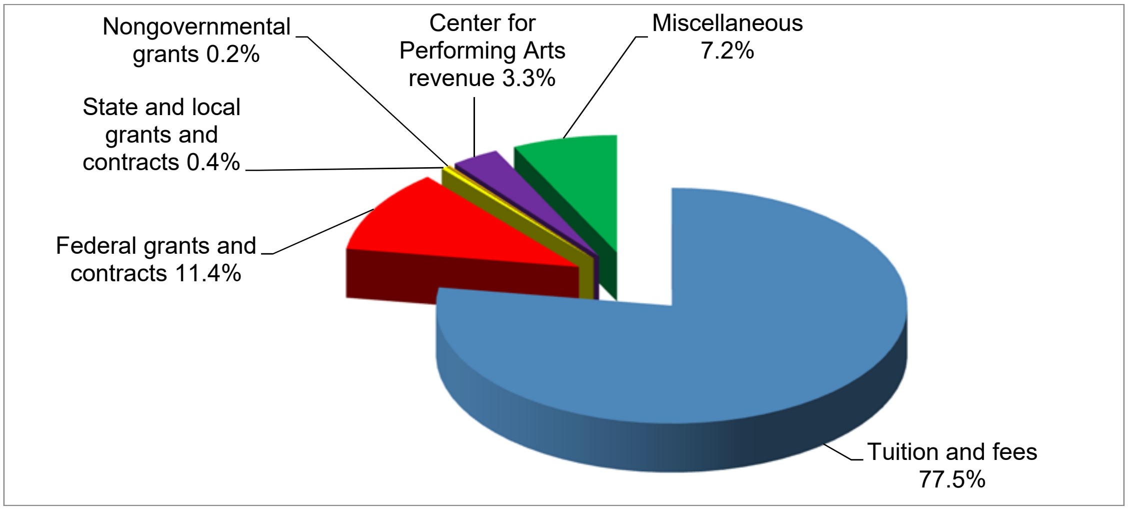
	2017	2016	2015
Operating Revenues	$ 58,429,774	$ 58,563,757	$ 60,686,277
Operating Expenses	159,111,085	159,386,206	159,356,691
Operating Loss	(100,681,311)	(100,822,449)	(98,670,414)
Nonoperating Revenues	98,609,171	111,091,596	112,626,088
Other Revenues	3,141,093	3,821,254	374,309
Change in Net Position	1,068,953	14,090,401	14,329,983
Net Position - Beginning of year	212,123,993	198,033,592	330,715,308
Adjustment for change in accounting principle	-	-	(147,011,699)
Net Position - Beginning of year, as restated	212,123,993	198,033,592	183,703,609
Net Position - End of year	$ 213,192,946	$ 212,123,993	$ 198,033,592

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:

	2017	2016	2015
Operating Revenues			
Tuition and fees	$ 45,215,543	$ 44,836,151	$ 47,493,206
Federal grants and contracts	6,670,569	7,009,778	6,390,917
State and local grants and contracts	211,401	327,134	378,599
Nongovernmental grants	124,511	443,452	199,038
Center for Performing Arts revenue	1,949,747	1,715,752	1,849,291
Miscellaneous	4,258,003	4,231,490	4,375,226
Total Operating Revenues	$ 58,429,774	$ 58,563,757	$ 60,686,277

The following is a graphic illustration of operating revenues for fiscal year 2017:



For the three years ended June 30, 2017, there was a 4.8 percent decline in net tuition and fee revenue of $2.3 million. This revenue decrease is due to a combination of a 5.7 percent increase in tuition rates, a 7 percent decline in credit hours and a 5 percent increase in the amount of tuition and fees paid with financial aid during the three year period.

In September 2013, the College received an 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.

The College also received an award of $4.0 million from the Department of Labor for the American Apprenticeship Initiative on October 1, 2015. This initiative is intended to provide a catalyst in supporting a uniquely American apprenticeship system that meets our country's particular economic, industry and workforce needs. The College's revenue will be received over the five year grant period that ends September 30, 2020.

Ticket sales at the Center for Performing Arts had an increase of $100,000 or 5.4 percent during the three years ended June 30, 2017. The Performing Arts Center continues to be a popular venue for entertainment within the county.

Miscellaneous revenue, which consists primarily of food service revenue, facility rental revenue and bookstore sales commissions, decreased by $117,000 or 2.8 percent from 2015 through 2017 due to decreases in bookstore commissions from enrollment trends, delinquent account collections due to fewer delinquent student accounts and facility rental revenue.

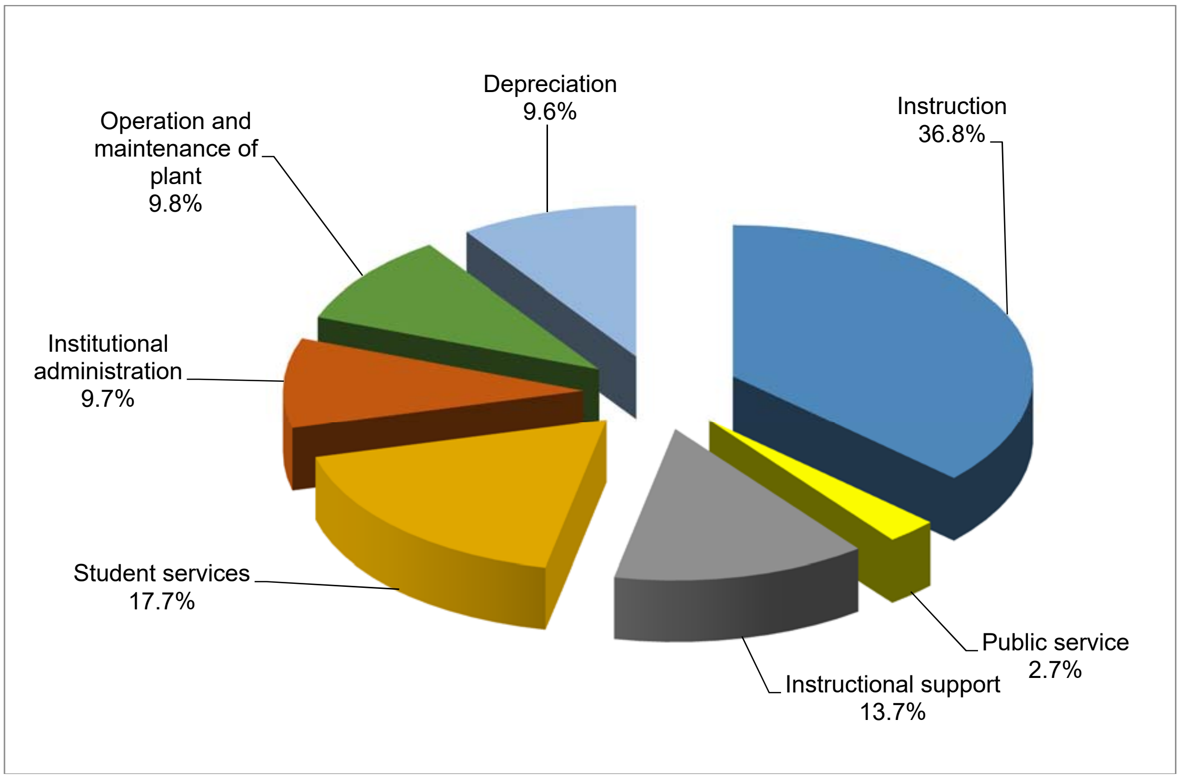
Operating Expenses

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:

	2017	2016	2015
Operating Expenses			
Instruction	$ 58,631,207	$ 58,227,253	$ 55,436,881
Public service	4,347,578	4,079,316	4,213,662
Instructional support	21,764,378	21,312,410	19,932,531
Student services	28,212,573	29,501,305	34,438,939
Institutional administration	15,374,569	17,908,057	16,520,901
Operation and maintenance of plant	15,557,161	14,887,054	16,005,641
Depreciation	15,223,619	13,470,811	12,808,136
Total Operating Expenses	$ 159,111,085	$ 159,386,206	$ 159,356,691

Included in expenses are amounts funded through state appropriations to pay the College's portion of the MPSERS Unfunded Actuarial Accrued Liability (UAAL). Funds received from the State and paid to the Office of Retirement Services were $7.6 million, $7.1 million and $5.0 million for the years ended June 30, 2017, 2016 and 2015, respectively.

The following is a graphic illustration of operating expenses for the year ended June 30, 2017:



The primary operating expenses of the College are salaries, payroll taxes and related fringe benefits. The College incurred approximately $106.0 million, $106.2 million, and $101.8 million of payroll-related expenses during the three years ended June 30, 2017. This represents 66.6 percent, 66.6 percent and 63.9 percent of the College's operating expenses during those years, respectively.

Wage expenses have increased $1.6 million or 2.4 percent during the three years ended June 30, 2017 primarily due to contractual increases, filling vacant positions, renovation related work and grant-funded positions.

Benefit expenses have increased $2.5 million or 7.3 percent during the three years ended June 30, 2017. This increase is offset by a $2.6 million increase in state appropriations for UAAL received over the same period, the purpose of the UAAL state appropriation is to assist in funding the MPSERS unfunded pension liability. The UAAL state appropriations received were $7.6 million, resulting in $2.0 million of revenue after consideration of GASB 68 in 2017, $7.1 million in 2016 and $5.0 million in 2015.

Nonoperating Revenues

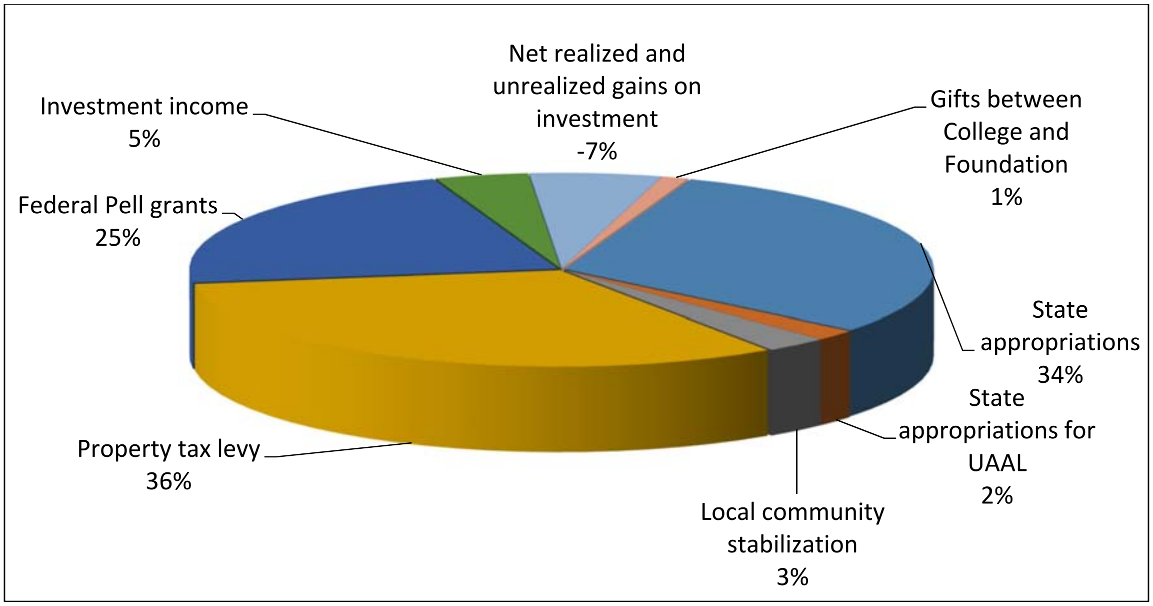
The College receives substantial nonoperating support from state appropriations, property tax revenue and Federal Pell grants thus operating expenses normally exceed operating revenues resulting in an operating loss. Nonoperating revenues and expenses are an integral component in funding annual operations.

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, 2017:

	2017	2016	2015
Nonoperating Revenues (Expenses)			
State appropriations	$ 33,860,702	$ 33,415,600	$ 32,982,219
State appropriations for UAAL	2,048,692	2,156,690	4,996,437
Local community stabilization	3,059,502	-	-
Property tax levy	35,960,888	39,030,300	37,577,936
Federal Pell grants	24,302,742	25,757,348	29,089,997
Investment income	4,577,262	4,502,068	4,507,080
Net realized and unrealized gain on investments	(6,486,521)	4,980,253	3,726,944
Interest expense	-	(62,917)	(128,182)
Gifts between College and Foundation	1,285,904	1,312,254	(126,343)
Net Nonoperating Revenues	$ 98,609,171	$ 111,091,596	$ 112,626,088

The following is a graphic illustration of nonoperating revenues for the year ended June 30, 2017:



Due to stabilizing economic conditions within the State, there was an increase of $878,000 or 2.7 percent in state appropriations during the three years ended June 30, 2017. In addition, Public Act 300 of 2012 instituted a 20.96 percent cap on the employer's share of the UAAL for reported MPSERS wages. This resulted in a state appropriation for UAAL of $7.6 million, resulting in $2.0 million of revenue after consideration of GASB 68 in 2017 and $7.1 million and $5.0 million in 2016 and 2015, respectively, as well as MPSERS related cash outlay and expenses of equal amounts.

Although property tax values increased by 4.7 percent over the three year period due to changes in housing market values and new construction, property tax revenue decreased by $3 million due to 2012 legislation that provided personal property tax exemption for small tax payers and eligible manufacturing personal property. The 2012 legislation also created the Local Community Stabilization Authority (Authority) to provide for the reimbursement of the lost personal property tax revenue through share of a 6% use tax levied by the Authority. The property tax revenue from the College's debt levy of $2.8 million and $2.6 million for the years ending June 2016 and 2015, respectively ended in 2016 as the final bond payment was made on May 1, 2016 and the debt levy concluded. The combined operating and technology millage rate was 1.4212 for the years 2015, 2016 and 2017. The debt retirement millage rate was 0.105 in 2015 and 0.109 in 2016.

Improving economic conditions and related job markets in southeastern Michigan as well as a declining number of high school graduates in the county contributed to a 7 percent enrollment decline and a 14.1 percent decline in the number of financial aid students over the three year period. As a result, Federal Pell grants decreased by $4.8 million or 16.5 percent during the three year period.

Stable interest rates resulted in a minimal increase in investment income of $70,000 over the three years ended June 30, 2017. The weighted average interest rates on cash and investments for the years 2017, 2016, and 2015 were 2.33, 2.21, and 2.25 percent, respectively.

The market value for government agency bonds decreased in 2017 as a result of market conditions and the potential for increasing interest rates. The net realized and unrealized loss on investments was $6.5 million in 2017 and the net realized and unrealized gain on investments was $5.0 million and $3.7 million in 2016 and 2015 respectively. The College portfolio is heavily weighted in government instrumentalities and municipal bonds that fluctuate in value with rising and declining interest rates. As the College intends to hold the instrumentalities and 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.

The College received a $2.8 million award from the State in March 2015 for skilled trades equipment, of which $2.4 million and $400,000 was expended in 2016 and 2017, respectively.

In 2016, the College recorded $3.8 million of state capital outlay revenue for the renovation of south campus C building. This $8.5 million renovation project is funded by the State and College equally sharing the costs at $4.25 million each. The project is complete and the remaining funds of $208,000 were provided by the State during the year ended June 30, 2017.

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

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

	2017	2016	2015
Cash provided by (used in):			
Operating activities	$ (86,788,741)	$ (79,429,877)	$ (84,806,041)
Noncapital financing activities	100,376,829	99,061,858	101,587,091
Capital and related financing activities	(14,061,615)	(20,201,483)	(18,456,664)
Investing activities	(1,767,771)	2,114,634	(8,505,617)
Net change in cash and equivalents	(2,241,298)	1,545,132	(10,181,231)
Cash and equivalents- Beginning of year	18,214,720	16,669,588	26,850,819
Cash and equivalents- End of year	$ 15,973,422	$ 18,214,720	$ 16,669,588

Net cash and equivalents used in operating activities totaled $83.9 million in 2017. This was financed by $100.4 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 $16.9 million during 2017, which is primarily the result of capital expenditures. Net cash used in investing activities totaled approximately $1.8 million. The net result of all cash flows is a decrease in cash and equivalents of $2.2 million in 2017.

Net cash and equivalents used in operating activities totaled $79.4 million in 2016. This was financed by $99.1 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 $20.2 million during 2016, which is primarily the result of capital expenditures. Net cash provided by investing activities totaled approximately $2.1 million. The net result of all cash flows is an increase in cash and equivalents of $1.5 million in 2016.

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 in 2015.

Capital Assets

The College had $152.4 million, $150.4 million and $140.9 million invested in capital assets, net of accumulated depreciation of $221.1 million, $209.3 million and $200.6 at June 30, 2017, 2016 and 2015, respectively. Depreciation charges totaled $15.2 million, $13.5 million and $12.8 million respectively, for the years then ended.

	2017	2016	2015
Capital assets			
Land and improvements	$ 15,785,806	$ 15,907,123	$ 15,888,774
Infrastructure	16,957,057	16,957,057	16,957,058
Building and improvements	276,773,907	260,868,556	251,506,824
Furniture, fixtures and equipment	59,753,870	56,080,007	49,042,079
Library materials	2,417,814	2,443,327	2,509,627
Construction in progress	1,809,821	7,442,196	5,594,901
Accumulated depreciation	(221,147,891)	(209,253,462)	(200,634,977)
Total Capital assets	$ 152,350,384	$ 150,444,804	$ 140,864,286

Major capital additions during 2017 were as follows:

Campus	Description	Amount
South	G building renovation	$ 10,055,000
Center	A building renovation	6,142,000
Center	C building renovation	1,905,000
Center	Pole barn	272,000
Center	Mechanical and roof upgrades	240,000
	Total	$ 18,614,000

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 2017 they were 25 percent of College revenues. State appropriations increased by 1.3 percent for the fiscal year ending 2017 and are anticipated to increase by an additional 0.5 percent in 2018. 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 decreased by .8% percent in 2016-17. These values are expected to increase 2.9 percent in 2017-18 due to the stabilization of home values and new construction offset by the loss of taxable value due to Personal Property tax reforms legislated by the State. Over a ten year period there has been a decline in operating property tax revenue of approximately $10 million or 22 percent. Home sales and new construction have improved particularly in the northern areas of the county, indicating that property tax declines associated with prior years are beginning to reverse. At approximately 26 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 cannot increase at a rate greater than inflation.

To partially offset property tax revenue losses and state appropriation declines, tuition rates will increase approximately 3.1 percent beginning in the fall 2017 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.

Payroll and related expenses represent approximately 66.6 percent of the total operating expenditures reported on the June 30, 2017 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) provides state appropriated funding to community colleges for fiscal years 2015, 2016 and 2017. This act results in state funding for the Unfunded Actuarial Accrued MPSERS liability in excess of the 20.96 percent cap and resulted in receipts of $5.0 million, $7.1 million and $7.6 million for fiscal year 2015, 2016 and 2017 respectively with corresponding payments 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, investment performance 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's estimated share of the OPEB liability is $66 million for which the College has designated the balance of the unrestricted net position for the implementation of GASB Statement No. 75, which takes effect for the year ended June 30, 2018.

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 a future, multi-year major construction and renovation program as approved by the College Board of Trustees, which support this commitment and is to be financed by designated College funds.

Year	Campus	Description	Future Cost
2018	South	B building renovation	7,100,000
	Center	N building renovation	3,500,000
	Center	E building renovation	6,960,000
	Center	L & M building renovation	5,000,000
	South	F building renovation	3,350,000
	South	J building renovation	6,730,000
	South and Center	Various projects	1,500,000
2019	South	D building renovation	5,300,000
	South	K building renovation	7,400,000
	Center	B building renovation	2,965,000
	South and Center	Various projects	1,500,000
		Total	$ 51,305,000

Capital outlay appropriations from the State are being requested to cost share in the renovation of the Robert E. Turner Advanced Technology Center at South Campus. If the request is approved, planning will begin on this priority project, which could impact the renovation schedule noted above.

Statement of Net Position
June 30, 2017 and 2016

	College 2017	College 2016	Component Unit - Foundation 2017	Component Unit - Foundation 2016
ASSETS				
Current Assets				
Cash and cash equivalents	$ 15,973,422	$ 18,214,720	$ 92,098	$ 51,399
Short-term investments	1,540,241	1,515,754	22,498,767	20,701,259
Property taxes receivable - net of allowance for doubtful accounts of $145,000 in 2017 and 2016	74,213	58,576	-	-
State appropriation receivable	7,568,452	7,419,700	-	-
Accounts receivable - net of allowance for doubtful accounts of $200,000 in 2017 and 2016	1,713,699	1,777,791	-	-
Federal and state grants receivable	1,703,901	2,351,339	-	-
Student loans receivable	127,913	148,655	-	-
Inventories	187,689	182,467	-	-
Prepaid expenses and other assets	3,051,301	3,163,542	3,792	4,613
Total Current Assets	31,940,831	34,832,544	22,594,657	20,757,271
Long-term investments	202,205,384	202,211,919	-	-
Capital assets, net	152,350,384	150,444,804	-	-
Total Assets	386,496,599	387,489,267	22,594,657	20,757,271
DEFERRED OUTFLOWS OF RESOURCES - Note 4				
Deferred pension amounts	30,276,943	23,891,260	-	-
LIABILITIES				
Current Liabilities				
Accounts payable	7,590,018	8,900,492	216,397	(99,505)
Accrued payroll and other compensation	4,160,603	7,366,578	-	-
Other accrued liabilities	1,761,239	2,137,136	-	-
Deposits	429,616	829,458	-	-
Unearned revenue	3,197,644	3,009,388	25,000	-
Total Current Liabilities	17,139,120	22,243,052	241,397	(99,505)
Accrued Vacation	2,917,559	2,779,064	-	-
Net pension liability	177,493,906	168,757,285	-	-
Total Liabilites	197,550,585	193,779,401	241,397	(99,505)
DEFERRED INFLOWS OF RESOURCES				
Deferred pension amounts	6,030,011	5,477,133	-	-
NET POSITION				
Net investment in capital assets	152,350,384	150,444,804	-	-
Restricted for:				
Nonexpendable endowments	-	-	7,039,074	6,434,092
Expendable endowments, scholarships and grants	1,803,070	2,127,319	3,089,722	2,853,098
Unrestricted	59,039,492	59,551,870	12,224,464	11,569,586
Total Net Position	$ 213,192,946	$ 212,123,993	$ 22,353,260	$ 20,856,776

Statement of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2017 and 2016

	College		Component Unit - Foundation	
	2017	2016	2017	2016
OPERATING REVENUES				
Tuition and fees - Net of scholarship allowances of $14,000,000 in 2017 and $13,600,000 in 2016	$ 45,215,543	$ 44,836,151	$ -	$ -
Federal grants and contracts	6,670,569	7,009,778	-	-
State and local grants and contracts	211,401	327,134	-	-
Nongovernmental grants	124,511	443,452	-	-
Center for Performing Arts revenue	1,949,747	1,715,752	-	-
Miscellaneous	4,258,003	4,231,490	27,932	45,787
Total Operating Revenues	58,429,774	58,563,757	27,932	45,787
OPERATING EXPENSES				
Instruction	58,631,207	58,227,253	-	-
Public service	4,347,578	4,079,316	-	-
Instructional support	21,764,378	21,312,410	-	-
Student services	28,212,573	29,501,305	-	-
Institutional administration	15,374,569	17,908,057	-	-
Operation and maintenance of plant	15,557,161	14,887,054	-	-
Depreciation	15,223,619	13,470,811	-	-
Foundation operations and awards	-	-	749,321	562,644
Total Operating Expenses	159,111,085	159,386,206	749,321	562,644
OPERATING LOSS	(100,681,311)	(100,822,449)	(721,389)	(516,857)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	33,860,702	33,415,600	-	-
State appropriations for UAAL	2,048,692	2,156,690	-	-
Local Community Stabilization	3,059,502	-	-	-
Property tax levy	35,960,888	39,030,300	-	-
Federal Pell grants	24,302,742	25,757,348	-	-
Investment income	4,577,262	4,502,068	584,454	673,091
Net realized and unrealized gain (loss) on investments	(6,486,521)	4,980,253	1,696,559	(643,286)
Interest expense	-	(62,917)	-	-
Gifts between College and Foundation	1,285,904	1,312,254	(1,285,904)	(1,312,254)
Gifts	-	-	631,247	678,286
Net Nonoperating Revenues	98,609,171	111,091,596	1,626,356	(604,163)
OTHER REVENUES				
State capital appropriations	3,036,811	3,774,873	-	-
Capital gifts and grants	104,282	46,381	-	-
Additions to permanent endowments	-	-	591,522	550,697
Total Other Revenues	3,141,093	3,821,254	591,522	550,697
CHANGE IN NET POSITION	1,068,953	14,090,401	1,496,489	(570,323)
Net Position - Beginning of year	212,123,993	198,033,592	20,856,776	21,427,099
NET POSITION - END OF YEAR	$ 213,192,946	$ 212,123,993	$ 22,353,265	$ 20,856,776

Macomb Community College

Statement of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 45,467,891	$ 45,992,614
Grants and contracts	7,653,919	7,770,154
Payments to suppliers	(74,463,317)	(71,440,385)
Payments to employees	(71,654,984)	(67,699,502)
Center for Performing Arts charges	1,949,747	1,715,752
Other	4,258,003	4,231,490
Net Cash Used In Operating Activities	(86,788,741)	(79,429,877)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes	35,945,251	36,877,039
Gifts and contributions for other than capital purposes	1,285,904	1,312,254
William D. Ford direct lending receipts	9,211,469	9,482,090
William D. Ford direct lending disbursements	(9,188,681)	(9,481,233)
Federal Pell grants	24,302,742	25,757,348
Local community stabilization funding	3,059,502	-
State appropriations	35,760,642	35,114,360
Net Cash Provided By Noncapital Financing Activities	100,376,829	99,061,858
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(17,202,708)	(23,083,927)
Principal paid on capital debt	-	(3,020,000)
Capital grant and gift proceeds	3,141,093	3,821,254
Debt fund property tax	-	2,156,690
Interest paid on capital debt	-	(75,500)
Net Cash Used In Capital and Related Financing Activities	(14,061,615)	(20,201,483)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	77,108,041	188,647,884
Interest on investments	5,232,602	5,135,297
Purchase of investments	(84,108,414)	(191,668,547)
Net Cash Provided By (Used In) Investing Activities	(1,767,771)	2,114,634
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,241,298)	1,545,132
CASH AND CASH EQUIVALENTS - Beginning of year	18,214,720	16,669,588
CASH AND CASH EQUIVALENTS - End of year	$ 15,973,422	$ 18,214,720

	2017	2016
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (100,681,311)	$ (100,822,449)
Adjustment to reconcile operating loss to net cash used in operating activities:		
Depreciation	15,223,619	13,470,811
Net (gain) loss on disposal of capital assets	(87,977)	32,597
Change in operating assets and liabilities which provide (use) cash		
Accounts receivable	64,092	949,973
Federal and state grant receivable	647,438	(10,210)
Inventories	(5,222)	51,063
Prepaid assets and other current assets	112,241	(225,078)
Deferred outflows of resources	(6,385,683)	(8,489,005)
Accounts payable	(1,310,474)	1,744,065
Accrued payroll and other compensation	(3,067,480)	577,716
Other accrued liabilities	(375,897)	(101,496)
Deposits	(399,842)	547,956
Unearned tuition and fees	188,256	206,490
Deferred inflows of resources	552,878	(10,609,110)
Net pension liability	8,736,621	23,246,800
NET CASH USED IN OPERATING ACTIVITIES	$ (86,788,741)	$ (79,429,877)

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 (MUFR)*.

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 College's functional expense classifications are in accordance with the guidance in the MUFR.

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. Based on this criteria, the College has determined that the Macomb Community College Foundation (the Foundation) meets the criteria of a component unit.

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 East 12 Mile Road, Warren, MI 48088-3896.

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

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.

Use of Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include but are not limited to the accounts receivable allowance, net pension liability, and deferred outflows and inflows related to pension amounts.

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

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

Restricted Cash and Investments - Restricted cash and investments consists of cash and investments that have restrictions for the purpose of unspent debt service funds.

Investments - The College investments must conform to State statutes governing investment of public funds and are limited to allowable investments as stated in the statute. College investments held at June 30, 2017 and June 30, 2016 were in Certificates of Deposit, Governmental Instrumentalities or Michigan Municipal Bonds. Realized and unrealized gains and losses are reflected in the Statement of Revenues, Expenses and Changes in Net Position. Investments are classified as short-term or long-term based on the instruments maturity date. The Foundation maintains mutual fund investment accounts for its nonexpendable and expendable endowments. Realized and unrealized gains and losses from securities in the investment accounts are allocated annually.

The College carries its investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position. Realized and unrealized gains and losses from securities in the investment accounts are allocated monthly based on the relationship of the estimated market value of each account to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

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

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

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

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

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

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

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

Inventories - Inventories are stated at the lower of cost or market using the first-in, first-out method.

Prepaid Expenses and Other Assets – Expenses, such as insurance premiums, that are expected to be of benefit within the next fiscal year are included in prepaid expenses.

Capital Assets – Capital assets are recorded at the estimated fair market value as of the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Depreciation is provided for capital assets on a straight-line basis over the estimated useful life of the asset as follows:

Land improvements	10 years
Buildings and improvements	10 - 40 years
Furniture, fixtures and equipment	3 - 10 years
Infrastructure	10 - 20 years
Library materials	10 years

Deferred Outflows of Resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The College's outflows of resources relates to the net pension liability. Additional disclosure is found in Note 4.

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, 2017 includes $2,587,850 for the 2017 summer semester, which began on May 22, 2017 and ended on August 12, 2017. Unearned revenue at June 30, 2016 included $2,518,000 for the 2016 summer semester, which began on May 23, 2016 and ended on August 13, 2016.

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. Deferred inflows of resources at June 30, 2017 and 2016 include $5,505,000 and $4,902,848, respectively, for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and $525,000 and $574,285, respectively, related to the pension plan as described 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 represents 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, and other purposes. As of June 30, 2016, the College has a grant with negative restricted net position. This State grant has expenses of $2.4 million, the related revenue for this grant will be recorded when the grant restrictions are met by reaching the College's match portion of the grant which occurred in 2017. Deficiencies of this nature are reported in unrestricted net position and as such, this $2.4 million deficit has been classified as unrestricted net position on June 30, 2016.

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.

Revenue and Expenses - 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, net of chargebacks, 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 $35,960,000 and $39,030,000 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, 2017 and 2016, respectively. Property tax revenue for the infrastructure/technology debt levy was $2,827,000 based on $0.109 of tax per $1,000 of taxable property value in the College's taxing district for the year ended June 30, 2016. During 2016, the College completed payments for the remaining bond debt; as such the debt tax levy is also concluded.

State appropriations revenue has been recorded in accordance with the MUFR.

Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS 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.

Upcoming Accounting Pronouncements – 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 $66 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 $1,200,000 and $1,455,000 of cash and deposits were covered by FDIC and an estimated $$16,630,000 and $19,935,000 of cash and deposits were not covered by FDIC insurance at

Note 2 – Cash and Investments (continued)

June 30, 2017 and 2016, respectively. The standard maximum deposit covered by FDIC is $250,000 per financial institution.

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 or any of its political subdivisions 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.

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

Certificates of deposit: Valued at face value plus accrued interest earned and classified as Level 1.

Government instrumentalities and municipal bonds: Level 1 fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded.

The College has investments with the following recurring fair value measurements as of June 30, 2017 and 2016:

		Fair Value Measurements Using		
	Balance at June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Government instrumentality bonds	$ 171,212,113	$ 171,212,113	$ -	$ -
Michigan municipal bonds	30,993,270	30,993,270	-	-
Certificates of deposit	1,540,241	1,540,241	-	-
Total investments by fair value level	$ 203,745,624	$ 203,745,624	$ -	$ -

		Fair Value Measurements Using		
	Balance at June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Government instrumentality bonds	$ 179,016,704	$ 179,016,704	$ -	$ -
Michigan municipal bonds	21,672,974	21,672,974	-	-
Certificates of deposit	3,037,995	3,037,995	-	-
Total investments by fair value level	$ 203,727,673	$ 203,727,673	$ -	$ -

Credit Risk - Investments in Government instrumentality 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.

Note 2 – Cash and Investments (continued)

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, 2017, the College investments mature as follows:

	Less Than One Year	1-5 Years	More Than 5 Years	Balance at June 30, 2017
Certificates of deposit	$ 1,540,241	$ -	$ -	$ 1,540,241
Government instrumentality bonds	-	10,454,329	160,757,784	171,212,113
Michigan municipal bonds	-	12,387,959	18,605,312	30,993,271
Total Investments	$ 1,540,241	$ 22,842,288	$ 179,363,096	$ 203,745,625

As of June 30, 2016, the College investments mature as follows:

	Less Than One Year	1-5 Years	More Than 5 Years	Balance at June 30, 2016
Certificates of deposit	$ 1,515,754	$ 1,522,241	$ -	$ 3,037,995
Government instrumentality bonds	-	4,734,619	174,282,085	179,016,704
Michigan municipal bonds	-	5,950,479	15,722,495	21,672,974
Total Investments	$ 1,515,754	$ 12,207,339	$ 190,004,580	$ 203,727,673

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

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 $15,300,000. The College's investment policy does not limit investments in Governmental instrumentality or Michigan municipal bonds.

More than five percent of the College's investments at June 30, 2017 and 2016 were invested as follows:

Issuer	2017	2016
Federal Home Loan Bank	22%	18%
Federal National Mortgage Association	22%	32%
Federal Home Loan Mortgage Co.	14%	11%
Federal Farm Credit Bureau	20%	17%
Government National Mortgage Association	5%	8%

Note 3 – Capital Assets

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2017:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Nondepreciable capital assets:				
Land	$ 8,771,470	$ -	$ -	$ 8,771,470
Construction in progress	7,442,197	1,809,821	(7,442,197)	1,809,821
Total nondepreciable capital assets	16,213,667	1,809,821	(7,442,197)	10,581,291
Depreciable capital assets:				
Land improvements	7,135,653	-	(121,317)	7,014,336
Building and improvements	260,868,556	9,741,405	6,163,946	276,773,907
Infrastructure	16,957,057	-	-	16,957,057
Furniture, fixtures and equipment	56,080,006	5,520,890	(1,847,026)	59,753,870
Library materials	2,443,327	145,060	(170,573)	2,417,814
Total depreciable capital assets	343,484,599	15,407,355	4,025,030	362,916,984
Less accumulated depreciation:				
Land improvements	5,540,364	191,641	(74,387)	5,657,618
Building and improvements	149,279,977	9,584,600	(930,509)	157,934,068
Infrastructure	10,016,801	881,883	-	10,898,684
Furniture, fixtures and equipment	42,730,210	4,400,702	(2,153,721)	44,977,191
Library materials	1,686,110	164,793	(170,573)	1,680,330
Total accumulated depreciation	209,253,462	15,223,619	(3,329,190)	221,147,891
Capital assets being depreciated, net	134,231,137	183,736	7,354,220	141,769,093
Total capital assets, net	$ 150,444,804	$ 1,993,557	$ (87,977)	$ 152,350,384

The following table presents the changes in the various capital asset class categories for the year ended June 30, 2016:

	Beginning Balance	Additions	Transfers/ Deletions	Ending Balance
Nondepreciable capital assets:				
Land	$ 8,771,470	$ -	$ -	$ 8,771,470
Construction in progress	5,594,901	7,442,197	(5,594,901)	7,442,197
Total nondepreciable capital assets	14,366,371	7,442,197	(5,594,901)	16,213,667
Depreciable capital assets:				
Land improvements	7,117,304	18,349	-	7,135,653
Building and improvements	251,506,824	6,728,253	2,633,479	260,868,556
Infrastructure	16,957,057	-	-	16,957,057
Furniture, fixtures and equipment	49,042,079	8,744,095	(1,706,168)	56,080,006
Library materials	2,509,628	151,033	(217,334)	2,443,327
Total depreciable capital assets	327,132,892	15,641,730	709,977	343,484,599
Less accumulated depreciation:				
Land improvements	5,330,473	209,891	-	5,540,364
Building and improvements	143,588,972	8,621,827	(2,930,822)	149,279,977
Infrastructure	9,097,840	918,961	-	10,016,801
Furniture, fixtures and equipment	40,887,754	3,546,626	(1,704,170)	42,730,210
Library materials	1,729,938	173,506	(217,334)	1,686,110
Total accumulated depreciation	200,634,977	13,470,811	(4,852,326)	209,253,462
Capital assets being depreciated, net	126,497,915	2,170,919	5,562,303	134,231,137
Total capital assets, net	$ 140,864,286	$ 9,613,116	$ (32,598)	$ 150,444,804

Note 3 – Capital Assets (continued)

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 statement of net position.

Note 4 – Retirement Plans

Defined Benefit Pension Plan

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

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

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

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

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

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

Note 4 – Retirement Plans (continued)

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

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56% to 19.03% of covered payroll for the College's 2017 fiscal year. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's 2016 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56% to 23.07% of covered payroll for the College's 2016 fiscal year. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's 2016 fiscal year.

The College's contribution to MPSERS under all pension plans for the years ended June 30, 2017, 2016 and 2015 were $17,387,000, $16,740,000 and $12,775,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017 and 2016, the College reported a liability of $177,494,000 and $168,757,000, respectively for its proportionate share of the MPSERS net pension liability. The net pension liability was measure as of September 30, 2016 and 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015 and 2014, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016 and 2015, the College's proportion was .71142%, which was an increase of .0205% from its proportion measured as of September 30, 2015 of .69092%.

Note 4 – Retirement Plans (continued)

For the years ended June 30, 2017 and 2016, the College recognized pension expense of $14,832,000 and $15,083,000, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	As of June 30, 2016			As of June 30, 2017		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 558,974	$ (558,974)	$ 2,212,043	$ 420,665	$ 1,791,378
Changes of assumptions	4,155,162	-	4,155,162	2,774,978	-	2,774,978
Net difference between projected and actual earnings on pension plan assets	861,370	-	861,370	2,949,947	-	2,949,947
Changes in proportion and differences between College contributions and proportionate share of contributions	5,647,594	15,311	5,632,283	7,949,427	103,864	7,845,563
Total	$ 10,664,126	$ 574,285	$ 10,089,841	$ 15,886,395	$ 524,529	$ 15,361,866
College contributions subsequent to the measurement date	13,227,134	-	13,227,134	14,390,548	-	14,390,548
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	4,902,848	(4,902,848)	-	5,505,482	(5,505,482)
Total	$ 23,891,260	$ 5,477,133	$ 18,414,127	$ 30,276,943	$ 6,030,011	$ 24,246,932

Amounts reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date as of June 30, 2017 will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The $5,505,482 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979) as of June 20, 2017, will be recognized as State appropriation revenue for the year ending June 30, 2018.

Note 4 – Retirement Plans (continued)

Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2017 will be recognized in pension expense as follows:

Year Ending June 30	Amount
2018	$ 3,941,842
2019	3,709,814
2020	6,382,244
2021	1,327,966
Total	$ 15,361,866

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

Actuarial cost method	Entry age, normal
Wage Inflation Rate	3.5%
Investment rate of return:	
MIP and Basic plans	8%
Pension Plus plan	7% for 2015 (7.5% for 2014)
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost-of-Living Adjustment	3% annual non-compounded for MIP Members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements in 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

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

Note 4 – Retirement Plans (continued)

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

	2015			2016		
Investment Category	Target Allocation	Long-term Expected Real Rate of Return	Expected money-weighted Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	Expected money-weighted Rate of Return
Domestic Equity Pools	28.00%	5.90%	1.64%	28.00%	5.90%	1.64%
Alternative Investment Pools	18.00%	9.20%	1.66%	18.00%	9.20%	1.66%
International Equity Pools	16.00%	7.20%	1.15%	16.00%	7.20%	1.15%
Fixed Income Pools	10.50%	0.90%	0.09%	10.50%	0.90%	0.09%
Real Estate and Infrastructure Pools	10.00%	4.30%	0.43%	10.00%	4.30%	0.43%
Absolute Return Pools	15.50%	6.00%	0.93%	15.50%	6.00%	0.93%
Short Term Investment Pools	2.00%	0.00%	0.00%	2.00%	0.00%	0.00%
Total	100.00%		5.90%	100.00%		5.90%
Inflation			2.1%			2.1%
Investment rate of return			8.00%			8.00%

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

Sensitivity of College's Proportionate Share of the Net Pension Liability to Changes in the Discounted Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Pension Plus plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

Note 4 – Retirement Plans (continued)

College's proportionate share of the net pension liability		1% decrease (7.0%)		Current Discount Rate (8.0%)		1% increase (9.0%)
June 30, 2017 - net pension liability	$	228,567,474	$	177,493,906	$	134,433,977
June 30, 2016 - net pension liability	$	217,517,401	$	168,757,285	$	127,604,987

Change in Pension Plan Actuarial Assumption – On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the September 30, 2016 valuation and following.

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

Payable to the Pension Plan – At June 30, 2017 and June 30, 2016, the College reported payables of $1,373,000 and $2,219,000 for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2017 and June 30, 2016.

Other Postemployment Benefits – Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 5.69% to 6.83% and 1.00% to 6.00% of covered payroll for fiscal 2017 and 2016, respectively. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

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

Note 4 – Retirement Plans (continued)

The College's contributions to MPSERS for other postemployment benefits amount to $3,216,000, $3,184,000, $2,097,000 for the years ended June 30, 2017, 2016 and 2015 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, 2017 and 2016 were approximately $6,774,000 and $779,000 and $6,291,000 and $724,000, 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 $1,107,000 and $1,053,000 and the employees contributed approximately $2,835,000 and $2,796,000 for the years ended June 30, 2017 and 2016, respectively.

Note 5 - Federal Direct Lending Program

The College distributed $9,188,681 and $9,481,233 for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2017 and 2016, 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, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Accrued vacation	$ 3,025,128	$ 274,967	$ 200,280	$ 3,099,815	$ 182,256
	$ 3,025,128	$ 274,967	$ 200,280	$ 3,099,815	$ 182,256

Long-term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Bonds Payable	$ 3,020,000	$ -	$ 3,020,000	$ -	$ -
Accrued vacation	3,075,662	207,253	257,787	3,025,128	246,064
	$ 6,095,662	$ 207,253	$ 3,277,787	$ 3,025,128	$ 246,064

Note 6 - Long-Term Liabilities (continued)

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 bond liability was paid in full by June 30, 2016.

Note 7 – Self Insurance

The College is partially self-insured for vision and healthcare benefits. The self-insured healthcare plan covers approximately 525 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 $150,000 per covered employee and/or their dependent. The College pays the administrative costs of the plan.

Self-insured employee benefit liability at June 30 are as follows:

	2017	2016	2015
Balance, beginning of year	$ 300,000	$ 260,000	$ 339,453
Claims incurred, premiums paid and changes in estimates	6,681,077	5,808,606	5,321,205
Claim and premium payments	(6,751,077)	(5,768,606)	(5,400,658)
Balance, end of year	$ 230,000	$ 300,000	$ 260,000

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.

Note 9 - Commitments, Contingencies and Capital Outlay

The College may be subject to various legal proceedings and claims which arise in the ordinary course of its business. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be immaterial or will be covered by insurance.

Note 9 - Commitments, Contingencies and Capital Outlay (continued)

The College conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies. Any liabilities for reimbursements which may arise as the result of these audits is not believed to be material.

The College has numerous renovation and capital improvement projects in process at June 30, 2017. Total future Plant Fund commitments related to these projects approximates $11.4 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 using Level 1 inputs.

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

Mututal Fund Type	June 30, 2017 Fair Value	June 30, 2016 Fair Value
Fixed Income	$ 9,482,813	$ 8,908,746
Equity	12,660,587	11,402,984
Balanced	355,367	389,529
	$ 22,498,767	$ 20,701,259

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 $22,353,260 and $20,856,776 at June 30, 2017 and 2016, respectively.

Unrestricted net position, expendable endowments, scholarships and grants and nonexpendable endowments are available for the following purposes at June 30, 2017 and 2016, respectively:

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Nonexpendable endowments	Total June 30, 2017
College designated	$ 11,165,301	$ -	$ -	$ 11,165,301
Center for Performing Arts	-	1,303,640	2,658,976	3,962,616
Innovation Fund	732,790	26,645	-	759,435
Scholarships and financial aid	-	1,467,168	3,565,498	5,032,666
Foundation designated	326,373	-	-	326,373
Library and other	-	292,269	814,600	1,106,869
Total	$ 12,224,464	$ 3,089,722	$ 7,039,074	$ 22,353,260

Note 10 - Macomb Community College Foundation (continued)

	Unrestricted Net Position	Expendable endowments, scholarships and grants	Nonexpendable endowments	Total June 30, 2016
College designated	$ 10,341,372	$ -	$ -	$ 10,341,372
Center for Performing Arts	-	1,050,885	2,652,155	3,703,040
Innovation Fund	914,237	477,386	-	1,391,623
Scholarships and financial aid	-	1,108,625	3,074,725	4,183,350
Foundation designated	313,977	-	-	313,977
Library and other	-	216,202	707,212	923,414
Total	$ 11,569,586	$ 2,853,098	$ 6,434,092	$ 20,856,776

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 $481,000 in personnel support, supplies, equipment and office space to the Foundation.

Schedule of College's Proportionate Share of the Net Pension Liability

	2017	2016	2015
College's proportion of the net pension liability			
As a percentage	0.71142%	0.69092%	0.66062%
Amount	$ 177,493,906	$ 168,757,285	$ 145,510,485
College's covered -employee payroll	$ 62,468,744	$ 60,441,372	$ 58,146,877
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	284.13%	279.21%	250.25%
Plan fiduciary net position as a percentage of the total pension liability	63.27%	63.17%	66.20%

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

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

	2017	2016	2015
Contractually required contributions	$ 17,387,065	$ 16,515,705	$ 12,775,183
Contributions in relation to the contractually required contributions	$ (17,387,065)	$ (16,515,705)	$ (12,775,183)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered employee payroll	$ 60,170,241	$ 60,996,256	$ 60,027,383
Contributions as a percentage of covered employee payroll	28.90%	27.08%	21.28%

Note: GASB 68 was implemented in fiscal year 2015. These schedules are being built prospectively.
Ultimately, ten years of data will be presented.

Macomb Community College

Combining Statement of Net Position (Unaudited)
June 30, 2017

	Combined Total	General Fund	Pension Liability Fund *	Expendable Restricted Fund	Student Loan Fund	Plant Fund	Agency Fund
ASSETS							
Current Assets							
Cash and cash equivalents	$ 15,973,422	$ 15,973,422	$ -	$ -	$ -	$ -	$ -
Short-term investments	1,540,241	1,540,241	-	-	-	-	-
Property taxes receivable, net	74,213	74,213	-	-	-	-	-
State appropriation receivable	7,568,452	6,194,966	1,373,486	-	-	-	-
Accounts receivable, net	1,713,699	1,713,699	-	-	-	-	-
Federal and state grants receivable	1,703,901	-	-	1,575,425	-	-	128,476
Student loans receivable	127,913	-	-	-	127,913	-	-
Inventories	187,689	187,689	-	-	-	-	-
Prepaid expenses and other assets	3,051,301	3,007,359	-	43,942	-	-	-
Total Current Assets	31,940,831	28,691,589	1,373,486	1,619,367	127,913	-	128,476
Long-term investments	202,205,384	202,205,384	-	-	-	-	-
Capital Assets, net							
Land and improvements	10,128,186	-	-	-	-	10,128,186	-
Infrastructure	6,058,374	-	-	-	-	6,058,374	-
Buildings and improvements	118,839,837	-	-	-	-	118,839,837	-
Equipment and library materials	15,514,166	-	-	-	-	15,514,166	-
Construction in progress	1,809,821	-	-	-	-	1,809,821	-
Total Capital Assets	152,350,384	-	-	-	-	152,350,384	-
Total Assets	386,496,599	230,896,973	1,373,486	1,619,367	127,913	152,350,384	128,476
DEFERRED OUTFLOWS OF RESOURCES							
Deferred pension amounts	30,276,943	-	30,276,943	-	-	-	-
LIABILITIES							
Current Liabilities							
Accounts payable	7,590,018	6,216,532	1,373,486	-	-	-	-
Accrued payroll and other compensation	4,160,603	4,104,404	-	41,943	-	14,256	-
Other accrued liabilities	1,761,239	1,047,837	-	-	-	713,402	-
Deposits	429,616	223,009	-	-	-	-	206,607
Unearned revenue	3,197,644	3,097,644	-	100,000	-	-	-
Due to (from) other funds	-	180,365,090	-	(325,646)	127,913	(180,089,226)	(78,131)
Total Current Liabilities	17,139,120	195,054,516	1,373,486	(183,703)	127,913	(179,361,568)	128,476
Accrued Vacation	2,917,559	2,917,559	-	-	-	-	-
Net pension liability	177,493,906	-	177,493,906	-	-	-	-
Total Liabilities	197,550,585	197,972,075	178,867,392	(183,703)	127,913	(179,361,568)	128,476
DEFERRED INFLOWS OF RESOURCES							
Deferred pension amounts	6,030,011	-	6,030,011	-	-	-	-
NET POSITION							
Net investment in capital assets	152,350,384	-	-	-	-	152,350,384	-
Restricted for							
Expendable endowments, scholarships and grants	1,803,070	-	-	1,803,070	-	-	-
Unrestricted	59,039,492	32,924,898	(153,246,974)	-	-	179,361,568	-
Total Net Position	$ 213,192,946	$ 32,924,898	$ (153,246,974)	$ 1,803,070	$ -	$ 331,711,952	$ -

* The Pension Liability Fund reflects GASB 68 adjustments and state appropriations for UAAL

Macomb Community College

Combining Statement of Revenues, Expenses and Changes in Net Position (Unaudited)
June 30, 2017

	Combined Total	Elimination	General Fund	Pension Liability Fund *	Expendable Restricted Fund	Student Loan Fund	Plant Fund
OPERATING REVENUES							
Tuition and fees (net of scholarship allowance of $13,600,000)	$ 45,215,543	$ (14,000,000)	$ 59,215,543	$ -	$ -	$ -	$ -
Federal grants and contracts	6,670,569	-	17,004	-	6,653,565	-	-
State and local grants and contracts	211,401	-	-	-	211,401	-	-
Nongovernmental grants	124,511	-	60,452	-	64,059	-	-
Center for Performing Arts revenue	1,949,747	-	1,949,747	-	-	-	-
Indirect cost recoveries	-	(223,907)	223,907	-	-	-	-
Miscellaneous	4,258,003	-	3,945,901	-	-	-	312,102
Total Operating Revenues	58,429,774	(14,223,907)	65,412,554	-	6,929,025	-	312,102
OPERATING EXPENSES							
Instruction	58,631,207	(94,310)	53,032,007	2,211,750	3,481,760	-	-
Public services	4,347,578	-	4,173,518	174,060	-	-	-
Instructional support	21,764,378	(26,597)	18,608,015	776,065	2,406,895	-	-
Student services	28,212,573	(14,077,453)	15,144,904	631,632	26,513,490	-	-
Institutional administration	15,374,569	(25,547)	13,858,573	577,985	963,558	-	-
Operation and maintenance of plant	15,557,161	-	13,931,242	581,016	10,408	-	1,034,495
Depreciation	15,223,619	-	-	-	-	-	15,223,619
Total Operating Expenses	159,111,085	(14,223,907)	118,748,259	4,952,508	33,376,111	-	16,258,114
OPERATING LOSS	(100,681,311)	-	(53,335,705)	(4,952,508)	(26,447,086)	-	(15,946,012)
NONOPERATING REVENUES (EXPENSES)							
State appropriations	33,860,702	-	33,860,702	-	-	-	-
State appropriations for UAAL	2,048,692	-	-	2,048,692	-	-	-
Local Community Stabilization	3,059,502	-	3,059,502	-	-	-	-
Property tax levy	35,960,888	-	35,960,888	-	-	-	-
Federal Pell grants	24,302,742	-	-	-	24,302,742	-	-
Investment income	4,577,262	-	377,974	-	-	-	4,199,288
Net realized and unrealized gain on investments	(6,486,521)	-	(6,486,467)	-	(54)	-	-
Gifts between College and Foundation	1,285,904	-	596,965	-	688,939	-	-
Net Nonoperating Revenues	98,609,171	-	67,369,564	2,048,692	24,991,627	-	4,199,288
OTHER REVENUES							
State capital appropriations	3,036,811	-	-	-	2,829,055	-	207,756
Capital gifts and grants	104,282	-	-	-	-	-	104,282
Total Other Revenues	3,141,093	-	-	-	2,829,055	-	312,038
Transfers In (Out)	-	-	(13,822,511)	-	716,767	-	13,105,744
CHANGE IN NET POSITION	1,068,953	-	211,348	(2,903,816)	2,090,363	-	1,671,058
Net Position - Beginning of Year	212,123,993	-	32,713,550	(150,343,158)	(287,293)	-	330,040,894
NET POSITION - END OF YEAR	$ 213,192,946	$ -	$ 32,924,898	$ (153,246,974)	$ 1,803,070	$ -	$ 331,711,952