

OAKLAND COMMUNITY COLLEGE

Comprehensive Annual Financial Report

FISCAL YEARS

*Ending June 30, 2018
and June 30, 2017*

PETER PROVENZANO, CPA, CGMA
Chancellor

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*Vice Chancellor for
Administrative Services*

SHARON CONVERSE, MBA
Controller

Bloomfield Hills, Michigan

Oakland Community College

Bloomfield Hills, Michigan

Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2018 and June 30, 2017

Prepared by:

Department of Financial Services

**OAKLAND COMMUNITY COLLEGE
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

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Introductory Section



OAKLAND COMMUNITY COLLEGE
Excellence *Empowered.*



October 9, 2018

Members of the Board of Trustees, and
Citizens of Oakland Community College District

The Comprehensive Annual Financial Report (CAFR) of Oakland Community College for the fiscal years ended June 30, 2018 and June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the College. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the net position and changes in net position of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities in relation to its mission have been included.

Plante & Moran, Certified Public Accountants, have issued an unmodified opinion on Oakland Community College's financial statements for the years ended June 30, 2018 and 2017. The independent auditor's report is located at the front of the financial section of this document.

The Management Discussion and Analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements and a detailed discussion of the College's fiscal year 2018 financial performance, as well as comparisons to fiscal year 2017 and 2016. The MD&A complements this letter of transmittal and should be read in conjunction with it.

We strive for fiscally responsible planning for our immediate and future needs. We continue to exercise fiscal prudence, to maintain a healthy financial condition, and have minimal debt while maintaining our commitment to academic excellence. This report consists of management's representations concerning finances of the College. To provide a reasonable basis for making these representations, the College maintains an internal control framework designed both to protect the College's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the College's financial statements. The College's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. To the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The College has a five year forecast, which guides the College and assists in planning for a sustainable future. These forecasts are integrated into the College's academic planning to support student success and institutional growth.

In planning for the College's financial future, the College feels it is also important to budget and forecast information for the College's non-operating funds. Proactively planning for designated retirement reserves, health and insurance reserves, and capital and infrastructure outlays will enable the College to meet its financial obligations, as well as continue to maintain our facilities across five campuses and our administrative district office for decades to come. The College has in place a financial reserve policy that was adopted by the Board of Trustees and is meant to ensure financial sustainability for future years, while addressing the operating and capital needs of the College.

The College remains focused on student success and community need while maintaining a financially sustainable organization. Since OCC opened its doors, we have provided education to more than one million students. As the largest higher education institution in Oakland County, we have a profound impact on our community. We are encouraged by the continued dedication of our faculty, administrators, staff and the Board of Trustees to make Oakland Community College a great place of higher education. OCC is committed to empowering student success and advancing our community.

PROFILE OF THE COLLEGE

The Oakland Community College District (“the College” or “OCC”) was established by the electorate of Oakland County, Michigan, on June 8, 1964. The area served encompasses approximately 900 square miles and has an assessed valuation of over \$25 billion. The county contains 28 public school districts with 45 public high schools. In addition, there are 37 non-public high schools in the district. With an estimated population of 1.24 million people, Oakland County is home to a mix of urban and rural communities, encompassing 62 cities, villages and townships, including 32 downtown areas and many scenic natural settings.

The College opened in September 1965, with a record community college initial enrollment of 3,860 students on two campuses - Highland Lakes, a renovated hospital in what was Union Lake, and Auburn Hills, a former Army Nike missile site in what was Auburn Heights.

The Orchard Ridge Campus, with its award-winning architectural design, opened in Farmington Hills in September 1967. First housed in leased facilities in Oak Park, the Southeast Campus System expanded through the purchase and remodeling of buildings at a second site in Royal Oak. In 1980, the Oak Park facilities were replaced by a new campus in Southfield. The Royal Oak buildings were replaced by a new campus complex which opened in the fall of 1982.

Since 1964, over 1 million students have attended OCC, with over 85,000 degrees granted. Students receive a quality education that either prepares them for employment in diverse, in-demand fields, or starts their path toward other academic achievements and lifelong learning goals. Currently, OCC offers just over 100 certificate and degree programs reflecting in demand occupations in Oakland County, and provides unique academic, cultural and social experiences on each of its five campuses. Oakland Community College has become a source for community development and engagement since opening its doors more than 50 years ago providing a high quality, affordable higher education opportunity to our community.

OCC’s dedicated faculty and staff are committed to providing academic and developmental experiences that will allow each student to reach their full potential and enhance the diverse communities they serve. OCC is a caring College that values innovation, strong student outcomes, high-quality service, and professionalism, at an affordable price.

In 1966, the Community Colleges Act helped institutions such as OCC define their mission. In the fall 2018 OCC redefined its mission statement to be succinct and focused.

MISSION

"OCC is committed to empowering students to succeed and advancing our community."

HOW THE COLLEGE SUPPORTS ITS MISSION/STRATEGIC PLANNING

In the fall of 2018, the College's mission and values were revised to become more action oriented and reflect the vision of the College's leadership. The Strategic Planning committee (SPC), consists of members of the Chancellor's Executive Council as well as the Executive Director of Institutional Effectiveness, the Executive Director of Planning, Quality & Accreditation and the Chair of the Academic Senate. This committee set a goal to enhance the clarity and focus of the overall strategic plan. Accordingly, the six existing values were combined into three to highlight the most important concepts of the overall value statements. These values provide further understanding of how the College supports the mission and the individual needs of students and the community. The three values are as follows:

- **Accessible** – We welcome people of diverse backgrounds and abilities.
- **Excellent** – We offer high quality and relevant educational experiences, and celebrate the accomplishments of our people.
- **Ethical** – We act with respect, integrity, and kindness, and carefully steward the resources entrusted to us.

In addition to values, the College had a clear vision that focused on who we want to be, what we intend to do and what we will have to do to achieve our mission and values and this was previously reflected in eleven vision statements. The SPC also wanted to update the College's vision to align with best practices at community colleges and foster enthusiasm. The updated vision statements seek to provide improved clarity and inspiration for the future while providing a framework for the overall strategic plan.

OCC's vision is - Excellence in all we do...

- ✓ Become the college of choice.
- ✓ Become the partner of choice.
- ✓ Become the employer of choice.

In addition, the College's Vital Few Objectives (VFO's) are now organized by each of these three components of the vision. The VFO's are goals and measures of the College's progress. They have been refined and aligned under the College's new vision statement.

- ✓ *Become the college of choice*
 - Enhance and innovate educational offerings
 - Grow and improve the student experience
 - Guide students to their desired outcomes
- ✓ *Become the partner of choice.*
 - Grow partners
- ✓ *Become the employer of choice.*
 - Increase employee engagement

The SPC identified the five most important existing initiatives within the strategic plan to be renewed for fiscal year 2019.

Updated Fiscal Year 2019 Initiatives

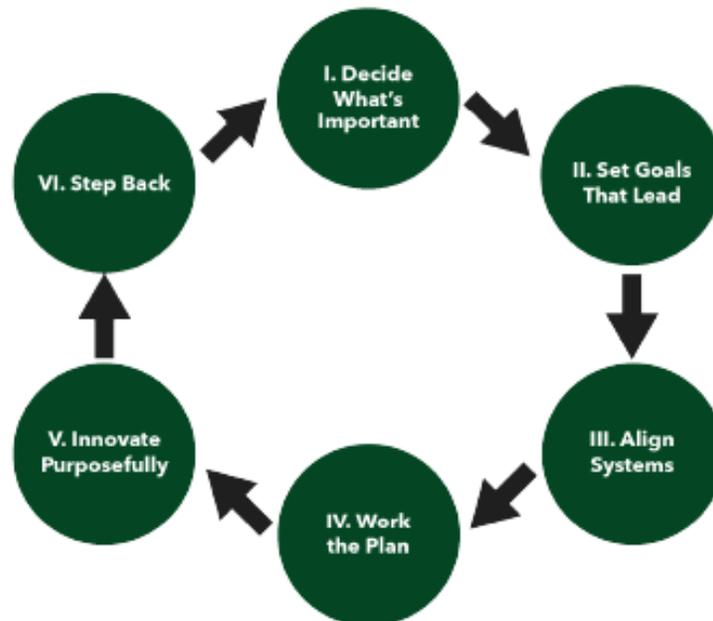
- ✓ Enhance utilization of people, processes and technology
- ✓ Implement processes to increase persistence and completion
- ✓ Foster key partnerships
- ✓ Improve collaboration, trust, respect and accountability
- ✓ Promote diversity throughout the College

Six-Step Process Provided Framework for Strategic Plan

Over the past two years the College has been working with Six Disciplines Consulting, Inc. With the help of the consultant, OCC participated in a strategic planning process that allowed OCC to build on the success of the Educational Master Plan (EMP) that began back in 2012. This has improved the College’s long range planning and overall approach to strategy development, deployment and execution. The renewed mission, value statements, vision and VFO’s are all results of this systematic approach to planning for the College’s future.

The Six Disciplines (SixD) six-step model provides the College with its new systematic approach to planning. Starting with Step Six, the leadership team ‘steps back’ to review the previous year’s performance and conduct discovery exercises. In Step 1 of the SixD process, the College decides what is important. This step is critical so that allocation of resources - time, money and effort - can all be aimed toward this end.

At the onset of the systematic process, the College considered all stakeholder input, as well as other factors affecting OCC and higher education. Feedback was gathered from all College stakeholders, including staff, students, and the external community, regarding their perceptions about strengths, weaknesses, opportunities and threats (SWOTs) facing the College.



Once feedback is collected, Step 2 commences. This entails finalizing the measures, or Vital Few Objectives (VFOs), for achieving and producing goals that are clear and measurable. In addition, initiatives are developed to help achieve these goals.

Step 3 allows us to align our systems with our new mission, values, vision and VFOs, assuring systems are in place and we are well-equipped to do the work needed to accomplish our goals. The initiative teams are part of the collaborative efforts which take place to make this happen. Working the plan is exemplified in Step 4 through the ongoing commitment of initiative teams and reporting progress regularly. The College holds quarterly update meetings with the Strategic Planning Steering Committee and provides updates to the Board of Trustees and the College community.

In Step 5, the College innovates purposefully through various activities in support of integrated and collaborative planning. These activities include allowing for celebration of successes and encouraging broad participation. After each annual cycle, the College once again moves back to Step 6 and begins the annual process again.

FINANCIAL PLANNING

Another way Oakland Community College meets its mission is through financial accountability; the allocation and appropriate use of financial resources is a priority in all we do to serve our students and honor our fiduciary responsibility to the community

The College has continually addressed budget issues over the past several years by cutting costs throughout the College, eliminating positions, and delaying the replacement of vacant positions. In addition, the College prepares a five-year forecast to better plan and meet the budget shortfalls head-on by looking at all sources of income and expenses across all funds within the College.

Several years ago, the College developed a financial reserve policy that was approved by the Board of Trustees to ensure sustainability for the future. The financial reserve policy addresses designations for operating expense reserve, retirement and insurance reserve, quasi-endowment reserve, as well as a designation for capital outlay to ensure the College is planning for its

infrastructure and future capital needs. As the financial report shows, the College continues to cut costs, address non-general fund deficits through designated transfers, and plan for and record designations for pension plan unfunded liabilities.

Oakland Community College makes every effort to keep tuition affordable with modest inflationary increases annually. In addition, three years ago the College streamlined the other fees charges to students for registration, course fees, and transcripts into one per semester fee of \$100. The College charges students billable contact hour to address the additional cost of high contact courses such as science courses with labs, culinary courses, nursing courses, and courses in other health professions. While over the past several years, tuition rates have increased annually, the College's In-District rate and overall fees remain the lowest of the 28 Michigan community colleges. Beginning in fiscal year 2017, the College eliminated the Out-of-State/International student tuition rate by consolidating it with the Out-of-District tuition rate. This rate is about average when compared to the other 27 Michigan community colleges. OCC's Board of Trustees and executive leadership remains committed to offering affordable education to all students. With gross tuition and fees accounting for approximately a third of the College's revenue when compared to state appropriations and property taxes, and few viable options available to diversify revenue sources, the College finds itself with the challenge of balancing decreasing enrollment with increasing costs and decreasing revenue. As mentioned earlier, the College has addressed these shortfalls and balanced the budget by cutting costs throughout the college and gaining efficiencies.

LOCAL ECONOMY

While OCC primarily serves Oakland County, the College recognizes their graduates may live and be employed in nearby counties. Therefore, the College examines data from a seven county region: Oakland, Genesee, Lapeer, Livingston, Macomb, Washtenaw, and Wayne Counties. Like the rest of the state, Oakland and nearby counties experienced a recession beginning in 2008. In the years following the recession, Oakland County has returned to unemployment rates seen pre-recession. Oakland County's future is bright. Employment as well as housing starts, are up. In addition, Oakland County's per capita personal income (PCI) is the highest in any county in Michigan and higher than the state and national average.

More specifically related to available occupations and college programming within this region, the College believes there to be approximately 281,524 projected annual job openings across all occupations and education levels. When OCC considers the occupations most likely to need a two-year post-secondary education, there are approximately 92,812 job openings projected each year for the next five years in our region.

OCC currently offers programs with the potential to fill approximately 15,748 job openings in the region. For these occupations, the average wage is \$24.83 hour.

The ten occupations supported by OCC programs (based on the number of projected job openings) include:

1. Registered Nurses
2. Bookkeeping, Accounting, and Auditing Clerks
3. General and Operations Managers
4. Medical Assistants
5. Cooks, Restaurant
6. Medical Secretaries
7. Billing and Posting Clerks
8. Computer User Support Specialists
9. Automotive Service Technicians and Mechanics
10. Accountants and Auditors

Sources: Economic Modeling Specialist International; Oakland County Economic Outlook 2018-2023; OCC Institutional Effectiveness 2018

Prospects for the Future

Over the next three years, Oakland County predicts sustained job growth and an economy approaching full employment. Since there are approximately 16,000 job openings in the county relating to programs OCC offers, the College is well positioned to provide training to meet these employment needs.

OCC believes the top priorities for meeting community needs include the following 10 programs:

1. General Accounting Certificate
2. Library Technician
3. Library Technician Certificate

4. Technological Sciences
5. International Commerce
6. Welding Technology Certificate
7. Hotel / Motel Management
8. Culinary Arts
9. Dental Hygiene
10. Fire Academy

Source: OCC Institutional Effectiveness 2018

Distance Education

In 2016, the College formed an implementation team and hired a Dean of Distance Education committed to implementing a full-service virtual campus to ensure student success. Together, this team brings a wealth of knowledge and experience in academic technologies and is poised to lead the College to success in distance education. In August 2016, OCC became an official Quality Matters member and began applying the QM rubric standards as guidelines for designing new online courses, thus creating an evidence-based process for maintaining online learning quality. In May 2017, the College obtained approval by the North Central Association Higher Learning Commission (HLC) to offer the Criminal Justice Generalist degree online. The accrediting body was impressed by the combined efforts of OCC's Faculty, Staff, and Administration to provide the highest quality online learning experience for students. In June 2018, OCC joined SARA. The State Authorization Reciprocity Agreement is a voluntary agreement among its member states and U.S. territories that establishes comparable national standards for interstate offering of postsecondary distance-education courses and programs. It is intended to make it easier for students to take online courses offered by postsecondary institutions based in another state. Since implementing the new training and development process, 62 faculty have successfully completed the training. The Academic Technology Group has recently expanded its efforts to now offer training and course development to faculty wishing to offer hybrid traditional courses. The College was recently approved by the HLC to offer its second online degree program, the Associate of Applied Science, Computer Information Systems – Business Systems Analysis.

Accreditation

Oakland Community College is accredited by The Higher Learning Commission of the North Central Association (website www.ncahlc.org). Numerous programs have individual accreditations, memberships or approval by state agencies and/or national associations or organizations.

Culinary Arts Program - American Culinary Federation; Accreditation Commission, National Restaurant Association

Dental Hygiene - American Dental Association Commission on Dental Accreditation

Diagnostic Medical Sonography - Commission on Accreditation of Allied Health Education Programs

Emergency Medical Services - CoAEMPS - Committee on Accreditation for the EMS Professions, Michigan Department of Health and Human Services

Fire Academy - Pro Board Fire Service Professional Qualifications System State of Michigan - Michigan Fire Fighters Training Council

Medical Assisting - Commission on Accreditation of Allied Health Education Programs

Nursing Associate Degree - Accreditation Commission for Education in Nursing, Michigan Board of Nursing

Paralegal - American Bar Association; American Association for Paralegal Education

Police Academy – State of Michigan – Michigan Commission on Law Enforcement Standards

Radiologic Technology - The Joint Review Committee on Education in Radiologic Technology

Respiratory Therapy - The Commission on Accreditation for Respiratory Care (CoARC)

Sign Language Studies – The Commission on Collegiate Interpreter Education

Surgical Technology - Commission on Accreditation of Allied Health Education Programs

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Oakland Community College for its comprehensive annual financial report (CAFR) for the fiscal years ended June 30, 2017, June 30, 2016 and June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Plante & Moran, PLLC was selected by the College's Board of Trustees. The auditor's report on the financial statements and schedules is included in the financial section of this report.

Acknowledgments

The timely preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the financial services department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Peter Provenzano, Jr., CPA, CGMA
Chancellor



Roberta Remias, CPA
Vice Chancellor
Administrative Services



Sharon Converse, MBA
Controller

OAKLAND COMMUNITY COLLEGE

PRINCIPAL OFFICIALS

Year Ended June 30, 2018

Board of Trustees

| <u>Trustee Name</u> | <u>Position</u> | <u>Term Expiration</u> |
|----------------------|------------------|------------------------|
| John McCulloch | Chairperson | 2020 |
| Pamala Davis | Vice Chairperson | 2018 |
| Christine O'Sullivan | Secretary | 2018 |
| Susan Anderson | Treasurer | 2022 |
| Kathleen Bertolini | Trustee | 2022 |
| Shirley Bryant | Trustee | 2020 |
| Pamela Jackson | Trustee | 2022 |

Chancellor's Executive Council

Peter Provenzano, Jr., Chancellor
Dr. Mary Cathey Maze, Vice Chancellor for Academic Affairs
Roberta Remias, Vice Chancellor for Administrative Services
Lori Przymusinski, Vice Chancellor for Student Services
Karen Bathanti, Vice Chancellor for Human Resources
Theodore Coutilish, Vice Chancellor for Marketing and Community Relations
Robert J. Montgomery, Vice Chancellor for Information Technologies
Eileen Husband, Vice Chancellor for Legal Affairs
Douglas Smith, Executive Director, Economic and Workforce Development Services
Daniel Jenuwine, Executive Director, OCC Foundation

OFFICIALS ISSUING REPORT

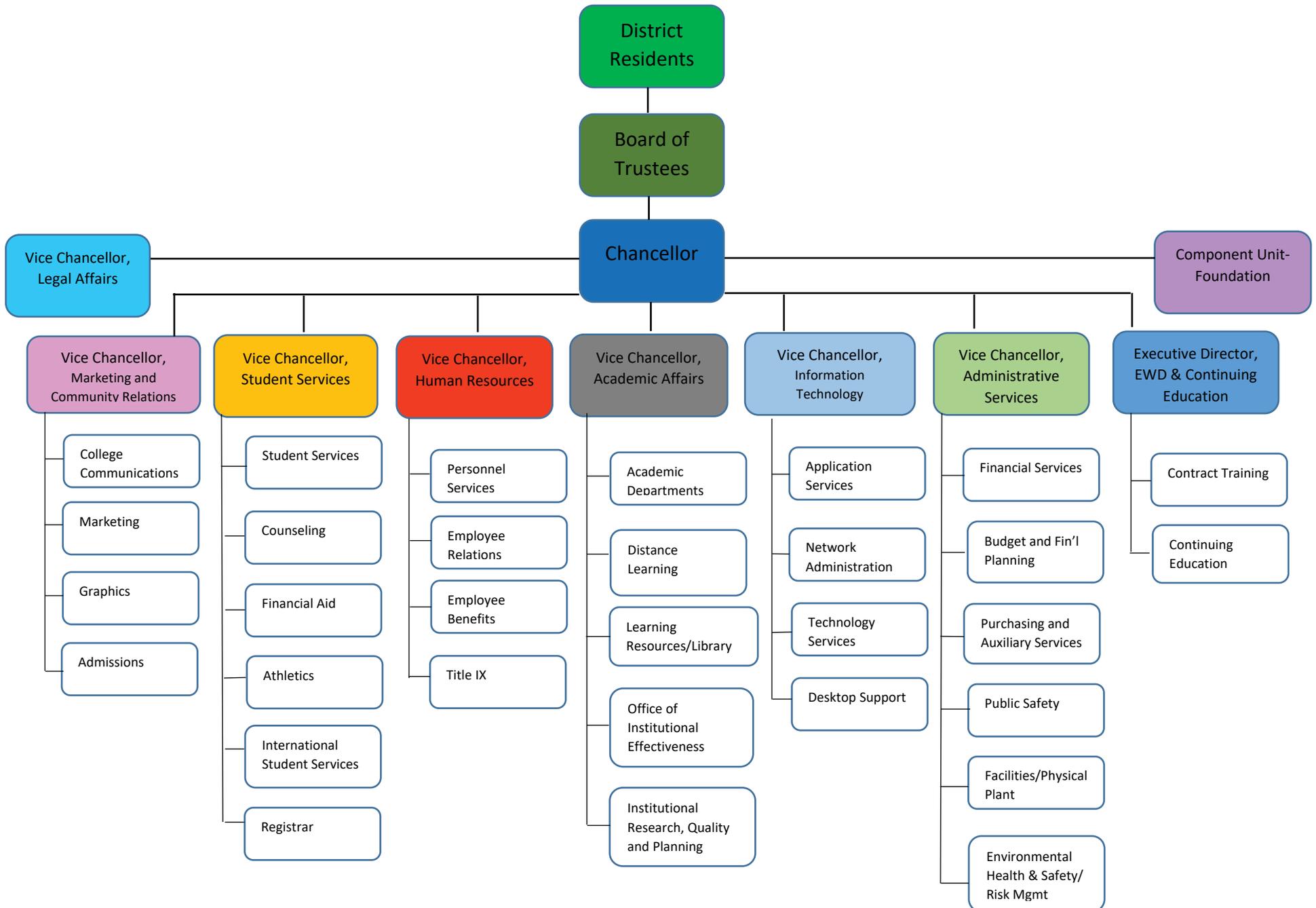
Roberta Remias Vice Chancellor for Administrative Services
Sharon Converse Controller

DEPARTMENT ISSUING REPORT

Financial Services

Oakland Community College

Bloomfield Hills, Michigan





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Oakland Community College
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

Financial Section



OAKLAND COMMUNITY COLLEGE
Excellence *Empowered.*

Independent Auditor's Report

To the Board of Trustees
Oakland Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Oakland Community College (the "College") and its discretely presented component unit as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise Oakland Community 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Oakland Community College as of June 30, 2018 and 2017 and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in Note 1 to the basic financial statements, effective July 1, 2017, the College adopted new accounting guidance under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In accordance with Statement No. 75, the College is now recognizing its unfunded net other postemployment benefits (OPEB) liability and deferred OPEB outflows (inflows) within the statement of net position for the first time. This statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Our opinion is not modified with respect to this matter.

To the Board of Trustees
Oakland Community College

As discussed in Note 1 to the basic financial statements, effective July 1, 2017, the College early adopted new accounting guidance under GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. In accordance with Statement No. 89, this statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported by the College. Our opinion is not modified with respect to this matter.

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Oakland Community College's basic financial statements. The other supplemental information, as identified in the table of contents, and introductory section and statistical section schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and statistical section schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Trustees
Oakland Community College

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2018 on our consideration of Oakland Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oakland Community College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 9, 2018

OAKLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of *Oakland Community College's* (the "College") financial statements provides an overview of the College's financial position at June 30, 2018, 2017 and 2016 and its financial activities for the three years ended June 30, 2018. Management has prepared the financial statements and related footnote disclosures in conjunction with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Use of this Report

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements, which consist of the statement of net position, the statement of revenue, 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 supplementary schedules: the GASB 68 and GASB 75 required supplemental information, the combining statement of net position and the combining statement of revenue, expenses, and changes in net position as of and for the years ended June 30, 2018 and June 30, 2017.

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, 2018 and 2017 and changes in net position for the years ended June 30, 2018 and 2017. The College's Statement of Net Position at June 30, 2018 and 2017, had assets of \$433.0 million and \$408.6 million, respectively, and liabilities of \$258.4 million and \$202.7 million, respectively. In 2015, the College implemented GASB 68 and recognized the College's share of the Michigan Public School Employees' Retirement System (MPSERS) unfunded net pension liability. The net pension liability at June 30, 2018 and June 30, 2017, was \$173.5 million and \$180.4 million, respectively. In 2018, the College implemented GASB 75 and recognized the College's share of the MPSERS unfunded OPEB liability. The net OPEB liability at June 30, 2018 was \$59.5 million. The net pension and OPEB liabilities result from the College's participation in MPSERS, a statewide, cost-sharing, multiple employer defined benefit public employee retirement system. The College's revenues and other support exceeded expenses by \$25.3 million, \$14.7 million and \$7.4 million in 2018, 2017 and 2016, respectively. This was primarily due to cost cutting measures across all departments including elimination of vacant positions or delays in rehiring for vacancies for all three years. Current assets totaled \$82.9 million, \$99.3 million and \$56.5 million in 2018, 2017 and 2016. The fluctuations in current assets from 2016 to 2018 were primarily the result of changes in the College's investment policy and portfolio. These changes were initiated by a new investment manager who was hired to manage the College's investments in April 2015. See further discussion of investments in this MD&A under Non-Operating Revenues. The College's net position, which represents the residual interest in the College's assets and deferred outflows after liabilities and deferred inflows are deducted, totaled \$180.5 million as of June 30, 2018, \$215.6 million as of June 30, 2017 and \$200.9 million as of June 30, 2016. Net position for the year ended June 30, 2018 reflects a restatement of beginning net position of \$60,352,059 related to the implementation of GASB 75.

OAKLAND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Statement of Net Position and Statement of Revenue, Expenses, & Changes in Net Position

The following is a comparative analysis of key components of the statements of net position as of June 30:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---------------------------------------|-----------------------|-----------------------|-----------------------|
| ASSETS | | | |
| Current assets | \$ 82,915,860 | \$ 99,349,740 | \$ 56,481,165 |
| Long-term investments | 210,133,703 | 167,496,910 | 189,464,073 |
| Capital assets | 139,981,477 | 141,763,440 | 150,774,920 |
| Total assets | \$ 433,031,041 | \$ 408,610,090 | \$ 396,720,158 |
| Deferred Outflows of Resources | \$ 37,869,858 | \$ 21,975,402 | \$ 18,569,103 |
| LIABILITIES | | | |
| Current liabilities | \$ 21,192,502 | \$ 20,737,156 | \$ 22,129,280 |
| Long-term debt obligations | 2,846,040 | - | 820,000 |
| Net Pension Liability | 173,497,992 | 180,430,177 | 175,812,730 |
| Net OPEB Liability | 59,515,812 | - | - |
| Compensated absences | 1,371,885 | 1,510,368 | 1,822,487 |
| Total liabilities | \$ 258,424,231 | \$ 202,677,701 | \$ 200,584,497 |
| Deferred Inflows of Resources | \$ 31,976,585 | \$ 12,307,124 | \$ 13,779,278 |
| Net position | | | |
| Net investment in capital assets | \$ 136,235,864 | \$ 140,943,440 | \$ 149,169,920 |
| Restricted: | | | |
| Expendable scholarships | 1,165,711 | 1,081,533 | 931,894 |
| Unrestricted | 43,098,508 | 73,575,694 | 50,823,672 |
| Total net position | \$ 180,500,083 | \$ 215,600,667 | \$ 200,925,486 |

Although unrestricted net position is not subject to externally imposed restrictions, virtually all of the College's unrestricted net position is designated for the purposes to fulfill its mission including designations for future retirement obligations and insurance, designations to meet the College's reserve policy for operating expenses and capital projects, and designations of quasi-endowment for future debt payments and scholarships. See Note 1 for further information about the College's unrestricted net position and its designations.

OAKLAND COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-----------------------|-----------------------|
| Operating revenues | | | |
| Tuition and fees, net | \$ 30,814,265 | \$ 33,089,583 | \$ 33,402,037 |
| Federal grants and contracts | 3,106,858 | 3,384,815 | 4,066,362 |
| State and local grants and contracts | 5,896,053 | 1,391,492 | 1,505,418 |
| Nongovernmental grants and contracts | 647,391 | 571,140 | 643,012 |
| Auxiliary activities | 5,559,961 | 6,624,795 | 8,268,262 |
| Miscellaneous | 912,336 | 804,640 | 948,644 |
| Total operating revenues | 46,936,864 | 45,866,465 | 48,833,735 |
| Less operating expenses | 156,954,676 | 160,428,233 | 172,228,785 |
| Operating loss | (110,017,812) | (114,561,768) | (123,395,050) |
| Non-operating revenues | | | |
| Pell grant revenue | 18,147,150 | 17,424,284 | 21,850,205 |
| State appropriations | 24,715,817 | 23,847,244 | 21,645,361 |
| State appropriations for UAAL | 8,966,836 | 7,124,142 | 2,233,357 |
| Property tax levy | 82,889,739 | 80,835,825 | 79,964,027 |
| Investment income | 4,585,290 | 3,271,525 | 2,622,381 |
| Net unrealized and realized Gain (loss) on investments | (4,035,545) | (3,266,071) | 2,442,308 |
| Net non-operating revenues | 135,269,287 | 129,236,949 | 130,757,639 |
| Increase in net position | \$ 25,251,475 | \$ 14,675,181 | \$ 7,362,589 |
| Net position - beginning of year | 215,600,667 | 200,925,486 | 193,562,897 |
| Adjustment for change in accounting principle | (60,352,059) | - | - |
| Net Position, beginning of year, as restated | \$ 155,248,608 | \$ 200,925,486 | \$ 193,562,897 |
| Net position - end of year | \$ 180,500,083 | \$ 215,600,667 | \$ 200,925,486 |

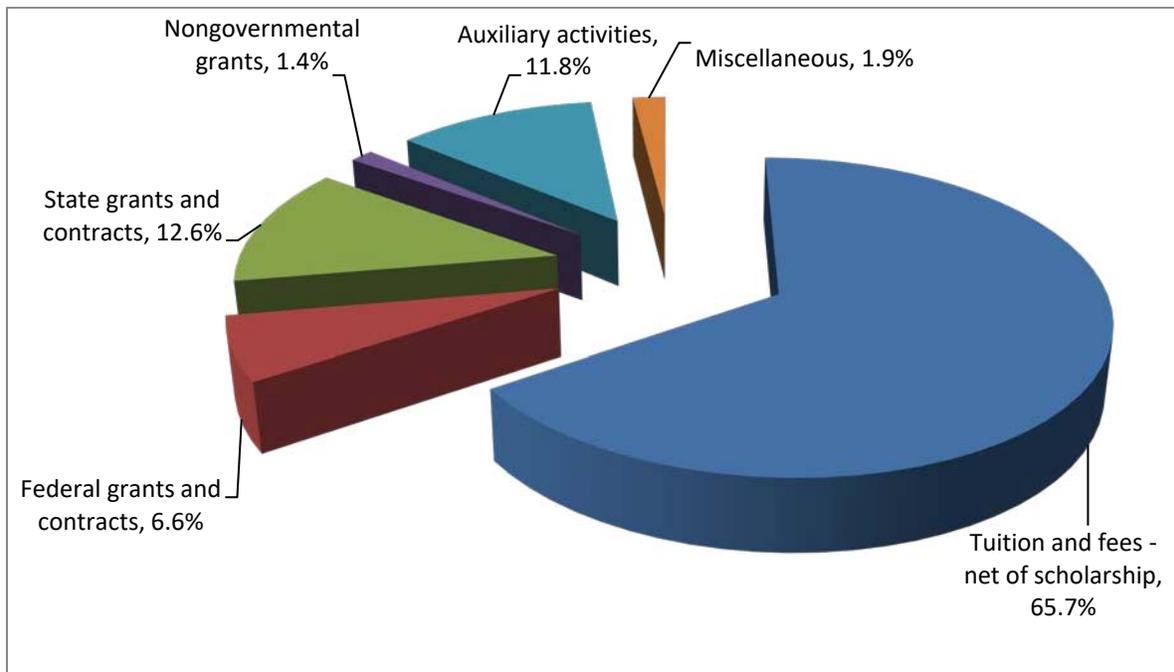
OAKLAND COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS

Operating Revenues

Operating revenues include all transactions that result in sales and/or receipts from goods and services, such as tuition, fees, and bookstore operations. 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:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Tuition and fees - net | \$ 30,814,265 | \$ 33,089,583 | \$ 33,402,037 |
| Federal grants and contracts | 3,106,858 | 3,384,815 | 4,066,362 |
| State grants and contracts | 5,896,053 | 1,391,492 | 1,505,418 |
| Nongovernmental grants | 647,391 | 571,140 | 643,012 |
| Auxiliary activities | 5,559,961 | 6,624,795 | 8,268,262 |
| Miscellaneous | <u>912,336</u> | <u>804,640</u> | <u>948,644</u> |
| Total operating revenues | <u>\$ 46,936,864</u> | <u>\$ 45,866,465</u> | <u>\$ 48,833,735</u> |

The following is a graphic illustration of operating revenues for fiscal year 2018:



OAKLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Net student tuition and fee revenue (after scholarship allowance) decreased approximately 6.9 percent for the year ended June 30, 2018, decreased approximately 1 percent for the year ended June 30, 2017 and increased by 1.6 percent for the year ended June 30, 2016. Gross tuition and fee revenue decreased by 4.7 percent and 3.9 percent due to continued enrollment declines for fiscal years ended June 30, 2018 and 2017, respectively. In 2016, gross tuition and fee revenue increased slightly by 1.6 percent. Credit hours decreased by 8.3 percent, 10.3 percent and 13.7 percent for fiscal years ended June 30, 2018, 2017 and 2016, respectively. The credit hour declines are partially offset by tuition rate increases and changing the methodology to billable contact hours for some courses.
- In 2018, Federal grants and contracts decreased by 8.2 percent from 2017, decreased in 2017 16.8 percent over 2016 and decreased in 2016 5.7 percent over 2015. These decreases are due to reduced receipts for several federal programs including federal work study. Decreased enrollment affected the federal grant programs.
- Auxiliary services revenue decreased by approximately 16.1 percent, 19.9 percent and 19.4 percent during the years ended June 30, 2018, 2017 and 2016. The decreases are primarily due to a decrease in textbook sales resulting from declining enrollment and students purchasing their textbooks from other sources. To help offset future declines of textbook sales, the bookstores offer a textbook rental program and have established competitive pricing. In addition, the bookstores have continued to cut costs and streamline operations in order to maintain their profit margin.
- In 2018, state and local grants increased by 4.5 million as a result of the receipt of the state's Community College Skilled Trade Equipment program grant (CCSTEP) for equipment. The purpose of the CCSTEP grant was to provide Michigan Community Colleges funding through the skilled trades equipment program to ensure they can deliver educational programs in high-wage, high-skill, and high-demand occupations. In 2017, state and local grants and contracts decreased by 7.6 percent from 2016 due to reduced awards for state financial aid programs. In 2016, state and local grants and contracts decreased by 8.7 percent from 2015 due primarily to the completion of a state funded apprenticeship program as well as other reductions in other state awards.
- In 2018, non-governmental grants increased by 13.4 percent from 2017 due to an increase in scholarship programs. In 2017, non-governmental grants decreased by 11.2 percent from 2016 due to fewer local scholarship programs. Non-governmental grants increased 13.9 percent from 2015 to 2016 due to an increase in the local promise zone award and other local awards.
- In 2018, miscellaneous revenues increased 13.4 percent from 2017 due to facilities rentals and the sale of obsolete equipment and furniture. In 2017, miscellaneous revenues decreased 15 percent from 2016. In 2016, miscellaneous revenues increased 8.6 percent over 2015 due primarily to the sale of obsolete machinery.

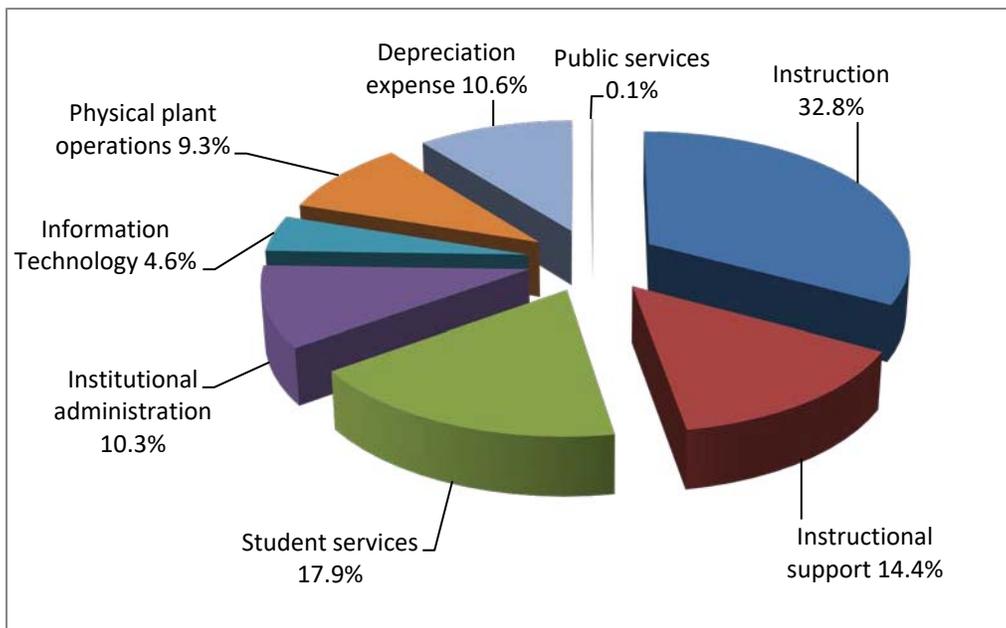
OAKLAND COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS

Operating Expenses

Operating expenses are the costs for the College to conduct the programs necessary to carry out the primary purposes of the College. The operating expenses for the years ended June 30 consisted of the following:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---------------------------------|------------------------------|------------------------------|------------------------------|
| Instruction | \$ 51,555,305 | \$ 53,225,465 | \$ 55,785,779 |
| Instructional support | 22,672,313 | 22,005,048 | 21,662,964 |
| Student services | 28,075,505 | 28,180,138 | 34,183,974 |
| Institutional administration | 16,177,115 | 15,926,220 | 17,453,950 |
| Information Technology | 7,156,628 | 7,269,653 | 8,295,364 |
| Physical plant operations | 14,525,312 | 17,418,448 | 18,714,603 |
| Depreciation expense | 16,674,558 | 16,268,145 | 15,993,976 |
| Public services | 117,940 | 135,116 | 138,175 |
| Total operating expenses | <u>\$ 156,954,676</u> | <u>\$ 160,428,233</u> | <u>\$ 172,228,785</u> |

The following is a graphic illustration of total operating expenses for the year ended June 30, 2018:



The primary operating expenses of the College are salaries, payroll taxes, and related fringe benefits. The College incurred \$101.5 million, \$105.4 million, and \$111.8 million of payroll-related expenses during the

OAKLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

years ended June 30, 2018, 2017, and 2016 respectively. This represents approximately 64.7 percent of the College's operating expenses during 2018, 65.7 percent during 2017 and 64.9 percent in 2016. The continued decreases of payroll-related expenses are a result of the elimination of positions, streamlined operations, and a delay in hiring replacements for other vacant positions.

Payroll taxes and related fringe benefits decreased by 7.0 percent from 2017 to 2018 and decreased 3.0 percent from 2016 to 2017 coinciding with the decrease in salaries and wages. In 2018, the UAAL state appropriations received were \$8.2 million, resulting in \$9.0 of revenue after consideration of GASB 68 and GASB 75. In 2017, the UAAL state appropriations received were \$7.6 million, resulting in \$7.1 of revenue after consideration of GASB 68. In 2016, the UAAL state appropriations received were \$7.3 million, resulting in \$2.2 million of revenue after consideration of GASB 68. Despite these additional payments, payroll taxes and related fringe benefit costs have decreased to coincide with the elimination of positions and delays in hiring replacements of other vacant positions as previously mentioned.

Instruction decreased 3.1 percent, 4.6 percent and 8.2 percent in 2018, 2017 and 2016, respectively, as a result of continued declining enrollment and new full-time faculty hired at lower steps replacing faculty that have retired. Instructional Support increased by 3.0 percent in 2018 but remained relatively the same for 2017 as compared to 2016 expense. In 2016, Instructional Support decreased by 4.4 percent from 2015 due to cost cutting measures in those related departments. Costs in Student Services remained relatively the same in 2018 when compared to 2017 and decreased by .4 percent. In 2017, Student Services expenses continued to decrease due cost cutting measures in these related departments and the reduction of Pell grants. Student Services expenses decreased by 17.6 percent in 2017 and 16.4 percent in 2016. Institutional Administration expenses were relatively flat in 2018 as compared to 2017 increasing by 1.6 percent. Institutional Administration decreased by 8.6 percent in 2017 and 9.4 percent in 2016 due to vacant positions and delays in hiring replacements. Information Technology expense decreased slightly in 2018 from 2017 by 1.6 percent. Information Technology costs decreased by 12.4 percent and 9.4 percent in 2017 and 2016, respectively, due primarily to salary and benefit cost reductions and other cost cutting measures in the department. Physical Plant Operations decreased by 16.6 percent, 7.0 percent and 4.4 percent in 2018, 2017 and 2016, respectively. These reductions are due to cost cutting measures and lower utility costs.

Non-operating Revenues (Expenses)

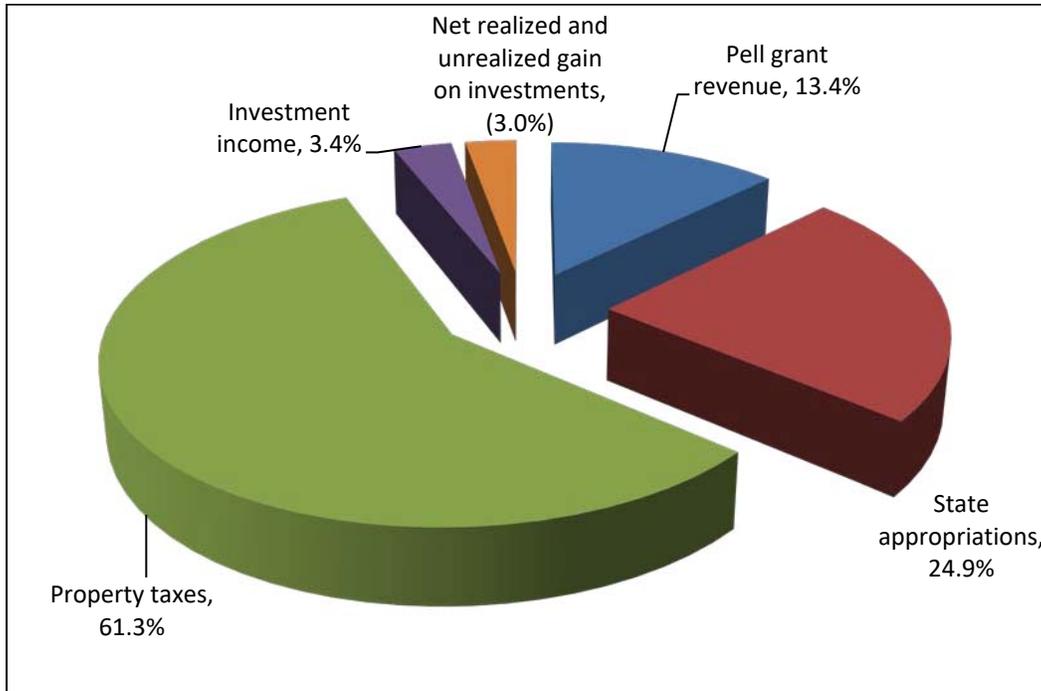
Non-operating revenues are all revenue sources that are not a result of College operations. They consist primarily of state appropriations, Pell grant revenue, property tax revenue, interest income and realized and unrealized gains and losses.

OAKLAND COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS

Non-operating revenues for the years ended June 30 consisted of the following:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|------------------------------|------------------------------|------------------------------|
| Non-operating revenues (expenses) | | | |
| Pell grant revenue | \$ 18,147,150 | \$ 17,424,284 | \$ 21,850,205 |
| State appropriations | 24,715,817 | 23,847,244 | 21,645,361 |
| State appropriations for UAAL | 8,966,836 | 7,124,142 | 2,233,357 |
| Property taxes | 82,889,739 | 80,835,825 | 79,964,027 |
| Investment income | 4,585,290 | 3,271,525 | 2,622,381 |
| Net realized and unrealized gain (loss) on investments | <u>(4,035,545)</u> | <u>(3,266,071)</u> | <u>2,442,308</u> |
| Total non-operating revenues | <u>\$ 135,269,287</u> | <u>\$ 129,236,949</u> | <u>\$ 130,757,639</u> |

The following is a graphic illustration of non-operating revenues by source for fiscal year 2018:



OAKLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Over the past several years, Pell grant revenue has decreased due to the decline in enrollment and the number of student awards. However, in 2018, Pell revenue increased slightly by 4.1 percent. Pell revenue decreased by 20.3 percent and 31.0 percent in 2017 and 2016, respectively.

There was an increase of \$2.7 million or 8.8 percent in state appropriations during 2018. During 2017, there was an increase of \$2.2 million or 10.2 percent in state appropriations and an increase of \$294,000 or 1.4 percent in state appropriations during 2016. Personal property tax reimbursement from the state in the amount of \$2.3 million for 2018 and \$1.9 million for 2017 was received and is included in the annual state appropriation figure. 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 \$8.2 million, \$7.5 million and \$7.3 for 2018, 2017 and 2016, respectively, resulting in \$9.0 million, \$7.1 million and \$2.2 million of revenue after consideration of GASB 68 and GASB 75 in 2018, and GASB 68 in 2017 and 2016, as well as MPSERS related cash outlay and expenses of equal amounts.

In 2018, property taxes increased by \$2.1 million over 2017. In 2017, property taxes increased by \$872,000 over 2016 and \$2.7 million from 2015 to 2016. These increases are a result of taxable values in Oakland County, Michigan continuing to increase.

As the economy grew stronger, investment income increased by 40.2 percent during 2018 and 24.75 percent during 2017 as interest rates increased. Investment income decreased by 23.3 percent during 2016 due to low and declining interest rates on money market funds, certificates of deposit, government agencies and sponsored enterprises securities, and external investment pools.

Realized losses on investments were \$1.1 million in 2018 as a result of rebalancing and investment changes and realized gains were \$111,000 and \$224,000 in 2017 and 2016, respectively. In April 2015, the College hired the PFM Group to assist with the management of the College's portfolio. Since 2015, with the assistance of PFM, the College periodically rebalances the investment portfolio to continually meet strategic investment objectives. This results in year-over-year changes to the types and maturities of investments in the College's portfolio. See Note 2 to the financial statements for further information.

Unrealized gains and losses represent the fluctuation in the fair market value of investments. Bond values decline as interest rates increase and rise as interest rates decrease. In 2018 and 2017, as a result of interest rate increases, the portfolio value declined and unrealized losses were \$4.0 and \$3.3 million, respectively. In 2016 as a result of the portfolio rebalance previously mentioned, unrealized gains were \$2.2 million. Unrealized gains and losses are primarily a result of market fluctuations in interest rates due to economic conditions in the United States. Nearly 90 percent of the investments held by the College are in government agencies and sponsored enterprises securities, whose prices were affected by the factors mentioned above. As the College intends to hold investments to maturity, it is unlikely that these unrealized gains and losses will be realized.

OAKLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Statement of Cash Flows

Another method to assess the financial health of the College is to look at the statement of cash flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of an entity during a period. The statement of cash flows also helps 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 years ended June 30:

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|----------------------|
| Cash provided by (used in): | | | |
| Operating activities | \$(99,129,784) | \$(100,378,704) | \$(103,675,594) |
| Noncapital financing activities | 134,812,564 | 129,034,654 | 125,342,435 |
| Capital and related financing activities | (11,918,873) | (8,062,598) | (9,554,802) |
| Investing activities | (18,900,723) | (12,368,280) | (62,931,486) |
| Net change | 4,863,184 | 8,225,072 | (50,819,447) |
| Cash and cash equivalents - beginning of year | 35,803,400 | 27,578,328 | 78,397,775 |
| Cash and cash equivalents - end of year | \$ 40,666,584 | \$ 35,803,400 | \$ 27,578,328 |

Net cash used in operating activities totaled \$99.1 million for 2018. This was financed by \$134.8 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used in capital and related financing activities totaled \$11.9 million during 2018. This consists of approximately \$14.9 million of capital additions, \$839,000 of debt principal and interest payments as well as an increase \$3.7 million in long term obligations for an installment purchase agreement. Net cash provided by investing activities totaled \$18.9 million. This consists of \$213.9 million of proceeds from the sale and maturities of investments, purchases of investments of \$238.0 million, and an offset by interest received during 2018 of approximately \$5.2 million. The net result of all cash flows is an increase in cash and cash equivalents of \$4.9 million for 2018.

Net cash used in operating activities totaled \$100.4 million for 2017. This was financed by \$129.0 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used in capital and related financing activities totaled \$8.1 million during 2017. This consists of approximately \$7.3 million of capital additions and approximately \$859,000 of debt principal and interest payments. Net cash provided by investing activities totaled \$12.4 million. This consists of \$167.5 million of proceeds from the sale and maturities of investments, purchases of investments of \$185.4 million, and an offset by interest received during 2017 of approximately \$5.6 million. The net result of all cash flows is an increase in cash and cash equivalents of \$8.2 million for 2017.

OAKLAND COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS

Net cash used in operating activities totaled \$103.7 million for 2016. This was financed by \$125.3 million of net cash flows from noncapital financing activities such as property taxes and state appropriations. Net cash used in capital and related financing activities totaled \$9.6 million during 2016. This consists of approximately \$8.7 million of capital additions and approximately \$857,000 of debt principal and interest payments. Net cash provided by investing activities totaled \$62.9 million. This consists of \$125.3 million of proceeds from the sale and maturities of investments, purchases of investments of \$190.5 million, and an offset by interest received during 2016 of approximately \$2.3 million. The net result of all cash flows is a decrease in cash and cash equivalents of \$50.8 million for 2016.

Capital Asset and Debt Administration

Capital Assets

The College had \$140.0 million and \$141.8 million invested in capital assets, net of accumulated depreciation of \$264.3 million and \$247.9 million at June 30, 2018 and 2017, respectively. Depreciation charges approximated \$16.7 and 16.3 million for the years ended June 30, 2018 and 2017, respectively.

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|------------------------------------|------------------------------|------------------------------|------------------------------|
| Capital assets: | | | |
| Land and land improvements | \$ 29,176,815 | \$ 28,268,618 | \$ 27,987,219 |
| Infrastructure | 22,202,000 | 21,162,010 | 21,162,010 |
| Buildings and improvements | 292,222,426 | 289,226,354 | 288,091,158 |
| Furniture, fixtures, and equipment | 46,926,315 | 38,577,200 | 35,236,449 |
| Library materials | 9,344,345 | 9,339,765 | 9,239,713 |
| Construction in progress | 4,412,071 | 3,098,219 | 998,600 |
| Accumulated depreciation | <u>(264,302,494)</u> | <u>(247,908,725)</u> | <u>(231,940,229)</u> |
| Total capital assets | <u>\$ 139,981,478</u> | <u>\$ 141,763,440</u> | <u>\$ 150,774,920</u> |

Additions to capital assets during 2018, 2017, and 2016 included costs for both internal and external maintenance and renovation projects at various campus sites. Capital additions were \$14.9 million, \$7.3 million, and \$8.8 million during years 2018, 2017, and 2016, respectively. Additional information on the College’s capital assets can be found in Note 3 of the Notes to Financial Statements.

OAKLAND COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The College had \$0, \$820,000, and \$1.6 million in long-term bonds outstanding for the years ended June 30, 2018, 2017, and 2016, respectively, and made debt repayments of \$820,000, \$785,000, and \$750,000 during the years 2018, 2017, and 2016, respectively. In 2018, the College entered into a 5-year installment purchase agreement with Key Government Finance for the purchase of computer hardware, software and maintenance. The College made the first installment payment in fiscal year 2018 and the remaining payments of principal and interest total \$4 million to be paid in December over the next four years. More detailed information about the College's long-term liabilities is presented in the Note 5 of the Notes to Financial Statements.

Required Supplementary Information

With the implementation of GASB 68 and GASB 75, the College is required to prepare certain schedules regarding the MPSERS and OPEB liabilities, covered payroll and contributions. The required supplementary information includes a Schedule of College's Proportionate Share of Net Pension Liability and a Schedule of College Contributions.

Other Supplementary Information

Following the basic financial statements, the footnotes and required supplementary information are two comparative supplemental schedules, the Combining Statement of Net Position and Combining Statement of Revenue, Expenses and Changes in Net Position for years ended June 30, 2018 and 2017, respectively. The various funds presented on these statements are for internal purposes only. Though the Governmental Accounting Standards Board does not require this information for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College not disclosed in the basic statements.

The General Fund is the chief operating fund of the College, and had a net position of \$37.2 million and \$33.4 million excluding the GASB 68 and GASB 75 liabilities at June 30, 2018 and 2017, respectively. This is an increase of \$3.8 million from 2017 to 2018 and an increase of \$583,000 from 2016 to 2017.

The designated fund related to the GASB 68 pension liability and GASB 75 OPEB liability had a deficit net position of \$227.1 million and \$170.8 million as of June 30, 2018 and 2017, respectively. This fund is displayed separately on the Combining Statement of Net Position. Other funds of the College including the Designated Fund, Auxiliary Services Fund, Restricted Fund, Student Loan Fund, Endowment and Similar Funds, and Plant Funds comprise the remaining overall net position for a combined College total of \$180.5 million in 2018 and \$215.6 million in 2017.

The Designated Fund's net position is designated for various instructional programs, including workforce development, future retirement costs, and rising health care costs. See Note 4 for a more detailed description of retirement liability. The Auxiliary Fund's net position is designated for various capital improvements and future operations at the College's bookstores and print shop. The Plant Fund is unrestricted and is designated for various capital projects.

OAKLAND COMMUNITY COLLEGE
MANAGEMENT’S DISCUSSION AND ANALYSIS

Economic Factors that will affect the Future

The economic position of the College is closely tied to that of Oakland County and the State of Michigan as it relates to property tax revenues and state appropriations. Oakland County's property tax values stabilized in 2016 and begun to increase in 2017 and 2018 but current rates result in property tax revenues significantly lower than their peak eight years ago. Student enrollment has been decreasing over the past several years, a factor closely related to the improvement in the economy and lower unemployment. Student credit hours were 337,533 for fiscal year 2018, 368,214 for fiscal year 2017, and 410,459 for fiscal year 2016. In 2017 and again in 2018, the Board of Trustees approved a 2 percent increase in the In-district and Out of District tuition rates. The Board of Trustees approved new methodology for charging for tuition and moved to billable contact hours beginning with fall 2016 but did not increase the tuition rate. In addition, in 2016, the Board of Trustees eliminated the Out of State/International tuition rate and now these students are billed at Out of District rates.

Payroll and related expenses represent approximately 64.7 percent, 65.7 percent and 64.6 percent of the total operating expenses reported on the June 30, 2018, 2017, and 2016 statement of revenue, expenses, and changes in net position. The College anticipates that payroll costs will stabilize for the next couple years as contracts are settled with minimal increases, positions are eliminated or there are delays in replacements for vacant positions, and the College moves to the hard cap for healthcare costs.

* * * * *

OAKLAND COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

JUNE 30

| | College | | Component Unit - Foundation | |
|--|-----------------------|-----------------------|-----------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | \$ 40,666,584 | \$ 35,803,400 | \$ 232,329 | \$ 226,410 |
| Accrued interest | 820,962 | 744,615 | - | - |
| Short-term investments | 25,668,233 | 48,930,905 | 5,853,468 | 5,290,309 |
| Property taxes receivable - net of allowance | 121,361 | 153,351 | - | - |
| State appropriations receivable | 5,269,666 | 5,330,698 | - | - |
| Federal and state grants receivable | 1,599,164 | 1,774,238 | - | - |
| Accounts receivable - net of allowance | 1,954,753 | 1,458,624 | 78,446 | 80,857 |
| Inventories | 1,644,026 | 1,653,084 | - | - |
| Prepaid expenses and other assets | 5,171,111 | 3,500,825 | - | - |
| Total current assets | 82,915,860 | 99,349,740 | 6,164,243 | 5,597,576 |
| Long-term investments | 210,133,703 | 167,496,910 | - | - |
| Capital assets – non-depreciable | 13,961,250 | 12,647,398 | - | - |
| Capital assets – depreciable, net | 126,020,228 | 129,116,042 | - | - |
| Total assets | \$ 433,031,041 | \$ 408,610,090 | \$ 6,164,243 | \$ 5,597,576 |
| Deferred outflows of resources | \$ 37,869,858 | \$ 21,975,402 | \$ - | \$ - |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Current portion of long-term debt obligations | 899,574 | \$ 820,000 | \$ - | \$ - |
| Accounts payable | 7,141,221 | 6,334,431 | - | - |
| Accrued interest payable | 54,397 | 6,287 | - | - |
| Accrued payrolls, vacation, and other compensation | 7,387,032 | 7,788,622 | - | - |
| Unearned revenue | 2,784,546 | 2,684,470 | - | - |
| Deposits held for others | 2,925,732 | 3,103,346 | - | - |
| Total current liabilities | 21,192,502 | 20,737,156 | - | - |
| Long-term debt obligations - net | 2,846,040 | - | - | - |
| Net pension liability | 173,497,992 | 180,430,177 | - | - |
| Net OPEB liability | 59,515,812 | - | - | - |
| Compensated absences - net of current portion | 1,371,885 | 1,510,368 | - | - |
| Total liabilities | \$ 258,424,231 | \$ 202,677,701 | \$ - | \$ - |
| Deferred inflows of resources | \$ 31,976,585 | \$ 12,307,124 | \$ - | \$ - |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 136,235,864 | \$ 140,943,440 | \$ - | \$ - |
| Restricted: | | | | |
| Nonexpendable endowments | - | - | 1,964,599 | 1,772,866 |
| Expendable scholarships and grants | 1,165,711 | 1,081,533 | 1,137,511 | 968,144 |
| Unrestricted | 43,098,508 | 73,575,694 | 3,062,133 | 2,856,566 |
| Total net position | \$ 180,500,083 | \$ 215,600,667 | \$ 6,164,243 | \$ 5,597,576 |

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

OAKLAND COMMUNITY COLLEGE

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30

| | College | | Component Unit - Foundation | |
|--|-----------------------|-----------------------|-----------------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Operating revenues | | | | |
| Tuition and fees - net of scholarship allowance of \$12,954,035 in 2018 and \$12,829,220 in 2017 | \$ 30,814,265 | \$ 33,089,583 | \$ - | \$ - |
| Federal grants and contracts | 3,106,858 | 3,384,815 | - | - |
| State and local grants and contracts | 5,896,053 | 1,391,492 | - | - |
| Nongovernmental grants and contracts | 647,391 | 571,140 | - | - |
| Auxiliary activities | 5,559,961 | 6,624,795 | - | - |
| Miscellaneous | 912,336 | 804,640 | - | - |
| Total operating revenues | 46,936,864 | 45,866,465 | - | - |
| Operating expenses | | | | |
| Instruction | 51,555,305 | 53,225,465 | - | - |
| Instructional support | 22,672,313 | 22,005,048 | - | - |
| Student services | 28,075,505 | 28,180,138 | - | - |
| Institutional administration | 16,177,115 | 15,926,220 | 271,596 | 310,195 |
| Information Technology | 7,156,628 | 7,269,653 | - | - |
| Physical plant operations | 14,525,312 | 17,418,448 | - | - |
| Depreciation | 16,674,558 | 16,268,145 | - | - |
| Public services | 117,940 | 135,116 | - | - |
| Total operating expenses | 156,954,676 | 160,428,233 | 271,596 | 310,195 |
| Operating loss | (110,017,812) | (114,561,768) | (271,596) | (310,195) |
| Non-operating revenues (expenses) | | | | |
| Pell grant revenue | 18,147,150 | 17,424,284 | - | - |
| State appropriations | 24,715,817 | 23,847,244 | - | - |
| State appropriations for UAAL | 8,966,836 | 7,124,142 | - | - |
| Property taxes | 82,889,739 | 80,835,825 | - | - |
| Gifts | - | - | 484,844 | 361,845 |
| Investment income | 4,585,290 | 3,271,525 | 192,944 | 136,095 |
| Net realized and unrealized gain (loss) on investments | (4,035,545) | (3,266,071) | 160,475 | 451,255 |
| Net non-operating revenues | 135,269,287 | 129,236,949 | 838,263 | 949,195 |
| Increase in net position | 25,251,475 | 14,675,181 | 566,667 | 639,000 |
| Net position - beginning of year | 215,600,667 | 200,925,486 | 5,597,576 | 4,958,576 |
| Adjustment for change in accounting principle | (60,352,059) | - | - | - |
| Net position restated | 155,248,608 | - | - | - |
| Net position - end of year | \$ 180,500,083 | \$ 215,600,667 | \$ 6,164,243 | \$ 5,597,576 |

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

OAKLAND COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

| | 2018 | 2017 |
|---|------------------------|-------------------------|
| Cash flows from operating activities | | |
| Tuition and fees | \$ 30,418,212 | \$ 33,261,926 |
| Grants and contracts | 9,825,376 | 5,919,672 |
| Payments to suppliers | (77,696,172) | (77,627,940) |
| Payments to employees | (68,149,497) | (69,361,797) |
| Auxiliary enterprise charges | 6,472,297 | 7,429,435 |
| | \$ (99,129,784) | \$ (100,378,704) |
| Cash flows from noncapital financing activities | | |
| Pell grant revenue | 18,147,150 | 17,424,284 |
| Direct loan receipts | 11,896,223 | 19,153,872 |
| Direct loan disbursements | (11,896,223) | (19,153,872) |
| Property taxes | 82,921,729 | 80,744,243 |
| State appropriations | 33,743,685 | 30,866,127 |
| | \$ 134,812,564 | \$ 129,034,654 |
| Cash flows from capital and related financing activities | | |
| Purchase of capital assets | (14,892,597) | (7,204,053) |
| Proceeds from capital debt | 3,745,614 | - |
| Principal paid on capital debt | (820,000) | (785,000) |
| Interest accrued (paid) on capital debt | 48,110 | (73,545) |
| | \$ (11,918,873) | \$ (8,062,598) |
| Cash flows from investing activities | | |
| Purchase of investments | (238,035,278) | (185,446,232) |
| Interest on investments | 5,206,723 | 5,592,193 |
| Proceeds from sales and maturities of investments | 213,927,832 | 167,485,759 |
| | \$ (18,900,723) | \$ (12,368,280) |
| Net increase in cash and cash equivalents | \$ 4,863,184 | \$ 8,225,072 |
| Cash and cash equivalents - beginning of year | \$ 35,803,400 | \$ 27,578,328 |
| Cash and cash equivalents - end of year | \$ 40,666,584 | \$ 35,803,400 |
| Significant Noncash Transactions | | |
| Unrealized loss on investments at fiscal year end | \$ 2,907,066 | \$ 3,377,408 |

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

OAKLAND COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30

Reconciliation of Operating Loss to Net Cash Used in Operating Activities

| | 2018 | 2017 |
|--|------------------------|-------------------------|
| Operating loss | \$ (110,017,812) | \$ (114,561,768) |
| Adjustments to reconcile operating loss to net cash used in operating activities | | |
| Depreciation | 16,674,559 | 16,268,145 |
| Loss on disposal of capital assets | - | 15,046 |
| Provision for uncollectible receivables | 1,216,643 | 1,455,061 |
| Changes in operating assets and liabilities which (used) provided cash | | |
| Accounts receivable | (1,712,772) | (942,500) |
| Federal and state grants receivable | 175,074 | 572,225 |
| Inventories | 9,058 | 289,595 |
| Prepaid assets and other current assets | (1,670,286) | (1,480,146) |
| Accounts payable | 806,790 | (567,228) |
| Accrued payroll and other compensation | (540,073) | (346,225) |
| Deposits held for others | (177,614) | (479,685) |
| Unearned revenue | 100,076 | (340,218) |
| Deferred outflows of resources | (11,423,519) | (3,406,299) |
| Deferred inflows of resources | 17,622,461 | (1,472,154) |
| Pension and OPEB Liability | (10,192,369) | 4,617,447 |
| Net cash used in operating activities | \$ (99,129,784) | \$ (100,378,704) |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - Oakland Community College (the "College") is a Michigan community college whose financial statements have been prepared in accordance with the accounting principles as prescribed by the Governmental Accounting Standards Board and as outlined in the *State of Michigan Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board 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 application of the criteria, the College has one component unit. A component unit is a separate legal entity that is included in the College's reporting entity because of the significance of its operational financial relationships with the College.

The Oakland Community College Foundation (the "Foundation") is discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own Board of Directors) because its sole purpose is to provide support to the College. Audited financial statements of the Foundation may be obtained by contacting Oakland Community College Foundation, 2480 Opdyke Road, Bloomfield Hills, Michigan 48304-2266.

Basis of Accounting – Oakland Community College

The financial statements of the College have been prepared using an economic resources management 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 is a nonprofit organization that reports under the provisions of Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board ("GASB") revenue recognition and presentation features. The Foundation financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board ("FASB"). 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.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Significant Accounting Policies

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

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

Accounts Receivable - Accounts receivable are recorded net of allowance for uncollectible amounts of approximately \$2.0 million and \$1.4 million as of June 30, 2018 and 2017, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience, including experience with Title IV returns. All amounts deemed to be uncollectible are charged against the allowance in the period that determination is made.

Investments - Investments are stated at fair value, based on quoted market prices or other observable inputs and may not be indicative of net realizable value or reflective of future fair value.

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

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

Capital Assets - Capital assets consist of property and equipment that are stated at cost, or, in the case of donated property, at acquisition value on the date the gift was received. Depreciation is provided for property and equipment on a straight-line basis over the estimated useful lives of the assets. Expenditures for property and equipment greater than \$5,000 are capitalized.

Unearned Revenue - Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2018 includes \$2.6 million of tuition for the 2018 summer term, which began on May 7, 2018 and ended on August 22, 2018. Unearned revenue at June 30, 2017 includes \$2.7 million of tuition for the 2017 summer term, which began on May 8, 2017 and ended on August 23, 2017. Grants received prior to qualifying expenditures are also included in unearned revenue.

Compensated Absences – Compensated absences included in the accompanying statement of net position represent the accumulated liability of the College for the amount of earned vacation and sick time that are required to be paid out to certain employees based on College policy and existing union contracts.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition - Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted.

Operating revenues of the College consist of tuition and fees, certain grants and contracts, and sales and services of educational activities. Transactions related to capital and financing activities, noncapital financing activities, investing activities, state appropriations, property taxes, and Federal Pell grants are components of non-operating and other revenues. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

Property taxes are recorded as revenue when received, which approximates the amounts when levied. Property taxes are levied on December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by municipalities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

During the years ended June 30, 2018 and 2017, 1.5555 and 1.5707, respectively of tax per \$1,000 of taxable property value in the College taxing district was levied for general operating purposes on all property. Total operating property tax revenue was \$82.9 million and \$80.8 million for the years ended June 30, 2018 and 2017, respectively.

Scholarship Allowance - Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowance in the statement of revenues, expenses, and changes in net position. Scholarship allowance is the difference between the stated charge for goods and services provided by the College, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs, are recorded as either operating or non-operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

Expenses - Operating expenses include the costs of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as non-operating expenses.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

Other Postemployment Benefit Costs - For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPERS and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. MPERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then.

The College reports deferred outflows of resources for certain pension related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 4.

Deferred Inflows of Resources - In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

The College reports deferred inflows of resources for certain pension related and OPEB-related amounts, such as the difference between projected and actual earnings of the plan’s investments. More detailed information can be found in Note 4.

Use of Estimates - The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Actual results may differ from estimated amounts.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

Unrestricted Net Position - Unrestricted net position represents net position that is not subject to externally imposed restrictions. In fiscal year 2018 and 2017 the College's unrestricted net position is comprised of the following:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Designated for future capital outlay and major maintenance | \$ 129,420,215 | \$ 108,229,176 |
| Designated for quasi-endowment | 17,492,465 | 17,975,871 |
| Designated for auxiliary activities, net | 7,237,027 | 7,264,234 |
| Restricted purchases for CCSTEP grant | - | (1,142,199) |
| Designated for instructional programs (designated fund) | 2,777,744 | 2,503,574 |
| Designated for future retirement contributions (designated fund) | 71,099,690 | 71,099,690 |
| Designated for future health, property, casualty insurance (designated fund) | 5,000,000 | 5,000,000 |
| Designated for unfunded pension and OPEB liabilities | (227,120,531) | (170,761,899) |
| Unrestricted and unallocated net position | 37,191,898 | 33,407,247 |
| | <u>\$ 43,098,508</u> | <u>\$ 73,575,694</u> |

The College has had a Financial Reserves and Designated Funds Policy since 2015 when the Board approved the policy in order to meet cash flow requirements, maintain a strong credit rating, and allow for flexibility to respond to changes in the economic environment. With the policy, the College shall maintain the following financial designations for operating funds:

1. Not less than four months of operating expenditures of the total combined funds based on annual audited expenditures for the past three years.
2. Not less than one year of expected capital expenditures.

Additionally, funds are designated for retirement fund, quasi-endowment, and health and property casualty fund. The current balances in the unrestricted and designated funds listed above meet the requirements of this policy.

Net Investment In Capital Assets - Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Restricted Net Position –

- Nonexpendable - Net position subject to externally imposed constraints that they be maintained permanently by the College. Nonexpendable net position includes corpus portion (historical value) of gifts to the College's permanent endowment funds and certain investment earnings stipulated by the donor to be reinvested permanently.
- Expendable – Net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time.

Reclassification of Expense – As one of the 28 community colleges in Michigan, Oakland Community College is required to enter and submit Tuition and Fees and Michigan Community College Data Inventory (MCCDI) each year. As part of this data inventory, expenses are reported in major activity classifications. In 2018 the requirements of reporting changed for Information Technology expenses. Previously these expenses were allocated proportionately across Instruction, Institutional Administration, Student Services and Instructional Support activity classifications. In 2018, Information Technology expenses were reported separately as required and for comparative purposes, these expenses were reclassified for 2017 as well.

Adoption of New Standard – For the year ended June 30, 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which requires governments providing other postemployment benefit (OPEB) plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of \$60.4 million, which is the net of the net OPEB liability and related deferred outflows as of July 1, 2017. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

For the year ended June 30, 2018, the College early adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* which is required to be adopted on a prospective basis. Under the new governmental accounting standard, GASB universities, colleges, hospitals and governments with a business-type activity or enterprise fund will now expense interest costs previously capitalized before the end of the construction period. GASB believes that the implementation of this Statement will result in simplified reporting of better and more comparable information. The GASB feels that the practice of capitalizing interest cost doesn't align with the definition of an asset because it does not possess present service capacity. For fiscal year ended June 30, 2018 the College has therefore expensed all construction interest costs.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS

Deposits - State law limits 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). \$500,000 and \$704,627 of cash and certificates of deposit was covered by FDIC insurance and \$42,078,613 and \$37,613,510 of cash and certificates of deposit was not covered by FDIC insurance at June 30, 2018 and 2017, respectively. In addition, commercial paper in the amount of \$24.6 million and \$14.5 million as of June 30, 2018 and 2017, respectively, are included as short term investments and are not subject to FDIC insurance provisions.

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 of instrumentality of the United States or obligations of the State of Michigan. 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. The aforementioned investment policy is in accordance with State of Michigan law.

Reports are submitted to the Board of Trustees on a quarterly basis to provide a performance report of investments. The Board of Trustees has authorized PFM Group to make investment decisions in accordance with policies set forth by the Board of Trustees.

Fair Value Measurements - The College categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College has the following recurring fair value measurements as of June 30, 2018 and 2017:

| | 2018 | Quoted Prices in Active Markets Level 1 | Significant Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|--|----------------|--|--|--|
| Investments by fair value level | | | | |
| Debt Securities | | | | |
| U.S. Treasury securities | \$ 114,446,201 | \$ - | \$ 114,446,201 | \$ - |
| Supra-National Agency Bond/Note | - | - | - | - |
| Tax-Exempt Municipal Bonds | - | - | - | - |
| Federal Agency Mortgage-Backed Securities | 30,954,680 | - | 30,954,680 | - |
| Federal Agency Collateralized Mortgage Obligations | 38,789,562 | - | 38,789,562 | - |
| Federal Agency Bonds/Notes | 26,258,253 | - | 26,258,253 | - |
| Total investments by fair value level | \$ 210,448,696 | \$ - | \$ 210,448,696 | \$ - |
| Investments at cost | | | | |
| Certificates of deposit | 726,240 | | | |
| Commercial paper | 24,627,000 | | | |
| Total Investments | \$ 235,801,936 | | | |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

| | 2017 | Quoted Prices in Active Markets Level 1 | Significant Observable Inputs Level 2 | Significant Unobservable Inputs Level 3 |
|--|----------------|--|--|--|
| Investments by fair value level | | | | |
| Debt Securities | | | | |
| U.S. Treasury securities | \$ 66,837,829 | \$ - | \$ 66,837,829 | \$ - |
| Supra-National Agency Bond/Note | 20,692,158 | - | 20,692,158 | - |
| Tax-Exempt Municipal Bonds | 250,378 | - | 250,378 | - |
| Federal Agency Mortgage-Backed Securities | 17,365,086 | - | 17,365,086 | - |
| Federal Agency Collateralized Mortgage Obligations | 36,569,669 | - | 36,569,669 | - |
| Federal Agency Bonds/Notes | 59,510,821 | - | 59,510,821 | - |
| Total investments by fair value level | \$ 201,225,941 | \$ - | \$ 201,225,941 | \$ - |
| Investments at cost | | | | |
| Certificates of deposit | 726,824 | | | |
| Commercial paper | 14,475,050 | | | |
| Total Investments | \$ 216,427,815 | | | |

The fair value of the U.S. Treasury securities, tax-exempt municipal bonds, and federal government agency securities at June 30, 2018 and 2017 was determined primarily based on level 2 inputs. The College estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The College did not have any Level 1 or Level 3 investments as of June 30, 2018 and June 30, 2017.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

| | 2018 | 2017 |
|---------------------------|------------------------------|------------------------------|
| Cash and cash equivalents | \$ 40,666,584 | \$ 35,803,400 |
| Short-term investments | 25,668,233 | 48,930,905 |
| Long-term investments | <u>210,133,703</u> | <u>167,496,910</u> |
| Total | <u>\$ 276,468,520</u> | <u>\$ 252,231,215</u> |

The amounts are categorized as follows at June 30:

| | 2018 | 2017 |
|---|------------------------------|------------------------------|
| Bank deposits (checking, savings, cash sweep accounts) | \$ 40,666,584 | \$ 35,803,400 |
| Investments | <u>235,801,936</u> | <u>216,427,815</u> |
| Total | <u>\$ 276,468,520</u> | <u>\$ 252,231,215</u> |

Interest Rate Risk - The College does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. As of June 30 2018, the College had the following investments and maturities:

| | Fair Value | Less Than One Year | 1-4 Years | 5-10 Years | More Than 10 Years |
|---|-----------------------------|-------------------------------|-----------------------------|----------------------------|-------------------------------|
| U.S. Treasury securities | \$ 114,446,201 | \$ - | \$ 79,455,163 | \$ 34,991,038 | \$ - |
| Supra-National Agency Bond/Note | - | - | - | - | - |
| Tax-Exempt Municipal Bonds | - | - | - | - | - |
| Federal Agency Mortgage- Backed Securities | 30,954,680 | - | - | 3,560,743 | 27,393,937 |
| Federal Agency Collateralized Mortgage Obligations | 38,789,562 | 337,899 | 2,378,287 | 26,063,296 | 10,010,080 |
| Federal Agency Bonds/Notes | 26,258,253 | 703,334 | 25,077,104 | 477,815 | - |
| Certificates of deposit and commercial paper | <u>25,353,240</u> | <u>24,627,000</u> | <u>-</u> | <u>726,240</u> | <u>-</u> |
| Total | <u>\$235,801,936</u> | <u>\$25,668,233</u> | <u>\$106,910,554</u> | <u>\$65,819,132</u> | <u>\$ 37,404,017</u> |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

| | <u>Fair Value</u> | <u>Less Than One Year</u> | <u>1-4 Years</u> | <u>5-10 Years</u> | <u>More Than 10 Years</u> |
|---|-----------------------------|-------------------------------|-----------------------------|----------------------------|-------------------------------|
| U.S. Treasury securities | \$ 66,837,829 | \$ - | \$ 66,837,829 | \$ - | \$ - |
| Supra-National Agency Bond/Note | 20,692,158 | - | 20,692,158 | - | - |
| Tax-Exempt Municipal Bonds | 250,378 | - | 250,378 | - | - |
| Federal Agency Mortgage- Backed Securities | 17,365,086 | - | - | 1,463,790 | 15,901,296 |
| Federal Agency Collateralized Mortgage Obligations | 36,569,669 | - | 8,508,197 | 19,380,541 | 8,680,931 |
| Federal Agency Bonds/Notes | 59,510,821 | 34,455,855 | 23,573,326 | 1,481,640 | - |
| Certificates of deposit and commercial paper | <u>15,201,874</u> | <u>14,475,050</u> | <u>-</u> | <u>726,824</u> | <u>-</u> |
| Total | <u><u>\$216,427,815</u></u> | <u><u>\$48,930,905</u></u> | <u><u>\$119,861,888</u></u> | <u><u>\$23,052,795</u></u> | <u><u>\$ 24,582,227</u></u> |

* Treasury, Federal Mortgage Obligation and Federal Agency bonds are subject to monthly, quarterly, or semiannual interest and/ or principal payments. The maturities are based on the stated date of the last principal and interest payment. These investments may be callable and have interest rates ranging from 1.2 to 5.75 in 2018 and .75 percent to 6.25 percent in 2017.

Credit Risk - State law limits investments in commercial paper to corporations rated prime by at least one of the standard rating services. The College uses Standard & Poor's and Moody's Investors Service to monitor ratings and the College portfolio is invested in accordance with these guidelines.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College fixed income investments by credit rating at June 30, 2018 and 2017 were as follows:

| | Credit Rating - 2018 | | | | | | Total |
|--|-----------------------|-------------|-------------|----------------------|---------------------|-------------------|-----------------------|
| | AA+/Aaa | AAA/Aaa | AA+ | A-1/P-1 | A-1+/P-1 | A+/Aa1 | |
| Government Agencies and Sponsored Enterprises Bonds | \$ 210,448,696 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 210,448,696 |
| Certificates of Deposit | - | - | - | - | - | 726,240 | 726,240 |
| Commerical Paper | - | - | - | 23,528,100 | 1,098,900 | - | 24,627,000 |
| Total | <u>\$ 210,448,696</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 23,528,100</u> | <u>\$ 1,098,900</u> | <u>\$ 726,240</u> | <u>\$ 235,801,936</u> |

| | Credit Rating - 2017 | | | | | Total |
|--|-----------------------|----------------------|-------------------|----------------------|-------------------|-----------------------|
| | AA+/Aaa | AAA/Aaa | AA+ | A-1/P-1 | A-1+/P-1 | |
| Government Agencies and Sponsored Enterprises Bonds | \$ 180,283,405 | \$ 20,692,158 | \$ - | \$ - | \$ - | \$ 200,975,563 |
| Certificates of Deposit | - | - | - | - | 726,824 | 726,824 |
| Commerical Paper | - | - | - | 14,475,050 | - | 14,475,050 |
| Municipal Bonds | - | - | 250,378 | - | - | 250,378 |
| Total | <u>\$ 180,283,405</u> | <u>\$ 20,692,158</u> | <u>\$ 250,378</u> | <u>\$ 14,475,050</u> | <u>\$ 726,824</u> | <u>\$ 216,427,815</u> |

Custodial Credit Risk - All of the College's investments are in the name of the College or, as applicable, the investments are in trust accounts with each financial institution from which they were purchased.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Concentration of Credit Risk – Other than government securities, the amount of funds invested in one financial institution shall not exceed 5% of the total investment portfolio of the College. In the event there is a merger/acquisition of two or more financial institutions in which the College’s funds are invested, the College will require a one-year (1-year) period of time within which to divest funds from its accounts, such that the total amount of funds invested in one financial institution does not exceed 5 percent.

More than five percent of the College’s investments at June 30, 2018 and 2017 were invested as follows:

| Issuer | 2018 | 2017 |
|--|--------------|-------------|
| Federal Home Loan Bank | 2% | 12% |
| Federal National Mortgage Association | 19% | 18% |
| Federal Home Loan Mortgage Corporation | 9% | 17% |
| U.S. Treasury | 49% | 33% |
| Tennessee Valley Authority | Less than 1% | 6% |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

| | Balance | | Disposals/ | Balance | Useful Life |
|--|------------------------------|-----------------------------|------------------------------|------------------------------|---------------------|
| | <u>July 1, 2017</u> | <u>Additions</u> | <u>Transfers</u> | <u>June 30, 2018</u> | <u>Years</u> |
| Capital assets - non-depreciable | | | | | |
| Land | \$ 9,549,179 | \$ - | \$ - | \$ 9,549,179 | |
| Construction in progress | <u>3,098,219</u> | <u>6,258,111</u> | <u>(4,944,259)</u> | <u>4,412,071</u> | |
| Total capital assets – non-depreciable | <u>\$ 12,647,398</u> | <u>\$ 6,258,111</u> | <u>\$ (4,944,259)</u> | <u>\$ 13,961,250</u> | |
| Capital assets - depreciable | | | | | |
| Land improvements | \$ 18,719,439 | \$ - | \$ 908,197 | \$ 19,627,636 | 5-25 |
| Buildings and improvements | 289,226,353 | - | 2,996,072 | 292,222,426 | 5-40 |
| Furniture, fixtures and equipment | 38,577,200 | 8,446,518 | (97,403) | 46,926,315 | 5-20 |
| Library materials | 9,339,765 | 187,966 | (183,386) | 9,344,345 | 15 |
| Infrastructure | <u>21,162,010</u> | <u>-</u> | <u>1,039,990</u> | <u>22,202,000</u> | 10-25 |
| Total capital assets - depreciable | <u>\$ 377,024,767</u> | <u>\$ 8,634,484</u> | <u>\$ 4,663,470</u> | <u>\$ 390,322,722</u> | |
| Less accumulated depreciation | | | | | |
| Land improvements | \$ 12,480,163 | \$ 653,076 | \$ - | \$ 13,133,239 | |
| Buildings and improvements | 178,514,831 | 12,307,731 | - | 190,822,562 | |
| Furniture, fixtures and equipment | 30,642,722 | 3,025,714 | (97,403) | 33,571,033 | |
| Library materials | 7,653,361 | 204,778 | (183,387) | 7,674,752 | |
| Infrastructure | <u>18,617,648</u> | <u>483,260</u> | <u>-</u> | <u>19,100,908</u> | |
| Total accumulated depreciation | <u>\$ 247,908,725</u> | <u>\$ 16,674,559</u> | <u>\$ (280,790)</u> | <u>\$ 264,302,494</u> | |
| Total capital assets – depreciable, net | <u>\$ 129,116,042</u> | | | <u>\$ 126,020,228</u> | |
| Net capital assets | <u>\$ 141,763,440</u> | | | <u>\$ 139,981,478</u> | |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Capital asset activity for the year ended June 30, 2017 was as follows:

| | <u>Balance</u> <u>July 1, 2016</u> | <u>Additions</u> | <u>Disposals/ Transfers</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Useful Life</u> <u>Years</u> |
|--|---------------------------------------|-----------------------------|---------------------------------|--|------------------------------------|
| Capital assets - non-depreciable | | | | | |
| Land | \$ 9,549,179 | \$ - | \$ - | \$ 9,549,179 | |
| Construction in progress | <u>998,600</u> | <u>3,486,791</u> | <u>(1,387,172)</u> | <u>3,098,219</u> | |
| Total capital assets – non-depreciable | <u>\$ 10,547,779</u> | <u>\$ 3,486,791</u> | <u>\$ (1,387,172)</u> | <u>\$ 12,647,398</u> | |
| Capital assets - depreciable | | | | | |
| Land improvements | \$ 18,438,040 | \$ - | \$ 281,399 | \$ 18,719,439 | 5-25 |
| Buildings and improvements | 288,091,158 | 29,422 | 1,105,773 | 289,226,353 | 5-40 |
| Furniture, fixtures and equipment | 35,236,449 | 3,508,102 | (167,351) | 38,577,200 | 5-20 |
| Library materials | 9,239,713 | 247,395 | (147,343) | 9,339,765 | 15 |
| Infrastructure | <u>21,162,010</u> | <u>-</u> | <u>-</u> | <u>21,162,010</u> | 10-25 |
| Total capital assets - depreciable | <u>\$ 372,167,370</u> | <u>\$ 3,784,919</u> | <u>\$ 1,072,478</u> | <u>\$ 377,024,767</u> | |
| Less accumulated depreciation | | | | | |
| Land improvements | \$ 11,771,748 | \$ 708,415 | \$ - | \$ 12,480,163 | |
| Buildings and improvements | 165,742,246 | 12,772,585 | - | 178,514,831 | |
| Furniture, fixtures and equipment | 28,729,464 | 2,065,564 | (152,306) | 30,642,722 | |
| Library materials | 7,604,865 | 195,839 | (147,343) | 7,653,361 | |
| Infrastructure | <u>18,091,906</u> | <u>525,742</u> | <u>-</u> | <u>18,617,648</u> | |
| Total accumulated depreciation | <u>\$ 231,940,229</u> | <u>\$ 16,268,145</u> | <u>\$ (299,649)</u> | <u>\$ 247,908,725</u> | |
| Total capital assets – depreciable, net | <u>\$ 140,227,141</u> | | | <u>\$ 129,116,042</u> | |
| Net capital assets | <u>\$ 150,774,920</u> | | | <u>\$ 141,763,440</u> | |

The College capitalized interest costs of \$67,658 for the year ended June 30, 2017. In 2018, the College early adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* and expensed all interest costs related to capital assets from construction projects.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. RETIREMENT PLANS

Defined Benefit Pension and OPEB Plans

Plan Description – The College participates in the Michigan Public School Employees’ Retirement System (MPERS or the “System”), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain College employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees’ Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment healthcare plans. That report is available on the web at <http://www.michigan.gov/orsschools>, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing MI 48909.

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

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The College’s contributions are determined based on employee elections. There are multiple benefit different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The range of rates is as follows:

| | Pension | OPEB |
|---------------------------------------|-----------------|---------------|
| October 1, 2015 – September 30, 2016 | 14.56% - 18.95% | 6.4% - 6.83% |
| October 1, 2016 – September 30, 2017 | 15.27% - 19.03% | 5.69% - 5.91% |
| October 1, 2017 – January 31, 2018 | 13.54% - 17.89% | 7.42% - 7.67% |
| February 1, 2018 – September 30, 2018 | 13.54% - 19.74% | 7.42% - 7.67% |

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the years ended June 30, 2018 and 2017 were \$17.8 million and \$16.0 million, respectively, which include the College's contributions required for those members with defined contribution benefit. The College's required and actual pension contributions include an allocation of \$6.7 and \$5.5 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2018 and 2017, respectively.

The College's required and actual OPEB contributions to the plan for the year ended June 30, 2018 and 2017 were \$5.2 million and \$3.3 million, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual OPEB contributions include an allocation of \$2.0 million in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2017. There was no allocation of revenue to OPEB in 2018.

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

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

Depending on the member's date of hire, MPSERS offers the option of participating in the Defined Contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

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

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Net Pension Liability – At June 30, 2018 and 2017, the College reported a liability of \$173.5 million and \$180.4 million, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and September 30, 2015, which used update procedures to roll forward the estimated liability to September 30, 2017 and September 30, 2016. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the MPSERS pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and September 30, 2016, the College's proportion was 0.66950 and 0.72319 percent, respectively.

Net OPEB Liability – At June 30, 2018, the College reported a liability of \$59.5 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The College's proportion of the net OPEB liability was based on a projection of its long term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017, the College's proportion was 0.66950 percent of MPSERS in total.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension - For the year ended June 30, 2018 and 2017, the College recognized pension expense of \$12.9 million and \$15.1 million, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the College reported deferred inflows of resources related to pensions net of deferred outflows of resources from the following sources:

| | 2018 | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 1,507,816 | \$ 851,318 |
| Changes of Assumptions | 19,008,084 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 8,294,345 |
| Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions | 461,834 | 14,084,892 |
| Reporting Unit contributions subsequent to the measurement date | 13,814,634 | - |
| Total | \$ 34,792,368 | \$ 23,230,555 |

| | 2017 | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 2,248,636 | \$ 427,624 |
| Changes of Assumptions | 2,820,885 | - |
| Net difference between projected and actual earnings on pension plan investments | 2,998,748 | - |
| Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions | 638,791 | 6,378,564 |
| Reporting Unit contributions subsequent to the measurement date | 13,268,342 | - |
| Total | \$ 21,975,402 | \$ 6,806,188 |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The \$1.2 million and \$424,000 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2019 and 2018, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|----------------------------|------------------------------|
| 2019 | \$ (1,887,813) |
| 2020 | 1,652,679 |
| 2021 | (179,209) |
| 2022 | (1,838,478) |
| 2023 | - |
| Thereafter | - |
| Total | <u><u>\$ (2,252,821)</u></u> |

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

In addition, the College had deferred outflows of resources related to revenue in support of pension payments made subsequent to the measurement date totaling \$13.8 and \$13.3 at June 30, 2018 and 2017, respectively.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2018 and 2017, the College recognized OPEB expense of \$4.0 million and \$3.3 million, respectively.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | 2018 | |
|---|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ - | \$ 633,668 |
| Changes of Assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 1,378,400 |
| Changes in proportion and differences between Reporting Unit contributions and proportionate share of contributions | 22,469 | - |
| Reporting Unit contributions subsequent to the measurement date | 3,055,021 | - |
| Total | \$ 3,077,490 | \$ 2,012,068 |

There were no funds reported as deferred inflows of resources resulting from the OPEB portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2019 and 2018, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future pension expense):

| Year Ending June 30 | Amount |
|---------------------|----------------|
| 2019 | \$ (481,199) |
| 2020 | (481,199) |
| 2021 | (481,199) |
| 2022 | (481,199) |
| 2023 | (64,803) |
| Thereafter | - |
| Total | \$ (1,989,599) |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions – The total pension liability and total OPEB liability as of September 30, 2017 and September 30, 2016, was based on the results of an actuarial valuation date of September 30, 2016 and September 30, 2015, and rolled forward. The total pension liability was determined using the following actuarial assumptions:

| | | |
|------------------------------------|--|---|
| Actuarial cost method | | Entry Age normal cost actuarial cost method |
| Investment rate of return- Pension | 2017 7.00% - 7.5% 2016 7.00% - 8.0% | Net of investment expenses based on the groups |
| Investment rate of return - OPEB | 2017 7.5% | Net of investment expenses based on the groups |
| Salary increases | 3.5% - 12.3% | Including wage inflation of 3.5% |
| Healthcare Cost Trend Rate | 2017 7.5% | Year 1, graded to 3.5% in year 12 |
| Mortality basis | | RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB |
| Cost of living pension adjustments | 3.00% | Annual compounded for MIP members |

Assumption changes as a result of an experience study for the periods 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate – The discount rate used to measure the total pension liability was 7.0-7.5 percent and 7.00-8.00 percent as of September 30, 2017 and 2016, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates.

Based on those assumptions, the pension plan’s fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables for 2018 and 2017, respectively:

| | 2018 | |
|------------------------------------|-------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity Pools | 28.0% | 5.6% |
| Alternative Investment Pools | 18.0% | 8.7% |
| International Equity Pools | 16.0% | 7.2% |
| Fixed Income Pools | 10.5% | 0.1% |
| Real Estate & Infrastructure Pools | 10.0% | 4.2% |
| Absolute Return Pools | 15.5% | 5.0% |
| Short Term Investment Pools | 2.0% | 0.9% |
| Total | <u>100.0%</u> | |

| | 2017 | |
|------------------------------------|-------------------|--|
| | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity Pools | 28.0% | 5.9% |
| Alternative Investment Pools | 18.0% | 9.2% |
| International Equity Pools | 16.0% | 7.2% |
| Fixed Income Pools | 10.5% | 0.9% |
| Real Estate & Infrastructure Pools | 10.0% | 4.3% |
| Absolute Return Pools | 15.5% | 6.0% |
| Short Term Investment Pools | 2.0% | 0.0% |
| Total | <u>100.0%</u> | |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05% and 7.15%, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the net pension liability to changes in the discount rate – The following presents the net pension liability of the College, calculated using the discount rate depending on the plan option, as well as what the College’s net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| | <u>2018</u> | | |
|-----------------------|--|--|--|
| | <u>1.00 percent decrease</u> <u>(6-6.5 percent)</u> | <u>Current Discount Rate</u> <u>(7-7.5 percent)</u> | <u>1.00 percent increase</u> <u>(8-8.5 percent)</u> |
| Net Pension Liability | \$ 226,010,176 | \$ 173,497,992 | \$ 129,286,077 |
| | <u>2017</u> | | |
| | <u>1.00 percent decrease</u> <u>(7.00 percent)</u> | <u>Current Discount Rate</u> <u>(8.00 percent)</u> | <u>1.00 percent increase</u> <u>(9.00 percent)</u> |
| Net Pension Liability | \$ 232,348,653 | \$ 180,430,177 | \$ 136,657,911 |

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the net OPEB liability of the College, calculated using the current discount rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | <u>2018</u> | | |
|--------------------|--|--|--|
| | <u>1.00 percent decrease</u> <u>(6.5 percent)</u> | <u>Current Discount Rate</u> <u>(7.5 percent)</u> | <u>1.00 percent increase</u> <u>(8.5 percent)</u> |
| Net OPEB Liability | \$ 69,710,217 | \$ 59,515,812 | \$ 50,863,954 |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB liability of the College, calculated using the current healthcare cost trend rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

| | <u>1.00 percent decrease</u> <u>(6.5 percent)</u> | <u>2018</u> <u>Current Healthcare Cost</u> <u>Trend Rate</u> <u>(7.5 percent)</u> | <u>1.00 percent increase</u> <u>(8.5 percent)</u> |
|--------------------|--|--|--|
| Net OPEB Liability | \$ 50,401,892 | \$ 59,515,812 | \$ 69,864,032 |

Pension plan and OPEB Plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan – At June 30, 2018, the College reported a payable of \$1.4 million and approximately \$80,000 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018. At June 30, 2017, the College reported a payable of \$2.3 million and approximately \$578,000 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2017.

Defined Contribution Plan

Existing professional MPSERS members and new 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 plan 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 percentage contributed by the College is 11 percent for the years ended June 30, 2018 and 2017. The payroll for the College's employees covered by the optional plan was \$12.3 million and \$12.1 million for fiscal years ended 2018 and 2017, respectively. College contributions were made in the amount required by the plan and totaled approximately \$1,348,000 and \$1,332,000 for fiscal years 2018 and 2017, respectively. Under the member investment plan, employees may contribute 4% of gross wages in addition to the College's contribution.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

In addition to the MPSERS and ORP plans, the College also offers deferred compensation plans to all of its full-time and part-time employees (excluding student workers) under Sections 403(b) and 457(b) of the U.S. Internal Revenue Code. The College does not contribute to these plans but employees may make elective deferrals up to amounts allowable by current tax law.

5. LONG-TERM LIABILITIES

In 2018, the College entered into a five-year tax-exempt installment purchase agreement with Key Government Finance, Inc. for the purchase of computer hardware, software and maintenance. The total amount of the agreement is \$4,999,997 with annual payments of principal and interest due in December 2018-2021. The first installment on the agreement was paid in December 2017 in the amount of \$999,999. Future payments are as follows:

| Payment due | Principal | Interest | Installment Payment |
|-------------|--------------|------------|------------------------|
| 12/13/2018 | \$ 899,574 | \$ 100,425 | \$ 999,999 |
| 12/13/2019 | 923,693 | 76,306 | 999,999 |
| 12/13/2020 | 948,459 | 51,541 | 999,999 |
| 12/13/2021 | 973,888 | 26,111 | 999,999 |
| | \$ 3,745,614 | \$ 254,383 | \$ 3,999,998 |

In September 2003, the College issued bonds in the amount of \$13,380,000 to refund the 1993 Community College Improvement and Refunding bonds in order to accomplish a net savings of debt service costs. The College paid off the debt and made its final payment in May 2018. The College's other debt and other long-term liabilities consist of the following as of June 30, 2018 and June 30, 2017, respectively:

| | Interest Rate | Maturity Date | July 1, 2017 | Additions | Reductions | June 30, 2018 | Due in One Year |
|-------------------------------------|------------------|------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Bonds Payable | | | | | | | |
| 2003 Community College | 4.15% to | | | | | | |
| Refunding Bond dated | 4.60% | 2018 | | | | | |
| September 25, 2003 | | | \$ 820,000 | \$ - | \$ 820,000 | \$ - | \$ - |
| Other long-term obligations: | | | | | | | |
| Key Government Finance – | | | | | | | |
| VDI computer equipment, | 2.6487% | | - | 4,729,594 | 983,980 | 3,745,614 | 899,574 |
| software, maintenance | | | | | | | |
| Compensated absences | | | 2,013,824 | 375,839 | 560,484 | 1,829,179 | 457,295 |
| Total | | | \$ 2,833,824 | \$ 5,105,433 | \$ 2,364,464 | \$ 5,574,793 | \$ 1,356,869 |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

| | Interest Rate | Maturity Date | July 1, 2016 | Additions | Reductions | June 30, 2017 | Due in One Year |
|-------------------------------------|------------------|------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| Bonds Payable | | | | | | | |
| 2003 Community College | 4.15% | | | | | | |
| Refunding Bond dated | to 4.60% | 2018 | | | | | |
| September 25, 2003 | | | \$ 1,605,000 | \$ - | \$ 750,000 | \$ 820,000 | \$ 820,000 |
| Other long-term obligations: | | | | | | | |
| Compensated absences | | | 2,429,982 | 490,589 | 906,747 | 2,013,824 | 503,456 |
| Total | | | <u>\$ 4,034,982</u> | <u>\$ 490,589</u> | <u>\$ 1,656,747</u> | <u>\$ 2,833,824</u> | <u>\$ 1,323,456</u> |

6. RISK MANAGEMENT

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefits and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for claims related to 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.

7. SELF-INSURANCE

The College is partially self-insured for dental, vision, and worker's compensation. The College's primary healthcare provider for all groups is MESSA, Michigan Education Special Services Association and the College has not had a self-insured healthcare plan since December 31, 2015.

Changes in self-insured employee benefit liabilities during 2018, 2017, and 2016 were as follows:

| | 2018 | 2017 | 2016 |
|--|---------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 1,031,101 | \$ 1,023,274 | \$ 1,619,682 |
| Claims incurred and changes in estimates | 1,061,921 | 1,066,286 | 5,250,335 |
| Claim and premium payments | (1,028,874) | (1,058,459) | (5,846,743) |
| Balance, end of year | <u>\$ 1,064,148</u> | <u>\$ 1,031,101</u> | <u>\$ 1,023,274</u> |

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES

In the normal course of its activities, the College is a party to various legal actions. It is the opinion of College officials that potential claims in excess of insurance coverage resulting from the pending litigation would not have a material effect on the financial statements.

In addition to the discharge of current liabilities at June 30, 2018 the College has commitments to complete existing contracts in the amount of approximately \$338,500, related principally to renovations of campus buildings and facilities.

9. FEDERAL DIRECT LENDING PROGRAM

The College distributed \$11.9 million and \$19.2 million for student loans through the U.S. Department of Education federal direct lending program for the years ended June 30, 2018 and 2017, respectively. These distributions and related funding source are not included as revenues or expenses in the accompanying financial statements.

10. TAX ABATEMENTS

The College receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions, Personal Property Tax Relief in Distressed Communities (PA 328 of 1998) and Brownfield Redevelopment Agreements granted by cities and townships within Oakland County that impact the College. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; PA 328 allows distressed communities to abate personal property tax on new investments; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2018 and June 30, 2017, the College's property tax revenues were reduced by \$855,000 and \$729,000, respectively, under these programs.

There are no abatements made by the College.

11. OAKLAND COMMUNITY COLLEGE FOUNDATION

Oakland Community College 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 net position of the component unit is restricted for those purposes.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

These assets and all activity of the Foundation are reported as a discretely presented component unit in the College's financial statements. The stated value of the net position of the Foundation totaled \$6,164,243 and \$5,597,576 for the years ended June 30, 2018 and 2017, respectively.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Foundation to use or expend the assets as specified.

Temporarily restricted net position is available for the following purposes at June 30:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------------|--------------------------|
| Scholarships | \$ 973,939 | \$ 836,370 |
| Educational Development Programs | 85,313 | 72,611 |
| Time-restricted pledges for scholarships | <u>78,259</u> | <u>59,163</u> |
| Temporarily restricted net position | <u>\$ 1,137,511</u> | <u>\$ 968,144</u> |

Permanently restricted net position contains donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Foundation to use or expend part or all of the income derived from the donated assets for specified purposes. Investment earnings available for distribution are recorded as temporarily restricted net position, as the donors have imposed purpose restrictions on the earnings. Permanently restricted net position consists of endowments invested in perpetuity, the income from which is restricted by donors for future scholarships to students enrolled at Oakland Community College.

Non-expendable endowments total \$1,964,599 and \$1,772,866 at June 30, 2018 and 2017, respectively.

For the year ending June 30, 2018, the Foundation's investments total \$5.9 million and are comprised of \$1.7 million in bond funds and \$4.2 million in equities. For the year ending June 30, 2017, the Foundation's investments total \$5.3 million and are comprised of \$1.6 million in bond funds and \$3.7 million in equities. All investments are stated at fair value based on quoted market prices for active markets using Level 1 inputs.

The College provides personnel support, supplies, and equipment to the Foundation.

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

12. UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, Leases, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The effects on the statement of revenues, expenses and changes in net position is not expected to be significant. The provisions of this statement are effective for the College's financial statements for the year ended June 30, 2021.

Required Supplementary Information



OAKLAND COMMUNITY COLLEGE
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**Oakland Community College
Required Supplementary Information**

| | <u>As of Plan's Year End September 30, 2017</u> | <u>As of Plan's Year End September 30, 2016</u> | <u>As of Plan's Year End September 30, 2015</u> | <u>As of Plan's Year End September 30, 2014</u> |
|--|---|---|---|---|
| Schedule of College's Proportionate Share of Net Pension Liability: | | | | |
| College's proportion of the collective MPSERS net pension liability: | | | | |
| As a percentage | 0.66951% | 0.72319% | 0.71981% | 0.76338% |
| Amount | \$ 173,497,992 | \$ 180,430,177 | \$ 175,812,730 | \$ 168,146,098 |
| College's covered-employee payroll | \$ 54,195,325 | \$ 59,818,652 | \$ 61,196,987 | \$ 72,324,070 |
| College's proportionate share of the collective MPSERS pension liability, as a percentage of the College's covered MPSERS employee payroll | 320.13% | 301.63% | 287.29% | 232.49% |
| MPSERS fiduciary net position as a percentage of the total pension liability | 63.96% | 63.01% | 63.17% | 66.20% |
| | <u>As of the College's Year End June 30, 2018</u> | <u>As of the College's Year End June 30, 2017</u> | <u>As of the College's Year End June 30, 2016</u> | <u>As of the College's Year End June 30, 2015</u> |
| Schedule of College Contributions: | | | | |
| Statutorily required MPSERS contribution | \$ 16,328,716 | \$ 15,843,941 | \$ 16,686,480 | \$ 13,627,516 |
| Contributions in relation to the actuarially determined contractually required contribution | \$ 16,328,716 | \$ 15,843,941 | \$ 16,686,480 | \$ 13,627,516 |
| Contribution deficiency (excess) | - | - | - | - |
| Covered MPSERS employee payroll | \$ 53,159,697 | \$ 54,746,693 | \$ 58,488,573 | \$ 66,866,413 |
| Contributions as a percentage of covered employee payroll | 30.72% | 28.94% | 28.53% | 20.38% |

GASB 68 was implemented in fiscal year 2015. The pension schedules in this section are intended to show information for ten years for the College's MPSER program. Additional years' information will be reported as it becomes available. There were no changes in benefit terms for the plan year ended September 30, 2017. There were no changes in assumptions for the plan year ended September 30, 2018 except that the discount rate used in the September 30, 2016 actuarial valuation decreased by 0.5%

**Oakland Community College
Required Supplementary Information**

As of Plan's Year End
September 30, 2017

Schedule of College's Proportionate Share of Net OPEB Liability:

College's proportion of the collective MPSERS net OPEB liability:

| | |
|--|---------------|
| As a percentage | 0.67208% |
| Amount | \$ 59,515,812 |
| College's covered-employee payroll | \$ 54,195,325 |
| College's proportionate share of the collective net OPEB liability, as a percentage of the College's covered MPSERS employee payroll | 109.82% |
| MPSERS fiduciary net position as a percentage of the total OPEB liability | 36.53% |

As of the College's
Year End June 30, 2018

Schedule of College Contributions:

| | |
|---|---------------|
| Statutorily required contributions | \$ 3,839,579 |
| Contributions in relation to the actuarially determined contractually required contribution | \$ 3,839,579 |
| Contribution deficiency (excess) | - |
| Covered MPSERS employee payroll | \$ 53,159,697 |
| Contributions as a percentage of covered employee payroll | 7.22% |

GASB 75 was implemented in fiscal year 2018. The OPEB schedules in this section are intended to show information for ten years for the College's MPSER OPEB program. Additional years' information will be reported as it becomes available. There were no changes in benefit terms or assumptions for the plan year ended September 30, 2017.

Statistical Section



OAKLAND COMMUNITY COLLEGE
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OAKLAND COMMUNITY COLLEGE

STATISTICAL SECTION

This part of Oakland Community College's Comprehensive Annual Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information convey regarding the overall financial condition of the College.

Financial Trends

These schedules contain trend information to help the reader understand how the College's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the College's most significant revenue sources, tuition and property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and the College's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment within which the College's financial activities take place.

Sources: Unless otherwise noted, information in these schedules is derived from the College's annual financial statements for the relevant year.

OAKLAND COMMUNITY COLLEGE
FINANCIAL TRENDS
Statements of Revenues, Expenses, and Changes in Net Position
Last Ten Fiscal Years
(Unaudited)

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating revenues | | | | | | | | | | |
| Tuition and fees - net of scholarship allowances | \$ 30,814,265 | \$ 33,089,583 | \$ 33,402,037 | \$ 32,872,669 | \$ 33,270,772 | \$ 31,900,280 | \$ 30,682,101 | \$ 34,881,514 | \$ 31,573,799 | \$ 31,662,372 |
| Federal grants and contracts | 3,106,858 | 3,384,815 | 4,066,362 | 4,312,702 | 3,876,655 | 3,887,874 | 4,691,722 | 4,999,403 | 4,172,319 | 2,900,215 |
| State and local grants and contracts | 5,896,053 | 1,391,492 | 1,505,418 | 1,648,464 | 1,548,661 | 1,426,239 | 1,384,088 | 1,794,843 | 1,524,038 | 3,904,281 |
| Nongovernmental grants and contracts | 647,391 | 571,140 | 643,012 | 564,692 | 590,285 | 511,922 | 484,949 | 448,471 | 343,714 | 867,766 |
| Auxiliary activities | 5,559,961 | 6,624,795 | 8,268,262 | 10,261,046 | 12,200,396 | 12,906,898 | 15,141,832 | 14,864,046 | 15,430,569 | 12,461,892 |
| Miscellaneous | 912,336 | 804,640 | 948,644 | 873,936 | 871,599 | 1,175,927 | 1,003,944 | 701,216 | 849,422 | 925,764 |
| Total operating revenues | 46,936,864 | 45,866,465 | 48,833,735 | 50,533,509 | 52,358,368 | 51,809,140 | 53,388,636 | 57,689,493 | 53,893,861 | 52,722,290 |
| Operating expenses | | | | | | | | | | |
| Instruction | 51,555,305 | 53,225,465 | 55,785,779 | 60,781,034 | 62,930,000 | 61,450,712 | 60,816,482 | 61,764,029 | 60,527,782 | 57,875,472 |
| Instructional support | 22,672,313 | 22,005,048 | 21,662,964 | 22,608,649 | 22,746,015 | 21,842,933 | 23,265,735 | 24,845,207 | 24,024,567 | 22,701,572 |
| Student services | 28,075,505 | 28,180,138 | 34,183,974 | 40,894,568 | 48,380,611 | 51,502,149 | 57,393,254 | 56,221,097 | 54,532,014 | 41,686,601 |
| Institutional administration | 16,177,115 | 15,926,220 | 17,453,950 | 19,265,043 | 24,592,841 | 19,141,848 | 15,833,879 | 13,844,910 | 15,784,736 | 16,021,695 |
| Information Technology | 7,156,628 | 7,269,653 | 8,295,364 | 9,151,820 | 9,119,510 | 9,132,085 | 10,949,875 | 9,481,486 | 10,180,308 | 9,645,354 |
| Physical plant operations | 14,525,312 | 17,418,448 | 18,714,603 | 19,571,831 | 18,836,110 | 17,297,259 | 16,765,709 | 16,959,622 | 17,537,688 | 18,245,141 |
| Depreciation expense | 16,674,558 | 16,268,145 | 15,993,976 | 16,247,859 | 16,243,130 | 16,111,950 | 14,480,618 | 14,485,327 | 14,062,493 | 12,989,861 |
| Public services | 117,940 | 135,116 | 138,175 | 183,897 | 199,175 | 155,300 | 125,519 | 134,690 | 245,045 | 369,492 |
| Total operating expenses | 156,954,676 | 160,428,233 | 172,228,785 | 188,704,701 | 203,047,392 | 196,634,236 | 199,631,071 | 197,736,368 | 196,894,633 | 179,535,188 |
| Operating (loss) income | (110,017,812) | (114,561,768) | (123,395,050) | (138,171,192) | (150,689,024) | (144,825,096) | (146,242,435) | (140,046,875) | (143,000,772) | (126,812,898) |
| Non-operating revenues (expenses) | | | | | | | | | | |
| Pell grant revenue | 18,147,150 | 17,424,284 | 21,850,205 | 31,655,877 | 38,540,245 | 41,875,041 | 46,250,250 | 43,105,025 | 37,313,859 | 18,903,271 |
| State appropriations | 24,715,817 | 23,847,244 | 21,645,361 | 21,351,179 | 20,738,014 | 21,529,088 | 19,455,900 | 20,133,700 | 20,133,700 | 20,133,698 |
| State appropriations for UAAL | 8,966,836 | 7,124,142 | 2,233,357 | 5,789,403 | 3,373,764 | - | - | - | - | - |
| Property taxes | 82,889,739 | 80,835,825 | 79,964,027 | 77,283,938 | 75,763,312 | 75,349,203 | 76,179,522 | 82,991,098 | 94,265,848 | 98,787,177 |
| Investment income | 4,585,290 | 3,271,525 | 2,622,381 | 3,419,787 | 3,289,341 | 4,581,658 | 5,430,891 | 6,254,578 | 6,850,528 | 8,493,972 |
| Unrealized gain (loss) on investments | (4,035,545) | (3,266,071) | 2,442,308 | 5,114,501 | 1,212,830 | (11,059,428) | 3,676,962 | (3,966,786) | 2,141,836 | 357,983 |
| Net non-operating revenues | 135,269,287 | 129,236,949 | 130,757,639 | 144,614,685 | 142,917,506 | 132,275,562 | 150,993,525 | 148,517,615 | 160,705,771 | 146,676,101 |
| Income (loss) before transfers | 25,251,475 | 14,675,181 | 7,362,589 | 6,443,493 | (7,771,518) | (12,549,534) | 4,751,090 | 8,470,740 | 17,704,999 | 19,863,203 |
| Transfers in (out) | - |
| Increase (decrease) in net position | 25,251,475 | 14,675,181 | 7,362,589 | 6,443,493 | (7,771,518) | (12,549,534) | 4,751,090 | 8,470,740 | 17,704,999 | 19,863,203 |
| Net position - beginning of year | 215,600,667 | 200,925,486 | 193,562,897 | 356,007,810 | 363,779,328 | 376,328,862 | 371,577,772 | 363,107,032 | 345,402,033 | 325,538,830 |
| Adjustment for change in accounting principle | (60,352,059) | - | - | (168,888,406) | - | - | - | - | - | - |
| Net Position - beginning of year, as restated | 155,248,608 | 200,925,486 | 193,562,897 | 187,119,404 | 363,779,328 | 376,328,862 | 371,577,772 | 363,107,032 | 345,402,033 | 325,538,830 |
| Net position - end of year | \$ 180,500,083 | \$ 215,600,667 | \$ 200,925,486 | \$ 193,562,897 | \$ 356,007,810 | \$ 363,779,328 | \$ 376,328,862 | \$ 371,577,772 | \$ 363,107,032 | \$ 345,402,033 |

Source: Oakland Community College's Audited Financial Statements
excluding Oakland Community College Foundation

OAKLAND COMMUNITY COLLEGE
FINANCIAL TRENDS
Statement of Net Position
Last Ten Fiscal Years
(Unaudited)

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Assets | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 40,666,584 | \$ 35,803,400 | \$ 27,578,328 | \$ 78,397,775 | \$ 12,056,515 | \$ 6,615,914 | \$ 9,135,529 | \$ 6,991,609 | \$ 16,255,341 | \$ 29,702,199 |
| Accrued Interest | 820,962 | 744,615 | 1,192,664 | 832,464 | 805,402 | 831,270 | 1,136,271 | 1,105,171 | 1,174,018 | 1,133,551 |
| Short-term investments | 25,668,233 | 48,930,905 | 14,141,958 | 1,004,729 | 2,207,878 | 5,600,448 | 4,025,813 | 867,125 | 3,443,895 | 5,387,681 |
| Property taxes receivable - net of allowance | 121,361 | 153,351 | 61,769 | 43,472 | 53,693 | 54,662 | 62,451 | 66,675 | 114,492 | 1,176,156 |
| State appropriations receivable | 5,269,666 | 5,330,698 | 5,225,439 | 4,893,221 | 4,328,926 | 4,972,564 | 3,537,438 | 3,660,674 | 3,660,674 | 3,660,672 |
| Federal and state grants receivable | 1,599,164 | 1,774,238 | 2,346,463 | 3,122,582 | 999,037 | 1,196,651 | 1,464,565 | 3,061,276 | 1,188,229 | 1,806,335 |
| Accounts receivable - net of allowance | 1,954,753 | 1,458,624 | 1,971,186 | 2,639,919 | 1,983,704 | 2,938,438 | 1,913,912 | 3,299,610 | 1,714,829 | 1,594,552 |
| Inventories | 1,644,026 | 1,653,084 | 1,942,679 | 2,497,346 | 3,959,835 | 3,901,354 | 3,843,361 | 3,586,675 | 3,646,490 | 2,625,490 |
| Prepaid expenses and other assets | 5,171,111 | 3,500,825 | 2,020,679 | 2,185,432 | 2,424,154 | 1,174,433 | 1,618,187 | 2,812,361 | 1,149,590 | 930,221 |
| Total current assets | 82,915,860 | 99,349,740 | 56,481,165 | 95,616,940 | 28,819,144 | 27,285,734 | 26,737,527 | 25,451,176 | 32,347,558 | 48,016,857 |
| Long-term investments | 210,133,703 | 167,496,910 | 189,464,073 | 134,965,327 | 185,584,466 | 188,542,980 | 194,085,068 | 191,816,374 | 188,303,701 | 160,690,848 |
| Bond issuance costs, net | - | - | - | - | - | - | 62,402 | 72,802 | 83,202 | 93,602 |
| Capital assets - non-depreciable | 13,961,250 | 12,647,398 | 10,547,779 | 12,445,978 | 10,316,899 | 6,136,075 | 9,027,448 | 33,039,687 | 20,209,986 | 9,336,662 |
| Capital assets - depreciable | 126,020,228 | 129,116,042 | 140,227,141 | 145,523,616 | 157,816,546 | 167,792,458 | 169,938,703 | 149,238,594 | 152,909,158 | 155,815,900 |
| Total assets | \$ 433,031,041 | \$ 408,610,090 | \$ 396,720,158 | \$ 388,551,861 | \$ 382,537,055 | \$ 389,757,247 | \$ 399,851,148 | \$ 399,618,633 | \$ 393,853,605 | \$ 373,953,869 |
| Deferred Outflows of Resources | 37,869,858 | 21,975,402 | 18,569,103 | 18,145,369 | - | - | - | - | - | - |
| Liabilities | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Current portion of long-term debt obligations | \$ 899,574 | \$ 820,000 | \$ 785,000 | \$ 750,000 | \$ 720,000 | \$ 690,000 | \$ 670,000 | \$ 640,000 | \$ 1,005,000 | \$ 1,120,000 |
| Accounts payable | 7,141,221 | 6,334,431 | 6,901,659 | 7,595,612 | 3,938,673 | 5,688,772 | 4,411,553 | 7,636,686 | 7,374,402 | 5,467,183 |
| Accrued interest payable | 54,397 | 6,287 | 12,174 | 17,675 | 22,774 | 27,547 | 32,013 | 36,173 | 42,358 | 48,758 |
| Accrued payrolls, vacation, and other compensation | 7,387,032 | 7,788,622 | 7,822,728 | 7,822,053 | 12,135,277 | 8,820,777 | 8,233,146 | 8,536,538 | 10,868,842 | 9,878,615 |
| Unearned revenue | 2,784,546 | 2,684,470 | 3,024,688 | 3,545,089 | 3,612,883 | 4,338,262 | 3,887,256 | 4,179,112 | 4,043,666 | 3,621,510 |
| Deposits held for others | 2,925,732 | 3,103,346 | 3,583,031 | 3,134,901 | 1,863,407 | 1,349,935 | 586,000 | 703,212 | 437,469 | 431,023 |
| Total current liabilities | 21,192,502 | 20,737,156 | 22,129,280 | 22,865,330 | 22,293,014 | 20,915,293 | 17,819,968 | 21,731,721 | 23,771,737 | 20,567,089 |
| Long-term debt obligations - net of current portion | 2,846,040 | - | 820,000 | 1,605,000 | 2,355,000 | 3,075,000 | 3,765,000 | 4,435,000 | 5,075,000 | 6,080,000 |
| Net pension liability * | 173,497,992 | 180,430,177 | 175,812,730 | 168,146,098 | - | - | - | - | - | - |
| Net OPEB liability * | 59,515,812 | - | - | - | - | - | - | - | - | - |
| Compensated absences - net of current portion | 1,371,885 | 1,510,368 | 1,822,487 | 1,930,844 | 1,881,231 | 1,987,626 | 1,937,318 | 1,874,140 | 1,899,836 | 1,904,747 |
| Total liabilities | 258,424,231 | 202,677,701 | 200,584,497 | 194,547,272 | 26,529,245 | 25,977,919 | 23,522,286 | 28,040,861 | 30,746,573 | 28,551,836 |
| Deferred Inflows of Resources | 31,976,585 | 12,307,124 | 13,779,278 | 18,587,061 | - | - | - | - | - | - |
| Net position | | | | | | | | | | |
| Net investment in capital assets | 136,235,864 | 140,943,440 | 149,169,920 | 155,614,594 | 165,058,445 | 170,163,533 | 174,531,151 | 177,203,281 | 167,039,144 | 157,952,562 |
| Restricted: | | | | | | | | | | |
| Nonexpendable endowments | - | - | - | - | - | - | - | - | - | - |
| Expendable scholarships and grants | 1,165,711 | 1,081,533 | 931,894 | 931,783 | 966,250 | 879,784 | 855,472 | 820,070 | 394,782 | 664,960 |
| Loans | - | - | - | - | - | - | - | 46,486 | 45,010 | 42,568 |
| Unrestricted | 43,098,508 | 73,575,694 | 50,823,672 | 37,016,520 | 189,983,115 | 192,736,011 | 200,942,239 | 193,507,935 | 195,628,096 | 186,741,943 |
| Total net position | \$ 180,500,083 | \$ 215,600,667 | \$ 200,925,486 | \$ 175,417,528 | \$ 356,007,810 | \$ 363,779,328 | \$ 376,328,862 | \$ 371,577,772 | \$ 363,107,032 | \$ 345,402,033 |

Source: Oakland Community College's Audited Financial Statements
excluding Oakland Community College Foundation

*NOTE: In 2015 and in future years, GASB 68 required the College to record the MPSERS net Pension liability and in 2018 and in future years, GASB 75 required the College to record the MPSERS net OPEB liability.

OAKLAND COMMUNITY COLLEGE
FINANCIAL TRENDS
Net Position
Last Ten Fiscal Years
(Unaudited)

| | 2018 ** | 2017 | 2016 | 2015 * | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Net Position: | | | | | | | | | | |
| Net investment in capital assets | \$ 136,235,864 | \$ 140,943,440 | \$ 149,169,920 | \$ 155,614,594 | \$ 165,058,445 | \$ 170,163,533 | \$ 174,531,151 | \$ 177,203,281 | \$ 167,039,144 | \$ 157,952,562 |
| Restricted for: | | | | | | | | | | |
| Expendable scholarships and grants | 1,165,711 | 1,081,533 | 931,894 | 931,783 | 966,250 | 879,784 | 855,472 | 820,070 | 394,782 | 664,960 |
| Loan programs | - | - | - | - | - | - | - | 46,486 | 45,010 | 42,568 |
| Unrestricted | 43,098,508 | 73,575,694 | 50,823,672 | 37,016,520 | 189,983,115 | 192,736,011 | 200,942,239 | 193,507,935 | 195,628,096 | 186,741,943 |
| Total Net Position | \$ 180,500,083 | \$ 215,600,667 | \$ 200,925,486 | \$ 175,417,528 | \$ 356,007,810 | \$ 363,779,328 | \$ 376,328,862 | \$ 371,577,772 | \$ 363,107,032 | \$ 345,402,033 |

Source: Oakland Community College's Audited Financial Statements
excluding Oakland Community College Foundation

*2015 Total Net Position reflects the implementation of GASB 68 and the College reported a Net Pension Liability of \$168.9 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2014

**2018 Total Net Position reflects the implementation of GASB 75 and the College reported a Net Pension Liability of \$60.4 million as a change in accounting principle adjustment to Unrestricted Net Position as of July 1, 2017

OAKLAND COMMUNITY COLLEGE
REVENUE CAPACITY
Major Taxpayers
2017 Levy Year vs. 2008 Levy Year
(Unaudited)

| 2017 Levy Year | | | | 2008 Levy Year | | | |
|--|-------------------------|----------|---|--|------------------------|----------|---|
| 2017 Taxpayer | 2017 Taxable Valuation* | Rank (1) | Percentage of Total College District Taxable Valuation (\$) | 2008 Taxpayer | 2008 Taxable Valuation | Rank (1) | Percentage of Total College District Taxable Valuation (\$) |
| Detroit Edison Company/DTE | \$551,389,249 | 1 | 1.02% | General Motors | \$900,634,242 | 1 | 1.42% |
| Consumers Energy | 287,012,198 | 2 | 0.53% | Daimler-Chrysler Corporation | 561,632,390 | 2 | 0.88% |
| FCA Auburn Hills Owner LLC (formerly Chrysler) | 167,950,630 | 3 | 0.31% | Detroit Edison Company/DTE | 473,058,860 | 3 | 0.74% |
| Enbridge Energy | 116,830,080 | 4 | 0.22% | Consumers Energy | 182,819,030 | 4 | 0.29% |
| SL Town Etal | 78,961,590 | 5 | 0.15% | Taubman/12 Oaks/Great Lakes Crossing | 129,049,130 | 5 | 0.20% |
| Oakland Management | 75,449,600 | 6 | 0.14% | Ford Motor Company | 116,950,440 | 6 | 0.18% |
| Frankel/Forbes/Cohn | 74,439,120 | 7 | 0.14% | Bre Southfield (formerly Town Centre Delaware, Inc.) | 111,023,990 | 7 | 0.17% |
| Taubman/Great Lakes Crossing | 68,408,310 | 8 | 0.13% | Liberty Property Investments | 92,623,160 | 8 | 0.15% |
| Comcast | 56,856,520 | 9 | 0.10% | Stuart Frankel/Someriset | 86,743,770 | 9 | 0.14% |
| Redwood-ERC Novi LLC | 56,025,150 | 10 | 0.10% | Ramco - Gershenson | 81,805,620 | 10 | 0.13% |
| General Motors | 52,539,020 | 11 | 0.10% | Meijer | 70,904,410 | 11 | 0.11% |
| International Transmission (ITC) | 49,976,650 | 12 | 0.09% | International Transmission | 70,580,010 | 12 | 0.11% |
| SighCidermill Village | 41,797,597 | 13 | 0.08% | AT&T | 70,377,700 | 13 | 0.11% |
| Twelve Oaks Mall LLC | 39,131,100 | 14 | 0.07% | Wal-Mart/Sam's Club | 65,298,700 | 14 | 0.10% |
| Ramco Lion Venture | 37,773,280 | 15 | 0.07% | Palace Sports and Entertainment | 64,254,630 | 15 | 0.10% |
| Occidental Development Ltd | 33,762,500 | 16 | 0.06% | Comerica Bank | 60,522,030 | 16 | 0.10% |
| VHS Huron Valley-Sinai Hospital | 30,722,890 | 17 | 0.06% | Comcast | 56,602,950 | 17 | 0.09% |
| Troy Apts IV | 28,910,220 | 18 | 0.05% | JFK Investments | 48,638,510 | 18 | 0.08% |
| Hartman Tyner | 27,498,670 | 19 | 0.05% | Electronic Data Systems Group | 48,601,670 | 19 | 0.08% |
| Urbancaal Oakland Mall | 23,506,650 | 20 | 0.04% | Kroger | 47,795,440 | 20 | 0.08% |
| | <u>\$1,898,941,024</u> | | | | <u>\$3,339,916,682</u> | | |

*May include estimated figures

Source: (1) Oakland County, Michigan 2017 and 2008 Comprehensive Annual Financial Report

OAKLAND COMMUNITY COLLEGE
REVENUE CAPACITY
Assessed Value and Taxable Value of Property
Last Ten Fiscal Years
(Unaudited)

| Levy Year | Taxable Valuation (1) | Tax Rates (per \$1,000 of Valuation (1) | Taxes Extended | Collections through 30-Jun Each Year* | Percent of Taxes Extended Uncollected through June 30 Each Year |
|------------------|--------------------------------------|--|---------------------------|--|--|
| 2018 | \$ 56,754,560,304 | 1.5431 | \$ 87,577,962 | \$ - | - |
| 2017 | 54,208,963,060 | 1.5555 | 84,322,042 | 81,756,610 | 3.04% |
| 2016 | 52,295,382,258 | 1.5707 | 82,140,357 | 79,715,391 | 2.95% |
| 2015 | 51,443,802,777 | 1.5819 | 81,378,952 | 78,880,599 | 3.07% |
| 2014 | 48,929,134,262 | 1.5844 | 77,523,320 | 76,153,703 | 1.77% |
| 2013 | 48,161,785,123 | 1.5844 | 76,307,532 | 74,815,207 | 1.96% |
| 2012 | 48,192,050,516 | 1.5844 | 76,355,485 | 74,584,846 | 2.32% |
| 2011 | 49,765,743,185 | 1.5844 | 78,848,844 | 76,524,910 | 2.95% |
| 2010 | 54,063,168,992 | 1.5844 | 85,657,685 | 82,850,940 | 3.28% |
| 2009 | 61,295,611,996 | 1.5844 | 97,116,768 | 93,658,743 | 3.56% |
| 2008 | 63,574,269,173 | 1.5844 | 100,727,072 | 97,771,877 | 2.93% |

Source:

(1) Tax Rate Request (Form L-4029)

(*) Per OCC Financial Services

OAKLAND COMMUNITY COLLEGE
REVENUE CAPACITY
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

| Levy Year | Levy | Collection through June 30 Each Year* | Collections through June 30 as a percentage of the Levy | Collections in subsequent years* | Total Collections to date | Total Collections to date as percentage of levy |
|-----------|---------------|--|---|--|------------------------------|--|
| 2018 | \$ 87,577,962 | ---- | ---- | ---- | ---- | ---- |
| 2017 | 84,322,042 | 81,676,338 | 96.86% | 80,272 | 81,756,610 | 96.96% |
| 2016 | 82,145,586 | 79,596,766 | 96.90% | 118,625 | 79,715,391 | 97.04% |
| 2015 | 81,378,952 | 78,880,599 | 96.93% | 18,798 | 78,899,397 | 96.95% |
| 2014 | 77,523,320 | 76,153,703 | 98.23% | 89,144 | 76,242,847 | 98.35% |
| 2013 | 76,307,532 | 74,815,207 | 98.04% | 12,615 | 74,827,822 | 98.06% |
| 2012 | 76,355,485 | 74,584,846 | 97.68% | 217 | 74,585,063 | 97.68% |
| 2011 | 78,848,844 | 76,524,910 | 97.05% | 150 | 76,525,060 | 97.05% |
| 2010 | 85,657,685 | 82,850,940 | 96.72% | 18,473 | 82,869,413 | 96.74% |
| 2009 | 97,116,768 | 93,658,743 | 96.44% | 270,311 | 93,929,054 | 96.72% |

Source: (*) Per OCC Financial Services Department

--- Information is unavailable

OAKLAND COMMUNITY COLLEGE
DEBT CAPACITY
 Legal Debt Margin
 Last Ten Fiscal Years
 (Unaudited)

| Fiscal Year | Taxable Valuation | State Equalized Value (SEV) (1) | Debt Limit (2) | Total Outstanding Debt | Total Additional Debt Allowable for All Tax Debt | Total Additional Debt Allowable for Limited Tax Debt (3) | Additional Limited Tax Debt Could Legally Incur | Per Capita |
|--------------------|--------------------------|--|-----------------------|-------------------------------|---|---|--|-------------------|
| 2018 | \$ 56,754,560,304 | \$ 68,461,534,887 | \$10,269,230,233 | \$3,745,614 | \$ 10,265,484,619 | \$ 685,865,349 | \$ 682,119,734 | not available |
| 2017 | 54,208,963,060 | 65,554,572,199 | 9,833,185,830 | 820,000 | 9,832,365,830 | 656,795,722 | 655,975,722 | 0.66 |
| 2016 | 52,295,382,258 | 60,806,103,774 | 9,120,915,566 | 1,605,000 | 9,119,310,566 | 609,311,038 | 607,706,038 | 1.29 |
| 2015 | 51,443,802,777 | 55,084,607,293 | 8,262,691,094 | 2,355,000 | 8,260,336,094 | 552,096,073 | 549,741,073 | 1.90 |
| 2014 | 48,929,134,262 | 51,429,923,815 | 7,714,488,572 | 3,075,000 | 7,711,413,572 | 515,549,238 | 512,474,238 | 2.48 |
| 2013 | 48,161,785,123 | 50,839,024,966 | 7,625,853,745 | 3,765,000 | 7,622,088,745 | 509,640,250 | 505,875,250 | 3.05 |
| 2012 | 48,192,050,516 | 52,453,460,343 | 7,868,019,051 | 4,435,000 | 7,863,584,051 | 525,784,603 | 521,349,603 | 3.63 |
| 2011 | 49,765,743,185 | 57,745,076,507 | 8,661,761,476 | 5,075,000 | 8,656,686,476 | 578,700,765 | 573,625,765 | 4.19 |
| 2010 | 54,063,168,992 | 67,858,986,149 | 10,178,847,922 | 6,080,000 | 10,172,767,922 | 679,839,861 | 673,759,861 | 5.05 |
| 2009 | 61,295,611,996 | 74,491,081,562 | 11,173,662,234 | 7,200,000 | 11,166,462,234 | 746,160,816 | 738,960,816 | 6.00 |

Source: (1) Oakland County Equalization Reports
 (2) 15% of SEV - P.A. 331 of 1966, Section 389.122
 (3) The College may incur indebtedness that is not greater than 1.5% of the first \$250,000,000 of SEV of taxable property within the College district and 1% of the excess SEV over \$250,000,000 without a vote of the electors of the College.

OAKLAND COMMUNITY COLLEGE

Outstanding Debt
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Student Union Revenue Bond - 1971 | 2003 College Refunding Bond | Other Debt | Total Outstanding Debt |
|--------------------|--|------------------------------------|-------------------|-------------------------------|
| 2018 | \$ - | \$ - | \$ 3,745,614 * | \$ 3,745,614 |
| 2017 | - | 820,000 | - | 820,000 |
| 2016 | - | 1,605,000 | - | 1,605,000 |
| 2015 | - | 2,355,000 | - | 2,355,000 |
| 2014 | - | 3,075,000 | - | 3,075,000 |
| 2013 | - | 3,765,000 | - | 3,765,000 |
| 2012 | - | 4,435,000 | - | 4,435,000 |
| 2011 | - | 5,075,000 | - | 5,075,000 |
| 2010 | 75,000 | 6,005,000 | - | 6,080,000 |
| 2009 | 235,000 | 6,965,000 | - | 7,200,000 |

Source: Oakland Community College's Audited Financial Statements

**Key Government Finance Installment Purchase Agreement for VDI computer equipment, software and support-five years*

OAKLAND COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION
PERSONAL INCOME PER CAPITA
County of Oakland
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Population (1) | Personal Income (thousands of dollars) (2) | Per Capita Personal Income | Unemployment Rate (3) |
|-------------|-------------------|---|----------------------------------|-----------------------------|
| 2018 | not available * | not available * | not available * | |
| 2017 | 1,243,970 | \$ 81,802,445 | \$ 65,759 | 3.50% |
| 2016 | 1,243,970 | 81,802,445 | 65,759 | 4.20% |
| 2015 | 1,242,304 | 78,829,158 | 63,454 | 4.80% |
| 2014 | 1,239,897 | 75,349,173 | 60,771 | 6.50% |
| 2013 | 1,232,713 | 71,010,281 | 57,605 | 7.80% |
| 2012 | 1,221,391 | 70,059,248 | 57,360 | 8.20% |
| 2011 | 1,211,211 | 65,538,124 | 54,110 | 9.50% |
| 2010 | 1,202,930 | 59,931,707 | 49,821 | 11.80% |
| 2009 | 1,200,890 | 58,335,550 | 48,577 | 13.00% |

*Information not available to Oakland County at time of their 2017 publication

Source: (1) Information from Oakland County 2017 CAFR, Table 12, U.S. Census Bureau, <http://www.census.gov>

(2) Information from Oakland County 2017 CAFR, U.S. Department of Commerce Bureau of Economic Analysis

(3) U.S. Bureau of Labor Statistics

<http://data.bls.gov/map/MapToolServlet?state=26&datatype=unemployment&year=2015&period=M03&survey=la&map=county&seasonal=u>

**OAKLAND COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION**

Full-time Equivalent Employees
Last Ten Fiscal Years
(Unaudited)

| | 2018* | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|--|-------|------|------|------|------|------|------|------|------|------|
| Administrators | 78 | 77 | 77 | 85 | 82 | 76 | 86 | 98 | 98 | 102 |
| Full-Time | 78 | 76 | 76 | 84 | 82 | 76 | 86 | 98 | 98 | 102 |
| Part-Time | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Faculty | 940 | 939 | 887 | 1362 | 1192 | 1458 | 1240 | 1329 | 1264 | 1058 |
| Full-Time | 220 | 216 | 236 | 248 | 225 | 243 | 252 | 249 | 251 | 247 |
| Part-Time | 720 | 723 | 651 | 1114 | 967 | 1215 | 988 | 1080 | 1013 | 811 |
| Support | 480 | 479 | 477 | 495 | 582 | 622 | 611 | 493 | 492 | 531 |
| Full-Time | 380 | 358 | 381 | 416 | 438 | 458 | 455 | 441 | 440 | 475 |
| Part-Time | 100 | 121 | 96 | 79 | 144 | 164 | 156 | 52 | 52 | 56 |
| Actual Total Employees Reported | 1498 | 1495 | 1441 | 1942 | 1856 | 2156 | 1937 | 1920 | 1854 | 1691 |
| Total FTE | 899 | 897 | 865 | 1165 | 1115 | 1237 | 1174 | 1165 | 1144 | 1015 |

Notes:

Management occupations in IPEDS = administration in this report

All other non-instructional, non-management occupations = support in this report

*2018 figures are estimated - IPEDS data not yet complete

Source: IPEDS report - categories defined as Instruction, management. All other categories listed under Support.

**OAKLAND COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION**

Physical Facility Information
Last Ten Fiscal Years
(Unaudited)

| Facilities Data | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Size of campus (acres) | | | | | | | | | | |
| Auburn Hills | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 | 170.00 |
| Highland Lakes | 157.07 | 157.07 | 157.07 | 157.07 | 157.07 | 157.07 | 157.07 | 157.07 | 157.07 | 157.07 |
| Orchard Ridge | 147.00 | 147.00 | 147.00 | 147.00 | 147.00 | 147.00 | 147.00 | 147.00 | 147.00 | 147.00 |
| Royal Oak | 7.40 | 7.40 | 7.40 | 7.40 | 7.40 | 7.40 | 7.40 | 7.40 | 7.40 | 7.40 |
| Southfield | 32.47 | 32.47 | 32.47 | 32.47 | 21.08 | 15.68 | 10.78 | 10.78 | 10.78 | 10.78 |
| Administration | 8.69 | 8.69 | 8.69 | 8.69 | 8.69 | 8.69 | 8.69 | 8.69 | 8.69 | 8.69 |
| Total acreage | 522.63 | 522.63 | 522.63 | 522.63 | 511.24 | 505.84 | 500.94 | 500.94 | 500.94 | 500.94 |
| Square footage of gross building space | | | | | | | | | | |
| Auburn Hills | 633,200 | 632,951 | 632,951 | 632,951 | 632,951 | 632,951 | 632,951 | 620,756 | 620,756 | 561,317 |
| Highland Lakes | 315,502 | 315,502 | 315,502 | 315,502 | 384,243 | 384,243 | 384,243 | 384,243 | 384,243 | 380,118 |
| Orchard Ridge | 506,273 | 506,273 | 506,273 | 506,273 | 506,273 | 506,273 | 506,273 | 506,273 | 506,273 | 506,273 |
| Royal Oak | 534,594 | 534,594 | 534,594 | 534,594 | 534,594 | 534,594 | 534,594 | 534,594 | 534,594 | 540,222 |
| Southfield | 164,004 | 164,004 | 164,004 | 164,004 | 164,004 | 164,004 | 164,004 | 164,004 | 92,204 | 92,204 |
| Administration | 31,119 | 31,119 | 31,119 | 31,119 | 31,119 | 31,119 | 31,119 | 31,119 | 31,119 | 31,119 |
| Leased Facilities | - | - | - | 20,528 | 20,528 | 20,528 | 20,528 | 20,528 | 20,528 | 20,528 |
| Total square footage | 2,184,692 | 2,184,443 | 2,184,443 | 2,204,971 | 2,273,712 | 2,273,712 | 2,273,712 | 2,261,517 | 2,189,717 | 2,131,781 |
| Number of classrooms* | | | | | | | | | | |
| Auburn Hills | 156 | 156 | 156 | 156 | | | | | | |
| Highland Lakes | 59 | 59 | 59 | 59 | | | | | | |
| Orchard Ridge ¹ | 102 | 102 | 102 | 106 | | | | | | |
| Royal Oak | 50 | 50 | 50 | 50 | | | | | | |
| Southfield | 43 | 43 | 43 | 43 | | | | | | |
| Administration | - | - | - | - | | | | | | |
| Leased Facilities | - | - | - | 2 | | | | | | |
| Total number of classrooms | 410 | 410 | 410 | 416 | | | | | | |

Source: Information from Oakland Community College, Dept of Physical Facilities
*Historical classroom data unavailable for 2009-2014

**OAKLAND COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION**

Top Ten Principal Employers
2017 Employers vs. 2008 Employers
(Unaudited)

| 2017 | | | | | 2008 | | | | |
|---|---------------------------|-------------|------------------|--------------------------------|---|---------------------------|-------------|------------------|--------------------------------|
| Employer | Product/Service | Income Rank | No. of Employees | % of Total District Population | Employer | Product/Service | Income Rank | No. of Employees | % of Total District Population |
| Beaumont Health System | Health care system | 1 | 18,301 | 1.47% | General Motors Corporation | Automobile manufacturer | 1 | 15,097 | 1.26% |
| FCA US LLC (formerly Chrysler) | Automobile manufacturer | 2 | 13,099 | 1.05% | William Beaumont Hospital | Health care system | 2 | 14,610 | 1.22% |
| General Motors Corporation | Automobile manufacturer | 3 | 9,687 | 0.78% | Chrysler Group LLC | Automobile manufacturer | 3 | 9,053 | 0.75% |
| Ascension Michigan (formerly St. John Providence) | Health care system | 4 | 5,474 | 0.44% | Trinity Health (formerly St. Joseph Mercy) | Health care system | 4 | 4,721 | 0.39% |
| U.S. Postal Service | Postal service | 5 | 4,195 | 0.34% | Oakland County Government | Government | 5 | 4,447 | 0.37% |
| Henry Ford Health System | Health care system | 6 | 4,085 | | Electronic Data Systems (EDS) | Computer corporation | 6 | 4,334 | 0.36% |
| Oakland County Government | Government | 7 | 3,451 | 0.28% | U.S. Postal Service | Postal service | 7 | 4,176 | 0.35% |
| Trinity Health (formerly St. Joseph Mercy) | Health care system | 8 | 2,466 | 0.20% | Blue Cross/Blue Shield | Health insurance provider | 8 | 3,996 | 0.33% |
| Magna International of America Inc. | Automotive parts supplier | 9 | 2,441 | 0.20% | St. John Health System (formerly Providence Hospital) | Health care system | 9 | 3,841 | 0.32% |
| Comerica Bank | Financial Institution | 10 | 2,003 | 0.16% | Botsford Health Care | Health care system | 10 | 2,351 | 0.20% |
| Electronic Data Systems (EDS) | Computer corporation | - | - | - | U.S. Government | Government | n/a | n/a | n/a |
| Blue Cross/Blue Shield of Michigan | Health insurance provider | - | - | - | Ameritech | Communications | n/a | n/a | n/a |
| Botsford Health Care | Health care system | - | - | - | Ford Motor Company | Automobile manufacturer | n/a | n/a | n/a |
| | | | | | Modern Engineering Service Company | Engineering Services | n/a | n/a | n/a |

Source: (1) Oakland County 2017 Comprehensive Annual Financial Report

**OAKLAND COMMUNITY COLLEGE
REVENUE CAPACITY**

Enrollment, Tuition and Fee Rates, Credit Hours, and Tuition and Fee Revenues Generated - Credit courses
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Fiscal Year Equated Student (FYES) | Unduplicated Headcount | Total Credit Hours | In District Tuition Rate | Out of District Tuition Rate | Out of State Tuition Rate | Tuition & Fees per FYES | Total Tuition and Fee Revenue * |
|--------------------|---|-----------------------------------|-------------------------------|-------------------------------------|---|--------------------------------------|--|--|
| 2018 | 11,251 | 27,113 | 337,533 | \$ 90.00 | \$ 174.00 | \$ 174.00 | \$ 3,877.64 | \$ 43,627,322 |
| 2017 | 11,877 | 29,644 | 368,214 | 88.00 ** | 171.00 | 171.00 | 3,866.20 | 45,918,802 |
| 2016 | 13,241 | 32,936 | 410,459 | 88.00 | 171.00 | 240.00 | 3,609.43 | 47,792,442 |
| 2015 | 15,341 | 37,684 | 475,581 | 82.00 | 154.00 | 216.00 | 3,243.17 | 49,753,491 |
| 2014 | 17,136 | 45,043 | 531,223 | 76.40 | 139.10 | 195.15 | 3,082.38 | 52,819,596 |
| 2013 | 18,345 | 47,764 | 568,691 | 71.40 | 125.20 | 175.80 | 2,840.31 | 52,105,568 |
| 2012 | 19,571 | 49,578 | 606,704 | 66.70 | 112.90 | 158.40 | 2,617.18 | 51,220,869 |
| 2011 | 19,858 | 51,601 | 615,593 | 66.70 | 112.90 | 158.40 | 2,557.67 | 50,790,229 |
| 2010 | 19,895 | 49,468 | 616,757 | 60.10 | 101.70 | 142.70 | 2,319.47 | 46,145,816 |
| 2009 | 17,281 | 46,592 | 535,721 | 60.10 | 101.70 | 142.70 | 2,315.25 | 40,009,768 |

Source: Oakland Community College's Annual Financial Reports, Institutional Research and ACS reports.

*Tuition and Fee revenue for credit courses before scholarship allowance

** In Fiscal Year 2017 the College began billing based on "Contact Hours" or billable credit hours which may exceed the number of credit hours earned for additional contact with instructor, lab hours, clinicals, etc.

OAKLAND COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION
Student Population Demographics
(Unaudited)

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Credit hours | 337,533 | 368,214 | 410,459 | 475,581 | 531,223 | 568,691 | 606,704 | 615,593 | 616,757 | 535,721 |
| Unduplicated Student Head count | 27,113 | 29,644 | 32,936 | 37,684 | 45,043 | 47,764 | 49,578 | 51,601 | 49,468 | 46,592 |
| <u>Fall Term, 1/10th day statistics</u> | | | | | | | | | | |
| Male | 43.3% | 43.0% | 43.6% | 43.2% | 42.3% | 41.4% | 41.0% | 39.7% | 40.3% | 39.5% |
| Female | 54.9% | 55.5% | 55.7% | 55.9% | 56.6% | 57.1% | 56.9% | 57.7% | 46.3% | 56.7% |
| Unreported | 1.8% | 1.5% | 0.7% | 0.9% | 1.1% | 1.5% | 2.1% | 2.6% | 3.3% | 3.9% |
| Part-time | 80.2% | 78.0% | 73.1% | 72.1% | 71.0% | 69.7% | 68.5% | 67.1% | 64.9% | 64.3% |
| Full-time | 19.8% | 22.0% | 26.9% | 27.9% | 29.0% | 30.3% | 31.5% | 32.9% | 35.1% | 35.7% |
| Average Age | 24.9 | 25.0 | 25.7 | 25.9 | 26.5 | 26.9 | 27.2 | 27.5 | 27.8 | 27.7 |
| Median Age | 22.0 | 22.0 | 22.0 | 22.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 |

Sources: OCC, Office of Institutional Research One-Tenth Day Student Information File, One-Tenth Day Official Enrollment Report; Office of Institutional Effectiveness, End of Session Student Information for Data in 2018.

Other Supplementary Information Section



OAKLAND COMMUNITY COLLEGE
Excellence *Empowered.*

OAKLAND COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

| | Combined Total | General Fund | Pension Liability Fund | Designated Fund | Auxiliary Services Fund | Restricted Fund | Student Loan Fund | Endowment and Similar Funds | Plant Fund | Agency Fund |
|---|-----------------------|----------------------|------------------------------|----------------------|-------------------------------|---------------------|-------------------------|-----------------------------------|-----------------------|---------------------|
| ASSETS | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 40,666,584 | \$ 40,658,034 | \$ - | \$ 150 | \$ 8,400 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued interest | 820,962 | 291,422 | - | - | - | - | - | 529,540 | - | - |
| Short-term investments | 25,668,233 | 25,668,233 | - | - | - | - | - | - | - | - |
| Property taxes receivable, net | 121,361 | 121,361 | - | - | - | - | - | - | - | - |
| State appropriations receivable | 5,269,666 | 5,269,666 | - | - | - | - | - | - | - | - |
| Federal and state grants receivable | 1,599,164 | - | - | - | - | 1,599,164 | - | - | - | - |
| Accounts receivable, net | 1,954,753 | 1,385,989 | - | 204,590 | 306,682 | - | - | - | - | 57,492 |
| Inventories | 1,644,026 | - | - | 28,463 | 1,615,563 | - | - | - | - | - |
| Prepaid expenses and other assets | 5,171,111 | 4,099,454 | - | - | - | - | - | - | 1,071,657 | - |
| Due from (to) other funds | - | (208,826,243) | - | 78,800,912 | 5,308,357 | (218,318) | - | (6,674,390) | 128,741,442 | 2,868,240 |
| Total current assets | 82,915,860 | (131,332,084) | - | 79,034,115 | 7,239,002 | 1,380,846 | - | (6,144,850) | 129,813,099 | 2,925,732 |
| Long-term investments | 210,133,703 | 186,496,388 | - | - | - | - | - | 23,637,315 | - | - |
| Capital assets - nondepreciable | 13,961,250 | - | - | - | - | - | - | - | 13,961,250 | - |
| Capital assets - depreciable | | | | | | | | | | |
| Land improvements | 19,627,636 | - | - | - | - | - | - | - | 19,627,636 | - |
| Infrastructure | 22,202,000 | - | - | - | - | - | - | - | 22,202,000 | - |
| Buildings and improvements | 292,222,426 | - | - | - | - | - | - | - | 292,222,426 | - |
| Equipment | 46,926,315 | - | - | - | - | - | - | - | 46,926,315 | - |
| Library materials | 9,344,345 | - | - | - | - | - | - | - | 9,344,345 | - |
| Accumulated depreciation | (264,302,494) | - | - | - | - | - | - | - | (264,302,494) | - |
| Total capital assets - depreciable | 126,020,228 | - | - | - | - | - | - | - | 126,020,228 | - |
| Total assets | \$ 433,031,041 | \$ 55,164,304 | \$ - | \$ 79,034,115 | \$ 7,239,002 | \$ 1,380,846 | \$ - | \$ 17,492,465 | \$ 269,794,577 | \$ 2,925,732 |
| Deferred Outflows of Resources | 37,869,858 | \$ - | \$ 37,869,858 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| LIABILITIES | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Current portion of long-term debt obligations | \$ 899,574 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 899,574 | \$ - |
| Accounts payable | 7,141,221 | 6,802,737 | - | - | - | - | - | - | 338,484 | - |
| Accrued interest payable | 54,397 | - | - | - | - | - | - | - | 54,397 | - |
| Accrued payrolls, vacation, and other compensation | 7,387,032 | 7,384,250 | - | - | 2,779 | - | - | - | 3 | - |
| Unearned revenue | 2,784,546 | 2,413,534 | - | 156,681 | (804) | 215,135 | - | - | - | - |
| Deposits held for others | 2,925,732 | - | - | - | - | - | - | - | - | 2,925,732 |
| Total current liabilities | 21,192,502 | 16,600,521 | - | 156,681 | 1,975 | 215,135 | - | - | 1,292,458 | 2,925,732 |
| Long-term debt obligations - net of current portion | 2,846,040 | - | - | - | - | - | - | - | 2,846,040 | - |
| Net Pension Liability | 173,497,992 | - | 173,497,992 | - | - | - | - | - | - | - |
| Net OPEB Liability | 59,515,812 | - | 59,515,812 | - | - | - | - | - | - | - |
| Compensated absences - net of current portion | 1,371,885 | 1,371,885 | - | - | - | - | - | - | - | - |
| Total liabilities | \$ 258,424,231 | \$ 17,972,406 | \$ 233,013,804 | \$ 156,681 | \$ 1,975 | \$ 215,135 | \$ - | \$ - | \$ 4,138,498 | \$ 2,925,732 |
| Deferred Inflows of Resources | \$ 31,976,585 | \$ - | \$ 31,976,585 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| NET POSITION | | | | | | | | | | |
| Net investment in capital assets | 136,235,864 | - | - | - | - | - | - | - | 136,235,864 | - |
| Restricted: | | | | | | | | | | |
| Expendable scholarships and grants | 1,165,711 | - | - | - | - | 1,165,711 | - | - | - | - |
| Loans | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 43,098,508 | 37,191,898 | (227,120,531) | 78,877,434 | 7,237,027 | - | - | 17,492,465 | 129,420,215 | - |
| Total net position | \$ 180,500,083 | \$ 37,191,898 | \$ (227,120,531) | \$ 78,877,434 | \$ 7,237,027 | \$ 1,165,711 | \$ - | \$ 17,492,465 | \$ 265,656,079 | \$ - |

OAKLAND COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2018

| | Combined Total | Eliminations | General Fund | Pension Liability Fund | Designated Fund | Auxiliary Services Fund | Restricted Fund | Student Loan Fund | Endowment and Similar Funds | Plant Fund | Agency Fund |
|---|---------------------------|---------------------|-------------------------|---------------------------------------|----------------------------|--|----------------------------|----------------------------------|--|-----------------------|------------------------|
| Operating revenues | | | | | | | | | | | |
| Tuition and fees - net of scholarship allowance of \$12,954,035 | \$ 30,814,265 | \$ (12,954,035) | \$ 41,405,825 | \$ - | \$ 2,362,475 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal grants and contracts | 3,106,858 | - | - | - | 2,779 | - | 3,104,079 | - | - | - | - |
| State and local grants and contracts | 5,896,053 | - | - | - | - | - | 5,896,053 | - | - | - | - |
| Nongovernmental grants and contracts | 647,391 | - | - | - | - | - | 647,391 | - | - | - | - |
| Auxiliary activities | 5,559,961 | (669,528) | - | - | - | 6,229,489 | - | - | - | - | - |
| Miscellaneous | 912,336 | - | 329,186 | - | 467,074 | 62,091 | - | - | - | 53,985 | - |
| Total operating revenues | 46,936,864 | (13,623,563) | 41,735,011 | - | 2,832,328 | 6,291,580 | 9,647,523 | - | - | 53,985 | - |
| Operating expenses | | | | | | | | | | | |
| Instruction | 51,555,305 | (404,932) | 47,228,136 | 2,495,152 | 1,790,606 | - | 440,686 | - | - | 5,657 | - |
| Instructional support | 22,672,313 | (76,591) | 15,765,751 | 807,684 | 1,974,326 | - | 4,201,143 | - | - | - | - |
| Student services | 28,075,505 | (13,082,594) | 12,327,990 | 560,013 | 85,897 | 5,585,352 | 22,598,847 | - | - | - | - |
| Institutional administration | 16,177,115 | (47,289) | 14,811,733 | 497,343 | 67,061 | 733,435 | 11,576 | - | - | 103,256 | - |
| Information Technology | 7,156,628 | (6,340) | 7,162,968 | - | - | - | - | - | - | - | - |
| Physical plant operations | 14,525,312 | (5,247) | 16,847,486 | 607,749 | - | - | - | - | - | (2,924,676) | - |
| Depreciation expense | 16,674,558 | - | - | - | - | - | - | - | - | 16,674,558 | - |
| Public services | 117,940 | (570) | - | 5,468 | 112,487 | - | 555 | - | - | - | - |
| Total operating expenses | 156,954,676 | (13,623,563) | 114,144,064 | 4,973,409 | 4,030,377 | 6,318,787 | 27,252,807 | - | - | 13,858,795 | - |
| Operating (loss) income | (110,017,812) | - | (72,409,053) | (4,973,409) | (1,198,049) | (27,207) | (17,605,284) | - | - | (13,804,810) | - |
| Non-operating revenues (expenses) | | | | | | | | | | | |
| Pell grant revenue | 18,147,150 | - | - | - | - | - | 18,147,150 | - | - | - | - |
| State appropriations | 24,715,817 | - | 24,715,817 | - | - | - | - | - | - | - | - |
| State appropriations for UAAL | 8,966,836 | - | - | 8,966,836 | - | - | - | - | - | - | - |
| Property taxes | 82,889,739 | - | 82,889,739 | - | - | - | - | - | - | - | - |
| Investment income | 4,585,290 | - | - | - | - | - | - | - | 317,152 | - | - |
| Unrealized loss on investments | (4,035,545) | - | (3,768,646) | - | - | - | - | - | (266,899) | - | - |
| Net non-operating revenues | 135,269,287 | - | 108,105,048 | 8,966,836 | - | - | 18,147,150 | - | 50,253 | - | - |
| Income (loss) before transfers | 25,251,475 | - | 35,695,995 | 3,993,427 | (1,198,049) | (27,207) | 541,866 | - | 50,253 | (13,804,810) | - |
| Transfers in (out) | 0 | - | (31,911,343) | - | 1,472,219 | - | 684,510 | - | (533,659) | 30,288,273 | - |
| Increase (decrease) in net position | 25,251,475 | - | 3,784,652 | 3,993,427 | 274,170 | (27,207) | 1,226,376 | - | (483,406) | 16,483,463 | - |
| Net position - beginning of year | 215,600,667 | - | 33,407,247 | (170,761,899) | 78,603,264 | 7,264,234 | (60,666) | - | 17,975,871 | 249,172,616 | - |
| Adjustment of change in accounting principle | (60,352,059) | - | - | (60,352,059) | - | - | - | - | - | - | - |
| Net position - beginning of year, as restated | 155,248,608 | - | 33,407,247 | (231,113,958) | 78,603,264 | 7,264,234 | (60,666) | - | 17,975,871 | 249,172,616 | - |
| Net position - end of year | \$ 180,500,083 | \$ - | \$ 37,191,899 | \$ (227,120,531) | \$ 78,877,434 | \$ 7,237,027 | \$ 1,165,710 | \$ - | \$ 17,492,465 | \$ 265,656,079 | \$ - |

**OAKLAND COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2017**

| | Combined Total | General Fund | Pension Liability Fund | Designated Fund | Auxiliary Services Fund | Restricted Fund | Student Loan Fund | Endowment and Similar Funds | Plant Fund | Agency Fund |
|---|-----------------------|----------------------|------------------------------|----------------------|-------------------------------|--------------------|-------------------------|-----------------------------------|-----------------------|---------------------|
| ASSETS | | | | | | | | | | |
| Current assets | | | | | | | | | | |
| Cash and cash equivalents | \$ 35,803,400 | \$ 35,794,850 | \$ - | \$ 150 | \$ 8,400 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Accrued interest | 744,615 | 138,194 | - | - | - | - | - | 606,421 | - | - |
| Short-term investments | 48,930,905 | 47,165,609 | - | - | - | - | - | 1,765,296 | - | - |
| Property taxes receivable, net | 153,351 | 153,351 | - | - | - | - | - | - | - | - |
| State appropriations receivable | 5,330,698 | 5,330,698 | - | - | - | - | - | - | - | - |
| Federal and state grants receivable | 1,774,238 | - | - | - | - | 1,774,238 | - | - | - | - |
| Accounts receivable, net | 1,458,624 | 607,411 | - | 189,043 | 360,116 | 257,434 | - | - | - | 44,620 |
| Inventories | 1,653,084 | - | - | 24,570 | 1,628,514 | - | - | - | - | - |
| Prepaid expenses and other assets | 3,500,825 | 3,500,825 | - | - | - | - | - | - | - | - |
| Due from (to) other funds | - | (185,942,154) | - | 78,389,594 | 5,270,823 | (2,069,486) | - | (7,045,932) | 108,338,429 | 3,058,726 |
| Total current assets | 99,349,740 | (93,251,216) | - | 78,603,357 | 7,267,853 | (37,814) | - | (4,674,215) | 108,338,429 | 3,103,346 |
| Long-term investments | 167,496,910 | 144,846,824 | - | - | - | - | - | 22,650,086 | - | - |
| Capital assets - nondepreciable | 12,647,398 | - | - | - | - | - | - | - | 12,647,398 | - |
| Capital assets - depreciable | | | | | | | | | | |
| Land improvements | 18,719,439 | - | - | - | - | - | - | - | 18,719,439 | - |
| Infrastructure | 21,162,009 | - | - | - | - | - | - | - | 21,162,009 | - |
| Buildings and improvements | 289,226,354 | - | - | - | - | - | - | - | 289,226,354 | - |
| Equipment | 38,577,200 | - | - | - | - | - | - | - | 38,577,200 | - |
| Library materials | 9,339,765 | - | - | - | - | - | - | - | 9,339,765 | - |
| Accumulated depreciation | (247,908,725) | - | - | - | - | - | - | - | (247,908,725) | - |
| Total capital assets - depreciable | 129,116,042 | - | - | - | - | - | - | - | 129,116,042 | - |
| Total assets | \$ 408,610,090 | \$ 51,595,608 | \$ - | \$ 78,603,357 | \$ 7,267,853 | \$ (37,814) | \$ - | \$ 17,975,871 | \$ 250,101,869 | \$ 3,103,346 |
| Deferred Outflows of Resources | | | | | | | | | | |
| Deferred outflows related to pensions | \$ 21,975,402 | \$ - | \$ 21,975,402 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred outflows related to OPEB | - | - | - | - | - | - | - | - | - | - |
| Total Deferred Outflows of Resources | \$ 21,975,402 | \$ - | \$ 21,975,402 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| LIABILITIES | | | | | | | | | | |
| Current liabilities | | | | | | | | | | |
| Current portion of long-term debt obligations | \$ 820,000 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 820,000 | \$ - |
| Accounts payable | 6,334,431 | 6,231,482 | - | - | - | - | - | - | 102,949 | - |
| Accrued interest payable | 6,287 | - | - | - | - | - | - | - | 6,287 | - |
| Accrued payrolls, vacation, and other compensation | 7,788,622 | 7,784,986 | - | - | 3,619 | - | - | - | 17 | - |
| Unearned revenue | 2,684,470 | 2,661,525 | - | 93 | - | 22,852 | - | - | - | - |
| Deposits held for others | 3,103,346 | - | - | - | - | - | - | - | - | 3,103,346 |
| Total current liabilities | 20,737,156 | 16,677,993 | - | 93 | 3,619 | 22,852 | - | - | 929,253 | 3,103,346 |
| Long-term debt obligations - net of current portion | - | - | - | - | - | - | - | - | - | - |
| Net Pension Liability | 180,430,177 | - | 180,430,177 | - | - | - | - | - | - | - |
| Net OPEB Liability | - | - | - | - | - | - | - | - | - | - |
| Compensated absences - net of current portion | 1,510,368 | 1,510,368 | - | - | - | - | - | - | - | - |
| Total liabilities | \$ 202,677,701 | \$ 18,188,361 | \$ 180,430,177 | \$ 93 | \$ 3,619 | \$ 22,852 | \$ - | \$ - | \$ 929,253 | \$ 3,103,346 |
| Deferred Inflows of Resources | | | | | | | | | | |
| Deferred inflows related to pensions | \$ 12,307,124 | \$ - | \$ 12,307,124 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Deferred inflows related to OPEB | - | - | - | - | - | - | - | - | - | - |
| Total Deferred Inflows of Resources | \$ 12,307,124 | \$ - | \$ 12,307,124 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| NET POSITION | | | | | | | | | | |
| Net investment in capital assets | 140,943,440 | - | - | - | - | - | - | - | 140,943,440 | - |
| Restricted: | | | | | | | | | | |
| Expendable scholarships and grants | 1,081,533 | - | - | - | - | 1,081,533 | - | - | - | - |
| Loans | - | - | - | - | - | - | - | - | - | - |
| Unrestricted | 73,575,694 | 33,407,247 | (170,761,899) | 78,603,264 | 7,264,234 | (1,142,199) | - | 17,975,871 | 108,229,176 | - |
| Total net position | \$ 215,600,667 | \$ 33,407,247 | \$ (170,761,899) | \$ 78,603,264 | \$ 7,264,234 | \$ (60,666) | \$ - | \$ 17,975,871 | \$ 249,172,616 | \$ - |

OAKLAND COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

| | Combined Total | Eliminations | General Fund | Pension Liability Fund | Designated Fund | Auxiliary Services Fund | Restricted Fund | Student Loan Fund | Endowment and Similar Funds | Plant Fund | Agency Fund |
|---|---------------------------|---------------------|-------------------------|---------------------------------------|----------------------------|--|----------------------------|----------------------------------|--|-----------------------|------------------------|
| Operating revenues | | | | | | | | | | | |
| Tuition and fees - net of scholarship allowance of \$12,829,220 | \$ 33,089,583 | \$ (12,829,220) | \$ 43,928,401 | \$ - | \$ 1,990,402 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Federal grants and contracts | 3,384,815 | - | - | - | 3,183 | - | 3,381,632 | - | - | - | - |
| State and local grants and contracts | 1,391,492 | - | - | - | 13,900 | - | 1,377,592 | - | - | - | - |
| Nongovernmental grants and contracts | 571,140 | - | - | - | - | - | 571,140 | - | - | - | - |
| Auxiliary activities | 6,624,795 | (749,492) | - | - | - | 7,374,095 | - | - | - | 192 | - |
| Miscellaneous | 804,640 | - | 240,568 | - | 482,967 | 67,667 | 4,200 | - | - | 9,238 | - |
| Total operating revenues | 45,866,465 | (13,578,712) | 44,168,969 | - | 2,490,452 | 7,441,762 | 5,334,564 | - | - | 9,430 | - |
| Operating expenses | | | | | | | | | | | |
| Instruction | 57,030,469 | (466,865) | 52,011,509 | 3,448,033 | 1,441,071 | - | 575,380 | - | - | 21,341 | - |
| Instructional support | 23,383,106 | (85,065) | 18,836,998 | 1,114,573 | 1,845,968 | - | 1,650,632 | - | - | 20,000 | - |
| Student services | 29,123,965 | (12,966,579) | 12,901,399 | 779,656 | 61,716 | 6,337,548 | 21,996,475 | - | - | 13,750 | - |
| Institutional administration | 17,068,984 | (52,375) | 15,620,714 | 706,221 | 67,839 | 722,124 | 1,755 | - | - | 2,706 | - |
| Information Technology | - | - | - | - | - | - | - | - | - | - | - |
| Physical plant operations | 17,418,448 | (7,398) | 17,061,195 | 807,791 | - | - | - | - | - | (443,140) | - |
| Depreciation expense | 16,268,145 | - | - | - | - | - | - | - | - | 16,268,145 | - |
| Public services | 135,116 | (430) | - | 6,861 | 118,685 | - | 10,000 | - | - | - | - |
| Total operating expenses | 160,428,233 | (13,578,712) | 116,431,815 | 6,863,135 | 3,535,279 | 7,059,672 | 24,234,242 | - | - | 15,882,802 | - |
| Operating (loss) income | (114,561,768) | - | (72,262,846) | (6,863,135) | (1,044,827) | 382,090 | (18,899,678) | - | - | (15,873,372) | - |
| Non-operating revenues (expenses) | | | | | | | | | | | |
| Pell grant revenue | 17,424,284 | - | - | - | - | - | 17,424,284 | - | - | - | - |
| State appropriations | 23,847,244 | - | 23,847,244 | - | - | - | - | - | - | - | - |
| State appropriations for UAAL | 7,124,142 | - | - | 7,124,142 | - | - | - | - | - | - | - |
| Property taxes | 80,835,825 | - | 80,835,825 | - | - | - | - | - | - | - | - |
| Investment income | 3,271,525 | - | 2,932,026 | - | - | - | - | 339,499 | - | - | - |
| Unrealized loss on investments | (3,266,071) | - | (3,023,649) | - | - | - | - | (242,422) | - | - | - |
| Net non-operating revenues | 129,236,949 | - | 104,591,446 | 7,124,142 | - | - | 17,424,284 | - | 97,077 | - | - |
| Income (loss) before transfers | 14,675,181 | - | 32,328,600 | 261,007 | (1,044,827) | 382,090 | (1,475,394) | - | 97,077 | (15,873,372) | - |
| Transfers in (out) | - | - | (31,745,328) | - | 1,248,244 | - | 688,655 | - | (479,844) | 30,288,273 | - |
| Increase (decrease) in net position | 14,675,181 | - | 583,272 | 261,007 | 203,417 | 382,090 | (786,739) | - | (382,767) | 14,414,901 | - |
| Net position - beginning of year | 200,925,486 | - | 32,823,975 | (171,022,905) | 78,399,846 | 6,882,144 | 726,074 | - | 18,358,638 | 234,757,714 | - |
| Adjustment of change in accounting principle | - | - | - | - | - | - | - | - | - | - | - |
| Net position - beginning of year, as restated | 200,925,486 | - | 32,823,975 | (171,022,905) | 78,399,846 | 6,882,144 | 726,074 | - | 18,358,638 | 234,757,714 | - |
| Net position - end of year | \$ 215,600,667 | \$ - | \$ 33,407,247 | \$ (170,761,898) | \$ 78,603,263 | \$ 7,264,234 | \$ (60,665) | \$ - | \$ 17,975,871 | \$ 249,172,615 | \$ - |



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