

**ACTION**

4800 E. Huron River Drive  
Ann Arbor, Michigan 48105

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Subject	Date
Financial Reports (December 2017)	January 23, 2018

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**RECOMMENDATION**

That the Board of Trustees receive the Financial Reports for December 2017 as follows: General Fund, Deferred Maintenance Fund, Capital Fund, and Combined Schedule of Investments-All Funds.

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Prepared by: William Johnson  
Title: CFO and Vice President of Finance

Recommended by: *Rose B. Bellanca E.D.*  
Rose B. Bellanca, President

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# Financial Narrative

December 2017

The financial narrative discusses the financial operating performance of Washtenaw Community College for fiscal year 2017-18, the six months ended December 31, 2017.

## Revenue

As of December 31, 2017, Total Revenues were \$80.5 million; Total Expenditures and Operating Transfers were \$49.8 million. Revenues in total are ahead of the expected budget for the first half of the year by approximately \$1.4 million.

Winter Tuition revenue is slightly ahead of budget with registrations as of the end of December. Actual average credits per student are slightly below last year, which is consistent with budget assumptions. However, this credit hour decline is offset by greater than planned out state and online credit hours. Revenue from Student Fees, which trends with enrollment, is also showing a positive variance because of both the strong overall registration activity, and increases in enrollments in occupational programs, which carry additional contact hour fees.

State Aid revenue reflects one-half of the annual appropriation for the new fiscal year, which is slightly more than what the College budgeted for the year. The State pays the annual appropriation in equal monthly installments from October through August. Contributing to the positive variance, the Local Community Stabilization Authority distribution was received in November, and came in approximately \$59,000 higher than the budgeted amount.

Receipts for Local Government Taxes are \$40.8 million through December, which represents 80 percent of the total budgeted revenue from property taxes. To-date, refunds of prior year taxes are running well below budget, indicating that this line item will outpace the current budget by at least \$400,000 for the year.

## Expenditures

Total Expenditures through December 31, 2017, represent 48 percent of the budgeted expenditures for the fiscal year. Overall expenditures are approximately \$2.0 million less than what was expected through the first half of the year.

The non-personnel variance items total approximately \$1.0 million. The variances are spread across all areas of campus. At this point in the year, we expect some portion of the variances will translate into permanent savings, however, we still consider most of them to be timing differences.

The personnel-related variance of approximately \$1.0 million is largely due to vacancies exceeding the budgeted vacancy level during the first half of the fiscal year. We view this largely as a permanent savings variance. For the year, vacancies were budgeted to provide savings of approximately \$2 million, based on an average of 20 vacant positions per month. Actual vacancies in full-time positions, however, have averaged over 30 per month for the year-to-date. Additional savings from budgeted part-time positions have also contributed to the positive variance. As the savings from vacancies are realized throughout the year, the various divisions will show a positive variance to budget and the General Administrative category, which holds the budgeted vacancy savings, will reflect an over-budget condition. An additional impact offsetting the positive personnel variance is an accrual of approximately \$200,000 related to the December State Supreme Court ruling on employee contributions to the MPERS healthcare fund. While the State will be returning the actual contribution dollars, the College will owe payroll taxes on the refunds due to employees, since those deductions were not taxed at the time they were originally processed.

**Washtenaw Community College**  
**Revenues and Expenditures - General Fund**  
**Statement as of December 31, 2017**

	Annual Budget	YTD Budget	YTD Actual	YTD Variance
<b>REVENUES</b>				
Tuition Fall	11,705,894	11,705,894	12,104,303	398,409
Tuition Winter	11,322,094	10,612,105	10,655,475	43,370
Tuition Spring	4,615,153	1,476,849	1,539,140	62,291
Student Fees	4,097,462	3,338,901	3,551,939	213,038
Total Tuition and Fees	<u>31,740,603</u>	<u>27,133,749</u>	<u>27,850,856</u>	<u>717,108</u>
Local Property Taxes	50,800,000	40,367,903	40,780,642	412,739
State Appropriations	14,402,000	7,536,000	7,624,574	88,574
Trade Partnerships	3,417,227	2,308,273	2,485,531	177,259
Investment Income	650,000	325,000	388,762	63,762
Other	1,871,435	891,956	784,252	(107,704)
Auxiliary Activities	1,206,000	575,029	585,858	10,829
<b>Total Revenue</b>	<b>104,087,265</b>	<b>79,137,910</b>	<b>80,500,476</b>	<b>1,362,566</b>
<b>EXPENDITURES</b>				
Humanities & Social Sciences	11,771,766	5,785,193	5,784,438	756
Math, Science & Engineering Technologies	8,914,700	4,373,447	4,356,345	17,102
Health Sciences	5,429,642	2,754,091	2,753,871	219
Business & Computer Technologies	6,967,310	3,423,619	3,370,277	53,343
Advanced Technologies & Public Service Careers	7,130,292	3,522,549	3,213,750	308,799
Continuing Education	609,087	283,819	213,762	70,058
Distance Learning	1,758,966	828,992	832,509	(3,518)
Instructional Support	13,258,404	7,134,758	6,643,851	490,906
Total Instruction	<u>55,840,167</u>	<u>28,106,468</u>	<u>27,168,803</u>	<u>937,666</u>
Student Services	8,916,462	4,378,612	3,806,568	572,044
Scholarships	1,518,220	821,056	772,196	48,860
Executive Management	2,041,383	1,013,354	933,634	79,720
General Admin - Institutional Services	6,676,661	3,499,988	4,163,382	(663,394)
MIS/Computer Services	7,318,704	3,630,396	3,650,179	(19,783)
Public Relations Development	3,373,071	1,550,608	1,228,499	322,109
Community Services	2,030,024	991,263	973,099	18,164
Physical Plant Operations	10,252,383	5,027,526	4,542,492	485,034
Utilities	2,181,700	974,943	976,184	(1,241)
Equipment	1,686,015	805,395	543,588	261,807
Total Non-Instruction	<u>45,994,623</u>	<u>22,693,141</u>	<u>21,589,820</u>	<u>1,103,320</u>
<b>Total Expenditures</b>	<b>101,834,790</b>	<b>50,799,609</b>	<b>48,758,623</b>	<b>2,040,986</b>
<b>OPERATING TRANSFERS</b>				
Repair & Maintenance	500,000	500,000	500,000	-
Debt Retirement	1,927,475	206,238	206,238	-
Health & Fitness Center	(1,675,000)	(837,500)	(1,187,500)	(350,000)
Deferred Maintenance	1,500,000	1,500,000	1,500,000	-
<b>Total Operating Transfers</b>	<b>2,252,475</b>	<b>1,368,738</b>	<b>1,018,738</b>	<b>(350,000)</b>
<b>Total Expenditures and Operating Transfers</b>	<b>104,087,265</b>	<b>52,168,347</b>	<b>49,777,361</b>	<b>2,390,986</b>
<b>Operating Revenue Over Expenditures &amp; Transfers</b>	<b>-</b>	<b>26,969,564</b>	<b>30,723,115</b>	<b>3,753,552</b>
<b>OTHER NON-OPERATING ACTIVITY</b>				
Unrealized Gain/(Loss) on Investment	-	-	(94,654)	(94,654)
<b>Total Revenue over Expenditures &amp; Transfers</b>	<b>-</b>	<b>26,969,564</b>	<b>30,628,462</b>	<b>3,658,898</b>

**Capital Fund**  
**Project Summary**  
**December 31, 2017**

<b>Project Category</b>	<b>Budget</b>	<b>Actuals</b>	<b>Commitment</b>	<b>Balance</b>
<b>Revenues</b>				
State Appropriation CC - STEP Equipment	4,516,749	4,516,749	-	0
General Fund	6,055,178	6,055,178	-	0
Misc. Revenue		10,767		10,767
<b>Total Revenues</b>	<b>\$ 10,571,927</b>	<b>10,582,694</b>	<b>-</b>	<b>10,767</b>
<b>Construction/Repair Projects</b>				
<b>Storage Receiving Building</b>				
<b>Renovations:</b>				
SRB Addition	1,830,000	1,827,590	-	2,410
<b>Total Storage Receiving Building</b>	<b>\$ 1,830,000</b>	<b>\$ 1,827,590</b>	<b>\$ -</b>	<b>2,410</b>
<b>Campus Wide</b>				
<b>System Improvements:</b>				
Classroom & Lab access Control	570,802	552,707	-	18,095
CC - STEP Equipment	7,627,434	7,504,061	-	123,373
Campus Security System Upgrades	318,691	195,520	13,457	109,714
Campus Data Storage Upgrades	225,000	224,080	-	920
<b>Total Campus Wide</b>	<b>\$ 8,741,927</b>	<b>\$ 8,476,367</b>	<b>\$ 13,457</b>	<b>252,103</b>
<b>Grand Total Construction/Repair Projects</b>	<b>\$ 10,571,927</b>	<b>\$ 10,303,958</b>	<b>\$ 13,457</b>	<b>254,512</b>
<b>Revenue Over (Under) Expenditures</b>		<b>\$ 278,736</b>		

**Washtenaw Community College  
Deferred Maintenance Fund  
December 31, 2017**

<b>Five Year Priority List at inception of fund - September 2012</b>	<b>12,570,900</b>
New projects identified - 2015	5,420,000
Additional Projects undertaken (not on above lists)	3,462,400
Adjustments to budgets of started or completed projects	3,374,760
Projects funded through other budgeted sources	(821,900)
<b>Deferred Maintenance requirement 2012-2022</b>	<b><u>24,006,160</u></b>

Since inception of fund:

General Fund Transfers	12,300,000
Completed projects	(8,876,253)
Projects in process	(3,070,050)
Uncommitted Fund Balance	<b><u>353,697</u></b>

Completed Projects:

	<u>Final Cost</u>
Projects completed in prior years	6,465,248
Current year completed projects:	
THFC 2nd Floor Carpet Replacement	68,494
CLASB 2nd Fl to SC Storefront Replace	65,341
TIB NE & SE Storefront Replace	136,599
Parking Lots Replacement	2,100,000
Total of FY18 completed projects < \$50,000 each	40,571
<b>Total Completed</b>	<b><u>8,876,253</u></b>

Projects in Process or scheduled to begin:

	<u>Allocated Budget</u>
BEB Boiler&VAV Box Replacement	525,000
GMB Carpet/Flooring Replacement	170,000
Concrete Sidewalk Replacement FY17	75,000
EC Heating Pumps Replacement	85,000
EC Tunnels reinsulate primary heating water & chilled water piping	80,000
EC - Upgrade 13,200 v main campus fed with a power line conditioning syst	60,000
CLASB Humidification Boiler Replacement	260,000
CLASB 2nd Fl window and sill	285,000
* OEB Sanitary Pipe Replacement	70,000
Maintenance Garage replace oil separator/sanitation line	120,000
BEB Fan Coil Units	600,000
EC Boiler Control & Valve Repl	75,000
Siemens Temp.control Panel Upgrade	130,000
PS - Expansion joint replacement and crack and joint repair	225,000
THFC Pool Filtration Piping & HX Rep	60,000
* GMB Penthouse replace main building transformers	125,000
Total of other projects < \$50,000 each	125,050
<b>Total in Process</b>	<b><u>3,070,050</u></b>

\* Scheduled; no financial activity as of report date

Additional projects pending for next twelve months

	<u>Expected Budget</u>
Bus Loop, repair/replace	200,000
Total of other projects < \$50,000 each	140,000
<b>Total Pending</b>	<b><u>340,000</u></b>



**WCC Active Portfolio  
Portfolio Management  
Portfolio Summary  
December 31, 2017**

Washtenaw Community College  
4800 East Huron River Drive  
Ann Arbor, MI 48105  
(734)973-3300

<b>Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>Book Value</b>	<b>% of Portfolio</b>	<b>Term</b>	<b>Days to Maturity</b>	<b>YTM/C 360 Equiv.</b>	<b>YTM/C 365 Equiv.</b>
Money Market Accounts	500,000.00	500,000.00	500,000.00	1.96%	-	0	0.000	0.000
Federal Agency Coupon Securities	7,000,000.00	6,912,980.00	6,993,866.35	27.35%	2,484	1697	1.817	1.842
State of Michigan Coupon Securities	4,000,000.00	3,954,420.00	4,010,813.11	15.69%	2,505	2137	2.114	2.144
Municipal Bonds	14,000,000.00	14,040,695.00	14,064,791.37	55.01%	2,097	1357	2.356	2.388
	<b>25,500,000.00</b>	<b>25,408,095.00</b>	<b>25,569,470.83</b>	<b>100.00%</b>	<b>2,270</b>	<b>1,577</b>	<b>2.167</b>	<b>2.197</b>

<b>Investments</b>	<b>Month Ending 12/31/2017</b>	<b>Fiscal Year 2017 - 2018 To Date</b>	<b>Month Ending 12/31/16</b>	<b>Fiscal Year 2016 - 2017 To Date</b>
<b>Total Earnings</b>				
Current Year	46,573.12	278,717.42	37,828.96	237,120.40
Average Monthly Balance - Long Term Invested Balance		25,570,944.42		25,224,755.63
Effective Rate of Return - Long Term Invested Balance		2.18%		1.88%

	<b>6 Month</b>	<b>1 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>20 Year</b>
<b>Treasury Yield Curve 12/31/2017</b>	<b>1.53%</b>	<b>1.76%</b>	<b>2.20%</b>	<b>2.40%</b>	<b>2.58%</b>

Reporting period 12/01/2017-12/31/2017