

Oakland Community College

*Financial Statements for the Years
Ended June 30, 2000 and 1999, and
Independent Auditors' Report*



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Oakland Community College
Bloomfield Hills, Michigan

We have audited the accompanying balance sheets of Oakland Community College (the "College") as of June 30, 2000, and the related statements of changes in fund balances and of current funds revenues, expenditures and other changes for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2000, and the changes in its fund balances and its current funds revenues, expenditures and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

October 24, 2000

OAKLAND COMMUNITY COLLEGE

BALANCE SHEETS

JUNE 30, 2000 AND 1999

ASSETS	2000	1999	LIABILITIES AND FUND BALANCES	2000	1999
CURRENT FUNDS					
General Fund					
Cash and investments (Note2)	\$ 35,553,960	\$ 35,855,432	Accounts payable	\$ 2,343,064	\$ 2,588,317
Accrued interest	635,516	457,854	Accrued liabilities:		
Property taxes receivable, less allowance of \$100,000 and \$150,000 in 2000 and 1999	291,825	169,306	Payroll and employee benefits	6,337,053	7,678,836
Accounts receivable, less allowance of \$25,000 and \$100,000 in 2000 and 1999	4,047,359	3,881,673	Other	100,000	100,000
Inventories	61,752	46,923	Unearned student fees	882,960	595,991
Prepaid expenses	201,058	196,377	Due to other funds	12,269,950	11,724,770
			Fund balance:		
			Designated		3,200,000
			Undesignated	18,858,443	14,719,651
Total general fund	40,791,470	40,607,565	Total general fund	40,791,470	40,607,565
Designated Fund					
Cash and investments (Note2)	1,000	500	Accounts payable	168,226	182,324
Accrued interest	10,487	53,036	Fund balance	2,263,396	1,941,833
Accounts receivable	359,929	409,749			
Due from other funds	2,060,206	1,660,872			
Total designated fund	2,431,622	2,124,157	Total designated fund	2,431,622	2,124,157
Auxiliary Activities Fund					
Cash and investments (Note2)	8,400	8,400	Accounts payable	282,722	162,741
Accounts receivable	136,133	105,591	Fund balance:		
Inventories	1,542,694	1,529,811	Designated for working capital	1,550,000	1,550,000
Due from other funds	2,223,186	2,081,554	Undesignated	2,077,691	2,012,615
Total auxiliary activities fund	3,910,413	3,725,356	Total auxiliary activities fund	3,910,413	3,725,356
Total unrestricted funds	47,133,505	46,457,078	Total unrestricted funds	47,133,505	46,457,078

(Continued)

OAKLAND COMMUNITY COLLEGE

BALANCE SHEETS JUNE 30, 2000 AND 1999

ASSETS	2000	1999	LIABILITIES AND FUND BALANCES	2000	1999
CURRENT FUNDS (Continued)					
Total unrestricted funds - Forward	<u>\$47,133,505</u>	<u>\$46,457,078</u>	Total unrestricted funds - Forward	<u>\$47,133,505</u>	<u>\$46,457,078</u>
Restricted Fund					
Cash and investments (Note2)		500	Accounts payable	2,839,483	595,925
Accounts receivable	3,902,867	1,517,650	Fund balance	1,976,363	1,614,648
Due from other funds	<u>912,979</u>	<u>692,423</u>			
Total restricted fund	<u>4,815,846</u>	<u>2,210,573</u>	Total restricted fund	<u>4,815,846</u>	<u>2,210,573</u>
Total current funds	<u>\$51,949,351</u>	<u>\$48,667,651</u>	Total current funds	<u>\$51,949,351</u>	<u>\$48,667,651</u>
STUDENT LOAN FUND					
Due from other funds	\$ 29,957	\$ 182,761	Fund balance - Restricted:		
Student notes receivable, less allowance of \$35,000 in 2000 and 1999	<u>3,580</u>	<u>4,747</u>	College student loan programs	\$ 18,506	\$ 172,477
			Federal student loan program:		
			Federal portion	1,394	1,394
			College portion	<u>13,637</u>	<u>13,637</u>
			Total federal student loan program	<u>15,031</u>	<u>15,031</u>
Total student loan fund	<u>\$ 33,537</u>	<u>\$ 187,508</u>	Total student loan fund	<u>\$ 33,537</u>	<u>\$ 187,508</u>
ENDOWMENT AND SIMILAR FUNDS					
Cash and investments (Note2)	\$ 17,739,016	\$ 17,756,416	Due to other funds	\$ 555,257	\$ 792,024
Accounts receivable	134		Fund balance - Quasi-endowment	17,497,718	17,348,024
Accrued interest	<u>313,825</u>	<u>383,632</u>			
Total endowment and similar funds	<u>\$ 18,052,975</u>	<u>\$ 18,140,048</u>	Total endowment and similar funds	<u>\$ 18,052,975</u>	<u>\$ 18,140,048</u>

(Continued)

OAKLAND COMMUNITY COLLEGE

BALANCE SHEETS

JUNE 30, 2000 AND 1999

ASSETS	2000	1999	LIABILITIES AND FUND BALANCES	2000	1999
PLANT FUNDS					
Unexpended Plant Funds					
Accounts receivable	\$ 2,615,076	\$ 111,259	Accounts payable	\$ 487,219	\$ 64,441
Due from other funds	339,083		Due to other funds		46,818
			Fund Balance:		
			Designated	2,466,940	
Total unexpended plant fund	<u>2,954,159</u>	<u>111,259</u>	Total unexpended plant fund	<u>2,954,159</u>	<u>111,259</u>
Maintenance and Replacement Fund					
Cash and investments (Note2)	23,358,549	17,385,979	Accounts payable	2,307,060	3,651,889
Accrued interest	193,898	95,534	Long-term debt - Unexpended portion (Note 3)		2,031,304
Due from other funds	7,339,523	6,014,096	Fund balance:		
Unamortized bond costs		281,267	Designated	28,584,910	19,418,920
Accounts receivable		1,325,237			
Total maintenance and replacement fund	<u>30,891,970</u>	<u>25,102,113</u>	Total maintenance and replacement fund	<u>30,891,970</u>	<u>25,102,113</u>
Debt Service Fund					
Cash and investments (Note2)	10,673,174	7,872,100	Accrued interest	172,969	148,648
Accrued interest	305,113	166,201	Due to other funds	79,727	
Accounts receivable	36,310		Fund balance:		
Unamortized bond costs	264,677		Restricted	636,852	546,838
Property taxes receivable, less allowance of \$30,000 in 1999		6,140	Designated	10,389,726	9,280,861
Due from other funds		1,931,906			
Total debt service fund	<u>11,279,274</u>	<u>9,976,347</u>	Total debt service fund	<u>11,279,274</u>	<u>9,976,347</u>
Physical Properties Fund					
Land	3,006,592	3,006,592	Long-term debt (Note 3)	18,595,000	15,528,696
Land improvements	17,610,325	15,152,829	Net investment in physical properties	229,355,096	215,071,871
Buildings	121,286,689	111,674,882			
Equipment	57,099,898	53,057,701			
Library books	6,361,521	5,958,160			
Construction-in-progress	42,585,071	41,750,403			
Total physical properties fund	<u>247,950,096</u>	<u>230,600,567</u>	Total physical properties fund	<u>247,950,096</u>	<u>230,600,567</u>
Total plant funds	<u>\$ 293,075,499</u>	<u>\$ 265,790,286</u>	Total plant funds	<u>\$ 293,075,499</u>	<u>\$ 265,790,286</u>

OAKLAND COMMUNITY COLLEGE

BALANCE SHEETS JUNE 30, 2000 AND 1999

ASSETS	2000	1999	LIABILITIES AND FUND BALANCES	2000	1999
			AGENCY FUND		
Cash and investments (Note2)	\$ 531,317	\$ 322,264	Accounts payable	\$ 199,079	\$ 27,100
Accounts receivable	239	5,225	Accrued payroll and employee benefits		51
	<u> </u>	<u> </u>	Due to depositors	<u>332,477</u>	<u>300,338</u>
Total agency fund	<u>\$ 531,556</u>	<u>\$ 327,489</u>	Total agency fund	<u>\$ 531,556</u>	<u>\$ 327,489</u>

(Concluded)

OAKLAND COMMUNITY COLLEGE

BALANCE SHEETS JUNE 30, 2000 AND 1999

ASSETS	2000	1999	LIABILITIES AND FUND BALANCES	2000	1999
COMBINED BALANCE SHEETS - TOTAL ALL FUNDS					
CURRENT ASSETS:			CURRENT LIABILITIES:		
Cash and investments (Note2)	\$ 87,865,416	\$ 79,201,591	Accounts payable	\$ 8,626,853	\$ 7,272,737
Accrued interest	1,458,839	1,156,257	Accrued liabilities:		
Property taxes receivable, less allowance of \$100,000 and \$180,000 in 2000 and 1999	291,825	175,446	Payroll and employee benefits	6,337,053	7,678,887
Accounts receivable, less allowance of \$25,000 and \$100,000 in 2000 and 1999	11,098,047	7,356,384	Interest	172,969	148,648
Student notes receivable, less allowance of \$35,000 in 2000 and 1999	3,580	4,747	Other	100,000	100,000
Inventories	1,604,446	1,576,734	Current portion of long-term debt (Note 3)	1,005,000	665,000
Prepaid expenses	201,058	196,377	Total current liabilities	16,241,875	15,865,272
Total current assets	102,523,211	89,667,536	Unearned student fees	882,960	595,991
			Due to depositors	332,477	300,338
			Long-term debt (Note 3)	17,590,000	16,895,000
			Total liabilities	35,047,312	33,656,601
			Fund balance:		
			Restricted:		
Land	3,006,592	3,006,592	Restricted fund	1,976,363	1,614,648
Land improvements	17,610,325	15,152,829	Debt service fund	636,852	546,838
Buildings	121,286,689	111,674,882	Federal student loan program	15,031	15,031
Equipment	57,099,898	53,057,701	Total restricted fund balances	2,628,246	2,176,517
Library books	6,361,521	5,958,160	Unrestricted:		
Construction-in-progress	42,585,071	41,750,403	Designated		
Unamortized bond costs	264,677	281,267	Net investment in physical properties	229,355,096	215,071,871
			Quasi-endowment	17,497,718	17,348,024
			Maintenance and replacement and unexpended plant	31,051,850	19,418,920
			Working capital	1,550,000	1,550,000
			Debt service fund	10,389,726	9,280,861
			General fund		3,200,000
			College student loan programs	18,506	172,477
			Other	2,263,396	1,941,833
			Undesignated	20,936,134	16,732,266
			Total unrestricted fund balances	313,062,426	284,716,252
			Total fund balances	315,690,672	286,892,769
TOTAL	\$ 350,737,984	\$ 320,549,370	TOTAL	\$ 350,737,984	\$ 320,549,370

OAKLAND COMMUNITY COLLEGE

STATEMENTS OF CHANGES IN FUND BALANCES YEARS ENDED JUNE 30, 2000 AND 1999

	Year Ended June 30, 2000							1999
	Total Current Funds	Student Loan Fund	Endowment and Similar Funds	Maintenance and Replacement Fund	Debt Service Fund	Unexpended Plant Fund	Physical Properties Fund	Combined Total All Funds
ADDITIONS (DEDUCTIONS):								
Current funds revenues and other changes	\$ 143,200,368						\$ 143,200,368	\$ 133,242,565
Note proceeds				\$ 1,970,000			\$ (1,970,000)	
Federal interest subsidy					\$ 72,620		72,620	72,621
State appropriations				447,208			447,208	
Gifts and grants			\$ 73,985			\$ 3,756,317	3,830,302	2,066,076
Investment income			867,604	966,022	597,339		2,430,965	1,525,508
Endowment income					672,005		672,005	657,493
Student loan interest	\$ 377						377	
Miscellaneous revenue (expense)	2,373		(30,747)				(28,374)	(11,214)
Expenditures from current funds for equipment and other capital items							5,026,299	3,229,114
Bad debt expense		(8,252)					(8,252)	(38,960)
Expenditures for capital additions				(15,033,492)		(3,756,317)	18,789,809	
Notes and bonds retired					(935,000)		935,000	
Proceeds from disposal of plant assets				3,788			3,788	5,123,467
Plant assets sold or retired						(6,466,578)	(6,466,578)	(2,691,652)
Current fund expenditures	(114,297,506)						(114,297,506)	(102,521,120)
Expenditures not capitalized				(4,376,074)			(4,376,074)	(3,188,084)
Interest, bond premium, and fees					(948,097)		(948,097)	(985,431)
Distribution to beneficiary fund			(761,148)				(761,148)	(717,041)
Nonmandatory transfers:								
Student Loan Funds	148,469	(148,469)						
Bond Issue proceeds				2,031,305			(2,031,305)	
Plant improvement maintenance and replacement	(27,364,185)			23,157,233	1,740,012	2,466,940		
Net increase (decrease) for the year	1,687,146	(153,971)	149,694	9,165,990	1,198,879	2,466,940	14,283,225	35,763,342
FUND BALANCES AT BEGINNING OF YEAR	25,038,747	187,508	17,348,024	19,418,920	9,827,699	None	215,071,871	251,129,427
FUND BALANCES AT END OF YEAR	\$ 26,725,893	\$ 33,537	\$ 17,497,718	\$ 28,584,910	\$ 11,026,578	\$ 2,466,940	\$ 229,355,096	\$ 286,892,769

See notes to financial statements.

OAKLAND COMMUNITY COLLEGE

STATEMENTS OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES YEARS ENDED JUNE 30, 2000 AND 1999

	Year Ended June 30, 2000					1999	
	General Fund	Designated Fund	Auxiliary Activities Fund	Total Unrestricted Fund	Restricted Fund	Combined Total Current All Funds	Combined Total Current All Funds
REVENUES AND OTHER CHANGES:							
Tuition and fees	\$ 25,711,786	\$ 2,144,330		\$ 27,856,116	\$ 22,073	\$ 27,878,189	\$ 28,093,825
Property taxes for current operations	66,339,792			66,339,792		66,339,792	62,806,728
State appropriations	20,747,107			20,747,107		20,747,107	20,231,211
Federal grants and contracts					6,706,049	6,706,049	6,515,470
State grants and contracts					7,665,477	7,665,477	3,734,164
Private gifts, grants, and contracts	27,364			27,364	1,535,418	1,562,782	742,812
Investment income (Note 2)	3,328,415	22,695		3,351,110		3,351,110	2,543,172
Sales and services of auxiliary activities			\$ 7,460,915	7,460,915		7,460,915	7,187,196
Other sources	197,744	929,488		1,127,232		1,127,232	765,752
Total revenues and other changes	<u>116,352,208</u>	<u>3,096,513</u>	<u>7,460,915</u>	<u>126,909,636</u>	<u>15,929,017</u>	<u>142,838,653</u>	<u>132,620,330</u>
EXPENDITURES AND TRANSFERS (Notes 3, 4 and 5):							
Instruction	37,742,212	2,333,863		40,076,075	8,268,472	48,344,547	43,621,164
Student financial aid	1,657,621			1,657,621	6,657,562	8,315,183	8,500,767
Instructional support	12,582,496	1,593,593		14,176,089	858,343	15,034,432	13,219,041
Student services	8,084,867	290,690	7,395,839	15,771,396	283,891	16,055,287	15,177,786
Institutional administration	14,116,450	218,716		14,335,166	34,176	14,369,342	11,392,875
Physical plant operations	11,611,054			11,611,054		11,611,054	10,514,330
Public services	60,130	504,766		564,896	2,765	567,661	95,157
Total expenditures	<u>85,854,830</u>	<u>4,941,628</u>	<u>7,395,839</u>	<u>98,192,297</u>	<u>16,105,209</u>	<u>114,297,506</u>	<u>102,521,120</u>
Mandatory transfers:							
Federal and State of Michigan financial aid programs	173,951			173,951	(173,951)		
Matching grants	2,241			2,241	(2,241)		
Nonmandatory transfers:							
Plant improvement, maintenance, and replacement	27,364,185			27,364,185		27,364,185	26,206,644
Student Loan Funds	(148,469)			(148,469)		(148,469)	200,000
Other	2,166,678	(2,166,678)					
Total expenditures and transfers	<u>115,413,416</u>	<u>2,774,950</u>	<u>7,395,839</u>	<u>125,584,205</u>	<u>15,929,017</u>	<u>141,513,222</u>	<u>128,927,764</u>
Revenues and other changes over expenditures and transfers	938,792	321,563	65,076	1,325,431		1,325,431	3,692,566
OTHER CHANGE - Excess of restricted receipts over amounts recognized as revenues					361,715	361,715	622,235
FUND BALANCES AT BEGINNING OF YEAR	<u>17,919,651</u>	<u>1,941,833</u>	<u>3,562,615</u>	<u>23,424,099</u>	<u>1,614,648</u>	<u>25,038,747</u>	<u>20,723,946</u>
FUND BALANCES AT END OF YEAR	<u>\$ 18,858,443</u>	<u>\$ 2,263,396</u>	<u>\$ 3,627,691</u>	<u>\$ 24,749,530</u>	<u>\$ 1,976,363</u>	<u>\$ 26,725,893</u>	<u>\$ 25,038,747</u>

OAKLAND COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2000 AND 1999

1. SIGNIFICANT ACCOUNTING POLICIES

Oakland Community College (the "College") is a public two-year nonresidential college with five campuses serving Oakland County and the Southeast Michigan area. The College's income is excluded from taxation under Internal Revenue Code Section 115 as a state-supported educational institution. However, the College would be subject to taxation on unrelated business income, if it existed.

Basis of Presentation - The financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles outlined by the Governmental Accounting Standards Board ("GASB") and in the American Institute of Certified Public Accountants' audit guide, *Audits of Colleges and Universities* and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges*, and include the accounts of both the College and the related Oakland Community College Foundation (the "Foundation"). Transactions between the College and the Foundation are eliminated in combination.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Fund Classifications - The accounts of the College are summarized for financial reporting purposes into various funds described as follows:

- (1) Unrestricted ("General") Fund - General operating activities financed primarily by student fees, annual appropriations from the State of Michigan and property tax revenue.
- (2) Designated Fund - Funds designated for specific purposes by action of the Board of Trustees or the administration.
- (3) Auxiliary Activities Fund - Self-supporting enterprises operated principally to provide services to the academic community.
- (4) Restricted Fund - Activities financed by direct gifts and grants which must be used for the purposes specified by the donors.
- (5) Student Loan Fund - Assets available for the granting of loans to students.
- (6) Endowment and Similar Funds - Includes gifts which allow only the earnings thereon to be expended, funds which upon the passage of a stated period of time allow all or part of the principal to be expended, and funds which the Board of Trustees has determined are to be retained and invested.

- (7) Plant Funds - Transactions relating to properties, outstanding indebtedness incurred in connection with the financing thereof and reserves for repair and replacement.
- (8) Agency Fund - Funds held for others; principally transactions relating to student activities, deposits and the liabilities for amounts withheld from payrolls.

Investments are stated at fair value except for certificates of deposit, money market investments, commercial paper, banker's acceptances, and U.S. Treasury and agency obligations that mature within a year or less from the date of the acquisition which are reported at amortized cost in accordance with GASB Standard No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools".

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

Physical Properties are stated at cost or, in the case of donated property, at estimated fair value on the date the gift was received. Amounts expended directly from current and other funds for equipment or other capital additions are included in the expenditures of such funds and are capitalized within the Plant Funds. In accordance with generally accepted accounting principles for public colleges and universities, depreciation is not provided on properties. Repair and replacement reserves have, however, been established to provide for certain repair and replacement costs.

Due From/To Other Funds - Interfund balances result from transactions in pooled cash accounts, are non-interest bearing, and are generally due within one year. Such balances are eliminated in the combined balance sheets.

Revenue Recognition - Gifts and pledges are not recorded until received. Restricted Fund revenues are recognized only to the extent expended. State appropriations for current funds are recognized in the period to which they pertain.

The Board of Trustees has designated that certain unrestricted endowment income be added to the debt service fund. Such amounts are recognized as direct additions to the debt service fund in the accompanying Statement of Changes in Fund Balances.

Property tax revenues are recognized on the accrual basis when assessed. Taxes have historically been assessed in the summer and are due by September 15. Taxes are collected substantially by the County of Oakland (among other taxing jurisdictions) and remitted to the College primarily from August to October. Delinquent real property taxes receivables are purchased by Oakland County's delinquent tax revolving fund in approximately March of each year. In June 1995, a millage increase was approved for seven years. The College uses the increased property tax revenues for maintenance, repairs, additions and improvements to physical properties, and implementation of new programs and related equipment.

All revenues received and expenses incurred in connection with the calendar summer school semesters are deferred at June 30.

Reclassifications - Certain reclassifications have been made to the 1999 financial statements to conform to the classifications used in 2000.

Recent Accounting Pronouncements - In June 1999 and November 1999, respectively, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" and Statement No. 35 "*Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*" (the "Statements"). The Statements mandate a drastic change in financial reporting affecting state and local governments and colleges and universities. The objective in developing the new reporting model was to improve accountability in financial reporting and provide additional information. Significant changes in the standards include:

- Reporting information on assets, net of depreciation, which includes reporting infrastructure assets (longer lived assets, i.e. roads, water and lighting systems)
- Capitalization and depreciation of infrastructure assets and capital assets and
- Reporting the distinction between operating and nonoperating revenues and expenses
- Including a management's discussion and analysis section, which should be presented before the basic financial statements and provide an analytical overview of financial activities

The College will be required to apply the standards in these Statements during its fiscal year beginning July 1, 2001. Management of the College is in the process of determining the impact of adopting these Statements on the College's financial position and results of operations.

2. CASH AND INVESTMENTS

The College invests and manages cash collectively by pooling the cash reserves of each fund.

Deposits - At June 30, 2000 and 1999, the carrying value of deposits in financial institutions, including certificates of deposits, amounted to \$25,431,369 and \$21,325,063, respectively. Bank balances at June 30, 2000 and 1999 were \$27,383,730 and \$23,037,876, respectively; of such balances, \$1,218,000 and \$917,000 were covered by federal depository insurance, respectively.

Investments - The College is authorized by State of Michigan (the "State") Public Act 23 of 1997 to invest in the following:

- (1) Bonds, bills or notes of the United States, or of an agency or instrumentality of the United States, or obligations of the State.
- (2) Negotiable certificates of deposit, savings accounts, or other interest-earning deposit accounts of a financial institution. As used in this section, "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this state under the laws of this state or the United States.
- (3) Bankers' acceptances that are issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- (4) Commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the Federal Deposit Insurance Corporation.

- (5) Commercial paper of corporations rated prime by at least one of the standard rating services.
- (6) Mutual funds, trusts, or investment pools composed entirely of instruments that are eligible collateral.
- (7) Repurchase agreements against eligible collateral, the market value of which must be maintained during the life of the agreements at levels equal to or greater than the amounts advanced. An undivided interest in the instruments pledged for these agreements must be granted to the College.
- (8) Investment pools, as authorized by the Surplus Funds Investment Pool (State of Michigan Public Act No. 367 of 1982), composed entirely of instruments that are legal for direct investment by a College.

The College's investment portfolio consists of marketable securities which are categorized below, in accordance with GASB Statement No. 3, to give an indication of the level of risk assumed by the College at June 30, 2000 and 1999. Risk category 1 includes those investments that are either insured, registered or held by the College or its agent in the College's name. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department or agent in the College's name. Category 3 includes investments that are held by the counterparty or are held by the counterparty's trust department or agent, but not in the College's name. Mutual funds and money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The Foundation is not bound by the same investment restrictions, and holds certain other investments, including, from time to time, common stocks.

The classification and carrying value of securities held as of June 30, 2000 is as follows:

	Classification			Total Carrying Amount
	Category 1	2	3	
Categorized:				
Commercial paper	\$ 16,702,463	\$ 5,124,614	None	\$ 21,827,077
U.S. Treasury obligations	3,640,190			3,640,190
Agencies of U.S. Government	21,143,635			21,143,635
Bonds	405,979			405,979
Stock	915,933			915,933
Total categorized	<u>\$ 42,808,200</u>	<u>\$ 5,124,614</u>	<u>None</u>	47,932,814
Uncategorized:				
Mutual funds investing primarily in U.S. Government securities				2,420,653
Money market funds				<u>12,080,580</u>
Total uncategorized				<u>14,501,233</u>
Total securities				<u>\$ 62,434,047</u>

The classification and carrying value of securities held as of June 30, 1999 is as follows:

	Classification Category			Total Carrying Amount
	1	2	3	
Categorized:				
Commercial paper	\$ 14,595,319	\$ 4,069,232	\$ 4,281,920	\$ 22,946,471
U.S. Treasury obligations	1,600,009		2,671,680	4,271,689
Agencies of U.S. Government	14,719,994			14,719,994
Stock	540,964			540,964
Total categorized	<u>\$ 31,456,286</u>	<u>\$ 4,069,232</u>	<u>\$ 6,953,600</u>	42,479,118
Uncategorized:				
Mutual funds investing primarily in U.S. Government securities				2,428,704
Money market funds				<u>12,968,706</u>
Total uncategorized				<u>15,397,410</u>
Total securities				<u>\$ 57,876,528</u>

The commercial paper included in risk category 1 is classified therein since it is held in accounts by Securities and Exchange Commission registered broker-dealers who are insured by the Securities Investor Protection Corporation ("SIPC"). If a member broker-dealer fails, SIPC provides protection for customer accounts by returning securities registered in the name of the investor, distributing all remaining customer assets on a pro rata basis, and providing SIPC funds for all remaining claims for each customer to a maximum of \$500,000 including up to \$100,000 on claims for cash. Of the investments noted above, \$44,644,654 and \$33,681,613 is subject to such SIPC protection for 2000 and 1999, respectively. Certain broker-dealers have purchased additional insurance coverage for customer accounts.

3. LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2000 and 1999:

	Interest Rate	Maturity	2000	1999
Oakland Community College Student Union Revenue Bond of 1971	7.50%	2011	\$ 1,280,000	\$ 1,365,000
1991 Community College Improvement Bonds dated November 1, 1991	5.55% to 6.65%	2011	1,405,000	1,840,000
1993 Community College Improvement and Refunding Bonds dated September 1, 1993	3.50% to 5.25%	2018	14,210,000	14,355,000
1999 Installment Purchase Agreement dated December 22, 1999	5.30%	2007	<u>1,700,000</u>	<u> </u>
Total			<u>\$ 18,595,000</u>	<u>\$ 17,560,000</u>

The College used approximately \$8,876,000 of the 1993 Improvement and Refunding Bonds to defease in substance \$7,695,000 of the 1991 Community College Improvement Bonds by depositing U.S. Government securities in an irrevocable trust with an escrow agent to provide for all future debt service payments of these bonds. Accordingly, the assets of the trust and the outstanding balance of defeased bonds are not included in the financial statements of the College. As of June 30, 2000, the amount of the defeased bonds still outstanding and to be paid from the escrow trust were \$7,695,000.

The principal and interest on bonds are payable only from designated property tax levies, tuition receipts, or net revenues of specific auxiliary activities. For the year ended June 30, 2000, no taxes have been levied for debt service purposes.

Aggregate maturities of outstanding long-term debt for years after June 30, 2000 are as follows:

2001	\$ 1,005,000
2002	1,325,000
2003	1,335,000
2004	1,350,000
2005	1,375,000
Thereafter	<u>12,205,000</u>
Total	<u>\$ 18,595,000</u>

4. RETIREMENT PLAN

All College employees are eligible to participate in and substantially all of the College's employees are covered by the Michigan Public School Employees' Retirement System (the "System"), a cost-sharing, multiple-employer public employee retirement system. The System provides two plans. Employees who participate in the Basic Plan may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service with a retirement benefit, payable monthly for life, equal to 1-1/2 percent of their final average compensation multiplied by the number of years of credited service. Final average compensation is the employee's highest total wages earned during a period of 60 consecutive calendar months.

Employees who participate in the Member Investment Plan may retire at any age with 30 years of service, or at age 60 with 5 years of credited service provided the member has worked through their 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date, with a retirement benefit, payable monthly for life, equal to 1-1/2 percent of the participant's final average compensation multiplied by the number of years of credited service. Final average compensation is the employee's highest total wages earned during a period of 36 consecutive calendar months.

Benefits under both plans vest on reaching 10 years of service. Vested employees may retire at or after age 55 and receive reduced retirement benefits. The System also provides death and disability benefits. Benefits are established by State statute.

The System also provides comprehensive health insurance for the System's retirees and beneficiaries. The College does not provide other post-employment benefits to its employees.

Each fiscal year, the College is required to contribute a fixed percentage of gross wages of the participants in each plan. This percentage is determined by the State and was approximately 12% and 11% for fiscal years 2000 and 1999, respectively. The payroll for the College employees covered by the System for fiscal 2000 and 1999 were substantially equivalent to the total payroll of approximately \$48.3 million and \$47.5 million, respectively. The College's expenditures for the retirement plan aggregated approximately \$5.8 million and \$5.2 million during fiscal years 2000 and 1999, respectively. Under the Member Investment Plan, employees may contribute 3.9% of gross wages in addition to the College's contribution. Employee contributions totaled approximately \$1.2 million and \$1.1 million for fiscal years 2000 and 1999, respectively.

The System does not make separate measurements of assets and the pension benefit obligations for individual employers. The pension benefit obligation at September 30, 1999 and 1998 (the dates of the most recent information available) for the System as a whole, determined through an actuarial valuation performed as of those dates, was \$34.3 billion and \$32.9 billion, respectively. The System's net assets available for benefits on those dates were \$34.1 billion and \$31.8 billion, respectively, leaving an unfunded pension benefit obligation of \$.2 billion and \$1.1 billion in 1999 and 1998, respectively. The College's contributions were less than 1% of the total employer contributions to the System for the years ended September 30, 1999 and 1998.

Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's September 30, 1999 annual report.

5. SELF INSURANCE

The College and nineteen other Michigan community colleges have formed a risk-sharing facility, the Michigan Community College Risk Management Authority (the "Authority"), to provide liability, vehicle physical damage and property and crime insurance. The College is responsible for a self-insured retention of \$15,000 per occurrence with a stop-loss provision when aggregate self-insured retention payments equal \$45,000. Claims in excess of \$15,000 or when the stop-loss limit has been reached are covered by the Authority, and are reinsured through third-party insurance carriers, up to coverage limits of \$15 million for liability, \$300,000 per vehicle and \$650,000 per disaster for vehicle physical damage, and \$280 million aggregate for property and crime coverage of buildings and personal property. The College made contributions to the Authority of approximately \$389,000 and \$349,000 for insurance coverage in 2000 and 1999.

6. COMMITMENTS AND CONTINGENCIES

The College is named as a defendant in certain lawsuits. The College is of the opinion that the resulting disposition of these lawsuits will not have a material effect on the financial statements.

In addition to the discharge of current liabilities, at June 30, 2000, the College has commitments to complete existing contracts in the amount of approximately \$21.7 million. As of June 30, 2000, the College is in the process of completing significant renovations to campus buildings and facilities.

7. RELATED PARTY TRANSACTIONS

A member of the Foundation Board of Trustees is president of a firm that has contracts with the College. The College has contracted with this firm to be the construction manager for the College's capital improvement program. During the years ended June 30, 2000 and 1999, the College has made payments to this firm for work performed by subcontractors and project management fees totaling \$10.2 million and \$21.8 million, respectively. At June 30, 2000 and 1999, amounts owed by the College to subcontractors and the construction manager were approximately \$893,000 and \$2.1 million. The College's commitments to complete existing contracts were approximately \$16.1 million and \$19.1 million, respectively.

A member of the Foundation Board of Trustees is an attorney with a law firm that provides legal services to the College. Payments to this firm during the 2000 fiscal year totaled approximately \$227,000. Amounts owed to this law firm at June 30, 2000 were approximately \$18,000.

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