

Central Michigan University

State of Michigan CAFR Financial Schedules

June 30, 2017

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Independent Auditor's Report

To the Board of Trustees
Central Michigan University

We have audited the financial statements of Central Michigan University (the "University"), a component unit of the State of Michigan, and its discretely presented component units as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Central Michigan University's basic financial statements, and have issued our report thereon dated September 21, 2017, which contained unmodified opinions on the financial statements of Central Michigan University. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We did not audit the financial statements of Central Health Advancement Solutions (CHAS) or The Institute of Excellence in Education (IEE), which represent all the balances of the assets, net assets, and revenue of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for CHAS and IEE, is based solely on the report of the other auditors.

Emphasis of Matter

As discussed in Note 4 to the accompanying State of Michigan CAFR Financial Schedules, the University has a change in reporting entity for reporting a component unit. The Institute for Excellence in Education (IEE) is now presented as a discretely presented component unit; in the prior year, it was excluded. Our opinion is not modified with respect to this matter.

Report on the State of Michigan CAFR Financial Schedules

The accompanying State of Michigan CAFR Financial Schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are presented for the purpose of conforming the University's financial statements with the State of Michigan Comprehensive Annual Financial Report format. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 State of Michigan CAFR Financial Schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Restriction on Use

Our report is intended solely for the information and use of the University, the State of Michigan Department of Management and Budget, the Office of Financial Management, and the State of Michigan Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 11, 2017

STATE OF MICHIGAN
STATEMENT OF NET POSITION
STATE UNIVERSITIES COMPONENT UNITS-CENTRAL MICHIGAN UNIVERSITY
June 30, 2017

EXHIBIT I

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMCAFR Format
					Debit	Credit	
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	\$ 39,902,801	\$ 3,916,658		\$ 43,819,459		\$ 43,819,459	1
Accounts receivable, net	30,671,917	2,744,951	\$ (758,767)	32,658,101		32,658,101	2
State appropriations receivable, SBA	313,132	0		313,132		313,132	2
State appropriations receivable, operations	15,518,754	0		15,518,754		15,518,754	2
State appropriations receivable, Charter Schools	40,234,270	0		40,234,270		40,234,270	2
Inventories	5,201,428	31,222		5,232,650		5,232,650	1
Other assets	2,702,490	753,710		3,456,200		3,456,200	2
Total current assets	134,544,792	7,446,541	(758,767)	141,232,566			
CURRENT ASSETS							
Cash					\$ 43,819,459	1	\$ 43,819,459
Amounts due from primary government					56,617,685	2	56,617,685
Amounts due from federal government					1,276,051	2	1,276,051
Amounts due from local units							
Inventories					5,232,650	1	5,232,650
Investments (Note 8)							
Securities lending collateral							
Other Current Assets					34,286,721	2	34,286,721
Total Current Assets	134,544,792	7,446,541	(758,767)	141,232,566	141,232,566	141,232,566	141,232,566
NONCURRENT ASSETS:							
Restricted cash and cash equivalents	250	0		250		250	1
Pledges receivable, net	3,411,110	0		3,411,110		3,411,110	1
Endowment investments	156,167,451	0		156,167,451		156,167,451	3
Medical Education Receivable, net		518,695		518,695		518,695	1
Other long-term investments	202,665,895	822,071		203,487,966		203,487,966	3
Capital assets, net	551,551,483	4,542,185		556,093,668		556,093,668	4
RESTRICTED ASSETS							
Cash and cash equivalents					250	1	250
INVESTMENTS							
					359,655,417	3	359,655,417
CAPITAL ASSETS:							
Land and other non depreciable assets					13,631,764	4	13,631,764
Buildings, equipment and other depreciable assets					946,242,770	4	946,242,770
Less accumulated depreciation						419,879,435	4
Construction in progress					16,098,569	4	16,098,569
Net capital assets							556,093,668
Other noncurrent assets					3,929,805	1	3,929,805
Total noncurrent assets	913,796,189	5,882,951		919,679,140	1,339,558,575	1,339,558,575	919,679,140
TOTAL ASSETS	1,048,340,981	13,329,492	(758,767)	1,060,911,706	1,480,791,141	1,480,791,141	1,060,911,706
DEFERRED OUTFLOWS OF RESOURCES							
Accumulated change in fair value of hedging derivatives and deferred on bond refunding	8,247,580			8,247,580			8,247,580
Deferred outflow related to CMU's proportionate share of the MPERS net pension liability	10,866,892			10,866,892		1,016,886	9
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,114,472			19,114,472		1,016,886	18,097,586

See notes to supplemental financial statements.

STATE OF MICHIGAN
STATEMENT OF NET POSITION
STATE UNIVERSITIES COMPONENT UNITS-CENTRAL MICHIGAN UNIVERSITY
June 30, 2017

EXHIBIT I

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMCAFR Format
					Debit	Credit	
LIABILITIES:							
CURRENT LIABILITIES							
Accounts payable and accrued liabilities	69,047,585	2,612,037	(488,211)	71,171,411	71,171,411	5	
Unearned revenue	12,107,278	92,521		12,199,799	12,199,799	1	
Deposits	2,523,615	0		2,523,615	2,523,615	5	
Long term liabilities - current portion	6,287,628	232,978		6,520,606	6,520,606	6	
Total Current Liabilities	89,966,106	2,937,536		92,415,431	92,415,431		
CURRENT LIABILITIES							
Accounts payable and other liabilities							69,672,385 5 69,672,385
Amounts due to primary government							2,529,586 5 2,529,586
Bond and notes payable							6,003,861 6 6,003,861
Interest payable							1,493,055 5 1,493,055
Unearned revenue							12,199,799 1 12,199,799
Other long term obligations - current portion							516,745 6 516,745
Total Current Liabilities	89,966,106	2,937,536		92,415,431	92,415,431		92,415,431
Amounts due to CMU		270,556	(270,556)				
NONCURRENT LIABILITIES:							
Long-term debt, hedging instruments and other obligations	171,453,563	583,572		172,037,135	172,037,135	7	
Net Pension Liability	137,188,658			137,188,658	137,188,658	7	
Unearned Revenue				0			0
Bonds and notes payable							158,868,572 7 158,868,572
Noncurrent portion of other long-term obligations		75,900		75,900			150,357,221 7 150,433,121
TOTAL LIABILITIES	398,608,327	3,867,564	(270,556)	401,717,124	401,641,224		401,717,124
DEFERRED INFLOWS OF RESOURCES							
Deferred inflow related to CMU's proportionate share of the MPSERS net pension liability	1,016,886			1,016,886	1,016,886	9	0
TOTAL DEFERRED INFLOWS OF RESOURCES	1,016,886			1,016,886	1,016,886		-
NET POSITION							
Net investment in capital assets	389,766,116			389,766,116	389,766,116	1	
Restricted for:							
Nonexpendable							
Scholarships, fellowships, and research	57,008,198			57,008,198	57,008,198	8	
Expendable							
Scholarships, fellowships, research and other	30,659,252			30,659,252	30,659,252	8	
Instructional department uses	17,922,748			17,922,748	17,922,748	8	
Capital projects and debt service	4,724,383			4,724,383	4,724,383	1	
Temporarily Restricted		0		0	0	1	
Unrestricted	167,749,543	9,461,928		177,211,471	177,211,471	1	
Total net position	667,830,240	9,461,928		677,292,168	677,292,168		
NET POSITION							
Net investment in capital assets							389,766,116 1 389,766,116
Restricted for:							
Education							22,335,355 8 22,335,355
Construction and debt service							4,724,383 1 4,724,383
Other Purposes							0 1 0
Funds Held as Permanent Investments							
Nonexpendable							57,008,198 8 57,008,198
Expendable							26,246,645 8 26,246,645
Unrestricted Net Position							177,211,471 1 177,211,471
TOTAL NET POSITION	\$ 667,830,240	\$ 9,461,928		\$ 677,292,168	\$ 677,292,168		\$ 677,292,168

See notes to supplemental financial statements.

STATE OF MICHIGAN
RECLASSIFYING ENTRIES FOR STATEMENT OF NET POSITION
STATE UNIVERSITIES COMPONENT UNITS - CENTRAL MICHIGAN UNIVERSITY
JUNE 30, 2017

EXHIBIT I

1) Reclassify financial data into the specified format to be used in the State's CAFR Statement.

2) Reclassify current receivables

	Other Receivables	Due from Primary Government	Due from Federal Government
Accounts receivable, net	\$ 32,658,101		
State appropriations receivable, SBA	313,132		
State appropriations receivable, operations	15,518,754		
State appropriations receivable, Charter Schools	40,234,270		
State Appropriations - SBA	(313,132)	\$ 313,132	
State Appropriations - operations	(15,518,754)	15,518,754	
State Appropriations - Charter Schools	(40,234,270)	40,234,270	
State Grants	(551,529)	551,529	
Federal Agencies	(1,276,051)		\$ 1,276,051
	<u>30,830,521</u>	<u>\$ 56,617,685</u>	<u>\$ 1,276,051</u>
Other current assets	3,456,200		
	<u>\$ 34,286,721</u>		

3) Reclassify investments

	Investments
Endowment investments	\$ 156,167,451
Other long-term investments (includes component units)	203,487,966
Investments	<u>\$ 359,655,417</u>

4) Reclassify capital assets

	University Capital Assets	Discrete CU Capital Assets	Total Capital Assets
Land and other nondepreciable assets	\$ 13,631,764		\$ 13,631,764
Buildings, equipment, and other depreciable assets	934,939,224	\$ 11,303,546	946,242,770
Construction in progress	16,098,569		16,098,569
Total	<u>964,669,557</u>	<u>11,303,546</u>	<u>975,973,103</u>
Less accumulated depreciation	413,118,074	6,761,361	419,879,435
Capital Assets, net	<u>\$ 551,551,483</u>	<u>\$ 4,542,185</u>	<u>\$ 556,093,668</u>

5) Reclassify current liabilities

	Accounts Payable and Other Liabilities	Due to Primary Government	Interest Payable
Accounts payable and accrued liabilities	\$ 71,171,411		
Deposits	2,523,615		
Mich income tax			
Payroll Floor UAAL Payment	(2,245,167)	\$ 2,245,167	
Sec 236(4) UAAL Payment	(259,570)	259,570	
Mich sales tax owed	(24,849)	24,849	
Interest	(1,493,055)		\$ 1,493,055
	<u>\$ 69,672,385</u>	<u>\$ 2,529,586</u>	<u>\$ 1,493,055</u>

6) Reclassify current portion of debt obligation

	Long Term Liab Current portion	Bonds & Notes Payable
Current portions of long term obligations	\$ 6,520,606	
Bonds and notes payable	(6,003,861)	\$ 6,003,861
	<u>\$ 516,745</u>	<u>\$ 6,003,861</u>

7) Reclassify noncurrent liabilities

	Other Long-Term Liabilities	Bonds & Notes Payable
Long-term debt and other obligations	\$ 172,037,135	
Long-term bonds and notes payable	(158,868,572)	\$ 158,868,572
Net Pension Liability	137,188,658	
	<u>\$ 150,357,221</u>	<u>\$ 158,868,572</u>

8) Combine restricted net position

	Restricted for Endowments	Restricted for Education
Restricted for:		
Nonexpendable-scholarships, fellowships, research	\$ 57,008,198	
Expendable-scholarships, fellowships, research	26,246,645	\$ 4,412,607
Instructional department uses		17,922,748
	<u>\$ 83,254,843</u>	<u>\$ 22,335,355</u>

9) Reclassify Pension Related Deferred Inflows

	Deferred Outflow	Deferred Inflow
Pension Related Deferreds	\$ 10,866,892	\$ 1,016,886
Def Inflows-Contributions Subsequent to Measurement Date	(1,016,886)	(1,016,886)
	<u>\$ 9,850,006</u>	<u>\$ 0</u>

See notes to supplemental financial statements.

STATE OF MICHIGAN
STATEMENT OF ACTIVITIES
STATE UNIVERSITIES COMPONENT UNITS-CENTRAL MICHIGAN UNIVERSITY
FISCAL YEAR ENDED JUNE 30, 2017

EXHIBIT II

	University Financial Report	Discrete Component Units	Eliminations	Total University	Adjustments and Reclassifications		SOMCAFR Format
					Debit	Credit	
OPERATING REVENUES							
Tuition and fees	\$ 218,862,587			\$ 218,862,587	\$ 218,862,587	1	
Federal grants and contracts	7,513,164			7,513,164	7,513,164	2	
State and local grants and contracts	1,795,905			1,795,905	1,795,905	2	
Private grants and contracts	3,657,170			3,657,170	3,657,170	2	
Sales and services of educational activities	19,764,931	\$ 5,259,007	\$ (215,050)	24,808,888	24,808,888	1	
Auxiliary enterprises	81,883,130	36,014,985		117,898,115	117,898,115	1	
Total operating revenues	333,476,887	41,273,992	(215,050)	374,535,829	374,535,829		
OPERATING EXPENSES	470,690,104	42,023,317	(715,050)	511,998,371		\$ 511,998,371	3
NONOPERATING REVENUES (EXPENSES)							
State appropriations	85,117,246	500,000	(500,000)	85,117,246	85,117,246	4	
Gifts and pledges net of allowance	7,078,577	303,551		7,382,128	7,382,128	2	
Investment income net of expense	40,207,725	73,098		40,280,823	40,280,823	2,5	
Interest on capital assets related debt	(6,062,704)			(6,062,704)			6,062,704 3
Federal Pell grant program	25,479,834			25,479,834	25,479,834	6	
Other nonoperating revenues	14,192,309			14,192,309	14,192,309	6	
Net nonoperating revenues	166,012,987	876,649	(500,000)	166,389,636	172,452,340		6,062,704
OTHER							
Capital appropriations	21,236,908			21,236,908	21,236,908	4	
Capital grants and gifts	1,864,896			1,864,896	1,864,896	7	
Additions to permanent endowments	3,725,846	0		3,725,846	3,725,846	2	
Total other revenues	26,827,650	0	0	26,827,650	26,827,650		
Increase in net position	55,627,420	127,324	0	55,754,744	573,815,819		518,061,075
EXPENSES					518,061,075	3	3 \$ 518,061,075
PROGRAM REVENUES							
Charges for services							361,569,590 1 361,569,590
Operating grants/contributions							41,795,624 2 41,795,624
Capital grants/contributions							1,864,896 7 1,864,896
NET (EXPENSE) REVENUE							405,230,110 405,230,110
Business-type activities							
GENERAL REVENUES							
Interest and investment earnings							22,559,412 5 22,559,412
Payments from State of Michigan							106,354,154 4 106,354,154
Other							39,672,143 6 39,672,143
TRANSFERS							
Total general revenues and transfers							168,585,709 168,585,709
Change in net position	55,627,420	127,324		55,754,744			55,754,744
Net position -- beginning	612,202,820	6,612,910		618,815,730			618,815,730
Restated due to additional component unit (Note 4)		2,721,694		2,721,694			2,721,694
Net position -- beginning restated	612,202,820	9,334,604		621,537,424			621,537,424
Net position -- ending	\$ 667,830,240	\$ 9,461,928	\$ 0	\$ 677,292,168	\$ 0	\$ 0	\$ 677,292,168

See notes to supplemental financial statements.

STATE OF MICHIGAN
RECLASSIFYING ENTRIES FOR STATEMENT OF ACTIVITIES
STATE UNIVERSITIES COMPONENT UNITS - CENTRAL MICHIGAN UNIVERSITY
JUNE 30, 2017

EXHIBIT II

1)	Charges for services	Charges for Services
	Tuition and fees	\$ 218,862,587
	Sales and services of educational activities	24,808,888
	Auxiliary enterprises	117,898,115
		<u>\$ 361,569,590</u>
2)	Operating grants/contributions	Operating Grants/Contributions
	Federal grants and contracts	\$ 7,513,164
	State and local grants and contracts	1,795,905
	Private grants and contracts	3,657,170
	Gifts and pledges net of allowance	7,382,128
	Additions to permanent endowments	3,725,846
	Investment Income - Exp Rest Fund	1,383
	Investment Income - Endowment Fund	17,720,028
		<u>\$ 41,795,624</u>
3)	Expenses	Expenses
	Operating expenses - CMU	\$ 470,690,104
	Operating expenses - CMU to component unit	(715,050)
	Operating expenses - component unit (CHAS)	35,711,831
	Operating expenses - component unit IEE	6,311,486
	Interest on capital assets, net of related debt	6,062,704
		<u>\$ 518,061,075</u>
4)	Payments from State of Michigan	Payments from State of Michigan
	State appropriations	\$ 83,721,958
	Capital appropriations	21,236,908
	Section 236(4) retirement contribution	1,395,288
		<u>\$ 106,354,154</u>
5)	Interest and investment earnings	Investment Income
	Investment Income - Exp Rest Fund	\$ 40,280,823
	Investment Income - Endowment Fund	(1,383)
		(17,720,028)
		<u>\$ 22,559,412</u>
6)	Other Revenues	Other Revenues
	Federal Pell Grant Program	\$ 25,479,834
	Other nonoperating revenues	14,192,309
		<u>\$ 39,672,143</u>
7)	Reclassify financial data into the specified format to be used in the State's CAFR Statement.	

See notes to supplemental financial statements.

NOTES TO THE STATE OF MICHIGAN CAFR

Central Michigan University

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. The statements incorporate all fund groups utilized internally by the university. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the GASB.

The financial statements of both of the university's discretely presented component units, Central Health Advancement Solutions (CHAS) and Institute for Excellence in Education (IEE) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

For this financial report the aggregated total of the university, CHAS and IEE is presented.

Cash and Cash Equivalents

The university and its component units define cash and cash equivalents as highly liquid, short-term investments that bear little or no market risk and are stated at fair value.

Restricted cash and cash equivalents represent unspent cash held in trust accounts related to bonded debt.

Both cash and cash equivalents and restricted cash and cash equivalents are included in cash and cash equivalents on the Statements of Cash Flows.

Inventories

Inventories are primarily stated at actual cost, using the first-in first-out method.

Investments

All investments are stated at fair value.

Capital Assets

Capital assets for the university are stated at cost or, when donated, at fair market value at date of gift. Depreciation is computed using the straight-line method from the date of acquisition. University building additions and improvements with a cost in excess of \$50,000 are capitalized if the life of the building is extended; equipment with a cost in excess of \$5,000 and a useful life greater than one year is capitalized; and software in excess of \$250,000. Assets are depreciated over the estimated useful life for the respective asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The university does not capitalize certain works of art or historical treasures (except for certain museum collections) that are held for exhibition, education, research or public service.

Depreciation is provided for physical properties on a straight-line basis over the estimated useful life of the property as follows:

Classification	Life
Buildings > \$100,000	40 years
Buildings < \$100,000	10 years
Infrastructure	20 years
Equipment – Digital TV	20 years
Leasehold Improvements	10 years
Land Improvements	8 years
Equipment	3–8 years
Library Books	8 years
Vehicles	4 years
Software	3–5 years

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

For CHAS leasehold improvements, furniture, and equipment are stated at cost. Leasehold improvements, furniture, and equipment purchases in excess of \$500 are depreciated over their estimated useful lives using the straight-line method. Assets under capital lease obligations are amortized on the straight-line method over the estimated useful lives of the related assets. Such amortization is included in depreciation in the financial statements.

For IEE furniture and equipment are stated at cost when purchased or fair value when donated. Furniture and equipment purchases in excess of \$1,000 are depreciated over their estimated useful lives using the straight-line method.

Deferred Outflows and Deferred Inflows

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of interest rate swap agreements that are stated at fair value based on the zero coupon valuation method, gains on the defeasance of debt and deferred resources related to the university's proportionate share of the net pension liability for the Michigan Public School Employee's Retirement System (MPERS) plan. The university recorded deferred outflows for hedging instruments (noncurrent liabilities) of \$5,877,946 at June 30, 2017. Also included in deferred outflows is the gain on the defeasance of three General Revenue Bonds Series: Series 2002A valued at \$1,140,654, net of amortization at June 30, 2017; Series 2005 valued at \$1,014,507, net of amortization at June 30, 2017; and Series 2006 valued at \$214,473, net of amortization at June 30, 2017. The value of the deferred outflows related to the MPERS plan was \$10,866,892 as of June 30, 2017. See Note 27 for additional information on deferred outflows related to the MPERS plan.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources consist of deferred resources related to the university's proportionate share of the net pension liability for the Michigan Public School Employee's Retirement System (MPERS) plan. See Note 27 for additional information on deferred inflows related to the MPERS plan. Deferred inflows of resources at June 30, 2017 include \$1,016,886 for funding received through state appropriations for contributions to the MPERS pension plan after the measurement date. See Note 27 for additional information on deferred inflows related to the MPERS plan.

Operating and Non-operating Revenues

Operating revenues of the university consist of tuition, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement No. 34, including state appropriations, Federal Pell grant revenue, gifts and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the recipient university department within the guidelines of donor restrictions, if any.

NOTE 4--RESTATEMENTS

Additional Significant Component Unit

In accordance with the provisions of GASB Statement No. 61, the Institute for Excellence in Education (IEE) is considered a component unit of the university and the operations of the IEE should be discretely presented in the university's financial statements because there is a financial benefit/burden and the blending criteria of GASB Statement No. 61 are not met. As of June 30, 2017, IEE has been determined to be a significant discretely presented component unit due to the continued growth of IEE and is presented as such; in prior years IEE was excluded. As a result, the combined unrestricted net position of the university and its component units as of July 1, 2016 has been restated to include \$2,721,694 of unrestricted net position attributable to IEE.

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

NOTE 8--DEPOSITS AND INVESTMENTS

The university and its component units had the following investments as of June 30, 2017:

		<u>Investment Maturities (in Years)</u>		
	<u>Fair Market Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>N/A</u>
Deposits:				
Time deposits	\$ 50,034,256	\$ 50,034,256		
Government money market accounts				
Investments:				
Commercial paper				
Short-term notes				
Repurchase agreements				
Government securities				
Insured mortgage backed securities				
Government backed securities				
Investment agreements				
Corporate bonds and notes				
Preferred stock				
Equities	141,568,894	141,568,894		
Real estate	19,942	19,942		
Venture capital & leveraged buyouts				
Government money market funds				
Mutual bond/equity funds	164,174,823			\$ 164,174,823
Guaranteed investment contracts				
Pooled investment funds				
Other Investments	<u>47,677,211</u>		<u>\$ 47,677,211</u>	
Total Investments	<u>\$ 403,475,126</u>	<u>\$ 191,623,092</u>	<u>\$ 47,677,211</u>	<u>\$ 164,174,823</u>
Less Investments Reported as "Cash" on Statement of Net Position				
Current cash and cash equivalents	\$ 43,819,459			
Restricted cash and cash equivalents	<u>250</u>			
	<u>43,819,709</u>			
Total Investments	<u>\$ 359,655,417</u>			
<u>As Reported on the Statement of Net Position</u>				
Current investments				
Noncurrent restricted investments				
Noncurrent investments	<u>\$ 359,655,417</u>			
Total Investments	<u>\$ 359,655,417</u>			

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

Credit Risk

The university's investment policy requires that all bond investments have a Standard and Poor's or a Moody's Investors Service rating of A or better. The debt investments held by the university as of June 30, 2017, that mature by June 30, 2018, were rated by Moody's with ratings of A, AA, and A+.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The university does not 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. The maturities of fixed income investments as of June 30, 2017 are as follows:

Investment Type	June 30, 2017 Fixed Income Investment Maturities				Total
	Less than 1 year	1-5 years	6-10 years	More than 10 years	
US Treasury Index	\$ 11,667	\$ 3,150,519	\$ 1,944,528	\$ 5,106,714	\$ 5,106,714
Core Fixed Income	1,336,309	8,431,132	4,678,417	3,371,808	17,817,666
Short Duration Fixed Income	2,729,581	9,451,741	9,753		12,191,075
TIPS	1,008,239	3,136,743	4,705,113	2,352,557	11,202,652
Global Multi-Sector Fixed Income	6,268,907	8,630,920	7,988,525	1,606,174	24,494,526
Absolute Return Fixed Income	1,808,923	8,295,784	9,071,681	3,378,761	22,555,149
Total	\$ 13,163,626	\$ 41,096,839	\$ 28,398,017	\$ 10,709,300	\$ 93,367,782

Concentration of Credit Risk

Deliberate management of the asset mix among classes of investments is a necessary and desirable responsibility. In the allocation of assets, diversification of investments among asset classes that are not similarly affected by economic, political or social developments is a highly desirable objective. The university's general policy shall be to diversify investments within both equity and fixed income securities to provide a balance that will enhance total return, while avoiding undue risk concentrations in any single asset class or investment category. Accordingly, the university did not have investments in any one issuer that represented 5% or more of total investments at June 30, 2017.

Foreign Currency Risk

All of the university's holdings of foreign investments were in US dollars at June 30, 2017, therefore the university was not subject to foreign currency risk.

Custodial Credit Risk

For deposits, custodial credit risk is present if the deposits are not covered by depository insurance and are 1) uncollateralized; 2) collateralized with securities held by the pledging financial institution; or 3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the university's name. The carrying amount of deposits, excluding those classified as investments, was \$14,654,119 at June 30, 2017. The deposits were reflected in the accounts of the banks at \$17,927,624 at June 30, 2017. Of the bank balance, \$17,117,624 at June 30, 2017 was uninsured and uncollateralized.

For CHAS deposits reflected in the accounts of the banks were \$3,538,764 at June 30, 2017. Of the bank balance, \$3,288,764 at June 30, 2017, was uninsured and uncollateralized.

For IEE deposits reflected in the accounts of the banks were \$537,767 at June 30, 2017. Of the bank balance, \$37,767 at June 30, 2017, was uninsured and uncollateralized.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the university will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools and in open-end mutual funds

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The university had custodial credit risk of \$168.5 million at June 30, 2017, in its investment portfolios held by various investment managers as the counterparty.

NOTE 9--CAPITAL ASSETS

Capital assets, net of depreciation, for the university and its component units consist of the following as of June 30, 2017:

	Beginning Balance <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	Ending Balance <u>June 30, 2017</u>
Non-depreciated capital assets:				
Land	\$ 12,943,827		\$ 16,228	\$ 12,927,599
Capitalized Collections	<u>764,766</u>		<u>60,601</u>	<u>704,165</u>
Total non-depreciated capital assets	13,708,593		76,829	13,631,764
Depreciated capital assets:				
Land Improvements	28,830,311	\$ 3,425,245		32,255,556
Infrastructure	20,825,562	1,530,144		22,355,706
Buildings	667,802,267	93,894,256		761,696,523
Leasehold Improvements	346,256			346,256
Furniture and Equipment	81,066,544	4,347,716	\$ 2,625,020	82,789,240
Library Materials	45,402,189	620,955	11,451,907	34,571,237
Intangible Assets	924,706			924,706
CHAS Leasehold Imp, Furniture, Equip	5,302,061	331,935		5,633,996
IEE Furniture & Equipment	256,311		47,617	208,694
IEE Intangible Assets	3,449,921	640,493		4,090,414
IEE Goodwill	<u>1,370,442</u>			<u>1,370,442</u>
	855,576,570	104,790,744	14,124,544	946,242,770
Less accumulated depreciation:				
Land Improvements	23,346,268	1,453,967		24,800,235
Infrastructure	9,980,163	1,042,275		11,022,438
Buildings	267,386,172	16,923,096		284,309,268
Leasehold Improvements	97,847	25,050		122,897
Furniture and Equipment	58,580,019	5,248,200	2,442,382	61,385,837
Library Materials	41,073,606	1,055,958	11,451,907	30,677,657
Intangible Assets	791,962	7,780		799,742
CHAS Leasehold Imp, Furniture, Equip	3,878,352		15,885	3,862,467
IEE Furniture & Equipment	180,767		33,967	146,800
IEE Intangible Assets	1,643,736	560,181		2,203,917
IEE Goodwill	<u>411,133</u>	<u>137,044</u>		<u>548,177</u>
Total depreciated capital assets	<u>407,370,025</u>	<u>26,453,551</u>	<u>13,944,141</u>	<u>419,879,435</u>
Construction In Progress	<u>87,946,027</u>	<u>3,698,710</u>	<u>75,546,168</u>	<u>16,098,569</u>
Capital Assets, Net	<u>\$ 549,861,165</u>	<u>\$ 82,035,903</u>	<u>\$ 75,803,400</u>	<u>\$ 556,093,668</u>

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

NOTE 10--RETIREMENT PLANS

In addition to the Michigan Public School Employees' Retirement System (MPSERS), the university has established retirement plans for all qualified employees. Full-time faculty and professional administrators have the option to participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and/or Fidelity Investment Tax Exempt Services Company. The university contributes 12% of each qualified employee's pay to these defined contribution plans. For new hires on or after January 1, 1996, the university contributes 10% for all salaried employees and 10% for hourly staff. University contributions begin immediately for all employees.

Contributions and covered payroll under all plans in fiscal year 2017 are summarized as follows:

	<u>TIAA-CREF</u>	<u>Fidelity</u>	<u>MPSERS</u>	<u>University Total</u>
Pension Contributions				
University Defined Contribution	\$ 13,970,360	\$ 2,705,448	\$ 8,766	\$ 16,684,574
University Normal Defined Benefit			681,080	681,080
Required Employee DB			465,770	
University DB UAAL			8,700,443	8,700,443
Stabilization UAAL Contribution			1,016,886	1,016,886
Health Contributions				
University Personal Health Fund DC			11,641	11,641
Required Employee PHF DC			11,641	
University Normal Defined Benefit			71,926	71,926
Required Employee DB			459,949	
University UAAL			3,387,067	3,387,067
Stabilization UAAL Contribution			378,402	378,402
Covered Payroll	134,786,934	26,878,719	15,531,104	177,196,757

The university also sponsors the Retirement Service Award program covering certain employees hired before a specific date in 1976 and certain maintenance and food service employees. The plan provides for distributions to qualifying employees at retirement based principally on length of service and salary at retirement. Liabilities of \$1,384,204 for fiscal year 2017 related to this program are included in the university Statements of Net Position. The assets are included with the university's cash and cash equivalents. The corresponding liabilities have been included with long-term debt, hedging instruments and other long-term obligations in the Statements of Net Position. During fiscal year 2017, the university updated and recorded the expected liability for this program.

MPSERS – MICHIGAN PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

The university participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit and defined contribution public employee retirement system governed by the State of Michigan that covers some employees of the university. Employees hired on or after January 1, 1996 cannot participate in MPSERS, unless they previously were enrolled in the plan at Central Michigan University, or one of the other six universities that are part of MPSERS.

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

Contributions

Public Act 300 of 1980, as amended, required the university 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 university'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.

The university's contributions are determined based on employee elections. There are four different benefit options included in the plan available to employees based on date of hire. The university also contributes to MPERS a percentage of member and non-member payrolls, determined by the plan's actuaries, for the unfunded portion of future pensions. Contribution rates are adjusted annually by the ORS. The rates for the defined benefit plan are as follows:

	Normal Pension Rate	Unfunded Pension Rate	Normal Health Rate	Unfunded Health Rate
10/01/16 – 06/30/17	4.30%	18.75%	0.38%	6.98%
10/01/15 – 09/30/16	4.87%	17.73%	0.78%	8.00%

Employees starting between January 1, 1990, and December 31, 1995, are required to contribute between 3.0% and 4.3% of their annual pay. During the period February 1, 2013 through June 30, 2013 employees could transition to a defined contribution plan.

The university's required defined benefit contributions to MPERS normal pension costs, totaled \$681,080 in fiscal year 2017. Required employee contributions were \$465,770 in fiscal year 2017. The university's contributions to the unfunded MPERS defined benefit pensions totaled \$8,700,443 in fiscal year 2017. The university also recorded \$1,395,288 of stabilization rate revenue from the State of Michigan to assist in funding the MPERS pension and health Unfunded Actuarial Accrued Liability (UAAL) for the year ended June 30, 2017. The university's contributions toward the MPERS defined contribution plan totaled \$8,766 in fiscal year 2017.

Net Pension Liability, Deferrals, and Pension Expense

At June 30, 2017, the university reported a liability of \$137,188,658 for its proportionate share of the net pension liability as calculated for the universities reporting unit of MPERS. The net pension liability for fiscal year 2017 was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015, which used update procedures to roll forward the estimated liability to September 30, 2016. The university's proportion of the net pension liability was based on statutorily required contributions relative to all participating universities' contributions for the measurement period. At September 30, 2016, the university's proportion was 24.49 percent, of the universities reporting unit.

For the year ended June 30, 2017, the university recognized pension expense of \$16,927,600. This amount includes a minor adjustment for the difference in required contributions between the plan calculation date of September 30, 2016 and the university's fiscal period of June 30, 2017. At June 30, 2017, the university also reported deferred outflows of resources and deferred inflows of resources related to pensions a portion of which includes the difference in required contributions. See Note 27 for additional information on deferred resources.

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

NOTE 12--LEASE COMMITMENTS

The university has entered into various operating leases, primarily for Global Campus degree program facilities and College of Medicine office space. CHAS has entered into various leases primarily for clinical and office space. IEE has entered into a lease for office space. The following is a schedule of the aggregate minimum commitments for leases for each of the succeeding five years ending June 30 and thereafter:

2018	\$	2,615,503
2019		1,906,471
2020		1,706,342
2021		1,449,022
2022		792,138
2023-2027		1,063,005
2028-2032		199,000
	\$	<u>9,731,481</u>

NOTE 14--LONG-TERM DEBT, HEDGING INSTRUMENTS AND OTHER OBLIGATIONS

Long-term debt, hedging instruments and other obligations consist of the following as of June 30, 2017:

	Beginning Balance July 1, 2016	Additions	Reductions	Ending Balance June 30, 2017	Current Portion
General Revenue Bonds:					
Series 2008A Series Bonds	\$ 22,140,000		\$ 350,000	\$ 21,790,000	\$ 480,000
Series 2009A Series Bonds	23,825,000		1,670,000	22,155,000	1,760,000
Series 2009A Unamortized Premium	1,763,000		172,000	1,591,000	172,000
Series 2012A Series Bonds	23,015,000		560,000	22,455,000	705,000
Series 2014:					
Series Bonds	44,665,000		1,490,000	43,175,000	1,540,000
Term Bonds	22,105,000			22,105,000	
Series 2014 Unamortized Premium	7,684,000		272,000	7,412,000	272,000
Series 2016 Series Bonds	20,750,000		650,000	20,100,000	685,000
Series 2016 Unamortized Premium	<u>3,003,000</u>		<u>156,000</u>	<u>2,847,000</u>	<u>156,000</u>
Total Long-Term Debt	168,950,000		5,320,000	163,630,000	5,770,000
Other Obligations:					
Note Payable	1,468,917		226,484	1,242,433	233,861
Hedging Instruments	8,031,567		2,153,621	5,877,946	
Compensated Absences	5,766,243	\$ 22,579		5,788,822	156,712
Federal Portion of Perkins					
Loan Program	156,145		156,145		
Retirement Service Programs	2,172,056		250,154	1,921,902	278,917
Other Obligations	<u>207,372</u>	<u>66,358</u>	<u>177,092</u>	<u>96,638</u>	<u>81,116</u>
Total	\$ <u>186,752,300</u>	\$ <u>88,937</u>	\$ <u>8,283,496</u>	\$ <u>178,557,741</u>	\$ <u>6,520,606</u>

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

The principal and interest on notes and bonds are payable only from certain general revenues. The obligations are generally callable. The principal and interest (using June 30, 2017 rates) amounts due in each of the succeeding five years ending June 30 and thereafter are as follows:

	Principal	Interest	Interest Rate Swaps, Net	Total
2018	\$ 5,170,000	\$ 5,896,965	\$ 1,053,457	\$ 12,120,422
2019	5,360,000	5,746,311	1,042,169	12,148,480
2020	5,365,000	5,528,134	1,033,193	11,926,327
2021	5,860,000	5,285,606	1,020,431	12,166,037
2022	5,990,000	5,028,485	1,007,819	12,026,304
2023-2027	35,010,000	20,933,921	4,743,481	60,687,402
2028-2032	45,160,000	13,417,108	2,964,217	61,541,325
2033-2037	25,395,000	6,152,052	77,931	31,624,983
2038-2042	10,805,000	2,748,125		13,553,125
2043-2045	7,665,000	467,900		8,132,900
Total	151,780,000	\$ 71,204,607	\$ 12,942,698	\$ 235,927,305
Unamortized Premium	11,850,000			
	<u>\$ 163,630,000</u>			

HEDGING INSTRUMENTS

The university has one pay-fixed, receive-variable, interest rate swap at June 30, 2017. The objective of this swap is to hedge interest rate risk on the Series 2008A bonds. A description of the swap is as follows:

Under the March 2002 swap, the university pays the counterparty a fixed payment of 4.44% and receives a variable payment of 67% of the London Interbank Offered Rate (LIBOR) (0.49547% at June 30, 2017). The swap agreement matures on October 1, 2032. The university received \$3,806,000 from the counterparty which was used to terminate the original swap with Lehman Brothers. Effective November 7, 2008, the swap agreement was assumed by Deutsche Bank AG. The swap provisions and termination date remain unchanged.

As of June 30, 2017, the swap agreement had a notional amount of \$21,650,000 and was in a negative position of \$5,877,946. As long as the variable rate portion of the swap being received by the university is less than the fixed rate being paid, the university will continue to be in a negative position on the swap.

The pay-fixed, receive-variable, interest rate swap is considered a cash flow hedge. The change in fair value was a decrease to deferred outflows of \$2,153,621 for fiscal year 2017. The accumulated change in fair value of (\$5,877,946) is recorded in deferred outflows at June 30, 2017.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

To measure non-performance risk for a derivative liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics was used. This is the best method available under current market conditions since the university has no credit default swaps that actively trade in the marketplace. For a derivative asset, the adjustment for non-performance risk of counterparties is determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating are used. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative.

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

Credit Risk

As of June 30, 2017, the hedging derivative instrument is a liability and therefore the university is not exposed to the credit risk of its swap counterparties. However, should interest rates change and the fair value of the swap become positive, the university would be exposed to credit risk in the amount of the hedging instrument's fair value. As of June 30, 2017, the derivative counterparty is currently rated Baa2 which suggests a capacity to meet financial commitments. The university is not aware of any circumstance or condition that would preclude the counterparty from complying with the terms of the derivative agreement. The university monitors counterparty credit risk on an ongoing basis for any significant adverse changes.

Interest Rate Risk

Interest payments on the hedged variable-rate debt are generally expected to increase (decrease) as SIFMA rate increase (decrease). The university believes it has effectively hedged interest rate risk on the hedged portion of its variable-rate debt by entering into an interest rate swap.

Basis Risk

The variable-rate debt hedged by the interest rate swaps is weekly-resetting variable rate demand obligation bonds. The university is exposed to basis risk since the variable rate receipts from the hedging derivatives are based on a rate or index other than the interest rates the university pays on its hedged debt.

Termination Risk

The university or its hedging counterparty may terminate a hedging instrument if the other party fails to perform under the terms of the contract. In addition, the university's swap counterparty has the right to terminate a hedging instrument if the credit rating of the university's unenhanced, unlimited tax general obligation bonds is withdrawn or reduced by any two of Fitch, Moody's, and S&P below BBB/Baa2. If such an event occurs, CMU could be forced to terminate a derivative in a liability position.

Rollover Risk

Rollover risk is the risk that a hedging instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. As of June 30, 2017, the university does not believe that rollover risk is significant.

Foreign Currency Risk

All hedging instruments are denominated in US dollars and therefore the university is not exposed to foreign currency risk.

Market Access Risk

Market access risk is the risk that the university will not be able to enter credit markets or that credit will become more costly. For example, to complete a hedging instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time the university is unable to enter credit markets, expected cost savings may not be realized.

OTHER OBLIGATIONS

The Retirement Service Award program and compensated absences have been determined to be primarily long-term liabilities.

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

NOTE 24--COMMITMENTS AND CONTINGENCIES

One of the critical factors in continuing the quality of the university's academic programs, research programs and residential life is the development and renewal of its capital assets. Construction in progress at June 30, 2017 primarily consists of the construction costs for Grawn renovation of \$8.0 million, Theunissen Stadium Baseball Performance Enhancement Center of \$2.0 million, capitalized interest of \$0.6 million, Powers domestic water replacement of \$0.6 million, Health Professions Anatomy Lab HVAC of \$0.4 million and other projects including maintenance and remodeling of approximately \$4.5 million.

Funds needed to complete construction projects will be provided by current unrestricted university net assets or by future state appropriations, gifts, grants, State Building Authority (SBA) monies or bond funds. Funds required to complete the projects in process approximate \$55.9 million as of June 30, 2017.

The university entered into lease agreements with the SBA and the State of Michigan during prior fiscal years for the Park Library, Health Professions Building, and Education Building. The university is in negotiations for a similar lease related to the Biosciences Building. The projects were financed with SBA Revenue Bonds and state appropriations. The buildings are recorded as assets of the university.

The SBA bond issues are secured by a pledge of rentals to be received from the State of Michigan, pursuant to the lease agreement between the SBA, the State of Michigan and the university. During the lease term, the SBA will hold title to the facilities; the State of Michigan will make all annual lease payments to the SBA from operating appropriations; and the university will pay all operating and maintenance costs of the facilities. At the expiration of the leases, the SBA has agreed to sell each facility to the university for the sum of one dollar.

In the normal course of its activities, the university is a party in various legal and administrative actions. The university has not experienced significant losses or costs. After taking into consideration legal counsel's evaluation of pending actions and information relative to potential future claims based on past events, the university is of the opinion that the outcome thereof will not have a material effect on the financial statements.

NOTE 25--RISK MANAGEMENT

The university participates with other Michigan public universities in the Michigan Universities Self-Insurance Corporation (M.U.S.I.C.). This corporation's purpose is to provide insurance coverage for errors and omissions liability, commercial general liability, property loss and automobile liability. The university has reserve accounts from which it pays its retention amounts for losses related to errors and omissions, commercial general liability, auto and property claims. The first layer of coverage for losses exceeding retention levels is a group risk-sharing pool and is the responsibility of M.U.S.I.C. As a second layer of coverage M.U.S.I.C. has purchased excess insurance coverage through commercial carriers for errors and omissions, commercial general liability, property and automobile liability claims. The payments made to M.U.S.I.C. and premiums to excess carriers reflect the liability risk exposures and claims experience of each university.

On June 23, 2017, the university's main campus in Mt. Pleasant, Michigan experienced an excessive amount of rainfall which affected numerous facilities on campus to varying degrees. As a result, university capital assets had indicators for accounting impairment in accordance with GASB 42, but did not meet both impairment requirements to warrant recording an impairment charge because the decline in service utility was not considered significant. Expected insurance recovery is \$3,250,000. Much of the repair effort will occur during fiscal year 2018.

Professional Liability Insurance

CHAS was self-insured for professional medical malpractice through December 31, 2010 for claims based on occurrences on or before December 31, 2010. In connection with the self-insurance program, CHAS has:

NOTES TO THE STATE OF MICHIGAN CAFR (continued)

Central Michigan University

- Determined aggregate limits of \$100,000/\$300,000 for residents and \$200,000/\$600,000 for doctors.
- Established a trust fund and placed the management of the fund in the hands of an independent fiduciary who has legal title to it and is responsible for its proper administration and control.

	June 30, 2017
Estimated professional liability under self-insurance	\$ 75,900
Total malpractice assets:	
Investments under professional liability funding arrangement – held by the trustee, at fair value	700,336
Over funding of liability	<u>\$ (624,436)</u>

Claim losses based upon occurrences prior to July 1, 1986 remain insured under prior insurance policies subject to the policy limits.

Effective November 1, 2012, CHAS purchased commercial insurance coverage for professional medical malpractice. Coverage consists of \$2,000,000 per occurrence with an annual aggregate \$12,000,000.

Malpractice and other claims have been asserted against CHAS by various claimants. Such claims are in various stages of processing and some may be litigated. Accordingly, management and counsel cannot determine the ultimate outcome of the actions commenced. In the opinion of management, all such matters are adequately covered by prior and existing insurance policies and the Self-Insurance Trust Fund.

Managed Care Risk Pool Liability

CHAS also entered into an agreement with Great Lakes Health Plan, Inc. (GLHP) for Medicaid covered services on October 1, 2000. The agreement is effective for one year and is automatically renewable for yearly terms unless terminated by CHAS or GLHP. Under the agreement, CHAS receives capitated and covered services compensation. Covered services are reimbursed according to GLHP's fee schedule. CHAS agrees to bear the risk for the cost of the covered services which exceeds the covered service compensation. Since CHAS bears the risk of loss, there is no risk pool liability associated with their plan.

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NOTES TO THE STATE OF MICHIGAN CAFR (continued)**Central Michigan University**

NOTE 27--DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

For the year ended June 30, 2017, the university reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Accumulated fair value of hedging derivatives	\$ 5,877,946	
Gain on Defeasance of Debt	2,369,634	
Pension Related:		
Differences between expected and actual experience	219,647	
Net difference between projected and actual earnings on pension plan assets	1,330,055	
Changes in proportion and differences between contributions and proportionate share of contributions	1,086,429	
Contributions subsequent to the measurement date	7,213,875	
Total	<u>\$ 18,097,586</u>	

Deferred outflows of resources and deferred inflows of resources do not include \$1,016,886 of UAAL stabilization funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date.

NOTE 28--SUBSEQUENT EVENTS

None