St. Clair County Community College

For the Years Ended June 30, 2019 and 2018

Annual Financial Report and Supplementary Information

Rehmann

Business wisdom delivered.

St. Clair County Community College

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St. Clair County Community College

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Rehmann

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Independent Auditors' Report

October 9, 2019

Board of Trustees
St. Clair County Community College
Port Huron, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of ***St. Clair County Community College*** (the "College"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the SC4 Foundation, a discretely presented component unit of the College. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the SC4 Foundation, are based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the SC4 Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of St. ***Clair County Community College*** *as* of June 30, 2019 and 2018, and the respective results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 75

As described in Notes 1 and 4, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in fiscal 2018. Accordingly, beginning net position of business-type activities as of July 1, 2017 was restated. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

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

Other Reporting Required by ***Government Auditing Standards***

In accordance with *Government Auditing Standards,* we have also issued, under separate cover, our report dated October 9, 2019, on our consideration of ***St. Clair County Community College's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

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Management's Discussion and Analysis

Management's Discussion and Analysis

The discussion and analysis of St. Clair County Community College's ("the College") financial statements provide an overview of the College's financial position as of June 30, 2019 and 2018, and its activities for the years then ended. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using the Annual Financial Report

This annual financial report includes this management's discussion and analysis and other required supplementary information, the report of independent auditors, the basic financial statements, and notes to the financial statements. Following the basic financial statements, footnotes and required supplementary information are supplementary schedules, consisting of the 2019 combining statement of net position and combining statement of revenues, expenses, transfers, and changes in net position. Though the Governmental Accounting Standards Board ("GASB") does not require these combining statements be present for a fair and complete presentation, they are intended to provide additional information regarding the various funds and activities of the College that is not presented in the basic entity-wide financial statements.

Financial Highlights

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the College as a whole. These statements report the College's financial position as of June 30, 2019 and 2018, and the changes in net position for the years then ended. The College's financial position at June 30, 2019, included assets of $75.9 million and liabilities of $59.7 million. The College's financial position at June 30, 2018, reflected assets of $67.3 million and liabilities of $51.7 million. The significant balance in liabilities is due to the inclusion of a $9.7 million and $11.3 million net other postemployment benefits (OPEB) liability as of June 30, 2019 and 2018, respectively, as a result of adopting accounting pronouncement GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This liability is the pro-rata share of the total net other postemployment benefits liability of the independently managed State of Michigan multi-employer retirement system for public school employees (MPSERS). Reporting for this item was compulsory beginning in fiscal 2018 and is a component of financial reports going forward. Another component of the liabilities balance is a $37.4 million and $33.0 million net pension liability as of June 30, 2019 and 2018, respectively, as a result of adopting accounting pronouncement GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This liability is the pro-rata share of the total net pension liability of the independently managed MPSERS plan. Reporting for this item was compulsory beginning in fiscal 2015 and is a component of financial reports going forward. Also reported on the statement of net position, as a result of GASB Statements No. 75 and 68, are deferred inflows and outflows of resources. These classifications represent quasi-assets and quasi-liabilities that are recognized in financial reports due to their effect on net position in a future period. Specific definitions for deferred inflows and outflows are included in Note 1.

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. The current fiscal year net position of the College increased by $2,874,290. This overall increase was comprised of increases from non-pension/OPEB items of $3,358,920, and decreases from pension/OPEB related items of $484,630. In fiscal 2017/2018 the net position of the College increased by $2,173,221. This overall increase was due to increases related to non-pension/OPEB items of $2,310,301 and decreases from pension/OPEB related items of $137,080. The trend of increases to net position from regular operations indicates a strong financial operating position for the College. Although the adoption of GASB Statements No. 75 and 68 had a pronounced impact on the College's financial position, it is important to distinguish that these are accounting changes, and do not impact the cash flows, or general operations of the College. Additional information on GASB Statements No. 75 and 68 can be found in Note 4.

The College's financial statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current and prior years' revenues and expenses are recorded as incurred regardless of when cash is received or paid. Revenues and expenses are separated into categories of operating and nonoperating.

The Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position

Following is a condensed analysis of the major components of assets, liabilities, deferred items, and net position of the College as of June 30:

	2019	2018	2017
Current assets	$ 21,276,775	$ 16,617,793	$ 19,225,961
Noncurrent assets			
Restricted cash and investments	4,505,446	7,473,625	6,047,416
Property and equipment, net	50,128,520	43,240,572	38,611,297
Total assets	**75,910,741**	**67,331,990**	**63,884,674**
Deferred outflows of resources	**13,399,099**	**7,766,054**	**4,263,827**
Current liabilities	7,393,814	5,499,217	4,781,563
Long-term liabilities, net of current portion	5,253,160	1,927,926	1,508,565
Net pension liability	37,409,887	32,977,540	32,474,831
Net other postemployment benefits liability	9,684,699	11,270,014	-
Total liabilities	**59,741,560**	**51,674,697**	**38,764,959**
Deferred inflows of resources	**7,930,768**	**4,660,125**	**1,739,298**
Net position			
Net investment in capital assets	49,031,543	41,278,709	36,738,674
Restricted - nonexpendable endowments	1,205,169	1,154,043	1,152,557
Restricted - expendable	3,723,220	6,737,236	5,348,357
Unrestricted (deficit)	(32,322,420)	(30,406,766)	(15,595,344)
Total net position	**$ 21,637,512**	**$ 18,763,222**	**$ 27,644,244**

Management's Discussion and Analysis

Following is a condensed analysis of the changes in net position of the College for the years ended June 30:

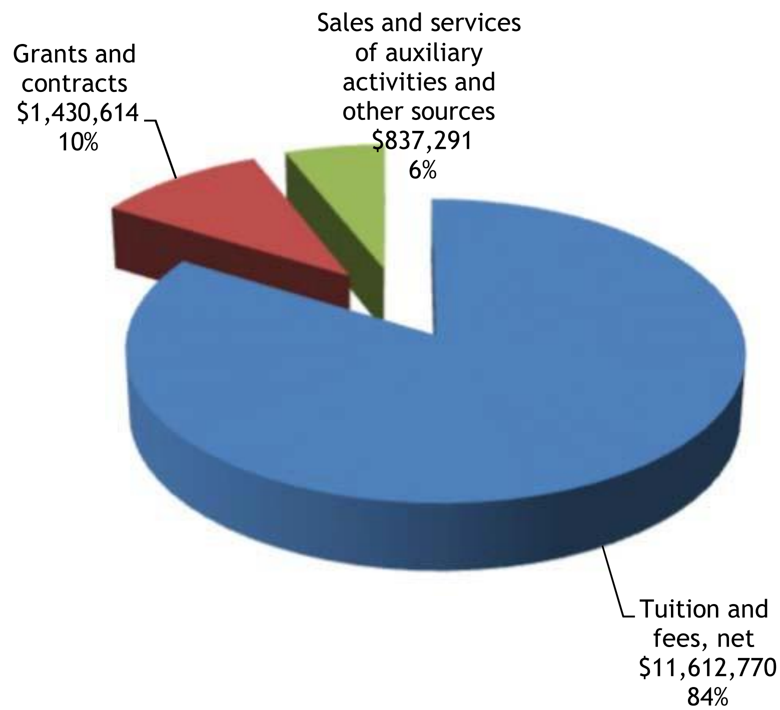
	2019	2018	2017
Operating revenues			
Tuition and fees, net	$ 11,612,770	$ 11,458,390	$ 10,469,765
Grants and contracts	1,430,614	1,356,971	1,389,230
Sales and services of auxiliary activities	407,928	114,925	63,917
Other sources	429,363	421,334	451,112
Total operating revenues	**13,880,675**	**13,351,620**	**12,374,024**
Operating expenses			
Instruction	11,326,110	11,131,310	11,210,581
Public service	522,536	421,764	300,138
Instructional support	3,562,512	3,371,451	2,972,152
Information technology	1,107,034	1,179,195	2,093,302
Student services	6,431,270	5,758,262	5,653,850
Institutional administration	4,179,857	3,439,889	3,732,362
Operation and maintenance of plant	5,839,834	5,315,058	4,991,952
Depreciation	2,933,903	2,634,182	2,527,115
Total operating expenses	**35,903,056**	**33,251,111**	**33,481,452**
Operating loss	**(22,022,381)**	**(19,899,491)**	**(21,107,428)**
Nonoperating revenues			
Federal Pell grants	4,452,544	4,275,181	4,078,336
State appropriations	7,723,507	7,543,464	7,871,301
Property taxes	10,350,503	10,059,008	9,873,301
Other nonoperating revenues, net	262,396	195,059	113,070
Net nonoperating revenues	**22,788,950**	**22,072,712**	**21,936,008**
Other revenues			
State capital appropriation and capital gifts	2,057,721	-	506,600
Additions to permanent endowments	50,000	-	-
Total other revenues	**2,107,721**	**-**	**506,600**
Increase in net position	2,874,290	2,173,221	1,335,180
Net position, beginning of year	18,763,222	27,644,244	26,309,064
Implementation of GASB No. 75	-	(11,054,243)	-
Net position, end of year	**$ 21,637,512**	**$ 18,763,222**	**$ 27,644,244**

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the sale or commission on books and supplies, and facilities revenue from the rental of rooms. In addition, certain Federal, State, and private grants are considered operating if they are not for capital purposes and are considered a contract for services. Operating revenues do not include Federal Pell grant revenues which are considered nonexchange transactions.

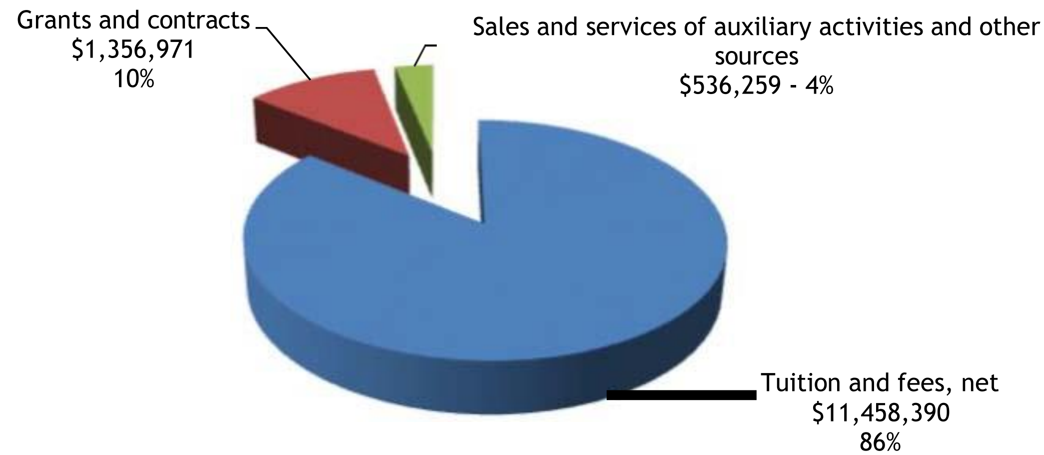
Operating revenues increased during the year ended June 30, 2019, by $529,055 resulting mainly from an increase in sales of auxiliary services, as well as an increase in tuition and fee revenue. The tuition and fees revenue rose approximately 1.3% due to stabilizing enrollment, coupled with increases to tuition and fee rates. In-district rates increased during the 2018-2019 fiscal year by approximately 4.3%. Out-district and out of state tuition rates during the 2018-2019 fiscal year were increased by approximately 4.8% and 5.2% respectively. There was a $3 increase to technology fees in 2018-2019.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2019:



Operating revenues increased during the year ended June 30, 2018, by $977,596 resulting mainly from an increase in tuition and fee revenue. The tuition and fees revenue rose approximately 9% due to stabilizing enrollment, coupled with increases to tuition and fee rates. In-district, out-district and out of state tuition rates during the 2017-2018 fiscal year were increased by approximately 11%. There was a $3 increase to technology fees in 2017-2018.

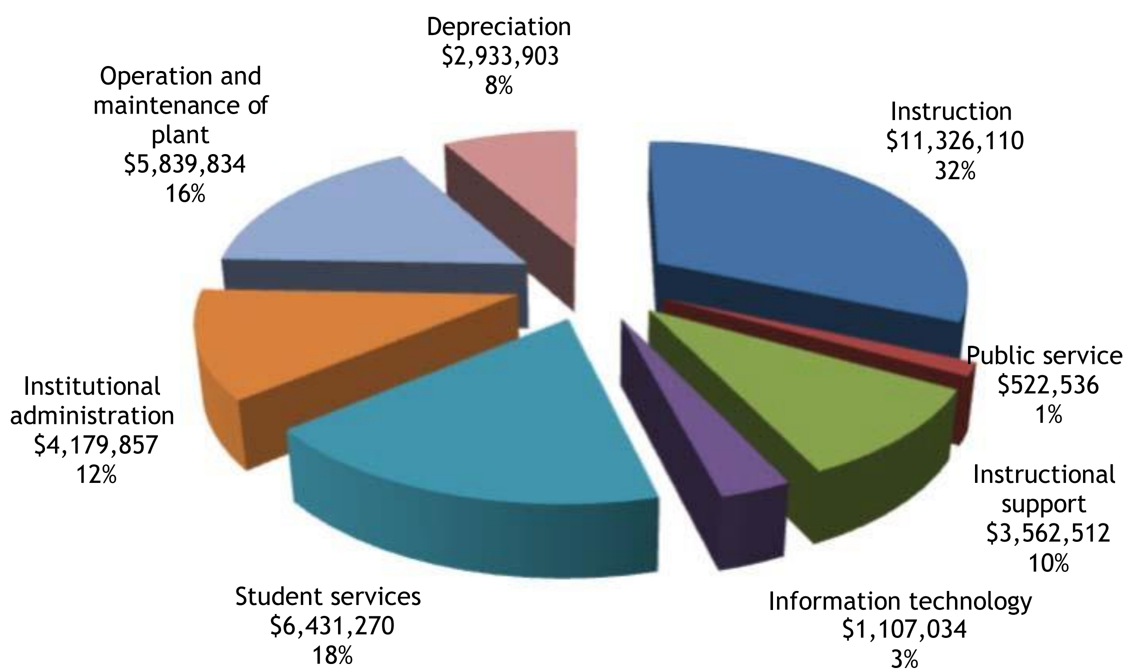
The following is a graphic illustration of operating revenues by source for the year ended June 30, 2018:



Operating Expenses

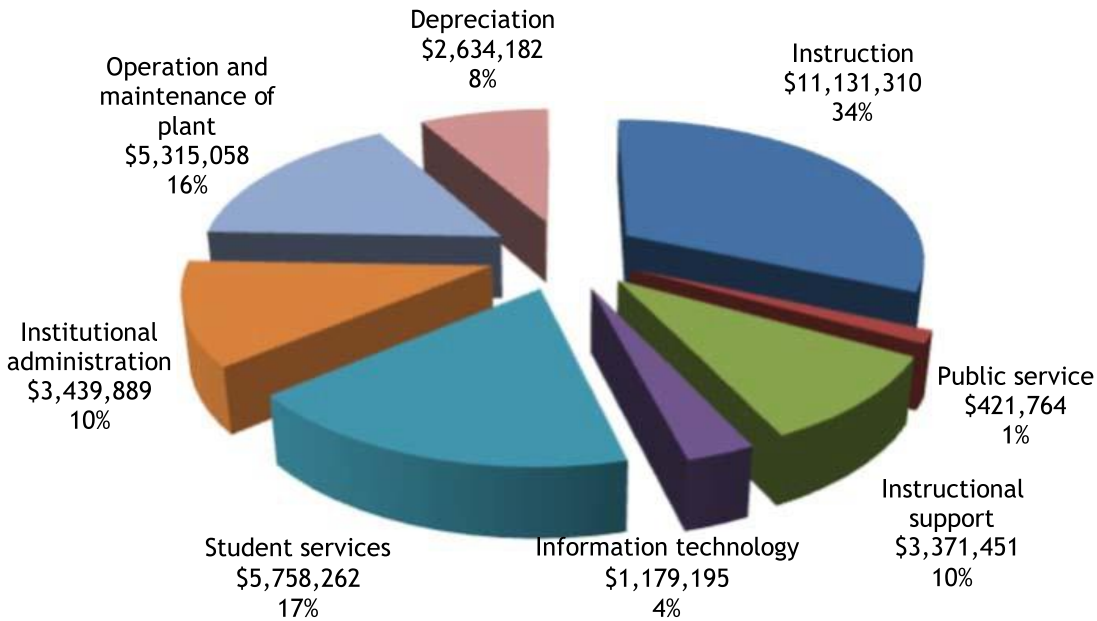
Operating expenses are all the costs necessary to provide services and conduct the programs of the College. Total operating expenses increased for the year ended June 30, 2019, by approximately $2,652,000. The net increase was mainly due to increased costs for tuition waivers, student support services, maintenance and depreciation expenses.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2019:



Total operating expenses decreased for the year ended June 30, 2018, by approximately $230,000. The net decrease was mainly due to operating cost reductions in pension/OPEB funds of approximately $581,000, offset by non-pension/OPEB fund expense increases of approximately $351,000.

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



Net Nonoperating Revenues

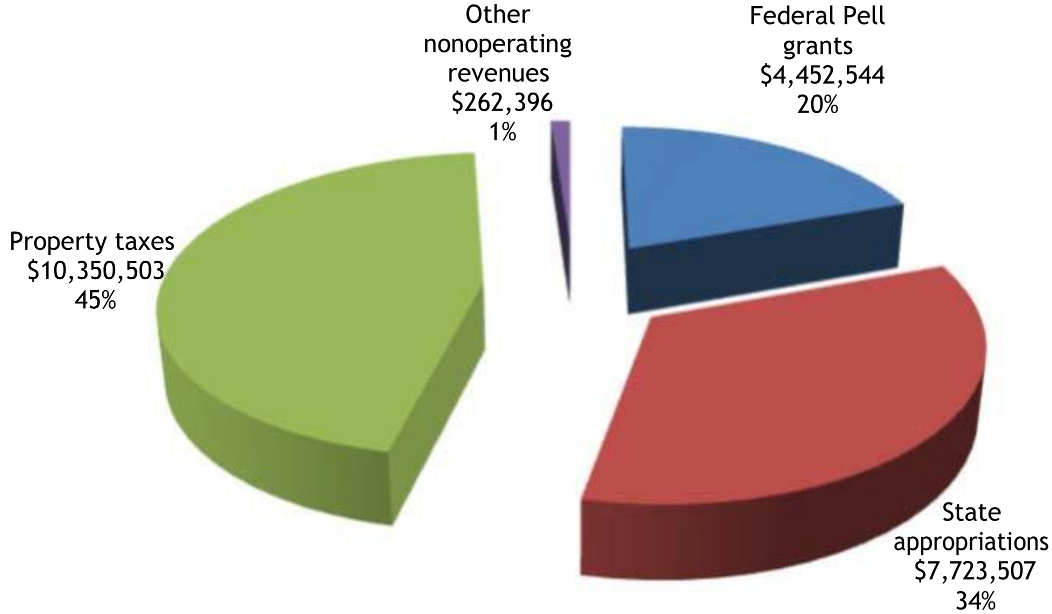
Net nonoperating revenues represent all revenue sources that are primarily nonexchange in nature. They consist primarily of State appropriations, property tax revenue, Federal Pell grant revenue and investment income, net of interest on capital asset-related debt.

Net nonoperating revenues had an overall increase during 2019 of $716,238, primarily as the result of the following factors:

- Federal Pell grant revenues increased by approximately $177,000 from the prior year.
- Property tax revenue increased by approximately $291,500. Taxable value of property in the county increased by approximately 2.7%.
- State appropriations revenue recognized for the current fiscal year increased approximately $180,000 from the prior year. The State of Michigan budgeted appropriations for the College were $7,358,700 and $7,300,100 for the 2018/2019 and 2017/2018 years, respectively. In addition to the base appropriation, the state appropriation includes $1,386,915 and $1,570,380 pass-through payments to the Michigan Public School Employees Retirement System for the 2018/2019 and 2017/2018 fiscal years, respectively. The State of Michigan also added local community stabilization share revenue payments of $537,027 and $607,813 to appropriation revenue for the 2018/19 and 2017/18 fiscal years, respectively.
- Other net nonoperating income increased approximately $67,000. The increase was the result of increased investment income.

Management's Discussion and Analysis

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2019:



Net nonoperating revenues increased during 2018 by $136,704, primarily as the result of the following factors:

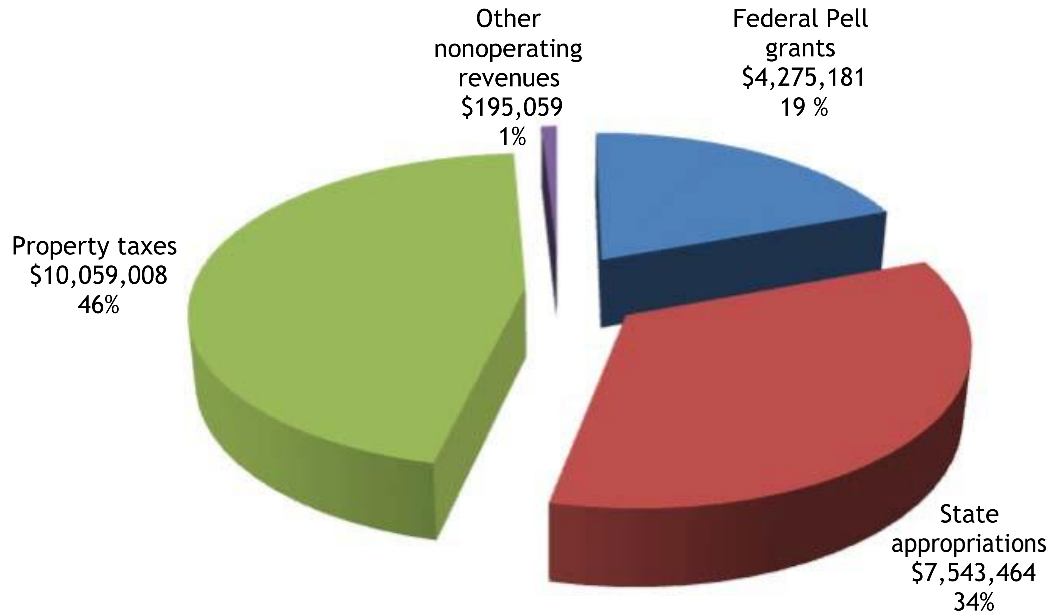
- Federal Pell grant revenues increased by approximately $197,000 from the prior year.

- Property tax revenue increased by approximately $186,000. Taxable value of property in the county increased by approximately 1.8%.

- State appropriations revenue recognized for the current fiscal year decreased approximately $328,000 from the prior year. The State of Michigan budgeted appropriations for the College were $7,300,100 and $7,259,300 for the 2017/2018 and 2016/2017 years, respectively. In addition to the base appropriation, the state appropriation includes $1,570,380 and $1,364,221 pass-through payments to the Michigan Public School Employees Retirement System for the 2017/2018 and 2016/2017 fiscal years, respectively. However, because a substantial portion of the pass-through revenue was deferred for GASB 75 and 68 purposes, overall revenue recognized decreased in the current year. The State of Michigan also added local community stabilization share revenue payments of $607,813 and $403,471 to appropriation revenue for the 2017/18 and 2016/17 fiscal years, respectively.

- Other net nonoperating income increased approximately $82,000. The increase was the result of increased investment income and reduced debt expenses.

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2018:



Other revenues

Other revenue for the 2018-2019 fiscal year includes State of Michigan capital appropriation revenue of approximately $2.0 million for the $9.8 million Health Sciences Building Capital Outlay Project. The State of Michigan provides 50% of the cost of the project, and the College funds the other 50% of the project. The project transforms the former Theisen Building to a state-of-the-art health sciences educational facility. Occupancy of the building occurred in August, 2019, with project completion in the 2019-2020 fiscal year.

Statements of Cash Flows

The primary purpose of these statements is to provide relevant information about the cash receipts and cash payments of an entity during each fiscal year presented. The statements of cash flows also may help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet its obligations as they come due
- Its needs for external financing

During 2019, net cash used in operating activities totaled $17.3 million. This was financed by $22.5 million of net cash flows from noncapital financing activities such as property taxes, State appropriations and Federal Pell grant revenue. Net cash used in capital and related financing activities totaled $5.9 million during 2019. This includes $9.8 million of capital additions, and $4.9 million proceeds from the new issue general obligation facilities bond in 2019. Net cash provided by investing activities totaled $14.7 million. This includes interest received during 2019 of $410,699, purchases of investments totaling $12.1 million, and proceeds from sales and maturities of investments totaling $26.4 million. The net result of all cash flows is an increase in cash and cash equivalents of $13,971,887 from 2018.

During 2018, net cash used in operating activities totaled $16.4 million. This was financed by $21.8 million of net cash flows from noncapital financing activities such as property taxes, State appropriations and Federal Pell grant revenue. Net cash used in capital and related financing activities totaled $6.8 million during 2018. This includes $6.7 million of capital additions in 2018. Net cash provided by investing activities totaled $2.8 million. This includes interest received during 2018 of $203,422, purchases of investments totaling $18.3 million, and proceeds from sales and maturities of investments totaling $20.9 million. Property valued at $559,924 was acquired in a non-cash investing and financing activity. The net result of all cash flows is an increase in cash and cash equivalents of $1,427,986 from 2017.

Capital Assets

At June 30, 2019, the College had approximately $92.4 million invested in capital assets, net of accumulated depreciation of $42.3 million, resulting in $50.1 million in net capital assets. During the year ended June 30, 2019, the College had depreciation charges totaling $2.9 million and invested approximately $14.3 million in additional capital assets.

At June 30, 2018, the College had approximately $82.8 million invested in capital assets, net of accumulated depreciation of $39.6 million, resulting in $43.2 million in net capital assets. During the year ended June 30, 2018, the College had depreciation charges totaling $2.6 million and invested approximately $8.4 million in additional capital assets.

More detailed information about the College’s capital assets is presented in Note 3 to the financial statements.

Debt

At June 30, 2019, the College had approximately $6.2 million in debt outstanding. In April 2019 the College issued a new series 2019 College Facilities Bond in the amount of $4,760,000 to finance the Health Sciences Capital Outlay Building Project, maturing April 1, 2029. Debt repayments for the new issue 2019 bonds begin in fiscal 2019-2020. Debt repayments during 2018-2019 of $1,080,000 were made on debt existing at the beginning of the year. Payments include $330,000 principal payment on the existing Series 2015 bonds and $750,000 to repay the entire amount due on the secured promissory note payable to the Community Foundation of St. Clair County. The note was signed in September, 2017 to finance the acquisition of student housing property, and has been paid in full. The College obtained a rating of AA- during the 2018-2019 fiscal year from Standard & Poors Global ratings.

At June 30, 2018, the College had approximately $2.3 million in debt outstanding. Debt repayments of $320,000 were made on debt existing at the beginning of the year. On September 8, 2017 the College purchased property for student housing financed by a secured promissory note payable to the Community Foundation of St. Clair County. The note is in the amount of $750,000, and is due on or before September 8, 2028. The College’s general obligation bond rating of Aa2 (Moody’s) was unchanged from the prior year rating.

More detailed information about the College’s long-term liabilities is presented in Note 5 to the financial statements.

Economic Factors that Will Affect the Future

The economic position of the College is closely tied to St. Clair County and the State of Michigan. The major revenue sources of the College are tuition and fees, State of Michigan appropriations and property taxes. All revenue sources had increases in the current year. Small tuition and fee revenue gains were possible due to stabilizing enrollment and an annual rate increase. Beginning in the fall semester of 2019 in-district tuition rates will increase by approximately 7.4%. State aid revenue recognized increased in the current year, mainly due to recognition of previously deferred revenue for GASB Statement No. 68 purposes. However, the base appropriation continued on a flat level of funding, with an increase of less than 1%. As a result of uncertainty surrounding the state budget and continued limited economic growth, the College does not have a clear indication of funding levels for the future. Property tax revenue moved up by approximately 2.9% this year reflecting some stability in the district. Despite the current year increase, property tax revenue growth will remain constrained into the foreseeable future impacting this source of revenue. The college received a Capital Outlay Project appropriation for the Health Sciences Building renovation beginning in 2018-2019. This modern facility includes simulation and educational technology allowing students to experience real world situations in a dynamic learning environment. Expansion of health science programs in the new facility will benefit students in the community and encourage enrollment growth. Other revenues from grants and sales of auxiliary services were up from the prior year due to opening of student housing in fall 2018 and efforts to expand alternative funding sources.

Audited Financial Statements

St. Clair County Community College

Statements of Net Position

	St. Clair County Community College June 30 2019	St. Clair County Community College June 30 2018	Component Unit SC4 Foundation June 30 2019	Component Unit SC4 Foundation June 30 2018
Assets				
Current assets				
Cash and cash equivalents	$ 14,084,718	$ 2,880,734	$ -	$ 9,422
Short-term investments	2,623,975	11,285,523	-	930,199
State appropriations receivable	3,669,367	1,566,184	-	-
Federal and state grants receivable	520,828	279,198	-	-
Accounts receivable, net	79,390	593,563	-	-
Student loans receivable	180,617	7,253	-	-
Pledges receivable, net	-	-	5,000	8,857
Prepaids and other assets	117,880	5,338	1,200	1,200
Total current assets	21,276,775	16,617,793	6,200	949,678
Noncurrent assets				
Restricted cash and investments	4,505,446	7,473,625	-	5,666,104
Property and equipment - net	50,128,520	43,240,572	-	-
Beneficial interest in assets held by the Community Foundation of St. Clair County	-	-	6,559,837	-
Total noncurrent assets	54,633,966	50,714,197	6,559,837	5,666,104
Total assets	75,910,741	67,331,990	6,566,037	6,615,782
Deferred outflows of resources				
Deferred pension amounts (Note 4)	11,757,200	7,142,853	-	-
Deferred other postemployment benefits amounts (Note 4)	1,641,899	623,201	-	-
Total deferred outflows of resources	13,399,099	7,766,054	-	-
Liabilities				
Current liabilities				
Accounts payable	2,131,490	2,512,469	810	-
Accrued payroll, vacation, and other compensation	1,673,379	1,417,939	-	-
Current portion of long-term liabilities	915,000	330,000	-	-
Accrued interest payable	39,679	9,715	-	-
Scholarships/donations payable	-	-	100,745	117,206
Deposits	403,907	403,536	-	-
Unearned revenue	2,230,359	825,558	-	-
Total current liabilities	7,393,814	5,499,217	101,555	117,206
Noncurrent liabilities				
Long-term liabilities, net of current portion	5,253,160	1,927,926	-	-
Net pension liability (Note 4)	37,409,887	32,977,540	-	-
Net other postemployment benefits liability (Note 4)	9,684,699	11,270,014	-	-
Total noncurrent liabilities	52,347,746	46,175,480	-	-
Total liabilities	59,741,560	51,674,697	101,555	117,206
Deferred inflows of resources				
Deferred pension amounts (Note 4)	5,345,295	4,279,117	-	-
Deferred other postemployment benefits amounts (Note 4)	2,585,473	381,008	-	-
Total deferred inflows of resources	7,930,768	4,660,125	-	-
Net position				
Net investment in capital assets	49,031,543	41,278,709	-	-
Restricted				
Nonexpendable endowments	1,205,169	1,154,043	2,934,061	2,932,111
Expendable gifts	233,984	219,046	3,165,242	3,043,415
Loans	244,098	231,811	-	-
Capital projects	3,245,138	6,286,379	-	-
Unrestricted (deficit) (Note 1)	(32,322,420)	(30,406,766)	365,179	523,050
Total net position	$ 21,637,512	$ 18,763,222	$ 6,464,482	$ 6,498,576

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

St. Clair County Community College

Statements of Revenues, Expenses and Changes in Net Position

	St. Clair County Community College Year Ended June 30		Component Unit SC4 Foundation Year Ended June 30	
	2019	2018	2019	2018
Operating revenues				
Tuition and fees (net of scholarship allowances of $2,988,790 and $2,735,958, respectively)	$ 11,612,770	$ 11,458,390	$ -	$ -
Federal grants and contracts	1,076,207	1,019,562	-	-
State grants and contracts	24,791	9,864	-	-
Nongovernmental grants and contracts	329,616	327,545	-	-
Sales and services of auxiliary activities	407,928	114,925	-	-
Other sources	429,363	421,334	-	-
Total operating revenues	13,880,675	13,351,620	-	-
Operating expenses				
Instruction	11,326,110	11,131,310	-	-
Public service	522,536	421,764	-	-
Instructional support	3,562,512	3,371,451	-	-
Information technology	1,107,034	1,179,195	-	-
Student services	6,431,270	5,758,262	-	-
Institutional administration	4,179,857	3,439,889	71,874	58,910
Operation and maintenance of plant	5,839,834	5,315,058	-	-
Depreciation	2,933,903	2,634,182	-	-
Scholarships and donations to the College	-	-	151,230	192,973
Total operating expenses	35,903,056	33,251,111	223,104	301,825
Operating loss	(22,022,381)	(19,899,491)	(223,104)	(301,825)
Nonoperating revenues (expenses)				
Federal Pell grants	4,452,544	4,275,181	-	-
State appropriations	7,723,507	7,543,464	-	-
Property taxes	10,350,503	10,059,008	-	-
Investment income, net	335,100	242,704	299,872	452,542
Interest on capital asset - related debt	(71,202)	(46,257)	-	-
Distribution to beneficiary funds	(1,502)	(1,388)	(115,492)	-
Net nonoperating revenues	22,788,950	22,072,712	184,380	502,484
Income (loss) before other revenues	766,569	2,173,221	(38,724)	200,659
Other revenues				
State capital appropriation	2,057,721	-	-	-
Gifts and contributions	50,000	-	4,630	70,992
Total other revenues	2,107,721	-	4,630	70,992
Increase (decrease) in net position	2,874,290	2,173,221	(34,094)	271,651
Net position, beginning of year	18,763,222	27,644,244	6,498,576	6,226,925
Implementation of GASB No. 75 (Note 1)	-	(11,054,243)	-	-
Net position, end of year	$ 21,637,512	$ 18,763,222	$ 6,464,482	$ 6,498,576

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

St. Clair County Community College

Statements of Cash Flows

	Year Ended June 30	
	2019	2018
Cash flows from operating activities		
Tuition and fees	$ 12,323,397	$ 11,477,870
Grants and contracts	1,430,614	1,356,971
Payments to suppliers and students	(16,833,755)	(15,132,690)
Payments to employees	(15,094,384)	(14,616,336)
(Disbursement) Collection of loans from students, net	(20)	750
Other	836,570	536,024
Net cash used in operating activities	(17,337,578)	(16,377,411)
Cash flows from noncapital financing activities		
Property taxes received	10,350,504	10,059,008
Student organization agency transactions	8,681	(44,523)
Direct loan program loan receipts	3,642,363	3,524,961
Direct loan program loan disbursements	(3,642,363)	(3,524,961)
State scholarship and grant receipts	55,430	54,567
State scholarship and grant disbursements	(55,430)	(54,567)
State appropriations received	7,678,045	7,545,195
Federal Pell receipts	4,452,544	4,275,181
Net cash provided by noncapital financing activities	22,489,774	21,834,861
Cash flows from capital and related financing activities		
Purchase of property and equipment	(9,769,113)	(6,666,337)
Principal paid on capital debt	(1,080,000)	(320,000)
Bond and note payable proceeds	4,925,345	190,076
Endowment gift proceeds	50,000	-
Interest paid on capital debt	(37,550)	(43,950)
Net cash used in capital and related financing activities	(5,911,318)	(6,840,211)
Cash flows from investing activities		
Purchases of investments	(12,105,970)	(18,324,724)
Net proceeds from sales and maturities of investments	26,426,280	20,932,049
Investment income	410,699	203,422
Net cash provided by investing activities	14,731,009	2,810,747
Net increase in cash and cash equivalents	13,971,887	1,427,986
Cash and cash equivalents, beginning of year	3,065,251	1,637,265
Cash and cash equivalents, end of year	$ 17,037,138	$ 3,065,251
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	$ 14,084,718	$ 2,880,734
Restricted cash	2,952,420	184,517
Cash and cash equivalents, end of year	$ 17,037,138	$ 3,065,251

continued. . .

St. Clair County Community College

Statements of Cash Flows (Concluded)

	Year Ended June 30	
	2019	**2018**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (22,022,381)	$ (19,899,491)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	2,933,903	2,634,182
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable, net	514,173	38,027
Federal and state grants receivable	(241,630)	(14,462)
Student loans receivable	(173,364)	4,257
Prepaids and other assets	(112,542)	14,069
Accounts payable	(380,979)	866,120
Accrued payroll, vacation, and other compensation	255,440	9,470
Unearned revenue	1,404,801	(130,824)
Deposits	371	(35,839)
Change in net pension and OPEB liabilities and related deferred amounts	484,630	137,080
Net cash used in operating activities	$ (17,337,578)	$ (16,377,411)

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

Notes to Financial Statements

1. Basis of Presentation and Significant Accounting Policies

St. Clair County Community College (the "College") is a Michigan Community College whose mission is to maximize student success, by employing a vision to create an academic and cultural environment that empowers students to succeed.

Reporting Entity – St. Clair County Community College

St. Clair County Community College is a Michigan community college whose financial statements have been prepared in accordance with generally accepted accounting principles outlined in Governmental Accounting Standards Board ("GASB") Statements No. 34 and 35 and the *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

The College reports as a business-type activity as defined by GASB Statement No. 34. Business-type activities are those that are financed in whole or in part by fees charged to external parties for goods or services.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment to GASB Statements No. 14 and 34,* for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one such component unit to present within the reporting entity.

Reporting Entity – Component Unit

The SC4 Foundation (the "Foundation") is a nonprofit organization that reports under the provisions of Accounting Standards Codification ("ASC") Topic 958, *Not-For-Profit Entities*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences. Complete audited financial statements of the Foundation may be obtained by contacting the Foundation directly.

Significant Accounting Policies

Accrual Basis

The accompanying financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenditures are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Significant estimates incorporated in the financial statements include but are not limited to the net pension and other postemployment benefits liabilities and related deferred items. These estimates were independently developed by the Michigan Public School Employees Retirement System and are not under the control of the College. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, money market accounts, and certificates of deposit with an initial maturity of three months or less.

Investments

Investments are recorded at fair value, based on quoted market prices. Investment income includes realized and unrealized gains and losses on investment, interest and dividends.

Property and Equipment

Property and equipment are recorded at cost or, if acquired by gift, the estimated acquisition value as of the date of donation. Library books are recorded using a historically based estimated value. Depreciation is provided for depreciable assets on a straight-line basis over the estimated useful lives of the assets. Expenses greater than $5,000 are capitalized. The following estimated useful lives are used to compute depreciation:

Classification	Estimated Useful Lives
Buildings and improvements	40 years
Infrastructure	15 years
Library collection	10 years
Furniture, fixtures and equipment	3-7 years

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports deferred outflows of resources for certain pension and other postemployment benefit related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the plan subsequent to the measurement date. More detailed information can be found in Note 4.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension and other postemployment benefit related amounts, such as the difference between projected and actual earnings of the pension and OPEB plan's investments. More detailed information can be found in Note 4.

Revenue Recognition

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

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

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2019, includes $898,385 for the 2019 fall semester and $221,120 for the 2019 summer semester, which began on May 13, 2019, and ended on August 2, 2019. Unearned revenue at June 30, 2018, includes $188,141 for the 2018 fall semester and $220,736 for the 2018 summer semester, which began on May 14, 2018, and ended on August 3, 2018. Grants received prior to qualifying expenditures are also included in unearned revenue.

Pension and OPEB

For purposes of measuring the net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* was effective for the College in fiscal year 2018 and establishes new recognition and disclosure requirements for employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statement of net position based on an actuarial valuation of retiree healthcare. Since the College participates in the MPSERS OPEB plan, it reports a liability for its “proportionate share” of the “net OPEB liability” of the MPSERS OPEB plan. The College is required to recognize OPEB expense, deferred outflows of resources and deferred inflows of resources related to its proportionate share of the corresponding collective OPEB amounts. The methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service are specified in this Statement. This statement required the net OPEB liability to be recorded for the year ended June 30, 2018, by restating beginning net position as of July 1, 2017. The decrease to beginning net position was calculated by establishing a $11,887,367 beginning net OPEB liability, and offsetting $833,124 in beginning deferred outflows, resulting in a net restatement to beginning net position amount of $11,054,243.

Expenses

Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

Accounts Receivable, net

Accounts receivable are recorded net of allowance for uncollectible accounts of $340,000 and $330,000 as of June 30, 2019 and 2018, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance in the period that determination is made.

Gifts and Pledges

Gifts are recorded at estimated fair value when received and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the College’s current sick and vacation pay policy. Under the College’s policy, employees earn sick and vacation time based on years of service with the College.

Unrestricted Net Deficit

The College's unrestricted net deficit consists of the following at June 30:

	2019	2018
Designated for future capital outlay and major maintenance	$ 3,081,615	$ 4,644,700
Board designated	519,343	519,343
Pension and OPEB liability fund deficit	(41,626,255)	(41,141,625)
Auxiliary activities	172,484	40,423
Undesignated	5,530,393	5,530,393
Total unrestricted net deficit	**$ (32,322,420)**	**$ (30,406,766)**

Reclassifications

Certain amounts as reported in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

2. Deposits and Investments - College

State of Michigan statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services. The College is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The College's investment policy allows for all of these types of investments.

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

	2019	2018
Cash and cash equivalents	$ 14,084,718	$ 2,880,734
Restricted cash and investments	4,505,446	7,473,625
Short-term investments	2,623,975	11,285,523
Total	**$ 21,214,139**	**$ 21,639,882**

The amounts are categorized as follows at June 30:

	2019	2018
Bank deposits (checking, savings, and cash sweep accounts, and certificates of deposit)	$ 21,209,789	$ 21,636,032
Petty cash	4,350	3,850
Total	**$ 21,214,139**	**$ 21,639,882**

Interest Rate Risk . The College's investment policy does not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The College's investment policy does not have specific limits in excess of state law on credit risk for allowable debt securities as identified above.

Concentration of Credit Risk. The College's investment policy does not have specific limits on concentration of credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College does not have a policy for deposit custodial credit risk. As of June 30, 2019 and 2018, $19,610,210 and $19,708,268 respectively, of the College's bank deposits balance of $20,520,770 and $20,768,364, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College does not have a policy for investment custodial credit risk.

3. Property and Equipment

The following tables present the changes in the components of property and equipment for the years ended June 30:

2019	Balance July 1, 2018	Additions	Disposals	Balance June 30, 2019
Depreciable assets				
Building and improvements	$ 61,827,310	$ 4,831,197	$ -	$ 66,658,507
Infrastructure	4,888,905	32,746	-	4,921,651
Furniture, fixtures and equipment	9,880,809	1,048,619	164,388	10,765,040
Library collection	603,452	31,793	103,315	531,930
Total depreciable assets	**77,200,476**	**5,944,355**	**267,703**	**82,877,128**
Nondepreciable assets				
Land	1,172,105	-	-	1,172,105
Construction in progress	4,459,345	8,336,841	4,459,345	8,336,841
Museum collection	57,044	-	-	57,044
Total nondepreciable assets	**5,688,494**	**8,336,841**	**4,459,345**	**9,565,990**
Total	**82,888,970**	**14,281,196**	**4,727,048**	**92,443,118**
Less accumulated depreciation				
Building and improvements	28,641,046	2,118,130	-	30,759,176
Infrastructure	2,033,785	262,370	-	2,296,155
Furniture, fixtures and equipment	8,559,765	506,905	164,388	8,902,282
Library collection	413,802	46,498	103,315	356,985
Total accumulated depreciation	**39,648,398**	**2,933,903**	**267,703**	**42,314,598**
Property and equipment, net	**$ 43,240,572**			**$ 50,128,520**

2018	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Depreciable assets				
Building and improvements	$ 59,273,413	$ 2,553,897	$ -	$ 61,827,310
Infrastructure	4,492,647	396,258	-	4,888,905
Furniture, fixtures and equipment	8,969,105	978,078	66,374	9,880,809
Library collection	666,260	31,485	94,293	603,452
Total depreciable assets	**73,401,425**	**3,959,718**	**160,667**	**77,200,476**
Nondepreciable assets				
Land	1,172,104	1	-	1,172,105
Construction in progress	1,155,607	4,459,345	1,155,607	4,459,345
Museum collection	57,044	-	-	57,044
Total nondepreciable assets	**2,384,755**	**4,459,346**	**1,155,607**	**5,688,494**
Total	**75,786,180**	**8,419,064**	**1,316,274**	**82,888,970**
Less accumulated depreciation				
Building and improvements	26,799,889	1,841,157	-	28,641,046
Infrastructure	1,796,917	236,868	-	2,033,785
Furniture, fixtures and equipment	8,123,587	502,552	66,374	8,559,765
Library collection	454,490	53,605	94,293	413,802
Total accumulated depreciation	**37,174,883**	**2,634,182**	**160,667**	**39,648,398**
Property and equipment, net	**$ 38,611,297**			**$ 43,240,572**

Depreciation expense for the years ended June 30, 2019 and 2018, totaled $2,933,903 and $2,634,182, respectively. The College determined that it is not practical to allocate depreciation to the various functional expenses because the capital assets serve multiple functions.

Construction in progress as of June 30, 2019 has an outstanding commitment balance of $2,615,623 for the construction of the health science building and other projects.

4. Retirement Plans

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

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

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

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member’s healthcare benefit are effective as of the member’s transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	29.21% - 30.46%
Member Investment Plan (MIP)	3.00% - 7.00%	29.21% - 30.46%
Pension Plus	3.00% - 6.40%	27.93% - 28.67%
Pension Plus 2	6.20%	31.06% - 31.80%
Defined Contribution	0.00%	24.86% - 25.60%

Required contributions to the pension plan from the College were $3,107,796, $3,382,255, and $3,346,179 for the years ended June 30, 2019, 2018 and 2017, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.67% - 7.93%
Personal Healthcare Fund (PHF)	0.00%	7.42% - 7.57%

Required contributions to the OPEB plan from the College were $761,456, $734,681 and $987,315 for the years ended June 30, 2019, 2018 and 2017, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2019:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

For the year ended June 30, 2019, 2018 and 2017, required and actual contributions from the College for those members with a defined contribution benefit were $97,834, $76,936 and $59,253, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the College reported a liability of $37,409,887 and $32,977,540, respectively for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2017 and 2016, respectively. The College’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2018, the College’s proportion was 0.12444%, which was a decrease of 0.00282% from its proportion measured as of September 30, 2017 of 0.12726%.

For the year ended June 30, 2019, the College recognized pension expense of $4,236,531. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 173,589	$ 271,851	$ (98,262)
Changes in assumptions	8,664,099	-	8,664,099
Net difference between projected and actual earnings on pension plan investments	-	2,557,885	(2,557,885)
Changes in proportion and differences between employer contributions and proportionate share of contributions	187,335	1,128,644	(941,309)
	9,025,023	3,958,380	5,066,643
College contributions subsequent to the measurement date	2,732,177	-	2,732,177
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,386,915	(1,386,915)
Total	$ 11,757,200	$ 5,345,295	$ 6,411,905

The $2,732,177 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. The $1,386,915 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State appropriations revenue for the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2020	$ 2,058,466
2021	1,558,743
2022	1,025,695
2023	423,739
Total	**$ 5,066,643**

For the year ended June 30, 2018, the College recognized pension expense of $3,119,014. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 286,597	$ 161,814	$ 124,783
Changes in assumptions	3,612,952	-	3,612,952
Net difference between projected and actual earnings on pension plan investments	-	1,576,543	(1,576,543)
Changes in proportion and differences between employer contributions and proportionate share of contributions	294,254	970,383	(676,129)
	4,193,803	2,708,740	1,485,063
College contributions subsequent to the measurement date	2,949,050	-	2,949,050
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,570,377	(1,570,377)
Total	$ 7,142,853	$ 4,279,117	$ 2,863,736

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the College reported a liability of $9,684,699 and $11,270,014, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2017 and 2016. The College's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2018, the College's proportion was 0.12184%, which was a decrease of 0.00543% from its proportion measured as of September 30, 2017 of 0.12727%.

For the year ended June 30, 2019, the College recognized OPEB expense of $388,778. At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 1,802,571	$ (1,802,571)
Changes in assumptions	1,025,615	-	1,025,615
Net difference between projected and actual earnings on OPEB plan investments	-	372,206	(372,206)
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,330	410,696	(392,366)
	1,043,945	2,585,473	(1,541,528)
College contributions subsequent to the measurement date	597,954	-	597,954
Total	$ 1,641,899	$ 2,585,473	$ (943,574)

The $597,954 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	$ (367,768)
2021	(367,768)
2022	(367,768)
2023	(294,574)
2024	(143,650)
Total	$ (1,541,528)

For the year ended June 30, 2018, the College recognized OPEB expense of $759,099. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 119,992	$ (119,992)
Net difference between projected and actual earnings on OPEB plan investments	-	261,016	(261,016)
Changes in proportion and differences between employer contributions and proportionate share of contributions	23,605	-	23,605
	23,605	381,008	(357,403)
College contributions subsequent to the measurement date	599,596	-	599,596
Total	$ 623,201	$ 381,008	$ 242,193

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total pension and OPEB liabilities in the September 30, 2017 and 2016 actuarial valuations (for the fiscal years ended June 30, 2019 and 2018, respectively) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75% (3.50% for 2016)
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.05% (7.50% for 2016)
Pension Plus plan (hybrid)	7.00%
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	7.15% (7.50% for 2016)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75% 3.5% - 12.3%, including wage inflation at 3.5% (for 2016)
Cost of living adjustments	3.0% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.0% (3.5% for 2016) Year 12
Mortality	2017 - RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females. 2016 - RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.
Other OPEB assumptions:	
Opt-out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan.
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, and rolled forward using generally accepted actuarial procedures, including the experience study.

Long-term Expected Return on Pension Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2018 and 2017, are summarized in the following tables:

2018 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.50%	0.05%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.81%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.66%
Inflation			2.30%
Risk adjustment			-0.91%
Investment rate of return			7.05%

2017 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2018 and 2017, are summarized in the following tables:

2018 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.70%	1.60%
Private equity pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	5.00%	0.53%
Real estate and infrastructure pools	10.00%	3.90%	0.39%
Absolute return pools	15.50%	5.20%	0.78%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.63%
Inflation			2.30%
Risk adjustment			-0.78%
Investment rate of return			7.15%

2017 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

Discount Rate

A discount rate of 7.05% (7.50% for 2018) was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 7.15% (7.50% for 2018) was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 7.05% (7.50% for 2018) (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan) and 7.15% (7.50% for 2018), respectively. The projection of cash flows used to determine these discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
College's proportionate share of the net pension liability	$ 49,116,293	$ 37,409,887	$ 27,683,768

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2018:

	1% Decrease (6.5% / 6.0%)	Current Discount Rate (7.5% / 7.0%)	1% Increase (8.5% / 8.0%)
College's proportionate share of the net pension liability	$ 42,958,767	$ 32,977,540	$ 24,573,984

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
College's proportionate share of the net OPEB liability	$ 11,626,284	$ 9,684,699	$ 8,051,589

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2018:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 13,200,443	$ 11,270,014	$ 9,631,683

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2019:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 7,965,558	$ 9,684,699	$ 11,656,905

The following presents the College's proportionate share of the net OPEB liability calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher as of June 30, 2018:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 9,544,187	$ 11,270,014	$ 13,229,570

Pension and OPEB Plans Fiduciary Net Position

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

Payable to the Pension Plan

At June 30, 2019, the College reported a payable of $314,587 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019. At June 30, 2018, the College reported a payable of $302,910 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018.

Payable to the OPEB Plan

At June 30, 2019, the College reported a payable of $27,665 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019. At June 30, 2018, the College reported a payable of $27,742 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

Defined Contribution Plan - Optional Retirement Plan

Effective October 1, 1996, existing professional MPSERS members and new professional employees of the College may elect to participate in an optional retirement plan ("ORP") in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund ("TIAA-CREF"). Under the ORP, the College contributed between 15% to 18% of covered wages for the years ending June 30, 2019 and 2018. The participant contributes between 4% to 7% of the participant's compensation. Contributions of approximately $761,000 and $662,000 were made by the College for the years ended June 30, 2019 and 2018, respectively. Employee contributions of approximately $281,000 and $243,000 were made for the years ended June 30, 2019 and 2018, respectively.

5. Long-Term Liabilities

Long-term liabilities consists of the following obligations as of June 30:

2019	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Current Portion
Bonds Payable:					
General obligation bonds	$ 1,480,000	$ 4,760,000	$ 330,000	$ 5,910,000	$ 915,000
Discount/premium	27,926	236,793	6,559	258,160	-
Notes Payable -					
Direct Borrowings:					
Student housing	750,000	-	750,000	-	-
Total long-term liabilities	**$ 2,257,926**	**$ 4,996,793**	**$ 1,086,559**	6,168,160	**$ 915,000**
Less current portion of long-term liabilities				915,000	
Long-term liabilities, net of current portion				**$ 5,253,160**	

2018	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Current Portion
Bonds Payable:					
General obligation bonds	$ 1,800,000	$ -	$ 320,000	$ 1,480,000	$ 330,000
Discount/premium	28,565	-	639	27,926	-
Notes Payable -					
Direct Borrowings:					
Student housing	-	750,000	-	750,000	-
Total long-term liabilities	**$ 1,828,565**	**$ 750,000**	**$ 320,639**	2,257,926	**$ 330,000**
Less current portion of long-term liabilities				330,000	
Long-term liabilities, net of current portion				**$ 1,927,926**	

The College has an outstanding Community College General Obligation Limited Tax Bond, Series 2015, in the original amount of $2,430,000. The Community College General Obligation Limited Tax Refunding Bonds, Series 2015, have principal payments ranging from $155,000 to $340,000 due annually through 2024. Interest is payable semiannually in October and April at rates ranging from 2% to 4%. The bonds are reported net of a premium of $51,105 and deferred items totaling $23,817, which are being amortized over the 9-year term of the bonds. The net balance outstanding on this bond at June 30, 2019 and 2018, was $1,177,287 and $1,507,926, respectively. The bonds will be repaid from remaining project funds and general operating revenues of the College.

On April 10, 2019 the College issued a Community College General Obligation Limited Tax Bond, Series 2019, in the original amount of $4,760,000. The Community College General Obligation Limited Tax Facilities Bonds, Series 2019, have principal payments ranging from $325,000 to $635,000 due annually through 2029. Interest is payable semiannually in October and April at rates ranging from 2% to 3.5%. The bonds are reported net of a premium of $230,873 which is being amortized over the 10 year term of the bonds. The net balance outstanding on this bond at June 30, 2019 was $4,990,873. The bonds will be repaid from remaining project funds and general operating revenues of the College.

Scheduled principal and interest requirements of bonds payable for years succeeding June 30, 2019, are summarized below:

Year Ended June 30,	Principal	Interest	Total
2020	$ 915,000	$ 162,075	$ 1,077,075
2021	930,000	147,138	1,077,138
2022	755,000	128,537	883,537
2023	775,000	110,388	885,388
2024	795,000	85,537	880,537
2025-2029	1,740,000	185,913	1,925,913
Totals	**$ 5,910,000**	**$ 819,588**	**$ 6,729,588**

On September 8, 2017, the College entered into a purchase agreement for student housing property. The purchase was financed with a secured promissory note and mortgage payable to the Community Foundation of St. Clair County. Terms of the note required monthly interest payments ranging from 0.75% to 4.00% of the principal over the life of the note. The principal amount of the note was $750,000, and was due and payable at any time on or before September 8, 2028. The College paid the note in full on May 29, 2019.

6. Risk Management

The College is exposed to various risks of loss related to property loss, torts, errors and omissions, and workers' compensation as well as medical benefits provided to employees. The College has purchased commercial insurance for medical benefit and workers' compensation claims and participates in the Michigan Community College Risk Management Authority risk pool for claims related to all other types of claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Community College Risk Management Authority (the "Authority") risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, which the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the College.

7. Foundations

The SC4 Foundation is a separate legal nonprofit entity established to accept, collect, hold and invest donations made for the primary benefit of the College. The assets and all activity of this foundation are reported as a discretely presented component unit in the College's financial statements. The SC4 Foundation also has separately issued financial statements which can be requested by contacting the Foundation directly.

The financial statements do not include the accounts and operations of the Del James Blessinger Foundation, which is also organized to promote, encourage, and aid St. Clair County Community College. Net assets of the Foundation approximate $453,500 and $457,000 at June 30, 2019 and 2018, respectively. Contributions received from this foundation totaled approximately $14,400 and $15,800 for the years ended June 30, 2019 and 2018, respectively.

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

8. Contingencies

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

9. Supplemental Cash Flow Information

Non-Cash Investing and Financing Activities

The College financed the purchase of a building and land in 2018 by obtaining credit in the form of a secured note payable in the amount of $750,000. Approximately $559,924 of the note payable was used for the purchase and the remaining $190,076 was cash received that was used for improvements of the building.

10. Subsequent Event

The College purchased property at 913 and 903 Poplar St, 904 10th Ave, Port Huron, MI on September 30, 2019 for $265,000.

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Required Supplementary Information

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

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

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability	0.12444%	0.12726%	0.13016%	0.12839%	0.13265%
College's proportionate share of the net pension liability	$ 37,409,887	$ 32,977,540	$ 32,474,831	$ 31,358,388	$ 29,219,048
College's covered payroll	$ 10,381,520	$ 10,577,155	$ 10,547,616	$ 10,547,267	$ 11,317,525
College's proportionate share of the net pension liability as a percentage of its covered payroll	360.35%	311.78%	307.89%	297.31%	258.18%
Plan fiduciary net position as a percentage of the total pension liability	62.36%	64.21%	63.27%	63.17%	66.20%

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

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively.
Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College Pension Contributions

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 3,107,796	$ 3,382,255	$ 3,346,179	$ 3,338,043	$ 3,375,954
Contributions in relation to the contractually required contribution	(3,107,796)	(3,382,255)	(3,346,179)	(3,338,043)	(3,375,954)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 9,826,712	$ 10,267,864	$ 10,232,141	$ 10,029,474	$ 11,063,281
Contributions as a percentage of covered payroll	31.63%	32.94%	32.70%	33.28%	30.51%

Note: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively.
Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability

	Year Ended June 30, 2019	Year Ended June 30, 2018
College's proportionate share of the net OPEB liability	$ 9,684,699	$ 11,270,014
College's proportion of the net OPEB liability	0.12184%	0.12727%
College's covered payroll	$ 10,381,520	$ 10,577,155
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	93.29%	106.55%
Plan fiduciary net position as a percentage of the total OPEB liability	42.95%	36.39%

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively.
Ultimately, 10 years of data will be presented.

Required Supplementary Information

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of College Other Postemployment Benefits Contributions

	Year Ended June 30, 2019	Year Ended June 30, 2018
Contractually required contribution	$ 761,456	$ 734,681
Contributions in relation to the contractually required contribution	(761,456)	(734,681)
Contribution deficiency (excess)	$ -	$ -
College's covered payroll	$ 9,826,712	$ 10,267,864
Contributions as a percentage of covered payroll	7.75%	7.16%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Supplementary Information

St. Clair County Community College

Combining Statement of Net Position (Unaudited)

JUNE 30, 2019

	General Fund	Pension & OPEB Liability Fund	Designated Fund	Auxiliary Fund	Restricted Funds	Loan Funds	Plant Funds	Agency Funds	Endowment Funds	Combined Total
Assets										
Current assets										
Cash and cash equivalents	$ 3,960,341	$ -	$ 520,843	$ 179,230	$ 1,310,318	$ 31,772	$ 7,515,815	$ 566,399	$ -	$ 14,084,718
Short-term investments	2,623,975	-	-	-	-	-	-	-	-	2,623,975
State appropriations receivable	1,359,480	252,166	-	-	-	-	2,057,721	-	-	3,669,367
Federal and state grants receivable	-	-	-	-	520,828	-	-	-	-	520,828
Accounts receivable, net	66,156	-	-	13,234	-	-	-	-	-	79,390
Student loans receivable	-	-	-	-	-	180,617	-	-	-	180,617
Prepaids and other assets	8,733	-	-	9,000	19,556	-	80,591	-	-	117,880
Due from (due to) other funds	568,185	-	-	-	(448,119)	31,412	4,785	(102,248)	(54,015)	-
Total current assets	8,586,870	252,166	520,843	201,464	1,402,583	243,801	9,658,912	464,151	(54,015)	21,276,775
Noncurrent assets										
Restricted cash and investments	-	-	-	-	579	297	3,245,386	-	1,259,184	4,505,446
Property and equipment - net	-	-	-	-	-	-	50,128,520	-	-	50,128,520
Total noncurrent assets	-	-	-	-	579	297	53,373,906	-	1,259,184	54,633,966
Total assets	8,586,870	252,166	520,843	201,464	1,403,162	244,098	63,032,818	464,151	1,205,169	75,910,741
Deferred outflows of resources										
Deferred pension amounts	-	11,757,200	-	-	-	-	-	-	-	11,757,200
Deferred other postemployment benefits amounts	-	1,641,899	-	-	-	-	-	-	-	1,641,899
Total deferred outflows of resources	-	13,399,099	-	-	-	-	-	-	-	13,399,099
Current liabilities										
Accounts payable	317,010	252,166	1,500	9,400	70,740	-	1,466,683	13,991	-	2,131,490
Accrued payroll, vacation, and other compensation	1,617,262	-	-	3,580	3,584	-	-	48,953	-	1,673,379
Current portion of long-term liabilities	-	-	-	-	-	-	915,000	-	-	915,000
Accrued interest payable	-	-	-	-	-	-	39,679	-	-	39,679
Deposits	2,700	-	-	-	-	-	-	401,207	-	403,907
Unearned revenue	1,119,505	-	-	16,000	1,094,854	-	-	-	-	2,230,359
Total current liabilities	3,056,477	252,166	1,500	28,980	1,169,178	-	2,421,362	464,151	-	7,393,814
Noncurrent liabilities										
Long-term liabilities, net of current portion	-	-	-	-	-	-	5,253,160	-	-	5,253,160
Net pension liability	-	37,409,887	-	-	-	-	-	-	-	37,409,887
Net other postemployment benefits liability	-	9,684,699	-	-	-	-	-	-	-	9,684,699
Total noncurrent liabilities	-	47,094,586	-	-	-	-	5,253,160	-	-	52,347,746
Total liabilities	3,056,477	47,346,752	1,500	28,980	1,169,178	-	7,674,522	464,151	-	59,741,560
Deferred inflows of resources										
Deferred pension amounts	-	5,345,295	-	-	-	-	-	-	-	5,345,295
Deferred other postemployment benefits amounts	-	2,585,473	-	-	-	-	-	-	-	2,585,473
Total deferred inflows of resources	-	7,930,768	-	-	-	-	-	-	-	7,930,768
Net position										
Net investment in capital assets	-	-	-	-	-	-	49,031,543	-	-	49,031,543
Restricted										
Nonexpendable endowments	-	-	-	-	-	-	-	-	1,205,169	1,205,169
Expendable gifts	-	-	-	-	233,984	-	-	-	-	233,984
Loans	-	-	-	-	-	244,098	-	-	-	244,098
Capital projects	-	-	-	-	-	-	3,245,138	-	-	3,245,138
Unrestricted (deficit)	5,530,393	(41,626,255)	519,343	172,484	-	-	3,081,615	-	-	(32,322,420)
Total net position	$ 5,530,393	$ (41,626,255)	$ 519,343	$ 172,484	$ 233,984	$ 244,098	$ 55,358,296	$ -	$ 1,205,169	$ 21,637,512

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Unaudited)

Year Ended June 30, 2019

	General Fund	Pension & OPEB Liability Fund	Designated Fund	Auxiliary Fund	Restricted Funds	Loan Funds	Plant Funds	Endowment Funds	Elimination Entries	Combined Total
Operating revenues										
Tuition and fees (net of scholarship allowances of $2,988,790)	$ 12,986,692	$ -	$ -	$ -	$ -	$ -	$ 1,614,868	$ -	$ (2,988,790)	$ 11,612,770
Federal grants and contracts	-	-	-	-	1,076,207	-	-	-	-	1,076,207
State grants and contracts	-	-	-	-	24,791	-	-	-	-	24,791
Nongovernmental grants and contracts	-	-	-	-	329,616	-	-	-	-	329,616
Sales and services of auxiliary activities	-	-	-	407,928	-	-	-	-	-	407,928
Indirect cost recoveries	144,141	-	-	-	-	-	-	-	(144,141)	-
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	-	207,265	-	(207,265)	-
Other sources	411,839	-	-	11,148	-	721	5,655	-	-	429,363
Total operating revenues	13,542,672	-	-	419,076	1,430,614	721	1,827,788	-	(3,340,196)	13,880,675
Operating expenses										
Instruction	10,889,804	151,205	-	-	510,710	-	-	-	(225,609)	11,326,110
Public service	302,043	4,155	7,884	182,364	26,090	-	-	-	-	522,536
Instructional support	3,478,578	42,488	77,837	-	69,857	-	-	-	(106,248)	3,562,512
Information technology	1,105,597	1,437	-	-	-	-	-	-	-	1,107,034
Student services	3,920,428	48,486	-	145,136	5,315,812	-	-	-	(2,998,592)	6,431,270
Institutional administration	4,092,674	41,364	44,000	-	11,566	-	-	-	(9,747)	4,179,857
Operation and maintenance of plant	3,115,271	23,275	-	-	-	-	2,701,288	-	-	5,839,834
Depreciation	-	-	-	-	-	-	2,933,903	-	-	2,933,903
Total operating expenses	26,904,395	312,410	129,721	327,500	5,934,035	-	5,635,191	-	(3,340,196)	35,903,056
Operating (loss) income	(13,361,723)	(312,410)	(129,721)	91,576	(4,503,421)	721	(3,807,403)	-	-	(22,022,381)
Nonoperating revenues (expenses)										
Federal Pell grants	-	-	-	-	4,452,544	-	-	-	-	4,452,544
State appropriations	7,895,727	(172,220)	-	-	-	-	-	-	-	7,723,507
Property taxes	10,350,503	-	-	-	-	-	-	-	-	10,350,503
Endowment income	-	-	-	-	8,614	11,551	-	-	(20,165)	-
Investment income, net	295,451	-	-	-	119	15	16,722	22,793	-	335,100
Interest on capital asset - related debt	-	-	-	-	-	-	(71,202)	-	-	(71,202)
Distribution to beneficiary funds	-	-	-	-	-	-	-	(21,667)	20,165	(1,502)
Net nonoperating revenues (expenses)	18,541,681	(172,220)	-	-	4,461,277	11,566	(54,480)	1,126	-	22,788,950
Income (loss) before other revenues	5,179,958	(484,630)	(129,721)	91,576	(42,144)	12,287	(3,861,883)	1,126	-	766,569
Other revenues										
State capital appropriations	-	-	-	-	-	-	2,057,721	-	-	2,057,721
Additions to permanent endowments	-	-	-	-	-	-	-	50,000	-	50,000
Income (loss) before transfers	5,179,958	(484,630)	(129,721)	91,576	(42,144)	12,287	(1,804,162)	51,126	-	2,874,290
Transfers (out) in	(5,179,958)	-	129,721	40,485	57,082	-	4,952,670	-	-	-
Net increase (decrease) in net position	-	(484,630)	-	132,061	14,938	12,287	3,148,508	51,126	-	2,874,290
Net position, beginning of year	5,530,393	(41,141,625)	519,343	40,423	219,046	231,811	52,209,788	1,154,043	-	18,763,222
Net position, end of year	$ 5,530,393	$ (41,626,255)	$ 519,343	$ 172,484	$ 233,984	$ 244,098	$ 55,358,296	$ 1,205,169	$ -	$ 21,637,512