St. Clair County Community College

For the Years Ended June 30, 2020 and 2019

Annual Financial Report and Supplementary Information

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ST. CLAIR COUNTY COMMUNITY COLLEGE

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ST. CLAIR COUNTY COMMUNITY COLLEGE

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INDEPENDENT AUDITORS' REPORT

October 7, 2020

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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

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 benefit plans and related notes to those schedules, 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 7, 2020, 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, 2020 and 2019, and its activities for the years then ended. Management has prepared the financial statements and the related footnote disclosures along with this 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 2020 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, 2020 and 2019, and the changes in net position for the years then ended. The College's financial position at June 30, 2020, included assets of $79.9 million and liabilities of $59.7 million. The College's financial position at June 30, 2019, reflected assets of $75.9 million and liabilities of $59.7 million. The significant balance in liabilities is due to the inclusion of a $8.3 million and $9.7 million net other postemployment benefits (OPEB) liability as of June 30, 2020 and 2019, 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 $39.6 million and $37.4 million net pension liability as of June 30, 2020 and 2019, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 $3,521,227. This overall increase was comprised of increases from non-pension/OPEB items of $4,934,585, and decreases from pension/OPEB related items of $1,413,358. In fiscal 2018/2019 the net position of the College increased by $2,874,290. This overall increase was due to increases related to non-pension/OPEB items of $3,358,920 and decreases from pension/OPEB related items of $484,630. 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:

	2020	2019	2018
Current assets	$ 25,495,202	$ 21,276,775	$ 16,617,793
Noncurrent assets			
Restricted cash and investments	3,796,859	4,505,446	7,473,625
Property and equipment, net	50,641,618	50,128,520	43,240,572
Total assets	**79,933,679**	**75,910,741**	**67,331,990**
Deferred outflows of resources	**13,217,611**	**13,399,099**	**7,766,054**
Current liabilities	7,436,485	7,393,814	5,499,217
Long-term liabilities, net of current portion	4,298,842	5,253,160	1,927,926
Net pension liability	39,619,726	37,409,887	32,977,540
Net other postemployment benefits liability	8,329,873	9,684,699	11,270,014
Total liabilities	**59,684,926**	**59,741,560**	**51,674,697**
Deferred inflows of resources	**8,307,625**	**7,930,768**	**4,660,125**
Net position			
Net investment in capital assets	46,329,078	49,031,543	41,278,709
Restricted - nonexpendable endowments	1,207,909	1,205,169	1,154,043
Restricted - expendable	3,782,260	3,723,220	6,737,236
Unrestricted (deficit)	(26,160,508)	(32,322,420)	(30,406,766)
Total net position	**$ 25,158,739**	**$ 21,637,512**	**$ 18,763,222**

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:

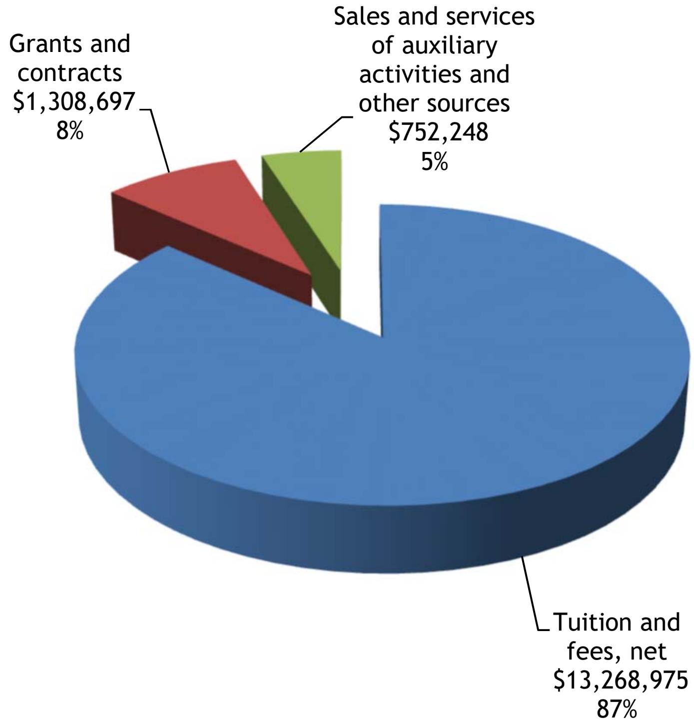
	2020	2019	2018
Operating revenues			
Tuition and fees, net	$ 13,268,975	$ 11,612,770	$ 11,458,390
Grants and contracts	1,308,697	1,430,614	1,356,971
Sales and services of auxiliary activities	497,949	407,928	114,925
Other sources	254,299	429,363	421,334
Total operating revenues	**15,329,920**	**13,880,675**	**13,351,620**
Operating expenses			
Instruction	11,744,325	11,326,110	11,131,310
Public service	398,808	522,536	421,764
Instructional support	3,783,783	3,562,512	3,371,451
Information technology	1,151,771	1,107,034	1,179,195
Student services	7,415,194	6,431,270	5,758,262
Institutional administration	4,398,362	4,179,857	3,439,889
Operation and maintenance of plant	5,996,677	5,839,834	5,315,058
Depreciation	3,572,174	2,933,903	2,634,182
Total operating expenses	**38,461,094**	**35,903,056**	**33,251,111**
Operating loss	**(23,131,174)**	**(22,022,381)**	**(19,899,491)**
Nonoperating revenues			
Federal Pell grants	4,706,241	4,452,544	4,275,181
Federal HEERF grant	730,209	-	-
State appropriations	7,125,127	7,723,507	7,543,464
Property taxes	10,684,055	10,350,503	10,059,008
Other nonoperating revenues, net	825,873	262,396	195,059
Net nonoperating revenues	**24,071,505**	**22,788,950**	**22,072,712**
Other revenues			
State capital appropriation	2,580,896	2,057,721	-
Additions to permanent endowments	-	50,000	-
Total other revenues	**2,580,896**	**2,107,721**	**-**
Increase in net position	3,521,227	2,874,290	2,173,221
Net position, beginning of year	21,637,512	18,763,222	27,644,244
Implementation of GASB No. 75	-	-	(11,054,243)
Net position, end of year	**$ 25,158,739**	**$ 21,637,512**	**$ 18,763,222**

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 and Higher Education Emergency Relief Fund (HEERF) grant revenues which are considered nonexchange transactions.

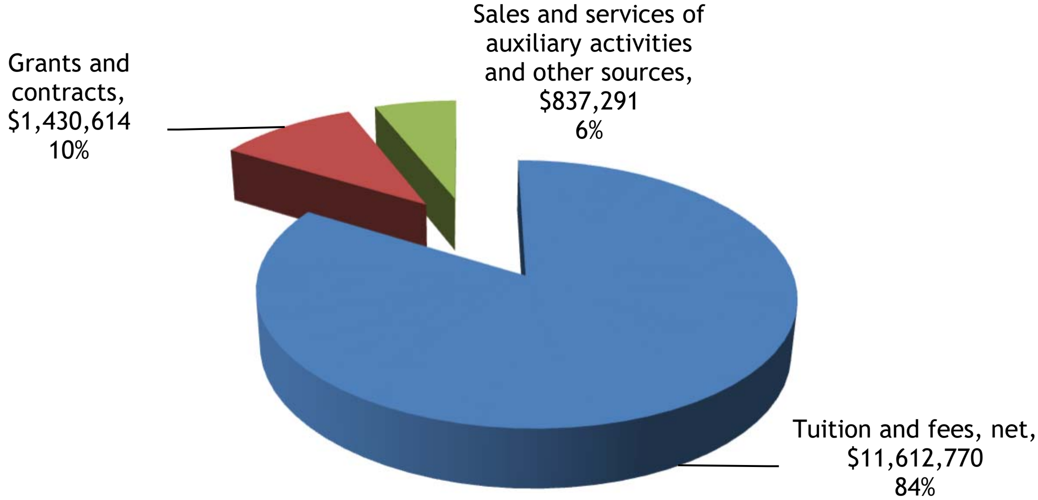
Operating revenues increased during the year ended June 30, 2020, by $1,449,245 resulting mainly from an increase in tuition and fee revenue. The tuition and fees revenue rose approximately 14.26% due to stabilizing enrollment, coupled with increases to tuition and fee rates. In-district rates increased during the 2019-2020 fiscal year by approximately 7.4%. Out-district and out of state tuition rates during the 2019-2020 fiscal year were increased by approximately 8%. There was a $10 per student increase to technology fees in 2019-2020.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2020:



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.

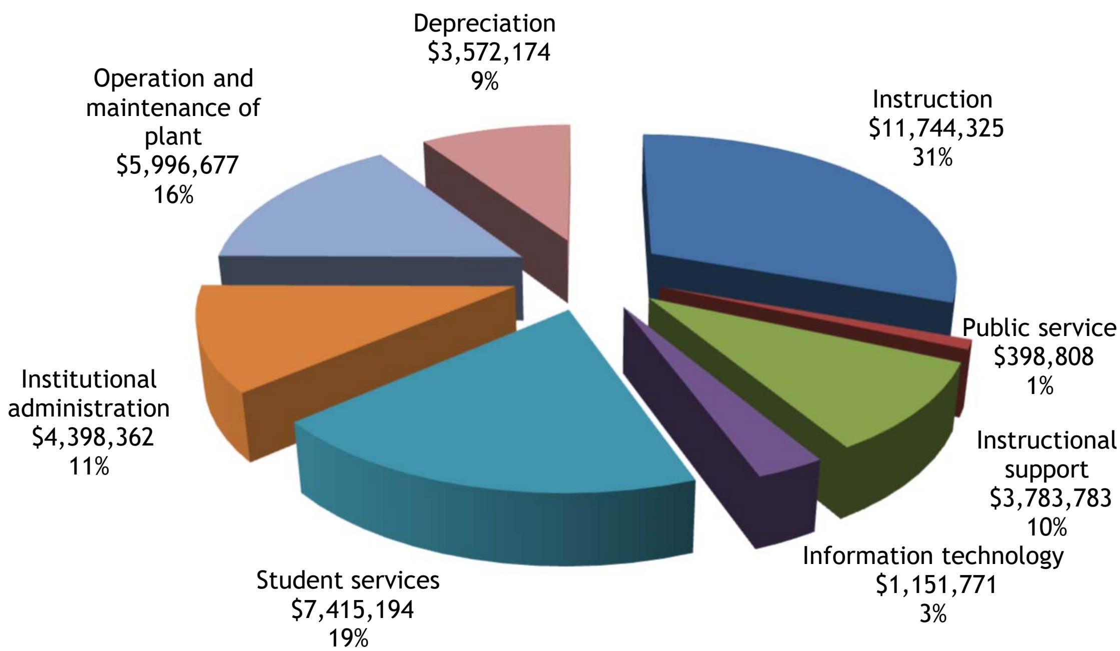
The following is a graphic illustration of operating revenues by source for the year ended June 30, 2019:



Operating Expenses

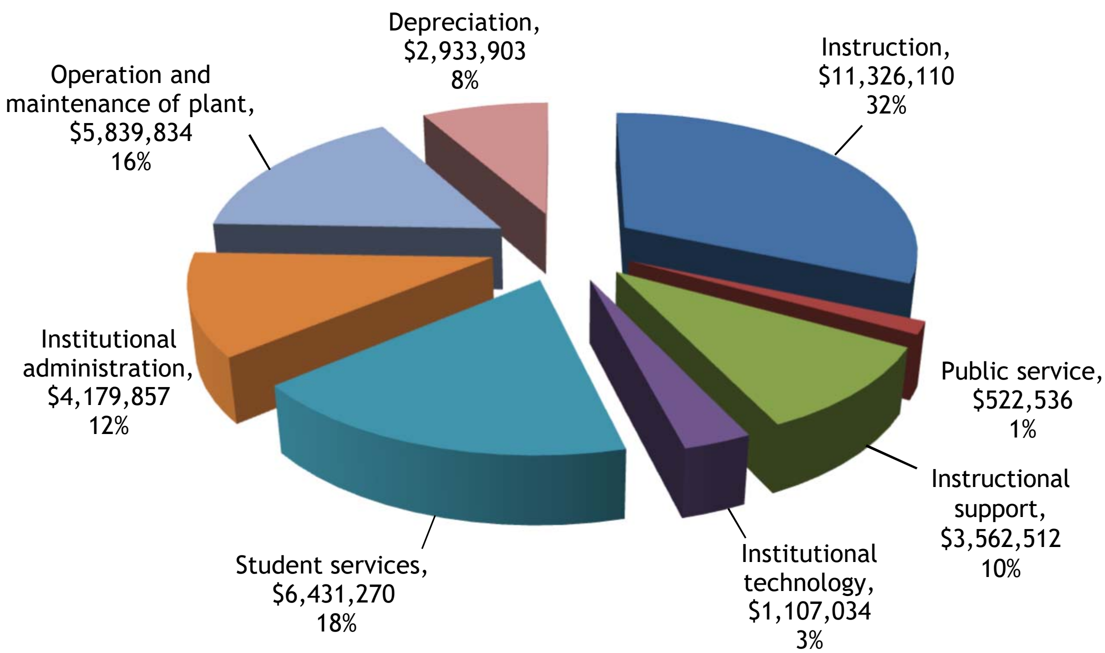
Operating expenses are all the costs necessary to provide services and conduct the programs of the College. Total operating expenses increased for the year ended June 30, 2020, by approximately $2,558,000. The net increase was mainly due to increased costs for Pell and HEERF expenses, tuition waivers, student support services, maintenance and depreciation expenses.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2020:



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:



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 and Higher Education Emergency Relief Fund grant revenues and investment income, net of interest on capital asset-related debt.

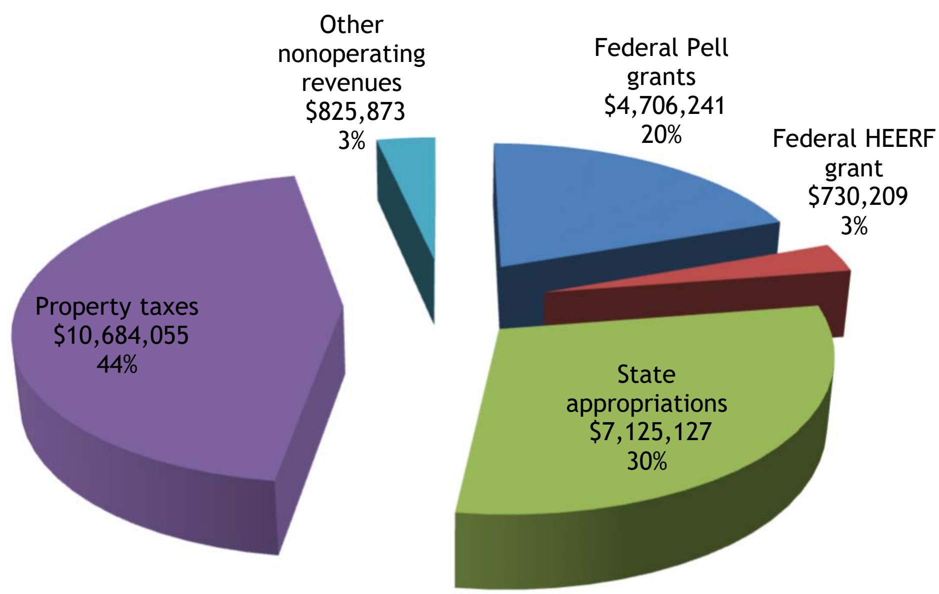
Net nonoperating revenues had an overall increase during 2020 of $1,282,555, primarily as the result of the following factors:

- Federal Pell grant revenues increased by $253,697 from the prior year.
- Property tax revenue increased by $333,552. Taxable value of property in the county increased by approximately 4.3%.
- Federal Higher Education Emergency Relief Fund grant revenue, as a result of the Covid-19 pandemic, was recognized in the amount of $730,209.

- State appropriations revenue recognized for the current fiscal year decreased $598,380 from the prior year. The State of Michigan original budgeted appropriations for the College were $7,393,700 and $7,358,700 for the 2019/2020 and 2018/2019 years, respectively. Due to the disruption caused by the Covid-19 pandemic, the State reduced appropriation funding by $827,700, which is approximately 11.2%, after the College's fiscal year end. In conjunction with the reduction in appropriation, the State of Michigan provided an equal amount of federal Coronavirus Relief Funding to address direct costs related to interruptions in operations caused by the Covid-19 pandemic. In addition to the base appropriation, the state appropriation includes $1,319,110 and $1,386,915 pass-through payments to the Michigan Public School Employees Retirement System for the 2019/2020 and 2018/2019 fiscal years, respectively. The State of Michigan also added local community stabilization share revenue payments of $594,504 and $537,027 to appropriation revenue for the 2019/20 and 2018/19 fiscal years, respectively.

- Other net nonoperating income increased approximately $563,500. The increase was the result of the College being notified of a $700,000 restricted gift for non-endowed scholarships from a deceased donor who included the gift in a trust. At June 30, 2020, the gift was considered irrevocable, and as such, was recognized by the College. Transfer of the liquidated trust assets to the College is anticipated in the first quarter of the 2020-2021 fiscal year. This was offset by increased interest paid on capital debt combined with decreased investment income.

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2020:



Net nonoperating revenues increased during 2019 by $716,238, primarily as the result of the following factors:

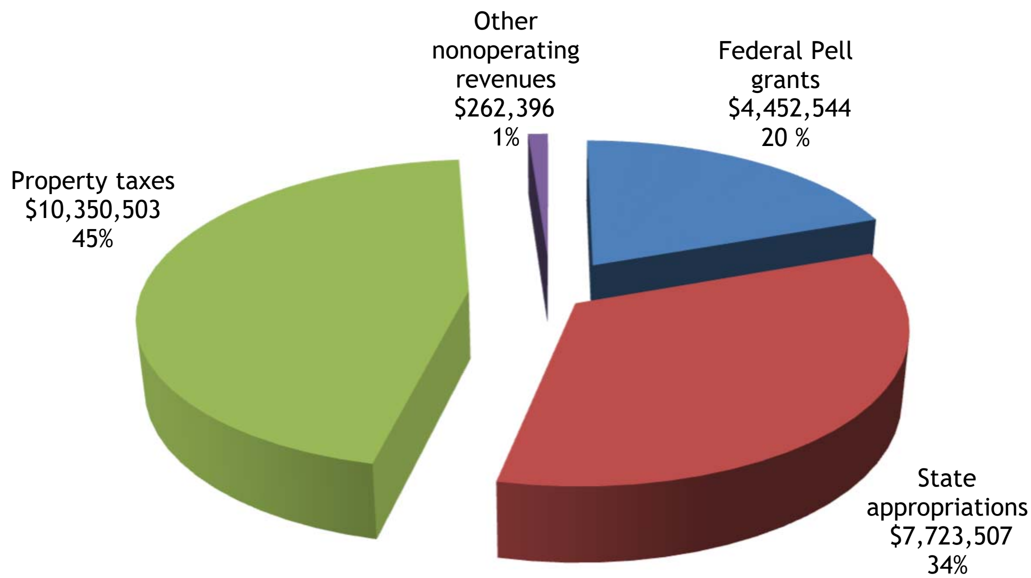
- Federal Pell grant revenues increased by approximately $177,000 from the prior year.

- 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 $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 2017/19 fiscal years, respectively.

- Other net nonoperating income increased approximately $67,000. The increase was the result of increased investment income.

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



Other Revenues

Other revenue for the 2019/2020 fiscal year consists of State of Michigan capital appropriation revenue of approximately $2.6 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.

Other revenue for the 2018/2019 fiscal year included State of Michigan capital appropriation revenue of approximately $2.0 million for the $9.8 million Health Sciences Building Capital Outlay Project.

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 2020, net cash used in operating activities totaled $18.0 million. This was financed by $24.0 million of net cash flows from noncapital financing activities such as property taxes, State appropriations, Federal Pell and HEERF grant revenue. Net cash used in capital and related financing activities totaled $1.0 million during 2020. This includes $4.2 million of capital additions, and $4.3 million from the State of Michigan in capital appropriation payments in 2020. Net cash provided by investing activities totaled $3.4 million. This includes interest received during 2020 of $296,148, purchases of investments totaling $3.4 million, and proceeds from sales and maturities of investments totaling $6.5 million. The net result of all cash flows is an increase in cash and cash equivalents of $8,368,318 from 2019.

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.

Capital Assets

At June 30, 2020, the College had approximately $95.9 million invested in capital assets, net of accumulated depreciation of $45.3 million, resulting in $50.6 million in net capital assets. During the year ended June 30, 2020, the College had depreciation charges totaling $3.6 million and invested approximately $12.6 million in additional 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.

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

Debt

At June 30, 2020, the College had approximately $5.2 million in debt outstanding. Debt repayments for the new issue 2019 bonds began in fiscal 2019-2020. Total debt repayments of $915,000 were made during the year. Payments include $335,000 principal payment on the existing Series 2015 bonds and $580,000 on the Series 2019 bonds. The College's rating of AA- (Standard & Poors Global ratings) was unchanged from the prior year.

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.

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 stable, despite the many challenges brought about by the Covid-19 pandemic, that significantly affected our area beginning in March of 2020. The three major revenue sources of the College are tuition and fees, State of Michigan appropriations and property taxes. The State of Michigan reduced the College's operating appropriation at the end of fiscal 2019-2020 by approximately 11% as a direct result of the Covid-19 impact to state government. This loss of regular operating appropriation revenue casts doubt not only on the results from 2019-2020, but the immediate 2020-2021 fiscal year and beyond. Given the close ties the College has to the State of Michigan it is impossible to predict short and long term financial effects precipitated by the Covid-19 pandemic.

Tuition and fee revenue increases in the 2019-2020 year were made possible due to stabilizing enrollment before the pandemic, as well as extraordinary efforts by faculty and staff to assist students with completion of winter semester classes interrupted by the pandemic. The College received federal grants from the Department of Education to directly assist students in meeting needs caused by interruptions to instruction. Over $627,000 in emergency grant relief was awarded to students by June 30, 2020. Tuition rate increases beginning in Fall of 2019 contributed to increased revenue compared to prior years.

Property tax revenue increased by approximately 3.2% this year reflecting a slow increase in taxable values. Despite the current year increase, property tax revenue is anticipated to show lagging effects of business interruptions from the Covid-19 pandemic and may be constrained into the foreseeable future, also impacting this source of revenue.

The College received capital appropriation payments from the State of Michigan to complete the Capital Outlay Project for the Health Sciences Building project. Other revenues from grants and sales of auxiliary services were up slightly from the prior year due to strong demand for student housing and efforts to expand alternative funding sources such as athletic events in the Fieldhouse.

The College continues to examine the best use of resources, including maximizing partnerships through inter-governmental agreements such as the development of a new soccer and outdoor athletic facility at an existing park in the neighboring city of Marysville, Michigan. The use of innovative partnerships to expand student participation and enrollment remains a priority for the college moving into the future.

AUDITED FINANCIAL STATEMENTS

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF NET POSITION

	St. Clair County Community College June 30		Component Unit SC4 Foundation June 30	
	2020	2019	2020	2019
Assets				
Current assets				
Cash and cash equivalents	$ 22,660,876	$ 14,084,718	$ 15,969	$ -
Short-term investments	-	2,623,975	-	-
State appropriations receivable	1,161,243	3,669,367	-	-
Federal and state grants receivable	453,075	520,828	-	-
Accounts receivable, net	414,515	79,390	-	-
Student loans receivable	7,409	180,617	-	-
Pledges receivable, net	700,000	-	-	5,000
Prepaids and other assets	98,084	117,880	16,977	1,200
Total current assets	25,495,202	21,276,775	32,946	6,200
Noncurrent assets				
Restricted cash and investments	3,796,859	4,505,446	-	-
Property and equipment - net	50,641,618	50,128,520	-	-
Beneficial interest in assets held by the Community Foundation of St. Clair County	-	-	6,317,308	6,559,837
Total noncurrent assets	54,438,477	54,633,966	6,317,308	6,559,837
Total assets	79,933,679	75,910,741	6,350,254	6,566,037
Deferred outflows of resources				
Deferred pension amounts (Note 4)	10,774,894	11,757,200	-	-
Deferred other postemployment benefits amounts (Note 4)	2,442,717	1,641,899	-	-
Total deferred outflows of resources	13,217,611	13,399,099	-	-
Liabilities				
Current liabilities				
Accounts payable	1,822,460	2,131,490	-	810
Accrued payroll, vacation, and other compensation	1,854,839	1,673,379	-	-
Current portion of long-term liabilities	930,000	915,000	-	-
Accrued interest payable	36,785	39,679	-	-
Scholarships/donations payable	-	-	188,106	100,745
Deposits	394,647	403,907	-	-
Unearned revenue	2,397,754	2,230,359	-	-
Total current liabilities	7,436,485	7,393,814	188,106	101,555
Noncurrent liabilities				
Long-term liabilities, net of current portion	4,298,842	5,253,160	-	-
Net pension liability (Note 4)	39,619,726	37,409,887	-	-
Net other postemployment benefits liability (Note 4)	8,329,873	9,684,699	-	-
Total noncurrent liabilities	52,248,441	52,347,746	-	-
Total liabilities	59,684,926	59,741,560	188,106	101,555
Deferred inflows of resources				
Deferred pension amounts (Note 4)	4,349,981	5,345,295	-	-
Deferred other postemployment benefits amounts (Note 4)	3,957,644	2,585,473	-	-
Total deferred inflows of resources	8,307,625	7,930,768	-	-
Net position				
Net investment in capital assets	46,329,078	49,031,543	-	-
Restricted				
Nonexpendable endowments	1,207,909	1,205,169	2,917,167	2,934,061
Expendable gifts	1,011,870	233,984	2,922,905	3,165,242
Loans	258,760	244,098	-	-
Capital projects	2,511,630	3,245,138	-	-
Unrestricted (deficit) (Note 1)	(26,160,508)	(32,322,420)	322,076	365,179
Total net position	$ 25,158,739	$ 21,637,512	$ 6,162,148	$ 6,464,482

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	
	2020	2019	2020	2019
Operating revenues				
Tuition and fees (net of scholarship allowances of $3,348,105 and $2,988,790, respectively)	$ 13,268,975	$ 11,612,770	$ -	$ -
Federal grants and contracts	1,093,734	1,076,207	-	-
State grants and contracts	88,537	24,791	-	-
Nongovernmental grants and contracts	126,426	329,616	-	-
Sales and services of auxiliary activities	497,949	407,928	-	-
Other sources	254,299	429,363	-	-
Total operating revenues	15,329,920	13,880,675	-	-
Operating expenses				
Instruction	11,744,325	11,326,110	-	-
Public service	398,808	522,536	-	-
Instructional support	3,783,783	3,562,512	-	-
Information technology	1,151,771	1,107,034	-	-
Student services	7,415,194	6,431,270	-	-
Institutional administration	4,398,362	4,179,857	83,705	71,874
Operation and maintenance of plant	5,996,677	5,839,834	-	-
Depreciation	3,572,174	2,933,903	-	-
Scholarships and donations to the College	-	-	317,806	151,230
Total operating expenses	38,461,094	35,903,056	401,511	223,104
Operating loss	(23,131,174)	(22,022,381)	(401,511)	(223,104)
Nonoperating revenues (expenses)				
Federal Pell grants	4,706,241	4,452,544	-	-
Federal Higher Education Emergency Relief Funds grant	730,209	-	-	-
State appropriations	7,125,127	7,723,507	-	-
Property taxes	10,684,055	10,350,503	-	-
Investment income, net	270,022	335,100	84,651	299,872
Private gifts	700,000	-	4,121	3,105
Interest on capital asset - related debt	(142,103)	(71,202)	-	-
Distribution to beneficiary funds	(2,046)	(1,502)	-	(115,492)
Net nonoperating revenues	24,071,505	22,788,950	88,772	187,485
Income (loss) before other revenues	940,331	766,569	(312,739)	(35,619)
Other revenues				
State capital appropriation	2,580,896	2,057,721	-	-
Additions to permanent endowments	-	50,000	10,405	1,525
Total other revenues	2,580,896	2,107,721	10,405	1,525
Increase (decrease) in net position	3,521,227	2,874,290	(302,334)	(34,094)
Net position, beginning of year	21,637,512	18,763,222	6,464,482	6,498,576
Net position, end of year	$ 25,158,739	$ 21,637,512	$ 6,162,148	$ 6,464,482

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2020	2019
Cash flows from operating activities		
Tuition and fees	$ 13,394,769	$ 12,323,397
Grants and contracts	1,308,697	1,430,614
Payments to suppliers and students	(18,223,769)	(16,833,755)
Payments to employees	(15,244,701)	(15,094,384)
Disbursement of loans from students, net	(74)	(20)
Other	750,974	836,570
Net cash used in operating activities	(17,989,104)	(17,337,578)
Cash flows from noncapital financing activities		
Property taxes received	10,684,055	10,350,504
Student organization agency transactions	(33,576)	8,681
Direct loan program loan receipts	3,689,486	3,642,363
Direct loan program loan disbursements	(3,689,486)	(3,642,363)
State scholarship and grant receipts	52,923	55,430
State scholarship and grant disbursements	(52,923)	(55,430)
State appropriations received	7,981,842	7,678,045
Federal Higher Education Emergency Relief Funds receipts	627,386	-
Federal Pell receipts	4,706,241	4,452,544
Net cash provided by noncapital financing activities	23,965,948	22,489,774
Cash flows from capital and related financing activities		
Purchase of property and equipment	(4,211,943)	(9,769,113)
Principal paid on capital debt	(915,000)	(1,080,000)
State capital appropriations received	4,285,747	-
Bond proceeds	-	4,925,345
Endowment gift proceeds	-	50,000
Interest paid on capital debt	(162,075)	(37,550)
Net cash used in capital and related financing activities	(1,003,271)	(5,911,318)
Cash flows from investing activities		
Purchases of investments	(3,401,403)	(12,105,970)
Net proceeds from sales and maturities of investments	6,500,000	26,426,280
Investment income	296,148	410,699
Net cash provided by investing activities	3,394,745	14,731,009
Net increase in cash and cash equivalents	8,368,318	13,971,887
Cash and cash equivalents, beginning of year	17,037,138	3,065,251
Cash and cash equivalents, end of year	$ 25,405,456	$ 17,037,138
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	$ 22,660,876	$ 14,084,718
Restricted cash	2,744,580	2,952,420
Cash and cash equivalents, end of year	$ 25,405,456	$ 17,037,138

continued. . .

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (CONCLUDED)

	Year Ended June 30	
	2020	**2019**
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (23,131,174)	$ (22,022,381)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	3,572,174	2,933,903
Loss on asset retirement	200,341	-
Change in operating assets and liabilities which (used) provided cash		
Accounts receivable, net	(335,126)	514,173
Federal and state grants receivable	67,754	(241,630)
Student loans receivable	173,208	(173,364)
Prepaids and other assets	19,796	(112,542)
Accounts payable	(309,030)	(380,979)
Accrued payroll, vacation, and other compensation	181,460	255,440
Unearned revenue	167,395	1,404,801
Deposits	(9,260)	371
Change in net pension and OPEB liabilities and related deferred amounts	1,413,358	484,630
Net cash used in operating activities	$ (17,989,104)	$ (17,337,578)

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

NOTES TO 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.

Basis of Presentation

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 ninety days or less.

Investments

The College carries its investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

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 and Expense 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. Student tuition does not include Federal Pell grant, Direct Loans and certain other state grants and scholarships awarded directly to students. While these amounts are reflected in the statement of cash flows at gross value, students use some or all of these funds to satisfy account balances. 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, Federal Pell grants, and Higher Education Emergency Relief Funds grant, 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.

Unearned Revenue

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2020, includes $841,746 for the 2020 fall semester and $403,553 for the 2020 summer semester, which began on May 18, 2020, and ended on August 7, 2020. 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. 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.

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 $375,000 and $340,000 as of June 30, 2020 and 2019, 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:

	2020	2019
Designated for future capital outlay and major maintenance	$ 10,405,718	$ 3,081,615
Board designated	305,144	519,343
Pension and OPEB liability fund deficit	(43,039,613)	(41,626,255)
Auxiliary activities	1,121,390	172,484
Coronavirus Relief Fund deficit	(483,540)	-
Undesignated	5,530,393	5,530,393
Total unrestricted net deficit	**$ (26,160,508)**	**$ (32,322,420)**

Change in Accounting Principle

For 2020, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The standard provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by extending the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. This statement had no effect on beginning net position.

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:

	2020	2019
Cash and cash equivalents	$ 22,660,876	$ 14,084,718
Restricted cash and investments	3,796,859	4,505,446
Short-term investments	-	2,623,975
Total	**$ 26,457,735**	**$ 21,214,139**

The amounts are categorized as follows at June 30:

	2020	2019
Bank deposits (checking, savings, and cash sweep accounts, and certificates of deposit)	$ 26,449,935	$ 21,209,789
Petty cash	7,800	4,350
Total	**$ 26,457,735**	**$ 21,214,139**

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, 2020 and 2019, $24,980,584 and $19,610,210, respectively, of the College's bank deposits balance of $25,550,963 and $20,520,770, 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:

2020	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Depreciable assets				
Building and improvements	$ 66,658,507	$ 9,968,494	$ 474,176	$ 76,152,825
Infrastructure	4,921,651	17,920	-	4,939,571
Furniture, fixtures and equipment	10,765,040	1,108,195	191,766	11,681,469
Library collection	531,930	17,303	102,101	447,132
Total depreciable assets	**82,877,128**	**11,111,912**	**768,043**	**93,220,997**
Nondepreciable assets				
Land	1,172,105	924,043	-	2,096,148
Construction in progress	8,336,841	506,063	8,336,841	506,063
Museum collection	57,044	80,437	-	137,481
Total nondepreciable assets	**9,565,990**	**1,510,543**	**8,336,841**	**2,739,692**
Total	**92,443,118**	**12,622,455**	**9,104,884**	**95,960,689**
Less accumulated depreciation				
Building and improvements	30,759,176	2,588,977	273,834	33,074,319
Infrastructure	2,296,155	264,365	-	2,560,520
Furniture, fixtures and equipment	8,902,282	679,386	191,766	9,389,902
Library collection	356,985	39,446	102,101	294,330
Total accumulated depreciation	**42,314,598**	**3,572,174**	**567,701**	**45,319,071**
Property and equipment, net	**$ 50,128,520**			**$ 50,641,618**

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**

Depreciation expense for the years ended June 30, 2020 and 2019, totaled $3,572,174 and $2,933,903, 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, 2020 has an outstanding commitment balance of $1,262,658 for the construction of the soccer field 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.21% - 12.41% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from the College were $3,141,571, $3,107,796, and $3,382,255 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the College were $795,449, $761,456 and $734,681 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

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 years ended June 30, 2020, 2019 and 2018, required and actual contributions from the College for those members with a defined contribution benefit were $141,423, $97,834 and $76,936, respectively.

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

At June 30, 2020 and 2019, the College reported a liability of $39,619,726 and $37,409,887, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017, 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, 2019, the College's proportion was .11964%, which was a decrease of .0048% from its proportion measured as of September 30, 2018 of .12444%.

For the year ended June 30, 2020, the College recognized pension expense of $5,457,038. At June 30, 2020, 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	$ 177,588	$ 165,210	$ 12,378
Changes in assumptions	7,757,570	-	7,757,570
Net difference between projected and actual earnings on pension plan investments	-	1,269,745	(1,269,745)
Changes in proportion and differences between employer contributions and proportionate share of contributions	80,499	1,595,916	(1,515,417)
	8,015,657	3,030,871	4,984,786
College contributions subsequent to the measurement date	2,759,237	-	2,759,237
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,319,110	(1,319,110)
Total	**$ 10,774,894**	**$ 4,349,981**	**$ 6,424,913**

The $2,759,237 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, 2021. The $1,319,110 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, 2021. 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
2021	$ 2,060,764
2022	1,549,227
2023	976,122
2024	398,673
Total	**$ 4,984,786**

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**

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

At June 30, 2020 and 2019, the College reported a liability of $8,329,873 and $9,684,699, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017. 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, 2019, the College's proportion was .11605%, which was a decrease of 0.00579% from its proportion measured as of September 30, 2018 of 0.12184%.

For the year ended June 30, 2020, the College recognized OPEB expense of $36,767. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 3,056,466	$ (3,056,466)
Changes in assumptions	1,804,915	-	1,804,915
Net difference between projected and actual earnings on OPEB plan investments	-	144,860	(144,860)
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,055	756,318	(743,263)
	1,817,970	3,957,644	(2,139,674)
College contributions subsequent to the measurement date	624,747	-	624,747
Total	**$ 2,442,717**	**$ 3,957,644**	**$ (1,514,927)**

The $624,747 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, 2021. 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	Amount
2021	$ (564,088)
2022	(564,088)
2023	(494,501)
2024	(349,173)
2025	(167,824)
Total	**$ (2,139,674)**

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)**

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, 2018 and 2017 actuarial valuations (for the fiscal years ended June 30, 2020 and 2019, 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%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80% (7.05% for 2017)
Pension Plus plan (hybrid)	6.80% (7.00% for 2017)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95% (7.15% for 2017)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12 (7.5% Year 1 graded to 3.0% Year 12 for 2017)

Mortality	2018 - RP-2014 Male and Female Employee 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. 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.
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 and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 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 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2018, are 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.

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, 2019 and 2018, are summarized in the following tables:

2019 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Alternative investment pools	18.00%	8.60%	1.55%
International equity	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	100.00%		5.65%
Inflation			2.30%
Risk adjustment			-1.15%
Investment rate of return			6.80%

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%**

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, 2019 and 2018, are summarized in the following tables:

2019 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.50%	1.54%
Private equity pools	18.00%	8.60%	1.55%
International equity	16.00%	7.30%	1.17%
Fixed income pools	10.50%	1.20%	0.13%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.40%	0.84%
Short-term investment pools	2.00%	0.08%	0.00%
	100.00%		5.65%
Inflation			2.30%
Risk adjustment			-1.00%
Investment rate of return			**6.95%**

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			-0.81%
Investment rate of return			**7.15%**

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% (7.05% for 2019) was used to measure the total pension liability (6.80% for the Pension Plus plan (7.0% for 2019), 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 6.95% (7.15% for 2019) 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 6.80% (7.05% for 2019) (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan) and 6.95% (7.15% for 2019), 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 6.80% (6.80% 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, 2020:

	1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
College's proportionate share of the net pension liability	$ 51,508,178	$ 39,619,726	$ 29,763,789

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

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 6.95%, 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, 2020:

	1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
College's proportionate share of the net OPEB liability	$ 10,217,841	$ 8,329,873	$ 6,744,504

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

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, 2020:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 6,677,291	$ 8,329,873	$ 10,217,617

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

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, 2020, the College reported a payable of $318,228 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020. 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.

Payable to the OPEB Plan

At June 30, 2020, the College reported a payable of $33,447 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020. 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.

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, 2020 and 2019. The participant contributes between 4% to 7% of the participant's compensation. Contributions of approximately $782,000 and $761,000 were made by the College for the years ended June 30, 2020 and 2019, respectively. Employee contributions of approximately $291,000 and $281,000 were made for the years ended June 30, 2020 and 2019, respectively.

5. LONG-TERM LIABILITIES

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

2020	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Current Portion
Bonds Payable					
General obligation bonds	$ 5,910,000	$ -	$ 915,000	$ 4,995,000	$ 930,000
Discount/premium	258,160	-	24,318	233,842	-
Total long-term liabilities	**$ 6,168,160**	**$ -**	**$ 939,318**	5,228,842	**$ 930,000**
Less current portion of long-term liabilities				930,000	
Long-term liabilities, net of current portion				**$ 4,298,842**	

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**	

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 $40,346 and deferred items totaling $13,697, which are being amortized over the 9 year term of the bonds. The net balance outstanding on this bond at June 30, 2020 and 2019, was $841,648 and $1,177,287, 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 $207,194 which is being amortized over the 10 year term of the bonds. The net balance outstanding on this bond at June 30, 2020 and 2019 was $4,387,194 and $4,990,873, respectively. 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, 2020, are summarized below:

Year Ended June 30	Principal	Interest	Total
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	325,000	60,088	385,088
2026-2029	1,415,000	125,825	1,540,825
Totals	**$ 4,995,000**	**$ 657,513**	**$ 5,652,513**

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. FOUNDATION

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.

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.

The College conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of future audits, if any, may result in refunds to these governmental agencies. Any liabilities for reimbursements which may arise as the result of these future audits is not believed to be material.

9. RISKS AND ECONOMIC UNCERTAINTIES

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic, Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain on-campus operations, including on-campus learning, health and fitness center, and conference services during the Winter, Summer and Fall 2020 semesters. In response to the pandemic, the College was allocated funding in the amount of $1,909,478 through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. During the year ended June 30, 2020, the College awarded eligible CARES Act emergency aid relief to students in the amount of $627,386. The College incurred $102,823 in eligible institutional costs under the CARES Act. During the year ended June 30, 2020, the College was also awarded a grant in the amount of $93,614 under the Strengthening Institutions portion of the CARES Act. Subsequent to the College's fiscal year end, funding in the amount of $827,700 was received from the State of Michigan. These CARES Act federal funds were passed through the State as a supplement to help offset the reductions to State general appropriations. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on students, funders, employees, and vendors, all of which cannot be reasonably predicted at this time.

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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, 2020	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	0.11964%	0.12444%	0.12726%	0.13016%	0.12839%	0.13265%
College's proportionate share of the net pension liability	$ 39,619,726	$ 37,409,887	$ 32,977,540	$ 32,474,831	$ 31,358,388	$ 29,219,048
College's covered payroll	$ 10,158,979	$ 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	390.00%	360.35%	311.78%	307.89%	297.31%	258.18%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

See notes to required supplementary information.

ST. CLAIR COUNTY COMMUNITY COLLEGE

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of the College Pension Contributions

	Year Ended June 30, 2020	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	$ 3,141,571	$ 3,107,796	$ 3,382,255	$ 3,346,179	$ 3,338,043	$ 3,375,954
Contributions in relation to the contractually required contribution	(3,141,571)	(3,107,796)	(3,382,255)	(3,346,179)	(3,338,043)	(3,375,954)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 10,129,913	$ 9,826,712	$ 10,267,864	$ 10,232,141	$ 10,029,474	$ 11,063,281
Contributions as a percentage of covered payroll	31.01%	31.63%	32.94%	32.70%	33.28%	30.51%

See notes to required supplementary information.

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, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
College's proportionate share of the net OPEB liability	$ 8,329,873	$ 9,684,699	$ 11,270,014
College's proportion of the net OPEB liability	0.11605%	0.12184%	0.12727%
College's covered payroll	$ 10,158,979	$ 10,381,520	$ 10,577,155
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.00%	93.29%	106.55%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

See notes to required supplementary information.

Required Supplementary Information
MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of College Other Postemployment Benefits Contributions

	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
Contractually required contribution	$ 795,449	$ 761,456	$ 734,681
Contributions in relation to the contractually required contribution	(795,449)	(761,456)	(734,681)
Contribution deficiency (excess)	$ -	$ -	$ -
College's covered payroll	$ 10,129,913	$ 9,826,712	$ 10,267,864
Contributions as a percentage of covered payroll	7.85%	7.75%	7.16%

See notes to required supplementary information.

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of date will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:
- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION (UNAUDITED)

JUNE 30, 2020

	General Fund	Pension & OPEB Liability Fund	Designated Fund	Auxiliary Fund	Coronavirus Relief Fund	Restricted Funds	Loan Funds	Plant Funds	Agency Funds	Endowment Funds	Combined Total
Assets											
Current assets											
Cash and cash equivalents	$ 7,581,939	$ -	$ 305,144	$ 1,138,604	$ -	$ 1,414,491	$ 221,373	$ 11,559,958	$ 439,367	$ -	$ 22,660,876
State appropriations receivable	567,035	239,838	-	-	-	1,500	-	352,870	-	-	1,161,243
Federal and state grants receivable	-	-	-	-	-	453,075	-	-	-	-	453,075
Accounts receivable, net	386,515	-	-	-	-	23,250	-	4,750	-	-	414,515
Student loans receivable	-	-	-	-	-	-	7,409	-	-	-	7,409
Pledge receivable	-	-	-	-	-	700,000	-	-	-	-	700,000
Prepaids and other assets	34,735	-	-	-	-	-	-	63,349	-	-	98,084
Due from (due to) other funds	345,266	-	-	-	(483,540)	(172,314)	47,180	346,813	(7,247)	(76,158)	-
Total current assets	8,915,490	239,838	305,144	1,138,604	(483,540)	2,420,002	275,962	12,327,740	432,120	(76,158)	25,495,202
Noncurrent assets											
Restricted cash and investments	-	-	-	-	-	581	309	2,511,902	-	1,284,067	3,796,859
Property and equipment - net	-	-	-	-	-	-	-	50,641,618	-	-	50,641,618
Total noncurrent assets	-	-	-	-	-	581	309	53,153,520	-	1,284,067	54,438,477
Total assets	8,915,490	239,838	305,144	1,138,604	(483,540)	2,420,583	276,271	65,481,260	432,120	1,207,909	79,933,679
Deferred outflows of resources											
Deferred pension amounts	-	10,774,894	-	-	-	-	-	-	-	-	10,774,894
Deferred other postemployment benefits amounts	-	2,442,717	-	-	-	-	-	-	-	-	2,442,717
Total deferred outflows of resources	-	13,217,611	-	-	-	-	-	-	-	-	13,217,611
Current liabilities											
Accounts payable	337,183	239,838	-	1,874	-	267,429	-	969,207	6,929	-	1,822,460
Accrued payroll, vacation, and other compensation	1,793,110	-	-	-	-	4,169	-	-	57,560	-	1,854,839
Current portion of long-term liabilities	-	-	-	-	-	-	-	930,000	-	-	930,000
Accrued interest payable	-	-	-	-	-	-	-	36,785	-	-	36,785
Deposits	9,505	-	-	-	-	-	17,511	-	367,631	-	394,647
Unearned revenue	1,245,299	-	-	15,340	-	1,137,115	-	-	-	-	2,397,754
Total current liabilities	3,385,097	239,838	-	17,214	-	1,408,713	17,511	1,935,992	432,120	-	7,436,485
Noncurrent liabilities											
Long-term liabilities, net of current portion	-	-	-	-	-	-	-	4,298,842	-	-	4,298,842
Net pension liability	-	39,619,726	-	-	-	-	-	-	-	-	39,619,726
Net other postemployment benefits liability	-	8,329,873	-	-	-	-	-	-	-	-	8,329,873
Total noncurrent liabilities	-	47,949,599	-	-	-	-	-	4,298,842	-	-	52,248,441
Total liabilities	3,385,097	48,189,437	-	17,214	-	1,408,713	17,511	6,234,834	432,120	-	59,684,926
Deferred inflows of resources											
Deferred pension amounts	-	4,349,981	-	-	-	-	-	-	-	-	4,349,981
Deferred other postemployment benefits amounts	-	3,957,644	-	-	-	-	-	-	-	-	3,957,644
Total deferred inflows of resources	-	8,307,625	-	-	-	-	-	-	-	-	8,307,625
Net position											
Net investment in capital assets	-	-	-	-	-	-	-	46,329,078	-	-	46,329,078
Restricted											
Nonexpendable endowments	-	-	-	-	-	-	-	-	-	1,207,909	1,207,909
Expendable gifts	-	-	-	-	-	1,011,870	-	-	-	-	1,011,870
Loans	-	-	-	-	-	-	258,760	-	-	-	258,760
Capital projects	-	-	-	-	-	-	-	2,511,630	-	-	2,511,630
Unrestricted (deficit)	5,530,393	(43,039,613)	305,144	1,121,390	(483,540)	-	-	10,405,718	-	-	(26,160,508)
Total net position	$ 5,530,393	$ (43,039,613)	$ 305,144	$ 1,121,390	$ (483,540)	$ 1,011,870	$ 258,760	$ 59,246,426	$ -	$ 1,207,909	$ 25,158,739

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION (UNAUDITED)

YEAR ENDED JUNE 30, 2020

	General Fund	Pension & OPEB Liability Fund	Designated Fund	Auxiliary Fund	Coronavirus Relief Fund	Restricted Funds	Loan Funds	Plant Funds	Endowment Funds	Elimination Entries	Combined Total
Operating revenues											
Tuition and fees (net of scholarship allowances of $3,348,105)	$ 14,137,213	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,479,867	$ -	$ (3,348,105)	$ 13,268,975
Federal grants and contracts	-	-	-	-	-	1,093,734	-	-	-	-	1,093,734
State grants and contracts	-	-	-	-	-	88,537	-	-	-	-	88,537
Nongovernmental grants and contracts	-	-	-	20,940	-	105,486	-	-	-	-	126,426
Sales and services of auxiliary activities	-	-	-	497,949	-	-	-	-	-	-	497,949
Indirect cost recoveries	114,893	-	-	-	-	-	-	-	-	(114,893)	-
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	-	-	327,815	-	(327,815)	-
Other sources	248,103	-	-	72	-	-	1,274	4,850	-	-	254,299
Total operating revenues	14,500,209	-	-	518,961	-	1,287,757	1,274	2,812,532	-	(3,790,813)	15,329,920
Operating expenses											
Instruction	10,826,956	675,894	-	-	-	297,762	-	-	-	(56,287)	11,744,325
Public service	185,881	13,501	-	171,560	-	117,403	-	-	-	(89,537)	398,808
Instructional support	3,529,098	187,959	-	-	82,013	76,881	-	-	-	(92,168)	3,783,783
Information technology	936,067	6,067	-	-	209,637	-	-	-	-	-	1,151,771
Student services	4,193,097	225,715	14,199	118,709	35,592	6,200,035	-	-	-	(3,372,153)	7,415,194
Institutional administration	4,141,629	162,879	-	-	86,219	18,837	-	-	-	(11,202)	4,398,362
Operation and maintenance of plant	3,368,868	105,966	-	-	70,079	5,420	-	2,615,810	-	(169,466)	5,996,677
Depreciation	-	-	-	-	-	-	-	3,572,174	-	-	3,572,174
Total operating expenses	27,181,596	1,377,981	14,199	290,269	483,540	6,716,338	-	6,187,984	-	(3,790,813)	38,461,094
Operating (loss) income	(12,681,387)	(1,377,981)	(14,199)	228,692	(483,540)	(5,428,581)	1,274	(3,375,452)	-	-	(23,131,174)
Nonoperating revenues (expenses)											
Federal Pell grants	-	-	-	-	-	4,706,241	-	-	-	-	4,706,241
Federal Higher Education Emergency Relief Funds grant	-	-	-	-	-	730,209	-	-	-	-	730,209
State appropriations	7,160,504	(35,377)	-	-	-	-	-	-	-	-	7,125,127
Property taxes	10,684,055	-	-	-	-	-	-	-	-	-	10,684,055
Endowment income	-	-	-	-	-	4,329	15,767	-	-	(20,096)	-
Investment income, net	246,244	-	-	-	-	61	13	22	23,682	-	270,022
Private gifts	-	-	-	-	-	700,000	-	-	-	-	700,000
Interest on capital asset - related debt	-	-	-	-	-	-	-	(142,103)	-	-	(142,103)
Distribution to beneficiary funds	-	-	-	-	-	-	-	-	(22,142)	20,096	(2,046)
Net nonoperating revenues (expenses)	18,090,803	(35,377)	-	-	-	6,140,840	15,780	(142,081)	1,540	-	24,071,505
Income (loss) before other revenues	5,409,416	(1,413,358)	(14,199)	228,692	(483,540)	712,259	17,054	(3,517,533)	1,540	-	940,331
Other revenues											
State capital appropriations	-	-	-	-	-	-	-	2,580,896	-	-	2,580,896
Income (loss) before transfers	5,409,416	(1,413,358)	(14,199)	228,692	(483,540)	712,259	17,054	(936,637)	1,540	-	3,521,227
Transfers (out) in	(5,409,416)	-	(200,000)	720,214	-	65,627	(2,392)	4,824,767	1,200	-	-
Net increase (decrease) in net position	-	(1,413,358)	(214,199)	948,906	(483,540)	777,886	14,662	3,888,130	2,740	-	3,521,227
Net position, beginning 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
Net position, end of year	$ 5,530,393	$ (43,039,613)	$ 305,144	$ 1,121,390	$ (483,540)	$ 1,011,870	$ 258,760	$ 59,246,426	$ 1,207,909	$ -	$ 25,158,739