

St. Clair County  
Community  
College



For the Years  
Ended June 30,  
2017 and 2016

Annual Financial  
Report and  
Supplementary  
Information

# ST. CLAIR COUNTY COMMUNITY COLLEGE

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# ST. CLAIR COUNTY COMMUNITY COLLEGE

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**INDEPENDENT AUDITORS' REPORT**

October 11, 2017

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, 2017 and 2016, 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 entity'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, 2017 and 2016, 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 plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 11, 2017, 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.

*Rehmann Johnson LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## 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, 2017 and 2016, and its activities for the years then ended. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

### Using the Annual Financial Report

This annual financial report includes this management's discussion and analysis, the report of independent auditors, the basic financial statements, and notes to the financial statements. Following the basic financial statements and footnotes are supplementary schedules, including the 2017 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, 2017 and 2016, and the changes in net position for the years then ended. The College's financial position at June 30, 2017, reflected assets of \$63.9 million and liabilities of \$38.8 million. The College's financial position at June 30, 2016, included assets of \$62.6 million and liabilities of \$37.9 million. The significant balance in liabilities is due to the inclusion of a \$32.5 million and \$31.4 million net pension liability as of June 30, 2017 and 2016, respectively, as a result of adopting accounting pronouncement GASB Statement No. 68. This liability is the pro-rata share 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 2015, and is a component of financial reports going forward. Also reported on the statement of net position, as a result of GASB Statement No. 68, are deferred inflows and outflows. These classifications represent quasi-assets and quasi-liabilities that are recognized in financial reports due to their effect on net position in a future period. Specific definitions for deferred inflows and outflows are included in Note 1.

Net position represents the residual interest in the College's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. On July 1, 2014 the beginning net position was restated due to the implementation of GASB Statement No. 68. This one time restatement resulted in a decrease in net position of \$28.8 million. In the current fiscal year the net position of the College increased by \$1,335,180. This overall increase was comprised of increases from non-pension items of \$1,480,189, and decreases from pension related items of \$145,009. In fiscal 2015/2016 the net position of the College increased by \$208,539. This overall increase was due to increases related to non-pension items of \$1,587,461 and decreases from pension related items of \$1,378,922. The trend of increases to net position from regular operations indicates a strong financial operating position for the College. Although the adoption of GASB Statement No. 68 had a pronounced impact on the College's financial position, it is important to distinguish that this is an accounting change, and does not impact the cash flows, or general operations of the College. Additional information on GASB Statement No. 68 can be found in Note 4.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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:

	2017	2016	2015
Current assets	\$ 19,225,961	\$ 18,165,873	\$ 18,484,141
Noncurrent assets			
Restricted cash and investments	6,047,416	7,144,900	4,978,828
Property and equipment, net	38,611,297	37,323,886	37,441,739
<b>Total assets</b>	<b>63,884,674</b>	<b>62,634,659</b>	<b>60,904,708</b>
Deferred outflows of resources	4,263,827	3,360,751	4,028,276
Current liabilities	4,781,563	4,664,098	4,135,969
Long-term liabilities, net of current portion	1,508,565	1,856,204	2,241,843
Net pension liability	32,474,831	31,358,388	29,219,048
<b>Total liabilities</b>	<b>38,764,959</b>	<b>37,878,690</b>	<b>35,596,860</b>
Deferred inflows of resources	1,739,298	1,807,656	3,235,599
Net position			
Net investment in capital assets	36,738,674	35,120,505	34,917,600
Restricted - nonexpendable endowments	1,152,557	1,148,767	1,145,993
Restricted - expendable	5,348,357	6,395,585	4,220,508
Unrestricted (deficit)	(15,595,344)	(16,355,793)	(14,183,576)
<b>Total net position</b>	<b>\$ 27,644,244</b>	<b>\$ 26,309,064</b>	<b>\$ 26,100,525</b>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## 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:

	2017	2016	2015
Operating revenues			
Tuition and fees, net	\$ 10,469,765	\$ 9,718,996	\$ 9,788,034
Grants and contracts	1,389,230	1,050,601	857,327
Sales and services of auxiliary activities	63,917	-	-
Other sources	451,112	512,673	666,484
<b>Total operating revenues</b>	<b>12,374,024</b>	<b>11,282,270</b>	<b>11,311,845</b>
Operating expenses			
Instruction	12,335,893	12,640,735	12,408,800
Public service	300,138	215,795	260,777
Instructional support	3,262,790	3,399,022	3,251,462
Student services	5,972,464	6,147,653	6,563,503
Institutional administration	4,091,100	3,980,196	4,106,189
Operation and maintenance of plant	4,991,952	4,518,284	4,489,641
Depreciation	2,527,115	2,481,422	2,464,899
<b>Total operating expenses</b>	<b>33,481,452</b>	<b>33,383,107</b>	<b>33,545,271</b>
<b>Operating loss</b>	<b>(21,107,428)</b>	<b>(22,100,837)</b>	<b>(22,233,426)</b>
Nonoperating revenues (expenses)			
Federal Pell grants	4,078,336	4,566,073	5,644,824
State appropriations	7,871,301	7,283,368	7,837,936
Property taxes	9,873,301	9,907,331	9,615,179
Other nonoperating revenues (expenses), net	113,070	47,604	(106,780)
<b>Net nonoperating revenues</b>	<b>21,936,008</b>	<b>21,804,376</b>	<b>22,991,159</b>
Capital gifts	506,600	505,000	-
<b>Increase in net position</b>	<b>1,335,180</b>	<b>208,539</b>	<b>757,733</b>
Net position, beginning of year	26,309,064	26,100,525	54,164,776
Implementation of GASB No. 68	-	-	(28,821,984)
<b>Net position, end of year</b>	<b>\$ 27,644,244</b>	<b>\$ 26,309,064</b>	<b>\$ 26,100,525</b>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

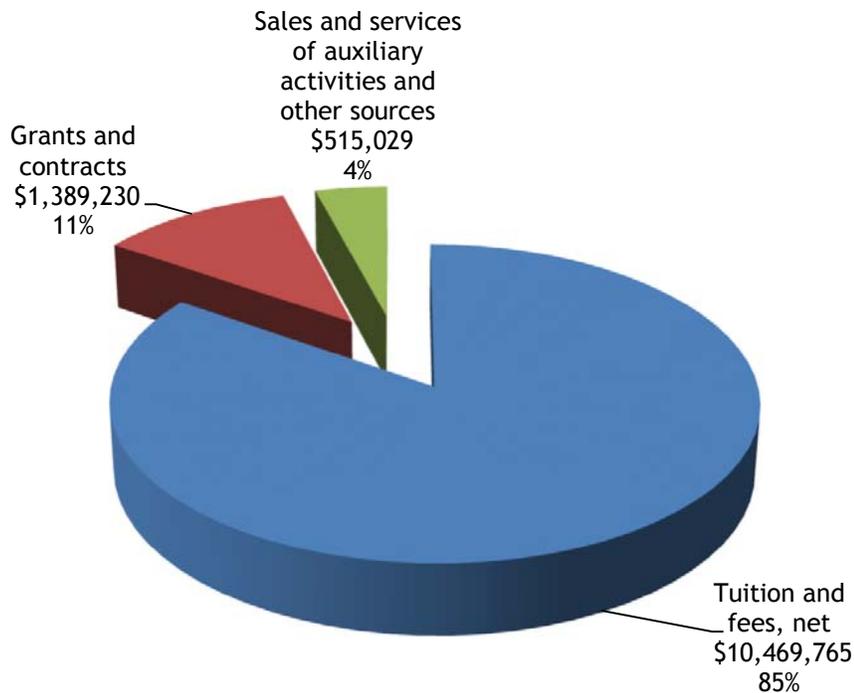
## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Operating Revenues

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

Operating revenues increased during the year ended June 30, 2017, by \$1,091,754 resulting from an increase in tuition and fee revenue as well as grants and contracts revenue. The tuition and fees revenue rose approximately 7.7% due to stabilizing enrollment, coupled with increases to tuition and fee rates. In-district and out-district tuition rates during the 2016-2017 fiscal year were increased by approximately 3.0%, and a 2.8% increase in out of state tuition rates. There was a \$1 increase to technology fees in 2016-2017.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2017:

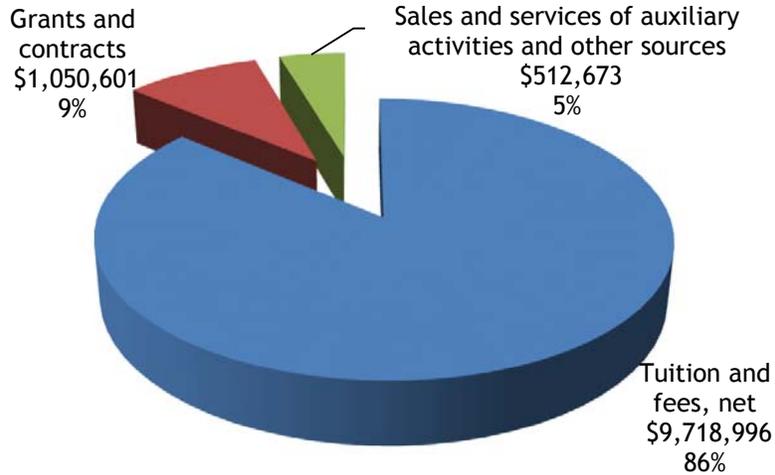


Operating revenues decreased during the year ended June 30, 2016, by \$29,575 resulting from a combination of decreased tuition and other source revenue, and increased grants and contracts. The tuition and fees revenue had a slight decline of 0.7% due to decreased enrollment coupled with modest increases to tuition and fee rates. In-district tuition rates during the 2015-2016 fiscal year were increased by approximately 3.0%, with an approximately 3.2% increase in out-district and 3.2% increase in out of state tuition rates. There was a \$2 increase to technology fees in 2015-2016.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

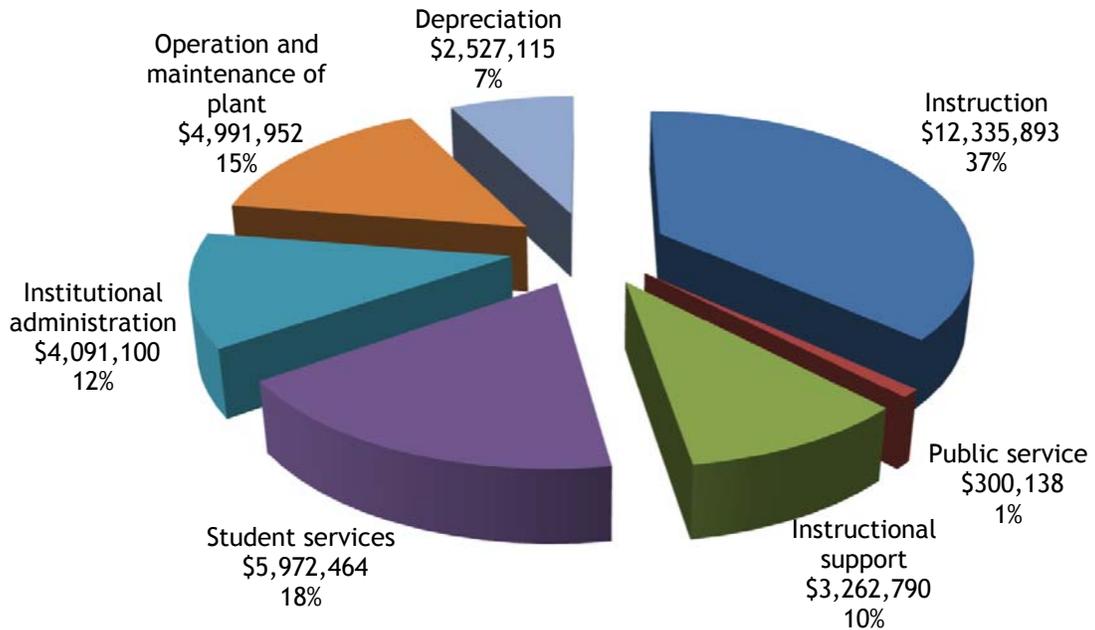
The following is a graphic illustration of operating revenues by source for the year ended June 30, 2016:



### 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, 2017, by approximately \$98,300. The net increase was mainly due to operating cost reductions in pension funds of approximately \$1.15 million, offset by non-pension fund expense increases of approximately \$1.25 million.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2017:

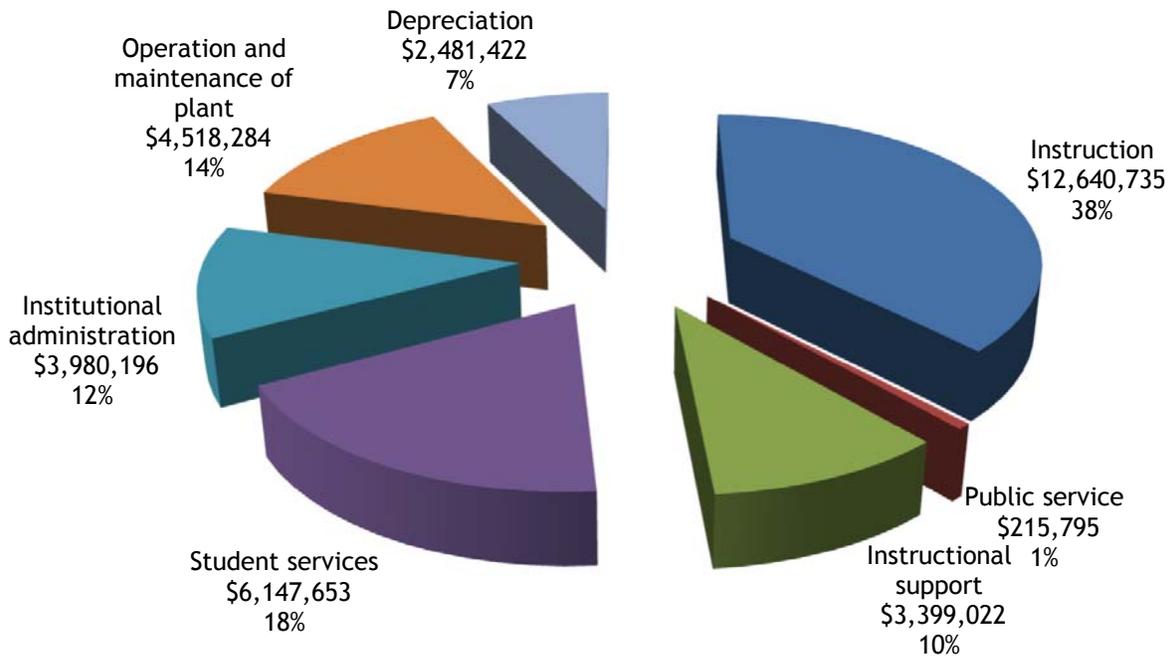


# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Total operating expenses decreased for the year ended June 30, 2016, by approximately \$162,200. The net decrease was due to operating cost reductions in all non-pension funds of approximately \$1.3 million, offset by pension fund expense increases of approximately \$1.1 million.

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2016:



### Net Nonoperating Revenues

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

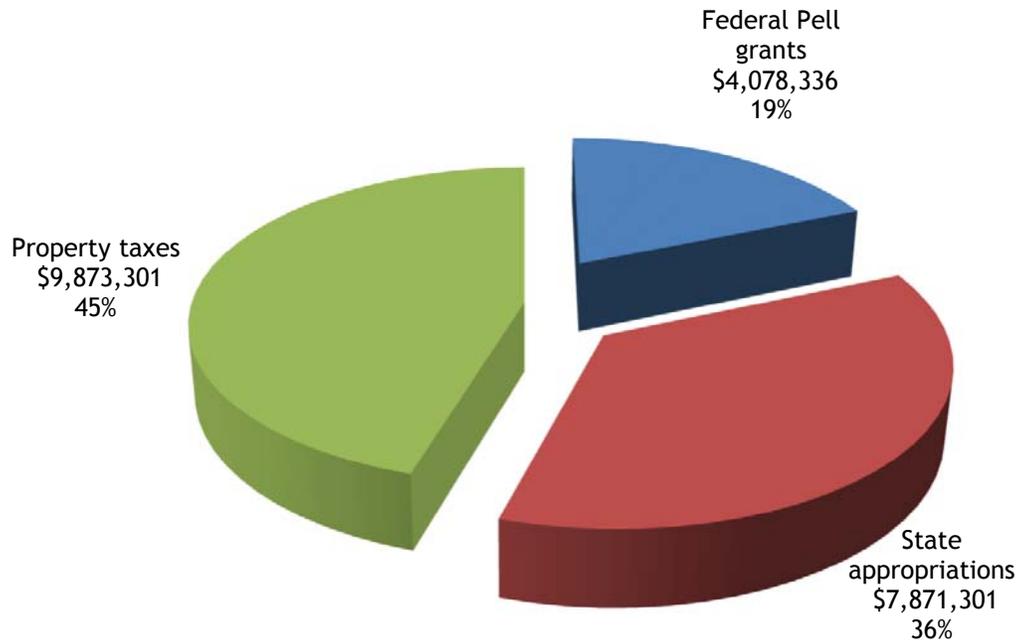
Net nonoperating revenues increased during 2017 primarily as the result of the following factors:

- Federal Pell grant revenues decreased by approximately \$488,000 from the prior year primarily due to fewer students meeting federal student aid eligibility criteria.
- Property tax revenue decreased by approximately \$34,000. Although the taxable value of property in the county increased by approximately 1.8%, the net taxes collected decreased by \$29,238 due to property valuation adjustments during the year and tax tribunal activity.
- State appropriations revenue for the current fiscal year increased approximately \$588,000 from the prior year. The State of Michigan budgeted appropriations for the College were \$7,259,300 and \$7,158,000 for the 2016/2017 and 2015/2016 years, respectively. In addition to the base appropriation, the state appropriation includes \$1,364,221 and \$1,302,407 pass-through payments to the Michigan Public School Employees Retirement System for the 2016/2017 and 2015/2016 fiscal years, respectively. However, a portion of the pass-through revenue was deferred for GASB 68 purposes. In 2016/17 the State of Michigan also added a local community stabilization share revenue payment of \$403,471 to appropriation revenue.
- Other nonoperating income-net increased approximately \$65,000. The increase was the result of increased investment income and reduced debt expenses.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2017:



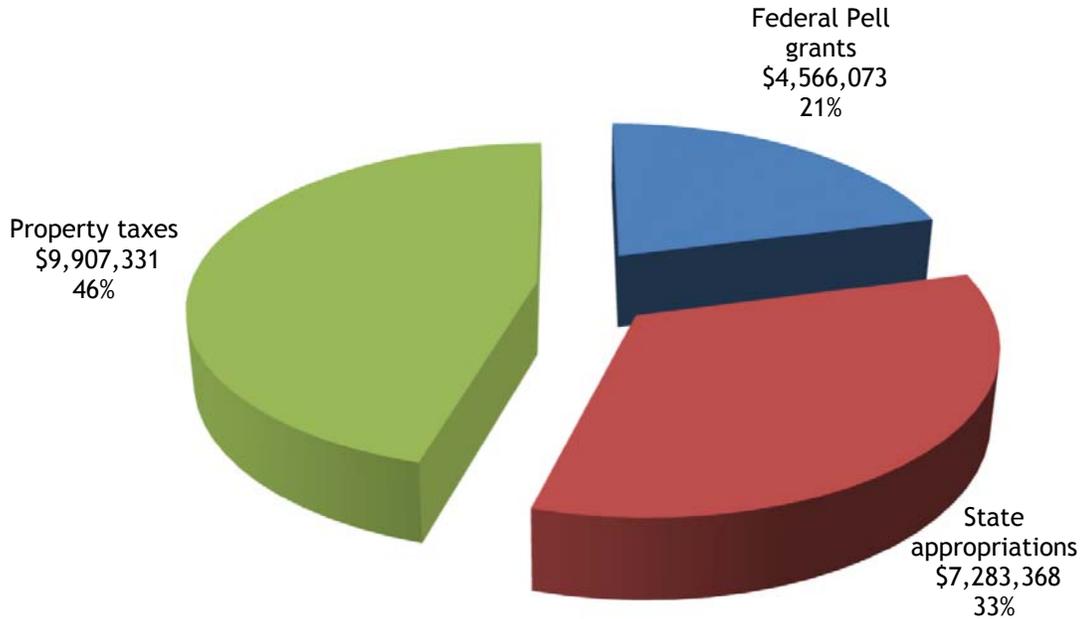
Net nonoperating revenues decreased during 2016 primarily as the result of the following factors:

- Federal Pell grant revenues decreased by approximately \$1,080,000 from the prior year primarily due to fewer students meeting federal student aid eligibility criteria.
- Property tax revenue increased by approximately \$292,000. The taxable value of property in the county increased by approximately 4%.
- State appropriations revenue for the current fiscal year decreased approximately \$555,000 from the prior year. The State of Michigan budgeted appropriations for the College were \$7,158,000 and \$7,061,600 and for the 2015/2016 and 2014/2015 years, respectively. In addition to the base appropriation, the state appropriation includes \$1,302,407 and \$985,888 pass-through payments to the Michigan Public School Employees Retirement System for the 2015/2016 and 2014/2015 fiscal years, respectively. However, a portion of the pass-through revenue was deferred for GASB 68 purposes.
- Other nonoperating income-net increased approximately \$154,000. The increase was the result of increased investment income and reduced debt expenses.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2016:



### 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 2017, net cash used in operating activities totaled \$18.7 million. This was financed by \$21.8 million of net cash flows from noncapital financing activities such as property taxes, State appropriations and Federal Pell grant revenue. Net cash used in capital and related financing activities totaled \$3.7 million during 2017. This includes \$3.8 million of capital additions in 2017. Net cash used in investing activities totaled \$272,000. This includes interest received during 2017 of \$150,100, purchases of investments totaling \$24.3 million, and proceeds from sales and maturities of investments totaling \$23.9 million. The net result of all cash flows is a decrease in cash and cash equivalents of \$908,527 from 2016.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2016, net cash used in operating activities totaled \$18.1 million. This was financed by \$22.2 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 \$2.2 million during 2016. This includes \$2.4 million of capital additions in 2016. Net cash used in investing activities totaled \$1.4 million. This includes interest received during 2016 of \$74,000, purchases of investments totaling \$22.0 million, and proceeds from sales and maturities of investments totaling \$20.5 million. The net result of all cash flows is an increase in cash and cash equivalents of \$463,391 from 2015.

### Capital Assets

At June 30, 2017, the College had approximately \$38.6 million invested in capital assets, net of accumulated depreciation of \$37.2 million. During the year ended June 30, 2017, the College had depreciation charges totaling \$2.5 million and invested approximately \$4.9 million in additional capital assets.

At June 30, 2016, the College had approximately \$37.3 million invested in capital assets, net of accumulated depreciation of \$35.0 million. During the year ended June 30, 2016, the College had depreciation charges totaling \$2.5 million and invested approximately \$2.8 million in additional capital assets.

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

### Debt

At June 30, 2017, the College had approximately \$1.8 million in debt outstanding. Debt repayments of \$320,000 were made on debt existing at the beginning of the year. During 2016-2017 the College retired Michigan New Jobs Training Program outstanding bonds with 2 local employers, reducing Michigan New Jobs Training Program bonds payable by \$27,000. The College's general obligation bond rating of Aa2 (Moody's) was upgraded from the prior year rating.

At June 30, 2016, the College had approximately \$2.2 million in debt outstanding. Debt repayments of \$310,000 were made on debt existing at the beginning of the year. During 2015-2016 the College retired a Michigan New Jobs Training Program outstanding bond with a local employer, reducing Michigan New Jobs Training Program bonds payable by \$65,000. The College's general obligation bond rating of Aa3 (Moody's) was unchanged from the prior year rating.

More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Economic Factors that Will Affect the Future

The economic position of the College is closely tied to St. Clair County and the State of Michigan. The major revenue sources of the College are limited to tuition and fees, State of Michigan appropriations and property taxes. Two of the revenue sources posted increases in the current year. Tuition and fee revenue gains were possible due to a less precipitous decline in enrollment and an annual rate increase. Beginning in the fall semester of 2017 in-district tuition rates will increase by approximately 11%. State aid increased in the current year, largely due to the special local revenue sharing payment and pass-through payments to the State retirement system. Increases in the regular appropriation for operating funds continue on a flat level. As a result of limited economic growth and fiscal reforms surrounding the State budget, the College does not have a clear indication of funding levels for the future. A disappointing decrease in property tax revenue shows the challenge of budgeting based on an uncertain tax base. Slow growth in property tax revenues from a sluggish tax base are projected to continue into the foreseeable future impacting this source of revenue. The College continues to explore alternative funding sources. Federal grant funding increased in the current year, but future funding is not guaranteed.

The College will offer a new student housing option beginning in the fall semester of 2018. A projected total of 80 students will enjoy living on campus to enhance their academic experience. The College is also in the planning stage for a \$9.8 million capital outlay project in conjunction with the State of Michigan to repurpose the A. J. Theisen Building into a state-of-the-art instructional space for health sciences. Plans for this enhanced facility will allow the College to provide additional relevant educational opportunities for students in our community.

## 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	
	2017	2016	2017	2016
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 1,469,293	\$ 2,386,111	\$ 21,284	\$ 96,669
Short-term investments	15,261,510	13,721,865	828,447	1,222,553
State appropriations receivable	1,567,915	1,538,259	-	-
Federal and state grants receivable	264,736	201,056	-	-
Accounts receivable, net	631,590	301,145	33,081	-
Student loans receivable	11,510	4,531	-	-
Pledges receivable, net	-	-	13,132	25,566
Prepays and other assets	19,407	12,906	3,300	8,120
<b>Total current assets</b>	<u>19,225,961</u>	<u>18,165,873</u>	<u>899,244</u>	<u>1,352,908</u>
<b>Noncurrent assets</b>				
Restricted cash and investments	6,047,416	7,144,900	5,461,056	5,044,297
Property and equipment - net	38,611,297	37,323,886	-	-
<b>Total noncurrent assets</b>	<u>44,658,713</u>	<u>44,468,786</u>	<u>5,461,056</u>	<u>5,044,297</u>
<b>Total assets</b>	<u>63,884,674</u>	<u>62,634,659</u>	<u>6,360,300</u>	<u>6,397,205</u>
<b>Deferred outflows of resources</b>				
Deferred pension amounts (Note 4)	4,263,827	3,360,751	-	-
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	1,646,349	1,708,519	-	-
Accrued payroll, vacation, and other compensation	1,408,469	1,391,695	-	-
Current portion of long-term liabilities	320,000	320,000	-	-
Accrued interest payable	10,988	12,587	-	-
Scholarships/donations payable	-	-	133,375	117,375
Deposits	439,375	467,310	-	-
Unearned revenue	956,382	763,987	-	1,000
<b>Total current liabilities</b>	<u>4,781,563</u>	<u>4,664,098</u>	<u>133,375</u>	<u>118,375</u>
<b>Noncurrent liabilities</b>				
Long-term liabilities, net of current portion	1,508,565	1,856,204	-	-
Net pension liability (Note 4)	32,474,831	31,358,388	-	-
<b>Total noncurrent liabilities</b>	<u>33,983,396</u>	<u>33,214,592</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>	<u>38,764,959</u>	<u>37,878,690</u>	<u>133,375</u>	<u>118,375</u>
<b>Deferred inflows of resources</b>				
Deferred pension amounts (Note 4)	1,739,298	1,807,656	-	-
<b>Net position</b>				
Net investment in capital assets	36,738,674	35,120,505	-	-
<b>Restricted</b>				
Nonexpendable endowments	1,152,557	1,148,767	3,248,468	3,248,468
Expendable gifts	248,440	198,520	2,098,845	1,752,195
Loans	221,344	212,878	-	-
Capital projects	4,878,573	5,984,187	-	-
Unrestricted (deficit) (Note 1)	(15,595,344)	(16,355,793)	879,612	1,278,167
<b>Total net position</b>	<u>\$ 27,644,244</u>	<u>\$ 26,309,064</u>	<u>\$ 6,226,925</u>	<u>\$ 6,278,830</u>

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	
	2017	2016	2017	2016
<b>Operating revenues</b>				
Tuition and fees (net of scholarship allowances of \$2,529,848 and \$2,695,961, respectively)	\$ 10,469,765	\$ 9,718,996	\$ -	\$ -
Federal grants and contracts	1,115,053	808,694	-	-
State grants and contracts	10,960	17,500	-	-
Nongovernmental grants and contracts	263,217	224,407	-	-
Sales and services of auxiliary activities	63,917	-	-	-
Other sources	451,112	512,673	-	-
<b>Total operating revenues</b>	<b>12,374,024</b>	<b>11,282,270</b>	<b>-</b>	<b>-</b>
<b>Operating expenses</b>				
Instruction	12,335,893	12,640,735	-	-
Public service	300,138	215,795	-	-
Instructional support	3,262,790	3,399,022	-	-
Student services	5,972,464	6,147,653	-	-
Institutional administration	4,091,100	3,980,196	150,416	207,326
Operation and maintenance of plant	4,991,952	4,518,284	-	-
Depreciation	2,527,115	2,481,422	-	2,401
Scholarships and donations to the College	-	-	714,678	653,085
<b>Total operating expenses</b>	<b>33,481,452</b>	<b>33,383,107</b>	<b>865,094</b>	<b>862,812</b>
<b>Operating loss</b>	<b>(21,107,428)</b>	<b>(22,100,837)</b>	<b>(865,094)</b>	<b>(862,812)</b>
<b>Nonoperating revenues (expenses)</b>				
Federal Pell grants	4,078,336	4,566,073	-	-
State appropriations	7,871,301	7,283,368	-	-
Property taxes	9,873,301	9,907,331	-	-
Investment income, net	162,376	106,276	658,862	48,015
Interest on capital asset - related debt	(48,111)	(57,660)	-	-
Distribution to beneficiary funds	(1,195)	(1,012)	-	-
<b>Net nonoperating revenues</b>	<b>21,936,008</b>	<b>21,804,376</b>	<b>658,862</b>	<b>48,015</b>
<b>Income (loss) before other revenues</b>	<b>828,580</b>	<b>(296,461)</b>	<b>(206,232)</b>	<b>(814,797)</b>
<b>Other revenues</b>				
Capital gifts	506,600	505,000	-	-
Additions to permanent endowments	-	-	-	3,772
Gifts and contributions	-	-	154,327	446,958
<b>Net other revenues</b>	<b>506,600</b>	<b>505,000</b>	<b>154,327</b>	<b>450,730</b>
<b>Increase (decrease) in net position</b>	<b>1,335,180</b>	<b>208,539</b>	<b>(51,905)</b>	<b>(364,067)</b>
<b>Net position, beginning of year</b>	<b>26,309,064</b>	<b>26,100,525</b>	<b>6,278,830</b>	<b>6,642,897</b>
<b>Net position, end of year</b>	<b>\$ 27,644,244</b>	<b>\$ 26,309,064</b>	<b>\$ 6,226,925</b>	<b>\$ 6,278,830</b>

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

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2017	2016
Cash flows from operating activities		
Tuition and fees	\$ 10,413,247	\$ 9,729,703
Grants and contracts	1,389,230	1,012,245
Payments to suppliers and students	(17,082,574)	(15,573,990)
Payments to employees	(13,960,012)	(13,732,497)
Collection of loans from students, net	725	3,550
Other	512,859	508,968
Net cash used in operating activities	<u>(18,726,525)</u>	<u>(18,052,021)</u>
Cash flows from noncapital financing activities		
Property taxes	9,873,301	9,901,292
Student organization agency transactions	(27,815)	50,099
Direct loan program loan receipts	3,477,753	3,876,789
Direct loan program loan disbursements	(3,477,753)	(3,679,948)
State scholarship and grant receipts	41,792	58,680
State scholarship and grant disbursements	(41,792)	(51,623)
State appropriations	7,841,645	7,265,844
Federal Pell receipts	4,078,336	4,749,824
Net cash provided by noncapital financing activities	<u>21,765,467</u>	<u>22,170,957</u>
Cash flows from capital and related financing activities		
Purchase of property and equipment	(3,812,174)	(2,361,556)
Principal paid on capital debt	(320,000)	(310,000)
Capital gift and grant proceeds	506,600	505,000
Interest paid on capital debt	(50,350)	(63,648)
Net cash used in capital and related financing activities	<u>(3,675,924)</u>	<u>(2,230,204)</u>
Cash flows from investing activities		
Purchases of investments	(24,277,179)	(21,989,889)
Net proceeds from sales and maturities of investments	23,855,534	20,490,379
Investment income	150,100	74,169
Net cash used in investing activities	<u>(271,545)</u>	<u>(1,425,341)</u>
Net (decrease) increase in cash and cash equivalents	(908,527)	463,391
Cash and cash equivalents, beginning of year	<u>2,545,792</u>	<u>2,082,401</u>
Cash and cash equivalents, end of year	<u>\$ 1,637,265</u>	<u>\$ 2,545,792</u>
Statement of net position classification of cash and cash equivalents		
Cash and cash equivalents	\$ 1,469,293	\$ 2,386,111
Restricted cash and investments	167,972	159,681
Cash and cash equivalents, end of year	<u>\$ 1,637,265</u>	<u>\$ 2,545,792</u>

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (CONCLUDED)

	Year Ended June 30	
	2017	2016
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (21,107,428)	\$ (22,100,837)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	2,527,115	2,481,422
Change in operating assets and liabilities which provided (used) cash		
Accounts receivable, net	(330,445)	(187,032)
Federal and state grants receivable	(63,680)	(38,356)
Student loans receivable	(6,979)	(155)
Prepays and other assets	(6,501)	6,538
Accounts payable	(62,170)	318,750
Accrued payroll, vacation, and other compensation	16,774	26,897
Unearned revenue	192,395	60,909
Other accrued liabilities	(30,615)	921
Change in net pension liability and related deferred amounts	145,009	1,378,922
Net cash used in operating activities	<u>\$ (18,726,525)</u>	<u>\$ (18,052,021)</u>

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

## NOTES TO FINANCIAL STATEMENTS

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

#### Reporting Entity - St. Clair County Community College

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

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

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

#### Reporting Entity - Component Unit

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

#### Significant Accounting Policies

##### *Accrual Basis*

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

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *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 the net pension liability and related deferred items. These estimates were independently developed by the Michigan Public School Employees Retirement System, and are not under the control of the College. Actual results may differ from estimated amounts.

### *Cash and Cash Equivalents*

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

### *Investments*

Investments are recorded at fair value, based on quoted market prices.

### *Property and Equipment*

Property and equipment are recorded at cost or, if acquired by gift, the fair value as of the date of acquisition. 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-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.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *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-related amounts, such as the difference between projected and actual earnings of the pension plan's investments. More detailed information can be found in Note 4.

### *Revenue Recognition*

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

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

Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2017, includes \$203,222 for the 2017 fall semester and \$225,136 for the 2017 summer semester, which began on May 15, 2017, and ended on August 4, 2017. Unearned revenue at June 30, 2016, includes \$130,500 for the 2016 fall semester and \$241,339 for the 2016 summer semester, which began on May 16, 2016, and ended on August 5, 2016. Grants received prior to qualifying expenditures are also included in unearned revenue.

### *Pension*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension 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 *Accounting and Financial Reporting for Pensions*. Investments are reported at fair value.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *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*

Accounts receivable are recorded net of allowance for uncollectible accounts of \$240,000 and \$315,000 as of June 30, 2017 and 2016, 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 has designated the use of unrestricted net deficit as follows at June 30:

	2017	2016
Designated for future capital outlay and major maintenance	\$ 8,369,664	\$ 7,465,715
Board designated	449,793	453,392
Pension liability fund deficit	(29,950,302)	(29,805,293)
Auxiliary activities	5,108	-
Undesignated	5,530,393	5,530,393
	<hr/>	<hr/>
Total unrestricted net deficit	<u>\$ (15,595,344)</u>	<u>\$ (16,355,793)</u>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *Upcoming Pronouncement*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for the College's fiscal year 2018 and establishes new recognition and disclosure requirements for employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statement of net position based on an actuarial valuation of retiree healthcare. Since the College participates in the MPSERS OPEB plan, it will report a liability for its "proportionate share" of the "net OPEB liability" of the MPSERS OPEB plan. The College will be required to recognize OPEB expense, deferred outflows of resources and deferred inflows of resources related to its proportionate share of the corresponding collective OPEB amounts. The methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service are specified in this Statement. Further updates are expected as MPSERS OPEB begins their actuarial calculations. While the exact amount of this liability is not readily determinable at this time, management estimates that it will be at least \$12.1 million. This statement will require the net OPEB liability to be recorded for the year ending June 30, 2018, by restating beginning net position as of July 1, 2017.

### *Reclassifications*

Certain amounts as reported in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

## 2. DEPOSITS AND INVESTMENTS - COLLEGE

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

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

	2017	2016
Cash and cash equivalents	\$ 1,469,293	\$ 2,386,111
Restricted cash and investments	6,047,416	7,144,900
Short-term investments	15,261,510	13,721,865
Total	<u>\$ 22,778,219</u>	<u>\$ 23,252,876</u>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The amounts are categorized as follows at June 30:

	2017	2016
Bank deposits (checking, savings, and cash sweep accounts, and certificates of deposit)	\$ 22,774,369	\$ 23,249,026
Petty cash	<u>3,850</u>	<u>3,850</u>
<b>Total</b>	<b><u>\$ 22,778,219</u></b>	<b><u>\$ 23,252,876</u></b>

*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, 2017 and 2016, \$20,870,113 and \$21,471,421, respectively, of the College’s bank deposits balance of \$21,925,196 and \$22,520,749, 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.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 3. PROPERTY AND EQUIPMENT

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

2017	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
<b>Depreciable assets</b>				
Building and improvements	\$ 55,949,079	\$ 3,324,334	\$ -	\$ 59,273,413
Infrastructure	4,356,450	136,197	-	4,492,647
Furniture, fixtures and equipment	8,944,858	282,014	257,767	8,969,105
Library collection	718,331	36,880	88,951	666,260
<b>Total depreciable assets</b>	<b>69,968,718</b>	<b>3,779,425</b>	<b>346,718</b>	<b>73,401,425</b>
<b>Nondepreciable assets</b>				
Land	1,172,103	1	-	1,172,104
Construction in progress	1,120,507	1,155,607	1,120,507	1,155,607
Museum collection	57,044	-	-	57,044
<b>Total nondepreciable assets</b>	<b>2,349,654</b>	<b>1,155,608</b>	<b>1,120,507</b>	<b>2,384,755</b>
<b>Total</b>	<b>72,318,372</b>	<b>4,935,033</b>	<b>1,467,225</b>	<b>75,786,180</b>
<b>Less accumulated depreciation</b>				
Building and improvements	25,053,604	1,746,285	-	26,799,889
Infrastructure	1,564,778	232,139	-	1,796,917
Furniture, fixtures and equipment	7,893,643	487,711	257,767	8,123,587
Library collection	482,461	60,980	88,951	454,490
<b>Total accumulated depreciation</b>	<b>34,994,486</b>	<b>2,527,115</b>	<b>346,718</b>	<b>37,174,883</b>
<b>Property and equipment, net</b>	<b>\$ 37,323,886</b>			<b>\$ 38,611,297</b>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

2016	Balance July 1, 2015	Additions	Disposals	Balance June 30, 2016
Depreciable assets				
Building and improvements	\$ 54,437,969	\$ 1,511,110	\$ -	\$ 55,949,079
Infrastructure	4,344,605	11,845	-	4,356,450
Furniture, fixtures and equipment	9,149,967	142,705	347,814	8,944,858
Library collection	783,749	32,937	98,355	718,331
<b>Total depreciable assets</b>	<b>68,716,290</b>	<b>1,698,597</b>	<b>446,169</b>	<b>69,968,718</b>
Nondepreciable assets				
Land	1,172,103	-	-	1,172,103
Construction in progress	455,535	1,120,507	455,535	1,120,507
Museum collection	57,044	-	-	57,044
<b>Total nondepreciable assets</b>	<b>1,684,682</b>	<b>1,120,507</b>	<b>455,535</b>	<b>2,349,654</b>
<b>Total</b>	<b>70,400,972</b>	<b>2,819,104</b>	<b>901,704</b>	<b>72,318,372</b>
Less accumulated depreciation				
Building and improvements	23,396,642	1,656,962	-	25,053,604
Infrastructure	1,337,311	227,467	-	1,564,778
Furniture, fixtures and equipment	7,709,088	532,369	347,814	7,893,643
Library collection	516,192	64,624	98,355	482,461
<b>Total accumulated depreciation</b>	<b>32,959,233</b>	<b>2,481,422</b>	<b>446,169</b>	<b>34,994,486</b>
<b>Property and equipment, net</b>	<b>\$ 37,441,739</b>			<b>\$ 37,323,886</b>

Depreciation expense for the years ended June 30, 2017 and 2016, totaled \$2,527,115 and \$2,481,422, respectively. The College determined that it is not practical to allocate depreciation to the various functional expenses because the capital assets serve multiple functions.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 4. RETIREMENT PLANS

#### Michigan Public School Employees' Retirement System

##### *Plan Description*

The College participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing multiple-employer public employee retirement system governed by the State of Michigan that covers most employees of the College. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained online at <http://www.michigan.gov/mpsers-cafr>.

##### *Funding Policy*

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates, as a percentage of covered payroll, ranged from 20.96% to 25.78% for the years ending June 30, 2017 and 2016.

The plan options include Basic, Member Investment Plan (MIP), MIP Fixed, MIP Graded, MIP Plus, and Pension Plus. Beginning February 1, 2013 existing members could transition to Basic 4%, MIP 7%, or a defined contribution plan (DC). Depending on the plan selected, plan member contributions range from 0% to 7% of reportable wages.

The contribution requirements of plan members and the College are established by Michigan State statute and may be amended only by action of the State legislature. The College's contributions to MPSERS, for the year ended June 30, 2017, for defined benefit and defined contribution pension plans were \$1,981,958 and \$61,262, respectively. The College's contributions to MPSERS, for the year ended June 30, 2016, for defined benefit and defined contribution pension plans were \$2,035,636 and \$56,146, respectively. The College's contributions to MPSERS, for the year ended June 30, 2015, for defined benefit and defined contribution pension plans were \$2,390,066 and \$59,363 respectively.

In addition to the contributions above, the College received an allocation in 2016/17 from the State of Michigan in the amount of \$1,364,221 to offset the unfunded actuarial accrued liability in excess of the statutory rate limit for employer contributions to MPSERS. The amount of the allocation for the 2015/16 year was \$1,302,407. The amount of the allocation for the 2014/15 year was \$985,888. These amounts were passed through directly to MPSERS each year.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2017 and 2016, the College reported a liability of \$32,474,831 and \$31,358,388 for its proportionate share of the net pension liability, respectively. The net pension liability was measured as of September 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2015 and 2014, respectively. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2016, the College's proportion (as calculated by MPSERS) was 0.13016% compared to 0.12839% at September 30, 2015, an increase of 0.00177%.

For the year ended June 30, 2017, the College recognized pension expense of \$2,948,283. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2017	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 404,722	\$ 76,966	\$ 327,756
Changes in assumptions	507,719	-	507,719
Net difference between projected and actual earnings on pension plan investments	539,731	-	539,731
Changes in proportion and differences between employer contributions and proportionate share of contributions	332,163	668,088	(335,925)
	<u>1,784,335</u>	<u>745,054</u>	<u>1,039,281</u>
College contributions subsequent to the measurement date	2,479,492	-	2,479,492
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	994,244	(994,244)
	<u>2,479,492</u>	<u>994,244</u>	<u>1,485,248</u>
Total	<u>\$ 4,263,827</u>	<u>\$ 1,739,298</u>	<u>\$ 2,524,529</u>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The \$2,479,492 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 ended June 30, 2018. The \$994,244 reported as deferred inflows of resources resulting from the pension portion of the state appropriations received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State aid revenue for the year ending June 30, 2018. Other amounts 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
2018	\$ 108,763
2019	66,537
2020	696,271
2021	167,710
<b>Total</b>	<b>\$ 1,039,281</b>

For the year ended June 30, 2016, the College recognized pension expense of \$2,435,323. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 103,868	\$ (103,868)
Changes in assumptions	772,110	-	772,110
Net difference between projected and actual earnings on pension plan investments	160,059	-	160,059
Change in proportionate share	1,097	799,264	(798,167)
	933,266	903,132	30,134
College contributions subsequent to the measurement date	2,427,485	-	2,427,485
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	904,524	(904,524)
	2,427,485	904,524	1,522,961
<b>Total</b>	<b>\$ 3,360,751</b>	<b>\$ 1,807,656</b>	<b>\$ 1,553,095</b>

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *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 liability in the September 30, 2015 and 2014 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Projected salary increases	3.5% to 12.3%, including wage inflation of 3.5%
Investment rate of return	8% (7% for PensionPlus Plan in 2015 and 7.5% in 2014)
Cost of living adjustments	3.0% annual, non-compounded for MIP members

The mortality table used in these valuations was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014, valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016 and 2015, is based on the results of an actuarial valuation date of September 30, 2015 and 2014, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *Long-Term Expected Return on Plan Assets*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate 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, 2016 and 2015, are summarized in the following table:

As of September 30, 2016 and 2015 Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money- Weighted rate of Return
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity pools	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.90%
Inflation			2.10%
Investment rate of return			8.00%

### *Discount Rate*

A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *Sensitivity of the Net Pension Liability for Changes in the Discount Rate*

The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of the net pension liability (2017)	\$ 41,819,408	\$ 32,474,831	\$ 24,596,454
College's proportionate share of the net pension liability (2016)	\$ 40,429,001	\$ 31,358,388	\$ 23,711,490

### *Change in Pension Plan Actuarial Assumption*

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools Employees' Retirement System's Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8% to 7.5% effective for the September 30, 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions for fiscal year 2019 and beyond and the net pension liability as of June 30, 2019 and beyond will increase as a result of lowering the assumed investment rate of return.

### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial statements available on the State of Michigan Office of Retirement Services website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### *Payable to the Pension Plan*

At June 30, 2017, the College reported a payable of \$248,040 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017. The College reported a payable of \$317,529 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2016.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### *Other Postemployment Benefits*

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 5.69% to 6.83% and 2.71% to 6.83% of covered payroll for fiscal 2017 and 2016, respectively. Active plan participants contribute three percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent of cost.

MPSERS plan members first enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes an automatic enrollment of two percent employee contribution into a personal tax-deferred account, which is matched by an additional two percent employer contribution. Employees are fully vested in their member contributions, and a vesting schedule applies to employer contributions. These contributions can be used, along with earnings thereon, to pay for post employment healthcare expenses. Plan members working prior to September 4, 2012, were given the option to convert from the Premium Subsidy Plan to the Personal Healthcare Fund option, as described above. Effective February 1, 2013 members who chose this option are no longer required to make the three percent employee contribution to the Retiree Healthcare Fund.

Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 were declared unconstitutional by the Michigan Supreme Court. However, determination on refunding such amounts has yet to be made.

The College's contributions to MPSERS for other postemployment benefits amount to \$987,315, \$998,425 and \$373,163 for the years ended June 30, 2017, 2016 and 2015, respectively.

### *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, 2017 and 2016. The participant contributes between 4% to 7% of the participant's compensation. Contributions of approximately \$580,000 and \$503,000 were made by the College for the years ending June 30, 2017 and 2016, respectively. Employee contributions of approximately \$210,000 and \$181,000 were made for the years ending June 30, 2017 and 2016, respectively.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

### 5. LONG-TERM LIABILITIES

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

2017	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion
Bonds Payable:					
General obligation bonds	\$ 2,120,000	\$ -	\$ 320,000	\$ 1,800,000	\$ 320,000
Michigan New Jobs Training Bonds	27,000	-	27,000	-	-
Discount/Premium	29,204	-	639	28,565	-
<b>Total long-term liabilities</b>	<b>\$ 2,176,204</b>	<b>\$ -</b>	<b>\$ 347,639</b>	<b>1,828,565</b>	<b>\$ 320,000</b>
Less current portion of long-term liabilities				<u>320,000</u>	
Long-term liabilities, net of current portion				<u>\$ 1,508,565</u>	
2016	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion
Bonds Payable:					
General obligation bonds	\$ 2,430,000	\$ -	\$ 310,000	\$ 2,120,000	\$ 320,000
Michigan New Jobs Training Bonds	92,000	-	65,000	27,000	-
Discount/Premium	29,843	-	639	29,204	-
<b>Total long-term liabilities</b>	<b>\$ 2,551,843</b>	<b>\$ -</b>	<b>\$ 375,639</b>	<b>2,176,204</b>	<b>\$ 320,000</b>
Less current portion of long-term liabilities				<u>320,000</u>	
Long-term liabilities, net of current portion				<u>\$ 1,856,204</u>	

The College has an outstanding Community College General Obligation Limited Tax Bond, Series 2015, in the original amount of \$2,430,000.

On February 3, 2015, the College advance refunded \$1,400,000 of the 2004 Community College General Obligation Limited Tax Bonds, and \$1,070,000 of the 2005 Community College General Obligation Limited Tax Bonds with a Community College General Obligation Limited Tax Bond Series 2015. The College issued \$2,430,000 of General Obligation Limited Tax Bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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 \$72,622 and deferred items totaling \$44,058, which are being amortized over the 9 year term of the bonds. The net balance outstanding on this bond at June 30, 2017 and 2016, was \$1,828,565 and \$2,149,204, 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, 2017, are summarized below:

Year Ended June 30,	Principal	Interest	Total
2018	\$ 320,000	\$ 43,950	\$ 363,950
2019	330,000	37,550	367,550
2020	335,000	30,950	365,950
2021	340,000	24,250	364,250
2022	155,000	17,450	172,450
2023-2024	320,000	19,200	339,200
Totals	<u>\$ 1,800,000</u>	<u>\$ 173,350</u>	<u>\$ 1,973,350</u>

## 6. RISK MANAGEMENT

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

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

## 7. FOUNDATIONS

The SC4 Foundation is a separate legal nonprofit entity established to accept, collect, hold and invest donations made for the sole 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.

# ST. CLAIR COUNTY COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

The financial statements do not include the accounts and operations of the Del James Blessinger Foundation, which is also organized to promote, encourage, and aid St. Clair County Community College. Net assets of the Foundation approximate \$466,000 and \$482,000 at June 30, 2017 and 2016, respectively. Contributions received from this foundation totaled approximately \$20,200 and \$20,400 for the years ended June 30, 2017 and 2016, respectively.

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

### 8. CONTINGENCIES

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

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## REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY COLLEGE

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, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
College's proportion of the net pension liability	0.13016%	0.12839%	0.13265%
College's proportionate share of the net pension liability	\$ 32,474,831	\$ 31,358,388	\$ 29,219,048
College's covered-employee payroll	\$ 10,547,616	\$ 10,547,267	\$ 11,317,525
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	307.89%	297.31%	258.18%
Plan fiduciary net position as a percentage of the total pension liability	63.27%	63.17%	66.20%

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

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

**Required Supplementary Information**

MPSERS Cost-Sharing Multiple-Employer Plan

Schedule of College Contributions

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	\$ 3,346,179	\$ 3,338,043	\$ 3,375,954
Contributions in relation to the contractually required contribution	<u>(3,346,179)</u>	<u>(3,338,043)</u>	<u>(3,375,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered-employee payroll	\$ 10,232,141	\$ 10,029,474	\$ 11,063,281
Contributions as a percentage of covered employee payroll	32.70%	33.28%	30.51%

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

## SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING STATEMENT OF NET POSITION (UNAUDITED)  
JUNE 30, 2017

	General Fund	Pension Liability Fund	Designated Fund	Auxiliary Fund	Restricted Funds	Loan Funds	Plant Funds	Agency Funds	Endowment Funds	Combined Total
<b>Assets</b>										
<b>Current assets</b>										
Cash and cash equivalents	\$ 1,420,154	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,139	\$ -	\$ 1,469,293
Short-term investments	4,154,570	-	449,793	16,468	753,548	200,374	9,237,971	448,786	-	15,261,510
State appropriations receivable	1,319,875	248,040	-	-	-	-	-	-	-	1,567,915
Federal and state grants receivable	-	-	-	-	264,736	-	-	-	-	264,736
Accounts receivable, net	623,046	-	-	1,025	6,529	-	-	990	-	631,590
Student loans receivable	-	-	-	-	-	11,510	-	-	-	11,510
Prepaid expenses and other assets	13,759	-	-	-	4,648	-	1,000	-	-	19,407
Due from (due to) other funds	185,616	-	-	-	(180,818)	9,189	-	1,489	(15,476)	-
<b>Total current assets</b>	<b>7,717,020</b>	<b>248,040</b>	<b>449,793</b>	<b>17,493</b>	<b>848,643</b>	<b>221,073</b>	<b>9,238,971</b>	<b>500,404</b>	<b>(15,476)</b>	<b>19,225,961</b>
<b>Noncurrent assets</b>										
Restricted cash and investments	-	-	-	-	539	271	4,878,573	-	1,168,033	6,047,416
Property and equipment - net	-	-	-	-	-	-	38,611,297	-	-	38,611,297
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>539</b>	<b>271</b>	<b>43,489,870</b>	<b>-</b>	<b>1,168,033</b>	<b>44,658,713</b>
<b>Total assets</b>	<b>7,717,020</b>	<b>248,040</b>	<b>449,793</b>	<b>17,493</b>	<b>849,182</b>	<b>221,344</b>	<b>52,728,841</b>	<b>500,404</b>	<b>1,152,557</b>	<b>63,884,674</b>
<b>Deferred outflows of resources</b>										
Deferred pension amounts	-	4,263,827	-	-	-	-	-	-	-	4,263,827
<b>Current liabilities</b>										
Accounts payable	402,292	248,040	-	611	80,363	-	902,377	12,666	-	1,646,349
Accrued payroll, vacation, and other compensation	1,353,651	-	-	479	3,650	-	-	50,689	-	1,408,469
Current portion of long-term liabilities	-	-	-	-	-	-	320,000	-	-	320,000
Accrued interest payable	-	-	-	-	-	-	10,988	-	-	10,988
Deposits	2,326	-	-	-	-	-	-	437,049	-	439,375
Unearned revenue	428,358	-	-	11,295	516,729	-	-	-	-	956,382
<b>Total current liabilities</b>	<b>2,186,627</b>	<b>248,040</b>	<b>-</b>	<b>12,385</b>	<b>600,742</b>	<b>-</b>	<b>1,233,365</b>	<b>500,404</b>	<b>-</b>	<b>4,781,563</b>
<b>Noncurrent liabilities</b>										
Long-term liabilities, net of current portion	-	-	-	-	-	-	1,508,565	-	-	1,508,565
Net pension liability	-	32,474,831	-	-	-	-	-	-	-	32,474,831
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>32,474,831</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,508,565</b>	<b>-</b>	<b>-</b>	<b>33,983,396</b>
<b>Total liabilities</b>	<b>2,186,627</b>	<b>32,722,871</b>	<b>-</b>	<b>12,385</b>	<b>600,742</b>	<b>-</b>	<b>2,741,930</b>	<b>500,404</b>	<b>-</b>	<b>38,764,959</b>
<b>Deferred inflows of resources</b>										
Deferred pension amounts	-	1,739,298	-	-	-	-	-	-	-	1,739,298
<b>Net position</b>										
Net investment in capital assets	-	-	-	-	-	-	36,738,674	-	-	36,738,674
<b>Restricted</b>										
Nonexpendable endowments	-	-	-	-	-	-	-	-	1,152,557	1,152,557
Expendable gifts	-	-	-	-	248,440	-	-	-	-	248,440
Loans	-	-	-	-	-	221,344	-	-	-	221,344
Capital projects	-	-	-	-	-	-	4,878,573	-	-	4,878,573
Unrestricted (deficit)	5,530,393	(29,950,302)	449,793	5,108	-	-	8,369,664	-	-	(15,595,344)
<b>Total net position</b>	<b>\$ 5,530,393</b>	<b>\$ (29,950,302)</b>	<b>\$ 449,793</b>	<b>\$ 5,108</b>	<b>\$ 248,440</b>	<b>\$ 221,344</b>	<b>\$ 49,986,911</b>	<b>\$ -</b>	<b>\$ 1,152,557</b>	<b>\$ 27,644,244</b>

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION (UNAUDITED)  
YEAR ENDED JUNE 30, 2017

	General Fund	Pension Liability Fund	Designated Fund	Auxiliary Fund	Restricted Funds	Loan Funds	Plant Funds	Endowment Funds	Elimination Entries	Combined Total
<b>Operating revenues</b>										
Tuition and fees (net of scholarship allowances of \$2,529,848)	\$ 11,834,518	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,165,095	\$ -	\$ (2,529,848)	\$ 10,469,765
Federal grants and contracts	-	-	-	-	1,115,053	-	-	-	-	1,115,053
State grants and contracts	-	-	-	-	10,960	-	-	-	-	10,960
Nongovernmental grants and contracts	-	-	-	-	263,217	-	-	-	-	263,217
Sales and services of auxiliary activities	-	-	-	63,917	-	-	-	-	-	63,917
Indirect cost recoveries	146,922	-	-	-	-	-	-	-	(146,922)	-
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	-	62,459	-	(62,459)	-
Other sources	448,942	-	-	-	-	2,170	-	-	-	451,112
<b>Total operating revenues</b>	<b>12,430,382</b>	<b>-</b>	<b>-</b>	<b>63,917</b>	<b>1,389,230</b>	<b>2,170</b>	<b>1,227,554</b>	<b>-</b>	<b>(2,739,229)</b>	<b>12,374,024</b>
<b>Operating expenses</b>										
Instruction	12,022,880	181,295	-	-	267,532	-	-	-	(135,814)	12,335,893
Public service	216,758	3,571	-	58,809	21,000	-	-	-	-	300,138
Instructional support	3,105,191	45,289	7,500	-	141,690	-	-	-	(36,880)	3,262,790
Student services	3,404,091	53,349	31,150	-	5,027,358	-	-	-	(2,543,484)	5,972,464
Institutional administration	3,832,776	41,894	214,949	-	9,942	-	-	-	(8,461)	4,091,100
Operation and maintenance of plant	3,234,799	28,141	-	-	15,000	-	1,728,602	-	(14,590)	4,991,952
Depreciation	-	-	-	-	-	-	2,527,115	-	-	2,527,115
<b>Total operating expenses</b>	<b>25,816,495</b>	<b>353,539</b>	<b>253,599</b>	<b>58,809</b>	<b>5,482,522</b>	<b>-</b>	<b>4,255,717</b>	<b>-</b>	<b>(2,739,229)</b>	<b>33,481,452</b>
<b>Operating (loss) income</b>	<b>(13,386,113)</b>	<b>(353,539)</b>	<b>(253,599)</b>	<b>5,108</b>	<b>(4,093,292)</b>	<b>2,170</b>	<b>(3,028,163)</b>	<b>-</b>	<b>-</b>	<b>(21,107,428)</b>
<b>Nonoperating revenues (expenses)</b>										
Federal Pell grants	-	-	-	-	4,078,336	-	-	-	-	4,078,336
State appropriations	7,662,771	208,530	-	-	-	-	-	-	-	7,871,301
Property taxes	9,873,301	-	-	-	-	-	-	-	-	9,873,301
Endowment income	-	-	-	-	4,059	9,189	-	-	(13,248)	-
Investment income, net	146,984	-	-	-	52	7	-	15,333	-	162,376
Interest on capital asset - related debt	-	-	-	-	-	-	(48,111)	-	-	(48,111)
Distribution to beneficiary funds	-	-	-	-	-	-	-	(14,443)	13,248	(1,195)
<b>Net nonoperating revenues (expenses)</b>	<b>17,683,056</b>	<b>208,530</b>	<b>-</b>	<b>-</b>	<b>4,082,447</b>	<b>9,196</b>	<b>(48,111)</b>	<b>890</b>	<b>-</b>	<b>21,936,008</b>
<b>Income (loss) before other revenues</b>	<b>4,296,943</b>	<b>(145,009)</b>	<b>(253,599)</b>	<b>5,108</b>	<b>(10,845)</b>	<b>11,366</b>	<b>(3,076,274)</b>	<b>890</b>	<b>-</b>	<b>828,580</b>
<b>Other revenues</b>										
Capital gifts	-	-	-	-	-	-	506,600	-	-	506,600
<b>Income (loss) before transfers</b>	<b>4,296,943</b>	<b>(145,009)</b>	<b>(253,599)</b>	<b>5,108</b>	<b>(10,845)</b>	<b>11,366</b>	<b>(2,569,674)</b>	<b>890</b>	<b>-</b>	<b>1,335,180</b>
<b>Transfers (out) in</b>	<b>(4,296,943)</b>	<b>-</b>	<b>250,000</b>	<b>-</b>	<b>60,765</b>	<b>(2,900)</b>	<b>3,986,178</b>	<b>2,900</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in net position</b>	<b>-</b>	<b>(145,009)</b>	<b>(3,599)</b>	<b>5,108</b>	<b>49,920</b>	<b>8,466</b>	<b>1,416,504</b>	<b>3,790</b>	<b>-</b>	<b>1,335,180</b>
<b>Net position, beginning of year</b>	<b>5,530,393</b>	<b>(29,805,293)</b>	<b>453,392</b>	<b>-</b>	<b>198,520</b>	<b>212,878</b>	<b>48,570,407</b>	<b>1,148,767</b>	<b>-</b>	<b>26,309,064</b>
<b>Net position, end of year</b>	<b>\$ 5,530,393</b>	<b>\$ (29,950,302)</b>	<b>\$ 449,793</b>	<b>\$ 5,108</b>	<b>\$ 248,440</b>	<b>\$ 221,344</b>	<b>\$ 49,986,911</b>	<b>\$ 1,152,557</b>	<b>\$ -</b>	<b>\$ 27,644,244</b>