Schoolcraft College

ANNUAL FINANCIAL REPORT

JUNE 30, 2019

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Independent Auditor's Report

To the Board of Trustees
Schoolcraft College

Report on the Financial Statements

We have audited the accompanying financial statements of Schoolcraft College and the aggregate of its discretely presented component units, as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Schoolcraft 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component units were not audited under *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 auditor's 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 entity'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, the financial statements referred to above present fairly, in all material respects, the respective financial position of Schoolcraft College and the aggregate of its discretely presented component units as of June 30, 2019 and 2018 and the respective changes in its financial position and, where applicable, cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
Schoolcraft College

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the College's proportionate share of net pension and net OPEB liabilities, and schedules of college contributions for pension and OPEB 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, which 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 Schoolcraft College's basic financial statements. The other supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2019 on our consideration of Schoolcraft College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Schoolcraft College's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 9, 2019

Management's Discussion & Analysis - Unaudited

The discussion and analysis of Schoolcraft College's financial statements provides an overview of the College's financial position at June 30, 2019 and 2018 and its financial activities for the three years ended June 30, 2019. 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.

Using The Annual Report

The annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements, notes to financial statements, and required supplementary information. The financial statements report information on the College as a whole. Following the basic financial statements, footnotes, and required supplementary information are two supplementary schedules, the Consolidating Statement of Net Position and the Consolidating Statement of Revenue, Expenses, and Transfers and Changes in Net Position. These additional schedules are required by the State of Michigan. Though the Governmental Accounting Standards Board does not require this information for a fair and complete presentation, the statements do provide additional information regarding the various funds and activities of the College not disclosed in the basic statements.

In November 2010, Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity: Omnibus*. As a result, the College is required to include the Schoolcraft Development Authority, Inc., SC Development Unit 14, Inc., SC Sports Dome, Inc., SC Technology Center, Inc., SC Health Sciences, Inc., SC Health Sciences II, Inc. (collectively, the "Development Component Units"), and the Schoolcraft College Foundation as component units in the financial statements. The Development Component Units' statement of net position and statement of revenue, expenses, and changes in net position have been discretely presented on the face of the College statements. The Foundation's statement of financial position and statement of activities and changes in net assets have been included on separate pages.

Financial Highlights

The Statement of Net Position reports the College's financial position as of June 30, 2019 and 2018. The Statement of Revenues, Expenses, and Changes in Net Position reports the change in net position for the years ended June 30, 2019 and 2018. The College's financial position declined during the years ended June 30, 2019 and 2018 with net position decreasing by $7.6 million and $7.5 million (before adjustment for the change in accounting principle), respectively.

The decrease in 2019 is primarily due to decreases in bookstore sales and enrollment combined with a modest increase in salaries and wages offset by increases in tuition and fees rates. Also, a new bond issuance and capital lease caused interest expense to increase. Additionally, the changes in the College's proportionate share of the State of Michigan Public Schools Employees' Retirement System's (MPSERS) unfunded actuarial accrued pension and other postemployment benefit (OPEB) liabilities resulted in a $4.5 million decrease in net position.

The decrease in 2018 is primarily due to decreases in bookstores sales and enrollment combined with a modest increase in salaries and wages offset by increases in tuition and fees rates. Additionally, the effects of GASB 68 and 75, as fully explained in Note 3 of the financial statements, resulted in a decrease in net position of $2.9 million. The implementation of GASB 75 also resulted in a decrease of $40.5 million in the net position balance as of July 1, 2017.

Management's Discussion & Analysis - Unaudited

Following is a summary of the major components of the financial position of the College as of June 30, 2019, 2018 and 2017, in millions:

Financial Position (in millions)

	2019	2018	2017
Current assets	$ 20.9	$ 20.0	$ 20.0
Non-current assets			
Other	17.1	12.9	16.2
Capital assets	120.8	122.5	126.3
Total assets	158.8	155.4	162.5
Deferred outflow of resources	50.0	30.4	17.9
Current liabilities	18.0	16.6	14.8
Long-term liabilities	203.2	187.2	144.3
Total liabilities	221.2	203.8	159.1
Deferred inflow of resources	25.6	12.4	3.7
Net position			
Net investment in capital assets	84.0	92.6	93.4
Restricted	0.1	0.1	0.1
Unrestricted	(122.0)	(123.1)	(75.9)
Total net (deficit) position	$ (37.9)	$ (30.4)	$ 17.6

During the year end June 30, 2019, total assets increased by $3.5 million and total liabilities increased by $17.5 million. The primary changes in assets include increases in accounts receivable of $529,000 and in restricted cash and investments of $7.2 million from the 2019 bond issuance described below, offset by decreases in unrestricted cash and investments of $2.6 million due to funding of operations and capital expenditures, and a decrease in property and equipment of $1.7 million due to depreciation and a reduction in typical yearly capital expenditures. The primary changes in liabilities include an increase in both short and long-term debt obligations due to the 2019 bond issue of $10.0 million in addition to the 2019 capital equipment lease of $813,000 offset by principal payments made totaling $3.8 million, an increase in net pension liability of $16.5 million based on the change in value of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 68, and a decrease in the net OPEB liability of $5.4 million based on the change in value of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 75.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. During the year end June 30, 2019 deferred outflows increased by $19.7 million. The primary changes in deferred outflows for the plan were an increase of $21.7 million due to changes in actuarial assumptions, a decrease of $397,000 in the balance related to differences between expected and actual experience on pension and OPEB plan assets, and a decrease of $1.7 million due to changes in proportionate share of the total net pension and OPEB liabilities of the MPSERS plan. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. During the year end June 30, 2019 deferred inflows increased by $13.2 million. The primary changes in deferred inflows for the plan were an increase of $6.4 million due to changes in the difference between expected and actual experience, an increase of $3.9 million in the balance related to differences between projected and actual earnings on pension and OPEB plan assets, and an increase of $2.7 million due to changes in proportionate share of the total net pension and OPEB liabilities of the MPSERS plan.

Management's Discussion & Analysis - Unaudited

During the year end June 30, 2018, total assets decreased by $7.2 million and total liabilities increased by $44.7 million. The primary changes in assets include decreases in unrestricted cash and investments of $3.5 million due to funding of operations and capital expenditures, and a decrease in property and equipment of $3.8 million due to depreciation and a reduction in typical yearly capital expenditures. The primary changes in liabilities include a decrease in debt obligations due to principal payments made totaling $3.0 million, an increase in net pension liability of $7.3 million due to the recognition of the College's proportionate share of the State of Michigan Public Schools Employees' Retirement System's (MPSERS) unfunded actuarial accrued liability as required by GASB 68, and an increase in net other postemployment benefits (OPEB) liability of $40.0 million due to the recognition of the College's proportionate share of the MPSERS unfunded actuarial accrued liability as required by GASB 75.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. During the year end June 30, 2018 deferred outflows increased by $12.5 million. Approximately $2.2 million of the increase was due to the implementation of GASB 75 resulting in the College recording its contributions to the OPEB plan subsequent to the measurement date of September 30, 2017 as a deferred outflow for the first time. The primary changes in deferred outflows for the pension plan were an increase of $11.1 million due to changes in actuarial assumptions, a decrease of $1.8 million in the balance related to differences between projected and actual earnings on pension and OPEB plan assets, and an increase of $1.1 million due to changes in proportionate share of the total net pension liabilities of the MPSERS plan. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. During the year end June 30, 2018 deferred inflows increased by $8.6 million. Approximately $1.4 million of the increase was due to the implementation of GASB 75 resulting in the College recording deferred inflows for the first time related to differences between expected and actual plan results. The primary changes in deferred inflows for the pension plan were an increase of $5.6 million due to differences between projected and actual earnings on pension plan assets and an increase of $1.4 million in state aid revenue allocated to fund the MPSERS actuarial accrued liability (UAAL) received subsequent to the measurement date of September 30, 2017.

Management's Discussion & Analysis - Unaudited

Following is a summary of the major components of the changes in net position of the College for the years ended June 30, 2019, 2018 and 2017, in millions:

Revenue, Expenses and Changes in Net Position (in millions)

	2019	2018	2017
Operating revenues			
Tuition and fees (net of scholarship allowance)	$ 32.8	$ 31.9	$ 32.6
Federal grants and contracts	1.9	1.4	2.1
State and other grants and contracts	0.9	0.9	0.9
Sales and services of auxiliary activities	6.9	6.8	7.9
Gain on disposal of assets	0.1	0.1	0.1
Miscellaneous	5.1	6.1	5.7
Total operating revenue	47.7	47.2	49.3
Operating expenses			
Instruction	36.7	35.5	34.3
Information Technology	7.6	7.4	6.2
Public services	2.7	2.8	2.8
Instructional support	13.7	13.9	13.1
Student services	23.5	23.6	24.8
Institutional administration	9.4	8.6	11.5
Operation and maintenance of plant	11.9	11.7	11.4
Depreciation	7.2	7.0	6.6
Total operating expenses	112.7	110.5	110.7
Net operating loss	(65.0)	(63.3)	(61.4)
Nonoperating revenues and (expenses)			
State appropriations	19.8	20.4	18.4
Property taxes	25.0	24.0	23.5
Pell grants	12.2	12.6	13.1
Other nonoperating revenues and (expenses) - net	0.2	(1.5)	(1.5)
Net nonoperating revenues	57.2	55.5	53.5
Other revenues			
Transfers between College and Development Component Units	0.3	0.3	(3.2)
Net decrease in net position	(7.5)	(7.5)	(11.1)
Net position, beginning of year	(30.4)	17.6	28.7
Adjustment for change in accounting principle	-	(40.5)	-
Net position, beginning of year, as restated	(30.4)	(22.9)	28.7
Net position, end of year	$ (37.9)	$ (30.4)	$ 17.6

Operating Revenues

Operating revenues include charges for all exchange transactions such as tuition and fees, the sale of books and supplies, and the sale of food by Food Service and Culinary Arts. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes.

Operating revenue changes were the result of the following for the year ended June 30, 2019:

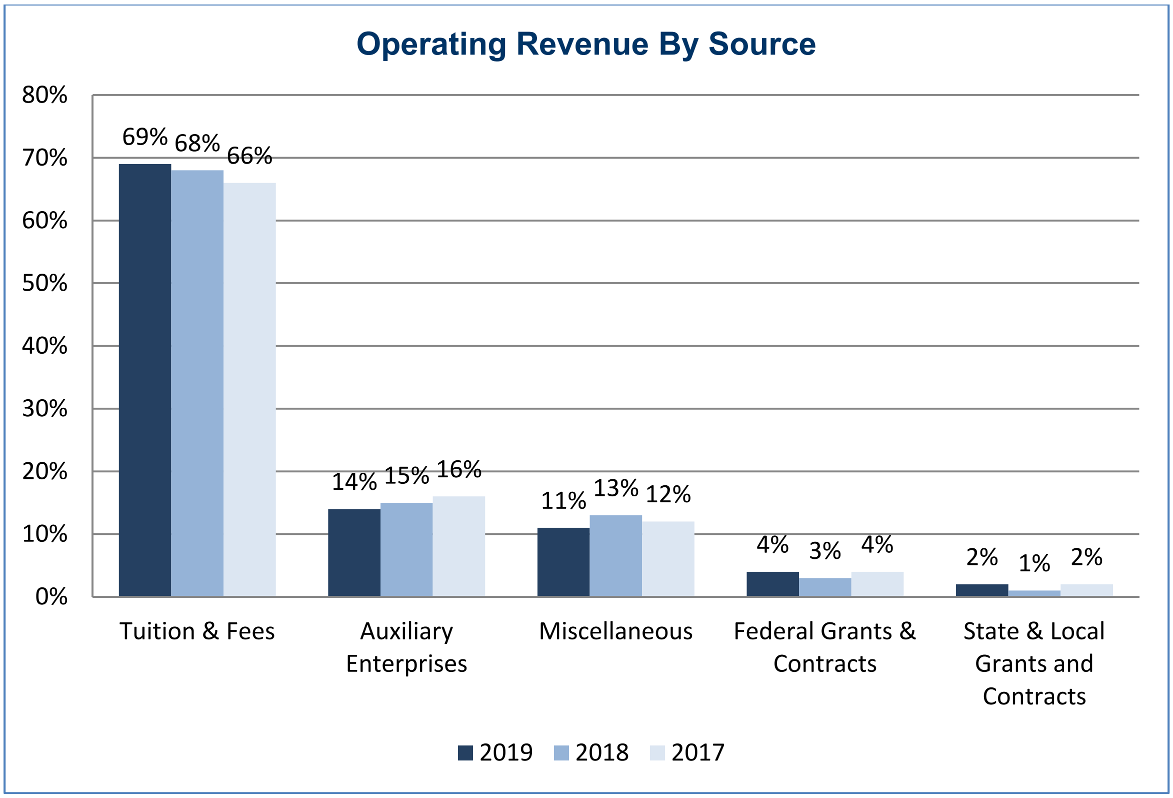
- Student tuition and fee revenue increased $900,000 due to enrollment declines offset by tuition and fee increases and a slight increase in Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances increased $462,000 or 1.08% due to tuition and per credit hour fee increases of 6.08%, as well as additional fee revenue charged for classes that require extra faculty time outside of the normal class credit hours, coupled with an enrollment decrease of 5.02%.

Management's Discussion & Analysis - Unaudited

Operating revenue changes were the result of the following for the year ended June 30, 2018:

- Student tuition and fee revenue decreased $689,000 due to enrollment declines offset by tuition and fee increases and a slight increase in Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances decreased $515,000 or 1.19% due to tuition and per credit hour fee increases of 5.97%, as well as additional fee revenue charged for classes that require extra faculty time outside of the normal class credit hours, coupled with an enrollment decrease of 6.22%. Auxiliary enterprises revenue decreased by $1.0 million primarily due to an $800,000 decrease in sales at the bookstore.

The following chart illustrates operating revenues by source as a percent of total operating revenue:



Operating Expenses

Operating expenses are the costs associated with achieving the mission of the college; providing instruction, enrolling and counseling students, maintaining the facilities, and managing the finances.

Operating expense changes were the result of the following for the year ended June 30, 2019:

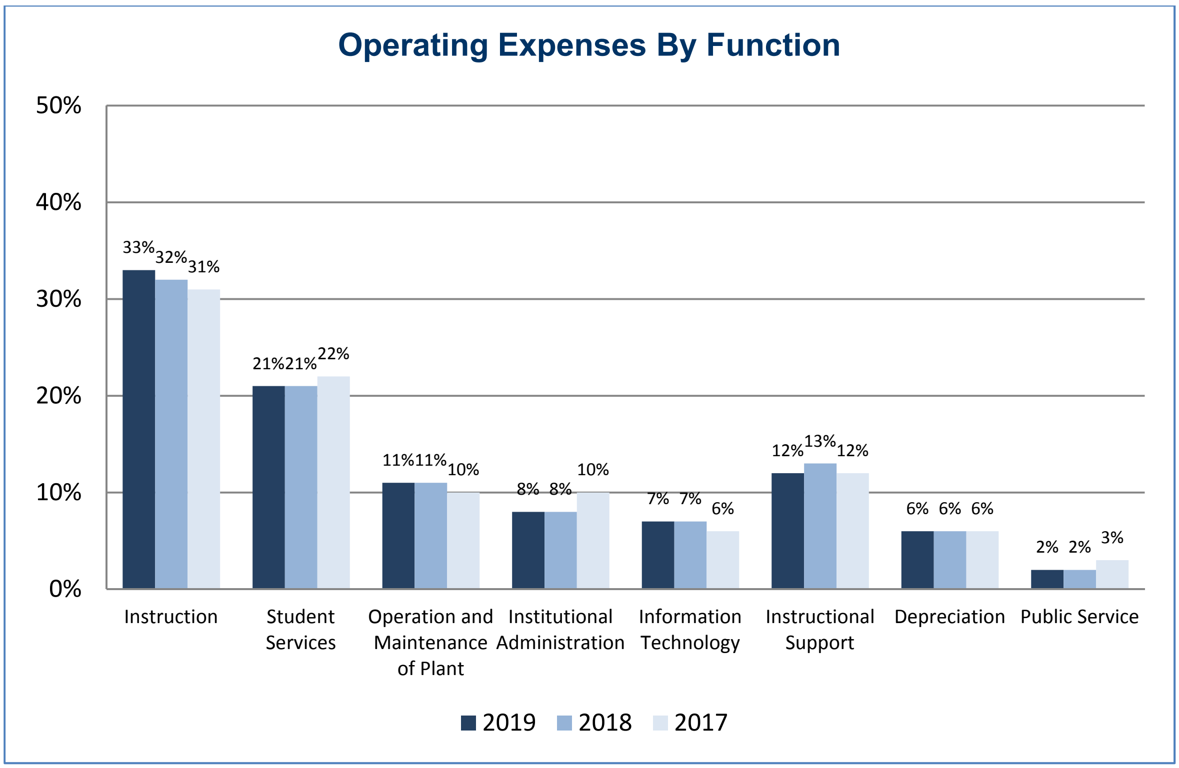
- Operating expenses overall increased 1.98%. Average salary and benefit packages increased moderately due to increases in retirement payments.
- Instruction and instructional support increased 2.03% primarily due to salary and benefit increases as well as the effects on expenditures related to the increase in the MPSERS net pension and OPEB liabilities.
- Information Technology increased 3.03%, or $224,000, primarily due to salary and benefit increases
- Institutional administration increased 9.31%, or $797,000, primarily due to an increase of $491,000 in legal services incurred.

Management's Discussion & Analysis - Unaudited

Operating expense changes were the result of the following for the year ended June 30, 2018:

- Operating expenses overall decreased 0.17%. Average salary and benefit packages increased moderately due to increases in retirement payments.
- Instruction and instructional support increased 4.41% primarily due to salary and benefit increases as well as the effects on expenditures related to the increase in the MPSERS net pension and OPEB liabilities.
- Information Technology increased 19.28%, or $1.2 million, primarily due to salary and benefit increases, effects on expenditures related to the increase in MPSERS net pension and OPEB liabilities, and increases of $195,000 in software licenses & fees.
- Institutional administration decreased 25.90%, or $3.0 million, primarily due to the early retirement incentive offered to employees of $3.7 million recognized in 2017 only.

The following chart illustrates operating expenses by function as a percent of total operating expenses:



Non-Operating Revenues and Expenses

Non-operating revenues represent all revenue sources that are primarily non-exchange in nature. They consist primarily of state appropriations, property taxes, Pell grants, and investment income.

Non-operating revenues and expenses changes were the result of the following factors for the year ended June 30, 2019:

- State appropriations decreased by $588,000. This is primarily due to a decrease of $693,000 in payments over last year from the State of Michigan for retirement contributions to the MPSERS plan in an effort to fund the difference between the College's capped contribution rate for unfunded accrued liabilities (26.18%) and the actual unfunded actuarial accrued liability contribution rate pursuant to MPSERS reform legislation, combined with a decrease of $160,000 in personal property tax reimbursements as well as an increase of $180,000 in MPSERS offset revenue. Normal state appropriations for operations only increased $122,000 from 2018.

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- Property taxes increased by $965,000 (4.03%) due to an increase in property tax values of 4.27% offset by a millage reduction fraction.
- Unrealized gains on investments of approximately $1.1 million were recognized compared to unrealized losses on investments of approximately $601,000 in 2018. Gains were due to the decreasing interest rate environment in 2019 that affects the fair value of the College's bond investments.
- Pell grant awards decreased by $461,000 due to a decrease in the number of students qualifying for financial aid as well as an approximate 5.02% decrease in enrollment.

Non-operating revenues and expenses changes were the result of the following factors for the year ended June 30, 2018:

- State appropriations increased by $2.0 million. This is primarily due to an increase of $1 million in payments over last year from the State of Michigan for retirement contributions to the MPSERS plan in an effort to fund the difference between the Colleges capped contribution rate for unfunded accrued liabilities (25.78%) and the actual unfunded actuarial accrued liability contribution rate pursuant to MPSERS reform legislation, combined with an increase of $289,000 in personal property tax reimbursement as well as $243,000 in MPSERS offset revenue which was a new income stream in 2018. Normal state appropriations for operations only increased $82,000 from 2017.
- Property taxes increased by $458,000 due to slight increases in property tax values offset by a millage reduction fraction.
- Interest expense increased by $367,000 primarily due to expensing a full year's worth of interest from the capital lease related to the St. Joe's Sports Dome compared to only 8 months in 2017.
- Unrealized losses on investments of approximately $601,000 were recognized compared to unrealized losses on investments of approximately $882,000 in 2017. Losses were due to the rising interest rate environment in 2018 that affects the fair value of the College's bond investments.
- Pell grant awards decreased by $447,000 due to a decrease in the number of students qualifying for financial aid as well as an approximate 6.2% decrease in enrollment.

Other Revenue

Other revenue consists of items that are typically non-recurring, extraordinary, or unusual to the College.

Other revenue changes were the result of the College receiving $250,000 from SC Development Unit 14, Inc. for both the years ended June 30, 2019 and 2018.

Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows may also help users assess:

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

The College's cash and cash equivalent position increased by $7.5 million at June 30, 2019, primarily due to moving $4.0 million from government bonds into cash and receiving $9.9 million in restricted cash and cash equivalents from the 2019 bond issuance, offset by making investments in construction and facilities improvements of $5.5 million. Additional cash was used in 2019 to fund operating losses.

Management's Discussion & Analysis - Unaudited

Statement of Cash Flows (in millions)

	2019	2018	2017
Cash provided (used) by:			
Operating activities	$ (54.3)	$ (53.1)	$ (55.8)
Noncapital financing activities	56.8	57.1	55.1
Capital and related financing activities	0.2	(7.3)	(16.5)
Investing activities	4.9	3.1	3.4
Net increase (decrease) in cash and equivalents	7.6	(0.2)	(13.8)
Cash and equivalents - beginning of year	10.6	10.8	24.6
Cash and equivalents - end of year	$ 18.2	$ 10.6	$ 10.8

Capital Assets and Debt Administration:

Capital Assets

The College had $120.8 million and $122.5 million invested in capital assets, net of accumulated depreciation of $80.5 million and $74.8 million at June 30, 2019 and 2018, respectively. Depreciation charges totaled $7.2 and $7.0 million, respectively, for the years then ended.

	2019	2018	2017
Land and land improvements	$ 15.5	$ 16.1	$ 16.4
Buildings and improvements	93.0	95.9	97.6
Equipment	5.6	6.8	8.2
Infrastructure	3.4	3.6	3.7
Construction in progress	3.3	0.1	0.4
	$ 120.8	$ 122.5	$ 126.3

Major capital additions include:

	Source of Funds:		
Projects completed this year:	Bond Proceeds	Operating Funds	Total
Firearms Technology Center Upgrade	$ -	$ 120,871	$ 120,871
Radcliff Center T-Lab Renovation	-	404,680	404,680
Projects started this year or last year:			
Applied Science Capital Outlay	-	532,829	532,829
STEM Center	2,728,721	-	2,728,721
Site Utility Work	-	8,316	8,316
Total major additions	$ 2,728,721	$ 1,066,696	$ 3,795,417

The College has entered into construction contracts and commitments totaling approximately $5.3 million for the Applied Science Capital Outlay project, the STEM Center, and for Site Utility work taking place on Main Campus. As of June 30, 2019 the College had incurred $3.3 million relating to these projects. The projects are expected to be completed during the year ending June 30, 2020 and beyond. The remaining commitments totaling $2.0 million will be funded by both operating funds as well as bond proceeds.

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

Debt Administration

At year-end, the College had $28.4 million in debt outstanding, which is made up of the outstanding principal balances of three general obligation, limited-tax bonds, issued for various construction projects. These three bond issuances provided proceeds of $18.0 million, $8.0 million, and $10.0 million in the years issued, and were authorized by the Board of Trustees on March 27, 2013, March 23, 2016, and November 14, 2018, respectively. All construction projects funded by bonds have been completed other

Management's Discussion & Analysis - Unaudited

than the Applied Science renovation and STEM Center. Bond principal payments are due annually each May through maturity in fiscal year 2038. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 3.5%.

The College's general obligation bond rating was Aa1 by Moody's in December 2018 upon issuance. According to Moody's, at the time of the bond issuance, the strong rating was based upon the College's large and growing tax base, the successful ballot proposal in the fall 2018 elections which restored the College's millage rate to its full authorized level which is described in more detail in the economic factors which will affect the future section, above average resident income levels, and a low debt burden.

Also at year-end, the College had $2.7 million in debt outstanding from the lease agreements signed to fund the upgrade of the College's network through installation and implementation of hardware and software, which included desktop virtualization, campus-wide network equipment enhancements, and upgrades to the College's wireless network, as authorized by the Board of Trustees on November 19, 2014 and February 27, 2019, respectively. Lease payments, including principal and interest ranging from 2.4% to 5.3%, are due annually each December through maturity in fiscal year 2021.

Finally, at year-end, the College had $5.8 million in debt outstanding from the lease agreement signed to lease the St. Joe's Sports Dome from SC College Dome LLC, as authorized by the Board of Trustees on June 23, 2016. Lease payments, including principal and interest of 13.64%, are due monthly through maturity in fiscal year 2042.

Component Units

During 2016, the College formed two component unit entities, SC Development Unit 14, Inc. and SC Sports Dome, Inc. During 2017, the College formed one additional entity, SC Technology Center, Inc. During 2019, the College formed two additional entities, SC Health Sciences, Inc. and SC Health Sciences II, Inc. All five entities were established as 501(c)(3) charitable, non-profit organizations in an effort to generate additional revenue streams for the College.

SC Development Unit 14, Inc. was formed to partner with an outside developer to develop College owned land, specifically Unit 14. The main purpose of the resulting partnership, Seven Delta, LLC, which was formed as a Michigan limited liability company, is to construct and subsequently lease a building to a Fortune 500 company to generate additional revenue for the charitable and educational purposes that support the College.

SC Sports Dome, Inc. was formed to partner with an outside developer to develop College owned land, specifically Unit 15. The main purpose of the resulting partnership, SC College Dome LLC, which was also formed as a Michigan limited liability company, is to build the College Soccer Dome to help bolster enrollment and generate additional revenue for the charitable and educational purposes that support the College.

SC Technology Center, Inc. was formed to enter into lease agreements with third parties to sell services and amenities to generate additional revenue for the charitable and educational purposes that support the College.

During 2019, SC Health Sciences, Inc. and SC Health Sciences II, Inc. were formed to construct and subsequently lease a medical center and sports center, respectively, to generate additional revenue for the charitable and educational purposes that support the College.

Economic Factors Which Will Affect the Future

Revenue - In 2019/20 the College anticipates receiving State appropriation funding of $13.2 million for operations, which excludes UAAL funding, and is only slightly above the amount received from the State in 2001/02 of $12.7 million. State equalized value and taxable values have increased slightly in the College district along with new construction. Property tax revenue for 2019/2020 will increase by

Management's Discussion & Analysis - Unaudited

approximately 29% due to the passage of the November 2018 ballot initiative as well as property tax base increases, and is estimated to continue increasing at a modest rate for 2020/2021. It is projected that it will take eight more fiscal years to recover to pre-recession property tax base levels. The Board has approved an average tuition increase of 2.83% as well as per credit hour fee increases of $1.00 each, effective with the fall 2019 term, and enrollment for the fall semester compared to last year is projected to decrease by approximately 6%.

MPSERS - On September 5, 2012 Public Act 300 (or Senate Bill 1040) was signed into law by the Governor. The law outlines significant reforms to the MPSERS retirement system that has dramatically affected the expected retirement rates paid by the College as well as the benefits provided to MPSERS participants. In connection with Public Act 300, the College's MPSERS contribution rate will be capped at 27.50% for 2019/20 until further legislation is enacted. Under these rates, this represents a cumulative increase from 2008/09 of approximately 66%. During that same period of time, the cumulative CPI for the United States increased 17.07%. If MPSERS had limited increases to the CPI figures over that period, the current actual rate would be 19.36%. Schoolcraft's recurring revenue streams are relegated to increases tied to the CPI rate. Contributions to MPSERS using the adjusted CPI figure of 19.36% would net the college a recurring savings of approximately $2.7 million annually. Unfortunately, the MPSERS contribution rate has increased beyond the CPI and the MPSERS plan still has unfunded pension and postemployment benefit liabilities totaling approximately $30.1 billion and $7.9 billion, respectively.

GASB pronouncement number 68 addresses the accounting and financial reporting of the unfunded pension liability and was effective for the College's year ending June 30, 2015. The College's portion of the unfunded pension liability is approximately $133.3 million and $116.8 million as of June 30, 2019 and 2018, respectively. GASB pronouncement number 75, effective for the College's year ending June 30, 2018, addresses the unfunded postemployment health care benefit. The College's portion of the unfunded postemployment benefit liability is approximately $34.6 million and $40.0 million as of June 30, 2019 and 2018, respectively.

Current retirement contribution rates are unsustainable long term and will require structural changes to the MPSERS Plan or College operations in order for the College to be able to continue to provide affordable and effective services.

In light of this, on July 13, 2017, the State of Michigan passed Public Act 92 of 2017, Senate Bill 401, which provided that all employees hired on or after September 4, 2012 were given the opportunity to opt out of the Pension Plus retirement plan and enroll instead in a Defined Contribution (DC) plan. All DC participants who first worked on or after September 4, 2012 have new contribution and employer match amounts mandated by the new law. Employers began mandatory contributions of 4% for current DC participants hired since September 4, 2012 and all future DC participants. The contributions began with the first pay period after October 1, 2017. Employers will match 100% of the contributions made by the employee up to a maximum of 3% of compensation beginning on February 1, 2018. Employees must contribute at least 3% of wages to receive the 3% match from their employer. The DC plan is the default option for new employees who first work on or after February 1, 2018. PA 92 also requires the DC plan to offer one or more fixed and variable annuity options that members can use at retirement.

This law establishes a new hybrid plan for Michigan public school employees who first work on or after February 1, 2018. This plan is similar to the Pension Plus retirement plan established in 2010 (and changed again in 2012) in that it will have both a pension component and a savings component.

Eligibility for pension benefits remains the same as Pension Plus at 60 years old with at least 10 years of service. Contributions are made in the savings component by both the employer and employee and are deposited into a 401(k) and/or 457 tax deferred account. An employee must affirmatively elect the new hybrid plan to participate. If the employee makes no choice, as mentioned above, the default set by the law means the employee will be enrolled in the DC plan. The Office of Retirement Services will provide each employee with a summary of the benefit options available.

Early retirement incentive - In an effort to continually reduce expenditures, effective May 2017, the College offered an early retirement incentive to all full-time employees with at least 10 years of

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experience in the higher education industry. 55 employees took advantage of this buyout which generated $5.97 million in annual savings in salary, retirement, and benefit costs. While as anticipated a number of these positions were replaced, it was done strategically to ensure the net savings to the College are significant.

Property Taxes - In 1978, Michigan voters approved an amendment to the Michigan Constitution known as the Headlee Amendment. This amendment included a number of provisions related to state and local taxes. These became Sections 25 through 33 of Article IX of the state constitution. Section 31, which concerns local government taxes, created several new laws related to local government taxation, including:

- Requiring voter approval for any local tax increases or new taxes established after Headlee was approved
- Limiting property tax revenue resulting from property tax assessments increasing
- Limiting revenue collected to the amount the millage originally was to generate (with factor for inflation)

The property tax revenue limitation requires that if the assessed value of a local tax unit's total taxable property increases by more than the inflation rate, the maximum property tax millage must be reduced so that the local unit's total taxable property yields the same gross revenue, adjusted for inflation.

The College's original millage rate of 2.2700 mills was approved by the voters in 1986. Headlee has rolled back that rate to 1.7662 as of June 30, 2019, which resulted in $7.1 million less in property tax revenue for fiscal year 2019.

Accordingly, to address this significant shortfall in revenues, voters in the College's districts passed a ballot proposal in the fall 2018 elections which restored the College's millage rate levied to what the voters originally approved in 1986. It is estimated this will generate an additional $7.3 million in revenue for the College in 2020. This amount is expected to grow moderately each year with increases in property values.

Statement of Net Position

	College As of June 30		Development Component Units As of June 30	
	2019	2018	2019	2018
Assets				
Current Assets				
Cash and cash equivalents - Note 2	$ 10,990,681	$ 10,638,615	$ 2,953,784	$ 2,204,564
Property taxes receivable, net of allowance for doubtful			-	-
accounts of $26,200 in 2019 and $39,800 in 2018	631,460	559,996	-	-
State appropriation receivable	3,361,454	3,272,574	-	-
Accounts receivable, net of allowance for doubtful			-	-
accounts of $837,637 in 2019 and $942,758 in 2018	2,423,517	1,894,448	278,393	308,987
Capital lease receivable - Note 11	-	-	43,115	37,646
Accrued interest receivable	9,435	26,299	66,418	66,846
Federal and state grants receivable	875,343	787,771	-	-
Student loans receivable, net of allowance for doubtful				
accounts of $0 in both 2019 and 2018	16,250	16,250	-	-
Inventories	1,415,219	1,493,993	-	-
Prepaid expenses and other assets	688,610	762,362	672	-
Deposits	509,512	499,532	-	-
Total Current Assets	20,921,481	19,951,840	3,342,382	2,618,043
Noncurrent Assets				
Restricted cash and cash equivalents - Note 1	7,193,636	-	-	8,700
Long-term investments - Note 2	9,954,969	12,933,434	5,006,810	4,414,003
Rent receivable	-	-	2,308,626	2,170,123
Capital lease receivable - Note 11			5,799,363	5,842,478
Property and equipment - Note 7	120,771,853	122,492,283	29,888,709	30,680,341
Total Assets	158,841,939	155,377,557	46,345,890	45,733,688
Deferred Outflows of Resources - Note 3	50,015,970	30,362,153	-	-
Liabilities				
Current Liabilities				
Current portion of debt obligations - Note 9	4,371,032	3,515,021	775,363	689,696
Accounts payable	1,867,797	1,782,762	30,429	4,647
Related party payable - Note 12	-	-	334,902	263,748
Accrued interest payable	223,005	189,034	53,503	55,101
Accrued payroll and other compensation	5,853,388	5,007,316	-	-
Accrued early retirement payable - Note 9	1,336,480	1,338,979	-	-
Deposits	290,364	286,682	-	-
Unearned revenue	5,443,852	5,822,483	571,308	575,458
Total Current Liabilities	19,385,918	17,942,277	1,765,505	1,588,650
Noncurrent Liabilities				
Accrued early retirement payable - Note 9	285,071	1,621,551	-	-
Net pension liability - Note 3	133,344,428	116,825,440	-	-
Net OPEB liability - Note 3	34,591,329	40,036,949	-	-
Long-term debt obligations - Note 9	32,568,651	26,424,051	21,880,680	22,656,044
Unearned revenue	-	-	2,186,703	2,209,935
Accrued severance pay - Note 9	1,030,288	903,778	-	-
Total Liabilities	221,205,685	203,754,046	25,832,888	26,454,629
Deferred Inflows of Resources - Note 3	25,581,438	12,354,375	-	-
Net Position (Deficit)				
Net investment in capital assets	91,025,806	92,553,211	5,391,204	5,593,288
Restricted for:				
Expendable restricted grants	118,022	172,136	-	-
Nonexpendable Minority interest	-	-	9,410,935	9,407,531
Unrestricted	(129,073,042)	(123,094,058)	5,710,863	4,278,240
Total Net (Deficit) Position	$ (37,929,214)	$ (30,368,711)	$ 20,513,002	$ 19,279,059

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Net Assets

	As of June 30	
	2019	2018
Assets		
Cash and cash equivalents	$ 355,469	$ 162,443
Marketable securities	15,047,407	14,671,863
Assets held under charitable remainder unitrust agreement	88,486	90,811
Accounts receivable	22,000	5,800
Contributions receivable - net	21,347	11,487
Beneficial interest in remainder trusts	7,442	6,980
Cash surrender value - life insurance policy	6,824	11,119
Prepaid expenses	14,759	31,694
Total Assets	$ 15,563,734	$ 14,992,197
Liabilities And Net Assets		
Liabilities		
Payable to Schoolcraft College	$ 185,887	$ 255,550
Other liabilities	38,108	5,748
Liability under charitable remainder unitrust and gift annuity agreements	57,998	48,895
Total Liabilities	281,993	310,193
Net Assets		
Without donor restrictions	4,218,008	4,254,113
With donor restrictions	11,063,733	10,427,891
Total Net Assets	15,281,741	14,682,004
Total Liabilities And Net Assets	$ 15,563,734	$ 14,992,197

The accompanying notes are an integral part of these statements.

Statement of Revenue, Expenses and Changes in Net Position

	College Years Ended June 30		Development Component Units Years Ended June 30	
	2019	2018	2019	2018
Operating Revenue				
Tuition and fees (Net of scholarship allowances of $10,264,683 in 2019 and $10,687,915 in 2018)	$ 32,781,010	$ 31,896,171	$ -	$ -
Federal grants and contracts	1,925,148	1,403,126	-	-
State and local grants and contracts	802,138	822,658	-	-
Nongovernmental grants	78,519	51,838	-	-
Auxiliary enterprises	6,879,916	6,853,487	-	-
Gain on disposal of assets	20,957	15,864	-	-
Miscellaneous	5,209,500	6,163,217	3,670,480	3,904,610
Total Operating Revenue	47,697,188	47,206,361	3,670,480	3,904,610
Operating Expenses				
Instruction	36,667,623	35,471,932	-	-
Information Technology	7,616,080	7,392,438		
Public service	2,749,789	2,819,419	-	-
Instructional support	13,740,494	13,935,529	-	-
Student services	23,479,966	23,649,316	-	-
Institutional administration	9,356,930	8,560,083	-	-
Operation and maintenance of plant	11,853,485	11,665,179	-	-
Depreciation	7,186,975	6,974,619	937,751	925,608
Other expenditures	-	-	286,305	311,797
Total Operating Expenses	112,651,342	110,468,515	1,224,056	1,237,405
Operating (Loss) Income	(64,954,154)	(63,262,154)	2,446,424	2,667,205
Nonoperating Revenue and (Expenses)				
State appropriations	19,838,934	20,426,477	-	-
Property tax levy	24,947,116	23,981,659	-	-
Interest income	527,327	448,034	893,839	886,221
Interest expense	(1,478,272)	(1,378,955)	(1,303,521)	(1,325,378)
Unrealized gain (loss) on investments	1,114,214	(600,819)	166,037	423,297
Pell grants	12,194,332	12,655,518	-	-
Net Nonoperating Revenue and (Expenses)	57,143,651	55,531,914	(243,645)	(15,860)
(Loss) Gain Before Other Revenue	(7,810,503)	(7,730,240)	2,202,779	2,651,345
Other Revenue and (Expenses)				
Transfers between College and component units	250,000	250,000	(250,000)	(250,000)
Minority interest contributions	-	-	-	945,093
Distribution to minority owner	-	-	(718,836)	(698,323)
Total Other Revenue and (Expenses)	250,000	250,000	(968,836)	(3,230)
(Decrease) Increase in Net Position	(7,560,503)	(7,480,240)	1,233,943	2,648,115
Net Position (Deficit)				
Net Position (Deficit) - Beginning of Year	(30,368,711)	17,616,810	19,279,059	16,630,944
Adjustment for change in accounting principle - Note 1	-	(40,505,281)	-	-
Net Position (Deficit) - Beginning of Year, As Restated	(30,368,711)	(22,888,471)	19,279,059	16,630,944
Net Position (Deficit) - End of Year	$ (37,929,214)	$ (30,368,711)	$ 20,513,002	$ 19,279,059

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Activities and Changes in Net Assets

	Years Ended June 30	
	2019	2018
Revenue		
Gifts and contributions	$ 810,484	$ 432,416
Fund-raising events	153,685	166,349
Investment income	465,299	416,440
Decrease in value of beneficial interest in remainder trusts	462	(10,075)
Change in cash surrender value of life insurance policy	(4,295)	(2,524)
Realized and unrealized losses on investments	58,296	381,767
Decrease in actuarial value of charitable remainder unitrust agreement	(707)	(2,463)
Donated administrative support	604,566	589,688
Total Revenue	2,087,790	1,971,598
Expenses		
Scholarships	403,986	431,837
Other College support	248,617	152,953
Fund-raising expenses	35,047	39,384
Donated administrative expenses	604,566	589,688
Administrative expenses	195,837	293,005
Total Expenses	1,488,053	1,506,867
Increase in Net Assets	599,737	464,731
Net Assets - Beginning of Year	14,682,004	14,217,273
Net Assets - End of Year	$ 15,281,741	$ 14,682,004

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Years Ended June 30	
	2019	2018
Cash Flows From Operating Activities		
Tuition and fees	$ 31,876,992	$ 33,338,981
Grants and contracts	2,886,985	1,930,704
Payments to suppliers	(52,745,882)	(52,037,745)
Payments to employees	(48,387,088)	(49,396,485)
Auxiliary enterprise charges	6,879,916	6,853,487
Other	5,230,457	6,179,081
Net Cash Used For Operating Activities	(54,258,620)	(53,131,977)
Cash Flows From Noncapital Financing Activities		
Local property taxes	24,875,652	23,998,169
Pell grants	12,025,580	12,635,418
William D. Ford Direct Lending receipts	8,553,952	8,400,662
William D. Ford Direct Lending disbursements	(8,563,016)	(8,403,776)
State appropriations	19,937,471	20,432,454
Net Cash Provided by Noncapital Financing Activities	56,829,639	57,062,927
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(4,664,184)	(3,136,498)
Principal paid on capital debt	(1,640,000)	(1,605,000)
Interest paid on capital debt	(546,595)	(466,892)
Proceeds from issuance of debt	9,997,400	-
Capital lease principal payments	(2,150,584)	(1,359,646)
Interest paid on capital lease	(898,206)	(935,673)
Net transfers from component units	250,000	250,000
Net Cash Provided By (Used For) Capital and Related Financing Activities	347,831	(7,253,709)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investment	4,082,661	2,667,635
Interest on investments	544,191	449,651
Net Cash Provided By Investing Activities	4,626,852	3,117,286
Net Increase (Decrease) In Cash And Cash Equivalents	7,545,702	(205,473)
Cash And Cash Equivalents - Beginning Of Year	10,638,615	10,844,088
Cash And Cash Equivalents - End Of Year	$ 18,184,317	$ 10,638,615
Significant Noncash Transactions		
Property acquired under capital lease	$ 813,377	$ -

The accompanying notes are an integral part of these statements.

Statement of Cash Flows (continued)

	Years Ended June 30	
	2019	2018
Statement of Net Position Classifications Of Cash And Cash Equivalents		
Cash and cash equivalents	$ 10,990,681	$ 10,638,615
Restricted cash and cash equivalents	7,193,636	-
Total Cash And Cash Equivalents	$ 18,184,317	$ 10,638,615

	2019	2018
Reconciliation Of Net Loss To Net Cash Used For Operating Activities:		
Operating loss	$ (64,954,154)	$ (63,262,154)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	7,186,975	6,974,619
(Increase) decrease in assets and deferred outflows:		
Accounts receivable, net	(529,069)	64,652
Federal and state grant receivable	(87,572)	(346,918)
Inventories	78,774	135,228
Prepaid assets and other current assets	73,752	160,709
Deposits	(9,980)	(81,018)
Deferred outflows of assets	(19,653,817)	(9,480,130)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	74,887	(129,827)
Accrued payroll and other compensation	(490,408)	(750,022)
Accrued severance pay	126,510	(150,245)
Deposits	3,682	15,189
Unearned revenue	(378,631)	1,362,969
Deferred inflows of assets	13,227,063	7,260,101
Net pension liability	16,518,988	7,288,033
Net OPEB liability	(5,445,620)	(2,193,163)
Net Cash Used For Operating Activities	$ (54,258,620)	$ (53,131,977)

The accompanying notes are an integral part of these statements.

Notes to Financial Statements

Note 1 - Reporting Entity, Basis of Presentation and Significant Accounting Policies

Reporting Entity

Schoolcraft College (College) is a community college located in Southeast Michigan. The Main Campus and Public Safety Training Complex are located in Livonia and the Radcliff Center is located in Garden City. Founded in 1961 and named after Henry Rowe Schoolcraft, a nineteenth century writer, historian, scientist and educator, it is governed by a seven member Board of Trustees elected for six year overlapping terms.

The College has seven affiliated organizations, collectively referred to as "Component Units", which were evaluated in accordance with Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*, which the College adopted on July 1, 2012. Each organization is described below, with additional information provided regarding the impact to the College's financial statements and accompanying condensed financial statements.

The Schoolcraft College Foundation (Foundation) is discretely reported as a part of the College reporting entity (although it is a separate legal entity established as a 501(c)3 not–for–profit corporation and governed by its own Board of Governors) because its sole purpose is to provide support to the College and its students. Disclosures related to the Foundation that are immaterial compared to the College as a whole are not included in the financial statements of the College as separate audited financial statements of the Foundation are available by contacting the Schoolcraft College Foundation, 18600 Haggerty Rd, Livonia, Michigan 48152-2696.

Schoolcraft Development Authority, Inc. (SDA) is a Michigan nonprofit organization established by the College in March 1986 to direct College land development activities and operates and acts exclusively for the charitable and educational purposes that support the College. The College leases a total of approximately 62 acres of land to the SDA under a lease for approximately 17 acres that expires in 2061 and a lease for approximately 45 acres that expires in 2080. The leases require annual payments of $1 per year. The revenue realized by the College from the ground lease is to be used for the purpose of financing capital improvements. At the end of the lease term, all improvements revert to the College. The College has operational responsibility for the SDA. In accordance with GASB Statement No. 61, the SDA is reported as a discrete component unit.

SC Development Unit 14, Inc. (SCDU 14) is a Michigan nonprofit organization established by the College in September 2015 to lease land, specifically Unit 14, from the College to be subleased to Seven Delta, LLC (7 Delta). In accordance with GASB Statement No. 61, SCDU 14 is reported as a discrete component unit because the College has operational responsibility for SCDU 14. SCDU 14 is the sole member of SD Member LLC (SDM), a Michigan limited liability company, which was formed in December 2015 to oversee and partner with an outside developer. 7 Delta is a Michigan limited liability company formed in December 2015 whose main purpose is to construct and subsequently lease a building constructed on College land. SDM holds a 51% voting interest and 50% interest in income in 7 Delta, with the outside developer holding a 49% voting interest and 50% interest in income. In accordance with GASB Statement No. 61, SDM is a component unit of SCDU 14 and 7 Delta is a component unit of SDM because each entity has a voting majority and there is a financial benefit and burden relationship. SDM and 7 Delta are blended with SCDU 14 for purposes of the College's financial statements.

SC Sports Dome, Inc. (SCSD) is a Michigan nonprofit organization established by the College in December 2015 to lease land, specifically Unit 15, from the College to be subleased to SC College Dome, LLC (SCCD) as well as to oversee and partner with an outside developer to build the Soccer Dome on Unit 15. In accordance with GASB Statement No. 61, SCSD is reported as a discrete component unit of the College because the College has operational responsibility for SCSD. SCCD is a Michigan limited liability company formed in June 2016 whose main purpose is to construct and subsequently lease the Soccer Dome facility to the College. SCSD holds a 51% voting interest in SCCD, with the outside developer holding a 49% voting interest. Income will be distributed in accordance with SCCD's operating agreement. In accordance with GASB Statement No. 61, SCCD is a component unit of SCSD because SCSD has a voting majority and there is a financial benefit and burden relationship. SCCD is blended with SCSD for purposes of the College's financial statements.

SC Technology Center, Inc. (SCTC) is a Michigan nonprofit organization established by the College in November 2016 to provide ancillary support services to tenants. In accordance with GASB Statement No. 61, SCTC is reported as a discrete component unit of the College because the College has operational responsibility for SCTC. Income will be distributed in accordance with SCTC's bylaws.

Notes to Financial Statements

SC Health Sciences, Inc. (SCH) is a Michigan nonprofit organization established by the College to lease land, specifically unit 16, from the College and to build the St. Joe's / IHA Medical Center. In accordance with GASB Statement No. 61, SCH is reported as a discrete component unit of the College because the College has operational responsibility for SCH. Income will be distributed in accordance with SCH's bylaws.

SC Health Sciences II, Inc. (SCH II) is a Michigan nonprofit organization established by the College to build the St. Joe's Mercy Elite Sports Center. In accordance with GASB Statement No. 61, SCH II is reported as a discrete component unit of the College because the College has operational responsibility for SCH II. Income will be distributed in accordance with SCH II's bylaws.

Financial statements for the SDA, SCDU 14, SCSD, SCTC, SCH, and SCH II (collectively referred to as "Development Component Units") as of and for the years ended June 30, 2019 and 2018 are as follows:

Condensed Statement of Net Position

	Schoolcraft Development Authority 2019	SC Development Unit 14, Inc. 2019	SC Sports Dome, Inc. 2019	SC Technology Center, Inc. 2019	SC Health Sciences, Inc. 2019	SC Health Sciences II, Inc. 2019	Combined Total 2019
Assets							
Current Assets	$ 726,606	$ 545,135	$ 1,846,649	$ 223,992	$ -	$ -	$ 3,342,382
Noncurrent Assets	-	35,888,683	6,879,011	138,878	75,816	21,120	43,003,508
Total Assets	726,606	36,433,818	8,725,660	362,870	75,816	21,120	46,345,890
Liabilities							
Current Liabilities	236,749	1,000,664	363,041	68,115	75,816	21,120	1,765,505
Noncurrent Liabilities	2,186,703	21,880,680	-	-	-	-	24,067,383
Total Liabilities	2,423,452	22,881,344	363,041	68,115	75,816	21,120	25,832,888
Net Position							
Net investment in capital assets	-	4,172,677	1,079,649	138,878	-	-	5,391,204
Restricted for							
Nonexpendable Minority interest	-	3,410,935	6,000,000	-	-	-	9,410,935
Unrestricted	(1,696,846)	5,968,862	1,282,970	155,877	-	-	5,710,863
Total Net Position	$ (1,696,846)	$ 13,552,474	$ 8,362,619	$ 294,755	$ -	$ -	$ 20,513,002

	Schoolcraft Development Authority 2018	SC Development Unit 14, Inc. 2018	SC Sports Dome, Inc. 2018	SC Technology Center, Inc. 2018	SC Health Sciences, Inc. 2018	SC Health Sciences II, Inc. 2018	Combined Total 2018
Assets							
Current Assets	$ 275,955	$ 789,775	$ 1,384,035	$ 168,278	$ -	$ -	$ 2,618,043
Noncurrent Assets	-	35,992,258	6,982,575	140,812	-	-	43,115,645
Total Assets	275,955	36,782,033	8,366,610	309,090	-	-	45,733,688
Liabilities							
Current Liabilities	235,383	913,702	350,856	88,709	-	-	1,588,650
Noncurrent Liabilities	2,209,935	22,656,044	-	-	-	-	24,865,979
Total Liabilities	2,445,318	23,569,746	350,856	88,709	-	-	26,454,629
Net Position							
Net investment in capital assets	-	4,379,741	1,213,547	-	-	-	5,593,288
Restricted for							
Nonexpendable Minority interest	-	3,407,531	6,000,000	-	-	-	9,407,531
Unrestricted	(2,169,363)	5,425,015	802,207	220,381	-	-	4,278,240
Total Net Position	$ (2,169,363)	$ 13,212,287	$ 8,015,754	$ 220,381	$ -	$ -	$ 19,279,059

Notes to Financial Statements

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	Schoolcraft Development Authority 2019	SC Development Unit 14, Inc. 2019	SC Sports Dome, Inc. 2019	SC Technology Center, Inc. 2019	SC Health Sciences, Inc. 2019	SC Health Sciences II, Inc. 2019	Combined Total 2019
Revenue							
Operating Revenue	$ 874,569	$ 2,184,059	$ 431,541	$ 180,311	$ -	$ -	$ 3,670,480
Expenses							
Operating Expenses	2,205	941,906	174,007	105,937	-	-	1,224,055
Nonoperating Revenue and (Expenses)							
Interest income	153	94,256	799,430	-	-	-	893,839
Interest expense	-	(1,303,521)	-	-	-	-	(1,303,521)
Unrealized gain on investments	-	166,036	-	-	-	-	166,036
Total Nonoperating Revenue and (Expenses)	153	(1,043,229)	799,430	-	-	-	(243,646)
Other Revenue and (Expenses)							
Transfers between Component Units	(400,000)	400,000	-	-	-	-	-
Transfers to/from Schoolcraft College	-	(250,000)	-	-	-	-	(250,000)
Distribution to minority owner	-	(8,737)	(710,099)	-	-	-	(718,836)
Total Other Revenue and (Expenses)	(400,000)	141,263	(710,099)	-	-	-	(968,836)
Increase in Net Position	472,517	340,187	346,865	74,374	-	-	1,233,943
Net Position - Beginning of Year	(2,169,363)	13,212,288	8,015,753	220,381	-	-	19,279,059
Net Position - End of Year	$ (1,696,846)	$ 13,552,475	$ 8,362,618	$ 294,755	$ -	$ -	$ 20,513,002

	Schoolcraft Development Authority 2018	SC Development Unit 14, Inc. 2018	SC Sports Dome, Inc. 2018	SC Technology Center, Inc. 2018	SC Health Sciences, Inc. 2018	SC Health Sciences II, Inc. 2018	Combined Total 2018
Revenue							
Operating Revenue	$ 869,132	$ 2,137,698	$ 739,976	$ 157,804	$ -	$ -	$ 3,904,610
Expenses							
Operating Expenses	2,880	932,250	189,985	112,290	-	-	1,237,405
Nonoperating Revenue and (Expenses)							
Interest income	128	81,833	804,260	-	-	-	886,221
Interest expense	-	(1,325,378)	-	-	-	-	(1,325,378)
Unrealized gain on investments	-	423,297	-	-	-	-	423,297
Total Nonoperating Revenue and (Expenses)	128	(820,248)	804,260	-	-	-	(15,860)
Other Revenue and (Expenses)							
Transfers between Component Units	(800,000)	800,000	-	-	-	-	-
Transfers to/from Schoolcraft College	-	(250,000)	-	-	-	-	(250,000)
Minority interest contributions	-	849,488	95,605	-	-	-	945,093
Distribution to minority owner	-	-	(698,323)	-	-	-	(698,323)
Total Other Revenue and (Expenses)	(800,000)	1,399,488	(602,718)	-	-	-	(3,230)
Increase (Decrease) in Net Position	66,380	1,784,688	751,533	45,514	-	-	2,648,115
Net Position - Beginning of Year	(2,235,743)	11,427,600	7,264,220	174,867	-	-	16,630,944
Net Position - End of Year	$ (2,169,363)	$ 13,212,288	$ 8,015,753	$ 220,381	$ -	$ -	$ 19,279,059

Basis of Presentation

The accompanying financial statements have been prepared in accordance with the generally accepted accounting principles as applicable to public colleges and universities outlined in Governmental Accounting Standards Board Statement (GASB) No. 35 and the State of Michigan *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001.*

The College reports as a Business Type Activity, as defined by GASB Statement No. 35. Business Type Activities are those that are financed in whole or part by fees charged to external parties for goods and services.

Significant Accounting Policies

<u>Measurement Focus and Basis of Accounting</u>

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

<u>Cash and Cash Equivalents</u>

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

Notes to Financial Statements

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

Accounts Receivable – College
Accounts receivable are recorded net of allowance for doubtful accounts. 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.

Accounts Receivable – Development Component Units
Revenue earned and not paid prior to year-end is recorded as a receivable. An allowance for bad debts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed uncollectible are charged against bad debt expense in the period that determination is made.

Inventories
Inventories are stated at the lower of cost or market using the first-in, first-out method and consist of books, food and supplies.

Restricted Cash and Cash Equivalents
Restricted cash and cash equivalents consist of mortgage and bond proceeds which are restricted for capital expenditures.

Rent Receivable
The Development Component Units recognize rent revenue on a straight-line basis over the lease term when the operating lease contains payment requirements that are artificially low in a particular year. Rent receivables represent the difference between the scheduled payments and revenue recognized on a straight-line basis. The outstanding balance is expected to be collected over the life of the lease in accordance with the payment schedule in the lease agreement.

Property and Equipment
Property and equipment are recorded at cost or, if acquired by gift, at the fair market value as of the date of acquisition. Depreciation is provided for on a straight-line basis over the estimated useful life of the assets.

Deferred Outflows of Resources
In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The College reports deferred outflows of resources for certain pension-related and OPEB-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 3.

Unearned Revenue
Revenue received prior to year-end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue for the College at June 30, 2019 is for the summer 2019 semester which began July 6, 2019 and for the fall 2019 semester which began August 27, 2019. Unearned revenue for the Development Component Units at June 30, 2019 is for rental revenue due in advance of or received prior to year-end that relates to the next fiscal period. In addition, advance payments received in connection with leases or lease extensions are recorded as unearned revenue and recognized on a straight-line basis over the lease term.

Accrued Severance Pay
Accrued severance pay represents the accumulated liability to be paid under the College's current severance pay policy. Under the College's policy, certain employees earn severance pay based on length of service with the College.

Pensions
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 Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments

Notes to Financial Statements

(including refunds of employee contributions) are recognized as expense when due and payable in accordance with the benefit terms. Related plan investments are reported at fair value.

Other Postemployment Benefit Costs
For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Inflows of Resources
In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as funding received through state appropriations for contributions to the plans after the measurement date and the difference between projected and actual earnings of the plans' investments. More detailed information can be found in Note 3.

Net Position
GASB No. 34 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net position categories:

Unrestricted Net Position
Unrestricted net position represents net position that is not subject to externally imposed restrictions. A portion of the unrestricted net position has been designated for certain future expenditures and contingent liabilities of the College. While these items are not actual liabilities, they do represent commitments of College resources at June 30, 2019 and 2018 and the Board of Trustees believes that provision should be made for these future expenditures. These designations are as follows:

College	2019	2018
Designated for:		
Scholarships	$ 327,750	$ 323,070
Technology replacements	1,429,000	1,415,000
Major maintenance & renovation	1,957,400	833,000
Instructional and student support systems	750,000	750,000
Instructional equipment	193,000	969,000
Personnel commitments, self insurance reserves and working capital	6,510,600	6,446,000
Reserve for executive orders	2,500,000	2,500,000
Debt service costs	4,371,000	3,515,000
Unrestricted and unallocated	(147,111,792)	(139,845,128)
Total Unrestricted Net Position	$ (129,073,042)	$ (123,094,058)

Unrestricted net position of the Development Component Units is entirely unrestricted and unallocated at both June 30, 2019 and 2018.

Net Investment in Capital Assets
Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Expendable
Net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time.

Restricted Net Position - Nonexpendable
Net position whose use by the College is subject to externally imposed constraints as amounts relate to the noncontrolling interest share of income and capital contributions in 7 Delta and SCCD.

Notes to Financial Statements

Operating Revenue and Expenses
Revenue and expense transactions are normally classified as operating revenue and expenses when such transactions are generated by the College's principal ongoing operations. However, most revenue that is considered to be non-exchange, such as tax revenue and state appropriations, are non-operating revenues.

For the Development Component Units, rental revenue is recognized based on monthly or quarterly payments in accordance with the terms of each rental agreement. Rent revenue is recognized on a straight-line basis over the lease term when the operating lease contains payment requirements that are artificially low in a particular year.

Miscellaneous Revenue - College
Miscellaneous revenue for the College includes a number of items including cell tower rentals, library copier revenue, restaurant receipts related to educational activities, fitness center membership revenue, Wayne County Head Start receipts, university partnerships revenue, urgent care lease revenue, contributions revenue for donated equipment, indirect cost rate recoveries for various grants, VistaTech Center facility rental revenue, and Michigan New Jobs Training Program receipts.

Miscellaneous Revenue - Development Component Units
Miscellaneous revenue for the Development Component Units primarily includes rent revenue as explained in more detail in Note 11.

Property Taxes
Property tax revenue is recognized in the year for which taxes have been levied. Property taxes are levied on July 1 and December 1 based on taxable values as of the preceding December 31. The taxes, which are collected and remitted to the College by townships and cities within the College district boundaries, are collected through February 28. Uncollected real property taxes of the College are turned over to the counties in which the district is located for subsequent collection. The College is subsequently paid 100 percent of delinquent real property taxes through the counties' tax revolving funds. These payments are usually received within three to five months after the delinquency date.

Property tax revenue levied for general operating purposes was $25,016,988 and $24,133,891 based on $1.7662 and $1.7766 of tax per $1,000 of taxable property value in the community college taxing district for the years ended June 30, 2019 and 2018, respectively.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Subsequent Events
The financial statements and related disclosures include evaluation of events up through and including October 9, 2019, which is the date the financial statements were available to be issued.

Adoption of New Standards
For the year ended June 30, 2018, the College implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which requires governments providing OPEB plans to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). In accordance with the statements, the College has reported a change in accounting principle adjustment to unrestricted net position of $40,505,281, which is the net of the net OPEB liability and related deferred inflows and outflows as of July 1, 2017.

As of July 1, 2018, the College adopted GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset. The requirements of the standard were applied prospectively and resulted in an insignificant increase in interest expense for the year ended June 30, 2019.

Upcoming Accounting Pronouncements
In June 2017, the GASB issued Statement No. 87, Leases, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on

Notes to Financial Statements

the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is expected to have a significant effect on the College's statement of net position as a result of the SDA and SCDU 14 leases described in Note 11 that are classified as operating leases, including an increase in lease receivables and deferred inflows. The effects on the statement of revenues, expenses and changes in net position is not expected to be significant. The provisions of this statement are effective for the College's financial statements for the year ended June 30, 2021.

Note 2 - Deposits and Investments

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

	2019	2018
Cash and cash equivalents	$ 10,990,681	$ 10,638,615
Restricted cash and cash equivalents	7,193,636	-
Long-term investments	9,954,969	12,933,434
Total	$ 28,139,286	$ 23,572,049

The Development Component Units' deposits and investments are included on the statement of net position under the following classifications:

	2019	2018
Cash and cash equivalents	$ 2,953,784	$ 2,213,264
Long-term investments	5,006,810	4,414,003
Total	$ 7,960,594	$ 6,627,267

As of June 30, 2019 and 2018, the College's investments are comprised entirely of federal government agency bonds with maturities of more than 5 years.

As of June 30, 2019 and 2018, the Development Component Units' investments do not include investments with maturity dates.

The above amounts for the College are classified by GASB Statement No. 3 in the following categories:

	2019	2018
Bank deposits (checking & savings accounts)	$ 10,812,466	$ 10,541,921
Institutional money market fund	1,269,226	65,779
Commercial paper	6,058,154	-
Petty cash and cash on hand	44,472	30,915
Federal government agency bonds	9,954,968	12,933,434
Total	$ 28,139,286	$ 23,572,049

The above amounts for the Development Component Units are classified by GASB Statement No. 3 in the following categories:

	2019	2018
Bank deposits (checking & savings accounts)	$ 2,953,784	$ 2,204,564
Institutional money market fund	-	8,700
Publicly traded stocks	4,224,021	3,748,546
Exchange traded funds	782,789	665,457
Total	$ 7,960,594	$ 6,627,267

Notes to Financial Statements

Deposits
The above College deposits were reflected in the accounts of the bank at June 30, 2019 and 2018 (without recognition of checks written but not yet cleared or of deposits in transit) at $11,488,575 and $11,387,133 respectively. Of this amount $250,000 in both 2019 and 2018 was covered by federal depository insurance and $11,238,575 and $11,137,133, respectively, was uninsured and uncollateralized. The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each financial institution it deposits funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

The above Development Component Units deposits were reflected in the accounts of the bank at June 30, 2019 and 2018 at the same amount due to no outstanding checks or deposits in transit at year-end. At June 30, 2019 and 2018, $1,284,373 and $1,072,458, respectively, was covered by federal depository insurance and $1,669,411 and $1,132,106, respectively, was uninsured and uncollateralized.

Interest Rate Risk
The College and Development Component Units do not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
The College is authorized by Michigan Public Act 331 of 1966, as amended through 2012, and by resolution of the Board of Trustees to invest surplus monies in bonds, bills and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers acceptances, commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits and certain repurchase agreements. The College has no investment policy that would further limit its investment choices. The Development Component Units do not have a policy limiting credit risk.

Concentration of Credit Risk
The College places no limit on the amount the College may invest in any one issuer. More than 5 percent of the College's investments at June 30, 2019 and 2018 were invested in federal government-backed securities.

The Development Component Units place no limit on the amount that may be invested in any one issuer. More than 5 percent of the Development Component Unit's investments at June 30, 2019 and 2018 were invested as follows:

	2019	2018
Exchange traded funds - iShares Core U.S. Aggregate	15%	15%

Custodial Credit Risk
The College's and Development Component Units' investments are all in the name of the respective entity. The investments are custodied with each bank they were purchased from. Therefore, custodial risk is limited.

Schoolcraft College Foundation Investments
Investments are comprised of mutual funds, bond and exchange traded funds with a fair market value of $15,047,407 and $14,671,863 as of June 30, 2019 and June 30, 2018, respectively.

Note 3 - Retirement Plans and Postemployment Benefits

Michigan Public Schools Employees' Retirement System

Plan Description
The College participates in the Michigan Public Schools Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan covering substantially all college employees. Certain College employees also receive defined contribution retirement and healthcare benefits through MPSERS. MPSERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. MPSERS also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits. MPSERS is administered by the Office of Retirement Services (ORS). MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for the pension and post-employment health care plans. That report may be obtained by writing to ORS at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671 or at www.michigan.gov/orsschools.

Notes to Financial Statements

Benefits Provided

Benefit provisions of the Defined Benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. State of Michigan Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of service times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member's date of hire, MPSERS offers the option of participating in the Defined Contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death, and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. Some members that do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member's date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

State of Michigan Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each College's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent 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 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

College contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

Notes to Financial Statements

The range of rates during the periods covered by this report is as follows:

	Pension	OPEB
October 1, 2016 – September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 – January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 – September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 – September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to MPSERS for the years ended June 30, 2019 and 2018 were $11,348,000 and $12,277,000, respectively, which include the College's contributions for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $4,952,000 and $4,765,000 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) stabilization rate for the years ended June 30, 2019 and 2018, respectively. For the year ended June 30, 2018, the contributions also include a one-time payment of approximately $881,000 to the College received under Section 147c(2) of the State Aid act, which the College then remitted as a contribution to the plan.

The College's required and actual OPEB contributions to MPSERS for the years ended June 30, 2019 and 2018 were $2,965,000 and $2,859,000, respectively, which include the College's contributions for those members with a defined contribution benefit.

<u>Net Pension Liability</u>
At June 30, 2019 and 2018, the College reported a liability of approximately $133,344,000 and $116,825,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017 and 2016, which used updated procedures to roll forward the estimated liability to September 30, 2018 and 2017. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018, 2017 and 2016, the College's proportion was 0.443568, 0.450815, and 0.439042 percent, respectively, representing a 1.607713 percent decrease and 2.681597 percent increase for the years ended September 30, 2018 and 2017, respectively.

<u>Net OPEB Liability</u>
At June 30, 2019 and 2018, the College reported a liability of approximately $34,591,000 and $40,037,000, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017 and 2016, which used updated procedures to roll forward the estimated liability to September 30, 2018 and 2017. The College's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018 and 2017, College's proportion was 0.435168 percent and 0.452115 percent, respectively, representing a 3.748375 percent decrease for the year ended September 30, 2018.

<u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the years ended June 30, 2019 and 2018, the College recognized pension expense of $17,930,665 and $13,726,304, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate.

Notes to Financial Statements

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
Differences between expected and actual experience	$ 618,743	$ 968,991
Changes of assumptions	30,882,460	-
Net difference between projected and actual earnings on pension plan assets	-	9,117,369
Changes in proportion and differences between College contributions and proportionate share of contributions	3,228,689	1,492,127
College contributions subsequent to the measurement date	9,520,166	-
Total	$ 44,250,058	$ 11,578,487

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,015,293	$ 573,238
Changes of assumptions	12,799,155	-
Net difference between projected and actual earnings on pension plan assets	-	5,585,025
Changes in proportion and differences between College contributions and proportionate share of contributions	4,921,694	77,815
College contributions subsequent to the measurement date	9,487,356	-
Total	$ 28,223,498	$ 6,236,078

In addition, the $4,952,173 and $4,764,756 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2020 and 2019, respectively.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2020	$ 9,921,496
2021	7,262,975
2022	4,378,363
2023	1,588,571
2024	-
Thereafter	-
Total	$ 23,151,405

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2020).

Notes to Financial Statements

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

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of $1,409,839 and $2,678,075, respectively.

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,438,335
Changes of assumptions	3,663,240	-
Net difference between projected and actual earnings on OPEB plan assets	-	1,329,427
Changes in proportion and differences between College contributions and proportionate share of contributions	350	1,283,016
College contributions subsequent to the measurement date	2,102,322	-
Total	$ 5,765,912	$ 9,050,778

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 426,276
Changes of assumptions	-	-
Net difference between projected and actual earnings on OPEB plan assets	-	927,265
Changes in proportion and differences between College contributions and proportionate share of contributions	450	-
College contributions subsequent to the measurement date	2,138,205	-
Total	$ 2,138,655	$ 1,353,541

In addition, $1,270,629 resulting from the OPEB portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979) was recognized as state appropriations revenue for the year ended June 30, 2018. There are no deferred inflows of resources resulting from the OPEB portion of state aid payments at June 30, 2019 and 2018. Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as a reduction of OPEB expense as follows:

Year Ending June 30	Amount
2020	$ 1,292,357
2021	1,292,357
2022	1,292,357
2023	1,021,083
2024	489,034
Thereafter	-
Total	$ 5,387,188

Notes to Financial Statements

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net OPEB liability in the next year (2020).

Actuarial Assumptions
The total pension liability and total OPEB liability as of September 30, 2018 and 2017 are based on the results of an actuarial valuation as of September 30, 2017 and 2016, respectively, and rolled forward. The total pension and OPEB liabilities were determined using the following actuarial assumptions:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return (Pension)	6.00 to 7.05 percent (2018) and 7.00 to 7.50 percent (2017), net of investment expenses based on the groups
Assumed rate of return (OPEB)	7.15 percent (2018) and 7.50 percent (2017), net of investment expenses based on the groups
Salary increases	2.75 percent to 11.55 percent (2018) and 3.50 percent to 12.30 percent (2017), including wage inflation of 2.75 percent (2018) and 3.50 percent (2017)
Healthcare cost trend rate	7.50 percent (2018 and 2017), year 1 graded to 3.0 percent (2018) and 3.50 percent (2017) year 12
Mortality basis	RP2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% male and 78% for females) and adjusted for mortality improvements using projection scale MP2017 from 2006 (2018) and RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB (men scaled 80% and 70% for women (2017)
Cost of living pension adjustments	3.00 percent, annual non-compounded for MIP members

Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2014 valuation.

Discount Rate
The discount rate used to measure the total pension liability was 6.00-7.05 and 7.00-7.50 percent as of September 30, 2018 and 2017, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 and 7.50 percent as of September 30, 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan’s fiduciary net position and the OPEB plan’s fiduciary net position were projected to be available to make all projected future benefit payments for current active and inactive employees. Therefore, the long-term expected rate of return on pension plan and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and 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 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.

Notes to Financial Statements

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	2019		2018	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.0%	5.70%	28.0%	5.60%
Private equity pools	18.0%	9.20%	18.0%	8.70%
International equity pools	16.0%	7.20%	16.0%	7.20%
Fixed-income pools	10.5%	0.50%	10.5%	-0.10%
Real estate & infrastructure pools	10.0%	3.90%	10.0%	4.20%
Real return, opportunistic, and absolute pool	15.5%	5.20%	15.5%	5.00%
Short-term investment pools	2.0%	0.00%	2.0%	-0.90%
Total	100.0%		100.0%	

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the College, calculated using the current discount rate depending on the plan option, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019

1.00 percent decrease (5.00-6.05 percent)	Current discount rate (6.00-7.05 Percent)	1.00 percent increase (7.00-8.05 percent)
$ 175,070,935	$ 133,344,428	$ 98,676,484

2018

1.00 percent decrease (6.00-6.50 percent)	Current discount rate (7.00-7.50 Percent)	1.00 percent increase (8.00-8.50 percent)
$ 152,184,691	$ 116,825,440	$ 87,055,203

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the College, calculated using the current discount rate, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019

1.00 percent decrease (6.15 percent)	Current discount rate (7.15 Percent)	1.00 percent increase (8.15 percent)
$ 41,526,187	$ 34,591,329	$ 28,758,266

2018

1.00 percent decrease (6.50 percent)	Current discount rate (7.50 Percent)	1.00 percent increase (8.50 percent)
$ 46,894,839	$ 40,036,949	$ 34,216,748

Notes to Financial Statements

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the net OPEB liability of the College, calculated using the current healthcare cost trend rate, as well as what the College's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

2019

1.00 percent decrease (6.50 percent)	Current healthcare cost trend rate (7.50 Percent)	1.00 percent increase (8.50 percent)
$ 28,450,987	$ 34,591,329	$ 41,635,555

2018

1.00 percent decrease (6.50 percent)	Current healthcare cost trend rate (7.50 Percent)	1.00 percent increase (8.50 percent)
$ 33,905,914	$ 40,036,949	$ 46,998,312

Pension Plan and OPEB Plan Fiduciary Net Position
Detailed information about the plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension and OPEB Plan
At June 30, 2019, the College reported a payable of $1,675,585 and $149,572 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2019. At June 30, 2018, the College reported a payable of $1,181,557 and $142,723 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2018.

Defined Contribution Pension Plan
Full-time faculty, administrators and full-time classified employees may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Under ORP, the College contributes 12.00%, and the participant contributes 4.00% of the participant's compensation. Compensation covered under the plan for the year ended June 30, 2019 was approximately $10,537,000, resulting in contributions of approximately $1,264,000 and $421,000 for the College and employee, respectively. Compensation covered under the plan for the year ended June 30, 2018 was approximately $9,065,000, resulting in contributions of approximately $1,088,000 and $363,000 for the College and employee, respectively.

Note 4 - Risk Management
The College is exposed to various risks of loss related to property loss, general liability, errors and omissions, workers' compensation as well as medical benefits provided to employees. The College is self-insured for vision benefits and is partially self-insured for workers' compensation to a maximum of $400,000 for each claim and, in the aggregate, for claims up to $1,000,000 for the two-year insurance policy periods through June 30, 2018 and June 30, 2020.

The College is self-insured for medical benefits for substantially all employees with a maximum of $170,000 for each claim and up to $3,634,451 for calendar year 2019 and up to $3,509,618 for calendar year 2018 in the aggregate. Claims are funded by the College and paid by the plan administrator on a fiscal year basis. Actual payments are based on claims filed. The College pays administrative costs of the plan up to their obligation under PA152.

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

The College and nineteen other Michigan community colleges have formed MCCRMA to provide liability, vehicle physical damage and property and crime insurances. For the year ended June 30, 2019, the College is responsible for a self-insured retention (SIR) of $25,000 per occurrence and $75,000 in the aggregate. Claims in excess of the SIR are covered by the Authority and are reinsured through third party insurance

Notes to Financial Statements

carriers, up to coverage limits of $15 million for liability, $300,000 per vehicle and $650,000 per disaster for vehicle physical damage, and $282 million aggregate for property and crime coverage of buildings and personal property. The College made contributions during the years ended June 30, 2019 and 2018 to the Authority of approximately $334,000 and $340,000 respectively for insurance coverage.

Changes in the estimated self-insured liabilities are as follows:

	2019	2018	2017
Balance, beginning of year	$ 456,793	$ 435,109	$ 197,765
Claims incurred and changes in estimates	2,929,862	2,543,693	2,646,723
Claims and premium payments	(2,903,331)	(2,522,009)	(2,409,379)
Balance, end of year	$ 483,324	$ 456,793	$ 435,109

Note 5 - Fair Value Measurements

The College and its Component Units categorize their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets that the College has the ability to access; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The College's and Component Unit's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The College has the following recurring fair value measurements as of June 30, 2019 and 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt Securities				
Federal government agency securities	$ 9,954,969	$ -	$ 9,954,969	$ -
Total investments by fair value level	$ 9,954,969	$ -	$ 9,954,969	$ -
Total investments measured at fair value	$ 9,954,969			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Debt Securities				
Federal government agency securities	$ 12,933,434	$ -	$ 12,933,434	$ -
Total investments by fair value level	$ 12,933,434	$ -	$ 12,933,434	$ -
Total investments measured at fair value	$ 12,933,434			

The fair value of the Federal government agency securities at June 30, 2019 and 2018, were determined primarily based on level 2 inputs. The College estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Notes to Financial Statements

The Development Component Units have the following recurring fair value measurements as of June 30, 2019 and 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity Securities				
Publicly traded stocks	$ 4,224,021	$ 4,224,021	$ -	$ -
Exchange traded funds	782,789	782,789	-	-
Total investments by fair value level	$ 5,006,810	$ 5,006,810	$ -	$ -
Total investments measured at fair value	$ 5,006,810			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity Securities				
Publicly traded stocks	$ 3,748,546	$ 3,748,546	$ -	$ -
Exchange traded funds	665,457	665,457	-	-
Total investments by fair value level	$ 4,414,003	$ 4,414,003	$ -	$ -
Total investments measured at fair value	$ 4,414,003			

Equity securities classified in level 1 are valued using prices quoted in active markets for those securities.

The Foundation has the following recurring fair value measurements as of June 30, 2019 and 2018:

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2019

		Fair Value Measurements Using		
	Balance at June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity Securities				
Domestic mutual funds	$ 5,946,539	$ 5,946,539	$ -	$ -
International mutual funds	5,313,309	5,313,309	-	-
Fixed Income Mutual Funds	2,435,350	2,435,350	-	-
Real Assets Mutual Funds	728,097	728,097	-	-
Diversifying Strategies Mutual Funds	518,041	518,041	-	-
Money Market Mutual Fund	106,071	106,071	-	-
Assets Held Under Charitable Remainder Unitrust	88,486	-	88,486	-
Beneficial Interest in Remainder Trusts	7,442	-	-	7,442
Total investments by fair value level	$ 15,143,335	$ 15,047,407	$ 88,486	$ 7,442
Total investments measured at fair value	$ 15,143,335			

Notes to Financial Statements

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2018

		Fair Value Measurements Using		
	Balance at June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
Equity Securities				
Domestic mutual funds	$ 4,153,448	$ 4,153,448	$ -	$ -
International mutual funds	5,323,953	5,323,953	-	-
Fixed Income Mutual Funds	2,227,010	2,227,010	-	-
Real Assets Mutual Funds	1,536,875	1,536,875	-	-
Diversifying Strategies Mutual Funds	1,352,558	1,352,558	-	-
Money Market Mutual Fund	78,019	78,019	-	-
Assets Held Under Charitable Remainder Unitrust	90,811	-	90,811	-
Beneficial Interest in Remainder Trusts	6,980	-	-	6,980
Total investments by fair value level	$ 14,769,654	$ 14,671,863	$ 90,811	$ 6,980
Total investments measured at fair value	$ 14,769,654			

The following tables summarize the valuation methods and inputs used to determine fair value at June 30, 2019 for assets measured at fair value on a recurring basis using unobservable inputs (Level 3 inputs).

Asset	Valuation Technique	Significant Unobservable Inputs Used	Range (Weighted Average)
Beneficial interest in remainder trust	Discounted Cash Flow	Discount Rate Life expectancy of beneficiary Fair value of trust assets	3.11% 15 years

The Foundation has processes in place to select the appropriate valuation technique and unobservable inputs to perform Level 3 fair value measurements. These processes include management's review of annual statements from the outside trustee for the beneficial interest in remainder trust. The Foundation cannot independently assess the value of these underlying positions through a public exchange or over the counter market.

For the year ended June 30, 2019, changes in level 3 assets measured at fair value on a recurring basis included an unrealized gain of $462. For the year ended June 30, 2018, changes in level 3 assets measured at fair value on a recurring basis included an unrealized loss of $10,075.

Note 6 - Commitments, Contingencies and Capital Outlay

The College is involved in various legal proceedings which have arisen in the normal course of operations. Management does not believe that the ultimate resolution of these proceedings will have a material effect on the College's financial position.

The College has entered into construction contracts and commitments totaling approximately $5,252,000 for the Applied Science State Capital Outlay, Wireless Upgrade, and STEM Center projects. As of June 30, 2019 the College incurred $3,294,000 relating to these projects. The projects are expected to be completed at various points during the year ending June 30, 2020 and beyond.

Notes to Financial Statements

Note 7 - Property and Equipment
The following tables presents the changes in the various fixed asset class categories for the College for the years ended June 30, 2019 and June 30, 2018:

Year ended June 30, 2019	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	$ 1,831,228	$ -	$ -	$ 1,831,228	
Construction in Progress	65,195	3,754,507	(525,551)	3,294,151	
Total Nondepreciable Capital Assets	1,896,423	3,754,507	(525,551)	5,125,379	
Depreciable Capital Assets					
Land Improvements	20,698,138	-	-	20,698,138	10-30
Buildings and Improvements	141,404,388	525,551	-	141,929,939	10-40
Infrastructure	7,057,360	-	-	7,057,360	20
Furniture, Fixtures and Equipment	26,193,802	1,723,054	(1,412,311)	26,504,545	5-7
Total Depreciable Capital Assets	195,353,688	2,248,605	(1,412,311)	196,189,982	
Total Capital Assets	197,250,111	6,003,112	(1,937,862)	201,315,361	
Less Accumulated Depreciation					
Land Improvements	6,420,964	628,771	-	7,049,735	
Buildings and Improvements	45,607,427	3,330,297	-	48,937,724	
Infrastructure	3,378,622	324,160	-	3,702,782	
Furniture, Fixtures and Equipment	19,350,815	2,903,747	(1,401,295)	20,853,267	
Total Accumulated Depreciation	74,757,828	7,186,975	(1,401,295)	80,543,508	
Total Capital Assets, Net	$ 122,492,283	$ (1,183,863)	$ (536,567)	$ 120,771,853	

Year ended June 30, 2018	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	$ 1,831,228	$ -	$ -	$ 1,831,228	
Construction in Progress	432,993	1,714,963	(2,082,761)	65,195	
Total Nondepreciable Capital Assets	2,264,221	1,714,963	(2,082,761)	1,896,423	
Depreciable Capital Assets					
Land Improvements	20,392,654	305,484	-	20,698,138	10-30
Buildings and Improvements	139,969,001	1,435,387	-	141,404,388	10-40
Infrastructure	6,715,473	341,887	-	7,057,360	20
Furniture, Fixtures and Equipment	25,754,529	1,421,535	(982,262)	26,193,802	5-7
Total Depreciable Capital Assets	192,831,657	3,504,293	(982,262)	195,353,688	
Total Capital Assets	195,095,878	5,219,256	(3,065,023)	197,250,111	
Less Accumulated Depreciation					
Land Improvements	5,797,284	623,680	-	6,420,964	
Buildings and Improvements	42,306,175	3,301,252	-	45,607,427	
Infrastructure	3,062,741	315,881	-	3,378,622	
Furniture, Fixtures and Equipment	17,590,461	2,733,806	(973,452)	19,350,815	
Total Accumulated Depreciation	68,756,661	6,974,619	(973,452)	74,757,828	
Total Capital Assets, Net	$ 126,339,217	$ (1,755,363)	$ (2,091,571)	$ 122,492,283	

Equipment under capital lease (see Note 9) totaled $7,878,995 and $7,040,381 at June 30, 2019 and 2018, respectively. Amortization of the equipment under capital lease totaled $1,508,853 and $1,427,644 for the years ended June 30, 2019 and 2018, respectively. The amortization is included in the depreciation expense above. Accumulated amortization of the assets under capital lease is $5,749,558 and $4,240,705 at June 30, 2019 and 2018, respectively.

Buildings and improvements under capital lease (see Note 9) totaled $6,000,000 at both June 30, 2019 and 2018. Amortization of the buildings and improvements under capital lease totaled $240,000 for the years ended June 30, 2019 and 2018, respectively. The amortization is included in the depreciation expense above.

Notes to Financial Statements

Accumulated amortization of the asset under capital lease is $640,000 and $400,000 at June 30, 2019 and 2018, respectively.

The following table presents the changes in the various fixed asset class categories for the Development Component Units for the years ended June 30, 2019 and 2018:

Year ended June 30, 2019	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Construction in Progress	2,910	96,936	(2,910)	96,936	
Total Nondepreciable Capital Assets	2,910	96,936	(2,910)	96,936	
Depreciable Capital Assets					
Land Improvements	3,977,821	27,433	-	4,005,254	9-20
Buildings and Improvements	27,530,994	-	-	27,530,994	40
Equipment	155,986	24,660	-	180,646	5-30
Total Depreciable Capital Assets	31,664,801	52,093	-	31,716,894	
Total Capital Assets	31,667,711	149,029	(2,910)	31,813,830	
Less Accumulated Depreciation					
Land Improvements	274,574	222,881	-	497,455	
Buildings and Improvements	697,623	688,275	-	1,385,898	
Equipment	15,173	26,595	-	41,768	
Total Accumulated Depreciation	987,370	937,751	-	1,925,121	
Total Capital Assets, Net	$ 30,680,341	$ (788,722)	$ (2,910)	$ 29,888,709	

Year ended June 30, 2018	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Construction in Progress	-	2,910	-	2,910	
Total Nondepreciable Capital Assets	-	2,910	-	2,910	
Depreciable Capital Assets					
Land Improvements	3,913,547	64,274	-	3,977,821	9-20
Buildings and Improvements	27,297,421	233,573	-	27,530,994	40
Equipment	-	155,986	-	155,986	5-30
Total Depreciable Capital Assets	31,210,968	453,833	-	31,664,801	
Total Capital Assets	31,210,968	456,743	-	31,667,711	
Less Accumulated Depreciation					
Land Improvements	52,414	222,160	-	274,574	
Buildings and Improvements	9,348	688,275	-	697,623	
Equipment	-	15,173	-	15,173	
Total Accumulated Depreciation	61,762	925,608	-	987,370	
Total Capital Assets, Net	$ 31,149,206	$ (468,865)	$ -	$ 30,680,341	

Note 8 - Federal Loan Programs

The College participates in the U.S. Department of Education William D. Ford direct lending program and disbursed $8,563,016 and $8,403,776 for the years ended June 30, 2019 and 2018, respectively, for student loans. These distributions and related funding source are not included as expenses and revenue in the accompanying financial statements because they are considered agency transactions.

Notes to Financial Statements

Note 9 - Long-Term Liabilities

Long-Term liability activity for the College for the years ended June 30, 2019 and 2018 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Year ended June 30, 2019					
Accrued Severance Pay	$ 903,778	$ 170,464	$ 43,954	$ 1,030,288	$ -
Accrued Early Retirement Payable	2,960,530	-	1,338,979	1,621,551	1,336,480
Capital Lease Payable - Equipment	3,991,405	813,377	2,112,938	2,691,844	2,421,297
Capital Lease Payable - Building	5,880,124	-	37,646	5,842,477	43,115
Bonds Payable	20,067,543	9,997,400	1,659,583	28,405,362	1,906,620
Total Long Term Liabilities	$ 33,803,380	$ 10,981,241	$ 5,193,100	$ 39,591,522	$ 5,707,512
Year ended June 30, 2018					
Accrued Severance Pay	$ 1,054,023	$ 53,894	$ 204,139	$ 903,778	$ -
Accrued Early Retirement Payable	3,727,867	-	767,337	2,960,530	1,338,979
Capital Lease Payable - Equipment	5,318,180	-	1,326,775	3,991,405	1,819,829
Capital Lease Payable - Building	5,912,995	-	32,871	5,880,124	37,646
Bonds Payable	21,690,089	-	1,622,546	20,067,543	1,657,546
Total Long Term Liabilities	$ 37,703,154	$ 53,894	$ 3,953,668	$ 33,803,380	$ 4,854,000

Accrued Severance Pay – The College provides termination benefits to certain employees upon departure from the College resulting from years of service under the vesting method. Under the vesting method, the liability is accrued for employees based on the amount eligible and certain assumptions used to determine probability of reaching the criteria required for eligibility.

Accrued Early Retirement Payable – During the year ended June 30, 2017, the College offered an early retirement incentive to employees meeting certain requirements. For eligible employees, the amount payable by the College amounts to one year of salary up to $90,000 payable to the employee over 5 years.

Capital Leases Payable – During the year ended June 30, 2019, the College signed an agreement with a vendor to upgrade the College's wireless network through installation and implementation of hardware and software campus-wide. The College then entered into a lease arrangement with a financial institution, which is classified as a capital lease. At the end of the lease term, the College has the option to purchase the assets subject to the lease for $1 or return all products to the lessor. As of June 30, 2019, the College has fully drawn down the authorized principal amount of $879,326. The primary equipment provider of the project offered the College a discount of $65,949, which was paid directly to the financial institution and reflected as a reduction of principal during the year ended June 30, 2019. As of June 30, 2019, the College's outstanding lease liability is $520,268. The capital lease is listed as a long-term liability and the related asset is listed as equipment. The College is required to meet certain financial covenants in accordance with the lease agreement. The interest rate is 5.3%. Interest expense related to the capital lease was $12,075 for the year ended June 30, 2019.

Under the lease agreement, the future minimum lease payments are as follows:

Year Ending June 30	Payments
2020	293,109
2021	293,109
Total Payments	$ 586,218
Amount representing interest	(65,950)
Total	$ 520,268

During the year ended June 30, 2015, the College signed agreements with two vendors to upgrade the College's network through installation and implementation of hardware and software, which included desktop virtualization as well as network equipment enhancements campus-wide. The College then entered into a lease arrangement with a financial institution, which is classified as a capital lease. Ownership of the network equipment will eventually pass to the College after completion of the lease term or upon full payment by the College of all lease payable related to the project, whichever comes first. As of June 30, 2019 and 2018, the College's outstanding lease liability is $2,171,576 and $3,991,405 respectively. The capital lease is listed as a long-term liability and the related asset is listed as equipment. The College is required to meet certain financial covenants in accordance with the lease agreement. The interest rate is 2.4%. Interest expense

Notes to Financial Statements

related to the capital lease was $73,655 and $113,037 for the year ended June 30, 2019 and 2018, respectively.

Under the lease agreement, the final minimum lease payment of $2,225,085 is due the year ending June 30, 2020. Of that amount, $53,508 represents interest expense.

During the year ended June 30, 2017, the College signed an agreement with SC College Dome LLC to lease the St. Joe's Sports Dome, which is classified as a capital lease. As of June 30, 2019 and 2018, the College's outstanding lease liability is $5,842,478 and $5,880,124, respectively. The capital lease is listed as a long-term liability and the related asset is listed as buildings and improvements. The imputed interest rate is 13.64%. Interest expense related to the capital lease was $799,430 and $804,260 for the years ended June 30, 2019 and 2018, respectively.

Under the lease agreement, the future minimum lease payments are as follows:

Year Ending June 30	Payments
2020	837,504
2021	837,504
2022	837,504
2023	837,504
2024	837,504
Thereafter	14,516,736
Total Payments	$ 18,704,256
Amount representing interest	(12,861,778)
Total	$ 5,842,478

Bonds Payable – During 2013, the College issued $18.0 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on March 27, 2013. The total amount of $11,850,803 including unamortized bond premium of $110,803, was outstanding as of June 30, 2019. The total amount of $12,983,347 including unamortized bond premium of $123,347, was outstanding as of June 30, 2018. Bond principal payments are due annually each May through maturity in fiscal year 2028. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 3.0%.

During 2016, the College issued $8.045 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on March 23, 2016. The total amount of $6,559,194 including unamortized bond premium of $59,195, was outstanding as of June 30, 2019. The total amount of $7,084,196 including unamortized bond premium of $64,196, was outstanding as of June 30, 2018. Bond principal payments are due annually each May through maturity in fiscal year 2031. Interest payments are due semi-annually through maturity at rates ranging from 2.0% to 2.5%.

During 2019, the College issued $10.0 million in general obligation, limited-tax bonds, for various construction projects, as authorized by the Board of Trustees on November 14, 2018. The total amount of $9,995,365 including unamortized bond premium of $75,365, was outstanding as of June 30, 2019. Bond principal payments are due annually each May through maturity in fiscal year 2038. Interest payments are due semi-annually through maturity at rates ranging from 3.0% to 3.5%.

As of June 30, 2019 bond maturities are as follows:

Year	Principal	Interest	Total
2020	1,906,620	732,382	2,639,002
2021	2,151,620	692,582	2,844,202
2022	2,201,620	645,832	2,847,452
2023	2,256,620	597,982	2,854,602
2024	2,311,620	548,882	2,860,502
2025 - 2029	10,903,465	1,859,407	12,762,872
2030 - 2034	4,034,540	773,356	4,807,896
2035 - 2038	2,639,258	230,163	2,869,421
	$ 28,405,362	$ 6,080,584	$ 34,485,946

Notes to Financial Statements

Long-Term liability activity for the Development Component Units for the years ended June 30, 2019 and 2018 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Year ended June 30, 2019					
Direct Borrowings-Mortgage Payable	$ 23,345,740	$ -	$ 689,697	$ 22,656,043	$ 775,363
Total Long Term Liabilities	$ 23,345,740	$ -	$ 689,697	$ 22,656,043	$ 775,363
Year ended June 30, 2018					
Direct Borrowings-Mortgage Payable	$ 23,401,202	$ -	$ 55,462	$ 23,345,740	$ 689,696
Total Long Term Liabilities	$ 23,401,202	$ -	$ 55,462	$ 23,345,740	$ 689,696

Mortgage Payable – During 2016, 7 Delta issued two series of senior secured bank notes directly to a bank totaling $23,401,202 for construction of a building. Mortgage principal payments on series A1, with a loan amount of $19,401,202, are due monthly beginning June 15, 2018 through maturity in fiscal year 2032. Interest payments on series A1 are due monthly through maturity in fiscal year 2032 at a rate of 5.56%. Only one mortgage principal payment on series A2, with a loan amount of $4,000,000, is due upon maturity in fiscal year 2032. Interest payments on series A2 are due monthly through maturity in fiscal year 2032 at a rate of 6.17%. The notes are secured by substantially all assets of 7 Delta. In addition, all leases and rental income received by 7 Delta are assigned to the notes. The notes are guaranteed by an owner of the co-member of 7 Delta and are subject to certain covenants. Outstanding amounts become immediately due in an event of default.

As of June 30, 2019 mortgage maturities are as follows:

Year	Principal	Interest	Total
2020	775,363	1,264,610	2,039,973
2021	865,916	1,219,215	2,085,131
2022	961,634	1,168,656	2,130,290
2023	1,062,812	1,112,636	2,175,448
2024	1,169,761	1,050,846	2,220,607
2025 - 2029	7,679,151	4,101,260	11,780,411
2030 - 2032	10,141,406	1,250,135	11,391,541
	$ 22,656,043	$ 11,167,358	$ 33,823,401

Note 10 - Tax Abatements

The College receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions (PA 198 of 1974) and Brownfield Redevelopment Agreements granted by cities and townships within Wayne County that impact the College. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal years ended June 30, 2019 and 2018, the College's property tax revenues were reduced by $274,938 and $263,010, respectively, under these programs.

There are no abatements made by the College.

Note 11 - Development Component Units

The SDA leases land from the College. The first lease, dated March 11, 1987, is for 74 years and requires annual payments of $1. The second lease, dated June 17, 2003, is for 77 years and requires annual payments of $1. The SDA may use the land for the construction, maintenance and operation of certain commercial real estate. At the end of the lease term the land and improvements revert to the College.

The SDA has entered into sublease agreements with unrelated third parties.

On October 8, 2015, the SDA entered into an amended restated and consolidated ground sublease. In connection with the lease restatement, the tenant paid $2.3 million to extend the term of the lease to September 30, 2114. This payment is being amortized over the life of the lease on a straight-line basis. The

Notes to Financial Statements

sublease agreement provides for base quarterly rental payments due in advance on June 30, September 30, December 31 and March 31. Per the amended restated and consolidated ground sublease, the tenant is entitled to a base rent credit on four quarterly installments for each lease year that the tenant is not profitable. The base rent credit will be $10,000 during any of the first 10 lease years and will increase by $10,000 during each subsequent 10 lease year period.

The following is a summary of the leases, including the base rent rates for lease years 1-10:

Lease	Acres	Quarterly Base Rent
Parcel 1	5.7	$24,786
Parcel 2	6.4	28,173
Parcel 3	.8	14,944
Parcel 4	3.4	4,398

Minimum future lease receipts, excluding amortization of the lease extension payments as described above, are as follows:

Years Ending June 30	Amount
2020	289,204
2021	289,204
2022	289,204
2023	289,204
2024	289,204
Thereafter	30,582,935

On July 30, 2003 the SDA entered into a lease agreement with an unrelated third party to sublease approximately 45 acres of land owned by the College. The lease agreement is for 75 years. The sublease agreements provide for base quarterly rental payments due in advance on June 30, September 30, December 31 and March 31. The rental payment for 2009/10 was approximately $576,000 increasing by 1% per year for the next 16 years, increasing by $100,000 in year 18, and then increasing by ½% per year for the next 57 years. In April 2016, one of the units defaulted back to the College as allowed by the agreement, reducing the lease payments by approximately $64,000 per year beginning in 2016.

Minimum future lease receipts are as follows:

Years Ending June 30	Amount
2020	592,760
2021	622,174
2022	625,220
2023	628,281
2024	631,357
Thereafter	39,117,890

SCDU 14 leases land from the College. The lease, dated October 2, 2015, is for 75 years and requires annual payments of $220,000 increasing by 1%; however, rent is abated to $1 for the first 30 years of the lease and for each year thereafter provided that 7 Delta is still the subtenant of the lease and is not in default. SCDU 14 may use the land to enter into the partnership described in Note 1. At the end of the lease term the land and improvements revert to the College. SCDU 14 then subleased the land to 7 Delta. The sublease, also dated October 2, 2015, is for 75 years and has the same payment terms as the ground lease.

On October 2, 2015, 7 Delta entered into a lease agreement with an unrelated third party for real estate, including an office building, to be built on College owned land, specifically unit 14. The lease agreement is for 15 years, with three options to extend the lease for a period of 5 years each, and commenced on June 1, 2017. The lease agreement provides for base monthly rental payments due in advance during the term of the lease. The base rent, expressed as dollars per square foot, was $0 for the first 12 months of the term and for months 13-24 of the term was $167,997 per month. Beginning with the 25th month of the lease, the base rent shall be increased annually by $0.50 per square foot of the actual gross area of 91,220 square feet. Under

Notes to Financial Statements

the sublease, 7 Delta is responsible for constructing the building and related land improvements. The College, as the original ground lessor, is responsible for constructing and maintaining certain land improvements, for which the unrelated third party will pay an annual 5% maintenance fee to the College.

Minimum future lease receipts are as follows:

Years Ending June 30	Amount
2020	2,065,373
2021	2,110,983
2022	2,156,593
2023	2,202,203
2024	2,247,813
Thereafter	19,403,254

SCSD leases land from the College. The lease, dated June 23, 2016, is for 50 years and requires annual payments of $1. SCSD may use the land to enter into the partnership described in Note 1. At the end of the lease term the land and improvements revert to the College. SCSD then subleased the land to SCCD. The sublease, also dated June 23, 2016, is for 50 years and requires annual payments of $1. The sublease may be terminated by SCSD or SCCD after the later of 25 years or the date the dome being built on the land is no longer reasonably operational.

On June 23, 2016, SCCD entered into a master lease agreement with Schoolcraft College for use of the Soccer Dome. The lease agreement is for 25 years and commenced on November 4, 2016. The lease agreement provides for base monthly rental payments due in advance of $69,792 or $837,500 per year, and has been classified as a capital lease. SCCD has recognized a capital lease receivable of $5,842,478 and $5,880,124 as of June 30, 2019 and 2018, respectively, which represents the net present value of the future minimum lease payments. The schedule of the future minimum lease payments is described in more detail in Note 9. On December 22, 2015, the College entered into a sublease agreement with a third party Soccer Club. The sublease agreement is for 25 years and is for use of the dome facilities during specific times each week. The base rent, payable in monthly installments of $35,417 or $425,000 per year, commenced on November 1, 2016 and is due on the first day of each month thereafter. According to the sublease agreement, the rent is to increase 1.0% each lease year from month 37 through month 180, and 2.0% each lease year from month 181 until the end of the lease term. The tenant will also pay the College $37,500 in turf maintenance fees annually, increasing 1.0% each lease year from month 13 through month 180, and 2.0% each lease year from month 181 until the end of the lease term. The tenant also paid a security deposit of $231,250 during the year ended June 30, 2016.

Minimum future lease receipts are as follows:

Years Ending June 30	Amount
2020	466,342
2021	471,006
2022	475,714
2023	480,473
2024	485,277
Thereafter	9,539,710

Note 12 - Related Party Transactions

Under the terms of the 7 Delta operating agreement, a development fee equal to 5% of the total hard construction costs is payable to the owners for management and development services performed during construction. This amount is to be paid to the minority owner and subsequently, 30% is to be paid by the minority owner to SDM. During the year ended June 30, 2018, it was determined that final total hard construction costs were $22,701,249, resulting in payments from 7 Delta of $794,543 to the minority owner and $340,519 to SDM.

Under the terms of the SCCD operating agreement, a preferred return of 10% per annum is incurred on the first $5 million of the minority owner's contributed capital until the capital is returned. During the year ended June 30, 2019, $600,000 was distributed and $150,000 was payable as of June 30, 2019. During the year ended June 30, 2018, $595,889 was distributed and $150,000 was payable as of June 30, 2018. Additional distributions of $110,099 in 2019 and $102,434 in 2018 were also made to the minority owner based on

Notes to Financial Statements

provisions of the operating agreement with $30,607 and $45,110 payable as of June 30, 2019 and 2018, respectively.

The College provided security and IT services totaling $57,359 and $68,780 to SCTC during the year ended June 30, 2019 and 2018, respectively, which are payable from SCTC to the College at each respective year end.

The College provided construction funding totaling $75,816 and $21,120 to SCH and SCH II, respectively, during the year ended June 30, 2019. These amounts are reported as related party payable on both SCH and SCH II's statement of net position, which will be subsequently paid back to the College during the year ending June 30, 2020 when financing specific to the development component units is secured.

See Note 9 and Note 11 for a description of the capital lease between the College and SCCD.

See Note 13 for a description of the transactions between the College and the Foundation.

Note 13 - Schoolcraft College Foundation

Schoolcraft College Foundation (Foundation) is a separate legal entity established as a 501(c)3 not–for–profit corporation and governed by its own Board of Governors to accept, collect, hold and invest donations made for the promotion of educational and cultural activities. The College receives support from the Foundation whose bylaws require that the Foundation's net assets be used solely for the benefit of Schoolcraft College. During the years ended June 30, 2019 and 2018 the College and its students received support from the Foundation of approximately $653,000 and $585,000 respectively. The College provides supervisory and clerical staff and office space to the Foundation at no charge, valued at approximately $605,000 and $590,000 for the year ended June 30, 2019 and 2018, respectively. One member of the College Board of Trustees, the College president and the College Executive Director of Development are ex-officio members of the Foundation Board of Governors.

The Foundation financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the College's financial report to account for these differences.

Required Supplementary Information

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

	As of September 30				
	2018	2017	2016	2015	2014
College's proportion of the collective MPSERS net pension liability: As a percentage	0.44357%	0.45082%	0.43904%	0.41995%	0.41935%
Amount	$ 133,344,428	$ 116,825,440	$ 109,537,407	$ 102,572,130	$ 92,367,456
College's covered-employee payroll	$ 37,164,747	$ 38,344,336	$ 37,139,786	$ 35,623,198	$ 35,788,975
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	358.79%	304.67%	294.93%	287.94%	258.09%
MPSERS fiduciary net position as a percentage of the total pension liability	62.12%	63.96%	63.01%	63.17%	66.20%

Schedule of College Contributions - Pension:

	As of June 30				
	2019	2018	2017	2016	2015
Statutorily required contribution	11,022,048	11,182,180	10,780,622	10,174,578	8,313,567
Contributions in relation to the actuarially determined contractually required contribution	11,022,048	11,182,180	10,780,622	10,174,578	8,313,567
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	$ 35,753,783	$ 37,475,378	$ 39,285,558	$ 36,796,837	$ 35,928,448
Contributions as a percentage of covered-employee payroll	30.83%	29.84%	27.44%	27.65%	23.14%

Schedule of College's Proportionate Share of Net OPEB Liability:

	As of September 30	
	2018	2017
College's proportion of the collective MPSERS net OPEB liability: As a percentage	0.43517%	0.45212%
Amount	$ 34,591,329	$ 40,036,949
College's covered-employee payroll	$ 37,164,747	$ 38,344,336
College's proportionate share of the collective OPEB liability (amount), as a percentage of the College's covered-employee payroll	93.08%	104.41%
MPSERS fiduciary net position as a percentage of the total OPEB liability	43.10%	36.53%

Schedule of College Contributions - OPEB:

	As of June 30	
	2019	2018
Statutorily required contribution	2,782,315	2,686,750
Contributions in relation to the actuarially determined contractually required contribution	2,782,315	2,686,750
Contribution deficiency (excess)	-	-
Covered employee payroll	$ 35,733,783	$ 37,475,378
Contributions as a percentage of covered-employee payroll	7.79%	7.17%

Notes to Required Supplementary Information

Pension Information

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of assumptions for the plan years ended September 30, except for the following:

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45%.

2017 - The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50%.

OPEB Information

Benefit Changes

There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions

There were no changes of assumptions for the plan years ended September 30, except for the following:

2018 - The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35%.

Consolidating Statement of Net Position

As of June 30, 2019 (With Comparative Totals for 2018)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	College Combined Total 2019	College Combined Total 2018
Assets									
Current Assets									
Cash and cash equivalents	$ 3,749,813	$ 4,813,349	$ 2,368,405	$ -	$ -	$ -	$ 59,114	$ 10,990,681	$ 10,638,615
Property taxes receivable	631,460	-	-	-	-	-	-	631,460	559,996
State appropriation receivable	3,361,454	-	-	-	-	-	-	3,361,454	3,272,574
Accounts receivable	1,787,054	436,105	103,422	-	-	96,936	-	2,423,517	1,894,448
Accrued interest receivable	9,435	-	-	-	-	-	-	9,435	26,299
Federal and state grants receivable	-	-	-	875,343	-	-	-	875,343	787,771
Student loans receivable	-	-	-	-	16,250	-	-	16,250	16,250
Inventories	338,806	-	1,076,413	-	-	-	-	1,415,219	1,493,993
Prepaid expenses and other assets	688,610	-	-	-	-	-	-	688,610	762,362
Deposits	509,512	-	-	-	-	-	-	509,512	499,532
Due from (to) other funds	5,431,034	-	-	(655,390)	-	(4,775,644)	-	-	-
Total Current Assets	16,507,178	5,249,454	3,548,240	219,953	16,250	(4,678,708)	59,114	20,921,481	19,951,840
Noncurrent Assets									
Restricted cash and cash equivalents	-	-	-	-	-	7,193,636	-	7,193,636	-
Long-term investments	4,392,212	2,269,693	1,116,798	-	-	2,176,266	-	9,954,969	12,933,434
Property and Equipment:									
Land and improvements	-	-	-	-	-	15,479,632	-	15,479,632	16,108,403
Infrastructure	-	-	-	-	-	3,354,579	-	3,354,579	3,678,739
Buildings and improvements	-	-	-	-	-	92,992,214	-	92,992,214	95,796,960
Equipment	-	-	-	-	-	5,651,277	-	5,651,277	6,842,986
Construction in progress	-	-	-	-	-	3,294,151	-	3,294,151	65,195
Total Property and Equipment	-	-	-	-	-	120,771,853	-	120,771,853	122,492,283
Total Assets	20,899,390	7,519,147	4,665,038	219,953	16,250	125,463,047	59,114	158,841,939	155,377,557
Deferred Outflows of Resources	50,015,970	-	-	-	-	-	-	50,015,970	30,362,153

Consolidating Statement of Net Position (Continued)

As of June 30, 2019 (With Comparative Totals for 2018)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	College Combined Total 2019	College Combined Total 2018
Liabilities									
Current Liabilities									
Current portion of debt obligations	$ -	$ -	$ -	$ -	$ -	$ 4,371,032	$ -	4,371,032	$ 3,515,021
Accounts payable	1,313,796	63,696	89,326	73,842	-	327,137	-	1,867,797	1,782,762
Accrued interest payable	-	-	66,418	-	-	156,587	-	223,005	189,034
Accrued payroll and other compensation	5,703,183	21,544	100,572	28,089	-	-	-	5,853,388	5,007,316
Accrued early retirement payable	1,336,480	-	-	-	-	-	-	1,336,480	1,338,979
Deposits	-	-	231,250	-	-	-	59,114	290,364	286,682
Unearned revenue	5,255,945	187,907	-	-	-	-	-	5,443,852	5,822,483
Total Current Liabilities	13,609,404	273,147	487,566	101,931	-	4,854,756	59,114	19,385,918	17,942,277
Noncurrent Liabilities									
Accrued early retirement payable	285,071	-	-	-	-	-	-	285,071	1,621,551
Net pension liability	133,344,428	-	-	-	-	-	-	133,344,428	116,825,440
Net OPEB liability	34,591,329	-	-	-	-	-	-	34,591,329	40,036,949
Long-term debt obligations	-	-	-	-	-	32,568,651	-	32,568,651	26,424,051
Accrued severance pay	1,030,288	-	-	-	-	-	-	1,030,288	903,778
Total Liabilities	182,860,520	273,147	487,566	101,931	-	37,423,407	59,114	221,205,685	203,754,046
Deferred Inflows of Resources	25,581,438	-	-	-	-	-	-	25,581,438	12,354,375
Net Position									
Net investment in capital assets	-	-	-	-	-	91,025,806	-	91,025,806	92,553,211
Restricted for:									
Expendable restricted grants	-	-	-	118,022	-	-	-	118,022	172,136
Unrestricted	(137,526,598)	7,246,000	4,177,472	-	16,250	(2,986,166)	-	(129,073,042)	(123,094,058)
Total Net Position	$ (137,526,598)	$ 7,246,000	$ 4,177,472	$ 118,022	$ 16,250	$ 88,039,640	$ -	$ (37,929,214)	$ (30,368,711)

Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position

For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total 2019	College Combined Total 2018
Revenue									
Operating Revenue									
Tuition and fees (Net of scholarship allowances of $10,264,683 in 2019 and $10,687,915 in 2018)	$ 41,696,700	$ 1,348,993	$ -	$ -	$ -	$ -	$ (10,264,683)	$ 32,781,010	$ 31,896,171
Federal grants and contracts	-	-	-	1,925,148	-	-	-	1,925,148	1,403,126
State and local grants and contracts	9,200	-	-	792,938	-	-	-	802,138	822,658
Nongovernmental grants	-	-	-	78,519	-	-	-	78,519	51,838
Auxiliary enterprises	-	-	7,783,166	-	-	-	(903,250)	6,879,916	6,853,487
Indirect cost recoveries	135,718	-	-	-	-	-	(135,718)	-	-
Gain on disposal of assets	-	-	-	-	-	20,957	-	20,957	15,864
Miscellaneous	1,552,536	3,324,926	17,213	117,983	-	318,772	(121,930)	5,209,500	6,163,217
Total Operating Revenue	43,394,154	4,673,919	7,800,379	2,914,588	-	339,729	(11,425,581)	47,697,188	47,206,361
Expenses									
Operating Expenses									
Instruction	35,729,967	768,937	52,535	731,167	-	-	(614,983)	36,667,623	35,471,932
Information Technology	7,363,139	312,070	3,426	-	-	-	(62,555)	7,616,080	7,392,438
Public service	1,461,305	1,333,753	359	829,670	-	-	(875,298)	2,749,789	2,819,419
Instructional support	12,599,738	495,817	232,486	638,094	-	-	(225,641)	13,740,494	13,935,529
Student services	11,785,372	1,424,218	7,325,837	13,383,136	-	-	(10,438,597)	23,479,966	23,649,316
Institutional administration	9,422,723	26,679	-	-	-	-	(92,472)	9,356,930	8,560,083
Operation and maintenance of plant	10,881,505	88,015	-	-	-	-	883,965	11,853,485	11,665,179
Depreciation	-	-	-	-	-	7,186,975	-	7,186,975	6,974,619
Total Operating Expenses	89,243,749	4,449,489	7,614,643	15,582,067	-	7,186,975	(11,425,581)	112,651,342	110,468,515
Operating Income (Loss)	(45,849,595)	224,430	185,736	(12,667,479)	-	(6,847,246)	-	(64,954,154)	(63,262,154)

Consolidating Statement of Revenue, Expenses, Transfers and Changes in Net Position (Continued)

For the Year Ended June 30, 2019 (With Comparative Totals for 2018)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total 2019	College Combined Total 2018
Nonoperating Revenue and (Expenses)									
State appropriations	$ 19,838,934	$ -	$ -	$ -	$ -	$ -	$ -	$ 19,838,934	$ 20,426,477
Property tax levy	24,947,116	-	-	-	-	-	-	24,947,116	23,981,659
Interest income	532,791	-	-	-	-	(5,464)	-	527,327	448,034
Interest expense	-	-	-	-	-	(1,478,272)	-	(1,478,272)	(1,378,955)
Unrealized gain (loss) on investments	1,162,105	-	-	-	-	(47,891)	-	1,114,214	(600,819)
Pell grants	-	-	-	12,194,332	-	-	-	12,194,332	12,655,518
Net Nonoperating Revenue and (Expenses)	46,480,946	-	-	12,194,332	-	(1,531,627)	-	57,143,651	55,531,914
(Loss) Gain Before Other Revenue and Expenses	631,351	224,430	185,736	(473,147)	-	(8,378,873)	-	(7,810,503)	(7,730,240)
Other Revenue and (Expenses)									
Transfers between College and component units	-	-	-	-	-	250,000	-	250,000	250,000
Total Other Revenue	-	-	-	-	-	250,000	-	250,000	250,000
Increase (Decrease) in Net Position	631,351	224,430	185,736	(473,147)	-	(8,128,873)	-	(7,560,503)	(7,480,240)
Transfers In (Out)	(4,827,306)	150,492	(388,901)	419,033	-	4,646,682	-	-	-
Net Increase (Decrease) in Net Position	(4,195,955)	374,922	(203,165)	(54,114)	-	(3,482,191)	-	(7,560,503)	(7,480,240)
Net Position - Beginning of Year	(133,330,643)	6,871,078	4,380,637	172,136	16,250	91,521,831	-	(30,368,711)	17,616,810
Adjustment for change in accounting principle	-	-	-	-	-	-	-	-	(40,505,281)
Net Position - Beginning of Year, As Restated	(133,330,643)	6,871,078	4,380,637	172,136	16,250	91,521,831	-	(30,368,711)	(22,888,471)
Net Position - End of Year	$ (137,526,598)	$ 7,246,000	$ 4,177,472	$ 118,022	$ 16,250	$ 88,039,640	$ -	$ (37,929,214)	$ (30,368,711)

On the Cover

The transformation of the Applied Science Building into the new Health Sciences Building, funded partially from capital outlay appropriations from the State of Michigan, to prepare the next generation of healthcare providers