Schoolcraft College

ANNUAL FINANCIAL REPORT

JUNE 30, 2018

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Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

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, 2018 and 2017, 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, 2018 and 2017 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.

Emphasis of Matter

As described in Note 1 to the basic financial statements, the College adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of July 1, 2017. Our opinion is not modified with respect to this matter.

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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 8, 2018 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 8, 2018

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, 2018 and 2017 and its financial activities for the three years ended June 30, 2018. 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 and footnotes 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. (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, 2018 and 2017. The Statement of Revenues, Expenses, and Changes in Net Position reports the change in net position for the years ended June 30, 2018 and 2017. The College's financial position deteriorated during the years ended June 30, 2018 and 2017 with net position decreasing by $7.5 million (before adjustment for the change in accounting principle) and $11.0 million, respectively.

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.

The decrease in 2017 is primarily due to decreases in enrollment combined with a modest increase in salaries and wages offset by increases in tuition and fees rates. An early retirement incentive was offered to employees meeting certain eligibility requirements which resulted in a decrease in net position of $3.7 million. Additionally, depreciation and interest expense also increased due to projects fully capitalized in 2016 and therefore depreciated for a full year in 2017. Finally, the effects of GASB 68, as fully explained in Note 3 of the financial statements resulted in a decrease in net position of $1.2 million.

Management's Discussion & Analysis - Unaudited

Following is a summary of the major components of the financial position of the College as of June 30, 2018, 2017 and 2016, in millions:

Financial Position (in millions)

	2018	2017	2016
Current assets	$ 20.0	$ 20.0	$ 24.9
Non-current assets			
Other	12.9	16.2	28.0
Capital assets	122.5	126.3	117.2
Total assets	155.4	162.5	170.1
Deferred outflow of resources	30.4	17.9	11.7
Current liabilities	16.6	14.8	19.2
Long-term liabilities	187.2	144.3	130.6
Total liabilities	203.8	159.1	149.8
Deferred inflow of resources	12.4	3.7	3.3
Net position			
Net investment in capital assets	92.6	93.4	95.6
Restricted	0.1	0.1	0.1
Unrestricted	(123.1)	(75.9)	(67.0)
Total net (deficit) position	$ (30.4)	$ 17.6	$ 28.7

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

During the year end June 30, 2017, total assets decreased by $7.5 million and total liabilities increased by $9.3 million. The primary changes in assets include decreases in unrestricted cash and investments of $5.7 million due to funding of operations and capital expenditures, a decrease in restricted cash and investments of $8.0 million due to the expenditure of bond proceeds, major capital expenditures and the resulting increase in capital assets of $9.2 million, and a decrease in long-term investments of $3.8 million due to unrealized investment losses and liquidating investments to help cover operations. The primary changes in liabilities include a decrease in accounts payable of $3.3 million due to timing of construction projects ongoing near year-end, an increase in both short-term and long-term debt obligations due to the 2017 capital lease relating to the St. Joe's Sports dome offset by principal payments made totaling $3.3 million, and increase in accrued payroll and other compensation of $2.2 million due to the aforementioned early retirement incentive combined with a decrease in accrued insurance payable, and an increase in net pension liability of $7.0 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.

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, 2017 deferred outflows increased by $6.2 million. The primary changes in deferred outflows was an increase of $552,000 due to changes in actuarial assumptions, an increase of $1.3 million due to differences between projected and actual earnings on pension plan assets, an increase of $3.5 million due to changes in proportionate share of the total net pension liability of the MPSERS plan, and an increase of $880,000 in College contributions subsequent to the measurement date of September 30, 2016.

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, 2017 deferred inflows increased by $434,000. The primary change in deferred inflows was an increase in state aid revenue allocated to fund the MPSERS unfunded actuarial accrued liability (UAAL) of $446,000 received subsequent to the measurement date of September 30, 2016.

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, 2018, 2017 and 2016, in millions:

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

	2018	2017	2016
Operating revenues			
Tuition and fees (net of scholarship allowance)	$ 31.9	$ 32.6	$ 29.4
Federal grants and contracts	1.4	2.1	1.7
State and other grants and contracts	0.9	0.9	0.7
Sales and services of auxiliary activities	6.8	7.9	7.5
Gain on disposal of assets	0.1	0.1	0.1
Miscellaneous	6.1	5.7	4.5
Total operating revenue	47.2	49.3	43.9
Operating expenses			
Instruction	34.9	34.3	32.6
Information Technology	7.9	6.2	6.0
Public services	2.8	2.8	2.2
Instructional support	13.9	13.1	12.2
Student services	23.7	24.8	24.5
Institutional administration	8.6	11.5	7.9
Operation and maintenance of plant	11.7	11.4	11.2
Depreciation	7.0	6.6	5.8
Total operating expenses	110.5	110.7	102.4
Net operating loss	(63.3)	(61.4)	(58.5)
Nonoperating revenues and (expenses)			
State appropriations	20.4	18.4	14.1
Property taxes	24.0	23.5	23.3
Pell grants	12.6	13.1	14.0
Other nonoperating revenues and (expenses) - net	(1.5)	(1.5)	1.2
Net nonoperating revenues	55.5	53.5	52.6
Other revenues			
Transfers between College and Development Component Units	0.3	(3.2)	(0.2)
Net decrease in net position	(7.5)	(11.1)	(6.1)
Net position, beginning of year	17.6	28.7	34.8
Adjustment for change in accounting principle	(40.5)	-	-
Net position, beginning of year, as restated	(22.9)	28.7	34.8
Net position, end of year	$ (30.4)	$ 17.6	$ 28.7

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, 2018:

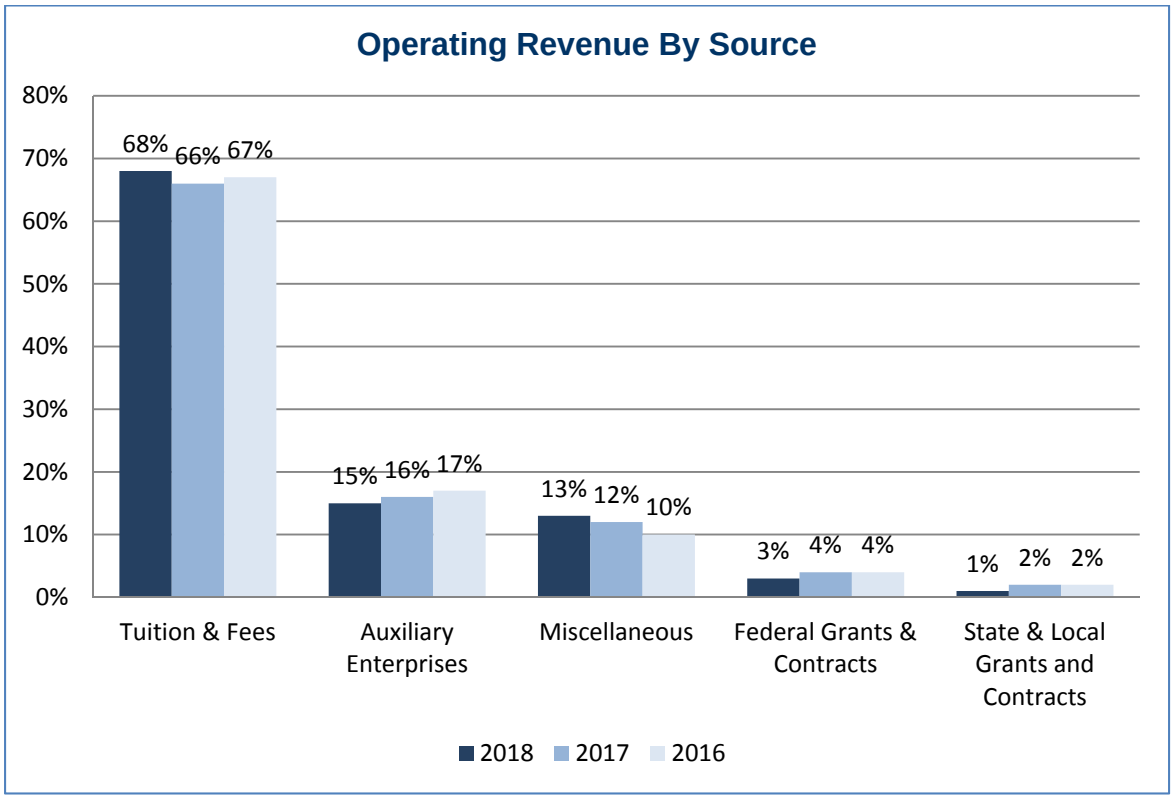
- Student tuition and fee revenue decreased $689,000 due to enrollment declines offset by tuition and fee increases and a slight increase in Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances decreased $515,000 or 1.19% due to tuition and per credit 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.

Management's Discussion & Analysis - Unaudited

Operating revenue changes were the result of the following for the year ended June 30, 2017:

- Student tuition and fee revenue increased $3.2 million due to tuition and fee increases and a slight decrease in Pell grants covering the cost of attendance. Actual tuition and fee revenue before scholarship allowances increased $2.3 million or 5.59% due to tuition and per credit hour fee increases of 6.3%, 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 3.9%. Auxiliary enterprises revenue increased by $396,000 primarily due to rental and sales activity at the St. Joe's Sports Dome. Miscellaneous revenues increased by $1.1 million primarily due to donated equipment and increases in Wayne State University fees for the Schoolcraft 2 U partnership.

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, 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.

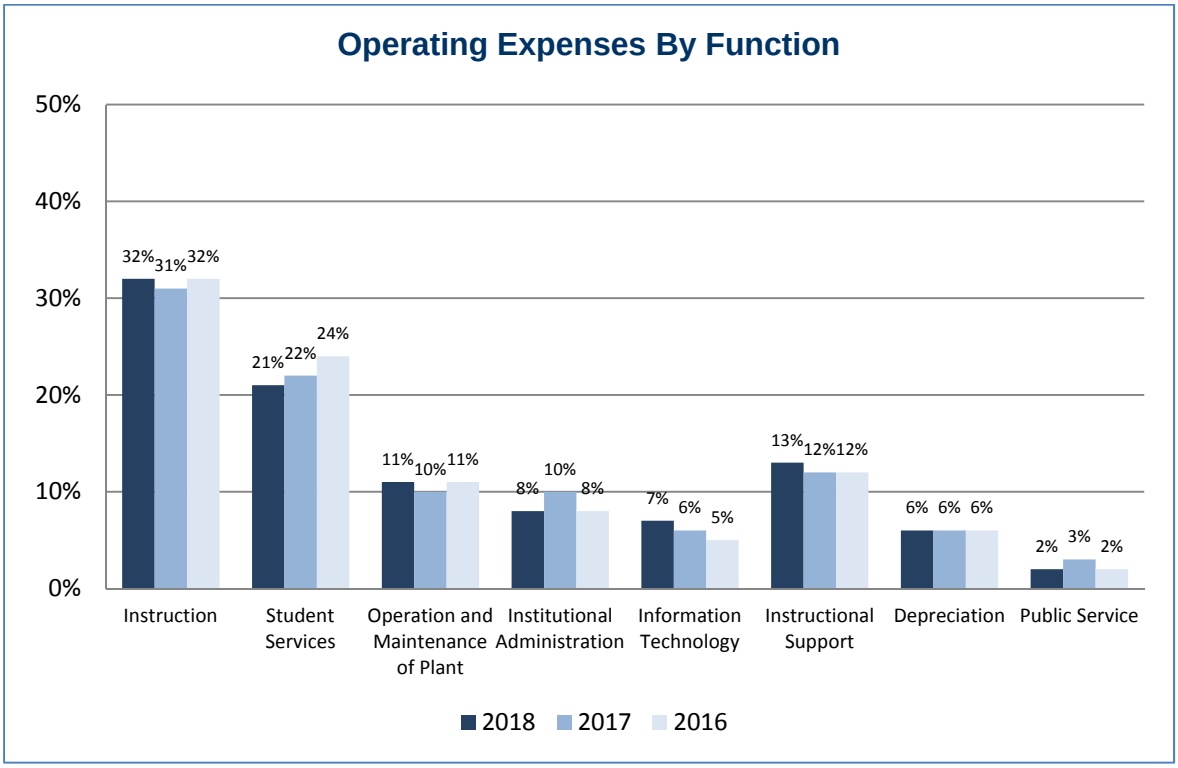
Management's Discussion & Analysis - Unaudited

- 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.

Operating expense changes were the result of the following for the year ended June 30, 2017:

- Operating expenses overall increased 8.08%. Average salary and benefit packages increased moderately due to increases in retirement payments.
- Instruction and instructional support increased 5.32% primarily due to salary and benefit increases as well as the effects on expenditures related to the increase in the MPSERS net pension liability.
- Public service increased 27.62%, or $599,000, primarily due to additional grant projects including the Advance Michigan Center for Apprenticeship Innovation and the Hosting On-going Professional Experiences in Math and Sciences program.
- Institutional administration increased 42.93%, or $3.9 million, primarily due to the early retirement incentive offered to employees of $3.7 million

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, 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.

Non-operating revenues and expenses changes were the result of the following factors for the year ended June 30, 2017:

- State appropriations increased by $4.3 million. This is primarily due to an increase of $410,000 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 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 $2.97 million due to recognizing deferred inflows from 2016 pursuant to GASB 68. Normal state appropriations for operations only increased $207,000 from 2016.
- Property taxes increased by $227,000 due to slight increases in property tax values offset by a millage reduction fraction.
- Interest expense increased by $454,000 primarily due to the addition of the capital lease related to the St. Joe's Sports Dome.
- Unrealized losses on investments of approximately $882,000 were recognized compared to unrealized gains on investments of approximately $1.2 million in 2016. Losses were due to sizable increases in interest rates compared to 2016 that affect the College's bond investments.
- Pell grant awards decreased by $919,000 due to a decrease in the number of students qualifying for financial aid as well as an approximate 3.9% 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 following factors for the year ended June 30, 2018:

- The College received $250,000 from SC Development Unit 14, Inc.

Other revenue changes were the result of the following factors for the year ended June 30, 2017:

- The College received $859,000 less in payments from the Schoolcraft Development Authority, as these payments are now being made to SC Development Unit 14, Inc.
- The College transferred $3.2 million to the Development Component Units to fund capital contributions for road and infrastructure improvements.

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

Management's Discussion & Analysis - Unaudited

The College's cash and cash equivalent position decreased by $205,000 at June 30, 2018, primarily due to making investments in construction and facilities improvements of $3.1 million offset by moving $2.7 million from government bonds into cash and receiving $250,000 from SC Development Unit 14, Inc. Additional cash was used in 2018 to fund operating losses.

Statement of Cash Flows (in millions)

	2018	2017	2016
Cash provided (used) by:			
Operating activities	$ (53.1)	$ (55.8)	$ (47.9)
Noncapital financing activities	57.1	55.1	54.6
Capital and related financing activities	(7.3)	(16.5)	(1.6)
Investing activities	3.1	3.4	4.7
Net (decrease) increase in cash and equivalents	(0.2)	(13.8)	9.8
Cash and equivalents - beginning of year	10.8	24.6	14.8
Cash and equivalents - end of year	$ 10.6	$ 10.8	$ 24.6

Capital Assets and Debt Administration:

Capital Assets

The College had $122.5 million and $126.3 million invested in capital assets, net of accumulated depreciation of $74.8 million and $68.8 million at June 30, 2018 and 2017, respectively. Depreciation charges totaled $7.0 and $6.6 million, respectively, for the years then ended.

	2018	2017	2016
Land and land improvements	$ 16.1	$ 16.4	$ 10.7
Buildings and improvements	95.9	97.6	90.3
Equipment	6.8	8.2	9.1
Infrastructure	3.6	3.7	2.3
Construction in progress	0.1	0.4	4.8
	$ 122.5	$ 126.3	$ 117.2

Major capital additions were all funded by operating funds this year and include:

Projects completed this year:	
St. Joe's Urgent Care	$ 772,469
Jeffress Center Enhancements	478,212
Applied Science Enhancements	169,161
CGT Relocation	229,927
Projects started this year or last year:	
Applied Science Capital Outlay	24,285
Radcliff Center T-Lab Renovation	40,910
Total major additions	$ 1,714,963

The College has entered into construction contracts and commitments totaling approximately $831,000 for the Applied Science Capital Outlay project and the T-Lab renovation taking place at the Radcliff Campus. As of June 30, 2018 the College had incurred $65,000 relating to these projects. The projects are expected to be completed during the year ending June 30, 2019. The remaining commitments totaling $766,000 will be funded by operating funds.

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

Management's Discussion & Analysis - Unaudited

Debt Administration

At year-end, the College had $20.1 million in debt outstanding from the issuance of $18.0 million in general obligation, limited-tax bonds, issued for various construction projects, as authorized by the Board of Trustees on March 27, 2013, as well as from the issuance of $8.0 million in general obligation, limited-tax bonds, issued for various construction projects, as authorized by the Board of Trustees on March 23, 2016. All construction projects funded by bonds have been completed. 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 3.0%.

The College's general obligation bond rating was Aa1 by Moody's in May 2016 upon issuance. According to Moody's, at the time of the bond issuance, the strong rating was based upon the College's sizeable tax base located in Southeast Michigan, sound management of financial operations, healthy financial position, and very low debt burden.

Also at year-end, the College had $4.0 million in debt outstanding from the lease agreement signed to fund the upgrade of the College's network through installation and implementation of hardware and software, which included desktop virtualization as well as network equipment enhancements campus-wide, as authorized by the Board of Trustees on November 19, 2014. Lease payments, including principal and interest of 2.4%, are due annually each December through maturity in fiscal year 2020.

Finally, at year-end, the College had $5.9 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. All three 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.

During 2017, 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.

Economic Factors Which Will Affect the Future

Revenue - In 2017/18 the College anticipates receiving State appropriation funding of $13.5 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 2018/2019 will increase by approximately 3% and is estimated to continue increasing at a modest rate for 2019/2020. It is projected

Management's Discussion & Analysis - Unaudited

that it will take nine more fiscal years to recover to pre-recession property tax revenue levels. The Board has approved an average tuition increase of 6.08%, effective with the fall 2018 term, and enrollment for the fall semester compared to last year is projected to decrease by approximately 5%.

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 26.18% for 2018/19 until further legislation is enacted. Under these rates, this represents a cumulative increase from 2007/08 of approximately 57%. During that same period of time, the cumulative CPI for the United States increased 20.92%. If MPSERS had limited increases to the CPI figures over that period, the current actual rate would be 20.22%. Schoolcraft's recurring revenue streams are relegated to increases tied to the CPI rate. Contributions to MPSERS using the adjusted CPI figure of 20.22% would net the college a recurring savings of approximately $2.1 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 $25.9 billion and $8.9 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 $116.8 million and $109.5 million as of June 30, 2018 and 2017, 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 $40.0 million and $42.2 million as of June 30, 2018 and 2017, 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 closed the school employees' pension system to new hires and instead provided them with a 401(k) option beginning February 1, 2018. 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.

Management's Discussion & Analysis - Unaudited

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 experience in the higher education industry. 55 employees took advantage of this buyout which would generate $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 1.7766 as of June 30, 2018, which resulted in $6.7 million less in property tax revenue for fiscal year 2018.

The College is currently exploring a ballot proposal for the fall 2018 elections which would restore the College's millage rate levied to what the voters originally approved in 1986.

Statement of Net Position

	College As of June 30		Development Component Units As of June 30	
	2018	2017	2018	2017
Assets				
Current Assets				
Cash and cash equivalents - Note 2	$ 10,638,615	$ 10,844,088	$ 2,204,564	$ 914,964
Property taxes receivable, net of allowance for doubtful			-	-
accounts of $39,800 in 2018 and $44,100 in 2017	559,996	576,506	-	-
State appropriation receivable	3,272,574	3,199,004	-	-
Accounts receivable, net of allowance for doubtful			-	-
accounts of $942,758 in 2018 and $981,008 in 2017	1,894,448	1,959,100	308,987	466,793
Capital lease receivable - Note 11	-	-	37,646	32,871
Related party receivable - Note 12	-	-	-	361,086
Accrued interest receivable	26,299	27,916	66,846	67,220
Federal and state grants receivable	787,771	440,853	-	-
Student loans receivable, net of allowance for doubtful			-	-
accounts of $0 in both 2018 and 2017	16,250	16,250	-	-
Inventories	1,493,993	1,629,221	-	-
Prepaid expenses and other assets	762,362	923,071	-	-
Deposits	499,532	418,514	-	-
Total Current Assets	19,951,840	20,034,523	2,618,043	1,842,934
Noncurrent Assets				
Restricted cash and investments - Note 1	-	-	8,700	5,761,239
Long-term investments - Note 2	12,933,434	16,201,887	4,414,003	3,622,323
Rent receivable	-	-	2,170,123	179,855
Capital lease receivable - Note 11			5,842,478	5,880,124
Property and equipment - Note 7	122,492,283	126,339,217	30,680,341	31,149,206
Total Assets	155,377,557	162,575,627	45,733,688	48,435,681
Deferred Outflows of Resources - Note 3	30,362,153	17,886,563	-	-
Liabilities				
Current Liabilities				
Current portion of debt obligations - Note 9	3,515,021	2,982,192	689,696	55,462
Accounts payable	1,782,762	1,927,068	4,647	4,219,728
Related party payable - Note 12	-	-	263,748	1,479,986
Accrued interest payable	189,034	212,645	55,101	55,229
Accrued payroll and other compensation	5,007,316	4,990,001	-	-
Deposits	286,682	271,493	-	-
Unearned revenue	5,822,483	4,459,514	575,458	415,425
Total Current Liabilities	16,603,298	14,842,913	1,588,650	6,225,830
Noncurrent Liabilities				
Accrued early retirement payable - Note 9	2,960,530	3,727,867	-	-
Net pension liability - Note 3	116,825,440	109,537,407	-	-
Net OPEB liability - Note 3	40,036,949	-	-	-
Long-term debt obligations - Note 9	26,424,051	29,939,072	22,656,044	23,345,740
Unearned revenue	-	-	2,209,935	2,233,167
Accrued severance pay - Note 9	903,778	1,054,023	-	-
Total Liabilities	203,754,046	159,101,282	26,454,629	31,804,737
Deferred Inflows of Resources - Note 3	12,354,375	3,744,098	-	-
Net Position				
Net investment in capital assets	92,553,211	93,417,953	5,593,288	8,736,677
Restricted for:				
Expendable restricted grants	172,136	112,053	-	-
Nonexpendable Minority interest	-	-	9,407,531	8,544,891
Unrestricted	(123,094,058)	(75,913,196)	4,278,240	(650,624)
Total Net (Deficit) Position	$ (30,368,711)	$ 17,616,810	$ 19,279,059	$ 16,630,944

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Net Assets

	As of June 30	
	2018	2017
Assets		
Cash and cash equivalents	$ 162,443	$ 300,043
Marketable securities	14,671,863	14,044,439
Assets held under charitable remainder unitrust agreement	90,811	93,509
Accounts receivable	5,800	12,000
Contributions receivable - net	11,487	-
Beneficial interest in remainder trusts	6,980	17,055
Cash surrender value - life insurance policy	11,119	13,643
Prepaid expenses	31,694	28,858
Total Assets	$ 14,992,197	$ 14,509,547
Liabilities And Net Assets		
Liabilities		
Payable to Schoolcraft College	$ 255,550	$ 205,572
Other liabilities	5,748	37,051
Liability under charitable remainder unitrust and gift annuity agreements	48,895	49,651
Total Liabilities	310,193	292,274
Net Assets		
Unrestricted		
Board designated	3,440,347	3,166,968
Undesignated	768,344	981,632
Temporarily restricted	2,703,321	2,452,033
Permanently restricted	7,769,992	7,616,640
Total Net Assets	14,682,004	14,217,273
Total Liabilities And Net Assets	$ 14,992,197	$ 14,509,547

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	
	2018	2017	2018	2017
Operating Revenue				
Tuition and fees (Net of scholarship allowances of $10,687,915 in 2018 and $10,513,853 in 2017)	$ 31,896,171	$ 32,585,159	$ -	$ -
Federal grants and contracts	1,403,126	2,026,291	-	-
State and local grants and contracts	822,658	843,385	-	-
Nongovernmental grants	51,838	97,688	-	-
Auxiliary enterprises	6,853,487	7,898,764	-	-
Gain on disposal of assets	15,864	17,771	-	-
Miscellaneous	6,163,217	5,659,312	3,904,610	1,890,654
Total Operating Revenue	47,206,361	49,128,370	3,904,610	1,890,654
Operating Expenses				
Instruction	35,471,932	34,215,804	-	-
Information Technology	7,392,438	6,197,641		
Public service	2,819,419	2,767,713	-	-
Instructional support	13,935,529	13,104,102	-	-
Student services	23,649,316	24,771,938	-	-
Institutional administration	8,560,083	11,552,190	-	-
Operation and maintenance of plant	11,665,179	11,433,054	-	-
Depreciation	6,974,619	6,614,455	925,608	61,762
Other expenditures	-	-	311,797	269,691
Total Operating Expenses	110,468,515	110,656,897	1,237,405	331,453
Operating (Loss) Income	(63,262,154)	(61,528,527)	2,667,205	1,559,201
Nonoperating Revenue and (Expenses)				
State appropriations	20,426,477	18,437,143	-	-
Property tax levy	23,981,659	23,523,202	-	-
Interest income	448,034	486,529	886,221	628,717
Interest expense	(1,378,955)	(1,011,689)	(1,325,378)	-
Unrealized (loss) gain on investments	(600,819)	(881,515)	423,297	372,730
Pell grants	12,655,518	13,102,528	-	-
Contribution revenue	-	-	-	5,588,854
Net Nonoperating Revenue and (Expenses)	55,531,914	53,656,198	(15,860)	6,590,301
(Loss) Gain Before Other Revenue	(7,730,240)	(7,872,329)	2,651,345	8,149,502
Other Revenue and (Expenses)				
Transfers between College and component units	250,000	(3,164,611)	(250,000)	3,164,611
Minority interest contributions	-	-	945,093	4,643,369
Distribution to minority owner	-	-	(698,323)	(682,677)
Total Other Revenue and (Expenses)	250,000	(3,164,611)	(3,230)	7,125,303
(Decrease) Increase in Net Position	(7,480,240)	(11,036,940)	2,648,115	15,274,805
Net Position				
Net Position - Beginning of Year	17,616,810	28,653,750	16,630,944	1,356,139
Adjustment for change in accounting principle - Note 1	(40,505,281)	-	-	-
Net Position - Beginning of Year, As Restated	(22,888,471)	28,653,750	16,630,944	1,356,139
Net Position - End of Year	$ (30,368,711)	$ 17,616,810	$ 19,279,059	$ 16,630,944

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	
	2018	2017
Revenue		
Gifts and contributions	$ 432,416	$ 510,413
Fund-raising events	166,349	145,350
Investment income	416,440	426,982
Decrease in value of beneficial interest in remainder trusts	(10,075)	2,258
Change in cash surrender value of life insurance policy	(2,524)	(141)
Realized and unrealized losses on investments	381,767	840,481
Decrease in actuarial value of charitable remainder unitrust agreement	(2,463)	4,463
Donated administrative support	589,688	608,796
Total Revenue	1,971,598	2,538,602
Expenses		
Scholarships	431,837	473,318
Other College support	152,953	173,166
Fund-raising expenses	39,384	28,588
Donated administrative expenses	589,688	608,796
Administrative expenses	293,005	320,882
Total Expenses	1,506,867	1,604,750
Increase in Net Assets	464,731	933,852
Net Assets - Beginning of Year	14,217,273	13,283,421
Net Assets - End of Year	$ 14,682,004	$ 14,217,273

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Years Ended June 30	
	2018	2017
Cash Flows From Operating Activities		
Tuition and fees	$ 33,338,981	$ 32,268,304
Grants and contracts	1,930,704	3,099,558
Payments to suppliers	(52,037,745)	(54,467,690)
Payments to employees	(49,396,485)	(50,215,129)
Auxiliary enterprise charges	6,853,487	7,898,764
Other	6,179,081	5,677,083
Net Cash Used For Operating Activities	(53,131,977)	(55,739,110)
Cash Flows From Noncapital Financing Activities		
Local property taxes	23,998,169	23,304,402
Pell grants	12,635,418	13,043,237
William D. Ford Direct Lending receipts	8,400,662	10,056,113
William D. Ford Direct Lending disbursements	(8,403,776)	(10,062,466)
State appropriations	20,432,454	18,771,373
Net Cash Provided by Noncapital Financing Activities	57,062,927	55,112,659
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(3,136,498)	(12,837,717)
Principal paid on capital debt	(1,605,000)	(1,570,000)
Interest paid on capital debt	(466,892)	(332,595)
Capital lease principal payments	(1,359,646)	(1,082,346)
Interest paid on capital lease	(935,673)	(626,291)
Net transfers from (to) component units	250,000	(110,000)
Net Cash Used For Capital and Related Financing Activities	(7,253,709)	(16,558,949)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investment	2,667,635	4,887,412
Interest on investments	449,651	515,969
Purchase of investments	-	(2,003,222)
Net Cash Provided By Investing Activities	3,117,286	3,400,159
Net Decrease In Cash And Cash Equivalents	(205,473)	(13,785,241)
Cash And Cash Equivalents - Beginning Of Year	10,844,088	24,629,329
Cash And Cash Equivalents - End Of Year	$ 10,638,615	$ 10,844,088
Significant Noncash Transactions		
Property acquired under capital lease	$ -	$ 6,000,000
Capital assets transferred to development component units	-	3,054,611

The accompanying notes are an integral part of these statements.

Statement of Cash Flows (continued)

	Years Ended June 30	
	2018	2017
Reconciliation Of Net Loss To Net Cash Used For Operating Activities:		
Operating loss	$ (63,262,154)	$ (61,528,527)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	6,974,619	6,614,455
(Increase) decrease in assets and deferred outflows:		
Accounts receivable, net	64,652	(364,190)
Federal and state grant receivable	(346,918)	90,123
Inventories	135,228	237,984
Prepaid assets and other current assets	160,709	(253,097)
Deposits	(81,018)	(248,415)
Deferred outflows of assets	(9,480,130)	(6,199,547)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(129,827)	(3,216,766)
Accrued payroll and other compensation	(750,022)	2,165,862
Accrued severance pay	(150,245)	(37,821)
Deposits	15,189	5,469
Unearned revenue	1,362,969	41,866
Deferred inflows of assets	7,260,101	(11,783)
Net pension liability	7,288,033	6,965,277
Net OPEB liability	(2,193,163)	-
Net Cash Used For Operating Activities	$ (53,131,977)	$ (55,739,110)

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 five 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

Financial statements for the SDA, SCDU 14, SCSD, and SCTC (collectively referred to as "Development Component Units") as of and for the years ended June 30, 2018 and 2017 are as follows:

Condensed Statement of Net Position

	Schoolcraft Development Authority 2018	SC Development Unit 14, Inc. 2018	SC Sports Dome, Inc. 2018	SC Technology Center, 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

	Schoolcraft Development Authority 2017	SC Development Unit 14, Inc. 2017	SC Sports Dome, Inc. 2017	SC Technology Center, Inc. 2017	Combined Total 2017
Assets					
Current Assets	$ 231,567	$ 492,519	$ 672,898	$ 445,950	$ 1,842,934
Noncurrent Assets	-	39,549,640	7,043,107	-	46,592,747
Total Assets	231,567	40,042,159	7,716,005	445,950	48,435,681
Liabilities					
Current Liabilities	234,143	5,268,819	451,785	271,083	6,225,830
Noncurrent Liabilities	2,233,167	23,345,740	-	-	25,578,907
Total Liabilities	2,467,310	28,614,559	451,785	271,083	31,804,737
Net Position					
Net investment in capital assets	-	7,523,130	1,213,547	-	8,736,677
Restricted for					
Nonexpendable Minority interest	-	2,549,636	5,995,255	-	8,544,891
Unrestricted	(2,235,743)	1,354,834	55,418	174,867	(650,624)
Total Net Position	$ (2,235,743)	$ 11,427,600	$ 7,264,220	$ 174,867	$ 16,630,944

Notes to Financial Statements

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

	Schoolcraft Development Authority 2018	SC Development Unit 14, Inc. 2018	SC Sports Dome, Inc. 2018	SC Technology Center, 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
Distribution to minority owner	-	-	(698,323)	-	(698,323)
Total Nonoperating Revenue and (Expenses)	128	(820,248)	105,937	-	(714,183)
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
Total Other Revenue and (Expenses)	(800,000)	1,399,488	95,605	-	695,093
Increase 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

	Schoolcraft Development Authority 2017	SC Development Unit 14, Inc. 2017	SC Sports Dome, Inc. 2017	SC Technology Center, Inc. 2017	Combined Total 2017
Revenue					
Operating Revenue	$ 862,954	$ 540,941	$ 345,706	$ 141,053	$ 1,890,654
Expenses					
Operating Expenses	80,632	109,152	65,483	76,186	331,453
Nonoperating Revenue and (Expenses)					
Interest income	130	90,036	538,551	-	628,717
Unrealized gain on investments		372,730			372,730
Contribution revenue		5,588,854			5,588,854
Distribution to minority owner	-	-	(682,677)	-	(682,677)
Total Nonoperating Revenue and (Expenses)	130	6,051,620	(144,126)	-	5,907,624
Other Revenue and (Expenses)					
Transfers between Component Units	(760,000)	750,000	10,000	-	-
Transfers to/from Schoolcraft College	-	1,841,064	1,213,547	110,000	3,164,611
Minority interest contributions	-	-	4,643,369	-	4,643,369
Total Other Revenue and (Expenses)	(760,000)	2,591,064	5,866,916	110,000	7,807,980
Increase (Decrease) in Net Position	22,452	9,074,473	6,003,013	174,867	15,274,805
Net Position - Beginning of Year	(2,258,195)	2,353,127	1,261,207	-	1,356,139
Net Position - End of Year	$ (2,235,743)	$ 11,427,600	$ 7,264,220	$ 174,867	$ 16,630,944

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.

Notes to Financial Statements

Significant Accounting Policies

Measurement Focus and Basis of Accounting

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.

Cash and Cash Equivalents

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

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 Investments

Restricted cash and investments consist of mortgage 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, 2018 is for the summer 2018 semester which began July 2, 2018 and for the fall 2018 semester which began August 27, 2018. Unearned revenue for the Development Component Units at June 30, 2018 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.

Notes to Financial Statements

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 (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, 2018 and 2017 and the Board of Trustees believes that provision should be made for these future expenditures. These designations are as follows:

College	2018	2017
Designated for:		
Scholarships	$ 323,070	$ 301,000
Technology replacements	1,415,000	1,365,000
Major maintenance & renovation	833,000	462,000
Instructional and student support systems	750,000	750,000
Instructional equipment	969,000	2,035,000
Personnel commitments, self insurance reserves and working capital	6,446,000	6,382,000
Reserve for executive orders	2,500,000	2,500,000
Debt service costs	3,515,000	2,949,000
Unrestricted and unallocated	(139,845,128)	(92,657,196)
Total Unrestricted Net Position	$ (123,094,058)	$ (75,913,196)

Unrestricted net position of the Development Component Units is entirely unrestricted and unallocated at both June 30, 2018 and 2017.

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.

Notes to Financial Statements

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.

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 $24,133,891 and $23,545,608 based on $1.7766 and $1.7880 of tax per $1,000 of taxable property value in the community college taxing district for the years ended June 30, 2018 and 2017, 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.

Reclassification
Certain 2017 amounts have been reclassified to conform to the 2018 presentation. The College previously classified $2,648,924 as instruction, $1,036,689 as instructional support, $1,004,651 as student services and $1,507,377 as institutional administration within operating expenses on the 2017 statement of revenue, expenses and changes in net position. These amounts, totaling $6,197,641, have been reclassified to information technology expense to conform to the 2018 presentation based on requirements by the State of Michigan. The reclassification did not change the total operating expenses for the year ended June 30, 2017.

Subsequent Events
The financial statements and related disclosures include evaluation of events up through and including October 8, 2018, which is the date the financial statements were available to be issued.

Notes to Financial Statements

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. June 30, 2017 amounts have not been restated to reflect the impact of GASB No. 75 because the information is not available to calculate the impact on OPEB expense for the fiscal year ended June 30, 2017.

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 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.

In June 2018, the GASB issued 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 reported in a business-type activity or enterprise fund. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. 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:

	2018	2017
Cash and cash equivalents	$ 10,638,615	$ 10,844,088
Long-term investments	12,933,434	16,201,887
Total	$ 23,572,049	$ 27,045,975

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

	2018	2017
Cash and cash equivalents	$ 2,213,264	$ 6,676,203
Long-term investments	4,414,003	3,622,323
Total	$ 6,627,267	$ 10,298,526

As of June 30, 2018 and 2017, the College's investments are comprised entirely of federal government agency bonds with maturities of more than 5 years.

As of June 30, 2018 and 2017, the Development Component Units' investments do not include investments with maturity dates.

Notes to Financial Statements

The above amounts for the College are classified by GASB Statement Number 3 in the following categories:

	2018	2017
Bank deposits (checking & savings accounts)	$ 10,541,921	$ 9,856,018
Institutional money market fund	65,779	949,456
Petty cash and cash on hand	30,915	38,614
Federal government agency bonds	12,933,434	16,201,887
Total	$ 23,572,049	$ 27,045,975

The above amounts for the Development Component Units are classified by GASB Statement Number 3 in the following categories:

	2018	2017
Bank deposits (checking & savings accounts)	$ 2,204,564	$ 914,964
Institutional money market fund	8,700	5,761,239
Publicly traded stocks	3,748,546	3,074,116
Exchange traded funds	665,457	548,207
Total	$ 6,627,267	$ 10,298,526

Deposits

The above College deposits were reflected in the accounts of the bank at June 30, 2018 and 2017 (without recognition of checks written but not yet cleared or of deposits in transit) at $11,387,133 and $10,528,738 respectively. Of this amount $250,000 in both 2018 and 2017 was covered by federal depository insurance and $11,137,133 and $10,278,738, 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, 2018 and 2017 at the same amount due to no outstanding checks or deposits in transit at year-end. At June 30, 2018 and 2017, $1,072,458 and $665,420, respectively, was covered by federal depository insurance and $1,132,106 and $249,544, 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, 2018 and 2017 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, 2018 and 2017 were invested as follows:

	2018	2017
Exchange traded funds - iShares Core U.S. Aggregate	15%	15%

Notes to Financial Statements

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 $14,671,863 and $14,044,439 as of June 30, 2018 and June 30, 2017, 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 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 Office of Retirement Services (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909-7671 or at www.michigan.gov/orsschools.

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. For some members that do not receive an annual increase, they 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

Notes to Financial Statements

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.

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

	Pension	OPEB
October 1, 2015 – September 30, 2016	14.56% - 18.95%	6.40% - 6.83%
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%

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, 2018 and 2017 were $12,277,000 and $10,919,000, 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 $4,765,000 and $3,415,000 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, 2018 and 2017, respectively.

The College's required and actual OPEB contributions to MPSERS for the years ended June 30, 2018 and 2017 were $2,859,000 and $3,610,000, respectively, which include the College's contributions for those members with a defined contribution benefit. The College's required and actual OPEB contributions include an allocation of $0 and $1,271,000 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, 2018 and 2017, respectively.

Net Pension Liability

At June 30, 2018 and 2017, the College reported a liability of approximately $116,825,000 and $109,537,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016 and 2015, which used updated procedures to roll forward the estimated liability to September 30, 2017 and 2016. 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, 2017 and 2016, the College's proportion was 0.450815 percent and 0.439042 percent, respectively.

Notes to Financial Statements

Net OPEB Liability

At June 30, 2018, the College reported a liability of approximately $40,037,000 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 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, 2017, College's proportion was 0.452115 percent of MPSERS in total.

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

For the years ended June 30, 2018 and 2017, the College recognized pension expense of $13,726,304 and $11,491,364, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate.

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

At June 30, 2017, 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	$ 1,365,125	$ 259,606
Changes of assumptions	1,712,532	-
Net difference between projected and actual earnings on pension plan assets	1,820,511	-
Changes in proportion and differences between College contributions and proportionate share of contributions	3,801,735	69,912
College contributions subsequent to the measurement date	9,186,660	-
Total	$ 17,886,563	$ 329,518

In addition, the $4,764,756 and $3,414,580 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, 2019 and 2018, respectively.

Notes to Financial Statements

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
2019	$ 3,745,559
2020	5,687,223
2021	2,992,166
2022	75,116
2023	-
Thereafter	-
Total	$ 12,500,064

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2019).

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

For the year ended June 30, 2018, the College recognized OPEB expense of $2,678,075. Information is not available to calculate the impact on OPEB expense for the year ended June 30, 2017.

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 pension 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, 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
2019	$ 326,986
2020	326,986
2021	326,986
2022	326,986
2023	45,147
Thereafter	-
Total	$ 1,353,091

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 (2019).

Actuarial Assumptions

The total pension liability and total OPEB liability as of September 30, 2017 and 2016 are based on the results of an actuarial valuation as of September 30, 2016 and 2015, 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)	7.00 to 7.50 percent (2017) and 7.00 to 8.00 percent (2016), net of investment expenses based on the groups
Assumed rate of return (OPEB)	7.50 percent (2017), net of investment expenses based on the groups
Salary increases	3.50 percent to 12.30 percent, including wage inflation of 3.50 percent
Healthcare cost trend rate	7.50 percent (2017), year 1 graded to 3.50 percent year 12
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
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 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Discount Rate

The discount rate used to measure the total pension liability was 7.00-7.50 and 7.00-8.00 percent as of September 30, 2017 and 2016, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.50 percent as of September 30, 2017. 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 contractually 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:

	2018		2017	
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%	5.60%	28.0%	5.90%
Private equity pools	18.0%	8.70%	18.0%	9.20%
International equity pools	16.0%	7.20%	16.0%	7.20%
Fixed-income pools	10.5%	-0.10%	10.5%	0.90%
Real estate & infrastructure pools	10.0%	4.20%	10.0%	4.30%
Real return, opportunistic, and absolute pool	15.5%	5.00%	15.5%	6.00%
Short-term investment pools	2.0%	-0.90%	2.0%	0.00%
Total	100.0%		100.0%	

MPSERS approved a decrease in the discount rate for the September 30, 2017 annual actuarial valuation for the pension plan and the OPEB plan to 7.05% and 7.15%, respectively. As a result, the actuarial computed employer contributions, the net pension liability, and net OPEB liability will increase for the measurement period ending September 30, 2018.

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:

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

2017		
1.00 percent decrease (6.00/7.00 percent)	Current discount rate (7.00/8.00 Percent)	1.00 percent increase (8.00/9.00 percent)
$ 141,056,608	$ 109,537,407	$ 82,963,689

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:

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:

2018		
1.00 percent decrease (6.50 percent)	Current discount 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, 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. At June 30, 2017, the College reported a payable of $1,093,118 and $375,570 for the outstanding amount of contributions to the pension plan and OPEB plan, respectively, required for the year ended June 30, 2017.

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, 2018 was approximately $9,065,000, resulting in contributions of approximately $1,088,000 and $363,000 for the College and employee, respectively. Compensation covered under the plan for the year ended June 30, 2017 was approximately $8,368,000, resulting in contributions of approximately $1,004,000 and $335,000 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 was self-insured for vision benefits and was partially 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 period expired June 30, 2018. The insurance policy was extended for another two-year period expiring June 30, 2020.

The College is self-insured for medical benefits for substantially all employees. The maximum of $150,000 for each claim and up to $2,951,760 in the aggregate through December 2017, was subsequently increased to a maximum of $170,000 for each claim effective January 2018, 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, 2018, the College is responsible for a self-insured retention (SIR) of $27,000 per occurrence and $81,000 in the aggregate. Claims in excess of the SIR are covered by the Authority and are reinsured through third party insurance carriers, up to coverage limits of $15 million for liability, $300,000 per vehicle and $650,000 per disaster for vehicle physical damage, and $271 million aggregate for property and crime coverage of buildings and personal property. The College made contributions during the years ended June 30, 2018 and 2017 to the Authority of approximately $340,000 and $330,000 respectively for insurance coverage.

Notes to Financial Statements

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

	2018	2017	2016
Balance, beginning of year	$ 435,109	$ 197,765	$ 484
Claims incurred and changes in estimates	2,543,693	2,646,723	304,225
Claims and premium payments	(2,522,009)	(2,409,379)	(106,944)
Balance, end of year	$ 456,793	$ 435,109	$ 197,765

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, 2018 and 2017:

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			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017

		Fair Value Measurements Using		
	Balance at June 30, 2017	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	$ 16,201,887	$ -	$ 16,201,887	$ -
Total investments by fair value level	$ 16,201,887	$ -	$ 16,201,887	$ -
Total investments measured at fair value	$ 16,201,887			

The fair value of the Federal government agency securities at June 30, 2018 and 2017, 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, 2018 and 2017:

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			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017

		Fair Value Measurements Using		
	Balance at June 30, 2017	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	$ 3,074,116	$ 3,074,116	$ -	$ -
Exchange traded funds	548,207	548,207	-	-
Total investments by fair value level	$ 3,622,323	$ 3,622,323	$ -	$ -
Total investments measured at fair value	$ 3,622,323			

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, 2018 and 2017:

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			

Notes to Financial Statements

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2017

		Fair Value Measurements Using		
	Balance at June 30, 2017	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	$ 2,723,793	$ 2,723,793	$ -	$ -
International mutual funds	4,842,028	4,842,028	-	-
Fixed Income Mutual Funds	3,066,398	3,066,398	-	-
Real Assets Mutual Funds	1,212,354	1,212,354		
Diversifying Strategies Mutual Funds	2,090,626	2,090,626		
Money Market Mutual Fund	109,240	109,240	-	-
Assets Held Under Charitable Remainder Unitrust	93,509	-	93,509	-
Beneficial Interest in Remainder Trusts	17,055	-	-	17,055
Total investments by fair value level	$ 14,155,003	$ 14,044,439	$ 93,509	$ 17,055
Total investments measured at fair value	$ 14,155,003			

The following tables summarize the valuation methods and inputs used to determine fair value at June 30, 2018 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% 16 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, 2018, changes in level 3 assets measured at fair value on a recurring basis included an unrealized loss of $10,075. For the year ended June 30, 2017, changes in level 3 assets measured at fair value on a recurring basis included an unrealized gain of $2,258.

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 $831,000 for the Applied Science State Capital Outlay project as well as the T-Lab being constructed at the Radcliff Campus. As of June 30, 2018 the College incurred $65,000 relating to these projects. The projects are expected to be completed at various points during the year ending June 30, 2019.

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, 2018 and June 30, 2017:

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	

Year ended June 30, 2017	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	$ 1,831,228	$ -	$ -	$ 1,831,228	
Construction in Progress	4,788,825	11,101,113	(15,456,945)	432,993	
Total Nondepreciable Capital Assets	6,620,053	11,101,113	(15,456,945)	2,264,221	
Depreciable Capital Assets					
Land Improvements	14,113,772	6,278,882	-	20,392,654	10-30
Buildings and Improvements	129,480,357	10,488,644	-	139,969,001	10-40
Infrastructure	5,080,664	1,634,809	-	6,715,473	20
Furniture, Fixtures and Equipment	24,317,357	1,736,604	(299,432)	25,754,529	5-7
Total Depreciable Capital Assets	172,992,150	20,138,939	(299,432)	192,831,657	
Total Capital Assets	179,612,203	31,240,052	(15,756,377)	195,095,878	
Less Accumulated Depreciation					
Land Improvements	5,283,344	513,940	-	5,797,284	
Buildings and Improvements	39,153,736	3,152,439	-	42,306,175	
Infrastructure	2,794,643	268,098	-	3,062,741	
Furniture, Fixtures and Equipment	15,209,915	2,679,978	(299,432)	17,590,461	
Total Accumulated Depreciation	62,441,638	6,614,455	(299,432)	68,756,661	
Total Capital Assets, Net	$ 117,170,565	$ 24,625,597	$ (15,456,945)	$ 126,339,217	

Equipment under capital lease (see Note 9) totaled $7,040,381 and $7,060,281 at June 30, 2018 and 2017, respectively. Amortization of the equipment under capital lease totaled $1,427,644 and $1,428,971 for the years ended June 30, 2018 and 2017, respectively. The amortization is included in the depreciation expense above. Accumulated amortization of the asset under capital lease is $4,240,705 and $2,824,669 at June 30, 2018 and 2017, respectively.

Notes to Financial Statements

Buildings and improvements under capital lease (see Note 9) totaled $6,000,000 at both June 30, 2018 and 2017. Amortization of the buildings and improvements under capital lease totaled $240,000 and $160,000 for the years ended June 30, 2018 and 2017, respectively. The amortization is included in the depreciation expense above. Accumulated amortization of the asset under capital lease is $400,000 and $160,000 at June 30, 2018 and 2017, 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, 2018 and 2017:

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	

Year ended June 30, 2017	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Construction in Progress	9,693,927	27,517,041	(37,210,968)	-	
Total Nondepreciable Capital Assets	9,693,927	27,517,041	(37,210,968)	-	
Depreciable Capital Assets					
Land Improvements	-	3,913,547	-	3,913,547	15-20
Buildings and Improvements	-	27,297,421	-	27,297,421	40
Total Depreciable Capital Assets	-	31,210,968	-	31,210,968	
Total Capital Assets	9,693,927	58,728,009	(37,210,968)	31,210,968	
Less Accumulated Depreciation					
Land Improvements	-	52,414	-	52,414	
Buildings and Improvements	-	9,348	-	9,348	
Total Accumulated Depreciation	-	61,762	-	61,762	
Total Capital Assets, Net	$ 9,693,927	$ 58,666,247	$ (37,210,968)	$ 31,149,206	

$1,841,064 and $1,213,547 of construction in progress was transferred from the College to 7 Delta, LLC and SC College Dome, LLC, respectively, during the year ended June 30, 2017 in accordance with the operating agreements. No transfers were made during the year ended June 30, 2018.

Note 8 - Federal Loan Programs

The College participates in the U.S. Department of Education William D. Ford direct lending program and disbursed $8,403,776 and $10,062,466 for the years ended June 30, 2018 and 2017, 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, 2018 and 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
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	-
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	$ 3,515,021
Year ended June 30, 2017					
Accrued Severance Pay	$ 1,091,844	$ 20,918	$ 58,739	$ 1,054,023	$ -
Accrued Early Retirement Payable	-	3,727,867	-	3,727,867	-
Capital Lease Payable - Equipment	6,313,521	-	995,341	5,318,180	1,326,775
Capital Lease Payable - Building	-	6,000,000	87,005	5,912,995	32,871
Bonds Payable	23,277,635	-	1,587,546	21,690,089	1,622,546
Total Long Term Liabilities	$ 30,683,000	$ 9,748,785	$ 2,728,631	$ 37,703,154	$ 2,982,192

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 – The College offered an early retirement incentive to employees meeting certain requirements as of June 30, 2017. 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, 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, 2016, the College has fully drawn down the authorized principal amount of $7,672,707. The primary equipment provider of the project offered the College a discount of $612,425, which was paid directly to the financial institution and reflected as a reduction of principal during the year ended June 30, 2015. As of June 30, 2018 and 2017, the College's outstanding lease liability is $3,991,405 and $5,318,180 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 related to the capital lease was $113,037 and $141,263 for the year ended June 30, 2018 and 2017, respectively.

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

Year Ending June 30	Payments
2019	1,918,177
2020	2,225,085
Total Payments	$ 4,143,262
Amount representing interest	(151,857)
Total	$ 3,991,405

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, 2018 and 2017, the College's outstanding lease liability is $5,880,124 and $5,912,995, 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 $804,260 and $538,551 for the years ended June 30, 2018 and 2017, respectively.

Notes to Financial Statements

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

Year Ending June 30	Payments
2019	837,504
2020	837,504
2021	837,504
2022	837,504
2023	837,504
Thereafter	15,354,240
Total Payments	$ 19,541,760
Amount representing interest	(13,661,636)
Total	$ 5,880,124

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 $12,983,347 including unamortized bond premium of $123,347, was outstanding as of June 30, 2018. The total amount of $14,805,890 including unamortized bond premium of $135,890, was outstanding as of June 30, 2017. 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 $7,084,196 including unamortized bond premium of $64,196, was outstanding as of June 30, 2018. The total amount of $7,604,199 including unamortized bond premium of $69,199, was outstanding as of June 30, 2017. 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%.

As of June 30, 2018 bond maturities are as follows:

Year	Principal	Interest	Total
2019	1,657,546	452,338	2,109,884
2020	1,692,546	419,538	2,112,084
2021	1,732,546	386,038	2,118,584
2022	1,772,546	351,738	2,124,284
2023	1,812,546	316,638	2,129,184
2024 - 2028	9,695,640	971,413	10,667,052
2029 - 2031	1,704,172	83,613	1,787,785
	$ 20,067,543	$ 2,981,313	$ 23,048,858

Capitalized Interest – Total capitalized interest related to the bonds was $156,507 during the year ended June 30, 2017. No interest was capitalized in the year ended June 30, 2018.

Long-Term liability activity for the Development Component Units for the years ended June 30, 2018 and 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Year ended June 30, 2018					
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
Year ended June 30, 2017					
Mortgage Payable	$ 23,401,202	$ -	$ -	$ 23,401,202	$ 55,462
Total Long Term Liabilities	$ 23,401,202	$ -	$ -	$ 23,401,202	$ 55,462

Notes to Financial Statements

Mortgage Payable – During 2016, 7 Delta issued two series of senior secured bank notes 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.

As of June 30, 2018 mortgage maturities are as follows:

Year	Principal	Interest	Total
2019	689,696	1,305,118	1,994,814
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 - 2028	7,045,639	4,508,979	11,554,618
2029 - 2032	11,944,680	1,893,261	13,837,941
	$ 23,345,740	$ 12,472,475	$ 35,818,215

Capitalized Interest – Total capitalized interest related to the mortgage payable was $1,325,507 during the year ended June 30, 2017. No interest was capitalized in the year ended June 30, 2018.

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, 2018 and 2017, the College's property tax revenues were reduced by $263,010 and $288,395, 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 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.

Notes to Financial Statements

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
2019	289,204
2020	289,204
2021	289,204
2022	289,204
2023	289,204
Thereafter	30,872,139

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
2019	562,133
2020	592,760
2021	622,174
2022	625,220
2023	628,281
Thereafter	39,749,247

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, will be $0 for the first 12 months of the term and for months 13-24 of the term will be $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 the sublease, 7 Delta is responsible for constructing the building and related land improvements. Also pursuant to the lease, 7 Delta was responsible for up to $260.00 per square foot for the total cost of the building, and the lessor was responsible for all costs over that figure. As a result, 7 Delta received $5.6 million in revenue during the year ended June 30, 2017 as that was the amount that the construction costs exceeded 7 Delta's contractually obligated portion. The College, as the original ground lessor, is responsible

Notes to Financial Statements

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
2019	2,019,763
2020	2,065,373
2021	2,110,983
2022	2,156,593
2023	2,202,203
Thereafter	21,651,067

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 $5,880,124 and $5,912,995 as of June 30, 2018 and 2017, 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
2019	463,128
2020	466,342
2021	471,006
2022	475,714
2023	480,473
Thereafter	10,024,987

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. As of June 30, 2017, a payable of $1,203,620 was recorded by 7 Delta and a receivable of $361,086 was recorded by SDM as an estimate of the development fee.

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

Notes to Financial Statements

June 30, 2018, $595,889 was distributed and $150,000 was payable as of June 30, 2018. During the year ended June 30, 2017, $483,898 was distributed and $154,026 was payable as of June 30, 2017. In addition, an equity contribution fee equal to 2.5% of actual construction costs totaling $136,669 was distributed to the minority owner in accordance with the operating agreement during the year ended June 30, 2017 with $12,169 payable as of June 30, 2017. Additional distributions of $102,434 in 2018 and $62,110 in 2017 were also made to the minority owner based on provisions of the operating agreement with $45,110 and $34,985 payable as of June 30, 2018 and 2017, respectively.

The College provided security and IT services totaling $68,780 and $75,186 to SCTC during the year ended June 30, 2018 and 2017, respectively, which are payable from SCTC to the College at each respective year end.

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, 2018 and 2017 the College and its students received support from the Foundation of approximately $585,000 and $646,000 respectively. The College provides supervisory and clerical staff and office space to the Foundation at no charge, valued at approximately $590,000 and $609,000 for the year ended June 30, 2018 and 2017, 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			
	2017	2016	2015	2014
College's proportion of the collective MPSERS net pension liability: As a percentage	0.45082%	0.43904%	0.41995%	0.41935%
Amount	$ 116,825,440	$ 109,537,407	$ 102,572,130	$ 92,367,456
College's covered-employee payroll	$ 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	304.67%	294.93%	287.94%	258.09%
MPSERS fiduciary net position as a percentage of the total pension liability	63.96%	63.01%	63.17%	66.20%

Schedule of College Contributions - Pension:

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

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

	As of September 30
	2017
College's proportion of the collective MPSERS net pension liability: As a percentage	0.45212%
Amount	$ 40,036,949
College's covered-employee payroll	$ 38,344,336
College's proportionate share of the collective pension liability (amount), as a percentage of the College's covered-employee payroll	104.41%
MPSERS fiduciary net position as a percentage of the total pension liability	36.53%

Schedule of College Contributions - OPEB:

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

Notes to Required Supplementary Information

Pension Information

RSI covered-payroll - The employers' covered payroll to be reported in the required supplementary information is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll represents payroll on which contributions to both plans are based.

Benefit Changes

There were no changes of benefit terms for the plan year ended September 30, 2017

Changes in Assumptions

Changes in Assumptions – There were no changes of assumptions for the plan year ended September 30, 2017 except that the discount rate used in the September 30, 2016 actuarial valuation decreased by 0.5%

OPEB Information

RSI covered-payroll - The employers' covered payroll to be reported in the required supplementary information is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll represents payroll on which contributions to both plans are based.

Benefit Changes

There were no changes of benefit terms for the plan year ended September 30, 2017.

Changes in Assumptions

There were no changes of benefit assumptions for the plan year ended September 30, 2017.

Consolidating Statement of Net Position

As of June 30, 2018 (With Comparative Totals for 2017)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	College Combined Total 2018	College Combined Total 2017
Assets									
Current Assets									
Cash and cash equivalents	$ 5,273,625	$ 3,515,763	$ 1,793,795	$ -	$ -	$ -	$ 55,432	$ 10,638,615	$ 10,844,088
Property taxes receivable	559,996	-	-	-	-	-	-	559,996	576,506
State appropriation receivable	3,272,574	-	-	-	-	-	-	3,272,574	3,199,004
Accounts receivable	1,517,024	185,650	191,774	-	-	-	-	1,894,448	1,959,100
Accrued interest receivable	26,299	-	-	-	-	-	-	26,299	27,916
Federal and state grants receivable	-	-	-	787,771	-	-	-	787,771	440,853
Student loans receivable	-	-	-	-	16,250	-	-	16,250	16,250
Inventories	334,278	-	1,159,715	-	-	-	-	1,493,993	1,629,221
Prepaid expenses and other assets	762,362	-	-	-	-	-	-	762,362	923,071
Deposits	499,532	-	-	-	-	-	-	499,532	418,514
Due from (to) other funds	1,819,639	-	-	(323,898)	-	(1,495,741)	-	-	-
Total Current Assets	14,065,329	3,701,413	3,145,284	463,873	16,250	(1,495,741)	55,432	19,951,840	20,034,523
Noncurrent Assets					-				
Long-term investments	7,030,382	3,452,580	1,761,573	-	-	688,899	-	12,933,434	16,201,887
Property and Equipment:									
Land and improvements	-	-	-	-	-	16,108,403	-	16,108,403	16,426,599
Infrastructure	-	-	-	-	-	3,678,739	-	3,678,739	3,652,731
Buildings and improvements	-	-	-	-	-	95,796,960	-	95,796,960	97,662,824
Equipment	-	-	-	-	-	6,842,986	-	6,842,986	8,164,069
Construction in progress	-	-	-	-	-	65,195	-	65,195	432,994
Total Property and Equipment	-	-	-	-	-	122,492,283	-	122,492,283	126,339,217
Total Assets	21,095,711	7,153,993	4,906,857	463,873	16,250	121,685,441	55,432	155,377,557	162,575,627
Deferred Outflows of Resources	30,362,153	-	-	-	-	-	-	30,362,153	17,886,563

Consolidating Statement of Net Position (Continued)

As of June 30, 2018 (With Comparative Totals for 2017)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	College Combined Total 2018	College Combined Total 2017
Liabilities									
Current Liabilities									
Current portion of debt obligations	$ -	$ -	$ -	$ -	$ -	$ 3,515,021	$ -	3,515,021	$ 2,982,192
Accounts payable	1,209,976	57,212	139,714	273,510	-	102,350	-	1,782,762	1,927,068
Accrued interest payable	-	-	66,846	-	-	122,188	-	189,034	212,645
Accrued payroll and other compensation	4,867,299	33,380	88,410	18,227	-	-	-	5,007,316	4,990,001
Deposits	-	-	231,250	-	-	-	55,432	286,682	271,493
Unearned revenue	5,630,160	192,323	-	-	-	-	-	5,822,483	4,459,514
Total Current Liabilities	11,707,435	282,915	526,220	291,737	-	3,739,559	55,432	16,603,298	14,842,913
Noncurrent Liabilities									
Accrued early retirement payable	2,960,530	-	-	-	-	-	-	2,960,530	3,727,867
Net pension liability	116,825,440	-	-	-	-	-	-	116,825,440	109,537,407
Net OPEB liability	40,036,949	-	-	-	-	-	-	40,036,949	-
Long-term debt obligations	-	-	-	-	-	26,424,051	-	26,424,051	29,939,072
Accrued severance pay	903,778	-	-	-	-	-	-	903,778	1,054,023
Total Liabilities	172,434,132	282,915	526,220	291,737	-	30,163,610	55,432	203,754,046	159,101,282
Deferred Inflows of Resources	12,354,375	-	-	-	-	-	-	12,354,375	3,744,098
Net Position									
Net investment in capital assets	-	-	-	-	-	92,553,211	-	92,553,211	93,417,953
Restricted for:									
Expendable restricted grants	-	-	-	172,136	-	-	-	172,136	112,053
Unrestricted	(133,330,643)	6,871,078	4,380,637	-	16,250	(1,031,380)	-	(123,094,058)	(75,913,196)
Total Net Position	$ (133,330,643)	$ 6,871,078	$ 4,380,637	$ 172,136	$ 16,250	$ 91,521,831	$ -	$ (30,368,711)	$ 17,616,810

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

For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total 2018	College Combined Total 2017
Revenue									
Operating Revenue									
Tuition and fees (Net of scholarship allowances of $10,687,915 in 2018 and $10,513,853 in 2017)	$ 41,179,711	$ 1,404,375	$ -	$ -	$ -	$ -	$ (10,687,915)	$ 31,896,171	$ 32,585,159
Federal grants and contracts	-	-	-	1,403,126	-	-	-	1,403,126	2,026,291
State and local grants and contracts	9,200	-	-	813,458	-	-	-	822,658	843,385
Nongovernmental grants	-	-	-	51,838	-	-	-	51,838	97,688
Auxiliary enterprises	-	-	8,029,581	-	-	-	(1,176,094)	6,853,487	7,898,764
Indirect cost recoveries	104,753	-	-	-	-	-	(104,753)	-	-
Gain on disposal of assets	-	-	-	-		15,864	-	15,864	17,771
Miscellaneous	1,564,468	3,219,529	14,299	239,414	-	1,261,366	(135,859)	6,163,217	5,659,312
Total Operating Revenue	42,858,132	4,623,904	8,043,880	2,507,836	-	1,277,230	(12,104,621)	47,206,361	49,128,370
Expenses									
Operating Expenses									
Instruction	34,583,951	769,513	31,496	697,937	-	-	(610,965)	35,471,932	34,215,804
Information Technology	7,280,078	647,317	115	-	-	-	(535,072)	7,392,438	6,197,641
Public service	1,440,237	1,736,736	196	761,424	-	-	(1,119,174)	2,819,419	2,767,713
Instructional support	12,686,273	559,031	145,273	681,414	-	-	(136,462)	13,935,529	13,104,102
Student services	12,355,853	1,213,341	7,704,364	13,216,321	-	-	(10,840,563)	23,649,316	24,771,938
Institutional administration	8,683,918	4,782	7,500	-	-	-	(136,117)	8,560,083	11,552,190
Operation and maintenance of plant	10,305,642	85,805	-	-	-	-	1,273,732	11,665,179	11,433,054
Depreciation	-	-	-	-	-	6,974,619	-	6,974,619	6,614,455
Total Operating Expenses	87,335,952	5,016,525	7,888,944	15,357,096	-	6,974,619	(12,104,621)	110,468,515	110,656,897
Operating Income (Loss)	(44,477,820)	(392,621)	154,936	(12,849,260)	-	(5,697,389)	-	(63,262,154)	(61,528,527)

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

For the Year Ended June 30, 2018 (With Comparative Totals for 2017)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total 2018	College Combined Total 2017
Nonoperating Revenue and (Expenses)									
State appropriations	$ 20,426,477	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,426,477	$ 18,437,143
Property tax levy	23,981,659	-	-	-	-	-	-	23,981,659	23,523,202
Interest income	476,638	-	-	-	-	(28,604)	-	448,034	486,529
Interest expense	-	-	-	-	-	(1,378,955)	-	(1,378,955)	(1,011,689)
Unrealized loss on investments	(668,892)	-	-	-	-	68,073	-	(600,819)	(881,515)
Pell grants	-	-	-	12,655,518	-	-	-	12,655,518	13,102,528
Net Nonoperating Revenue and (Expenses)	44,215,882	-	-	12,655,518	-	(1,339,486)	-	55,531,914	53,656,198
(Loss) Gain Before Other Revenue and Expenses	(261,938)	(392,621)	154,936	(193,742)	-	(7,036,875)	-	(7,730,240)	(7,872,329)
Other Revenue and (Expenses)									
Transfers between College and component units	-	-	-	-	-	250,000	-	250,000	(3,164,611)
Total Other Revenue	-	-	-	-	-	250,000	-	250,000	(3,164,611)
Increase (Decrease) in Net Position	(261,938)	(392,621)	154,936	(193,742)	-	(6,786,875)	-	(7,480,240)	(11,036,940)
Transfers In (Out)	(3,989,045)	(267,561)	(648,731)	253,825	-	4,651,512	-	-	-
Net Increase (Decrease) in Net Position	(4,250,983)	(660,182)	(493,795)	60,083	-	(2,135,363)	-	(7,480,240)	(11,036,940)
Net Position - Beginning of Year	(88,574,379)	7,531,260	4,874,432	112,053	16,250	93,657,194	-	17,616,810	28,653,750
Adjustment for change in accounting principle	(40,505,281)	-	-	-	-	-	-	(40,505,281)	-
Net Position - Beginning of Year, As Restated	(129,079,660)	7,531,260	4,874,432	112,053	16,250	93,657,194	-	(22,888,471)	28,653,750
Net Position - End of Year	$ (133,330,643)	$ 6,871,078	$ 4,380,637	$ 172,136	$ 16,250	$ 91,521,831	$ -	$ (30,368,711)	$ 17,616,810

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On the Cover
The Winter 2018 Commencement is a visible realization of the College's mission, which is to provide a transformational learning experience designed to increase the capacity of individuals and groups to achieve intellectual, social, and economic goals.

Cover photo by Rena Laverty