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Independent Auditor's Report

To the Board of Trustees
Schoolcraft College

Report on the Financial Statements

We have audited the accompanying financial statements of Schoolcraft College and the aggregate of its discretely presented component units, as of and for the years ended June 30, 2017 and 2016, 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, 2017 and 2016, 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.

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To the Board of Trustees
Schoolcraft College

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the College's proportionate share of net pension liability, and schedule of College contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 September 20, 2017 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

September 20, 2017

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, 2017 and 2016 and its financial activities for the three years ended June 30, 2017. 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 for the three years ended June 30, 2017. The Statement of Revenues, Expenses, and Changes in Net Position reports the change in net position for the three years ended June 30, 2017. The College's financial position deteriorated during the years ended June 30, 2017 and 2016 with net position decreasing by $11.0 million and $6.2 million, respectively. 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. The decrease in 2016 is primarily due to decreases in enrollment combined with a modest increase in salaries and wages offset by increases in tuition and fees rates. Operation and maintenance of plant expenditures increased due to more square footage added to the campus over the last few fiscal years. Additionally, depreciation and interest expense also increased due to projects fully capitalized in 2015 and therefore depreciated for a full year in 2016. Finally, the effects of GASB 68, as fully explained in Note 3 of the financial statements resulted in a decrease in net position of $1.5 million in 2016.

Following is a summary of the major components of the financial position of the College as of June 30, 2017, 2016 and 2015, in millions:

Management's Discussion & Analysis - Unaudited

Financial Position (in millions)

	2017	2016	2015
Current assets	$ 20.0	$ 24.9	$ 24.8
Non-current assets			
Other	16.2	28.0	22.7
Capital assets	126.3	117.2	113.7
Total assets	162.5	170.1	161.2
Deferred outflow of resources	17.9	11.7	9.8
Current liabilities	14.8	19.2	13.9
Long-term liabilities	144.3	130.6	112.1
Total liabilities	159.1	149.8	126.0
Deferred inflow of resources	3.7	3.3	10.2
Net position			
Net investment in capital assets	93.4	95.6	93.2
Restricted	0.1	0.1	0.1
Unrestricted	(75.9)	(67.0)	(58.5)
Total net position	$ 17.6	$ 28.7	$ 34.8

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 operations and capital expenditures, a decrease in restricted cash and investments of $8.0 million due to the consumption 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 poor market performance and turning a portion into cash 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.

During the year end June 30, 2016 total assets increased by $8.9 million and total liabilities increased by $23.9 million. The primary changes in assets include decreases in unrestricted cash and investments of $1.3 million due to operations, an increase in restricted cash and investments of $8.0 million due to the issuance of bonds, major capital expenditures and the resulting increase in capital assets of $3.5 million, and a decrease in federal grants receivable of $689,000. The primary changes in liabilities include an

Management's Discussion & Analysis - Unaudited

increase in accounts payable of $3.1 million due to timing of construction projects ongoing near year-end, an increase in both short and long-term debt obligations due to the 2016 bond issue as well as financing secured for IT projects, both approved by the board of trustees, and totaling $8.9 million, and an increase in net pension liability of $10.2 million due to the recognition of the College's proportionate share of the State of Michigan Public Schools Employees' Retirement System's 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, 2016 deferred outflows increased by $1.8 million. The primary changes in deferred outflows was a decrease of $883,000 due to changes in actuarial assumptions, an increase of $524,000 due to differences between projected and actual earnings on pension plan assets, and an increase of $1.9 million in College contributions subsequent to the measurement date of September 30, 2015.

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, 2016 deferred inflows decreased by $6.9 million. The primary changes in deferred inflows was an increase in state aid revenue allocated to fund the MPSERS unfunded actuarial accrued liability (UAAL) of $3.0 million and a decrease of $10.2 million due to differences between projected and actual earnings on pension plan assets.

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

	2017	2016	2015
Operating revenues			
Tuition and fees (net of scholarship allowance)	$ 32.6	$ 29.4	$ 27.4
Federal grants and contracts	2.1	1.7	1.8
State and other grants and contracts	0.9	0.7	0.8
Sales and services of auxiliary activities	7.9	7.5	8.0
Gain on disposal of assets	0.1	0.1	0.1
Miscellaneous	5.7	4.5	3.3
Total operating revenue	49.3	43.9	41.4
Operating expenses			
Instruction	36.9	35.4	34.3
Public services	2.8	2.2	2.1
Instructional support	14.1	13.1	12.3
Student services	25.8	25.6	25.8
Institutional administration	13.1	9.1	9.3
Operation and maintenance of plant	11.4	11.2	9.8
Depreciation	6.6	5.8	4.8
Total operating expenses	110.7	102.4	98.4
Net operating loss	(61.4)	(58.5)	(57.0)
Nonoperating revenues and (expenses)			
State appropriations	18.4	14.1	15.8
Property taxes	23.5	23.3	22.7
Pell grants	13.1	14.0	16.1
Other nonoperating revenues and (expenses) - net	(1.5)	1.2	1.0
Net nonoperating revenues	53.5	52.6	55.6
Other revenues			
Transfers between College and Development Component Units	(3.2)	(0.2)	0.9
Net decrease in net position	(11.1)	(6.1)	(0.5)
Net position, beginning of year	28.7	34.8	128.4
Adjustment for change in accounting principle	-	-	(93.1)
Net position, beginning of year, as restated	28.7	34.8	35.3
Net position, end of year	$ 17.6	$ 28.7	$ 34.8

Management's Discussion & Analysis - Unaudited

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.

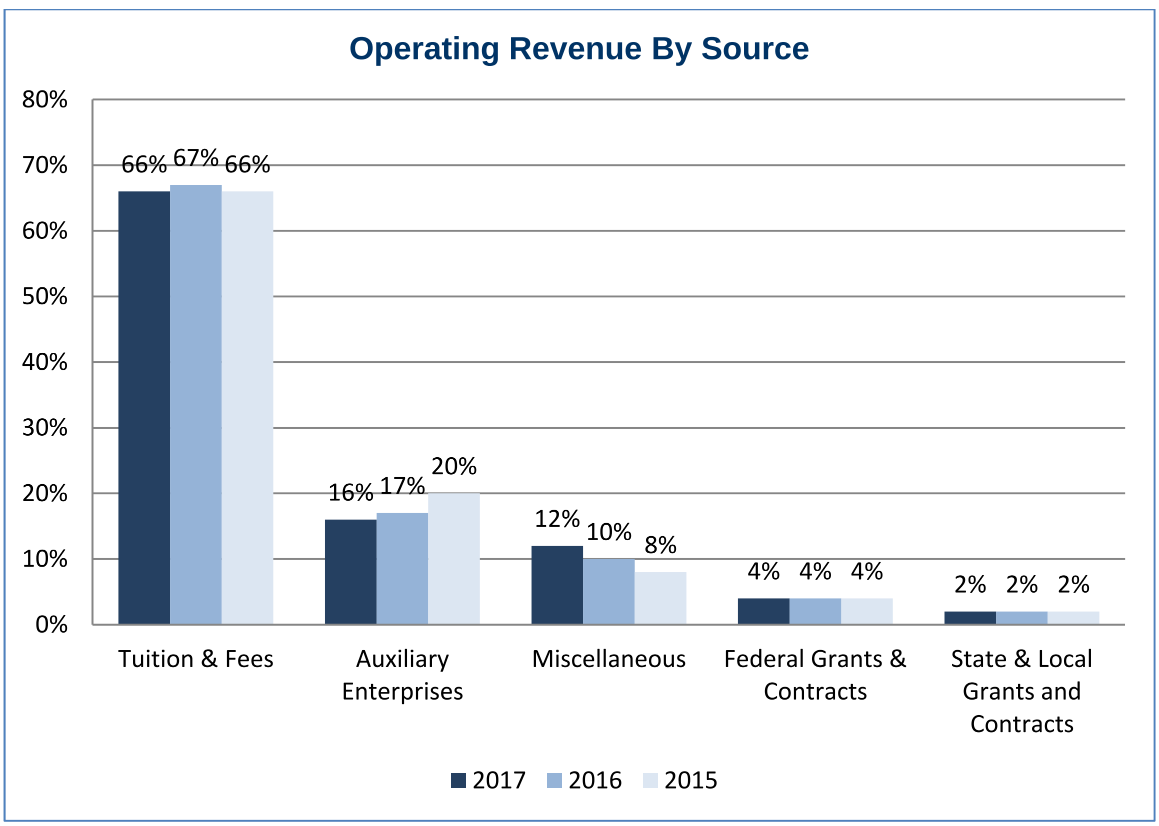
Operating revenue changes were the result of the following for the year ended June 30, 2017:

- 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.

Operating revenue changes were the result of the following for the year ended June 30, 2016:

- Student tuition and fee revenue increased $2.0 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 $186,000 or 0.46% due to tuition and fee increases coupled with an enrollment decrease of 2.5%. Auxiliary enterprises revenue decreased by $471,000 due to students taking advantage of book rentals in the bookstore which creates less revenue to the College than sales of books.

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



Management's Discussion & Analysis - Unaudited

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.

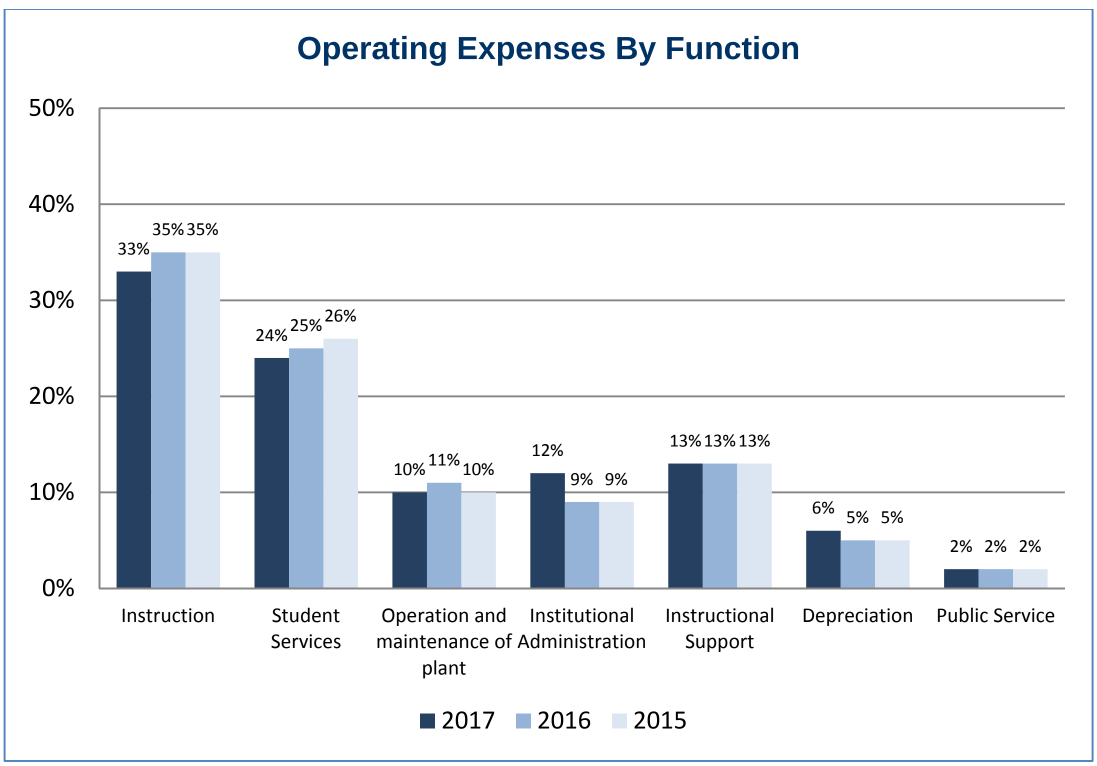
Operating expense changes were the result of the following for the year ended June 30, 2017:

- 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

Operating expense changes were the result of the following for the year ended June 30, 2016:

- Operating expenses overall increased 4.01%. Average salary and benefit packages increased moderately due to increases in health care insurance and retirement payments.
- Instruction and instructional support increased 3.93% primarily due to salary and benefit increases.
- Institutional administration decreased 2.0% due to the reduced headcounts.
- Operation and maintenance of plant increased 15.41% due to the write off of the data center of $544,000, combined with the increase in square footage of the campus due to various construction projects over the last three fiscal years.

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



Management's Discussion & Analysis - Unaudited

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, 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.
- 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.

Non-operating revenues and expenses changes were the result of the following factors for the year ended June 30, 2016:

- State appropriations decreased by $1.7 million. This is primarily due to an increase of $1.09 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 a decrease of $2.97 million due to deferring this revenue to 2017 pursuant to GASB 68.
- Property taxes increased by $610,000 due to slight increases in property tax values.
- Interest expense increased by $503,000 due to capital projects associated with the debt financing being capitalized in 2015, hence interest expense being recognized as expense versus being capitalized in 2015.
- Unrealized gains on investments increased by $679,000 as there were moderate decreases in interest rates compared to 2015.
- Pell grant awards decreased by $2.2 million due to a decrease in the number of students qualifying for financial aid as well as an approximate 2.5% 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, 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.

Other revenue changes were the result of the following factors for the year ended June 30, 2016:

- The College received $24,500 less in payments from the Schoolcraft Development Authority.
- The College transferred $1.1 million to the Development Component Units to fund capital contributions for legal expenses and road and infrastructure improvements.

Management's Discussion & Analysis - Unaudited

Statement of Cash Flows

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

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

The College's cash and cash equivalent position decreased by $13.8 million at June 30, 2017, primarily due to moving $4.0 million from government bonds into cash, offset by making investments in construction and facilities improvements of $12.8 million, and additional cash funding operating losses of $4.5 million higher than in 2016.

Statement of Cash Flows (in millions)

	2017	2016	2015
Cash provided (used) by:			
Operating activities	$ (55.8)	$ (47.9)	$ (54.6)
Noncapital financing activities	55.1	54.6	53.7
Capital and related financing activities	(16.5)	(1.6)	(9.5)
Investing activities	3.4	4.7	4.2
Net increase (decrease) in cash and equivalents	(13.8)	9.8	(6.2)
Cash and equivalents - beginning of year	24.6	14.8	21.0
Cash and equivalents - end of year	$ 10.8	$ 24.6	$ 14.8

Capital Assets and Debt Administration:

Capital Assets

The College had $126.3 million and $117.2 million invested in capital assets, net of accumulated depreciation of $68.8 million and $62.4 million at June 30, 2017 and 2016, respectively. Depreciation charges totaled $6.6 and $5.8 million, respectively, for the years then ended.

	2017	2016	2015
Land and land improvements	$ 16.4	$ 10.7	$ 11.1
Buildings and improvements	97.6	90.3	87.1
Equipment	8.2	9.1	7.6
Infrastructure	3.7	2.3	2.5
Construction in progress	0.4	4.8	5.4
	$ 126.3	$ 117.2	$ 113.7

Major capital additions this year include:

	Source of Funds:		
Projects completed this year:	Bond Proceeds	Operating Funds	Total
Jeffress Center improvements	$ -	$ 144,618	$ 144,618
Brewery	-	113,897	113,897
Mechatronics Lab	-	85,694	85,694
Welding lab	-	12,908	12,908
Plastics lab	-	154,960	154,960
Ring Road Phase II	1,897,358	3,101,924	4,999,282
McDowell Center & Applied Science generators	967,860	1,377,093	2,344,953
South parking lot extension	747,390	351,139	1,098,529
Sitework & Infrastructure South campus	796,776	916,503	1,713,279
Projects started this year or last year:			
St. Joe's Urgent Care	-	432,994	432,994
Total major additions	$ 4,409,383	$ 6,691,731	$ 11,101,114

Management's Discussion & Analysis - Unaudited

The College has entered into construction contracts and commitments totaling approximately $882,000 for the St. Joe's Urgent Care Facility being constructed in the Jeffress Center. As of June 30, 2017 the College had incurred $433,000 relating to this project. The project is expected to be completed during the year ending June 30, 2018. The remaining commitments totaling $449,000 will be funded by operating funds.

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

Debt Administration

At year-end, the College had $21.7 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 included in the section above, as authorized by the Board of Trustees on March 23, 2016. 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 $5.3 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 new 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.

Management's Discussion & Analysis - Unaudited

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 $13.1 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 2017/2018 will increase by approximately 3% and is estimated to continue increasing at a modest rate for 2018/2019. It is projected that it will take ten more fiscal years to recover to pre-recession property tax revenue levels. The Board has approved an average tuition increase of 5.97%, effective with the fall 2017 term, and enrollment for the fall semester compared to last year is projected to decrease by approximately 3%.

Medical Benefit Costs - The College is subject to Section 4 of Michigan Public Act 152 of 2011. This act caps the College's costs related to medical benefits it offers its employees and will help the College contain its medical benefit costs. Fully implemented in 2015 due to collective bargaining agreements, the College's share of medical benefits will not exceed 80% of the total annual costs of all the medical benefit plans it offers or contributes to for its employees, with yearly savings approximating $900,000.

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 25.56% for 2017/18 until further legislation is enacted. Under these rates, this represents a cumulative increase from 2006/07 of approximately 44%. During that same period of time, the cumulative CPI for the United States increased 20.73%. If MPSERS had limited increases to the CPI figures over that period, the current actual rate would be 21.42%. Schoolcraft's recurring revenue streams are relegated to increase tied to the CPI rate. Contributions to MPSERS using the adjusted CPI figure of 21.42% would net the college a recurring savings of approximately $1.6 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 $24.9 billion and $9.3 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 $109.5 million and $102.6 million as of June 30, 2017 and 2016, respectively. GASB pronouncement number 75, effective for the College's year ending June 30, 2018, will address the unfunded postemployment health care benefit. The College estimates that its share of the unfunded postemployment benefit liability is approximately $40.8 million as of June 30, 2017.

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 will close the school employees' pension system to new hires and instead provide 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 will have new contribution and employer match amounts mandated by the new law. Employers will begin mandatory contributions of 4% for current DC participants hired since September 4, 2012 and all future DC participants. The contributions will begin 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%

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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.

The College is currently evaluating the positive effects this will have on operations.

Early retirement incentive - In an effort to continually shed 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 it is anticipated a number of these positions will be replaced, it is being 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 assessment 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 1.7880 as of June 30, 2017, which resulted in $6.3 million less in property tax revenue for fiscal year 2017.

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	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and cash equivalents - Note 2	$ 10,844,088	$ 16,583,611	$ 914,964	$ 170,337
Property taxes receivable, net of allowance for doubtful			-	-
accounts of $44,100 in 2017 and $76,600 in 2016	576,506	357,706	-	-
State appropriation receivable	3,199,004	3,087,491	-	-
Accounts receivable, net of allowance for doubtful			-	-
accounts of $981,008 in 2017 and $1,279,386 in 2016	1,959,100	1,594,910	646,648	210,328
Capital lease receivable - Note 11	-	-	5,912,995	
Related party receivable - Note 12	-	-	361,086	-
Accrued interest receivable	27,916	57,356	67,220	-
Federal and state grants receivable	440,853	530,976	-	-
Student loans receivable, net of allowance for doubtful			-	-
accounts of $0 in both 2017 and 2016	16,250	16,250	-	-
Inventories	1,629,221	1,867,205	-	-
Prepaid expenses and other assets	923,071	669,974	-	-
Deposits	418,514	170,099	-	-
Total Current Assets	20,034,523	24,935,578	7,902,913	380,665
Noncurrent Assets				
Restricted cash and investments - Note 1	-	8,045,718	5,761,239	16,628,794
Long-term investments - Note 2	16,201,887	19,963,070	3,622,323	2,465,422
Property and equipment - Note 7	126,339,217	117,170,565	31,149,206	9,693,927
Total Assets	162,575,627	170,114,931	48,435,681	29,168,808
Deferred Outflows of Resources - Note 3	17,886,563	11,687,016	-	-
Liabilities				
Current Liabilities				
Current portion of debt obligations - Note 9	2,982,192	2,582,887	55,462	-
Accounts payable	1,927,068	5,185,705	4,219,728	1,867,122
Related party payable - Note 12	-	-	1,479,986	-
Accrued interest payable	212,645	161,546	55,229	55,229
Accrued payroll and other compensation	4,990,001	6,552,006	-	-
Deposits	271,493	266,024	-	-
Unearned revenue	4,459,514	4,417,648	2,648,592	2,489,116
Total Current Liabilities	14,842,913	19,165,816	8,458,997	4,411,467
Noncurrent Liabilities				
Accrued early retirement payable - Note 9	3,727,867	-	-	-
Net pension liability - Note 3	109,537,407	102,572,130	-	-
Long-term debt obligations - Note 9	29,939,072	27,008,269	23,345,740	23,401,202
Accrued severance pay - Note 9	1,054,023	1,091,844	-	-
Total Liabilities	159,101,282	149,838,059	31,804,737	27,812,669
Deferred Inflows of Resources - Note 3	3,744,098	3,310,138	-	-
Net Position				
Net investment in capital assets	93,417,953	95,625,127	8,736,677	1,121,774
Restricted for:				
Expendable restricted grants	112,053	77,415	-	-
Nonexpendable Minority interest	-	-	8,544,891	943,976
Unrestricted	(75,913,196)	(67,048,792)	(650,624)	(709,611)
Total Net Position	$ 17,616,810	$ 28,653,750	$ 16,630,944	$ 1,356,139

The accompanying notes are an integral part of these statements.

Schoolcraft College Foundation Statement of Net Assets

	As of June 30	
	2017	2016
Assets		
Cash and cash equivalents	$ 300,043	$ 60,601
Marketable securities	14,044,439	13,203,042
Assets held under charitable remainder unitrust agreement	93,509	90,206
Accounts receivable	12,000	-
Contributions receivable - net	-	11,737
Beneficial interest in remainder trusts	17,055	14,797
Cash surrender value - life insurance policy	13,643	13,784
Prepaid expenses	28,858	10,618
Total Assets	$ 14,509,547	$ 13,404,785
Liabilities And Net Assets		
Liabilities		
Payable to Schoolcraft College	$ 205,572	$ 54,194
Other liabilities	37,051	15,866
Liability under charitable remainder unitrust and gift annuity agreements	49,651	51,304
Total Liabilities	292,274	121,364
Net Assets		
Unrestricted		
Board designated	3,166,968	2,957,072
Undesignated	981,632	806,455
Temporarily restricted	2,452,033	2,178,474
Permanently restricted	7,616,640	7,341,420
Total Net Assets	14,217,273	13,283,421
Total Liabilities And Net Assets	$ 14,509,547	$ 13,404,785

The accompanying notes are an integral part of these statements.

Statement of Revenue, Expenses and Changes in Net Position

	College Years Ended June 30 2017	College Years Ended June 30 2016	Development Component Units Years Ended June 30 2017	Development Component Units Years Ended June 30 2016
Operating Revenue				
Tuition and fees (Net of scholarship allowances of $10,513,853 in 2017 and $11,433,600 in 2016)	$ 32,585,159	$ 29,385,110	$ -	$ -
Federal grants and contracts	2,026,291	1,731,868	-	-
State and local grants and contracts	843,385	657,428	-	-
Nongovernmental grants	97,688	73,833	-	-
Auxiliary enterprises	7,898,764	7,502,518	-	-
Gain on disposal of assets	17,771	11,674	-	-
Miscellaneous	5,659,312	4,519,586	1,890,654	980,805
Total Operating Revenue	49,128,370	43,882,017	1,890,654	980,805
Operating Expenses				
Instruction	36,864,728	35,361,074	-	-
Public service	2,767,713	2,168,768	-	-
Instructional support	14,140,791	13,069,733	-	-
Student services	25,776,589	25,593,484	-	-
Institutional administration	13,059,567	9,137,151	-	-
Operation and maintenance of plant	11,433,054	11,288,045	-	-
Depreciation	6,614,455	5,765,384	61,762	-
Other expenditures	-	-	269,691	2,175,584
Total Operating Expenses	110,656,897	102,383,639	331,453	2,175,584
Operating (Loss) Income	(61,528,527)	(58,501,622)	1,559,201	(1,194,779)
Nonoperating Revenue and (Expenses)				
State appropriations	18,437,143	14,118,950	-	-
Property tax levy	23,523,202	23,296,021	-	-
Interest income	486,529	521,103	628,717	18,036
Interest expense	(1,011,689)	(557,230)	-	-
Unrealized (loss) gain on investments	(881,515)	1,243,968	372,730	240,324
Pell grants	13,102,528	13,979,373	-	-
Miscellaneous	-	-	5,588,854	-
Distribution to minority owner	-	-	(682,677)	-
Net Nonoperating Revenue	53,656,198	52,602,185	5,907,624	258,360
(Loss) Gain Before Other Revenue	(7,872,329)	(5,899,437)	7,466,825	(936,419)
Other Revenue and (Expenses)				
Transfers between College and component units	(3,164,611)	(270,151)	3,164,611	270,151
Minority interest contributions	-	-	4,643,369	2,017,838
Total Other Revenue and (Expenses)	(3,164,611)	(270,151)	7,807,980	2,287,989
(Decrease) Increase in Net Position	(11,036,940)	(6,169,588)	15,274,805	1,351,570
Net Position				
Net Position - Beginning of Year	28,653,750	34,823,338	1,356,139	4,569
Net Position - End of Year	$ 17,616,810	$ 28,653,750	$ 16,630,944	$ 1,356,139

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	
	2017	2016
Revenue		
Gifts and contributions	$ 510,413	$ 351,972
Fund-raising events	145,350	158,423
Investment income	426,982	525,639
Decrease in value of beneficial interest in remainder trusts	2,258	(4,310)
Change in cash surrender value of life insurance policy	(141)	2,260
Realized and unrealized losses on investments	840,481	(942,372)
Decrease in actuarial value of charitable remainder unitrust agreement	4,463	(1,967)
Donated administrative support	608,796	606,337
Total Revenue	2,538,602	695,982
Expenses		
Scholarships	473,318	502,720
Other College support	173,166	217,518
Fund-raising expenses	28,588	44,291
Donated administrative expenses	608,796	606,337
Administrative expenses	320,882	246,504
Total Expenses	1,604,750	1,617,370
Increase (Decrease) in Net Assets	933,852	(921,388)
Net Assets - Beginning of Year	13,283,421	14,204,809
Net Assets - End of Year	$ 14,217,273	$ 13,283,421

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	Years Ended June 30	
	2017	2016
Cash Flows From Operating Activities		
Tuition and fees	$ 32,268,304	$ 30,232,059
Grants and contracts	3,099,558	3,130,548
Payments to suppliers	(54,467,690)	(46,832,887)
Payments to employees	(50,215,129)	(46,478,699)
Auxiliary enterprise charges	7,898,764	7,502,518
Other	5,677,083	4,531,260
Net Cash Used For Operating Activities	(55,739,110)	(47,915,201)
Cash Flows From Noncapital Financing Activities		
Local property taxes	23,304,402	23,438,761
Pell grants	13,043,237	14,316,173
William D. Ford Direct Lending receipts	10,056,113	10,401,737
William D. Ford Direct Lending disbursements	(10,062,466)	(10,404,968)
State appropriations	18,771,373	16,854,577
Net Cash Provided by Noncapital Financing Activities	55,112,659	54,606,280
Cash Flows From Capital And Related Financing Activities		
Purchase of capital assets	(12,837,717)	(8,074,843)
Principal paid on capital debt	(1,570,000)	(1,025,000)
Interest paid on capital debt	(332,595)	(333,643)
Proceeds from issuance of debt	-	8,120,036
Capital lease principal payments	(1,082,346)	(746,760)
Interest paid on capital lease	(626,291)	(173,965)
Net transfers to component units	(110,000)	588,785
Net Cash Used For Capital and Related Financing Activities	(16,558,949)	(1,645,390)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investment	4,887,412	16,568,599
Interest on investments	515,969	569,155
Purchase of investments	(2,003,222)	(12,394,149)
Net Cash Provided By Investing Activities	3,400,159	4,743,605
Net (Decrease) Increase In Cash And Cash Equivalents	(13,785,241)	9,789,294
Cash And Cash Equivalents - Beginning Of Year	24,629,329	14,840,035
Cash And Cash Equivalents - End Of Year	$ 10,844,088	$ 24,629,329
Significant Noncash Transactions		
Property acquired under capital lease	$ 6,000,000	$ 2,640,837
Capital assets transferred to development component units	3,054,611	858,936

The accompanying notes are an integral part of these statements.

Statement of Cash Flows (continued)

	Years Ended June 30	
	2017	2016
Statement of Net Position Classifications Of Cash And Cash Equivalents		
Cash and cash equivalents	$ 10,844,088	$ 16,583,611
Restricted cash and cash equivalents	-	8,045,718
Total Cash And Cash Equivalents	$ 10,844,088	$ 24,629,329

	Years Ended June 30	
Reconciliation Of Net Loss To Net Cash Used For Operating Activities:		
Operating loss	$ (61,528,527)	$ (58,501,622)
Adjustment to reconcile operating loss to net cash used for operating activities:		
Depreciation	6,614,455	5,765,384
(Increase) decrease in assets and deferred outflows:		
Accounts receivable, net	(364,190)	512,472
Federal and state grant receivable	90,123	689,317
Inventories	237,984	(122,449)
Prepaid assets and other current assets	(253,097)	224,788
Deposits	(248,415)	(170,099)
Deferred outflows of assets	(6,199,547)	(1,845,607)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(3,216,766)	3,073,934
Accrued payroll and other compensation	2,165,862	1,298,162
Accrued severance pay	(37,821)	262,659
Deposits	5,469	241,557
Unearned revenue	41,866	324,170
Contingent liabilities	-	(484)
Deferred inflows of assets	(11,783)	(9,872,057)
Net pension liability	6,965,277	10,204,674
Net Cash Used For Operating Activities	$ (55,739,110)	$ (47,915,201)

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”, that 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, 2017 and 2016 are as follows:

Condensed Statement of Net Position

	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	$ 672,374	$ 6,553,022	$ 445,950	$ 7,902,913
Noncurrent Assets	-	39,369,785	1,162,983	-	40,532,768
Total Assets	231,567	40,042,159	7,716,005	445,950	48,435,681
Liabilities					
Current Liabilities	2,467,310	5,268,819	451,785	271,083	8,458,997
Noncurrent Liabilities	-	23,345,740	-	-	23,345,740
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

	Schoolcraft Development Authority 2016	SC Development Unit 14, Inc. 2016	SC Sports Dome, Inc. 2016	SC Technology Center, Inc. 2016	Combined Total 2016
Assets					
Current Assets	$ 230,921	$ 149,744	$ -	$ -	$ 380,665
Noncurrent Assets	-	27,251,237	1,536,906	-	28,788,143
Total Assets	230,921	27,400,981	1,536,906	-	29,168,808
Liabilities					
Current Liabilities	2,489,116	1,646,652	275,699	-	4,411,467
Noncurrent Liabilities	-	23,401,202	-	-	23,401,202
Total Liabilities	2,489,116	25,047,854	275,699	-	27,812,669
Net Position					
Net investment in capital assets	-	1,121,774	-	-	1,121,774
Restricted for					
Nonexpendable Minority interest	-	(317,231)	1,261,207	-	943,976
Unrestricted	(2,258,195)	1,548,584	-	-	(709,611)
Total Net Position	$ (2,258,195)	$ 2,353,127	$ 1,261,207	$ -	$ 1,356,139

Notes to Financial Statements

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

	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					
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	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 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

	Schoolcraft Development Authority 2016	SC Development Unit 14, Inc. 2016	SC Sports Dome, Inc. 2016	SC Technology Center, Inc. 2016	Combined Total 2016
Revenue					
Operating Revenue	$ 980,805	$ -	$ -	$ -	$ 980,805
Expenses					
Operating Expenses	4,876	2,170,708	-	-	2,175,584
Nonoperating Revenue					
Interest income	307	17,729	-	-	18,036
Unrealized gain on investments	-	240,324	-	-	240,324
Total Nonoperating Revenue	307	258,053	-	-	258,360
Other Revenue and (Expenses)					
Transfers between Component Units	(2,380,000)	2,380,000	-	-	-
Transfers to/from Schoolcraft College	(859,000)	1,129,151	-	-	270,151
Minority interest contributions	-	756,631	1,261,207	-	2,017,838
					-
Total Other Revenue and (Expenses)	(3,239,000)	4,265,782	1,261,207	-	2,287,989
Increase (Decrease) in Net Position	(2,262,764)	2,353,127	1,261,207	-	1,351,570
Net Position - Beginning of Year	4,569	-	-	-	4,569
Net Position - End of Year	$ (2,258,195)	$ 2,353,127	$ 1,261,207	$ -	$ 1,356,139

Notes to Financial Statements

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

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

Significant Accounting Policies
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 due in advance 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 unspent bond and mortgage proceeds which are restricted for capital expenditures.

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 deferred outflows of resources related to the net pension liability, see Note 3 for more information.

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, 2017 is for the summer 2017 semester which began July 3, 2017 and for the fall 2017 semester which began August 28, 2017. Unearned revenue for the Development Component Units at June 30, 2017 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.

Notes to Financial Statements

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.

Bond Issuance Costs

Bond issuance costs are expensed when incurred.

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.

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, deferred inflows of resources, 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. Deferred inflows of resources at June 30, 2017 include approximately $3,415,000 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and $330,000 related to the pension plan described in Note 3. Deferred inflows of resources at June 30, 2016 include approximately $2,968,000 for funding received through state appropriations for contributions to the MPSERS pension plan after the measurement date and $342,000 related to the pension plan described 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, 2017 and 2016 and the Board of Trustees believes that provision should be made for these future expenditures. These designations are as follows:

College	2017	2016
Designated for:		
Facilities master plan proposed projects	$ -	$ 4,500,000
Scholarships	301,000	295,000
Technology replacements	1,365,000	1,222,205
Major maintenance & renovation	462,000	1,453,850
Instructional and student support systems	750,000	750,000
Instructional equipment	2,035,000	2,882,400
Personnel commitments, self insurance reserves and working capital	6,382,000	6,319,100
Reserve for executive orders	2,500,000	2,500,000
Debt service costs	2,949,000	2,582,887
Unrestricted and unallocated	(92,657,196)	(89,554,234)
Total Unrestricted Net Position	$ (75,913,196)	$ (67,048,792)

Unrestricted net position of the Development Component Units is entirely unrestricted and unallocated at both June 30, 2017 and 2016.

Notes to Financial Statements

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

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

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

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 quarterly payments in accordance with the terms of each rental agreement.

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 $23,545,608 and $23,484,207 based on $1.7880 and $1.7967 of tax per $1,000 of taxable property value in the community college taxing district for the years ended June 30, 2017 and 2016, 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 2016 amounts have been reclassified to conform to the 2017 presentation.

Subsequent Events
The financial statements and related disclosures include evaluation of events up through and including September 20, 2017, which is the date the financial statements were available to be issued.

Adoption of New Standards
For the year ended June 30, 2017, the College implemented GASB Statement No. 77, Tax Abatement Disclosures, which improves disclosure of tax abatement information, such as how the tax abatements affect the College's financial statements, operations, and ability to raise resources in the future, by reporting (1) the College's own tax abatement agreements, and (2) those entered into by other governments that reduce the College's tax revenues. See Note 10, regarding the effect of this pronouncement on the College.

Upcoming Accounting Pronouncements
In June 2015, the GASB issued Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the College to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS) plan. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). Adoption of the standard is expected to significantly increase liabilities for the College's proportionate share of the net OPEB liability as well as increase deferred inflows, deferred outflows, and expense. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2018.

Notes to Financial Statements

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 financial statements as a result of the SDA and SCDU 14 leases described in Note 11 that are classified as operating leases, including an increase in lease receivables and deferred inflows. The effects on the statement of revenues, expenses and changes in net position is not expected to be significant. The provisions of this statement are effective for the College’s financial statements for the year ended June 30, 2021.

Note 2 - Deposits and Investments

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

	2017	2016
Cash and cash equivalents	$ 10,844,088	$ 24,629,329
Long-term investments	16,201,887	19,963,070
Total	$ 27,045,975	$ 44,592,399

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

	2017	2016
Cash and cash equivalents	$ 6,676,203	$ 16,799,131
Long-term investments	3,622,323	2,465,422
Total	$ 10,298,526	$ 19,264,553

As of June 30, 2017 and 2016, the College’s investments are comprised entirely of federal government agency bonds with maturities of more than 5 years.

As of June 30, 2017 and 2016, the Development Component Units’ investments are comprised entirely of equity securities that do not mature.

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

	2017	2016
Bank deposits (checking & savings accounts)	$ 9,856,018	$ 10,995,497
Institutional money market fund	949,456	13,603,268
Petty cash and cash on hand	38,614	30,564
Federal government agency bonds	16,201,887	19,963,070
Total	$ 27,045,975	$ 44,592,399

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

	2017	2016
Bank deposits (checking & savings accounts)	$ 914,964	$ 170,337
Institutional money market fund	5,761,239	16,628,794
Publicly traded stocks	3,074,116	2,102,689
Exchange traded funds	548,207	362,733
Total	$ 10,298,526	$ 19,264,553

<u>Deposits</u>

The above College deposits were reflected in the accounts of the bank at June 30, 2017 and 2016 (without recognition of checks written but not yet cleared or of deposits in transit) at $10,528,738 and $11,005,627

Notes to Financial Statements

respectively. Of this amount $250,000 in both 2017 and 2016 was covered by federal depository insurance and $10,278,738 and $10,755,627 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, 2017 and 2016 at the same amount due to no outstanding checks or deposits in transit at year-end. At June 30, 2017 and 2016, $665,420 and $170,337, respectively, was covered by federal depository insurance and $249,544 and $0, 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.

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, 2017 and 2016 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, 2017 and 2016 were invested as follows:

	2017	2016
Exchange traded funds - iShares Core U.S. Aggregate	15%	15%

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

Schoolcraft College Foundation Investments
Investments are comprised of mutual funds, bond and exchange traded funds with a fair market value of $14,044,439 and $13,203,042 as of June 30, 2017 and June 30, 2016, 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. 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.

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

Notes to Financial Statements

College contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates during the periods covered by this report is as follows:

July 1, 2015 – September 30, 2015	18.76% - 23.07%
October 1, 2015 – September 30, 2016	14.56% - 18.95%
October 1, 2016 – June 30, 2017	15.27% - 19.03%

Depending on the plan selected, plan member contributions range from 0 percent up to 9.4 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions. For benefit options that include a defined contribution plan, the College is required to contribute 0 percent to 4 percent of gross wages as of June 30, 2017 and 2016.

The College's required and actual contributions to MPSERS for the years ended June 30, 2017 and 2016 were $10,919,000 and $10,287,000, respectively. The College's required and actual contributions include $3,415,000 and $2,968,000 in revenue received from the State of Michigan to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate for the years ended June 30, 2017 and 2016. These funds were also remitted to the plan.

<u>Benefits Provided</u>
Benefit provisions of the defined benefit pension plan are established by State statue, which may be amended. State of Michigan Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan.

Depending on the plan option selected, member retirement benefits are 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.

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 3.00 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.

<u>Net Pension Liability, Deferrals, and Pension Expense</u>
At June 30, 2017 and 2016, the College reported a liability of approximately $109,537,000 and $102,572,000, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2016 and 2015, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015 and September 30, 2014, which used updated procedures to roll forward the estimated liability to September 30, 2016 and September 30, 2015. 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, 2016 and 2015, the College's proportion was 0.439042 percent and 0.419947 percent, respectively.

For the year ended June 30, 2017 and 2016, the College recognized pension expense of $11,491,364 and $8,758,192, respectively.

Notes to Financial Statements

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

At June 30, 2016, 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	$ -	$ 339,749
Changes of assumptions	2,525,543	-
Net difference between projected and actual earnings on pension plan assets	523,548	-
Changes in proportion and differences between College contributions and proportionate share of contributions	331,418	1,552
College contributions subsequent to the measurement date	8,306,507	-
Total	$ 11,687,016	$ 341,301

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
2018	$ 1,913,681
2019	1,770,600
2020	3,660,906
2021	1,025,198
2022	-
Thereafter	-
Total	$ 8,370,385

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2018).

Notes to Financial Statements

Actuarial Assumptions

The total pension liability as of September 30, 2016 and 2015, based on the results of an actuarial valuation date of September 30, 2015 and 2014, and rolled forward, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age normal cost actuarial cost method
Assumed rate of return	7.00 to 8.00 percent, net of investment and administrative expenses based on the groups
Rate of pay increases	3.50 percent to 12.30 percent, including wage inflation of 3.50 percent
Mortality basis	RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB

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 7.00-8.00 percent, depending on the plan option. 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 was 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Investment Category	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity Pools	28.0%	5.9%
Alternative Investment Pools	18.0%	9.2%
International Equity Pools	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate & Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
Total	100.0%	

Notes to Financial Statements

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

The following presents the net pension liability of the College at June 30, 2017, calculated using the discount rate of 7.00-8.00 percent, 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 (7.00/6.00 percent) or 1.00 percentage point higher (9.00/8.00 percent) than the current rate:

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

The following presents the net pension liability of the College at June 30, 2016, calculated using the discount rate of 7.00-8.00 percent, 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 (7.00/6.00 percent) or 1.00 percentage point higher (9.00/8.00 percent) than the current rate:

1.00 percent decrease (7.00/6.00 percent)	Current discount rate (8.00/7.00 Percent)	1.00 percent increase (9.00/8.00 percent)
$ 132,241,770	$ 102,572,130	$ 77,559,409

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Changes Since the Measurement Date

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual valuation by 0.50%. The actuarial computed employer contributions and the net pension liability for the measurement period ending September 30, 2017 will increase as a result of this change.

Payable to the Pension Plan

At June 30, 2017 and 2016, the College reported a payable of $1,093,118 and $680,470 respectively, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017 and 2016, consisting of pension contribution payable plus any other amounts owed to the pension plan including the UAAL payments for July and August 2017.

Postemployment Benefits Other Than Pensions (OPEB)

Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees having these coverages 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 current monthly premium amount for the health, dental and vision coverage's at the time of receiving the benefits. The MPSERS Board of Trustees annually sets the required employer contribution rate to fund these benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 2.20 percent to 2.71 percent of covered compensation for the period from July 1, 2015 through September 30, 2015, and from 6.40 percent to 6.83 percent of covered compensation for the period from October 1, 2015 through September 30, 2016, and from 5.69 percent to 5.91 percent of covered compensation for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3 percent of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit, or they can elect not to pay the 3 percent contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date and create a 2 percent employer match into the employee's 403B account. College required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2017, 2016 and 2015 were approximately $2,339,000, $2,078,000, and $930,000, respectively.

Notes to Financial Statements

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, 2017 was approximately $8,368,000, resulting in contributions of approximately $1,004,000 and $335,000 for the College and employee, respectively. Compensation covered under the plan for the year ended June 30, 2016 was approximately $7,271,000, resulting in contributions of approximately $872,000 and $291,000 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 expiring June 30, 2018.

In May 2016, the College became self-insured for medical benefits for substantially all employees up to a maximum of $150,000 for each claim and up to $2,951,760 for calendar year 2017 and up to $1,545,771 for calendar year 2016 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. Prior to May 2016, the College had purchased commercial insurance for medical benefits.

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, 2017, the College is responsible for a self-insured retention (SIR) of $29,000 per occurrence and $87,000 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 $259 million aggregate for property and crime coverage of buildings and personal property. The College made contributions during the years ended June 30, 2017 and 2016 to the Authority of approximately $330,000 and $329,000 respectively for insurance coverage.

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

	2017	2016
Balance, beginning of year	$ 197,765	$ 484
Claims incurred and changes in estimates	2,646,723	304,225
Claims and premium payments	(2,409,379)	(106,944)
Balance, end of year	$ 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.

Notes to Financial Statements

The College has the following recurring fair value measurements as of June 30, 2017 and 2016:

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			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

		Fair Value Measurements Using		
	Balance at June 30, 2016	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	$ 19,963,070	$ -	$ 19,963,070	$ -
Total investments by fair value level	$ 19,963,070	$ -	$ 19,963,070	$ -
Total investments measured at fair value	$ 19,963,070			

The fair value of the Federal government agency securities at June 30, 2017 and 2016, 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.

The Development Component Units have the following recurring fair value measurements as of June 30, 2017 and 2016:

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			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

		Fair Value Measurements Using		
	Balance at June 30, 2016	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	$ 2,102,689	$ 2,102,689	$ -	$ -
Exchange traded funds	362,733	362,733	-	-
Total investments by fair value level	$ 2,465,422	$ 2,465,422	$ -	$ -
Total investments measured at fair value	$ 2,465,422			

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

Notes to Financial Statements

The Foundation has the following recurring fair value measurements as of June 30, 2017 and 2016:

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	1,212,354	1,212,354	-	-
Diversifying Strategies	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			

Assets and Liabilities Measured at Fair Value on a Recurring Basis at June 30, 2016

		Fair Value Measurements Using		
	Balance at June 30, 2016	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	$ 6,451,044	$ 6,451,044	$ -	$ -
International mutual funds	3,982,854	3,982,854	-	-
Fixed Income Mutual Funds	2,662,340	2,662,340	-	-
Money Market Mutual Fund	106,804	106,804	-	-
Assets Held Under Charitable Remainder Unitrust	90,206	-	90,206	-
Beneficial Interest in Remainder Trusts	14,797	-	-	14,797
Total investments by fair value level	$ 13,308,045	$ 13,203,042	$ 90,206	$ 14,797
Total investments measured at fair value	$ 13,308,045			

The following tables summarize the valuation methods and inputs used to determine fair value at June 30, 2017 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, 2017, changes in level 3 assets measured at fair value on a recurring basis included an unrealized gain of $2,258. For the year ended June 30, 2016, changes in level 3 assets measured at fair value on a recurring basis included an unrealized loss of $4,310 and a $45,404 distribution from one of the remainder trusts.

Notes to Financial Statements

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 $882,000 for the St. Joe's Urgent Care facility constructed in the Jeffress Center. As of June 30, 2017 the College incurred $433,000 relating to these projects. The projects are expected to be completed at various points during the year ending June 30, 2018. In addition, the College has approximately $410,000 of other commitments for final work to be completed on projects that were substantially completed and placed in service during the year ended June 30, 2017.

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, 2017 and June 30, 2016:

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 Improvments	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	

Notes to Financial Statements

Year ended June 30, 2016	Beginning Balance	Additions	Deletions	Ending Balance	Estimated Useful Life
Nondepreciable Capital Assets					
Land	$ 1,831,228	$ -	$ -	$ 1,831,228	
Construction in Progress	5,377,056	6,898,296	(7,486,527)	4,788,825	
Total Nondepreciable Capital Assets	7,208,284	6,898,296	(7,486,527)	6,620,053	
Depreciable Capital Assets					
Land Improvements	14,113,772	-	-	14,113,772	10-30
Buildings and Improvements	123,404,910	6,084,005	(8,558)	129,480,357	10-40
Infrastructure	5,080,664	-	-	5,080,664	20
Furniture, Fixtures and Equipment	21,271,421	3,817,383	(771,447)	24,317,357	5-7
Total Depreciable Capital Assets	163,870,767	9,901,388	(780,005)	172,992,150	
Total Capital Assets	171,079,051	16,799,684	(8,266,532)	179,612,203	
Less Accumulated Depreciation					
Land Improvements	4,874,053	409,291	-	5,283,344	
Buildings and Improvments	36,300,269	2,862,025	(8,558)	39,153,736	
Infrastructure	2,565,778	228,865	-	2,794,643	
Furniture, Fixtures and Equipment	13,664,620	2,265,200	(719,905)	15,209,915	
Total Accumulated Depreciation	57,404,720	5,765,381	(728,463)	62,441,638	
Total Capital Assets, Net	$ 113,674,331	$ 11,034,303	$ (7,538,069)	$ 117,170,565	

Equipment under capital lease (see Note 9) totaled $7,060,281 at both June 30, 2017 and 2016, respectively. Amortization of the equipment under capital lease totaled $1,368,431 and $1,050,744 for the years ended June 30, 2017 and 2016, respectively. The amortization is included in the depreciation expense above. Accumulated amortization of the asset under capital lease is $2,764,129 and $1,395,698 at June 30, 2017 and 2016, respectively.

Buildings and improvements under capital lease (see Note 9) totaled $6,000,000 and $0 at June 30, 2017 and 2016, respectively. Amortization of the buildings and improvements under capital lease totaled $160,000 and $0 for the years ended June 30, 2017 and 2016, respectively. The amortization is included in the depreciation expense above. Accumulated amortization of the asset under capital lease is $160,000 and $0 at June 30, 2017 and 2016, respectively.

The following table presents the changes in the various fixed asset class categories for the Development Component Units for the year ended June 30, 2017:

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 Improvments	-	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	

Notes to Financial Statements

All Development Component Unit capital assets were classified as construction in progress as of June 30, 2016. $1,841,064 and $858,936 of construction in progress was transferred from the College to 7 Delta, LLC during the years ended June 30, 2017 and 2016, respectively, in accordance with the operating agreement. $1,213,547 and $0 of construction in progress was transferred from the College to SC College Dome, LLC during the years ended June 30, 2017 and 2016, respectively, in accordance with the operating agreement.

Note 8 - Federal Loan Programs

The College participates in the U.S. Department of Education William D. Ford direct lending program and disbursed $10,062,466 and $10,404,968 for the years ended June 30, 2017 and 2016, 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.

Note 9 - Long-Term Liabilities

Long-Term liability activity for the College for the years ended June 30, 2017 and 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
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
Year ended June 30, 2016					
Accrued Severance Pay	$ 829,185	$ 292,944	$ 30,285	$ 1,091,844	$ -
Capital Lease Payable - Equipment	4,452,034	2,608,247	746,760	6,313,521	995,341
Bonds Payable	16,195,978	8,120,035	1,038,378	23,277,635	1,587,546
Total Long Term Liabilities	$ 21,477,197	$ 11,021,226	$ 1,815,423	$ 30,683,000	$ 2,582,887

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, 2017 and 2016, the College's outstanding lease liability is $5,318,180 and $6,313,521 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 $141,263 and $205,575 for the year ended June 30, 2017 and 2016, respectively.

Notes to Financial Statements

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

Year Ending June 30		Payments
2018		1,457,814
2019		1,918,177
2020		2,225,085
Total Payments	$	5,601,076
Amount representing interest		(282,896)
Total	$	5,318,180

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, 2017 and 2016, the College's outstanding lease liability is $5,912,995 and $0, 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 $538,551 and $0 for the years ended June 30, 2017 and 2016, respectively.

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

Year Ending June 30		Payments
2018		837,504
2019		837,504
2020		837,504
2021		837,504
2022		837,504
Thereafter		16,191,745
Total Payments	$	20,379,265
Amount representing interest		(14,466,270)
Total	$	5,912,995

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 $14,085,890 including unamortized bond premium of $135,890, was outstanding as of June 30, 2017. The total amount of $15,158,434 including unamortized bond premium of $148,434, was outstanding as of June 30, 2016. 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 $7,604,199 including unamortized bond premium of $69,199, was outstanding as of June 30, 2017. The total amount of $8,119,201 including unamortized bond premium of $74,201, was outstanding as of June 30, 2016. 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, 2017 bond maturities are as follows:

Year	Principal	Interest	Total
2018	1,622,546	484,438	2,106,984
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 - 2027	9,477,731	1,192,238	10,669,968
2028 - 2031	3,734,628	179,425	3,914,053
	$ 21,690,089	$ 3,465,750	$ 25,155,841

Notes to Financial Statements

Capitalized Interest – Total capitalized interest related to the bonds was $156,507 and $20,428 during the year ended June 30, 2017 and 2016, respectively.

Long-Term liability activity for the Development Component Units for the years ended June 30, 2017 and 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
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
Year ended June 30, 2016					
Mortgage Payable	$ -	$ 23,401,202	$ -	$ 23,401,202	$ -
Total Long Term Liabilities	$ -	$ 23,401,202	$ -	$ 23,401,202	$ -

Mortgage Payable – During 2016, 7 Delta issued two series of senior secured bank notes totaling $23,401,202 for construction of a building, which was outstanding as of June 30, 2016. Mortgage principal payments on series A1, with a loan amount of $19,401,202, are due monthly beginning the earlier of June 15, 2018 or the first month that a full month's rent payment has been received through maturity in fiscal year 2032. Interest payments on series A1 are due monthly beginning January 2016 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 beginning January 2016 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, 2017 mortgage maturities are as follows:

Year	Principal	Interest	Total
2018	55,462	1,325,507	1,380,969
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 - 2027	6,446,312	4,882,514	11,328,826
2028 - 2032	13,606,819	2,632,362	16,239,181
	$ 23,401,202	$ 13,797,982	$ 37,199,184

Capitalized Interest – Total capitalized interest related to the mortgage payable was $1,325,507 and $695,891 for the year ended June 30, 2017 and 2016, respectively.

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 year ended June 30, 2017, the College's property tax revenues were reduced by $288,395 under these programs. The College was unable to obtain tax abatement information for the year ended June 30, 2016.

There are no abatements made by the College.

Notes to Financial Statements

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 March 11, 1987 the SDA entered into an option and development agreement that provided a real estate developer an option to sublease four parcels of land.

The developer exercised its option on Parcel 1 on May 11, 1987, on Parcel 2 on May 1, 1988, on Parcel 3 on August 1, 1989, and on Parcel 4 on March 16, 1998.

During 2015, the real estate investment trust sold the buildings described above to an unrelated third party. On October 8, 2015, the SDA entered into an amended restated and consolidated ground sublease with the new owner of the buildings as tenant. In connection with the lease restatement, the tenant paid $2.3 million to extend the term of the lease. This payment is being amortized over the life of the lease on a straight-line basis. The lease terms for all 4 parcels were extended to September 30, 2114. 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.

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
2018	289,204
2019	289,204
2020	289,204
2021	289,204
2022	289,204
Thereafter	31,161,342

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.

Notes to Financial Statements

Minimum future lease receipts are as follows:

Years Ending June 30	Amount
2018	556,696
2019	562,133
2020	592,760
2021	622,174
2022	625,220
Thereafter	40,377,528

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 shall equal the actual total construction costs, multiplied by 8.5%, and then divided by the actual gross area. 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. Pursuant to the first amendment to the lease agreement, dated October 30, 2015, the base initial base rent shall not be less than $2,015,962. 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 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 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
2018	167,997
2019	2,019,763
2020	2,065,373
2021	2,110,983
2022	2,156,593
Thereafter	23,853,270

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 $5,912,995 as of June 30, 2017, 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, is due commencing on the date the College obtains a certificate of occupancy for the facilities, and the first day of each month thereafter. According to the sublease

Notes to Financial Statements

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
2018	447,831
2019	463,128
2020	466,342
2021	471,006
2022	475,714
Thereafter	10,505,460

Note 12 - Related Party Transactions

Under the terms of the 7 Delta operating agreement, a development fee equal to 5% of the total 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. 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.

Under the terms of the SCCD operating agreement, a preferred return of 10% per annum is incurred on the first $5 million of the minority owner's contributed capital until the capital is returned. During the year ended June 30, 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 with $12,169 payable as of June 30, 2017. Additional distributions of $62,110 were also made to the minority owner based on provisions of the operating agreement with $34,985 payable as of June 30, 2017.

The College provided security and IT services totaling $75,186 to SCTC during the year ended June 30, 2017, which is payable from SCTC to the College at 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, 2017 and 2016 the College and its students received support from the Foundation of approximately $646,000 and $720,000 respectively. The College provides supervisory and clerical staff and office space to the Foundation at no charge, valued at approximately $609,000 and $606,000 for the year ended June 30, 2017 and 2016, respectively. One member of the College Board of Trustees, the College president and the College Executive Director of Development & Governmental Relations 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		
	2016	2015	2014
College's proportion of the collective MPSERS net pension liability: As a percentage	0.43904%	0.41995%	0.41935%
Amount	$ 109,537,407	$ 102,572,130	$ 92,367,456
College's covered-employee payroll	$ 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	294.93%	287.94%	258.09%
MPSERS fiduciary net position as a percentage of the total pension liability	63.01%	63.17%	66.20%

Schedule of College Contributions:

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

Consolidating Statement of Net Position

As of June 30, 2017 (With Comparative Totals for 2016)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	College Combined Total 2017	College Combined Total 2016
Assets									
Current Assets									
Cash and cash equivalents	$ 5,324,415	$ 3,611,787	$ 1,867,643	$ -	$ -	$ -	$ 40,243	$ 10,844,088	$ 16,583,611
Property taxes receivable	576,506	-	-	-	-	-	-	576,506	357,706
State appropriation receivable	3,199,004	-	-	-	-	-	-	3,199,004	3,087,491
Accounts receivable	1,600,266	214,233	144,601	-	-	-	-	1,959,100	1,594,910
Accrued interest receivable	27,916	-	-	-	-	-	-	27,916	57,356
Federal and state grants receivable	-	-	-	440,853	-	-	-	440,853	530,976
Student loans receivable	-	-	-	-	16,250	-	-	16,250	16,250
Inventories	346,493	-	1,282,728	-	-	-	-	1,629,221	1,867,205
Prepaid expenses and other assets	923,071	-	-	-	-	-	-	923,071	669,974
Deposits	418,514	-	-	-	-	-	-	418,514	170,099
Due from (to) other funds	968,435	-	-	(226,413)	-	(742,022)	-	-	-
Total Current Assets	13,384,620	3,826,020	3,294,972	214,440	16,250	(742,022)	40,243	20,034,523	24,935,578
Noncurrent Assets					-				
Restricted cash and investments	-	-	-	-	-	-	-	-	8,045,718
Long-term investments	8,276,734	4,127,674	2,134,388	-	-	1,663,091	-	16,201,887	19,963,070
Property and Equipment:									
Land and improvements	-	-	-	-	-	16,426,599	-	16,426,599	10,661,656
Infrastructure	-	-	-	-	-	3,652,731	-	3,652,731	2,286,021
Buildings and improvements	-	-	-	-	-	97,662,824	-	97,662,824	90,326,621
Equipment	-	-	-	-	-	8,164,069	-	8,164,069	9,107,442
Construction in progress	-	-	-	-	-	432,994	-	432,994	4,788,825
Total Property and Equipment	-	-	-	-	-	126,339,217	-	126,339,217	117,170,565
Total Assets	21,661,354	7,953,694	5,429,360	214,440	16,250	127,260,286	40,243	162,575,627	170,114,931
Deferred Outflows of Resources	17,886,563	-	-	-	-	-	-	17,886,563	11,687,016

Consolidating Statement of Net Position (Continued)

As of June 30, 2017 (With Comparative Totals for 2016)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Agency Fund	College Combined Total 2017	College Combined Total 2016
Liabilities									
Current Liabilities									
Current portion of debt obligations	$ -	$ -	$ -	$ -	$ -	$ 2,982,192	$ -	2,982,192	$ 2,582,887
Accounts payable	1,027,425	128,462	154,582	80,196	-	536,403	-	1,927,068	5,185,705
Accrued interest payable	-	-	67,220	-	-	145,425	-	212,645	161,546
Accrued payroll and other compensation	4,841,305	24,629	101,876	22,191	-	-	-	4,990,001	6,552,006
Deposits	-	-	231,250	-	-	-	40,243	271,493	266,024
Unearned revenue	4,190,171	269,343	-	-	-	-	-	4,459,514	4,417,648
Total Current Liabilities	10,058,901	422,434	554,928	102,387	-	3,664,020	40,243	14,842,913	19,165,816
Noncurrent Liabilities									
Accrued payroll and other compensation	3,727,867	-	-	-	-	-	-	3,727,867	-
Net pension liability	109,537,407							109,537,407	102,572,130
Long-term debt obligations	-	-	-	-	-	29,939,072	-	29,939,072	27,008,269
Accrued severance pay	1,054,023	-	-	-	-	-	-	1,054,023	1,091,844
Total Liabilities	124,378,198	422,434	554,928	102,387	-	33,603,092	40,243	159,101,282	149,838,059
Deferred Inflows of Resources	3,744,098	-	-	-	-	-	-	3,744,098	3,310,138
Net Position									
Net investment in capital assets	-	-	-	-	-	93,417,953	-	93,417,953	95,625,127
Restricted for:									
Expendable restricted grants	-	-	-	112,053	-	-	-	112,053	77,415
Unrestricted	(88,574,379)	7,531,260	4,874,432	-	16,250	239,241	-	(75,913,196)	(67,048,792)
Total Net Position	$ (88,574,379)	$ 7,531,260	$ 4,874,432	$ 112,053	$ 16,250	$ 93,657,194	$ -	$ 17,616,810	$ 28,653,750

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

For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total 2017	College Combined Total 2016
Revenue									
Operating Revenue									
Tuition and fees (Net of scholarship allowances of $10,513,853 in 2017 and $11,433,600 in 2016)	$ 41,707,000	$ 1,392,012	$ -	$ -	$ -	$ -	$ (10,513,853)	$ 32,585,159	$ 29,385,110
Federal grants and contracts	-	-	-	2,026,291	-	-	-	2,026,291	1,731,868
State and local grants and contracts	9,200	-	-	834,185	-	-	-	843,385	657,428
Nongovernmental grants	-	-	-	97,688	-	-	-	97,688	73,833
Auxiliary enterprises	-	-	8,964,743	-	-	-	(1,065,979)	7,898,764	7,502,518
Indirect cost recoveries	125,976	-	-	-	-	-	(125,976)	-	-
Gain on disposal of assets	-	-	-	-		17,771	-	17,771	11,674
Miscellaneous	1,117,868	3,394,979	19,742	81,430	-	1,200,617	(155,324)	5,659,312	4,519,586
Total Operating Revenue	42,960,044	4,786,991	8,984,485	3,039,594	-	1,218,388	(11,861,132)	49,128,370	43,882,017
Expenses									
Operating Expenses									
Instruction	35,934,773	1,090,750	2,900	644,422	-	-	(808,117)	36,864,728	35,361,074
Public service	1,283,106	1,737,889	176	829,775	-	-	(1,083,233)	2,767,713	2,168,768
Instructional support	12,736,958	426,042	370,446	1,055,023	-	-	(447,678)	14,140,791	13,069,733
Student services	12,810,513	1,246,244	8,520,934	13,875,659	-	-	(10,676,761)	25,776,589	25,593,484
Institutional administration	13,124,767	7,410	-	-	-	-	(72,610)	13,059,567	9,137,151
Operation and maintenance of plant	10,124,039	81,748	-	-	-	-	1,227,267	11,433,054	11,288,045
Depreciation	-	-	-	-	-	6,614,455	-	6,614,455	5,765,384
Total Operating Expenses	86,014,156	4,590,083	8,894,456	16,404,879	-	6,614,455	(11,861,132)	110,656,897	102,383,639
Operating Income (Loss)	(43,054,112)	196,908	90,029	(13,365,285)	-	(5,396,067)	-	(61,528,527)	(58,501,622)

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

For the Year Ended June 30, 2017 (With Comparative Totals for 2016)

	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Funds	Student Loan Funds	Plant Funds	Elimination	College Combined Total 2017	College Combined Total 2016
Nonoperating Revenue and (Expenses)									
State appropriations	$ 18,437,143	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,437,143	$ 14,118,950
Property tax levy	23,523,202	-	-	-	-	-	-	23,523,202	23,296,021
Interest income	390,353	-	-	-	-	96,176	-	486,529	521,103
Interest expense	-	-	-	-	-	(1,011,689)	-	(1,011,689)	(557,230)
Unrealized gain (loss) on investments	(765,561)	-	-	-	-	(115,954)	-	(881,515)	1,243,968
Pell grants	-	-	-	13,102,528	-	-	-	13,102,528	13,979,373
Net Nonoperating Revenue	41,585,137	-	-	13,102,528	-	(1,031,467)	-	53,656,198	52,602,185
Income (Loss) Before Other Revenue and Expenses	(1,468,975)	196,908	90,029	(262,757)	-	(6,427,534)	-	(7,872,329)	(5,899,437)
Other Revenue and (Expenses)									
Transfers between College and component units	(110,000)	-	-	-	-	(3,054,611)	-	(3,164,611)	(270,151)
Total Other Revenue	(110,000)	-	-	-	-	(3,054,611)	-	(3,164,611)	(270,151)
Increase (Decrease) in Net Position	(1,578,975)	196,908	90,029	(262,757)	-	(9,482,145)	-	(11,036,940)	(6,169,588)
Transfers In (Out)	(3,428,549)	73,874	4,899,646	297,395	-	(1,842,366)	-	-	-
Net Increase (Decrease) in Net Position	(5,007,524)	270,782	4,989,675	34,638	-	(11,324,511)	-	(11,036,940)	(6,169,588)
Net Position - Beginning of Year	(83,566,855)	7,260,478	(115,243)	77,415	16,250	104,981,705	-	28,653,750	34,823,338
Net Position - End of Year	$ (88,574,379)	$ 7,531,260	$ 4,874,432	$ 112,053	$ 16,250	$ 93,657,194	$ -	$ 17,616,810	$ 28,653,750