



ST. CLAIR COUNTY COMMUNITY COLLEGE

ANNUAL FINANCIAL REPORT and SUPPLEMENTAL INFORMATION

For the Years Ended
June 30, 2007 and 2006



REHMANN ROBSON

Certified Public Accountants

ST. CLAIR COUNTY COMMUNITY COLLEGE

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ST. CLAIR COUNTY COMMUNITY COLLEGE

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ST. CLAIR COUNTY COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2007 AND 2006

The discussion and analysis of St. Clair County Community College's financial statements provide an overview of the College's financial position as of June 30, 2007 and 2006, and its activities for the years then ended. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

Using the Annual Financial Report

This annual financial report includes this management's discussion and analysis, the report of independent auditors, the basic financial statements, and notes to the financial statements. Following the basic financial statements and footnotes are supplementary schedules, including the 2007 Combining Balance Sheet and Combining Statement of Revenues, Expenses, Transfers, and Changes in Net Assets. Though the Governmental Accounting Standards Board (GASB) does not require this information be present for a fair and complete presentation, supplemental schedules are intended to provide additional information regarding the various funds and activities of the College that is not presented in the basic entity-wide financial statements.

Financial Highlights

The balance sheet and the statement of revenues, expenses, and changes in net assets report information on the College as a whole. These statements report the College's financial position as of June 30, 2007 and 2006, and the changes in net assets for the years then ended. The College's financial position remained strong at June 30, 2007, with assets of \$49.1 million and liabilities of \$12.8 million. The College's financial position at June 30, 2006, included assets of \$45.6 million and liabilities of \$12.9 million. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased \$3.7 million and \$3.2 million in 2007 and 2006, respectively, primarily as a result of funding for infrastructure.

The College's financial statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current and prior years' revenues and expenses are recorded as incurred regardless of when cash is received or paid. Revenues and expenses are separated into categories of operating and nonoperating.

The Balance Sheets and Statements of Revenues, Expenses, and Changes in Net Assets

Following is a condensed analysis of the major components of net assets of the College as of June 30:

	<u>2007</u>	<u>2006</u>
Current assets	\$ 13,994,120	\$ 14,540,530
Noncurrent assets		
Restricted cash and investments	4,460,808	4,202,387
Interest in charitable remainder unitrust	622,938	573,837
Property and equipment - net	<u>30,042,782</u>	<u>26,244,388</u>
Total assets	<u>\$ 49,120,648</u>	<u>\$ 45,561,142</u>
Current liabilities	\$ 3,972,494	\$ 4,888,325
Long-term liabilities - net of current portion	<u>8,797,705</u>	<u>8,027,236</u>
Total liabilities	12,770,199	12,915,561
Net assets		
Invested in capital assets, net of related debt	25,684,374	21,814,140
Restricted – nonexpendable endowments	2,639,310	2,544,584
Restricted – expendable	2,639,816	3,626,203
Unrestricted	<u>5,386,949</u>	<u>4,660,654</u>
Total net assets	<u>36,350,449</u>	<u>32,645,581</u>
Total liabilities and net assets	<u>\$ 49,120,648</u>	<u>\$ 45,561,142</u>

Following is a condensed analysis of the changes in net assets of the College for the years ended June 30:

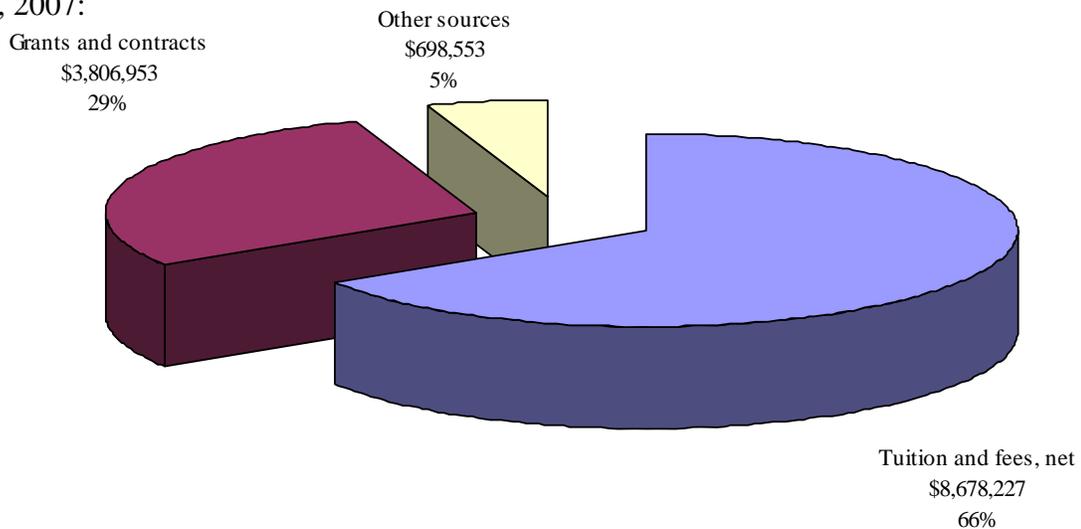
	<u>2007</u>	<u>2006</u>
Operating revenues		
Tuition and fees, net	\$ 8,678,227	\$ 7,509,009
Grants and contracts	3,806,953	3,668,051
Other sources	<u>698,553</u>	<u>673,803</u>
Total operating revenues	13,183,733	11,850,863
Operating expenses		
Instruction	9,375,407	9,484,112
Public service	117,134	109,982
Instructional support	3,352,784	3,443,087
Student services	4,574,825	4,402,516
Institutional administration	4,190,812	3,562,897
Operation and maintenance of plant	3,456,237	3,390,957
Depreciation	1,473,822	1,280,832
Institutional technology	<u>1,738,025</u>	<u>1,159,120</u>
Total operating expenses	<u>28,279,046</u>	<u>26,833,503</u>
Operating loss	(15,095,313)	(14,982,640)
Nonoperating revenues		
State appropriations	5,561,700	6,385,300
Property taxes	9,785,321	9,492,715
Other nonoperating revenues - net	<u>679,659</u>	<u>524,295</u>
Net nonoperating revenues	16,026,680	16,402,310
Other revenues	<u>2,773,501</u>	<u>1,786,919</u>
Increase in net assets	3,704,868	3,206,589
Net assets - beginning of year	<u>32,645,581</u>	<u>29,438,992</u>
Net assets - end of year	<u>\$ 36,350,449</u>	<u>\$ 32,645,581</u>

Operating Revenues

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

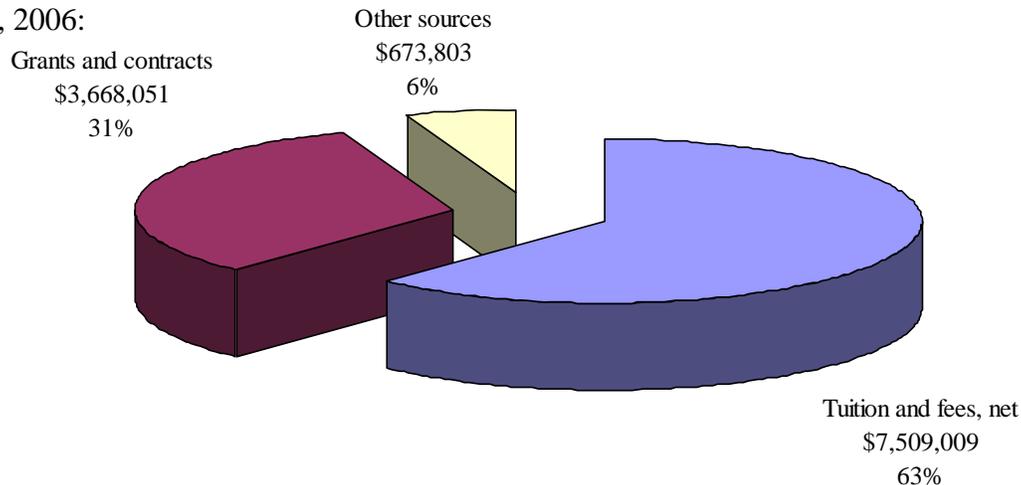
Operating revenues increased during the year ended June 30, 2007, by \$1,333,000 as a result of increased tuition and fees revenue. Tuition and fees increased approximately 16% during the year primarily a result of a 12% average tuition rate increase and a \$2 increase in technology fee per contact hour.

The following is a graphic illustration of operating revenues by source for the year ended June 30, 2007:



During the year ended June 30, 2006, operating revenue decreased by \$1,266,000, primarily a result of not operating auxiliary activities.

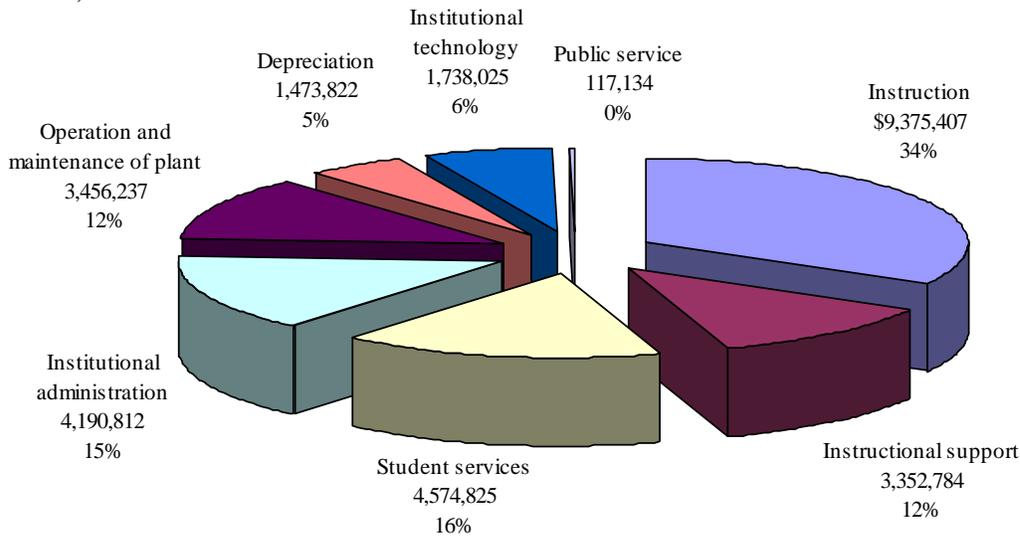
The following is a graphic illustration of operating revenues by source for the year ended June 30, 2006:



Operating Expenses

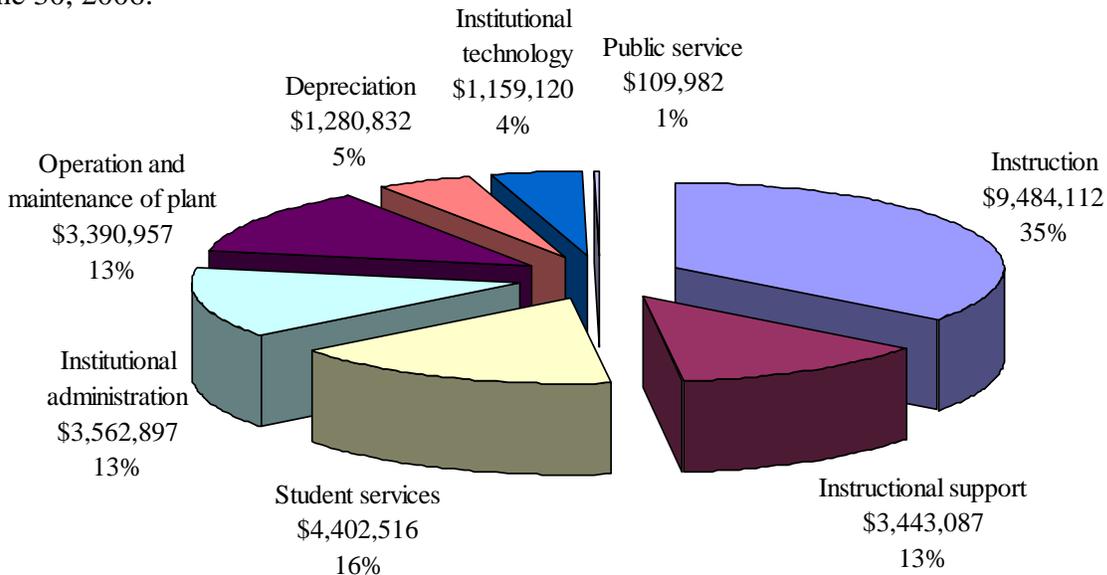
Operating expenses are all the costs necessary to provide services and conduct the programs of the College. Total operating expenses increased for the year ended June 30, 2007, by approximately \$1,446,000 primarily due to increases to fund potential liability reserves and certain nonrecurring expenses, such as accreditation expenses. The College also incurred operating transition costs associated with the implementation of technology improvements, which emphasizes the College’s commitment to improving technology campus-wide.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2007:



During the year ended June 30, 2006, total operating expenses decreased by approximately \$452,000, primarily as a result of the elimination of auxiliary services.

The following is a graphic illustration of operating expenses by source for the year ended June 30, 2006:



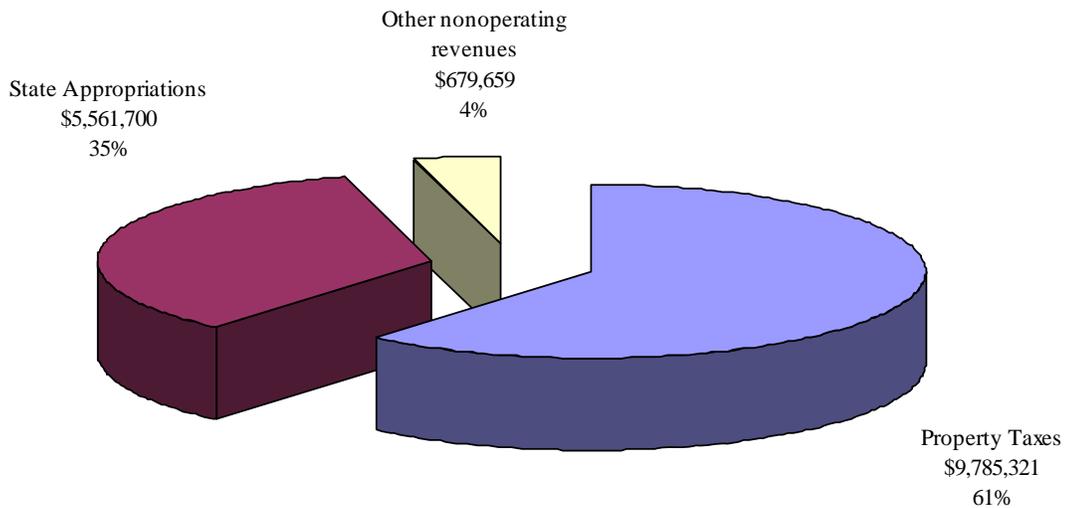
Net Nonoperating Revenues

Net nonoperating revenue represents all revenue sources that are primarily non-exchange in nature. They consist primarily of State appropriations, property tax revenue, and investment income.

Net nonoperating revenues decreased during 2007 primarily as the result of the following factors:

- Property tax revenue recognized increased by approximately \$293,000. The taxable value of property in the county increased by 4.6 percent. The College increased by \$945,000 the reserve addition for pending property tax appeals by a significant taxpayer in the district.
- State appropriations revenue recognized for the current fiscal year decreased from the prior year by 13 percent, or approximately \$824,000. This reflects a \$230,000 decrease in appropriations originally budgeted by the State and a \$594,000 delayed payment which will be recognized as revenue in the 2007/2008 fiscal year when it was appropriated and received. The State of Michigan continues to experience critical financial difficulty with the state of the economy to the extent that payments to the College have been delayed and are subject to a continuation budget.

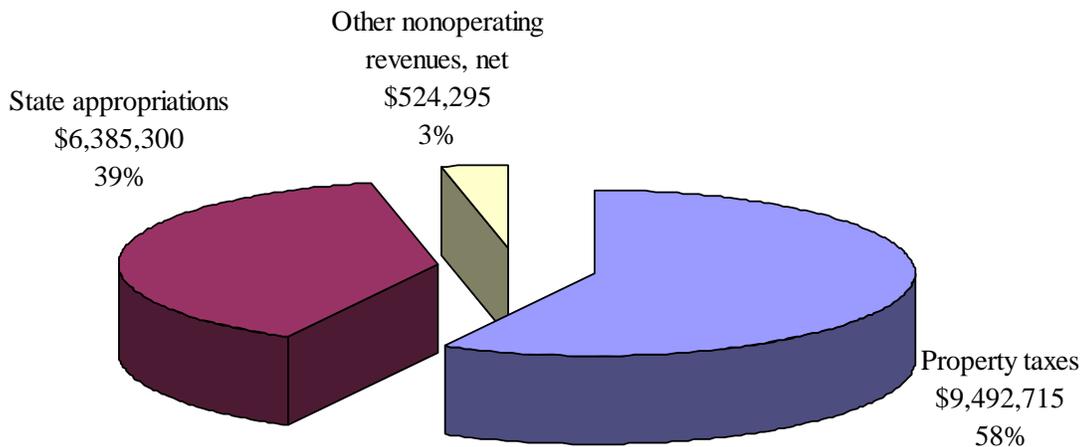
The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2007:



Net nonoperating revenues increased during 2006 primarily as the result of the following factors:

- Property tax revenue recognized increased by approximately \$547,000. The taxable value of property in the county increased by 6 percent. This increase is offset by a \$650,000 reserve addition for pending property tax appeals by a significant taxpayer in the district.
- State appropriations revenue recognized decreased from the prior year by 4 percent, or approximately \$232,000. The State of Michigan is experiencing critical financial difficulty with the state of the economy.

The following is a graphic illustration of net nonoperating revenues by source for the year ended June 30, 2006:



Statements of Cash Flows

The primary purpose of these statements is to provide relevant information about the cash receipts and cash payments of an entity during each fiscal year presented. The statements of cash flows also may help users assess:

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

During 2007, net cash used in operating activities totaled \$14.7 million. This was financed by \$17.2 million of net cash flows from noncapital financing activities such as property taxes and State appropriations. Net cash used in capital and related financing activities totaled \$2.1 million during 2007. This includes \$5.4 million of capital additions in 2007. Net cash used by investing activities totaled \$494,000. This includes interest received during 2007 of \$831,000, purchases of investments totaling \$38.9 million, and maturity of investments totaling \$37.6 million. The net result of all cash flows is a decrease in cash and cash equivalents of \$52,300 from 2006.

During 2006, net cash used in operating activities totaled \$11.3 million. This was financed by \$16.5 million of net cash flows from noncapital financing activities such as property taxes and State appropriations. Net cash used in capital and related financing activities totaled \$10.4 million during 2006. This includes \$10.2 million of capital additions in 2006. Net cash provided by investing activities totaled \$5.2 million. This includes interest received during 2006 of \$788,500, purchases of investments totaling \$31.7 million, and maturity of investments totaling \$36.1 million. The net result of all cash flows is a decrease in cash and cash equivalents of \$10,200 from 2005.

Capital Assets

At June 30, 2007, the College had approximately \$30 million invested in capital assets, net of accumulated depreciation of \$20.4 million. During the year ended June 30, 2007, the College had depreciation charges totaling \$1.5 million. During the year ended June 30, 2007, the College invested approximately \$16 million in additional capital assets.

The College substantially completed the renovation of the College Center and Clara E. Mackenzie buildings during the current fiscal year, receiving a Certificate of Tenability on December 14, 2006. Through June 30, 2007, the College incurred costs of approximately \$13 million related to this project.

At June 30, 2006, the College had approximately \$26.2 million invested in capital assets, net of accumulated depreciation of \$19.7 million. During the year ended June 30, 2006, the College had depreciation charges totaling \$1.3 million. During the year ended June 30, 2006, the College invested approximately \$10.2 million in additional capital assets.

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

Debt

At June 30, 2007, the College had approximately \$4.2 million in debt outstanding. Debt repayments of \$195,000 were made on debt existing at the beginning of the year. The College's general obligation bond rating of A2 (Moody's) remained unchanged from the prior year. More detailed information about the College's long-term liabilities is presented in the notes to the financial statements.

At June 30, 2006, the College had approximately \$4.4 million in debt outstanding. During 2006, the College advance refunded \$1.7 million of the \$2.1 million Community College General Obligation Limited Tax Bonds, Series 2000. Refunding was done to take advantage of lower interest rates than some of the outstanding bonds of the College. The net present value savings was greater than 3%.

During 2006, debt repayments of \$175,000 were made on debt existing at the beginning of the year. The College's general obligation bond rating of A2 (Moody's) remained unchanged from the prior year.

Economic Factors that Will Affect the Future

The economic position of the College is closely tied to that of the State. As a result of limited economic growth and uncertainty surrounding the state budget, the college does not have a clear indication of funding levels for the future. In response to the instability in state appropriations the College has increased tuition rates and is exploring alternative funding sources. The college continues to implement cost-saving measures and increase operational efficiencies.



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 1, 2007

Board of Trustees
St. Clair County Community College
Port Huron, Michigan

We have audited the accompanying balance sheets of *St. Clair County Community College* as of June 30, 2007 and 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *St. Clair County Community College* as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 1, 2007, on our consideration of *St. Clair County Community College's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed

in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis ("MD&A") presented on pages 1 to 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Lehmann Johnson". The signature is written in black ink and is centered on the page.

ST. CLAIR COUNTY COMMUNITY COLLEGE

BALANCE SHEETS

ASSETS	June 30	
	2007	2006
Current assets		
Cash and cash equivalents	\$ 567,179	\$ 534,094
Short-term investments	11,834,872	10,855,350
State appropriations receivable	499,376	1,151,690
Federal and state grants receivable	891,171	1,654,317
Accounts receivable, net	132,852	138,951
Student loans receivable	12,677	8,229
Prepaid expenses and other assets	55,993	197,899
Total current assets	13,994,120	14,540,530
Restricted cash and investments	4,460,808	4,202,387
Interest in charitable remainder unitrust	622,938	573,837
Property and equipment - net	30,042,782	26,244,388
Total assets	\$ 49,120,648	\$ 45,561,142
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,469,088	\$ 2,423,340
Accrued payroll, vacation, and other compensation	1,142,414	1,235,425
Current portion of long-term liabilities	222,000	212,000
Accrued interest payable	47,474	49,519
Deposits	492,466	358,405
Unearned revenue	599,052	609,636
Total current liabilities	3,972,494	4,888,325
Long-term liabilities, net of current portion	8,797,705	8,027,236
Total liabilities	12,770,199	12,915,561
Net assets		
Invested in capital assets, net of related debt	25,684,374	21,814,140
Restricted		
Nonexpendable endowments	2,639,310	2,544,584
Expendable gifts	349,175	342,875
Loans	110,804	99,761
Capital projects	2,179,837	3,183,567
Unrestricted	5,386,949	4,660,654
Total net assets	36,350,449	32,645,581
Total liabilities and net assets	\$ 49,120,648	\$ 45,561,142

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2007	2006
Operating revenues		
Tuition and fees (net of scholarship allowances of \$1,367,954 and \$1,314,764)	\$ 8,678,227	\$ 7,509,009
Federal grants and contracts	3,320,013	3,291,209
State grants and contracts	342,290	326,772
Nongovernmental grants	144,650	50,070
Other sources	698,553	673,803
	13,183,733	11,850,863
Operating expenses		
Instruction	9,375,407	9,484,112
Public service	117,134	109,982
Instructional support	3,352,784	3,443,087
Student services	4,574,825	4,402,516
Institutional administration	4,190,812	3,562,897
Operation and maintenance of plant	3,456,237	3,390,957
Depreciation	1,473,822	1,280,832
Institutional technology	1,738,025	1,159,120
	28,279,046	26,833,503
Operating loss	(15,095,313)	(14,982,640)
Nonoperating revenues (expenses)		
State appropriations	5,561,700	6,385,300
Property taxes	9,785,321	9,492,715
Investment income	897,349	742,258
Interest on capital asset - related debt	(211,476)	(213,084)
Distribution to beneficiary funds	(6,214)	(4,879)
	16,026,680	16,402,310
Net nonoperating revenues	16,026,680	16,402,310
Income before other revenues	931,367	1,419,670
Other revenues		
State capital appropriations	2,654,501	1,658,884
Capital gifts	115,000	115,000
Additions to permanent endowments	4,000	13,035
	3,704,868	3,206,589
Increase in net assets	3,704,868	3,206,589
Net assets, beginning of year	32,645,581	29,438,992
Net assets, end of year	\$ 36,350,449	\$ 32,645,581

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2007	2006
Cash flows from operating activities		
Tuition and fees	\$ 8,667,642	\$ 7,654,329
Grants and contracts	3,743,990	3,906,193
Payments to suppliers and students	(14,003,436)	(9,656,859)
Payments to employees	(13,792,507)	(13,875,498)
Issuance of loans to students, net	(7,943)	(14,896)
Other	710,548	690,000
Net cash used in operating activities	(14,681,706)	(11,296,731)
Cash flows from noncapital financing activities		
Local property taxes	10,730,795	10,147,025
Private gifts for endowment purposes	4,000	13,035
Student organization agency transactions	158,478	(18,349)
FFELP loan receipts	2,948,004	2,474,559
FFELP loan disbursements	(2,948,004)	(2,474,559)
State scholarship and grant receipts	1,296,875	1,266,165
State scholarship and grant disbursements	(1,296,875)	(1,266,165)
State appropriations	6,308,765	6,354,899
Net cash provided by noncapital financing activities	17,202,038	16,496,610
Cash flows from capital and related financing activities		
Purchase of capital assets	(5,363,215)	(10,219,702)
Principal paid on capital debt	(195,000)	(175,000)
Capital grant and gift proceeds	115,000	115,000
Proceeds from issuance of debt	-	111,340
Proceeds from state capital appropriation	3,480,609	-
Proceeds from sale of land	82,500	-
Interest paid on capital debt	(198,827)	(211,216)
Net cash used in capital and related financing activities	(2,078,933)	(10,379,578)
Cash flows from investing activities		
Purchases of investments	(38,931,100)	(31,768,110)
Net proceeds from sales and maturities of investments	37,606,000	36,149,000
Investment income	831,355	788,582
Net cash (used in) provided by investing activities	(493,745)	5,169,472
Net decrease in cash and cash equivalents	(52,346)	(10,227)
Cash and cash equivalents, beginning of year	627,792	638,019
Cash and cash equivalents, end of year	\$ 575,446	\$ 627,792
Balance sheet classification of cash and cash equivalents		
Cash and cash equivalents	\$ 567,179	\$ 534,094
Restricted cash and investments	8,267	93,698
Cash and cash equivalents, end of year	\$ 575,446	\$ 627,792

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30	
	2007	2006
Reconciliation of net operating loss to net cash used in operating activities		
Operating loss	\$ (15,095,313)	\$ (14,982,640)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,473,822	1,280,832
Change in operating assets and liabilities which provided (used) cash		
Federal and state grants receivable	(62,962)	238,142
Accounts receivable, net	6,099	311,178
Student loans receivable	(4,448)	1,301
Prepaid expenses and other assets	141,906	(179,906)
Accounts payable	(954,252)	1,842,539
Accrued payroll, vacation, and other compensation	(93,011)	83,482
Unearned revenue	(105,334)	145,320
Other accrued liabilities	11,787	(36,979)
Net cash used in operating activities	\$ (14,681,706)	\$ (11,296,731)

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

St. Clair County Community College (the “College”) is a Michigan Community College whose mission is to fulfill the diverse needs of our educational communities by providing a broad range of quality educational, cultural, and social learning opportunities.

Reporting Entity

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The College has elected not to follow subsequent private-sector guidance.

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

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units* for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has no such component units to present within the reporting entity.

Significant Accounting Policies

Accrual Basis

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

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

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

Investments

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

Property and Equipment

Property and equipment are recorded at cost or, if acquired by gift, the fair value as of the date of acquisition. Library books are recorded using a historically based estimated value. Depreciation is provided for property and equipment on a straight-line basis over the estimated useful lives of the assets. Expenditures greater than \$3,000 for furniture, fixtures, and equipment with a useful life of at least three years and building additions greater than \$5,000 are capitalized. The following estimated useful lives are used to compute depreciation:

<u>Classification</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	40 years
Infrastructure	15 years
Library collection	10 years
Furniture, fixtures, and equipment	3-7 years

Revenue Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Property taxes are recorded as revenue when received, which approximates the amounts when levied.

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

Revenue received prior to year end that relates to the next fiscal period is recorded as unearned revenue. Unearned revenue at June 30, 2007, includes \$182,721 for the 2007 fall semester and \$190,273 for the 2007 summer semester, which began on June 25, 2007 and ended on August 3, 2007. Unearned revenue at June 30, 2006 includes \$204,386 for the 2006 fall semester and \$190,964 for the 2006 summer semester, which began on June 26, 2006 and ended on August 4, 2006. Grants received prior to qualifying expenditures are also included in unearned revenue.

Expenses

Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

Accounts Receivable

Accounts receivable are recorded net of allowance for uncollectible accounts of \$140,000 and \$112,500 as of June 30, 2007 and 2006, respectively. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience. All amounts deemed to be uncollectible are charged against the allowance in the period that determination is made.

Split-Interest Agreement

The College acts as trustee and is a remainder beneficiary of an irrevocable charitable remainder unitrust. Required distributions to the income beneficiary total the lesser of the annual investment income or 6.0 percent of the fair market value of the trust assets annually, as defined by the agreement. The discount rate used to calculate the

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

present value of the obligation is 5.0 percent. The investments held in the charitable remainder unitrust consisted of money market funds of \$31,870 and \$28,549, fixed income securities of \$266,888 and \$257,132, and corporate equity securities of \$324,180 and \$288,156 as of June 30, 2007 and 2006, respectively.

Gifts and Pledges

Gifts are recorded at estimated fair value when received and pledges are recorded at their net present value when it is determined that the gift is probable of collection.

Internal Service Activities

Revenue and expenses related to print shop activities have been eliminated.

Compensated Absences

Compensated absences represent the accumulated liability to be paid under the College's current sick and vacation pay policy. Under the College's policy, employees earn sick and vacation time based on years of service with the College.

Unrestricted Net Assets

The College has designated the use of unrestricted net assets as follows at June 30:

	<u>2007</u>	<u>2006</u>
Designated for future capital outlay and major maintenance	\$ 2,687,481	\$ 1,521,118
Designated for instructional department uses	235,753	331,610
Unrestricted and undesignated	<u>2,463,715</u>	<u>2,807,926</u>
Total unrestricted net assets	<u>\$ 5,386,949</u>	<u>\$ 4,660,654</u>

Reclassifications

Certain amounts as reported in the 2006 financial statements have been reclassified to conform with the 2007 presentation.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

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

The College's deposits and investments are included on the balance sheets under the following classifications as of June 30:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 567,179	\$ 534,094
Restricted cash and investments	4,460,808	4,202,387
Short-term investments	<u>11,834,872</u>	<u>10,855,350</u>
Total	<u>\$ 16,862,859</u>	<u>\$ 15,591,831</u>

The above amounts are categorized as follows at June 30:

	<u>2007</u>	<u>2006</u>
Bank deposits (checking, savings, and cash sweep accounts, and certificates of deposit)	\$ 14,704,009	\$ 13,487,576
Petty cash	3,150	3,150
Investments in government obligations, including accrued interest receivable of \$22,331 in 2007 and \$21,705 in 2006	<u>2,155,700</u>	<u>2,101,105</u>
Total	<u>\$ 16,862,859</u>	<u>\$ 15,591,831</u>

Interest Rate Risk. The College's investment policy does not have specific limits on maturities of debt securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College had the following debt securities and maturities as of June 30:

<u>2007</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			<u>Credit Rating Range</u>	
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
U.S. agencies	\$ <u>2,133,369</u>	\$ <u>-</u>	\$ <u>949,632</u>	\$ <u>1,183,737</u>	N/A	N/A

<u>2006</u>	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>			<u>Credit Rating Range</u>	
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Standard & Poors</u>	<u>Moody's Investors Services</u>
U.S. agencies	\$ <u>2,079,400</u>	\$ <u>681,666</u>	\$ <u>644,741</u>	\$ <u>752,993</u>	N/A	N/A

Credit Risk. The College's investment policy does not have specific limits in excess of state law on credit risk for allowable debt securities as identified above. The investments listed above are not subject to credit ratings.

Concentration of Credit Risk. The College's investment policy does not have specific limits on concentration of credit risk.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College does not have a policy for deposit custodial credit risk. As of June 30, 2007 and 2006, \$14,193,957 and \$12,911,947 of the College's bank deposits balance of \$14,694,020 and \$13,422,707, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College does not have a policy for investment custodial credit risk. However, all investments are in the name of the College and the investments are held in trust accounts with each financial institution from which they were purchased.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY AND EQUIPMENT

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

<u>2007</u>	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2007</u>
Depreciable assets				
Buildings and improvements	\$ 25,079,058	\$14,364,109	\$ -	\$ 39,443,167
Infrastructure	382,563	22,150	-	404,713
Furniture, fixtures and equipment	7,555,625	1,404,657	613,997	8,346,285
Library collection	<u>1,066,995</u>	<u>94,293</u>	<u>206,837</u>	<u>954,451</u>
Total depreciable assets	<u>34,084,241</u>	<u>15,885,209</u>	<u>820,834</u>	<u>49,148,616</u>
Nondepreciable assets				
Land	1,263,103	-	91,000	1,172,103
Construction in progress	<u>10,603,996</u>	<u>82,003</u>	<u>10,603,996</u>	<u>82,003</u>
Total nondepreciable assets	<u>11,867,099</u>	<u>82,003</u>	<u>10,694,996</u>	<u>1,254,106</u>
Total	<u>45,951,340</u>	<u>15,967,212</u>	<u>11,515,830</u>	<u>50,402,722</u>
Less accumulated depreciation				
Buildings and improvements	11,821,543	903,850	-	12,725,393
Infrastructure	328,236	7,689	-	335,925
Furniture, fixtures and equipment	6,940,569	475,437	613,997	6,802,009
Library collection	<u>616,604</u>	<u>86,846</u>	<u>206,837</u>	<u>496,613</u>
Total accumulated depreciation	<u>19,706,952</u>	<u>1,473,822</u>	<u>820,834</u>	<u>20,359,940</u>
Property and equipment – net	<u>\$ 26,244,388</u>			<u>\$ 30,042,782</u>

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

<u>2006</u>	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2006</u>
Depreciable assets				
Buildings and improvements	\$ 25,079,058	\$ -	\$ -	\$ 25,079,058
Infrastructure	382,563	-	-	382,563
Furniture, fixtures and equipment	7,394,739	160,886	-	7,555,625
Library collection	978,043	88,952	-	1,066,995
Total depreciable assets	<u>33,834,403</u>	<u>249,838</u>	<u>-</u>	<u>34,084,241</u>
Nondepreciable assets				
Land	1,263,103	-	-	1,263,103
Construction in progress	634,132	9,969,864	-	10,603,996
Total nondepreciable assets	<u>1,897,235</u>	<u>9,969,864</u>	<u>-</u>	<u>11,867,099</u>
Total	<u>35,731,638</u>	<u>10,219,702</u>	<u>-</u>	<u>45,951,340</u>
Less accumulated depreciation				
Buildings and improvements	11,194,570	626,973	-	11,821,543
Infrastructure	321,721	6,515	-	328,236
Furniture, fixtures and equipment	6,378,333	562,236	-	6,940,569
Library collection	531,496	85,108	-	616,604
Total accumulated depreciation	<u>18,426,120</u>	<u>1,280,832</u>	<u>-</u>	<u>19,706,952</u>
Property and equipment – net	<u>\$ 17,305,518</u>			<u>\$ 26,244,388</u>

Depreciation expense for the years ended June 30, 2007 and 2006 totaled \$1,473,822 and \$1,280,832, respectively. The College determined that it is not practical to allocate depreciation to the various functional expenses because the capital assets serve multiple functions.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. PENSION PLANS

Defined Benefit Plan

Plan Description

The College participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers most employees of the College. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the System at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

Funding Policy

Employer contributions to the System result from the effect of implementing the School Finance Reform Act. Under these procedures, each college is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.34% for the period from July 1, 2006 through September 30, 2006 and 17.74% for the period from October 1, 2006 through June 30, 2007 of the covered compensation to the plan. Basic plan members do not make contributions, but Member Investment Plan participants contribute at rates ranging from 3% to 4.3% of gross wages. The College's contributions to the MPSERS plan for the years ended June 30, 2007, 2006 and 2005 were approximately \$1,715,000, \$1,885,000 and \$1,680,000, respectively. The contribution for the plan year ended June 30, 2007 was reduced by a credit from the State of Michigan in the amount of \$284,250 which was determined by Executive Order 2007-3.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS' Pension Plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare for health coverage and 10% of the monthly premium for the dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the College's total contribution to the MPSERS plan discussed above.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Defined Contribution Plan

Effective October 1, 1996, existing professional MPSERS members and new professional employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP plan is a contributory defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under the ORP, the College contributed 14.84% for the period from July 1, 2006 through September 30, 2006 and 16.24% for the period from October 1, 2006 through June 30, 2007. The participant contributes 4% of the participant's compensation. Compensation covered under the plan for the year ended June 30, 2007, was approximately \$1,843,000, resulting in contributions of approximately \$293,000 and \$73,700 for the College and employees, respectively. Compensation covered under the plan for the year ended June 30, 2006 was approximately \$1,646,000, resulting in contributions of approximately \$238,000 and \$65,800 for the College and employees, respectively.

5. LONG-TERM LIABILITIES

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

	Outstanding Principal				Current Portion
	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	
<u>2007</u>					
Bonds Payable:					
General obligation bonds	\$ 4,595,000	\$ -	\$ 195,000	\$ 4,400,000	\$ 205,000
Less deferred amounts:					
For issuance discounts	(45,503)	-	3,910	(41,593)	-
On refunding	(119,249)	-	8,085	(111,164)	-
Total bonds payable	4,430,248	-	183,005	4,247,243	205,000
Other liabilities					
Charitable remainder unitrust obligation	132,000	-	7,000	125,000	7,000
Accrued property tax appeals (Note 8)	3,326,988	945,474	-	4,272,462	-
Accrued sick leave	350,000	40,577	15,577	375,000	10,000
Total long-term liabilities	<u>\$ 8,239,236</u>	<u>\$ 986,051</u>	<u>\$ 205,582</u>	9,019,705	<u>\$ 222,000</u>
Less current portion of long-term liabilities				222,000	
Long-term liabilities, net of current portion				<u>\$ 8,797,705</u>	

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2006	Outstanding Principal			Balance June 30, 2006	Current Portion
	Balance July 1, 2005	Additions	Reductions		
Bonds Payable:					
General obligation bonds	\$ 4,605,000	\$ 1,855,000	\$ 1,865,000	\$ 4,595,000	\$ 195,000
Less deferred amounts:					
For issuance discounts	(52,335)	(18,550)	25,382	(45,503)	-
On refunding	-	(124,639)	5,390	(119,249)	-
Total bonds payable	4,552,665	1,711,811	1,834,228	4,430,248	195,000
Other liabilities					
Charitable remainder unitrust obligation	139,000	-	7,000	132,000	7,000
Accrued property tax appeals (Note 8)	2,672,678	654,310	-	3,326,988	-
Accrued sick leave	375,100	41,836	66,936	350,000	10,000
Total long-term liabilities	<u>\$ 7,739,443</u>	<u>\$ 2,407,957</u>	<u>\$ 1,908,164</u>	8,239,236	<u>\$ 212,000</u>
Less current portion of long-term liabilities				212,000	
Long-term liabilities, net of current portion				<u>\$ 8,027,236</u>	

The College has an outstanding Community College General Obligation Limited Tax Bond, Series 2004, in the original amount of \$2,500,000. Principal payments ranging from \$90,000 to \$185,000 are due annually through 2024. Interest is paid semiannually in October and April at rates that vary from 3.25% to 4.85%. The bonds are reported net of a discount of \$21,042, which is being amortized over the 20 year term of the bonds. The net balance outstanding on this bond at June 30, 2007 and 2006 was \$2,223,958 and \$2,307,708, respectively.

On October 13, 2005, the College advance refunded \$1,690,000 of the 2000 Community College General Obligation Limited Tax Bonds with a Community College General Obligation Limited Tax Bond. The College issued \$1,855,000 of General Obligation Limited Tax Bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from long-term debt. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$62,651 and to obtain an economic gain of \$52,698.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College has \$500,000 remaining of Series 2000 debt. Principal payments ranging from \$100,000 to \$110,000 are due annually through 2010. Interest is payable semi-annually in October and April at a 5.0% rate. The bond is reported net of a discount totaling \$4,006, which is being amortized over the life of the bond. The net balance outstanding on this bond at June 30, 2007 and 2006 is \$310,994 and \$404,537, respectively.

The Community College General Obligation Limited Tax Refunding Bonds, Series 2005, have principal payments ranging from \$15,000 to \$190,000 due annually through 2021. Interest is payable semiannually in October and April at rates ranging from 3.75% to 4.0%. The bonds are reported net of a discount and deferred loss on refinancing totaling \$16,545 and \$111,164 respectively, which are being amortized over the 15 ½ year term of the bonds. The net balance outstanding on this bond at June 30, 2007 and 2006 was \$1,712,291 and \$1,718,003, respectively.

The bonds will be repaid from remaining project funds and general operating revenues of the College.

Scheduled principal and interest requirements of bonds payable for years succeeding June 30, 2007, are summarized below:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 205,000	\$ 189,896	\$ 394,896
2009	215,000	181,184	396,184
2010	225,000	171,809	396,809
2011	235,000	161,746	396,746
2012	245,000	152,409	397,409
2013-2017	1,400,000	602,579	2,002,579
2018-2022	1,510,000	276,587	1,786,587
2023-2024	<u>365,000</u>	<u>26,585</u>	<u>391,585</u>
Totals	<u>\$ 4,400,000</u>	<u>\$ 1,762,795</u>	<u>\$ 6,162,795</u>

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT

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

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

7. FOUNDATIONS

The financial statements do not include the accounts and operations of two foundations organized to promote, encourage, and aid St. Clair County Community College. Net assets of the two foundations aggregated approximately \$2,903,000 and \$2,606,000 at June 30, 2007 and 2006, respectively. Contributions received from the foundations totaled approximately \$81,000 and \$56,000 for the years ended June 30, 2007 and 2006, respectively.

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

8. COMMITMENTS AND CONTINGENCIES

Property Taxes

A taxpayer in the College district has filed appeals with the Michigan Tax Tribunal contesting tax assessments and taxable values of certain property within the district. The appeals, if successful, would result in a refund of property taxes. This refund, as well as anticipated legal and interest costs, have been recognized as a liability of \$4,272,462 and \$3,326,988 as of June 30, 2007 and 2006, respectively.

ST. CLAIR COUNTY COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Other Matters

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

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REHMANN ROBSON

Certified Public Accountants

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**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

November 1, 2007

Board of Trustees
St. Clair County Community College
Port Huron, Michigan

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The fiscal 2007 supplementary information presented hereinafter is presented for purposes of additional analysis and is not a required part of the 2007 basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the 2007 basic financial statements and, accordingly, we express no opinion on it.

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING BALANCE SHEET

JUNE 30, 2007

	<u>General Fund</u>	<u>Designated Fund</u>	<u>Restricted Funds</u>	<u>Loan Funds</u>	<u>Plant Funds</u>	<u>Agency Funds</u>	<u>Endowment Funds</u>	<u>Combined Total</u>
ASSETS								
Current assets								
Cash and cash equivalents	\$ 455,438	\$ -	\$ -	\$ -	\$ -	\$ 111,741	\$ -	\$ 567,179
Short-term investments	6,780,688	236,355	433,768	98,127	3,929,348	356,586	-	11,834,872
State appropriations receivable	499,376	-	-	-	-	-	-	499,376
Federal and state grants receivable	(1,993)	-	194,526	-	698,638	-	-	891,171
Accounts receivable, net	130,364	-	2,488	-	-	-	-	132,852
Student loans receivable	-	-	-	12,677	-	-	-	12,677
Prepaid expenses and other assets	18,877	-	-	-	37,116	-	-	55,993
Due from (due to) other funds	133,780	-	(152,288)	-	-	40,839	(22,331)	-
Total current assets	8,016,530	236,355	478,494	110,804	4,665,102	509,166	(22,331)	13,994,120
Restricted cash and investments	-	-	200	-	2,296,905	-	2,163,703	4,460,808
Interest in charitable remainder unitrust	-	-	-	-	-	-	622,938	622,938
Property and equipment - net	-	-	-	-	30,042,782	-	-	30,042,782
Total assets	\$ 8,016,530	\$ 236,355	\$ 478,694	\$ 110,804	\$ 37,004,789	\$ 509,166	\$ 2,764,310	\$ 49,120,648
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 294,009	\$ -	\$ 9,255	\$ -	\$ 1,137,024	\$ 28,800	\$ -	\$ 1,469,088
Accrued payroll, vacation, and other compensator	1,131,273	602	10,539	-	-	-	-	1,142,414
Current portion of long-term liabilities	10,000	-	-	-	205,000	-	7,000	222,000
Accrued interest payable	-	-	-	-	47,474	-	-	47,474
Deposits	12,100	-	-	-	-	480,366	-	492,466
Unearned revenue	489,327	-	109,725	-	-	-	-	599,052
Total current liabilities	1,936,709	602	129,519	-	1,389,498	509,166	7,000	3,972,494
Long-term liabilities, net of current portion	3,616,106	-	-	-	5,063,599	-	118,000	8,797,705
Total liabilities	5,552,815	602	129,519	-	6,453,097	509,166	125,000	12,770,199
Net assets								
Invested in capital assets, net of related debt	-	-	-	-	25,684,374	-	-	25,684,374
Restricted								
Nonexpendable endowments	-	-	-	-	-	-	2,639,310	2,639,310
Expendable gifts	-	-	349,175	-	-	-	-	349,175
Loans	-	-	-	110,804	-	-	-	110,804
Capital projects	-	-	-	-	2,179,837	-	-	2,179,837
Unrestricted	2,463,715	235,753	-	-	2,687,481	-	-	5,386,949
Total net assets	2,463,715	235,753	349,175	110,804	30,551,692	-	2,639,310	36,350,449
Total liabilities and net assets	\$ 8,016,530	\$ 236,355	\$ 478,694	\$ 110,804	\$ 37,004,789	\$ 509,166	\$ 2,764,310	\$ 49,120,648

See independent auditors' report on supplementary information

ST. CLAIR COUNTY COMMUNITY COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2007

	General Fund	Designated Fund	Restricted Funds	Student Loan Funds	Plant Funds	Endowment Funds	Elimination Entries	Combined Total
Operating revenues								
Tuition and fees (net of scholarship allowances of \$1,367,954)	\$ 9,512,725	\$ -	\$ -	\$ -	\$ 533,456	\$ -	\$ (1,367,954)	\$ 8,678,227
Federal grants and contracts	-	-	3,320,013	-	-	-	-	3,320,013
State grants and contracts	-	-	342,290	-	-	-	-	342,290
Nongovernmental grants	-	-	144,650	-	-	-	-	144,650
Indirect cost recoveries	75,721	-	13,752	-	-	-	(89,473)	-
Current funds expenditures for capital equipment and improvements	-	-	-	-	99,288	-	(99,288)	-
Other sources	710,548	-	-	(3,495)	(8,500)	-	-	698,553
Total operating revenues	10,298,994	-	3,820,705	(3,495)	624,244	-	(1,556,715)	13,183,733
Operating expenses								
Instruction	9,275,424	-	113,482	-	-	-	(13,499)	9,375,407
Public service	117,134	-	-	-	-	-	-	117,134
Instructional support	3,092,429	-	372,998	-	-	-	(112,643)	3,352,784
Student services	2,519,541	10,276	3,459,384	-	-	-	(1,414,376)	4,574,825
Institutional administration	4,099,307	85,581	17,126	-	-	-	(11,202)	4,190,812
Operation and maintenance of plant	3,075,376	-	7,923	-	377,933	-	(4,995)	3,456,237
Depreciation	-	-	-	-	1,473,822	-	-	1,473,822
Institutional technology	1,738,025	-	-	-	-	-	-	1,738,025
Total operating expenses	23,917,236	95,857	3,970,913	-	1,851,755	-	(1,556,715)	28,279,046
Operating loss	(13,618,242)	(95,857)	(150,208)	(3,495)	(1,227,511)	-	-	(15,095,313)
Nonoperating revenues (expenses)								
State appropriations	5,561,700	-	-	-	-	-	-	5,561,700
Property taxes	9,785,321	-	-	-	-	-	-	9,785,321
Endowment income	-	-	55,737	26,252	-	-	(81,989)	-
Investment income	729,760	-	374	-	-	167,215	-	897,349
Interest on capital asset - related debt	-	-	-	-	(211,476)	-	-	(211,476)
Distribution to beneficiary funds	-	-	-	-	-	(88,203)	81,989	(6,214)
Net nonoperating revenues (expenses)	16,076,781	-	56,111	26,252	(211,476)	79,012	-	16,026,680
Income before other revenues	2,458,539	(95,857)	(94,097)	22,757	(1,438,987)	79,012	-	931,367
Other revenues								
State capital appropriations	-	-	-	-	2,654,501	-	-	2,654,501
Capital gifts	-	-	-	-	115,000	-	-	115,000
Additions to permanent endowments	-	-	-	-	-	4,000	-	4,000
Increase (decrease) in net assets	2,458,539	(95,857)	(94,097)	22,757	1,330,514	83,012	-	3,704,868
Transfers (out) in	(2,802,750)	-	100,397	(11,714)	2,702,353	11,714	-	-
Net increase (decrease) in net assets	(344,211)	(95,857)	6,300	11,043	4,032,867	94,726	-	3,704,868
Net assets, beginning of year	2,807,926	331,610	342,875	99,761	26,518,825	2,544,584	-	32,645,581
Net assets, end of year	\$ 2,463,715	\$ 235,753	\$ 349,175	\$ 110,804	\$ 30,551,692	\$ 2,639,310	\$ -	\$ 36,350,449

See independent auditors' report on supplementary information.

SC4 Foundation
(A Nonprofit Corporation)

Financial Report
June 30, 2007 and 2006

SC4 FOUNDATION
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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 14, 2007

To the Board of Trustees
SC4 Foundation
St. Clair County, Michigan

We have audited the accompanying statements of financial position of the **SC4 Foundation** as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **SC4 Foundation** as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rehmann Robson

SC4 FOUNDATION
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2007	2006
ASSETS		
Assets		
Cash equivalents	\$ 74,350	\$ 57,972
Investments	2,253,471	2,070,015
Interest receivable	8,462	10,311
Pledges receivable, net	108,185	-
Total assets	\$ 2,444,468	\$ 2,138,298
LIABILITIES AND NET ASSETS		
Liabilities		
Deferred revenue	\$ 2,000	\$ 11,200
Accounts payable	24,145	-
Total liabilities	26,145	11,200
Net assets		
Unrestricted	1,138,883	1,047,944
Temporarily restricted	228,700	28,701
Permanently restricted	1,050,740	1,050,453
Total net assets	2,418,323	2,127,098
Total liabilities and net assets	\$ 2,444,468	\$ 2,138,298

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

SC4 FOUNDATION
STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue and other support				
Gifts and contributions	\$ 30,380	\$ 10,000	\$ 287	\$ 40,667
Membership dues	3,450	-	-	3,450
Interest and dividends	43,017	41,330	-	84,347
Major gift campaign revenue	-	145,279	-	145,279
Net realized gains on investments	10,611	10,195	-	20,806
Net unrealized gains (losses) on investments	47,796	45,922	-	93,718
Total revenue and other support	135,254	252,726	287	388,267
Expenses				
Scholarships and donations to college	20,020	44,825	-	64,845
Broker fees	8,224	7,902	-	16,126
Fundraising and other expenses, net	16,071	-	-	16,071
Total expenses	44,315	52,727	-	97,042
Increase (decrease) in net assets	90,939	199,999	287	291,225
Net assets, beginning of year	1,047,944	28,701	1,050,453	2,127,098
Net assets, end of year	\$ 1,138,883	\$ 228,700	\$ 1,050,740	\$ 2,418,323

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

Year Ended June 30, 2006			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 4,035	\$ -	\$ 14,930	\$ 18,965
3,400	-	-	3,400
33,270	31,965	-	65,235
-	-	-	-
7,695	7,394	-	15,089
(12,772)	(12,271)	-	(25,043)
35,628	27,088	14,930	77,646
38,624	-	-	38,624
10,753	10,332	-	21,085
5,608	-	-	5,608
54,985	10,332	-	65,317
(19,357)	16,756	14,930	12,329
1,067,301	11,945	1,035,523	2,114,769
\$ 1,047,944	\$ 28,701	\$ 1,050,453	\$ 2,127,098

SC4 FOUNDATION
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2007	2006
Cash flows from operating activities		
Increase in net assets	\$ 291,225	\$ 12,329
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Contributions restricted for permanent investment	(287)	(14,930)
Contribution of investments	(5,623)	-
Net realized gains on investments	(20,806)	(15,089)
Net unrealized (gains) losses on investments	(93,718)	25,043
Net changes in operating assets and liabilities which provided (used) cash		
Interest receivable	1,849	(874)
Pledges receivable	(108,185)	-
Deferred revenue	(9,200)	11,200
Accounts payable	24,145	-
Net cash provided by operating activities	79,400	17,679
Cash flows from investing activities		
Purchases of investments	(416,045)	(577,213)
Proceeds from maturities and sales of investments	352,736	408,383
Net cash used in investing activities	(63,309)	(168,830)
Net cash provided by financing activities		
Contributions restricted for permanent investment	287	14,930
Net increase (decrease) in cash equivalents	16,378	(136,221)
Cash equivalents - beginning of year	57,972	194,193
Cash equivalents - end of year	\$ 74,350	\$ 57,972

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

SC4 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The *SC4 Foundation* (the “Foundation”) is a Michigan nonprofit, nonstock corporation located in Port Huron, Michigan, which receives, holds, invests, and administers funds for the purpose of assisting St. Clair County Community College (the “College”) in the development of its educational program and expansion of its facilities. The Foundation receives gifts and contributions from various outside sources and members of the Foundation. The Foundation is governed by a 22-member Board of Trustees. The Foundation’s administrative and fundraising operations are performed by personnel employed by the College.

Basis of Presentation

For external financial reporting purposes, the Foundation prepares its annual financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, and the American Institute of Certified Public Accountants’ Audit and Accounting Guide, *Not-for-Profit Organizations*.

Pursuant to these financial reporting standards, the accompanying financial statements have been prepared to focus on the Foundation as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of fund balances and transactions into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted net assets. Net assets and revenues, expenses and gains or losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- ***Unrestricted Net Assets*** – Net assets that are not subject to donor-imposed restrictions. Resources that are reported in this net asset category include unrestricted gifts and the investment earnings (losses) thereon, and related expenses associated with the operations of the Foundation.
- ***Temporarily Restricted Net Assets*** – Net assets subject to donor-imposed restrictions that will be satisfied by actions of the Foundation. Resources

SC4 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

reported in this net asset category include gifts for which restrictions have not been met and realized and unrealized earnings or losses on endowment funds. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled) are reported as reclassifications between the applicable classes of net assets.

- ***Permanently Restricted Net Assets*** – Resources subject to donor-imposed stipulations that the corpus (original principal value of endowment gifts) be maintained permanently by the Foundation. The donors of these assets permit the Foundation to spend only the income earned on the related investments. All such income is restricted by the donors for specific purposes.

Cash Equivalents

The Foundation considers all highly liquid investments including money market accounts and certificates of deposit with a maturity of three months or less, when purchased, to be cash equivalents.

The Foundation maintains a deposit account at a financial institution in Michigan which at times may exceed the Federal Deposit Insurance Corporation insured limits. There were no uninsured deposits at June 30, 2007.

Investments

Investments are reported at fair value. Net gains and losses on unrestricted investments are included in the change in unrestricted net assets on the accompanying statements of activities. Net gains and losses on endowment investments are restricted for future scholarships and are included in the change in temporarily restricted net assets on the accompanying statements of activities.

Pledges Receivable

Unconditional promises to give are recognized as revenues in the appropriate net asset category in the period received.

SC4 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Donations

Donations are recognized at the time the Foundation has an obligation to transfer the assets to the College.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at their estimated net present value. Contributions with donor-imposed time or purpose restrictions and contributions for permanent endowment funds are reported as restricted support. All other contributions are reported as unrestricted support.

Tax Status

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "Code"). It is not considered a private foundation within the meaning of Section 509(a) of the Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

SC4 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

2. INVESTMENTS

The fair value of the Foundation's investments is summarized as follows at June 30:

	<u>2007</u>	<u>2006</u>
U.S. government obligations	\$ 288,665	\$ 282,898
Equity securities and funds	814,430	746,114
Fixed income securities and bonds	676,522	672,137
Mutual funds - U.S. government and fixed income securities	<u>473,854</u>	<u>368,866</u>
Total investments	<u>\$ 2,253,471</u>	<u>\$ 2,070,015</u>

3. PLEDGES RECEIVABLE

During 2007, the Foundation began a major gift campaign with campaign revenue to be restricted for future capital projects or scholarships. Pledges receivable, consisting of unconditional promises to give, is summarized as follows as of June 30, 2007:

Receivable within one year	\$ 27,995
Receivable between one to five years	87,135
Receivable in more than five years	<u>1,030</u>
Total unconditional promises to give	116,160
Less discounts to net present value	<u>7,975</u>
Pledges receivable, net	<u>\$ 108,185</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4.25% for 2007. Uncollectible promises are expected to be insignificant.

SC4 FOUNDATION

NOTES TO FINANCIAL STATEMENTS

4. NET ASSETS

Temporarily restricted net assets of \$83,421 and \$28,701 at June 30, 2007 and 2006, respectively, are restricted for donation to the College for scholarships. Additionally, temporarily restricted net assets at June 30, 2007, include \$40,110 and \$21,308 and \$83,861 restricted for donations to the College for Major Gifts Campaign Scholarships, Major Gifts Campaign Center for Business and Technology, and Major Gifts Campaign Greatest Needs, respectively.

Permanently restricted net assets are endowment funds held in perpetuity, the income from which supports scholarships to be granted by the College.

* * * * *



REHMANN ROBSON

Certified Public Accountants

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November 1, 2007

To the Board of Trustees
St. Clair County Community College
Port Huron, Michigan

As the *St. Clair County Community College* (the “College”) continues its quest for excellence, focusing on refinement of the College’s internal operations is imperative. Rehmann Robson can help in this effort. Through our role in performing financial statement services, we continuously expand our knowledge of the College, your systems, operations, and management team. As our knowledge of the College and its objectives grow, we can provide more proactive advice to help you on the road to refinement.

In planning and performing our audit of the financial statements of *St. Clair County Community College* for the year ended June 30, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control. During our audit we noted certain matters involving internal control and operations that are presented for your consideration. This letter does not affect our report dated November 1, 2007, on the financial statements of *St. Clair County Community College*.

Segregate Payroll Duties

During our testing of payroll and discussions with payroll personnel it was noted that the payroll staff, consisting of a supervisor and two staff members, have the ability to access and make changes to the payroll records and wages. This access is granted for entering changes and new hires; however, they are also able to access their personal information and make changes, including pay rates. Such changes are summarized on an edit report that is reviewed within in the payroll department.

Budget variances are closely monitored which may detect significant unauthorized payroll costs. However we recommend that management consider enhancing controls by (1) limiting payroll employee’s access to their own payroll file or (2) having someone independent of the Payroll Department review the edit report for proper authorization of changes.

To the Board of Trustees
St. Clair County Community College
November 1, 2007
Page 2

Bank Reconciliations

Based on inquiry of personnel it was determined that monthly bank account reconciliations are performed; however, they are only reviewed on an annual basis. No unreconciled amounts or unusual reconciling items were noted during our testing, however, periodic reviews of reconciliations are a key monitoring control that many institutions of higher education have implemented. We recommend that management consider requiring a periodic review of bank account reconciliations.

Prior Year Recommendations

Upon review of the prior year recommendations we observed that many recommendations were welcomed and implemented promptly. The use of Microsoft Excel for financial statement preparation seemed to reduce time and resulted in more accurate reports. In addition, the business office has reviewed capital assets and inquired of personnel as to their availability and usage. The write-off of unused or obsolete assets has reduced the asset depreciation records, which also reduced the time required to review the listing during audit procedures.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the College and is not intended to be and should not be used by anyone other than these specified parties. We will review the status of our comments during our next audit engagement. Our comments and suggestions, all of which have been discussed with appropriate personnel, are intended to assist the College improve internal controls and operational effectiveness. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.