

**Financial Statements**

**Mott Community College  
Flint, Michigan**

**June 30, 2007 and 2006**

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## Independent Auditor's Report

To the Board of Trustees  
Mott Community College

We have audited the accompanying financial statements of Mott Community College (Charles Stewart Mott Community College, County of Genesee, Michigan) and its discretely presented component unit as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Mott Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *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 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 basic financial statements referred to above present fairly, in all material respects, the financial position of Mott 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 our report dated October 19, 2007 on our consideration of Mott Community 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 opinions 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* and should be considered in assessing the results of our audits.

The management's discussion and analysis presented on pages 3 through 19 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Mott Community College

Our audits were performed for the purpose of forming an opinion on the financial statements of Mott Community College taken as a whole. The other additional information identified in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

October 19, 2007

# Mott Community College

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## Management's Discussion and Analysis - Unaudited

This discussion and analysis section of Mott Community College's ("the College's") annual financial report provides an overview of the College's financial position at June 30, 2007, 2006 and 2005 and its financial activities for the three years ended June 30, 2007. Management has prepared this section, along with the financial statements and the related footnote disclosures, and thus it should be read in conjunction with and is qualified in its entirety by the financial statements and footnote disclosures. Responsibility for the completeness and fairness of this information rests with the College's management.

### Using this Report

In June 1999, the Governmental Accounting Standards Board (GASB) released Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Changes in Statement No. 34 require a comprehensive one-line look at the entity as a whole including capitalization and depreciation of assets. In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, which applies these standards to public colleges and universities.

This annual financial report includes the report of independent auditors, this Management's Discussion and Analysis section, the basic financial statements in the format described above, and notes to financial statements. Following the basic financial statements and footnotes are additional supplementary schedules and information for the year ended June 30, 2007. This supplementary section is not required by GASB, but is provided to give additional information regarding the various funds and activities of the College that are not disclosed in the basic financial statements.

### Component Unit

In May 2002, GASB released Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Statement No. 39 requires that separate legal entities associated with a primary government that meet certain criteria are included with the financial statements of the Primary Reporting Unit.

In compliance with this Statement, the Foundation for Mott Community College is reported as a component unit of the College and its financial activities are presented separately from the rest of the College's activities in the financial statements, in separate columns headed "Component Unit."

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

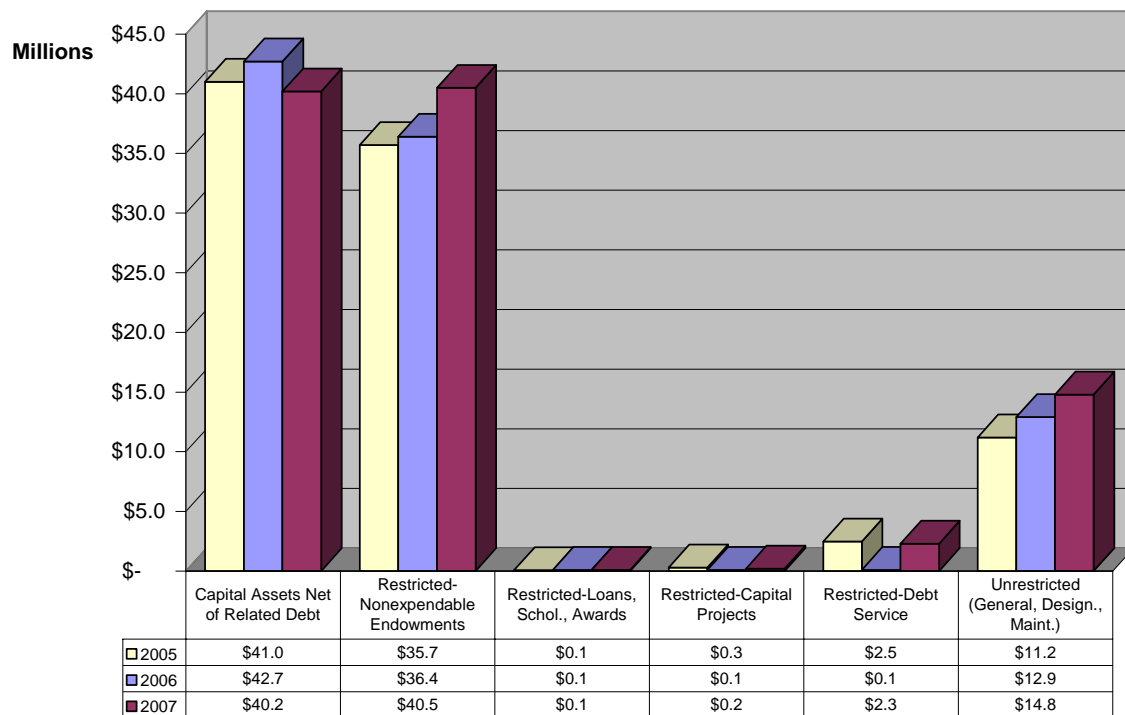
### Financial Highlights

The College's financial position improved for the year ended June 30, 2007. Total Assets increased during each of the past three years, from \$165.0 million to \$174.6 million to \$177.5 million at June 30 of 2005, 2006 and 2007, respectively. Liabilities totaled \$79.4 million at June 30, 2007, compared to \$82.3 million in 2006 and \$74.2 in 2005. Net assets, which represent the remaining value of the College's assets after liabilities are deducted, increased by \$5.8 million (or 6.3%) from the previous year, which had increased by \$1.5 million (or 1.7%) from two years ago. The College's Net Assets totaled \$98.1 million at June 30, 2007.

The Unrestricted category within Net Assets has also increased over the past three years, from \$11.2 million at June 30, 2005, to \$12.9 million at June 30, 2006, to \$14.8 million at June 30, 2007.

The following chart provides a graphical categorization of net assets for the fiscal years ended June 30, 2007, 2006 and 2005:

**Breakdown of Net Assets - By Category**



# Mott Community College

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## Management's Discussion and Analysis - Unaudited (continued)

### The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole and on its activities in a way that helps answer this question.

These two statements report the College's net assets as of June 30, 2007 and 2006 and the change in net assets for the years then ended. Net assets are the difference between assets and liabilities, and are one way to measure the College's financial position. The relationship between revenues and expenses may be thought of as Mott Community College's operating results. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating.

Many other non-financial indicators, such as quality of teaching and learning, enrollment and retention trends, and condition of the facilities must also be considered in assessing the overall health of the College.

### **Balance Sheet**

The Balance Sheet's purpose is to provide the College's overall financial position at the fiscal year close. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when a service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The following is a condensed version of the Balance Sheet, with analysis of the major components of the net assets of the College as of June 30, 2007 compared to June 30, 2006 and June 30, 2005. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

	(in millions)		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>ASSETS</b>			
Current Assets	\$ 27.2	\$ 22.8	\$ 23.5
Noncurrent Assets	<u>\$ 150.3</u>	<u>\$ 151.8</u>	<u>\$ 141.5</u>
Total Assets	<u>\$ 177.5</u>	<u>\$ 174.6</u>	<u>\$ 165.0</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 14.0	\$ 11.3	\$ 12.7
Noncurrent Liabilities	<u>\$ 65.4</u>	<u>\$ 71.0</u>	<u>\$ 61.5</u>
Total Liabilities	\$ 79.4	\$ 82.3	\$ 74.2
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 40.2	\$ 42.7	\$ 41.0
Restricted - Nonexpendable	\$ 40.5	\$ 36.4	\$ 35.7
Restricted - Expendable	\$ 2.6	\$ 0.3	\$ 2.9
Unrestricted	<u>\$ 14.8</u>	<u>\$ 12.9</u>	<u>\$ 11.2</u>
Total Net Assets	<u>\$ 98.1</u>	<u>\$ 92.3</u>	<u>\$ 90.8</u>
Total Liabilities and Net Assets	<u>\$ 177.5</u>	<u>\$ 174.6</u>	<u>\$ 165.0</u>

The growth in Total Net Assets from 2005 to 2006 to 2007, from \$90.8 million to \$92.3 million to \$98.1 million, respectively, was primarily due to the growth in endowment value and the purchase and completion of capital assets.

The most significant changes in the Balance Sheet during 2007 related to:

- Increases from 2006 to 2007 in Current Assets, due to higher balances in cash and cash equivalents in both the Plant Fund and the General Fund, and prepaid expenses. This was due to a credit from the Michigan Public School Employees Retirement System (MPSERS).
- A decrease from 2006 to 2007 in Non-current Assets is due to a decrease in assets limited as to use, as a result of bond proceeds spent during the year, along with an increase in Beneficial interest in perpetual trusts.
- The decrease in Total Liabilities from 2006 to 2007 reflects higher unearned tuition and fee revenue for summer and fall 2007 semesters than recorded for 2006, and payments made on bond debt.

The year ended on June 30, 2007 with a \$5.8 million increase in Total Net Assets, to a balance of \$98.1 million.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

### Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets provides the overall results of the College's operations. It includes all funds of the College except for activities of Agency Funds. Revenues and expenses are recorded and recognized when incurred or earned, similar to how most corporate businesses account for transactions. When revenues and other support exceed expenses, the result is an increase in net assets—one indication that the College as a whole is better off financially as a result of the year's activities.

Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations, property taxes and gifts as non-operating revenues. Community colleges' dependency on state aid, property taxes and gifts results in an operating deficit.

The following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Assets, with analysis of the major components as of June 30, 2007 compared to June 30, 2006 and June 30, 2005. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

	(in millions)		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total Operating Revenues	\$ 38.1	\$ 37.3	\$ 36.1
Total Operating Expenses	<u>\$ 81.0</u>	<u>\$ 79.5</u>	<u>\$ 74.8</u>
Total Operating Loss	\$ (42.9)	\$ (42.2)	\$ (38.7)
Nonoperating Revenues, Net	<u>\$ 48.7</u>	<u>\$ 43.7</u>	<u>\$ 43.7</u>
Income before other revenues and expenses	\$ 5.8	\$ 1.5	\$ 5.0
Other Revenues, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 0.4</u>
Total Increase in Net Assets	\$ 5.8	\$ 1.5	\$ 5.4
Net Assets, Beginning of Year	<u>\$ 92.3</u>	<u>\$ 90.8</u>	<u>\$ 85.4</u>
Net Assets, End of Year	<u>\$ 98.1</u>	<u>\$ 92.3</u>	<u>\$ 90.8</u>

In the fiscal year ended June 30, 2007, the College's revenues and other support exceeded expenses, creating an increase in Total Net Assets of \$5.8 million (compared to a \$1.5 million increase during 2006 and a \$5.4 million increase during 2005).

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

### Operating Revenues

This category includes all exchange transactions such as tuition and fees, grants and contracts for services except those for capital purposes, auxiliary enterprise activities (bookstore, catering and vending, day care), and other miscellaneous sales and rental income.

Operating revenues consisted of the following during the years ended June 30:

	2007	2006	2005
<b>Tuition and fees, net of Scholarship Allowances of \$7,622,602, \$7,045,289, and \$6,766,652 in 2007, 2006 and 2005, respectively</b>	\$ 17,698,751	\$ 17,399,652	\$ 16,042,563
<b>Federal Grants and contracts</b>	\$ 14,138,006	\$ 13,774,546	\$ 14,337,427
<b>State and Local Grants and Contracts</b>	\$ 1,841,881	\$ 1,650,904	\$ 2,083,301
<b>Nongovernmental Grants</b>	\$ 2,485,769	\$ 2,355,707	\$ 1,466,609
<b>Auxiliary enterprises</b>	\$ 701,287	\$ 706,469	\$ 693,518
<b>Other Operating Revenues</b>	\$ 1,252,498	\$ 1,406,801	\$ 1,439,008
<b>Total Operating Revenues</b>	<b>\$ 38,118,192</b>	<b>\$ 37,294,079</b>	<b>\$ 36,062,426</b>

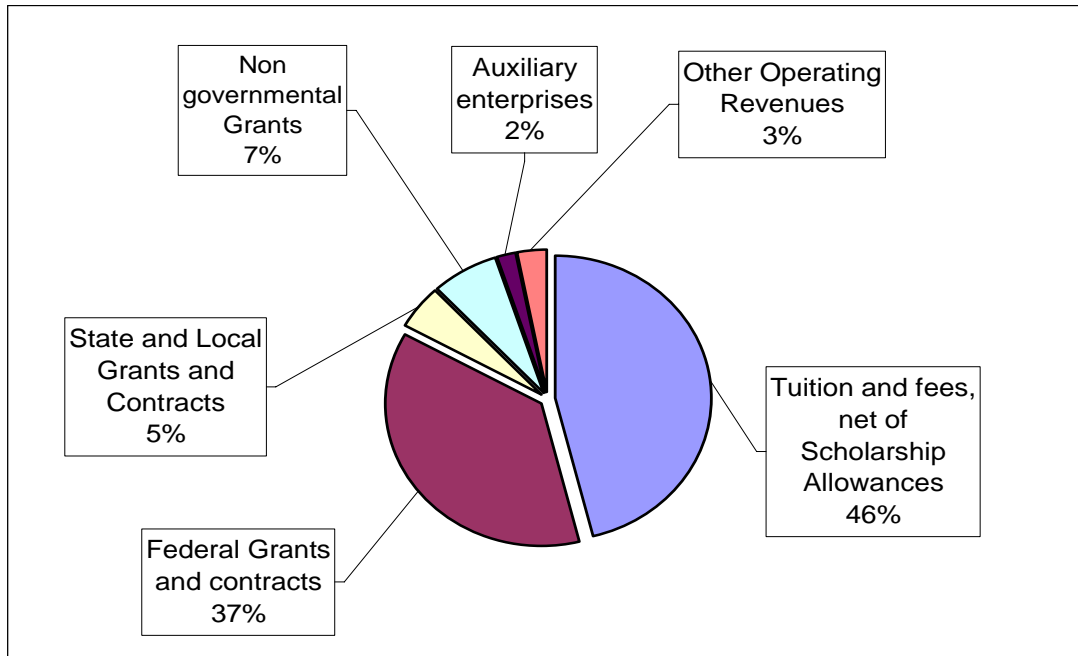
Total operating revenues increased \$2.1 million (or 5.7%) during the past three years, as a result of the following:

- Gross tuition and fee revenue increased by approximately \$2.5 million during the three years ended June 30, 2007. This 11.0% overall increase was principally due to average annual tuition increases of 4.8% for the 2005, 2006 and 2007 academic years. Credit-side enrollment decreased from 2005 to 2006, but then increased slightly in 2007.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) increased during the past three years by 12.6%, a rate exceeding the tuition and fee revenue increase by 1.6% and an indication of efforts to maintain affordability of higher education.
- Grants and Contracts categories also increased from 2005 to 2007, by a total of \$0.6 million (or 3.2%). This increase was seen primarily in federal grants, the largest of which is the federal Pell grant student award.
- Auxiliary enterprises revenue stayed level from 2005 to 2007, at approximately \$0.7 million, and miscellaneous revenues decreased by approximately \$0.2 million.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

The following is a graphic illustration of operating revenues by source for 2007:



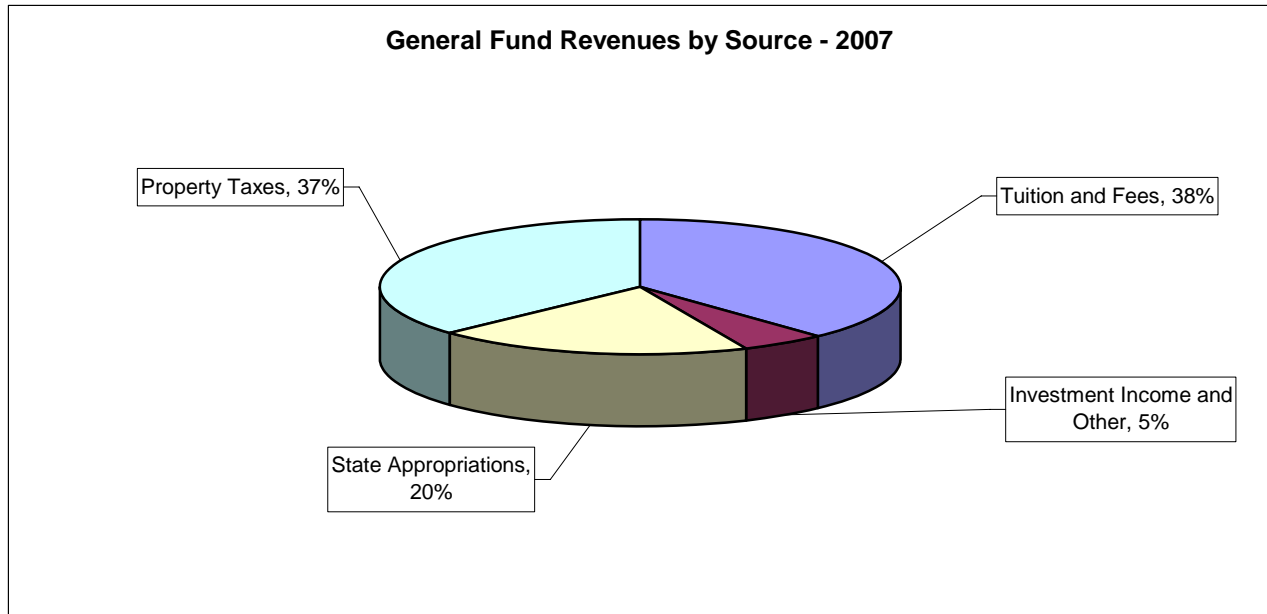
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

The College accounts for its primary programs and operations, however, in its General Fund. The General Fund revenues include three primary sources of revenue – tuition and fees, state appropriations, and property taxes. Investment income and other sources represent more minor proportions of the total. The General Fund revenues are separated in our combined financial statements into operating and non-operating sources.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

The following chart shows the percentages of all General Fund revenue sources for the year ended June 30, 2007:



## Operating Expenses

Operating expenses represent all the costs necessary to provide services and conduct the programs of the College. Operating expenses for the fiscal year ended June 30, 2007 total \$81 million, and consist of salaries and benefits, scholarships, utilities, contracted services, supplies and materials, and depreciation. These items are presented in a functional format in the Statement of Revenues, Expenses, and Changes in Net Assets, consistent with the State of Michigan's reporting format, currently the Activities Classification Structure (ACS) Manual.

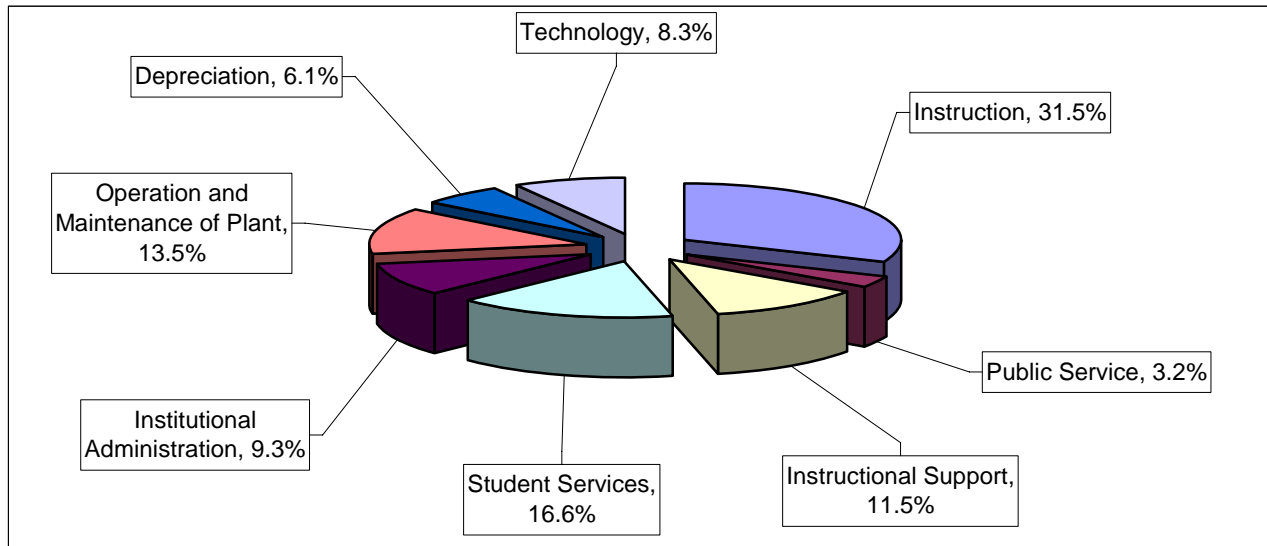
### Operating Expenses by Function

	2007	2006	2005
Instruction	\$ 25,621,451	\$ 26,282,771	\$ 26,092,127
Public Service	\$ 2,639,472	\$ 2,579,035	\$ 2,347,163
Instructional Support	\$ 9,390,344	\$ 9,715,299	\$ 9,762,990
Student Services	\$ 13,190,476	\$ 12,958,833	\$ 13,199,715
Institutional Administration	\$ 7,528,666	\$ 7,447,570	\$ 5,775,861
Operation and Maintenance of Plant	\$ 10,962,286	\$ 9,718,575	\$ 9,296,730
Depreciation	\$ 4,924,722	\$ 4,844,182	\$ 3,634,454
Technology	\$ 6,762,459	\$ 5,904,989	\$ 4,748,390
<b>Total Operating Expenses</b>	<b>\$ 81,019,876</b>	<b>\$ 79,451,254</b>	<b>\$ 74,857,430</b>

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2007:



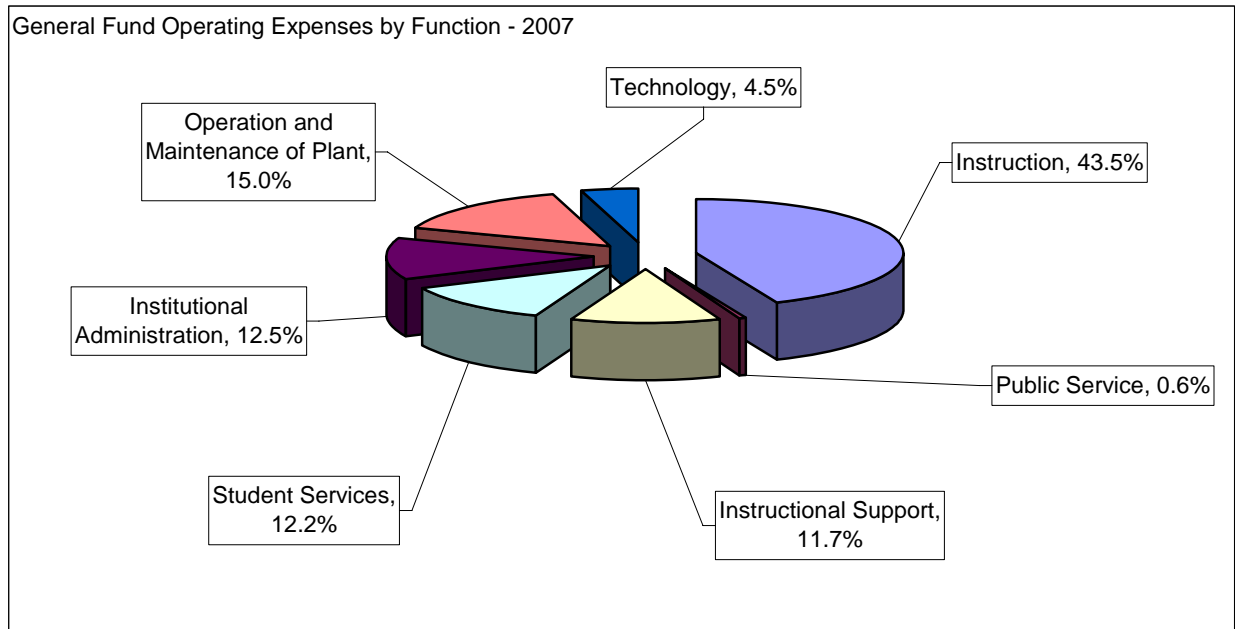
The college continues to spend the largest percentage of operating budget on instruction, with student services, instructional support and operation and maintenance of plant making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant and restricted fund activities.

The majority of total operating expenses are reported internally in the College's General Fund. In the General Fund, operating expenses for 2007 were \$58.8 million. General Fund operating expenses increased by \$.2 million (or .3%) from 2006 to 2007, and by \$2.5 million (or 4.4%) from 2005 to 2006. Most of the increases represent contractual and rate increases in salary and fringe benefit costs, as well as rising materials and utilities costs.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

Following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2007:



### Nonoperating Revenues (Expenses)

Nonoperating revenues represent all revenue sources that are primarily nonexchange in nature and are not a result of College operations. They consist of state appropriations, property tax revenue, gifts and other support, and investment income (including realized and unrealized gains and losses).

	2007	2006	2005
State Appropriations	\$ 12,497,749	\$ 14,429,786	\$ 14,894,743
Property Tax Levy	\$ 31,541,917	\$ 29,685,742	\$ 28,276,546
Gifts	\$ 1,812,360	\$ 935,586	\$ 761,762
Investment Income	\$ 1,755,333	\$ 1,141,192	\$ 673,440
Net Realized and Unrealized Gains, Changes in Value	\$ 4,129,164	\$ 688,923	\$ 1,969,907
<b>Total Non-Operating Revenues</b>	<b>\$ 51,736,523</b>	<b>\$ 46,881,229</b>	<b>\$ 46,576,398</b>

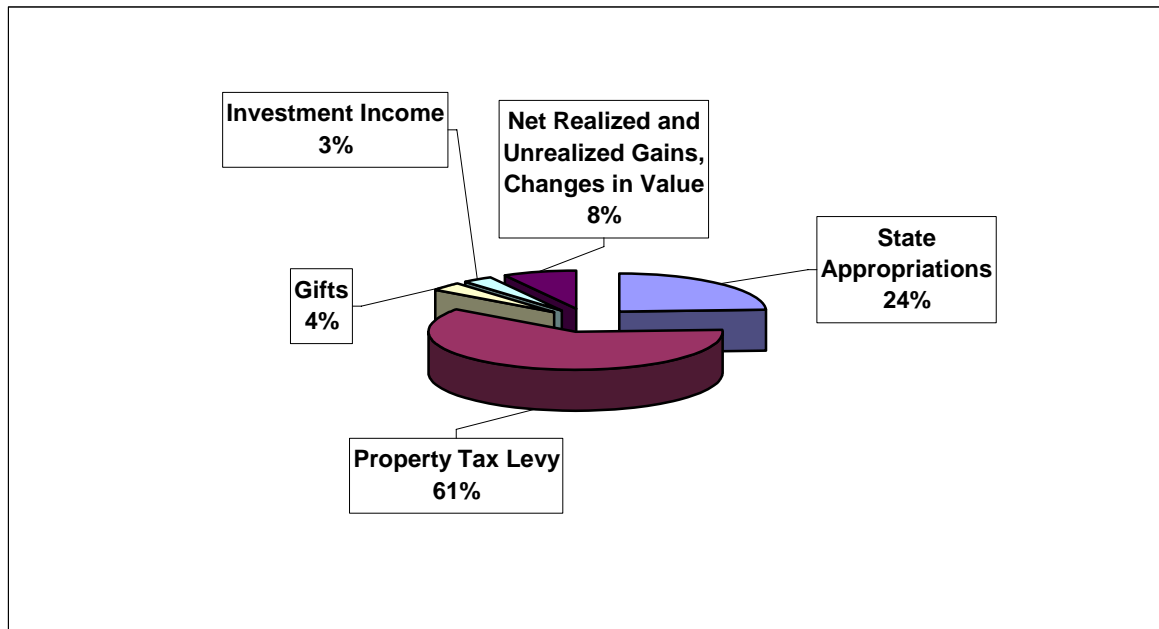
# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

Total non-operating revenues increased by \$5.2 million during the past three years:

- State appropriations decreased by \$2.4 million (or 16.1%) from 2005 to 2007. The 2007 appropriation revenue excludes one delayed payments of \$1.3 million and also reflects a reduction of \$832 thousand that was offset with a credit to the College's MPSERS payment. The state continues to experience budget constraints due to lack of economic recovery at the level expected.
- Property tax revenues increased by 5.0% from 2005 to 2006, and by 6.0% from 2006 to 2007. The total increase was \$3.3 million (or 11.5%) from 2005 to 2007. Higher revenues from increased property values were offset by decreases in both the debt and operating portions of MCC's levied millage rate from 2006 to 2007. The College's combined tax levy rates were 2.6807, 2.6807, and 2.6796 for 2005, 2006 and 2007, respectively.
- The change in value of perpetual trusts reflects the investment performance of the trusts' underlying assets.

The following is a graphical illustration of the College's Non-operating revenues by source for the year ended June 30, 2007:



# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

Non-operating expenses are also listed in the same category with non-operating revenues. This item includes the interest paid on the College's outstanding bond debts, as well as other costs associated with bond debt issuance and financing.

	2007	2006	2005
<b>Interest on Capital Asset-Related Debt</b>	\$ 3,016,206	\$ 2,950,675	\$ 2,438,756
<b>Loss on Disposal of Assets</b>	\$ 25,361	\$ 5,764	\$ 48,312
<b>Discount on Bonds</b>	\$ 6,733	\$ 39,980	\$ 36,970
<b>Bond Issuance Costs</b>	\$ 756	\$ 203,285	\$ 302,206
<b>Total Non-Operating Expenses</b>	<b>\$ 3,049,056</b>	<b>\$ 3,199,704</b>	<b>\$ 2,826,244</b>

### Other Revenues

Other revenues consist of items that are typically nonrecurring, extraordinary, or unusual to the College.

	2007	2006	2005
<b>State Capital Appropriations</b>	\$ -	\$ -	\$ 405,732
<b>Capital Gifts and Grants</b>	\$ -	\$ -	\$ 58,421
<b>Total Other Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 464,153</b>

There were no other revenues recorded in the years ended June 30, 2007 and June 30, 2006.

For the year ended June 30, 2005 other revenues included:

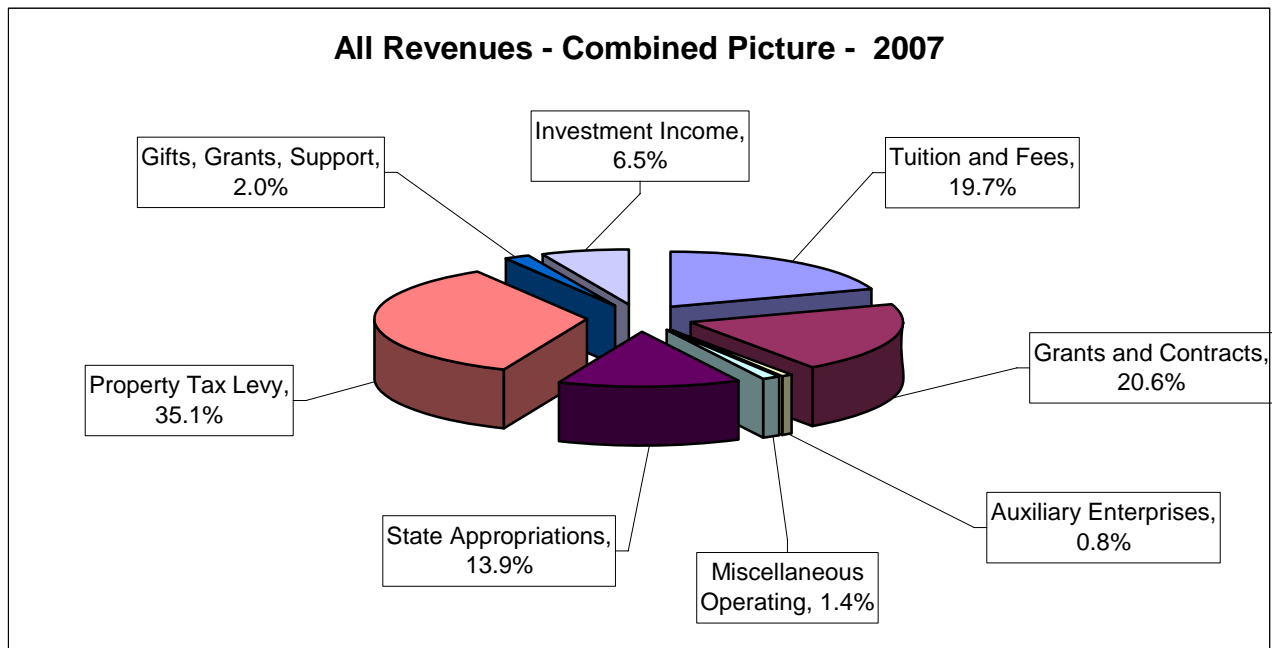
- State capital appropriations. This revenue related to the state's portion of a \$34 million project to construct the College's Regional Technology Center (RTC), which was funded 50% by voted bond proceeds obtained by the College, and 50% by the State of Michigan. Construction was substantially completed during 2003-04, and the project was closed out during 2004-05.
- Capital gifts received from local sources as cost offset for start-up expenses under an Educational Interconnectivity Consortium in which Mott Community College is partnering with other local educational institutions to improve efficiency within computer network infrastructure and operating costs.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

### All Revenues – Combined Picture

The following is a graphic illustration of the College's total revenues in all classifications-- Operating Revenues, Non-operating Revenues and Other Revenues—for 2007:



For fiscal year 2007 property taxes, including operating and debt levies, accounted for 35.1% of total revenues, and are the largest single source of revenue for the College. Next are grants and contracts, and tuition and fees. State appropriations comprise 13.9% of the total revenues for the College as a whole for fiscal year 2007.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

### Statement of Cash Flows

In addition to the Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Assets, another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the College during the fiscal year. The Statement of Cash Flows also helps to assess:

- The ability to generate future net cash flows
- The ability to meet obligations as they come due
- The need for external financing

The following is a condensed Statement of Cash Flows, summarizing cash receipts and cash payments by type of activity, for the three years ended June 30:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Cash and cash equivalents provided (used) by:</b>			
<b>Operating activities</b>	\$ (38.3)	\$ (36.0)	\$ (33.6)
<b>Noncapital financing activities</b>	39.5	37.3	36.0
<b>Capital and related financing activities</b>	(5.4)	5.4	(11.0)
<b>Investing activities</b>	<u>1.0</u>	<u>1.5</u>	<u>(0.4)</u>
<b>Net increase (decrease) in cash</b>	(3.2)	8.2	(9.0)
<b>Cash and cash equivalents, beginning of year</b>	<u>31.0</u>	<u>22.8</u>	<u>31.8</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 27.8</u></u>	<u><u>\$ 31.0</u></u>	<u><u>\$ 22.8</u></u>

The \$38.3 million in net cash used for operating activities included \$76.5 million in payments to employees and suppliers, offset by \$37.6 million in cash received for tuition and fees, grants and contracts, and auxiliary enterprise activities. This negative operating cash flow was covered by state appropriations, property taxes, gifts and other support, all of which are included in the \$39.5 million in cash provided from non-capital financing activities.

The net decrease of \$5.4 million for capital and related financing activities is mostly due to receipts from the debt millage property tax levy, offset by purchases of capital assets and cash used to make principal and interest payments on outstanding bond debt.

Investing activities include interest received, as well as purchases, sales and maturities of investments.

The overall result of cash flows is a decrease in cash of \$3.2 million during 2007.

# Mott Community College

## Management's Discussion and Analysis - Unaudited (continued)

### Capital Assets and Debt Administration

#### Capital Assets

The following table shows the breakdown of Property and Equipment balances by category at June 30:

	2007	2006	2005
<b>Property and Equipment:</b>			
Land	\$ 844,173	\$ 844,173	\$ 844,173
Artwork	\$ 6,200	\$ 6,200	\$ 6,200
Construction in Progress	\$ 2,083,511	\$ 1,131,937	\$ 7,116,499
Buildings and Improvements	\$ 144,923,317	\$ 139,983,612	\$ 128,808,909
Infrastructure	\$ 7,413,416	\$ 7,355,453	\$ 7,257,794
Equipment	\$ 13,629,377	\$ 12,419,850	\$ 11,723,816
Vehicles	\$ 800,860	\$ 819,796	\$ 846,274
Library Books	\$ 1,892,016	\$ 1,850,959	\$ 1,816,981
Accumulated Depreciation	\$ (70,377,979)	\$ (65,640,742)	\$ (60,994,076)
<b>Total Property and Equipment</b>	<b>\$ 101,214,891</b>	<b>\$ 98,771,238</b>	<b>\$ 97,426,570</b>

Major capital additions completed this year and the source of the resources that funded their acquisition included the following:

Health Sciences Renovations from Series 2006 bond proceeds	\$1.4 million
Visual Arts and Design Center Renovations from Series 2006 bond proceeds:	\$1.0 million
Lapeer Branch Campus Renovations from Series 2006 bond proceeds:	\$0.8 million
Northern Tier Center Renovations from Series 2004 and 2006 bond proceeds:	\$1.3 million
Improvements to various other buildings, infrastructure and parking structures on the main campus, from Series 2006 bond proceeds and designated reserves:	\$0.5 million
Computer and audio-visual equipment, from Series 2006 bond proceeds, student technology fees and designated reserves:	\$1.4 million

The College has planned capital expenditures for the fiscal year ending June 30, 2008 that include renovations to the Mott Library, and student services renovations within the Prahll College Center, upgrades of the College's primary enterprise reporting system and data

# **Mott Community College**

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## **Management's Discussion and Analysis - Unaudited (continued)**

warehousing tools—Datatel Colleague and Cognos applications—and related technology infrastructure, and a new food services area. These projects will be funded with remaining Series 2006 Bond proceeds, a new bond issuance and existing capital funds on hand.

Additional capital projects planned include life cycle replacement of computers and technology, purchase of instructional equipment, and various other building and infrastructure improvements, all of which are expected to be funded with designated funds and capital funds existing and planned to be transferred from operating funds.

More information about the College's capital assets is presented in the Notes to the Financial Statements.

### **Debt Administration**

On June 14, 2004, the College held a special election for the purpose of submitting a proposition to the electors that Mott Community College be allowed to borrow \$45,000,000 in the issuance of bonds for capital expenditures. The election was successful and this bond authority was granted. The college issued \$15,000,000 in bonds on June 30, 2004, and \$14,455,000 in bonds on April 4, 2006. There are plans to issue two additional series of bonds of \$5 - \$15 million each issuance over the next four years. The next planned issuance is a Series 2008 Bond sale expected to provide up to \$15,000,000 within current voted bond authority, in the spring of 2008.

At June 30, 2007, the College had \$60.7 million in long-term bond-related debt outstanding, versus \$66.0 million on June 30, 2006 and \$57.3 million on June 30, 2005.

The College has bond credit ratings of 'A2' and 'A+' from Moody's and Standard & Poor's, respectively, for the series of bonds issued during 2006. According to Standard & Poor's, the strong rating reflects continued improvements in the college's general fund balance that have stabilized its financial position. The 'A+' rating also reflects the following credit characteristics: 1) a large, diverse, and steadily growing tax base; 2) adequate financial reserves; and 3) a low debt burden. Their rationale included evidence of planned balanced financial operations in the near future in addition to the college's already proven track record of maintaining improved, stable reserve levels.

More detailed information about the College's long-term liabilities is presented in the Notes to the Financial Statements.

### **Economic Factors Affecting the Future**

The economic position of the College is closely tied to that of Genesee County and the State of Michigan. Historically when the state economy is in a downturn, community colleges' enrollment increases and there are demands on community colleges for increased and more diverse training and education opportunities to meet needs of employers and individuals

# Mott Community College

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## Management's Discussion and Analysis - Unaudited (continued)

needing upgraded skills. By the same token, when the state experiences lack of economic growth, decreased levels of appropriations to community colleges continue to result.

At this time the 2007-2008 state budget has not been finalized and the amount of funding to Mott Community College for the 2007-2008 fiscal year is uncertain. Based on recent history and current state budget problems, any increase in funding seems unlikely. In 2007, the state budget included a 2.7% funding increase to Mott Community College, prior to a reduction for the MPSERS credit and delayed August payment discussed previously. State appropriations to community colleges have not kept up with rates of inflation since 2000. Due to this uncertainty and historical trend, appropriations for the 2008 fiscal year are budgeted at the same level as 2007, \$14.6 million.

The Board of Trustees approved an increase of 3.2% for tuition and fee rates effective with the fall 2007 semester for the 2008 academic year. This modest increase reflects the results of continued efforts to contain operational costs. No mid-year tuition and fee increase is currently planned during 2008.

Mott Community College must continue to address challenges of rising operating costs, especially within employee compensation, as this area represents approximately 75% of the total operating budget. Future expectations of sharp increases in retirement contribution rates and health insurance rates are among specific areas of focus in order to control the operating expenditure base over the long-term.

Mott Community College has been accredited by the Higher Learning Commission (HLC) of North Central Association of Colleges and Schools (NCA) for almost 80 years. While MCC is accredited until 2009-10, the Board of Trustees chose in May 2005 to utilize a new approach to accreditation, a continuous improvement model called Academic Quality Improvement Program (AQIP). AQIP is the new, ongoing process of self-evaluation and analysis that is focused on institutional systems, Action Projects, and continual assessment of institutional quality, and it is designed specifically to allow MCC to customize the process to our own needs and those of our community and stakeholders. In the fiscal year ended June 30, 2007, the College implemented the first of three phases of this program.

In April of 2007, the Board of Trustees adopted a five-year strategic plan for 2007-2012. This initiative was centered around the Board's desire for a learning-centered college with an emphasis on the cultural shift associated with the AQIP and the Continuous Quality Improvement (CQI) philosophies. This comprehensive strategic planning initiative is comprised of seven long-term goals in the areas of student learning and success, technology initiatives, systems improvement, economic and human resources development, institutional image and community relations, and budget/finance. These overarching goals are designed to result in quality delivery of education and training that continues to meet community needs while exceeding expectations.

**Mott Community College  
Balance Sheet  
June 30, 2007  
With Comparative Figures at June 30, 2006**

	Primary Government		Component Unit Foundation for Mott Community College	
	2007	2006	2007	2006
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 21,988,505	\$ 16,658,242	\$ 58,922	\$ 73,643
Short term investments	179,477	348,606	-	-
State appropriation receivable	910,172	2,582,802	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$2,412,060 for 2007 and \$2,870,340 for 2006)	1,401,099	903,198	269,217	208,013
Grants receivable	1,696,573	2,028,295	-	-
Inventories	46,045	92,633	-	-
Prepaid expenses and other assets	1,005,794	161,827	-	-
Total current assets	27,227,665	22,775,603	328,139	281,656
Long term investments	742,096	241,645	4,182,542	3,342,418
Assets limited as to use	5,853,763	14,358,840	-	-
Beneficial interest in perpetual trusts	40,422,588	36,293,424	-	-
Bond discount	319,933	348,474	-	-
Deferred charges	1,741,213	1,860,610	22,881	14,710
Property and equipment - net of accumulated depreciation ( \$70,377,979 for 2007 and \$65,640,742 for 2006 )	101,214,891	98,771,238	-	-
Total assets	\$ 177,522,149	\$ 174,649,834	\$ 4,533,562	\$ 3,638,784

	Primary Government		Component Unit Foundation for Mott Community College	
	2007	2006	2007	2006
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Current portion of debt obligations	\$ 5,315,000	\$ 3,065,933	\$ -	\$ -
Accounts payable	2,361,950	2,706,721	16,543	3,035
Accrued interest payable	663,084	426,017	-	-
Accrued payroll and related liabilities	3,738,900	3,494,879	-	-
Deposits held for others	671,063	727,109	-	-
Unearned revenue	1,285,793	934,839	18,389	-
<b>Total current liabilities</b>	<b>14,035,790</b>	<b>11,355,498</b>	<b>34,932</b>	<b>3,035</b>
Long term debt obligations	60,725,000	66,040,000	-	-
Accrued termination pay	2,624,576	2,762,131	-	-
Bond premium	2,024,756	2,165,961	-	-
<b>Total liabilities</b>	<b>79,410,122</b>	<b>82,323,590</b>	<b>34,932</b>	<b>3,035</b>
Net assets:				
Invested in capital assets, net of related debt	40,226,347	42,683,103	-	-
Restricted for				
Nonexpendable	40,490,688	36,361,524	956,945	785,794
Expendable				
Student loans	68,294	67,267	-	-
Scholarships and awards	44,409	55,291	2,958,992	2,490,079
Capital projects	160,753	153,794	-	-
Debt service	2,272,490	82,459	-	-
Unrestricted	14,849,046	12,922,806	582,693	359,876
<b>Total net assets</b>	<b>98,112,027</b>	<b>92,326,244</b>	<b>4,498,630</b>	<b>3,635,749</b>
<b>Total liabilities and net assets</b>	<b>\$ 177,522,149</b>	<b>\$ 174,649,834</b>	<b>\$ 4,533,562</b>	<b>\$ 3,638,784</b>

**Mott Community College**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2007**  
**With Comparative Figures at June 30, 2006**

	Primary Government		Component Unit Foundation for Mott Community College	
	2007	2006	2007	2006
<b>Revenues:</b>				
Operating revenues				
Tuition and fees	\$ 25,321,353	\$ 24,444,941	\$ -	\$ -
Less scholarship allowances	(7,622,602)	(7,045,289)	-	-
Federal grants and contracts	14,138,006	13,774,546	-	-
State and local grants and contracts	1,841,881	1,650,904	-	-
Private gifts and grants	2,485,769	2,355,707	-	-
Auxiliary enterprises	701,287	706,469	-	-
Gifts	-	-	983,784	649,109
Miscellaneous	1,252,498	1,406,801	159,553	112,812
Total operating revenues	<u>38,118,192</u>	<u>37,294,079</u>	<u>1,143,337</u>	<u>761,921</u>
<b>Expenses:</b>				
Operating expenses				
Instruction	25,621,451	26,282,771	-	-
Public service	2,639,472	2,579,035	209,047	-
Instructional support	9,390,344	9,715,299	265,500	88,268
Student services	13,190,476	12,958,833	215,457	242,015
Institutional administration	7,528,666	7,447,570	-	-
Operation and maintenance of plant	10,962,286	9,718,575	-	-
Depreciation	4,924,722	4,844,182	-	-
Technology	6,762,459	5,904,989	-	-
Foundation operations	-	-	164,337	171,071
Total operating expenses	<u>81,019,876</u>	<u>79,451,254</u>	<u>854,341</u>	<u>501,354</u>
Operating gain (loss)	(42,901,684)	(42,157,175)	288,996	260,567
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations	12,497,749	14,429,786	-	-
Property tax levy	31,541,917	29,685,742	-	-
Gifts	1,812,360	935,586	116,691	152,755
Investment income	1,755,333	1,141,192	-	-
Net realized and unrealized gain on investments	-	28,726	457,194	131,184
Change in value of perpetual trusts	4,129,164	660,197	-	-
Interest on capital asset - related debt	(3,016,206)	(2,950,675)	-	-
Loss on disposal of assets	(25,361)	(5,764)	-	-
Premium(discount) on bonds	(6,733)	(39,980)	-	-
Bond issuance costs	(756)	(203,285)	-	-
Net non-operating revenues	<u>48,687,467</u>	<u>43,681,525</u>	<u>573,885</u>	<u>283,939</u>
Increase in net assets	5,785,783	1,524,350	862,881	544,506
<b>Net Assets:</b>				
Net assets - beginning of year	92,326,244	90,801,894	3,635,749	3,091,243
Net assets - end of year	<u>\$ 98,112,027</u>	<u>\$ 92,326,244</u>	<u>\$ 4,498,630</u>	<u>\$ 3,635,749</u>

**Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2007**

	Primary Government 2007	Component Unit 2007
	<hr/>	<hr/>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 18,306,260	\$ -
Grants and contracts	19,005,247	(209,047)
Payments to suppliers	(25,370,161)	(159,006)
Payments to employees	(51,171,385)	-
Auxiliary enterprise	343,687	-
Gifts received	-	848,109
Allocations to primary government	-	(480,957)
Allocations from component unit	480,957	-
Other	59,049	255,715
	<hr/>	<hr/>
Net cash provided by (used for) operating activities	(38,346,346)	254,814
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	14,170,379	-
Local property taxes	23,582,398	-
Gifts and contributions for other than capital purposes	1,732,360	116,691
Student loan receipts	10,873,702	-
Student loan disbursements	(10,876,124)	-
Agency transactions	11,821	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	39,494,536	116,691
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(7,393,737)	-
Principal paid on capital debt	(3,065,933)	-
Capital property tax levy	8,123,239	-
Interest paid on capital debt	(3,016,206)	-
	<hr/>	<hr/>
Net cash used for capital and related financing activities	(5,352,637)	-
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	29,915,230	787,408
Interest on investments	1,514,402	-
Purchase of investments	(30,400,000)	(1,173,634)
	<hr/>	<hr/>
Net cash provided by (used for) investing activities	1,029,632	(386,226)
<b>Net increase (decrease) in cash</b>	(3,174,815)	(14,721)
<b>Cash - beginning of year</b>	31,017,082	73,643
<b>Cash - end of year</b>	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents	\$ 21,988,505	\$ 58,922
Assets limited as to use	5,853,763	-
	<hr/> <hr/>	<hr/> <hr/>
	\$ 27,842,268	\$ 58,922

*See notes to financial statements.*

**Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2007**

	Primary Government 2007	Component Unit 2007
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities:</b>		
Operating gain (loss)	\$(42,901,684)	\$ 288,996
Adjustments to reconcile operating loss to net cash provided by (used for)		
Depreciation	4,924,722	-
(Increase) decrease in net assets:		
Federal and state grants receivable	331,722	-
Accounts receivable (net)	(153,931)	(154,064)
Inventories	46,588	-
Prepaid assets and other current assets	(843,967)	(4,875)
Assets held by Primary Government	-	106,824
Increase (decrease) in liabilities:		
Accounts payable	(344,771)	(456)
Accrued payroll and other compensation	244,021	-
Unearned revenue	350,954	18,389
	<u>\$(38,346,346)</u>	<u>\$ 254,814</u>
Net cash provided by (used for) operating activities	<u>\$(38,346,346)</u>	<u>\$ 254,814</u>

*See notes to financial statements.*

**Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2006**

	Primary Government 2006	Component Unit 2006
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 17,966,763	\$ -
Grants and contracts	17,767,075	-
Payments to suppliers	(23,546,722)	(110,718)
Payments to employees	(49,861,103)	-
Auxiliary enterprise	349,572	-
Gifts received	-	572,990
Allocations to primary government	-	(330,283)
Allocations from component unit	330,283	-
Other	1,050,985	112,812
Net cash provided by (used for) operating activities	(35,943,147)	244,801
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	14,361,666	-
Local property taxes	22,150,755	-
Gifts and contributions for other than capital purposes	935,586	152,755
Student loan receipts	8,543,397	-
Student loan disbursements	(8,524,788)	-
Agency transactions	(178,679)	-
Net cash provided by noncapital financing activities	37,287,937	152,755
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(6,194,613)	-
Principal paid on capital debt	(7,510,104)	-
Proceeds from issuance of debt	14,455,000	-
Bond issuance costs	(203,285)	-
Capital grant and gift proceeds	-	-
Capital property tax levy	7,708,682	-
Interest paid on capital debt	(2,884,968)	-
Net cash provided by capital and related financing activities	5,370,712	-
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	22,080,000	675,215
Interest on investments	932,522	-
Purchase of investments	(21,473,833)	(1,058,297)
Net cash provided by (used for) investing activities	1,538,689	(383,082)
<b>Net increase (decrease) in cash</b>	8,254,191	14,474
<b>Cash - beginning of year</b>	22,762,891	59,169
<b>Cash - end of year</b>	<u>\$ 31,017,082</u>	<u>\$ 73,643</u>
Cash and cash equivalents	\$ 16,658,242	\$ 73,643
Assets limited as to use	14,358,840	-
	<u>\$ 31,017,082</u>	<u>\$ 73,643</u>

*See notes to financial statements.*

**Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2006**

	Primary Government 2006	Component Unit 2006
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities:</b>		
Operating gain (loss)	\$(42,157,175)	\$ 260,567
Adjustments to reconcile operating loss to net cash provided by (used for)		
Depreciation	4,844,182	-
(Increase) decrease in net assets:		
Federal and state grants receivable	(22,459)	-
Accounts receivable (net)	750,106	(76,119)
Inventories	(35,082)	-
Prepaid assets and other current assets	333,123	-
Assets held by Primary Government	-	66,234
Increase (decrease) in liabilities:		
Accounts payable	750,357	(5,881)
Accrued payroll and other compensation	247,609	-
Unearned revenue	(653,808)	-
	<u>\$(35,943,147)</u>	<u>\$ 244,801</u>

**Non cash transactions**

Bonds were issued in the amount of \$22,620,000 as part of a bond refunding. The proceeds were directly deposited with an escrow agent.

*See notes to financial statements.*

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**1. Basis of presentation and significant accounting policies**

**Reporting Entity** - Mott Community College (the “College”) is a Michigan community college, with its main campus located in Flint, Michigan and satellite campuses in Genesee, Lapeer, and Livingston Counties. The College is governed by a Board of Trustees, whose seven members are elected for six-year overlapping terms.

The accompanying financial statements have been prepared in accordance with the criteria established by the Governmental Accounting Standards Board (GASB) for determining the various organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Because of the economic interest the College has in the Foundation, the Foundation for Mott Community College is included in the College’s reporting entity as a discretely presented component unit. Separate financial statements of the Foundation can be obtained by contacting the Foundation for Mott Community College, 1401 East Court Street, Flint, Michigan 48503.

**Basis of presentation** - The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to public colleges and universities as described in GASB Statement No. 35 and the *Manual for Uniform Financial Reporting- Michigan Public Community Colleges, 2001*. The College follows the “business-type” activities model of the GASB Statement No. 35. Business Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Reporting for business-type activities is based on all applicable GASB pronouncements, as well as certain applicable Financial Accounting Standards Board pronouncements, unless the latter conflicts with GASB pronouncements.

Significant accounting policies followed by the College are described below:

**Accrual basis** - The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses 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 when purchased.

**Gifts and pledges:**

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

**Investments:**

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

**Allowance for Doubtful Accounts:**

An allowance is established, when material, for doubtful accounts.

**Inventories:**

Inventories, including supplies, are stated at the lower of cost (first-in, first-out) or market.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**1. Basis of presentation and significant accounting policies – (continued)**

Assets Limited As To Use:

Assets limited as to use represent unspent bond proceeds to be used for capital improvements to College buildings and the purchase of educational equipment.

Property and Equipment:

Property and equipment are recorded at cost or, if donated, the fair value at the time of donation. Property and equipment are depreciated over their estimated useful lives ranging from 5-50 years. Depreciation is computed using the straight line method. No depreciation is recorded on land or art. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. The College has a policy of capitalizing only property and equipment purchases of \$5,000 and over. Expenditures for maintenance and repairs are charged to current expenditures as incurred.

Operating revenues:

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are state appropriations, investment income and gifts.

Revenue recognition:

Revenues are recognized in the period earned. Revenue recorded prior to year end that related to the next fiscal period is recorded as unearned revenue.

State appropriations for operations are recognized ratably over the state appropriation period. The appropriation period is from October 1 – June 30.

Property taxes, net of estimated refunds and uncollectible amounts, are recognized on the accrual basis in the year for which the levy was intended.

Tuition revenue is recognized as revenue in the semester during which the tuition is earned. Any amounts received and related to the period after June 30 are deferred and reported as unearned revenue.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net assets:

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which can not be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**1. Basis of presentation and significant accounting policies – (continued)**

Restricted resources:

The College applies expenses first against restricted resources when an expense is incurred for which both restricted and unrestricted net assets are available.

Reclassification:

Certain reclassifications were made to the 2006 balances to conform with classifications used in 2007. These reclassifications had no effect on net assets as previously reported.

**2. Cash and investments**

Investment policies for cash and investments as set forth by the Board of Trustees authorize the College to invest in bonds, bills or notes of the United States or other obligations of the State; certificates of deposit insured by a state or national bank or savings and loan organized and authorized to operate in the State of Michigan; commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase; and managed investment programs for the investment of school funds as approved by the Board of Trustees.

As of June 30, 2007, the College had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>1-10 Years</u>	<u>More Than 10 Years</u>
Money Markets	\$ 27,543,943	\$ 27,543,943	\$ -	\$ -
Certificates of Deposit	540,942	179,477.00	361,465	-
Mutual Bond Funds	115,672	-	115,672	-
Mutual Equity Funds	209,255	-	-	209,255
Mutual International Equity Funds	55,703	-	-	55,703
Total investments and maturities	<u>\$ 28,465,515</u>	<u>\$ 27,723,420</u>	<u>\$ 477,137</u>	<u>\$ 264,958</u>

As of June 30, 2006, the College had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>1-10 Years</u>	<u>More Than 10 Years</u>
Money Markets	\$ 31,365,688	\$ 31,365,688	\$ -	\$ -
Mutual Bond Funds	90,341	-	90,341	-
Mutual Equity Funds	124,409	-	-	124,409
Mutual International Equity Funds	26,895	-	-	26,895
Total investments and maturities	<u>\$ 31,607,333</u>	<u>\$ 31,365,688</u>	<u>\$ 90,341</u>	<u>\$ 151,304</u>

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**2. Cash and investments – (continued)**

Interest rate risk:

The College does 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 and as amended through 1997 to invest surplus monies in bonds, bills, and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers acceptances, commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits and certain repurchase agreements. The College has no investment policy that would further limit its investment choices.

The credit quality rating of the mutual bond fund category of investments as rated by nationally recognized statistical rating organizations at both June 30, 2006 and 2007 was rated AAA. The money market funds are not rated.

Custodial credit risk:

The College investment policy does not address custodial credit risk. However, all of the investments are in the name of the College and are held with each financial institution from which they were purchased. Therefore, the custodial risk is limited.

Deposits:

Of the cash that the College holds, \$179,708 was covered by federal depository insurance and \$3,135,817 was uninsured and uncollateralized for the year ended June 30, 2007.

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 institution with which it deposits College funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**3. Beneficial Interest in Perpetual Trusts**

The College's beneficial interest in perpetual trusts represent funds held in and administered by independent trustees. The College derives income from such funds but they are not in the possession of or under control of the College. Funds held in trust by others are carried at the fair value of the net assets. Fair value has been computed based on the present value of estimated future cash flows of the College.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**4. Property and equipment**

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2007 as follows:

	Beginning Balance	Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 844,173	\$ -	\$ -	\$ 844,173	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 11)	1,131,937	2,083,511	(1,131,937)	2,083,511	
<b>Total nondepreciable capital assets</b>	<b>1,982,310</b>	<b>2,083,511</b>	<b>(1,131,937)</b>	<b>2,933,884</b>	
Depreciable capital assets:					
Buildings and improvements	139,956,502	2,780,782	-	142,737,284	15 - 50
Leasehold improvements	27,110	2,158,923	-	2,186,033	5
Infrastructure	7,355,453	57,963	-	7,413,416	10 - 50
Computer equipment	3,331,018	794,527	(60,087)	4,065,458	5 - 10
Audio-visual equipment	694,239	11,814	(5,000)	701,053	5 - 10
Other equipment	8,394,593	596,138	(127,865)	8,862,866	5 - 20
Vehicles	819,796	-	(18,936)	800,860	8
Library books	1,850,959	41,057	-	1,892,016	5
<b>Total depreciable capital assets</b>	<b>162,429,670</b>	<b>6,441,204</b>	<b>(211,888)</b>	<b>168,658,986</b>	
<b>Total capital assets</b>	<b>164,411,980</b>	<b>8,524,715</b>	<b>(1,343,825)</b>	<b>171,592,870</b>	
Less: accumulated depreciation:					
Buildings and improvements	49,744,406	3,476,246	-	53,220,652	
Leasehold improvements	5,422	221,314	-	226,736	
Infrastructure	6,604,089	120,100	-	6,724,189	
Computer equipment	2,092,453	514,961	(53,995)	2,553,419	
Audio-visual equipment	471,807	75,214	(2,936)	544,085	
Other equipment	4,346,912	429,978	(111,618)	4,665,272	
Vehicles	603,489	53,396	(18,936)	637,949	
Library books	1,772,164	33,513	-	1,805,677	
<b>Total accumulated depreciation</b>	<b>65,640,742</b>	<b>4,924,722</b>	<b>(187,485)</b>	<b>70,377,979</b>	
<b>Total net capital assets</b>	<b>\$ 98,771,238</b>	<b>\$ 3,599,993</b>	<b>\$ (1,156,340)</b>	<b>\$ 101,214,891</b>	

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**4. Property and equipment – (continued)**

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2006 as follows:

	Beginning Balance	Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 844,173	\$ -	\$ -	\$ 844,173	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 11)	7,116,499	1,131,937	(7,116,499)	1,131,937	
<b>Total nondepreciable capital assets</b>	<b>7,966,872</b>	<b>1,131,937</b>	<b>(7,116,499)</b>	<b>1,982,310</b>	
Depreciable capital assets:					
Buildings and improvements	128,808,909	11,147,593	-	139,956,502	15 - 50
Leasehold improvements	-	27,110	-	27,110	5
Infrastructure	7,257,794	97,659	-	7,355,453	10 - 50
Computer equipment	2,924,176	422,902	(16,060)	3,331,018	5 - 10
Audio-visual equipment	668,523	25,716	-	694,239	5 - 10
Other equipment	8,131,117	394,929	(131,453)	8,394,593	5 - 20
Vehicles	846,274	29,289	(55,767)	819,796	8
Library books	1,816,981	33,978	-	1,850,959	5
<b>Total depreciable capital assets</b>	<b>150,453,774</b>	<b>12,179,176</b>	<b>(203,280)</b>	<b>162,429,670</b>	
<b>Total capital assets</b>	<b>158,420,646</b>	<b>13,311,113</b>	<b>(7,319,779)</b>	<b>164,411,980</b>	
Less: accumulated depreciation:					
Buildings and improvements	46,151,952	3,592,454	-	49,744,406	
Leasehold improvements	-	5,422	-	5,422	
Infrastructure	6,486,887	117,202	-	6,604,089	
Computer equipment	1,583,310	525,203	(16,060)	2,092,453	
Audio-visual equipment	393,472	78,335	-	471,807	
Other equipment	4,048,179	424,422	(125,689)	4,346,912	
Vehicles	594,726	64,530	(55,767)	603,489	
Library books	1,735,550	36,614	-	1,772,164	
<b>Total accumulated depreciation</b>	<b>60,994,076</b>	<b>4,844,182</b>	<b>(197,516)</b>	<b>65,640,742</b>	
<b>Total net capital assets</b>	<b>\$ 97,426,570</b>	<b>\$ 8,466,931</b>	<b>\$ (7,122,263)</b>	<b>\$ 98,771,238</b>	

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**5. Long term liabilities**

Long term liabilities of the College consist of bonds, notes and installment purchase loans payable. The changes in long term liabilities for the year ending June 30, 2007 are as shown below.

	Beginning Balance	Reductions	Ending Balance	Current Debt Obligations
<b>Building and Improvement Bonds:</b>				
Series 1998	\$ 3,470,000	\$ -	\$ 3,470,000	\$ 135,000
Series 1999	2,705,000	-	2,705,000	65,000
Series 2000	3,350,000	725,000	2,625,000	725,000
Series 2002	2,275,000	450,000	1,825,000	450,000
Series 2003	7,315,000	-	7,315,000	1,840,000
Series 2004	12,900,000	800,000	12,100,000	800,000
Series 2005	22,620,000	570,000	22,050,000	650,000
Series 2006	14,455,000	505,000	13,950,000	650,000
<b>Total bonds payable</b>	<b>69,090,000</b>	<b>3,050,000</b>	<b>66,040,000</b>	<b>5,315,000</b>
<b>Installment Purchase Loan:</b>				
2002 Bus	15,933	15,933	-	-
<b>Total bonds and loans payable</b>	<b>\$ 69,105,933</b>	<b>\$ 3,065,933</b>	<b>66,040,000</b>	<b>\$ 5,315,000</b>
<b>Current debt obligations</b>			<b>5,315,000</b>	
<b>Long term debt obligations</b>			<b>\$ 60,725,000</b>	

Debt service requirements on general obligation bonds, notes, and installment loans are as follows:

	Total	Principal	Interest
Year ended June 30, 2008	8,171,352	5,315,000	2,856,352
June 30, 2009	8,213,464	5,545,000	2,668,464
June 30, 2010	8,393,572	5,945,000	2,448,572
June 30, 2011	8,500,897	6,295,000	2,205,897
June 30, 2012	6,655,858	4,655,000	2,000,858
Remaining years	47,204,558	38,285,000	8,919,558
	<b>\$ 87,139,701</b>	<b>\$ 66,040,000</b>	<b>\$21,099,701</b>

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**5. Long term liabilities – (continued)**

Long term liabilities of the College consist of bonds, notes and installment purchase loans payable. The changes in long term liabilities for the year ending June 30, 2006 are as shown below.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Debt Obligations
<b>Building and Improvement Bonds:</b>					
Series 1996	\$ 700,000	\$ -	\$ 700,000	\$ -	\$ -
Series 1998	5,285,000	-	1,815,000	3,470,000	-
Series 1999	2,815,000	-	110,000	2,705,000	-
Series 2000	4,025,000	-	675,000	3,350,000	725,000
Series 2002	2,725,000	-	450,000	2,275,000	450,000
Series 2003	9,485,000	-	2,170,000	7,315,000	-
Series 2004	14,150,000	-	1,250,000	12,900,000	800,000
Series 2005	22,620,000	-	-	22,620,000	570,000
Series 2006	-	14,455,000	-	14,455,000	505,000
<b>Energy Conservation Notes:</b>					
Series 1996-B	325,000	-	325,000	-	-
Total bonds and notes payable	62,130,000	14,455,000	7,495,000	69,090,000	3,050,000
<b>Installment Purchase Loan:</b>					
2002 Bus	31,037	-	15,104	15,933	15,933
Total bonds, notes and loans payable	<u>\$ 62,161,037</u>	<u>\$ 14,455,000</u>	<u>\$ 7,510,104</u>	69,105,933	<u>\$ 3,065,933</u>
Current debt obligations				<u>3,065,933</u>	
Long term debt obligations				<u>\$ 66,040,000</u>	

Series 1998 – 2002 bond issues were approved at an election held on May 5, 1998, authorizing issuance of bonds not to exceed \$35,900,000. These bonds were issued in a four series of bonds totaling \$35,850,000. The purpose is to fund in part, the construction of the new Regional Technology Center, purchasing advanced technology and facility restoration of various areas of the campus.

The General Obligation Building and Improvement and Refunding Bonds, Series 1998, were issued September 1, 1998 for building and site purposes and for refunding all or a portion of certain prior year bond issues. Principal payments ranging from \$135,000 to \$320,000 are due annually through 2019. Interest is payable semiannually at rates which vary from 4.35% to 6.25%.

The General Obligation Building and Improvement Bonds, Series 1999, were issued April 26, 1999 as the second bond series to be issued as a result of the May 5, 1998 election. The purpose being to defray part of the cost of making permanent improvements to, renovating, remodeling, improving, equipping, re-equipping, furnishing and refurnishing College buildings and sites and other buildings

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**5. Long term liabilities – (continued)**

to be used by the College for instructional purposes; acquiring College buildings and sites for College buildings; and constructing buildings and additions to College. Principal payments ranging from \$65,000 to \$210,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 4.25% to 5%.

The General Obligation Building and Improvement Bonds, Series 2000, were issued June, 26, 2000 as the third bond series to be issued as a result of the May 5, 1998 election. The purpose again being to defray part of the cost of making permanent improvements to, renovating, remodeling, improving, equipping, re-equipping, furnishing and refurbishing College buildings and sites and other buildings to be used by the College for instructional purposes; acquiring College buildings and sites for College buildings; and constructing buildings and additions to College. Principal payments ranging from \$725,000 to \$1,100,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 5.40% to 5.50%.

The General Obligation Building and Improvement Bonds, Series 2002, were issued February, 25, 2002 as the fourth and final bond series to be issued as a result of the May 5, 1998 election. The purpose again being to defray part of the cost of making permanent improvements to, renovating, remodeling, improving, equipping, re-equipping, furnishing and refurbishing College buildings and sites and other buildings to be used by the College for instructional purposes; acquiring College buildings and sites for College buildings; and constructing buildings and additions to College. Principal payments ranging from \$450,000 to \$475,000 are due annually through 2011. Interest is payable semiannually at rates which vary from 3.60% to 3.80%.

The General Obligation Refunding Bonds, Series 2003, were issued September, 24, 2003 for the purpose of refunding portions of five prior bond issues of the College. Principal payments ranging from \$1,510,000 to \$2,000,000 are due annually through 2010. Interest is payable semiannually at rates which vary from 2.5% to 5%.

The General Obligation Building and Improvement Bonds, Series 2004, were issued June 23, 2004 for the purpose of defraying part of the cost of making permanent improvements to, renovating, remodeling, improving, equipping, reequipping, furnishing and refurbishing College buildings and sites and other buildings to be used by the College for instructional purposes; acquiring buildings and sites for buildings; and constructing buildings and additions to buildings. Principal payments ranging from \$650,000 to \$1,475,000 are due annually through 2019. Interest is payable semiannually at rates which vary from 2.50% to 5%.

The Community College Facilities Refunding Bonds, Series 2005, were issued January, 24, 2005 for the purpose of refunding certain prior outstanding bonds of the College. This refunding activity is described in footnote 10, Advance and Current Refundings. Principal payments ranging from \$650,000 to \$2,425,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 3% to 5%.

The Community College Facilities Bonds, Series 2006, were issued on April 4, 2006 for the purpose of making permanent improvements to, renovating, remodeling, improving equipping, reequipping, furnishing, and refurbishing College buildings and sites and other buildings to be used by the College for instructional purposes; acquiring buildings and sites for buildings; and constructing buildings and additions to buildings. Principal payments ranging from \$650,000 to \$1,325,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 4% to 5%.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**5. Long term liabilities – (continued)**

An installment purchase loan was created with Harco Leasing Company on January 27, 2003 for the purpose of purchasing a 2002 champion bus. The final principal payment of \$15,932 was paid January 27, 2007. Interest is payable at a rate of 5.48%.

The next planned issuance is a Series 2008 Bond sale expected to provide up to \$15 million within current voted bond authority, in the spring of 2008.

**6. Operating Leases**

The College leases equipment under non-cancellable operating leases. Total cost for such leases were \$321,402 for the 2007 and \$321,402 for 2006. The future minimum lease payments for these leases are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Amount</u>
2008	\$ 321,402
2009	321,402
2010	313,231
2011	197,779
2012	<u>40,008</u>
Total	<u>\$1,193,822</u>

**7. Land contract receivable**

In April 1998, the College sold land and a building to the Flint Cultural Center on a ten-year land contract for \$150,000. Interest is imputed at 5% per annum, and the contract expires on July 1, 2007. The College received a \$15,000 down payment and will receive yearly installments of \$15,000 until the contract is paid in full. During fiscal year ended June 30, 2007 the balance was paid in full. At June 30, 2006, the unpaid balance of the land contract was \$15,000.

**8. Employee benefits**

Retirement Plan

*Plan Description.* All full-time employees participate in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer retirement system. MPERS is a discretely presented component unit of the State of Michigan and issues a comprehensive annual financial report each year.

MPERS members participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. MPERS annually issued a stand-alone Comprehensive Annual Financial Report for the year ended September 30, 2006. This report can be obtained by calling (517) 322-5103, or writing to the Office of Retirement Systems, Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**8. Employee benefits – (continued)**

During the year ended June 30, 1998, the College adopted Governmental Accounting Standards Board (GASB) Statements No. 26 *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Plans*, and No. 27 *Accounting for Pensions by State and Local Governmental Employees*.

Regular retirement benefits are payable monthly for the lifetime of a retiree. Annual benefits equal 1½ % of a member's final average compensation multiplied by years of service credited. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the 5 school years immediately preceding the pension effective date. The early pension is computed in the same manner as a regular pension but permanently reduced by one-half of one percent for each month between the pension effective date and the date the member will attain age 60. MPSERS also provides comprehensive group medical, hearing, dental and vision insurance coverage for retirees and beneficiaries.

A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service; at age 60 with 10 years or more of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60<sup>th</sup> birthday and has credited service in each of the 5 school fiscal years immediately preceding the pension effective date. A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. There is no mandatory retirement age.

*Funding Policy.* Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. After December 31, 1989, membership in MIP is mandatory and members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions.

The College forwarded \$755,815 and \$690,559 of MIP contributions withheld from employees during the year ended June 30, 2007 and 2006.

Each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care premium amounts on a cash disbursement basis. For the year ended June 30, 2007, the College was required to pay 16.34% of eligible employees' compensation from July 1, 2006 through September 30, 2006 and 17.74% of eligible employees' compensation from October 1, 2006 through June 30, 2007. A MPSERS credit of \$831,800 was issued to the College on June 6, 2007 due to a change in actuarial assumptions. The credit is being issued to reduce contributions to the plan in June and July 2007. The contributions made by the College (net of the MPSERS credit for 2007) amounted to \$4,026,140, \$4,135,347, and \$3,786,766, for the years ended June 30, 2007, 2006 and 2005, respectively. All contributions made were equal to required contributions by the MPSERS.

The College's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2006 comprehensive annual financial report.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**8. Employee benefits – (continued)**

*Post-employment benefits.* Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premiums is paid by MPSERS, with the balance deducted from the monthly pension. Public Act 180 also authorized payments to employers as a one time \$174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

- (1) Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
- (2) Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially paid health benefit coverage.

Dependents are eligible for 90% employer paid health coverage.

During the year ended September 30, 2006, there were 157,163 eligible participants in the MPSERS that are eligible to receive benefits, of which, 126,828 are currently receiving benefits. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were \$694,313,907 for the year ended September 30, 2006.

**Defined Contribution Plan**

On July 13, 1994, the Governor signed Public Act No. 296 of 1994. This legislation amended Section 2 of Act No. 156 of the Public Acts of 1967 to include community colleges in the definition of higher education. This Act allows community colleges, beginning October 1, 1994, to offer to members of faculty and administrative staff on a full-time basis a defined contribution plan as an alternative to MPSERS. On December 19, 1994, the College agreed to establish such a plan. On January 23, 1995, the College approved a plan to be implemented effective February 1, 1995, of which Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) was the chosen provider. Eligibility is defined as full-time faculty, supervisors and managers, and exempt managers. In addition, on July 28, 1997, the College approved this plan to be made available to Pro-Tech employees and Exempt Non-Management employees. Contribution requirements match those under MPSERS plus an additional 3.54%, and call for full immediate vesting. For the year ended June 30, 2007, the College was required to pay 19.88% of eligible employees' compensation from July 1, 2006 through September 30, 2006 and 21.28% of eligible employees' compensation from October 1, 2006 through June 30, 2007. Due to a rate reduction approved by the College's Board of Trustees in December 2002, for employees hired on or after January 1, 2003, the College is required to contribute 10% of participating employee's salaries. Effective October 1, 2004, the rate for faculty is equal to the MPSERS rate. Eligible employees are able to select an investment portfolio from several available fund choices. Withdrawals may be made beginning at age 55. No health insurance is available under the plan. The College's covered payroll and total payroll for the year ended June

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**8. Employee benefits – (continued)**

30, 2007 amounted to \$6,937,791 and \$38,109,824, respectively. The College's covered payroll and total payroll for the year ended June 30, 2006 amounted to \$6,409,427 and \$36,420,482, respectively. Contributions made by the College during the year ended June 30, 2007 and 2006 were \$1,135,854 and \$1,085,705 respectively.

**9. Contingencies and commitments**

The College participates in various grant programs, both federal and state sponsored. Compliance audits in accordance with OMB Circular A-133 have been conducted and reported under a separate cover. The A-133 report has not yet been accepted by the grantor agencies. However, management expects any disallowed costs, if any, to be immaterial in relation to the financial statements taken as a whole. The College also has various construction contract commitments. Note number 11 describes these commitments.

**10. Leases**

**Main Campus:**

The College annually leases space on the main campus to various entities. The lease terms are for a one year period from July 1, 2006 to June 30, 2007. Under the 2006-2007 leases, the aggregate monthly rental payment was \$6,768, for an annual total of \$81,211. Under the 2005-2006 leases, the aggregate monthly rental payment was \$7,606 for an annual total of \$91,275.

**Lapeer Branch Campus:**

The College annually leases space within the Lapeer Campus, to various entities. The lease terms are for a one year period from July 1, 2006 to June 30, 2007. Under the 2006-2007 leases, the aggregate monthly rental payment was \$11,428 for an annual total of \$119,240. Under the 2005-2006 leases, the aggregate monthly rental payment was \$6,351 for an annual total of \$ 73,170.

**Livingston M-Tec:**

The College annually leases space within the Livingston M-Tec Building, to various entities. The lease terms vary from a term of 5 months to 5 years terms during the lease year from July 1, 2006 to June 30, 2007. Under the 2006-2007 leases, the aggregate monthly rental payment was \$7,723 for an annual total of \$88,096. Under the 2005-2006 leases, the monthly rental payment was \$9,566 for an annual total of \$65,073.

**Southern Lakes Branch Campus:**

The College annually leases space within the Southern Lakes Branch Campus to various entities. The lease terms are for a one year period from July 1, 2006 to June 30, 2007. Under the 2006-2007 leases, the aggregate monthly rental payment was \$13,324 for an annual total of \$156,921. Under the 2005-2006 leases, the aggregate monthly rental payment was \$19,081 for an annual total of \$228,969.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2007**

**11. Construction in progress**

The College started construction on renovations of the Library during fiscal year 2006-2007. The total contract for this project is \$1,039,000. As of June 30, 2007 expenditures totaled \$206,039, including \$9,478 in retainage, leaving a remaining commitment of approximately \$832,961. The completion date is scheduled for March 2008.

The College started construction on renovations of the Prah! College Center during fiscal year 2006-2007. The total contract for this project is \$1,941,688. As of June 30, 2007 expenditures totaled \$1,728,142, including \$112,579 in retainage, leaving a remaining commitment of approximately \$213,546. The completion date is scheduled for fall of 2007.

The College started construction of a classroom and restrooms at Lapeer campus during fiscal year 2006-2007. The total contract for this project is \$98,500. As of June 30, 2007 expenditures totaled \$25,941, including \$1,064 in retainage, leaving a remaining commitment of approximately \$72,599. The completion date is scheduled for late in 2007.

The Health Sciences department renovation, the construction of the Curtice-Mott and Visual Arts and Design Center, the renovation of the new Clio campus and the new parking lot at Lapeer campus projects all started during fiscal year 2005-2006 and were all completed during the 2006-2007 fiscal year.

**12. Risk Management**

The College is exposed to various risks of loss related to property loss, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The College has purchased commercial insurance for property loss, errors and omissions and medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Additional  
Information**

**Mott Community College  
Combining Balance Sheet  
June 30, 2007**

	Combined Total	General Fund	Designated Fund
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 21,988,505	\$ 13,927,306	\$ -
Short term investments	179,477	-	-
State appropriation receivable	910,172	910,172	-
Accounts receivable - net of \$2,412,060 allowance	1,401,099	1,134,459	5,108
Grants receivable	1,696,573	-	-
Inventories	46,045	46,045	-
Prepaid expenses and other assets	1,005,794	1,005,794	-
Total current assets	27,227,665	17,023,776	5,108
Long term investments	742,096	-	-
Assets limited as to use	5,853,763	-	-
Beneficial interest in perpetual trusts	40,422,588	-	-
Bond discount	319,933	-	-
Deferred charges	1,741,213	-	-
Property and equipment - net of \$70,377,979 accumulated depreciation	101,214,891	-	-
Total assets	\$ 177,522,149	\$ 17,023,776	\$ 5,108

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ 480	\$ 116,780	\$ -	\$ -	\$ 3,170	\$ 7,940,769
-	-	-	18,243	161,234	-
-	-	-	-	-	-
29,098	227,963	1,050	-	3,421	-
-	-	1,696,573	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29,578	344,743	1,697,623	18,243	167,825	7,940,769
-	380,631	-	-	361,465	-
-	-	-	-	-	5,853,763
-	-	-	-	40,422,588	-
-	-	-	-	-	319,933
-	-	-	-	-	1,741,213
-	-	-	-	-	101,214,891
\$ 29,578	\$ 725,374	\$ 1,697,623	\$ 18,243	\$ 40,951,878	\$ 117,070,569

**Mott Community College**  
**Combining Balance Sheet (continued)**  
**June 30, 2007**

	Combined Total	General Fund	Designated Fund
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Current portion of debt obligations	\$ 5,315,000	\$ -	\$ -
Accounts payable	2,361,950	2,361,271	-
Due to (from) other funds	-	1,334,379	(1,157,430)
Accrued interest payable	663,084	-	-
Accrued payroll and related liabilities	3,738,900	3,643,293	1,960
Deposits held for others	671,063	12,350	-
Unearned revenue	1,285,793	758,335	132,773
<b>Total current liabilities</b>	<b>14,035,790</b>	<b>8,109,628</b>	<b>(1,022,697)</b>
Long term debt obligations	60,725,000	-	-
Accrued termination pay	2,624,576	2,624,576	-
Bond premium	2,024,756	-	-
<b>Total liabilities</b>	<b>79,410,122</b>	<b>10,734,204</b>	<b>(1,022,697)</b>
Net assets:			
Invested in capital assets, net of related debt	40,226,347	-	-
Restricted for			
Nonexpendable	40,490,688	-	-
Expendable			
Student loans	68,294	-	-
Scholarships and awards	44,409	-	-
Capital projects	160,753	-	-
Debt service	2,272,490	-	-
Unrestricted	14,849,046	6,289,572	1,027,805
<b>Total net assets</b>	<b>98,112,027</b>	<b>6,289,572</b>	<b>1,027,805</b>
<b>Total liabilities and net assets</b>	<b>\$ 177,522,149</b>	<b>\$ 17,023,776</b>	<b>\$ 5,108</b>

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,315,000
-	-	79	-	-	600
26,916	66,661	1,167,465	(50,051)	461,190	(1,849,130)
-	-	-	-	-	663,084
2,662	-	90,985	-	-	-
-	658,713	-	-	-	-
-	-	394,685	-	-	-
29,578	725,374	1,653,214	(50,051)	461,190	4,129,554
-	-	-	-	-	60,725,000
-	-	-	-	-	-
-	-	-	-	-	2,024,756
29,578	725,374	1,653,214	(50,051)	461,190	66,879,310
-	-	-	-	-	40,226,347
-	-	-	-	40,490,688	-
-	-	-	68,294	-	-
-	-	44,409	-	-	-
-	-	-	-	-	160,753
-	-	-	-	-	2,272,490
-	-	-	-	-	7,531,669
-	-	44,409	68,294	40,490,688	50,191,259
\$ 29,578	\$ 725,374	\$ 1,697,623	\$ 18,243	\$ 40,951,878	\$ 117,070,569

**Mott Community College**  
**Combining Statement of Revenues, Expenses,**  
**Transfers and Changes in Net Assets**  
**June 30, 2007**

	Combined Total	Eliminations	General Fund
<b>Revenues:</b>			
Operating revenues			
Tuition and fees	\$ 25,321,353	\$ -	\$ 24,037,961
Less scholarship allowances	(7,622,602)	(7,622,602)	-
Federal grants and contracts	14,138,006	-	-
State and local grants and contracts	1,841,881	-	-
Private gifts and grants	2,485,769	(514,371)	21,635
Auxiliary enterprises	701,287	-	-
Expenditures for equipment and capital improvements	-	(7,393,737)	-
Miscellaneous	1,252,498	-	786,365
Total operating revenues	<u>38,118,192</u>	<u>(15,530,710)</u>	<u>24,845,961</u>
<b>Expenses:</b>			
Operating expenses			
Instruction	25,621,451	(1,165,202)	25,618,945
Public service	2,639,472	(184,389)	345,572
Instructional support	9,390,344	(469,716)	6,859,593
Student services	13,190,476	(7,678,711)	7,171,036
Institutional administration	7,528,666	-	7,393,466
Operation and maintenance of plant	10,962,286	(5,271,854)	8,811,280
Depreciation	4,924,722	-	-
Technology	6,762,459	(760,838)	2,628,139
Total operating expenses	<u>81,019,876</u>	<u>(15,530,710)</u>	<u>58,828,031</u>
Operating income (loss)	(42,901,684)	-	(33,982,070)
<b>Non-Operating Revenues (Expenses):</b>			
State appropriations	12,497,749	-	12,497,749
Property tax levy	31,541,917	-	23,418,678
Gifts	1,812,360	-	1,692,360
Investment income	1,755,333	-	798,961
Change in value of perpetual trusts	4,129,164	-	-
Interest on capital asset - related debt	(3,016,206)	-	-
Loss on disposal of assets	(25,361)	-	-
Premium(discount) on bonds	(6,733)	-	-
Bond issuance costs	(756)	-	-
Net non-operating revenues	<u>48,687,467</u>	<u>-</u>	<u>38,407,748</u>
Increase (decrease) in net assets	5,785,783	-	4,425,678
Transfers in (out)	-	-	(4,186,907)
Net increase in net assets	<u>5,785,783</u>	<u>-</u>	<u>238,771</u>
<b>Net Assets:</b>			
Net assets - beginning of year	92,326,244	-	6,050,801
Net assets - end of year	<u>\$ 98,112,027</u>	<u>\$ - 0 -</u>	<u>\$ 6,289,572</u>

Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ 1,283,392	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	14,138,006	-	-	-
-	-	1,841,881	-	-	-
-	-	2,978,505	-	-	-
-	701,287	-	-	-	-
-	-	-	-	-	7,393,737
466,133	-	-	-	-	-
1,749,525	701,287	18,958,392	-	-	7,393,737
-	-	1,131,120	-	-	36,588
-	294,880	2,170,860	-	-	12,549
-	20	2,908,695	-	-	91,752
1,016,134	62,407	12,575,391	-	29,019	15,200
-	-	56,847	-	-	78,353
-	-	-	-	-	7,422,860
-	-	-	-	-	4,924,722
-	293	56,663	-	-	4,838,202
1,016,134	357,600	18,899,576	-	29,019	17,420,226
733,391	343,687	58,816	-	(29,019)	(10,026,489)
-	-	-	-	-	-
-	-	-	-	-	8,123,239
40,000	-	-	-	-	80,000
-	-	430	1,027	29,019	925,896
-	-	-	-	4,129,164	-
-	-	-	-	-	(3,016,206)
-	-	-	-	-	(25,361)
-	-	-	-	-	(6,733)
-	-	-	-	-	(756)
40,000	-	430	1,027	4,158,183	6,080,079
773,391	343,687	59,246	1,027	4,129,164	(3,946,410)
(602,828)	(343,687)	(70,128)	-	-	5,203,550
170,563	-	(10,882)	1,027	4,129,164	1,257,140
857,242	-	55,291	67,267	36,361,524	48,934,119
\$ 1,027,805	\$ - 0 -	\$ 44,409	\$ 68,294	\$ 40,490,688	\$ 50,191,259

**Mott Community College**  
**Schedule 1 - Details of General Fund Expenses**  
**Year Ended June 30, 2007**

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 18,127,120	\$ 6,306,332	\$ 407,072	\$ 639,918
Public service	181,856	41,825	73,536	3,783
Instructional support	4,487,818	1,498,198	253,778	233,586
Student services	4,264,222	1,531,387	252,985	163,490
Institutional administration	3,319,998	1,958,710	885,116	179,833
Physical plant operations	3,331,485	1,500,022	907,080	591,905
Technology	962,356	469,019	752,415	40,967
	<u>\$ 34,674,855</u>	<u>\$ 13,305,493</u>	<u>\$ 3,531,982</u>	<u>\$ 1,853,482</u>

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 88,566	\$ -	\$ 49,337	\$ 600	\$ 25,618,945
-	-	44,572	-	345,572
25,634	61,903	297,169	1,507	6,859,593
-	1,672	957,280	-	7,171,036
-	-	1,049,809	-	7,393,466
58,196	2,340,097	17,061	65,434	8,811,280
-	-	403,382	-	2,628,139
<u>\$ 172,396</u>	<u>\$ 2,403,672</u>	<u>\$ 2,818,610</u>	<u>\$ 67,541</u>	<u>\$ 58,828,031</u>

**Mott Community College**  
**Schedule 2 - Details of Auxiliary Activities**  
**Year Ended June 30, 2007**

Activity	Balance July 1, 2006	Revenues	Expenditures (1)
Vending	\$ -	\$ 118,222	\$ -
Outside Catering	-	187,583	294,880
Bookstore--Main Campus	-	365,277	35,465
Pay Pal Account	-	-	20
Bookstore--Lapeer Campus	-	1,598	956
Pay Phones	-	2,520	-
Campus Kids Day Care	-	11,188	17,122
Student Computer Lab Printing	-	14,899	9,157
	<u>\$ - 0 -</u>	<u>\$ 701,287</u>	<u>\$ 357,600</u>

(1) Expenses include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to \$35,171 for the bookstore.

Transfers In (Out)

Excess Revenues to General Fund	Excess Expenditures Absorbed by General Fund	Balance June 30, 2007
\$ 118,222	-	\$ -
-	107,297	-
329,812	-	-
-	20	-
642	-	-
2,520	-	-
-	5,934	-
5,742	-	-
<u>\$ 456,938</u>	<u>\$ 113,251</u>	<u>\$ - 0 -</u>

**Mott Community College**  
**Schedule 3 - Details of Endowments and Similar Funds**  
**Year Ended June 30, 2007**

	Additions		
	Principal Balance July 1, 2006	Gifts	Income from Investments
Endowment Funds:			
Administered by Mott Community College:			
Abe & Shirley Schreiber			
Memorial Scholarship Fund	\$ -	\$ -	\$ 2,151
Art Enrichment Fund	-	-	69
Ava Underhill Scholarship Fund	-	-	171
Begole Brownell Fund	-	-	9,573
Bertha F. Dunlap Trust Fund	-	-	340
Douglas Larmor Music Scholarship Fund	-	-	216
General Scholarship Fund	-	-	1,301
Goodrich - Skidmore Disabled			
Veterans Scholarship Fund	5,000	-	430
Jack J. & Gary I. Sarver			
Memorial Scholarship Fund	10,000	-	862
Nicholas S. Gytos Scholarship Fund	5,000	-	430
O.M. MacArthur Music Scholarship Fund	-	-	33
Oz Kelly Memorial Scholarship Fund	8,000	-	688
Robert Haw Scholarship Fund	25,000	-	2,151
Sidney B. Melet Scholarship Fund	5,100	-	439
Wendell Williams Scholarship Fund	10,000	-	862
Total administered by M.C.C.	68,100	-	19,716
Administered by others:			
Glen L. Bancroft Trust Fund	244,007	-	18,536
John L. Pierce Educational Fund	171,039	-	11,205
Wesley F. Burdick Scholarship Fund	651,681	-	42,693
William S. Ballenger Trust Fund	35,164,830	-	1,725,786
Vernon A. Martin Trust Fund	61,867	-	5,619
Total administered by others	36,293,424	-	1,803,839
Total endowment funds	36,361,524	-	1,823,555
Funds functioning as endowments:			
Chester Smith Memorial Fund	-	-	562
Juanita Carr Estate Library Fund	-	-	8,741
Total funds functioning as endowments	-	-	9,303
Total	\$ 36,361,524	\$ - 0 -	\$ 1,832,858

Deductions					
Gain (Loss) from Disposal of Investments	Administrative Expenses	Distributions	Principal Balance June 30, 2007	Beneficiary Fund	
\$ -	\$ -	\$ 2,151	\$ -	Schreiber Memorial Scholarship Fund	
-	-	69	-	Art Division Gifts (PG & G)	
-	-	171	-	Underhill Music Scholarship Fund	
-	-	9,573	-	Begole Brownell Fund (PG & G)	
-	-	340	-	General Scholarship Fund	
-	-	216	-	Douglas Larmor Music Scholarship Fund	
-	-	1,301	-	General Scholarship Fund	
-	-	430	5,000	Goodrich - Skidmore Scholarship Fund	
-	-	862	10,000	General Scholarship Fund	
-	-	430	5,000	General Scholarship Fund	
-	-	33	-	MacArthur Music Scholarship Fund	
-	-	688	8,000	General Scholarship Fund	
-	-	2,151	25,000	General Scholarship Fund	
-	-	439	5,100	General Scholarship Fund	
-	-	862	10,000	General Scholarship Fund	
-	-	19,716	68,100		
17,858	3,421	7,713	269,267	General Scholarship Fund	
13,374	1,733	4,723	189,162	Designated Fund	
51,011	5,290	19,291	720,804	General Scholarship Fund	
4,398,803	425,801	1,692,360	39,171,258	Unrestricted General Fund	
8,559	728	3,220	72,097	Vernon A. Martin Trust (PG & G)	
4,489,605	436,973	1,727,307	40,422,588		
4,489,605	436,973	1,747,023	40,490,688		
-	-	562	-	Chester Smith Memorial Fund (PG & G)	
-	-	8,741	-	Juanita Carr Library Grant (PG & G)	
-	-	9,303	-		
\$ 4,489,605	\$ 436,973	\$ 1,756,326	\$ 40,490,688		

**Mott Community College**  
**Schedule 4 - Schedule of Debt Service Requirements**  
**1998 Refunding and Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2008	82,030	77,811	135,000	294,841
2009	77,811	74,549	150,000 *	302,360
2010	74,549	71,249	150,000 *	295,798
2011	71,249	65,130	275,000 *	411,379
2012	65,130	58,380	300,000 *	423,510
2013	58,380	51,555	300,000 *	409,935
2014	51,555	44,655	300,000 *	396,210
2015	44,655	37,605	300,000 *	382,260
2016	37,605	30,480	300,000 *	368,085
2017	30,480	23,280	300,000 *	353,760
2018	23,280	15,520	320,000 *	358,800
2019	15,520	7,760	320,000 *	343,280
2020	7,760	-	320,000 *	327,760
	<u>\$ 640,004</u>	<u>\$ 557,974</u>	<u>\$ 3,470,000</u>	<u>\$ 4,667,978</u>

\* Callable

**Mott Community College**  
**Schedule 5 - Schedule of Debt Service Requirements**  
**1999 Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2008	62,458	61,076	65,000	188,534
2009	61,076	59,376	80,000	200,452
2010	59,376	56,796	120,000 *	236,172
2011	56,795	53,860	135,000 *	245,655
2012	53,860	49,350	205,000 *	308,210
2013	49,350	44,678	210,000 *	304,028
2014	44,678	39,953	210,000 *	294,631
2015	39,953	35,175	210,000 *	285,128
2016	35,175	30,345	210,000 *	275,520
2017	30,345	25,463	210,000 *	265,808
2018	25,463	20,528	210,000 *	255,991
2019	20,528	15,540	210,000 *	246,068
2020	15,540	10,500	210,000 *	236,040
2021	10,500	5,250	210,000 *	225,750
2022	5,250	-	210,000 *	215,250
	<u>\$ 570,347</u>	<u>\$ 507,890</u>	<u>\$ 2,705,000</u>	<u>\$ 3,783,237</u>

\* Callable

**Mott Community College**  
**Schedule 6 - Schedule of Debt Service Requirements**  
**2000 Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2008	70,875	70,875	725,000	866,750
2009	51,300	51,300	800,000	902,600
2010	29,700	29,700	1,100,000	1,159,400
	\$ 151,875	\$ 151,875	\$ 2,625,000	\$ 2,928,750

**Mott Community College**  
**Schedule 7 - Schedule of Debt Service Requirements**  
**2002 Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2008	34,113	34,112	450,000	518,225
2009	26,012	26,013	450,000	502,025
2010	17,575	17,575	450,000	485,150
2011	9,025	9,025	475,000	493,050
	<u>\$ 86,725</u>	<u>\$ 86,725</u>	<u>\$ 1,825,000</u>	<u>\$ 1,998,450</u>

**Mott Community College**  
**Schedule 8 - Schedule of Debt Service Requirements**  
**2003 Refunding and Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2008	128,900	105,900	1,840,000	2,074,800
2009	105,900	76,425	1,965,000	2,147,325
2010	76,425	26,425	2,000,000	2,102,850
2011	26,425	-	1,510,000	1,536,425
	<u>\$ 337,650</u>	<u>\$ 208,750</u>	<u>\$ 7,315,000</u>	<u>\$ 7,861,400</u>

**Mott Community College**  
**Schedule 9 - Schedule of Debt Service Requirements**  
**2004 Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2008	241,713	241,713	800,000	1,283,426
2009	229,713	229,713	650,000	1,109,426
2010	219,963	219,963	700,000	1,139,926
2011	208,150	208,150	750,000	1,166,300
2012	195,025	195,025	825,000	1,215,050
2013	180,072	180,072	900,000	1,260,144
2014	162,072	162,072	1,000,000	1,324,144
2015	142,072	142,072	1,100,000 *	1,384,144
2016	119,384	119,384	1,200,000 *	1,438,768
2017	93,884	93,884	1,300,000 *	1,487,768
2018	65,609	65,609	1,400,000 *	1,531,218
2019	34,109	34,109	1,475,000 *	1,543,218
	<u>\$ 1,891,766</u>	<u>\$ 1,891,766</u>	<u>\$ 12,100,000</u>	<u>\$ 15,883,532</u>

\* Callable

**Mott Community College**  
**Schedule 10 - Schedule of Debt Service Requirements**  
**2005 Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2008	\$ 496,813	\$ 496,813	\$ 650,000	\$ 1,643,626
2009	487,063	487,063	800,000	1,774,126
2010	475,063	475,063	775,000	1,725,126
2011	462,469	462,469	2,400,000	3,324,938
2012	420,469	420,469	2,425,000	3,265,938
2013	375,000	375,000	1,650,000	2,400,000
2014	333,750	333,750	1,650,000	2,317,500
2015	292,500	292,500	1,650,000	2,235,000
2016	251,250	251,250	1,675,000	2,177,500
2017	209,375	209,375	1,675,000	2,093,750
2018	167,500	167,500	1,675,000	2,010,000
2019	125,625	125,625	1,675,000	1,926,250
2020	83,750	83,750	1,675,000	1,842,500
2021	41,875	41,875	1,675,000	1,758,750
	<u>\$ 4,222,502</u>	<u>\$ 4,222,502</u>	<u>\$ 22,050,000</u>	<u>\$ 30,495,004</u>

**Mott Community College**  
**Schedule 11 - Schedule of Debt Service Requirements**  
**2006 Building and Improvement Bonds**  
**June 30, 2007**

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2008	325,575	325,575	650,000	1,301,150
2009	312,575	312,575	650,000	1,275,150
2010	299,575	299,575	650,000	1,249,150
2011	286,575	286,575	750,000	1,323,150
2012	271,575	271,575	900,000	1,443,150
2013	249,075	249,075	950,000	1,448,150
2014	225,325	225,325	1,000,000	1,450,650
2015	200,325	200,325	1,050,000	1,450,650
2016	174,075	174,075	1,100,000	1,448,150
2017	146,575	146,575	1,150,000	1,443,150
2018	117,825	117,825	1,200,000	1,435,650
2019	87,825	87,825	1,250,000	1,425,650
2020	60,950	60,950	1,325,000	1,446,900
2021	27,825	27,825	1,325,000	1,380,650
	<u>\$ 2,785,675</u>	<u>\$ 2,785,675</u>	<u>\$ 13,950,000</u>	<u>\$ 19,521,350</u>

\* Callable