Financial Statements

Mott Community College
Flint, Michigan

June 30, 2006 and 2005

Table of Contents

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Independent Auditor's Report

To the Board of Trustees
Mott Community College

We have audited the accompanying basic financial statements of Mott Community College (Charles Stewart Mott Community College, County of Genesee, Michigan) as of and for the years ended June 30, 2006 and 2005, as listed in the table of contents. These basic 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, 2006 and 2005 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.

As discussed in Note 14 to the financial statements, Mott Community College restated net assets as of July 1, 2004 to correct calculations of certain accrued liabilities.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 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.

Our audits were performed for the purpose of forming an opinion on the basic 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

September 22, 2006

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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, 2006, 2005 and 2004 and its financial activities for the three years ended June 30, 2006. 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, 2006. 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.

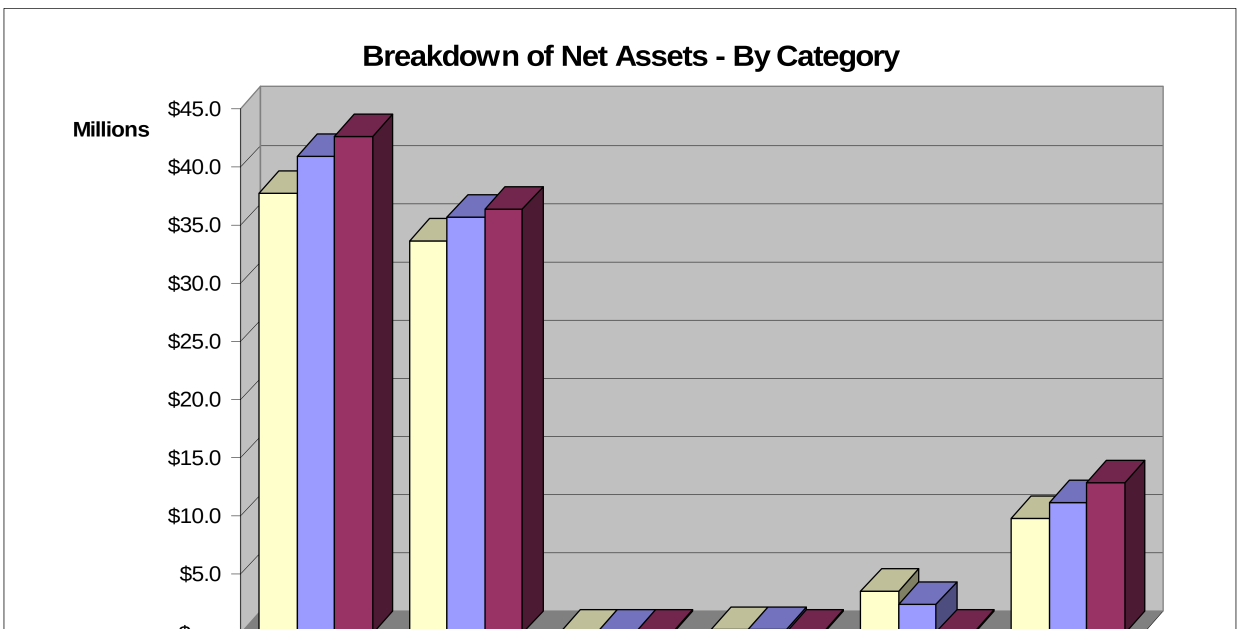
In compliance with this Statement, the Foundation for Mott Community College is reported as a component unit of the College and its financial activities are presented separately from the rest of the College's activities in the financial statements, in separate columns headed "Component Unit."

Financial Highlights

The College's financial position improved for the year ended June 30, 2006. Total Assets increased during each of the past three years, from $163.3 million to $165.0 million to $174.6 million at June 30 of 2004, 2005 and 2006, respectively. Liabilities totaled $82.3 million at June 30, 2006, compared to $74.2 million in 2005 and $78.0 in 2004. Net assets, which represent the remaining value of the College's assets after liabilities are deducted, increased by $1.5 million (or 1.7%) from the previous year, which had increased by $5.4 million (or 6.4%) from two years ago. The College's Net Assets totaled $92.3 million at June 30, 2006.

The Unrestricted category within Net Assets has also increased over the past three years, from $9.8 million at June 30, 2004, to $11.2 million at June 30, 2005, to $12.9 million at June 30, 2006.

The following chart provides a graphical categorization of net assets for the fiscal years ended June 30, 2006, 2005 and 2004:



	Capital Assets Net of Related Debt	Restricted-Nonexpendable Endowments	Restricted-Loans, Schol., Awards	Restricted-Capital Projects	Restricted-Debt Service	Unrestricted (General, Design., Maint.)
2004	$37.8	$33.7	$0.1	$0.3	$3.6	$9.8
2005	$41.0	$35.7	$0.1	$0.3	$2.5	$11.2
2006	$42.7	$36.4	$0.1	$0.1	$0.1	$12.9

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, 2006 and 2005 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, 2006 compared to June 30, 2005 and June 30, 2004. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

	(in millions) 2006	2005	2004
ASSETS			
Current Assets	$ 22.8	$ 23.5	$ 23.4
Noncurrent Assets	$ 151.8	$ 141.5	$ 139.9
Total Assets	$ 174.6	$ 165.0	$ 163.3
LIABILITIES			
Current Liabilities	$ 11.3	$ 12.7	$ 12.0
Noncurrent Liabilities	$ 71.0	$ 61.5	$ 66.0
Total Liabilities	$ 82.3	$ 74.2	$ 78.0
NET ASSETS			
Invested in Capital Assets, net of related debt	$ 42.7	$ 41.0	$ 37.8
Restricted - Nonexpendable	$ 36.4	$ 35.7	$ 33.7
Restricted - Expendable	$ 0.3	$ 2.9	$ 4.0
Unrestricted	$ 12.9	$ 11.2	$ 9.8
Total Net Assets	$ 92.3	$ 90.8	$ 85.3
Total Liabilities and Net Assets	$ 174.6	$ 165.0	$ 163.3

The growth in Total Net Assets from 2004 to 2005 to 2006, from $85.3 million to $90.8 million to $92.3 million, respectively, was primarily due to the growth in endowment value, the purchase and completion of capital assets, and a surplus of revenues over expenditures in unrestricted or operating funds.

In 2005-06, a $0.3 million operating surplus was created mainly by the recalculation and resulting decrease in the College's Accrued Termination Pay liability, with the offsetting entry decreasing operating expenses for the year. This surplus is included in the $12.9 million balance in the Unrestricted category shown above for 2006.

The most significant changes in the Balance Sheet during 2006 related to:

- Increases from 2005 to 2006 in Current Assets, due to higher balances in short term investments in both the Plant Fund and the General Fund.
- The sale of Series 2006 Bonds in the spring of 2006 provided funding to purchase capital assets, increasing Noncurrent Liabilities and Net Assets Invested in Capital Assets, Net of Related Debt at June 30, 2006 compared to June 30, 2005.
- The decrease in Current Liabilities from 2005 to 2006 reflects lower unearned tuition and fee revenue for summer and fall 2006 semesters than recorded for 2005, and payments on bond debt made on June 30, 2006 (the balance sheet date in 2006) that were scheduled for payment on July 1, 2006 (which would have shown as payment in 2007).

The year ended on June 30, 2006 with a $1.5 million increase in Total Net Assets, to a balance of $92.3 million.

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, 2006 compared to June 30, 2005 and June 30, 2004. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

	(in millions)		
	2006	2005	2004
Total Operating Revenues	$ 37.3	$ 36.1	$ 34.8
Total Operating Expenses	$ 79.5	$ 74.8	$ 72.1
Total Operating Loss	$ (42.2)	$ (38.7)	$ (37.3)
Nonoperating Revenues, Net	$ 43.7	$ 43.7	$ 41.8
Income before other revenues and expenses	$ 1.5	$ 5.0	$ 4.5
Other Revenues, Net	$ -	$ 0.4	$ 0.6
Total Increase in Net Assets	$ 1.5	$ 5.4	$ 5.1
Net Assets, Beginning of Year	$ 90.8	$ 85.4	$ 80.3
Net Assets, End of Year	$ 92.3	$ 90.8	$ 85.4

In the fiscal year ended June 30, 2006, the College's revenues and other support exceeded expenses, creating an increase in Total Net Assets of $1.5 million (compared to a $5.4 million increase during 2005 and a $5.1 million increase during 2004).

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:

	2006	2005	2004
Tuition and fees, net of Scholarship Allowances of $7,045,289, $6,766,652, and $6,353,181 in 2006, 2005 and 2005, respectively	**$ 17,399,652**	**$ 16,042,563**	**$ 16,132,819**
Federal Grants and contracts	**$ 13,774,546**	**$ 14,337,427**	**$ 12,511,337**
State and Local Grants and Contracts	**$ 1,650,904**	**$ 2,083,301**	**$ 2,318,133**
Nongovernmental Grants	**$ 2,355,707**	**$ 1,466,609**	**$ 1,959,690**
Auxiliary enterprises	**$ 706,469**	**$ 693,518**	**$ 698,244**
Other Operating Revenues	**$ 1,406,801**	**$ 1,439,008**	**$ 1,229,034**
Total Operating Revenues	**$ 37,294,079**	**$ 36,062,426**	**$ 34,849,257**

Total operating revenues increased $2.4 million (or 7.0%) during the past three years, as a result of the following:

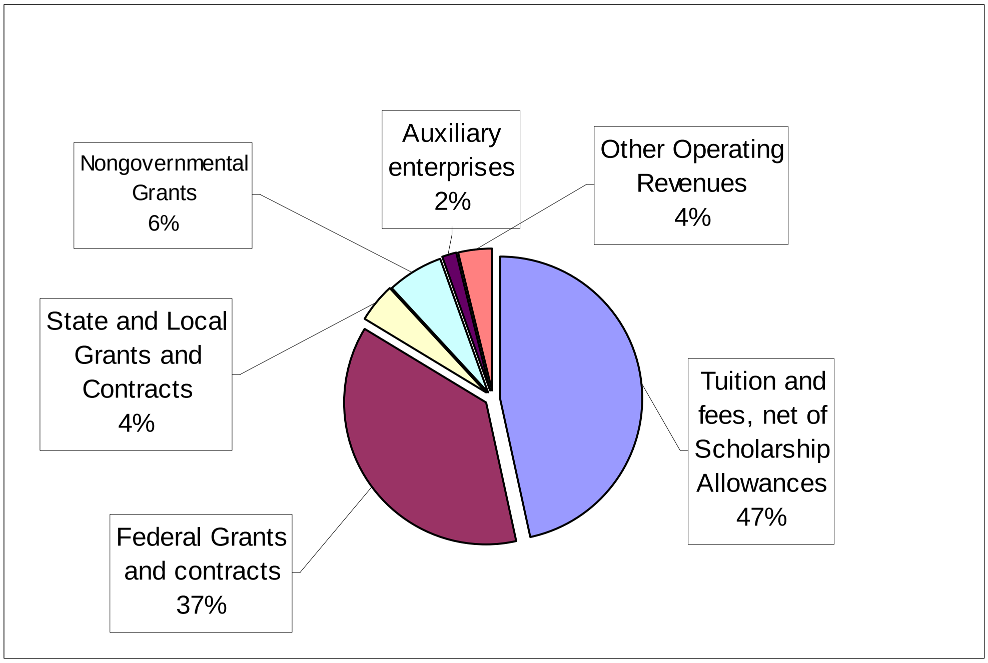
- Tuition and fee revenue increased by approximately $1.3 million during the three years ended June 30, 2006. This 7.9% overall increase was principally due to average annual tuition increases of 4.8% for the 2005 and 2006 academic years. Credit-side enrollment increased from 2004 to 2005, but then decreased in 2006. The College's noncredit training revenues saw declines in both 2005 and 2006.

- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) increased during the past three years by 10.9%, a rate exceeding the tuition and fee revenue increase by 3% and an indication of efforts to maintain affordability of higher education.

- Grants and Contracts categories also increased from 2004 to 2006, by a total of $1.0 million (or 5.9%).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 2004 to 2006, at approximately $0.7 million, and miscellaneous revenues increased by approximately $0.2 million.

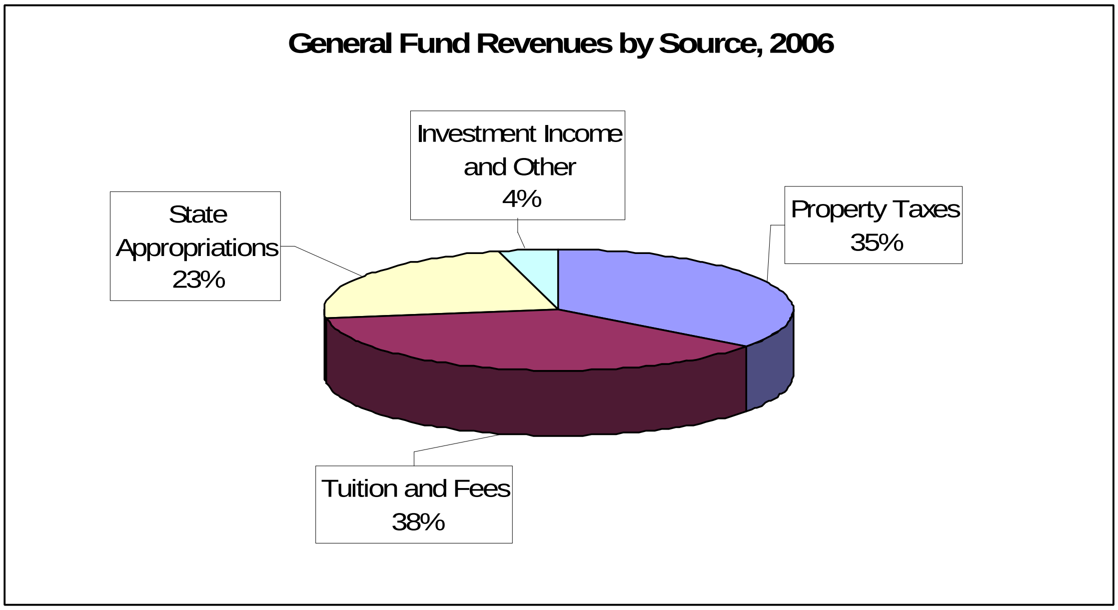
The following is a graphic illustration of operating revenues by source for 2006:



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.

The following chart shows the percentages of all General Fund revenue sources for the year ended June 30, 2006:



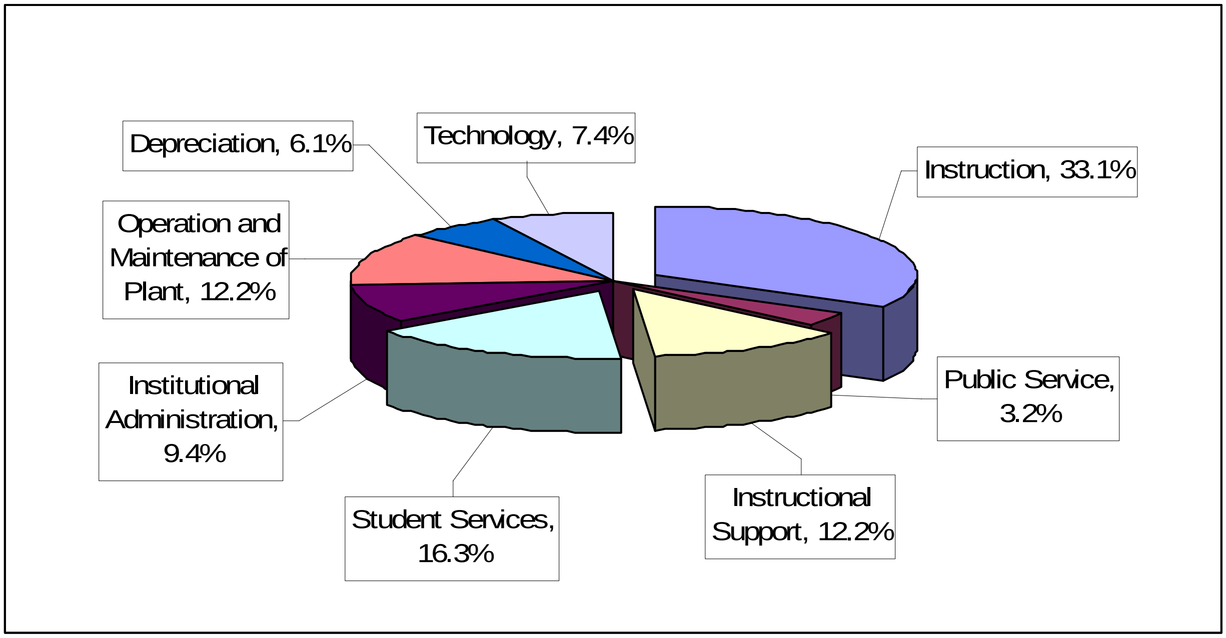
Operating Expenses

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, 2006 total $76.1 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

	2006	2005	2004
Instruction	$ 26,282,771	$ 26,092,127	$ 24,144,747
Public Service	$ 2,579,035	$ 2,347,163	$ 2,577,124
Instructional Support	$ 9,715,299	$ 9,762,990	$ 10,019,704
Student Services	$ 12,958,833	$ 13,199,715	$ 12,168,812
Institutional Administration	$ 7,447,570	$ 5,775,861	$ 7,385,589
Operation and Maintenance of Plant	$ 9,718,575	$ 9,296,730	$ 8,544,317
Depreciation	$ 4,844,182	$ 3,634,454	$ 4,085,117
Technology	$ 5,904,989	$ 4,748,390	$ 3,234,738
Total Operating Expenses	$ 79,451,254	$ 74,857,430	$ 72,160,148

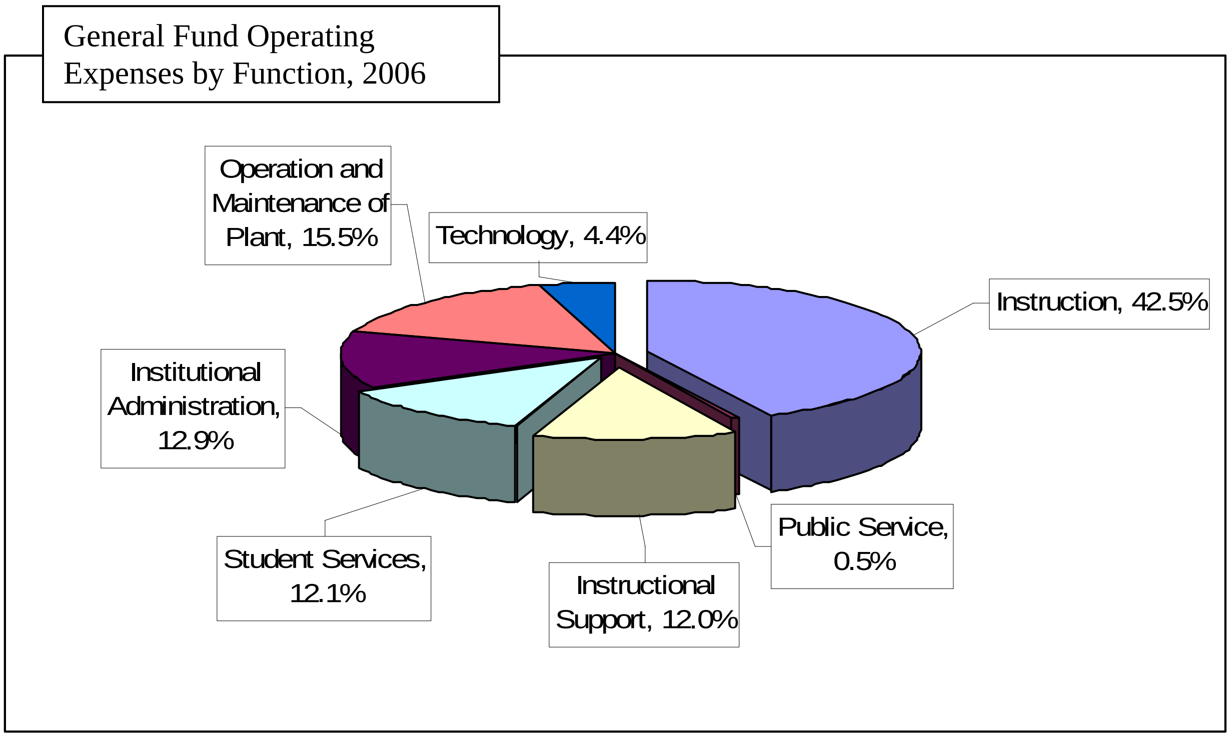
The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2006:



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 2006 were $58.7 million. General Fund operating expenses increased by $2.5 million (or 4.4%) from 2005 to 2006, and by $2.0 million (or 3.7%) from 2004 to 2005. Most of the increases represent contractual and rate increases in salary and fringe benefit costs, as well as rising utilities costs.

Following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2006:



Non-operating Revenues (Expenses)

Non-operating revenues represent all revenue sources that are primarily non-exchange 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).

	2006	2005	2004
State Appropriations	**$ 14,429,786**	**$ 14,894,743**	**$ 14,183,727**
Property Tax Levy	**$ 29,685,742**	**$ 28,276,546**	**$ 27,440,848**
Gifts	**$ 25,000**	**$ 15,000**	**$ 8,000**
Investment Income	**$ 1,141,192**	**$ 673,440**	**$ 240,371**
Net Realized and Unrealized Gains, Changes in Value	**$ 1,599,509**	**$ 2,716,669**	**$ 2,891,662**
Total Non-Operating Revenues	**$ 46,881,229**	**$ 46,576,398**	**$ 44,764,608**

Total non-operating revenues increased by $2.1 million during the past three years:

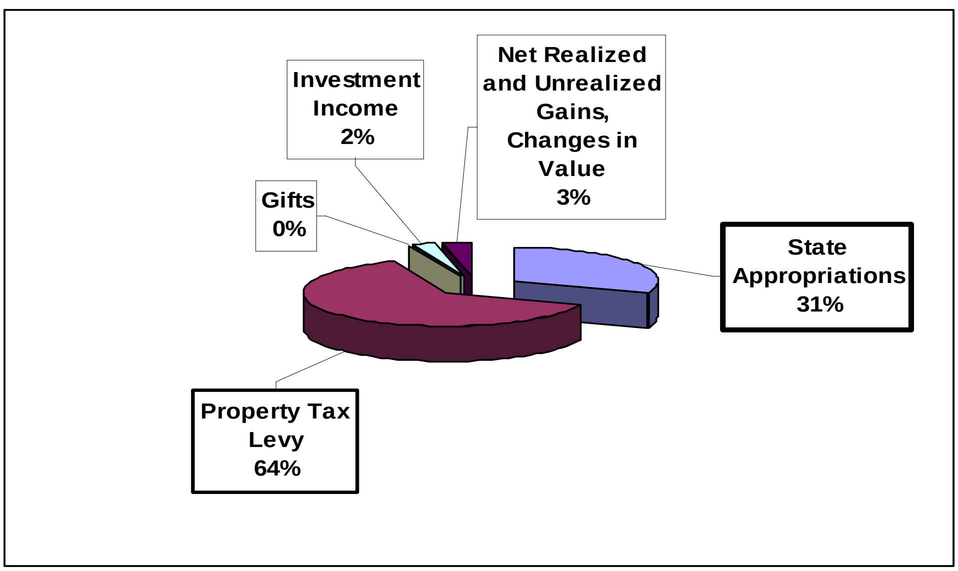
- State appropriations increased by $246 thousand (or 1.7%) from 2004 to 2006. The 2005 appropriation included a one-time restoration of prior year cuts issued by the state of Michigan, in exchange for the college's commitment to keep 2004-05 tuition rate increases at or below inflationary levels. The state continues to experience budget constraints due to lack of economic recovery at the level expected.

- Property tax revenues increased by 3.0% from 2004 to 2005, and by 5.0% from 2005 to 2006. The total increase was $2.2 million (or 8.0%) from 2004 to 2006. Higher revenues from increased property values were offset by decreases in both the debt and operating portions of MCC's levied millage rate from 2004 to 2005. The College's combined tax levy rates were 2.7466, 2.6807, and 2.6807 for 2004, 2005 and 2006, respectively.

- Investment income increased by 180.2% from 2004 to 2005, and by 69.5% from 2005 to 2006, due to improved short-term rates and tighter cash flow management.

- From 2004 to 2006, net realized and unrealized gains and losses decreased from $2.9 million to $1.6 million, primarily in the Endowment Funds, and due to softened market conditions.

The following is a graphical illustration of the College's Non-operating revenues by source for the year ended June 30, 2006:



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.

	2006	2005	2004
Interest on Capital Asset-Related Debt	**$ 2,950,675**	**$ 2,438,756**	**$ 2,826,689**
Loss on Disposal of Assets	**$ 5,764**	**$ 48,312**	**$ 10,080**
Discount on Bonds	**$ 39,980**	**$ 36,970**	**$ -**
Bond Issuance Costs	**$ 203,285**	**$ 302,206**	**$ 153,797**
Total Non-Operating Expenses	**$ 3,199,704**	**$ 2,826,244**	**$ 2,990,566**

Other Revenues

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

	2006	2005	2004
State Capital Appropriations	**$ -**	**$ 405,732**	**$ 611,733**
Capital Gifts and Grants	**$ -**	**$ 58,421**	**$ 5,000**
Total Other Revenues	**$ -**	**$ 464,153**	**$ 616,733**

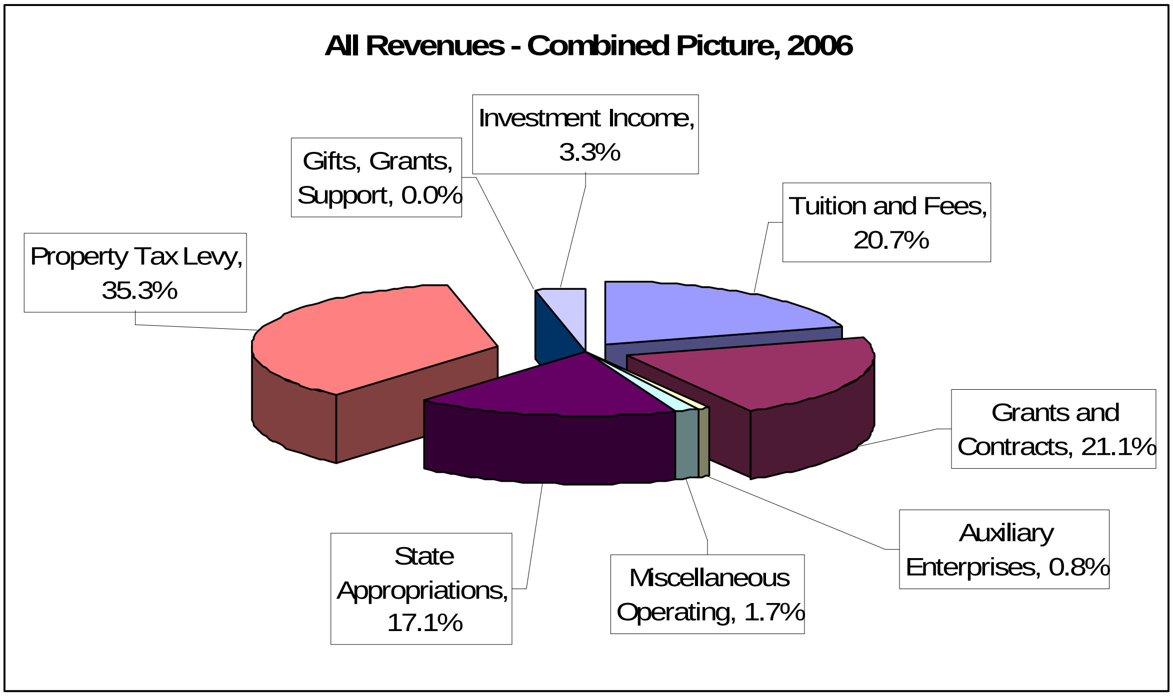
There were no other revenues recorded in the year ended June 30, 2006.

For the years ended June 30, 2005 and 2004, 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.

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 2006:



For fiscal year 2006 property taxes, including operating and debt levies, accounted for 35.3% 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 17% of the total revenues for the College as a whole for fiscal year 2006.

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:

	2006	2005	2004
Cash and cash equivalents provided (used) by:			
Operating activities	**$ (36.0)**	**$ (33.6)**	**$ (32.6)**
Noncapital financing activities	**36.4**	**36.0**	**34.2**
Capital and related financing activities	**5.4**	**(11.0)**	**10.3**
Investing activities	**(7.4)**	**9.6**	**(13.9)**
Net increase (decrease) in cash	**(1.6)**	**1.0**	**(2.0)**
Cash and cash equivalents, beginning of year	**3.9**	**2.9**	**4.9**
Cash and cash equivalents, end of year	**$ 2.3**	**$ 3.9**	**$ 2.9**

The $36.0 million in net cash used for operating activities included $73.4 million in payments to employees and suppliers, offset by $36.1 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 $36.4 million in cash provided from non-capital financing activities.

The net increase of $5.4 million for capital and related financing activities is mostly due to bond proceeds, and 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 $1.6 million during 2006.

Capital Assets and Debt Administration

Capital Assets

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

Property and Equipment:	2006	2005	2004
Land	$ 844,173	$ 844,173	$ 844,173
Artwork	$ 6,200	$ 6,200	$ 6,200
Construction in Progress	$ 1,131,937	$ 7,116,499	$ -
Buildings and Improvements	$ 139,983,612	$ 128,808,909	$ 127,534,417
Infrastructure	$ 7,355,453	$ 7,257,794	$ 6,894,953
Equipment	$ 12,419,850	$ 11,723,816	$ 10,766,225
Vehicles	$ 819,796	$ 846,274	$ 851,971
Library Books	$ 1,850,959	$ 1,816,981	$ 1,777,249
Accumulated Depreciation	$ (65,640,742)	$ (60,994,076)	$ (57,670,995)
Total Property and Equipment	$ 98,771,238	$ 97,426,570	$ 91,004,193

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

Gorman Science Center Renovations
from Series 2004 bond proceeds $2.7 million

Energy Conservation Project
from Series 2004 bond proceeds: $7.3 million

Other building renovation projects in progress at June 30, 2006
from Series 2004 bond proceeds: $1.1 million

Improvements to various other buildings, infrastructure and parking structures on the main campus, from Series 2004 bond proceeds and designated reserves: $1.3 million

Computer and audio-visual equipment, from Series 2004 bond proceeds, student technology fees and designated reserves: $0.5 million

Various equipment, vehicles and furnishings,
from Series 2004 bond proceeds and designated reserves: $0.4 million

The College has planned capital expenditures for the fiscal year ending June 30, 2007 at approximately $14 million. Projects planned include completion of a nursing program simulation lab and skills site, classrooms and labs for a newly instituted esthetician program, the relocation of MCC's Northern Tier Center, structural repairs and renovations to the Mott Library, asbestos abatement and student services renovations within the Prahl College Center, upgrades of the College's primary enterprise reporting system and data warehousing tools—Datatel Colleague and Cognos applications—and related technology infrastructure, a management information systems disaster recovery project, and the upgrade and expansion of parking on the main campus. These projects will be funded with remaining Series 2004 Bond proceeds 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, 2006, the College had $66.0 million in long-term bond-related debt outstanding, versus $57.3 million on June 30, 2005 and $63.0 million on June 30, 2004.

One series of bonds was issued during fiscal year 2006:

Series 2006, were issued on April 4, 2006 for the purpose of making permanent improvements to, renovating, remodeling, improving, equipping, reequipping, furnishing, and refurnishing 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 $505,000 to $1,325,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 4% to 5%.

Principal payments on existing bond debts totaled $7.2 million for the year.

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 That Will Affect 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 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.

The current state budget includes a 2.7% funding increase in appropriations to Mott Community College for 2007. This less than inflationary increase followed a 5.8% increase for the 2005 year (including a one-time restoration of prior year cuts), a 10.5 % decrease in funding for the 2004 fiscal year, and a 3.2% cut in 2003. State appropriations to community colleges have not kept up with rates of inflation since 2000. Appropriations for the 2007 fiscal year are budgeted at $14.6 million to reflect current legislation.

The Board of Trustees approved an increase of 4.9% for tuition and fee rates effective with the fall 2006 semester for the 2007 academic year. This increase reflects a higher than inflationary level, a move necessary to offset continued declines in state support. No mid-year tuition and fee increase is currently planned during 2007.

Mott Community College must continue to address challenges of rising operating costs, especially within employee compensation, as this area represents approximately 77% 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.

The College is in the process of crafting a new five-year strategic plan for 2007-2012. This effort is incorporating AQIP principles and processes. These strategic planning actions are driving long-term financial and capital budget plans, and such efforts will enable it to maintain quality delivery of education and training that continues to meet community needs.

Mott Community College
Balance Sheet
June 30, 2006
With Comparative Figures at June 30, 2005

	Primary Government		Component Unit Foundation for Mott Community College	
	2006	2005	2006	2005
Assets				
Current assets				
Cash and cash equivalents	$ 2,315,890	$ 3,878,915	$ 73,643	$ 59,169
Short term investments	14,690,958	12,927,407	-	-
State appropriation receivable	2,582,802	2,514,682	-	-
Accounts receivable - Net of allowance for uncollectible accounts ($2,870,340 for 2006 and $2,321,950 for 2005)	903,198	1,653,304	208,013	198,128
Grants receivable	2,028,295	2,005,836	-	-
Inventories	92,633	57,551	-	-
Prepaid expenses and other assets	161,827	494,950		
Total current assets	22,775,603	23,532,645	281,656	257,297
Long term investments	241,645	219,840	3,342,418	2,830,462
Assets limited as to use	14,358,840	5,891,607		
Beneficial interest in perpetual trusts	36,293,424	35,633,228	-	-
Bond discount	348,474	351,060	-	-
Deferred charges	1,860,610	1,980,008	14,710	12,400
Property and equipment - net of accumulated depreciation ($65,640,742 for 2006 and $60,994,076 for 2005)	98,771,238	97,426,570	-	-
Total assets	$ 174,649,834	$ 165,034,958	$ 3,638,784	$ 3,100,159

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2006	2005	2006	2005
Liabilities and Net Assets				
Current liabilities:				
Current portion of debt obligations	$ 3,065,933	$ 4,885,105	$ -	$ -
Accounts payable	2,706,721	1,956,364	3,035	8,916
Accrued interest payable	426,017	360,310	-	-
Accrued payroll and related liabilities	3,494,879	3,346,677	-	-
Deposits held for others	727,109	578,022	-	-
Unearned revenue	934,839	1,588,647	-	-
Total current liabilities	11,355,498	12,715,125	3,035	8,916
Long term debt obligations	66,040,000	57,275,932	-	-
Accrued termination pay	2,762,131	2,662,724		
Bond premium	2,165,961	1,579,283	-	-
Total liabilities	82,323,590	74,233,064	3,035	8,916
Net assets:				
Invested in capital assets, net of related debt	42,683,103	40,964,669	-	-
Restricted for				
Nonexpendable	36,361,524	35,701,327	785,794	578,515
Expendable				
Student loans	67,267	66,799	-	-
Scholarships and awards	55,291	4,589	2,490,079	2,186,500
Capital projects	153,794	386,790	-	-
Debt service	82,459	2,480,651	-	-
Unrestricted	12,922,806	11,197,069	359,876	326,228
Total net assets	92,326,244	90,801,894	3,635,749	3,091,243
Total liabilities and net assets	$ 174,649,834	$ 165,034,958	$ 3,638,784	$ 3,100,159

See notes to financial statements.

Mott Community College
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006
With Comparative Figures at June 30, 2005

	Primary Government		Component Unit Foundation for Mott Community College	
	2006	2005	2006	2005
Revenues:				
Operating revenues				
Tuition and fees	$ 24,444,941	$ 22,809,215	$ -	$ -
Less scholarship allowances	(7,045,289)	(6,766,652)	-	-
Federal grants and contracts	13,774,546	14,337,427	-	-
State and local grants and contracts	1,650,904	2,083,301	-	-
Private gifts and grants	2,355,707	1,466,609	-	-
Auxiliary enterprises	706,469	693,518	-	-
Gifts	-	-	649,109	532,648
Miscellaneous	1,406,801	1,439,008	112,812	139,526
Total operating revenues	37,294,079	36,062,426	761,921	672,174
Expenses:				
Operating expenses				
Instruction	26,282,771	26,092,127	-	-
Public service	2,579,035	2,347,163	-	-
Instructional support	9,715,299	9,762,990	88,268	78,539
Student services	12,958,833	13,199,715	242,015	251,509
Institutional administration	7,447,570	5,775,861	-	-
Operation and maintenance of plant	9,718,575	9,296,730	-	-
Depreciation	4,844,182	3,634,454	-	-
Technology	5,904,989	4,748,390	-	-
Foundation operations	-	-	171,071	165,377
Total operating expenses	79,451,254	74,857,430	501,354	495,425
Operating gain (loss)	(42,157,175)	(38,795,004)	260,567	176,749
Non-Operating Revenues (Expenses):				
State appropriations	14,429,786	14,894,743	-	-
Property tax levy	29,685,742	28,276,546	-	-
Gifts	25,000	15,000	152,755	15,000
Investment income	1,141,192	673,440	-	-
Net realized and unrealized gain on investments	28,726	-	131,184	86,571
Change in value of perpetual trusts	1,570,783	2,716,669		
Interest on capital asset - related debt	(2,950,675)	(2,438,756)	-	-
Loss on disposal of assets	(5,764)	(48,312)	-	-
Premium(discount) on bonds	(39,980)	(36,970)		
Bond issuance costs	(203,285)	(302,206)	-	-
Net non-operating revenues	43,681,525	43,750,154	283,939	101,571
Income before other revenues and expenses	1,524,350	4,955,150	544,506	278,320
Other Revenues:				
State capital appropriations	-	405,732	-	-
Capital gifts and grants	-	58,421	-	-
Total other revenues	-	464,153	-	-
Increase in net assets	1,524,350	5,419,303	544,506	278,320
Net Assets:				
Net assets - beginning of year, as restated - Note 14	90,801,894	85,382,591	3,091,243	2,812,923
Net assets - end of year	$ 92,326,244	$ 90,801,894	$ 3,635,749	$ 3,091,243

See notes to financial statements.

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

	Primary Government 2006	Component Unit 2006
Cash Flows from Operating Activities		
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
Cash Flows from Noncapital Financing Activities		
State appropriations	14,361,666	-
Local property taxes	22,150,755	-
Gifts and contributions for other than capital purposes	25,000	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	36,377,351	152,755
Cash Flows from Capital and Related Financing Activities		
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	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	22,080,000	675,215
Interest on investments	932,522	-
Purchase of investments	(30,380,463)	(1,058,297)
Net cash used for investing activities	(7,367,941)	(383,082)
Net increase (decrease) in cash	(1,563,025)	14,474
Cash - beginning of year	3,878,915	59,169
Cash - end of year	$ 2,315,890	$ 73,643

See notes to financial statements.

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

	Primary Government 2006	Component Unit 2006
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities:		
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)	-
Net cash provided by (used for) operating activities	$(35,943,147)	$ 244,801

See notes to financial statements.

Mott Community College
Statement of Cash Flows
Year Ended June 30, 2005

	Primary Government 2005	Component Unit 2005
Cash Flows from Operating Activities		
Tuition and fees	$ 18,362,662	$ -
Grants and contracts	17,282,694	-
Payments to suppliers	(23,214,658)	(89,898)
Payments to employees	(48,043,509)	-
Auxiliary enterprise	693,518	-
Gifts received	-	514,092
Allocations to primary government	-	(330,048)
Allocations from component unit	330,048	-
Other	1,014,482	-
Net cash provided by (used for) operating activities	(33,574,763)	94,146
Cash Flows from Noncapital Financing Activities		
State appropriations	14,900,247	-
Local property taxes	20,989,013	-
Gifts and contributions for other than capital purposes	15,000	15,000
Student loan receipts	6,171,605	-
Student loan disbursements	(6,171,605)	-
Agency transactions	19,285	-
Net cash provided by noncapital financing activities	35,923,545	15,000
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(10,105,143)	-
Principal paid on capital debt	(5,949,320)	-
Bond issuance costs	(302,206)	-
Capital grant and gift proceeds	464,153	-
Capital property tax levy	7,287,533	-
Interest paid on capital debt	(2,438,757)	-
Net cash provided by capital and related financing activities	(11,043,740)	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	19,169,783	734,390
Interest on investments	662,420	-
Purchase of investments	(10,199,574)	(874,378)
Net cash used for investing activities	9,632,629	(139,988)
Net increase (decrease) in cash	937,671	(30,842)
Cash - beginning of year	2,941,244	90,011
Cash - end of year	$ 3,878,915	$ 59,169

See notes to financial statements.

Mott Community College
Statement of Cash Flows
Year Ended June 30, 2005

	Primary Government 2005	Component Unit 2005
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities:		
Operating gain (loss)	$(38,795,004)	$ 176,749
Adjustments to reconcile operating loss to net cash provided by (used for)		
Depreciation	3,634,454	-
(Increase) decrease in net assets:		
Federal and state grants receivable	(785,219)	-
Accounts receivable (net)	1,890,064	(18,556)
Inventories	(27,270)	-
Prepaid assets and other current assets	(177,105)	-
Assets held by Primary Government	-	(72,963)
Increase (decrease) in liabilities:		
Accounts payable	617,969	8,916
Accrued payroll and other compensation	(131,818)	-
Unearned revenue	199,166	-
Net cash provided by (used for) operating activities	$(33,574,763)	$ 94,146

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.

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. Investments for which there are no quoted market prices are not material.

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.

1. <u>Basis of presentation and significant accounting policies</u> – (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.

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 2005 balances to conform with classifications used in 2006. 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, 2006, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-10 Years	More Than 10 Years
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	$ 31,607,333	$ 31,365,688	$ 90,341	$ 151,304

As of June 30, 2005, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-10 Years	More Than 10 Years
Money Markets	$ 17,091,124	$ 17,091,124	$ -	$ -
U.S. Agencies	5,826,645	5,826,645	-	-
Total investments and maturities	$ 22,917,769	$ 22,917,769	$ -	$ -

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.

2. <u>Cash and investments</u> – (continued)

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 June 30, 2006 was rated AAA.

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.

3. <u>Beneficial Interest in Perpetual Trusts</u>

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.

4. Property and equipment

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 12)	7,116,499	1,131,937	(7,116,499)	1,131,937	
Total nondepreciable capital assets	7,966,872	1,131,937	(7,116,499)	1,982,310	
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
Total depreciable capital assets	150,453,774	12,179,176	(203,280)	162,429,670	
Total capital assets	158,420,646	13,311,113	(7,319,779)	164,411,980	
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	
Total accumulated depreciation	60,994,076	4,844,182	(197,516)	65,640,742	
Total net capital assets	$ 97,426,570	$ 8,466,931	$ (7,122,263)	$ 98,771,238	

4. <u>Property and equipment</u> – (continued)

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2005 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 12)	-	7,116,499	-	7,116,499	
Total nondepreciable capital assets	850,373	7,116,499	-	7,966,872	
Depreciable capital assets:					
Buildings and improvements	127,534,417	1,274,492	-	128,808,909	15 - 50
Infrastructure	6,894,953	362,841	-	7,257,794	10 - 50
Computer equipment	2,266,122	827,809	(169,755)	2,924,176	5 - 10
Audio-visual equipment	642,953	25,570	-	668,523	5 - 10
Other equipment	7,857,150	412,746	(138,779)	8,131,117	5 - 20
Vehicles	851,971	45,454	(51,151)	846,274	8
Library books	1,777,249	39,732	-	1,816,981	5
Total depreciable capital assets	147,824,815	2,988,644	(359,685)	150,453,774	
Total capital assets	148,675,188	10,105,143	(359,685)	158,420,646	
Less: accumulated depreciation:					
Buildings and improvements	43,622,783	2,529,169	-	46,151,952	
Infrastructure	6,379,452	107,435	-	6,486,887	
Computer equipment	1,321,394	411,947	(150,031)	1,583,310	
Audio-visual equipment	317,161	76,311	-	393,472	
Other equipment	3,759,105	403,997	(114,923)	4,048,179	
Vehicles	572,875	68,270	(46,419)	594,726	
Library books	1,698,225	37,325	-	1,735,550	
Total accumulated depreciation	57,670,995	3,634,454	(311,373)	60,994,076	
Total net capital assets	$ 91,004,193	$ 6,470,689	$ (48,312)	$ 97,426,570	

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, 2006 are as shown below. Principal payments due July 1, 2006 for the Series 1996, 1998, 1999, and 2003 bond issues were paid before year end. As a result, there are no amounts shown as current debt obligations for those issues.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Debt Obligations
Building and Improvement Bonds:					
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
Energy Conservation Notes:					
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
Installment Purchase Loan:					
2002 Bus	31,037	-	15,104	15,933	15,933
Total bonds, notes and loans payable	$ 62,161,037	$ 14,455,000	$ 7,510,104	69,105,933	$ 3,065,933
Current debt obligations				3,065,933	
Long term debt obligations				$ 66,040,000	

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

		Total	Principal	Interest
Year ended	June 30, 2007	$ 5,845,947	$ 3,065,933	$ 2,780,014
	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
Remaining years		53,860,416	42,940,000	10,920,416
		$ 92,985,648	$ 69,105,933	$23,879,715

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, 2005 are as shown below.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Debt Obligations
Building and Improvement Bonds:					
Series 1994	$ 390,000	$ -	$ 390,000	$ -	$ -
Series 1995	250,000	-	250,000	-	-
Series 1996	5,150,000	-	4,450,000	700,000	150,000
Series 1998	6,730,000	-	1,445,000	5,285,000	1,275,000
Series 1999	2,860,000	-	45,000	2,815,000	45,000
Series 2000	23,875,000	-	19,850,000	4,025,000	675,000
Series 2002	3,160,000	-	435,000	2,725,000	450,000
Series 2003	10,020,000	-	535,000	9,485,000	700,000
Series 2004	15,000,000	-	850,000	14,150,000	1,250,000
Series 2005	-	22,620,000	-	22,620,000	-
Energy Conservation Notes:					
Series 1996-B	630,000	-	305,000	325,000	325,000
Total bonds and notes payable	68,065,000	22,620,000	28,555,000	62,130,000	4,870,000
Installment Purchase Loan:					
2002 Bus	45,357	-	14,320	31,037	15,105
Total bonds, notes and loans payable	$ 68,110,357	$ 22,620,000	$ 28,569,320	62,161,037	$ 4,885,105
Current debt obligations				4,885,105	
Long term debt obligations				$ 57,275,932	

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

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 refurnishing 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 refurnishing 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 3.35% 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 refurnishing 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 $570,000 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 refurnishing 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 $505,000 to $1,325,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 4% to 5%.

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 is due January 27, 2007. Interest is payable at a rate of 5.48%.

6. Operating Leases

The College leases equipment under non-cancellable operating leases. Total cost for such leases were $321,402 for the 2006 and $179,634 for 2005. The future minimum lease payments for these leases are as follows:

Years Ending June 30	Amount
2007	$ 321,402
2008	321,402
2009	313,231
2010	197,779
2011	40,008
Total	$1,193,822

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. At June 30, 2006 and 2005, the remaining unpaid balance of the land contract was $15,000 and $30,000 respectively.

8. Employee benefits

Retirement Plan

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

MPSERS 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. MPSERS annually issued a stand-alone Comprehensive Annual Financial Report for the year ended September 30, 2005. 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.

8. <u>Employee benefits</u> – (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 60th 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 $690,559 and $688,053 of MIP contributions withheld from employees during the year ended June 30, 2006 and 2005.

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, 2006, the College was required to pay 14.87% of eligible employees' compensation from July 1, 2005 through September 30, 2005 and 16.34% of eligible employees' compensation from October 1, 2005 through June 30, 2006. The contributions made by the College amounted to $4,135,347, $3,786,766, and $3,388,480, for the years ended June 30, 2006, 2005 and 2004, 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, 2005 comprehensive annual financial report.

8. <u>Employee benefits</u> – (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 coverages 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, 2005, there were 151,706 eligible participants in the MPSERS that are eligible to receive benefits, of which, 122,291 are currently receiving benefits. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were $761,695,958 for the year ended September 30, 2005.

<u>Defined Contribution Plan</u>

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, 2006, the College was required to pay 18.41% of eligible employees' compensation from July 1, 2005 through September 30, 2005 and 19.88% of eligible employees' compensation from October 1, 2005 through June 30, 2006. 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

8. Employee benefits – (continued)

30, 2006 amounted to $6,409,427 and $36,420,482, respectively. The College's covered payroll and total payroll for the year ended June 30, 2005 amounted to $6,129,483 and $35,467,361, respectively. Contributions made by the College during the year ended June 30, 2006 and 2005 were $1,085,705 and $991,966 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. Advance and current refundings

On January 24, 2005 the College issued $22,620,000 in Series 2005 General Obligation Refunding Bonds with an average interest rate of 3.81%. These bonds were issued to advance refund a portion of the 1996 Series and 2000 Series bonds in the amounts of $4,300,000, and $19,150,000, respectively, with an average interest rate of 5.42%. In addition, the College paid $1,543,000 toward the advance refunding of the above mentioned bond series issues. The net proceeds along with the College's contribution totaled $24,479,757 (after payment of $302,206 in underwriting fees, insurance and other issuance costs). These funds were used to purchase U.S. Government securities. Those securities and the College's contribution were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of these respective bonds. As a result, the refunded portion of the bonds are considered defeased with the liability for these bonds removed from the capital position fund. The advance refunding reduced total debt service payments by approximately $3,341,778, which represents a present value economic gain of approximately $1,083,712.

The College has issuance costs, as well as bond premiums in connection with the refunding. These items are accrued and are being amortized over the life of the bonds using the straight line method.

11. 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, 2005 to June 30, 2006. Under the 2005-2006 leases, the aggregate monthly rental payment was $7,606, for an annual total of $91,275. Under the 2004-2005 leases, the aggregate monthly rental payment was $5,619, for an annual total of $67,428

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, 2005 to June 30, 2006. Under the 2005-2006 leases, the aggregate

11. Leases – (continued)

monthly rental payment was $6,351 for an annual total of $73,170. Under the 2004-2005 lease, the aggregate monthly rental payment was $7,414 for an annual total of $ 88,967.

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, 2005 to June 30, 2006. Under the 2005-2006 leases, the aggregate monthly rental payment was $9,566 for an annual total of $65,073. Under the 2004-2005 lease, the monthly rental payment was $724 for an annual total of $8,658.

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, 2005 to June 30, 2006. Under the 2005-2006 leases, the aggregate monthly rental payment was $19,081 for an annual total of $228,969. Under the 2004-2005 leases, the aggregate monthly rental payment was $18,455 for an annual total of $221,460.

12. Construction in progress

The College started construction on renovations of the Health Sciences department in the Curtice-Mott building during fiscal year 2005-2006. The total contract for this project is $1,092,000. As of June 30, 2006 expenditures totaled $138,641, including $15,438 in retainage, leaving a remaining commitment of approximately $953,359. The completion date is scheduled for early fall of 2006.

The College started roof construction of the Curtice-Mott and Visual Arts and Design Center during fiscal year 2005-2006. The total contract for this project is $935,000. As of June 30, 2006 expenditures totaled $477,976, including $53,108 in retainage, leaving a remaining commitment of approximately $457,024. The completion date is scheduled for early fall of 2006.

The College started renovation of a new Clio campus during fiscal year 2005-2006. The total contract for this project is $1,011,408. As of June 30, 2006 expenditures totaled $83,431, including $3,993 in retainage, leaving a remaining commitment of approximately $927,977. The completion date is scheduled for early winter of 2007.

The College started construction of a new parking lot at Lapeer campus during fiscal year 2005-2006. The total contract for this project is $717,711. As of June 30, 2006 expenditures totaled $298,893, including $31,833 in retainage, leaving a remaining commitment of approximately $418,818. The completion date is scheduled for early fall of 2006.

The Gorman Science Center renovation and the Energy Conservation project started during fiscal year 2004-2005 were both completed during the 2005-2006 fiscal year.

13. 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.

14. Prior Period Adjustment

Net assets of the College as of July 1, 2004 reflect a prior period adjustment to correct the College's calculation of employee severance liabilities. The effect of the restatement was to decrease accrued liabilities and increase unrestricted net assets as of July 1, 2004 by $1,173,003. The effect on the change in net assets for 2005 and 2006 related to the correction of this error was immaterial.

Additional Information

Mott Community College
Combining Balance Sheet
June 30, 2006

	Combined Total	General Fund	Designated Fund
Assets			
Current assets			
Cash and cash equivalents	$ 2,315,890	$ 2,210,929	$ -
Short term investments	14,690,958	9,744,306	-
State appropriation receivable	2,582,802	2,582,802	-
Accounts receivable - net of $2,870,340 allowance	903,198	344,813	8,813
Grants receivable	2,028,295	-	-
Inventories	92,633	92,633	-
Prepaid expenses and other assets	161,827	161,827	-
Total current assets	22,775,603	15,137,310	8,813
Long term investments	241,645	-	-
Assets limited as to use	14,358,840		
Beneficial interest in perpetual trusts	36,293,424	-	-
Bond discount	348,474	-	-
Deferred charges	1,860,610	-	-
Property and equipment - net of $65,640,742 accumulated depreciation	98,771,238	-	-
Total assets	$ 174,649,834	$ 15,137,310	$ 8,813

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
$ -	$ 104,961	$ -	$ -	$ -	$ -
-	-	-	11,953	337,148	4,597,551
-	-	-	-	-	-
26,186	344,602	10,400	5,263	163,121	-
-	-	2,028,295	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
26,186	449,563	2,038,695	17,216	500,269	4,597,551
-	241,645	-	-	-	-
					14,358,840
-	-	-	-	36,293,424	-
-	-	-	-	-	348,474
-	-	-	-	-	1,860,610
-	-	-	-	-	98,771,238
$ 26,186	$ 691,208	$ 2,038,695	$ 17,216	$ 36,793,693	$ 119,936,713

Mott Community College
Combining Balance Sheet (continued)
June 30, 2006

	Combined Total	General Fund	Designated Fund
Liabilities and Net Assets			
Current liabilities:			
Current portion of debt obligations	$ 3,065,933	$ -	$ -
Accounts payable	2,706,721	2,600,212	-
Due to (from) other funds	-	(408,930)	(968,020)
Accrued interest payable	426,017	-	-
Accrued payroll and related liabilities	3,494,879	3,494,879	-
Deposits held for others	727,109	9,785	-
Unearned revenue	934,839	628,432	119,591
Total current liabilities	11,355,498	6,324,378	(848,429)
Long term debt obligations	66,040,000	-	-
Accrued termination pay	2,762,131	2,762,131	-
Bond premium	2,165,961	-	-
Total liabilities	82,323,590	9,086,509	(848,429)
Net assets:			
Invested in capital assets, net of related debt	42,683,103	-	-
Restricted for			
Nonexpendable	36,361,524	-	-
Expendable			
Student loans	67,267	-	-
Scholarships and awards	55,291	-	-
Capital projects	153,794	-	-
Debt service	82,459	-	-
Unrestricted	12,922,806	6,050,801	857,242
Total net assets	92,326,244	6,050,801	857,242
Total liabilities and net assets	$ 174,649,834	$ 15,137,310	$ 8,813

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
$ -	$ -	$ -	$ -	$ -	$ 3,065,933
-	-	1,537	-	-	104,972
26,186	(26,116)	1,795,051	(50,051)	432,169	(800,289)
-	-	-	-	-	426,017
-	-	-	-	-	-
-	717,324	-	-	-	-
-	-	186,816	-	-	-
26,186	691,208	1,983,404	(50,051)	432,169	2,796,633
-	-	-	-	-	66,040,000
-	-	-	-	-	-
-	-	-	-	-	2,165,961
26,186	691,208	1,983,404	(50,051)	432,169	71,002,594
-	-	-	-	-	42,683,103
-	-	-	-	36,361,524	-
-	-	-	67,267	-	-
-	-	55,291	-	-	-
-	-	-	-	-	153,794
-	-	-	-	-	82,459
-	-	-	-	-	6,014,763
-	-	55,291	67,267	36,361,524	48,934,119
$ 26,186	$ 691,208	$ 2,038,695	$ 17,216	$ 36,793,693	$ 119,936,713

Mott Community College
Combining Statement of Revenues, Expenses,
Transfers and Changes in Net Assets
June 30, 2006

	Combined Total	Eliminations	General Fund
Revenues:			
Operating revenues			
Tuition and fees	$ 24,444,941	$ -	$ 23,224,314
Less scholarship allowances	(7,045,289)	(7,045,289)	-
Federal grants and contracts	13,774,546	-	-
State and local grants and contracts	1,650,904	-	-
Private gifts and grants	2,355,707	(1,515,914)	30,432
Auxiliary enterprises	706,469	-	-
Expenditures for equipment and capital improvements	-	(6,194,613)	-
Miscellaneous	1,406,801	-	973,068
Total operating revenues	37,294,079	(14,755,816)	24,227,814
Expenses:			
Operating expenses			
Instruction	26,282,771	(1,580,991)	24,907,705
Public service	2,579,035	(2,164)	282,565
Instructional support	9,715,299	(1,526,754)	7,066,588
Student services	12,958,833	(7,064,204)	7,124,622
Institutional administration	7,447,570	(4,277)	7,567,498
Operation and maintenance of plant	9,718,575	(4,293,058)	9,113,771
Depreciation	4,844,182	-	-
Technology	5,904,989	(284,368)	2,599,656
Total operating expenses	79,451,254	(14,755,816)	58,662,405
Operating income (loss)	(42,157,175)	-	(34,434,591)
Non-Operating Revenues (Expenses):			
State appropriations	14,429,786	-	14,429,786
Property tax levy	29,685,742	-	22,023,933
Gifts	25,000	-	-
Investment income	1,141,192	-	587,728
Net realized and unrealized gain on investments	28,726	-	-
Change in value of perpetual trusts	1,570,783	-	910,586
Interest on capital asset - related debt	(2,950,675)	-	-
Loss on disposal of assets	(5,764)	-	-
Premium(discount) on bonds	(39,980)		
Bond issuance costs	(203,285)	-	-
Net non-operating revenues	43,681,525	-	37,952,033
Income (loss) before other revenues and expenses	1,524,350	-	3,517,442
Other Revenues:			
State capital appropriations	-	-	-
Capital gifts and grants	-	-	-
Total other revenues	-	-	-
Increase (decrease) in net assets	1,524,350	-	3,517,442
Transfers in (out)	-	-	(3,231,703)
Net increase in net assets	1,524,350	-	285,739
Net Assets:			
Net assets - beginning of year, as restated - Note 14	90,801,894	-	5,765,062
Net assets - end of year	$ 92,326,244	$ - 0 -	$ 6,050,801

Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
$ 1,220,627	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	13,774,546	-	-	-
-	-	1,650,904	-	-	-
-	-	3,841,189	-	-	-
-	706,469	-	-	-	-
-	-	-	-	-	6,194,613
433,391	-	342	-	-	-
1,654,018	706,469	19,266,981	-	-	6,194,613
-	-	1,136,985	-	-	1,819,072
-	267,237	2,008,017	-	-	23,380
-	-	3,919,528	-	-	255,937
839,128	89,176	11,950,250	-	13,194	6,667
-	-	5,944	-	-	(121,595)
23,587	-	-	-	-	4,874,275
-	-	-	-	-	4,844,182
-	484	26,031	-	-	3,563,186
862,715	356,897	19,046,755	-	13,194	15,265,104
791,303	349,572	220,226	-	(13,194)	(9,070,491)
-	-	-	-	-	-
-	-	-	-	-	7,661,809
25,000	-	-	-	-	-
-	-	196	468	13,194	539,606
-	-	-	-	-	28,726
-	-	-	-	660,197	-
-	-	-	-	-	(2,950,675)
-	-	-	-	-	(5,764)
					(39,980)
-	-	-	-	-	(203,285)
25,000	-	196	468	673,391	5,030,437
816,303	349,572	220,422	468	660,197	(4,040,054)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
816,303	349,572	220,422	468	660,197	(4,040,054)
(584,414)	(349,572)	(169,720)	-	-	4,335,409
231,889	-	50,702	468	660,197	295,355
625,353	-	4,589	66,799	35,701,327	48,638,764
$ 857,242	$ - 0 -	$ 55,291	$ 67,267	$ 36,361,524	$ 48,934,119

Mott Community College
Schedule 1 - Details of General Fund Expenses
Year Ended June 30, 2006

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	$ 17,721,286	$ 5,957,350	$ 503,998	$ 601,141
Public service	159,496	36,511	26,889	4,149
Instructional support	4,240,236	1,928,743	289,172	189,630
Student services	4,013,683	1,532,197	376,178	149,741
Institutional administration	3,114,531	2,446,531	718,875	11,942
Physical plant operations	3,184,300	1,507,485	805,209	644,030
Technology	895,241	430,232	901,063	64,218
	$ 33,328,773	$ 13,839,049	$ 3,621,384	$ 1,664,851

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
$ 37,057	$ -	$ 85,623	$ 1,250	$ 24,907,705
-	-	55,520	-	282,565
-	26,403	283,902	108,502	7,066,588
500	523	1,026,937	24,863	7,124,622
697	-	1,274,922	-	7,567,498
79,789	2,486,284	352,053	54,621	9,113,771
-	-	308,902	-	2,599,656
$ 118,043	$ 2,513,210	$ 3,387,859	$ 189,236	$ 58,662,405

Mott Community College
Schedule 2 - Details of Auxiliary Activities
Year Ended June 30, 2006

Activity	Balance July 1, 2005	Revenues	Expenditures (1)
Vending	$ -	$ 114,790	$ -
Outside Catering	-	186,446	267,237
Bookstore--Main Campus	-	358,394	36,009
Bookstore--Lapeer Campus	-	1,757	1,227
Pay Phones	-	-	3
Campus Kids Day Care	-	35,499	48,753
Student Computer Lab Printing	-	9,583	3,668
	$ - 0 -	$ 706,469	$ 356,897

(1) Expenses include amounts allocated from the General Fund for utilities and maintenance costs.
These costs amounted to $36,009 for the bookstore.

Transfers In (Out)		
Excess Revenues to General Fund	Excess Expenditures Absorbed by General Fund	Balance June 30, 2006
$ 114,790	-	$ -
-	80,791	-
322,385	-	-
530	-	-
-	3	-
-	13,254	-
5,915	-	-
$ 443,620	$ 94,048	$ - 0 -

Mott Community College
Schedule 3 - Details of Endowments and Similar Funds
Year Ended June 30, 2006

	Principal Balance July 1, 2005	Additions: Gifts	Additions: Income from Investments
Endowment Funds:			
Administered by Mott Community College:			
Abe & Shirley Schreiber Memorial Scholarship Fund	$ -	$ -	$ 978
Art Enrichment Fund	-	-	31
Ava Underhill Scholarship Fund	-	-	78
Begole Brownell Fund	-	-	4,353
Bertha F. Dunlap Trust Fund	-	-	154
Douglas Larmor Music Scholarship Fund	-	-	98
General Scholarship Fund	-	-	591
Goodrich - Skidmore Disabled Veterans Scholorship Fund	5,000	-	196
Jack J. & Gary I. Sarver Memorial Scholarship Fund	10,000	-	391
Nicholas S. Gyptos Scholarship Fund	5,000	-	196
O.M. MacArthur Music Scholarship Fund	-	-	15
Oz Kelly Memorial Scholarship Fund	8,000	-	313
Robert Haw Scholarship Fund	25,000	-	978
Sidney B. Melet Scholarship Fund	5,100	-	200
Wendell Williams Scholarship Fund	10,000	-	391
Total administered by M.C.C.	68,100	-	8,963
Administered by others:			
Glen L. Bancroft Trust Fund	234,823	-	12,337
John L. Pierce Educational Fund	161,943	-	9,506
Wesley F. Burdick Scholarship Fund	617,577	-	32,617
William S. Ballenger Trust Fund	34,562,397	-	991,867
Vernon A. Martin Trust Fund	56,487	-	4,095
Total administered by others	35,633,227	-	1,050,422
Total endowment funds	35,701,327	-	1,059,385
Funds functioning as endowments:			
Chester Smith Memorial Fund	-	-	256
Juanita Carr Estate Library Fund	-	-	3,975
Total funds functioning as endowments	-	-	4,231
Total	$ 35,701,327	$ - 0 -	$ 1,063,616

Deductions				
Gain (Loss) from Disposal of Investments	Administrative Expenses	Distributions	Principal Balance June 30, 2006	Beneficiary Fund
$ -	$ -	$ 978	$ -	Schreiber Memorial Scholarship Fund
-	-	31	-	Art Division Gifts (PG & G)
-	-	78	-	Underhill Music Scholarship Fund
-	-	4,353	-	Begole Brownell Fund (PG & G)
-	-	154	-	General Scholarship Fund
-	-	98	-	Douglas Larmor Music Scholarship Fund
-	-	591	-	General Scholarship Fund
-	-	196	5,000	Goodrich - Skidmore Scholarship Fund
-	-	391	10,000	General Scholarship Fund
-	-	196	5,000	General Scholarship Fund
-	-	15	-	MacArthur Music Scholarship Fund
-	-	313	8,000	General Scholarship Fund
-	-	978	25,000	General Scholarship Fund
-	-	200	5,100	General Scholarship Fund
-	-	391	10,000	General Scholarship Fund
-	-	8,963	68,100	
4,965	3,095	5,023	244,007	General Scholarship Fund
5,184	1,882	3,712	171,039	Designated Fund
22,834	5,855	15,492	651,681	General Scholarship Fund
926,497	405,345	910,586	35,164,830	Unrestricted General Fund
4,991	735	2,971	61,867	Vernon A. Martin Trust (PG & G)
964,471	416,912	937,784	36,293,424	
964,471	416,912	946,747	36,361,524	
-	-	256	-	Chester Smith Memorial Fund (PG & G)
-	-	3,975	-	Juanita Carr Library Grant (PG & G)
-	-	4,231	-	
$ 964,471	$ 416,912	$ 950,978	$ 36,361,524	

Mott Community College
Schedule 4 - Schedule of Debt Service Requirements
1998 Refunding and Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1		Total Requirements
2007	$ -	$ 82,030	$ -		$ 82,030
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
	$ 640,004	$ 640,004	$ 3,470,000		$ 4,750,008

* Callable

Mott Community College
Schedule 5 - Schedule of Debt Service Requirements
1999 Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1		Total Requirements
2007	$ -	$ 62,458	$ -		$ 62,458
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
	$ 570,347	$ 570,348	$ 2,705,000		$ 3,845,695

* Callable

Mott Community College
Schedule 6 - Schedule of Debt Service Requirements
2000 Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2007	$ 90,450	$ 90,450	$ 725,000	$ 905,900
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
	$ 242,325	$ 242,325	$ 3,350,000	$ 3,834,650

Mott Community College
Schedule 7 - Schedule of Debt Service Requirements
2002 Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2007	$ 41,650	$ 41,650	$ 450,000	$ 533,300
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
	$ 128,375	$ 128,375	$ 2,275,000	$ 2,531,750

Mott Community College
Schedule 8 - Schedule of Debt Service Requirements
2003 Refunding and Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest July 1	Interest January 1	Principal July 1	Total Requirements
2007	$ -	$ 128,900	$ -	$ 128,900
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
	$ 337,650	$ 337,650	$ 7,315,000	$ 7,990,300

Mott Community College
Schedule 9 - Schedule of Debt Service Requirements
2004 Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1		Total Requirements
2007	$ 251,713	$ 251,713	$ 800,000		$ 1,303,426
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
	$ 2,143,479	$ 2,143,479	$ 12,900,000		$ 17,186,958

* Callable

Mott Community College
Schedule 10 - Schedule of Debt Service Requirements
2005 Building and Improvement Bonds
June 30, 2006

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1	Total Requirements
2007	$ 508,213	$ 508,213	$ 570,000	$ 1,586,426
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
	$ 4,730,715	$ 4,730,715	$ 22,620,000	$ 28,480,180

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

Fiscal Year Ended June 30	Interest November 1	Interest May 1	Principal May 1		Total Requirements
2007	$ 386,026	$ 335,675	$ 505,000		$ 1,226,701
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
	$ 3,171,701	$ 3,121,350	$ 14,455,000		$ 20,748,051

* Callable