

**Financial Statements**

**Mott Community College  
Flint, Michigan**

**June 30, 2008 and 2007**

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## Independent Auditor's Report

To the Board of Trustees  
Mott Community College

We have audited the accompanying financial statements of Mott Community College (Charles Stewart Mott Community College, County of Genesee, Michigan) and its discretely presented component unit as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of Mott Community College's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the audits of the basic financial statements were audited in accordance with *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 and its discretely presented component unit as of June 30, 2008 and 2007 and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008 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 18 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Trustees  
Mott Community College

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

*Plante & Moran, PLLC*

October 28, 2008

# Mott Community College

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## Management's Discussion and Analysis - Unaudited

This discussion and analysis section of Mott Community College's ("the College's") annual financial report provides an overview of the College's financial position at June 30, 2008, 2007 and 2006 and its financial activities for the three years ended June 30, 2008. 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, 2008. This supplementary section is not required by GASB, but is provided to give additional information regarding the various funds and activities of the College that are not disclosed in the basic financial statements.

### Component Unit

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

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

# Mott Community College

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

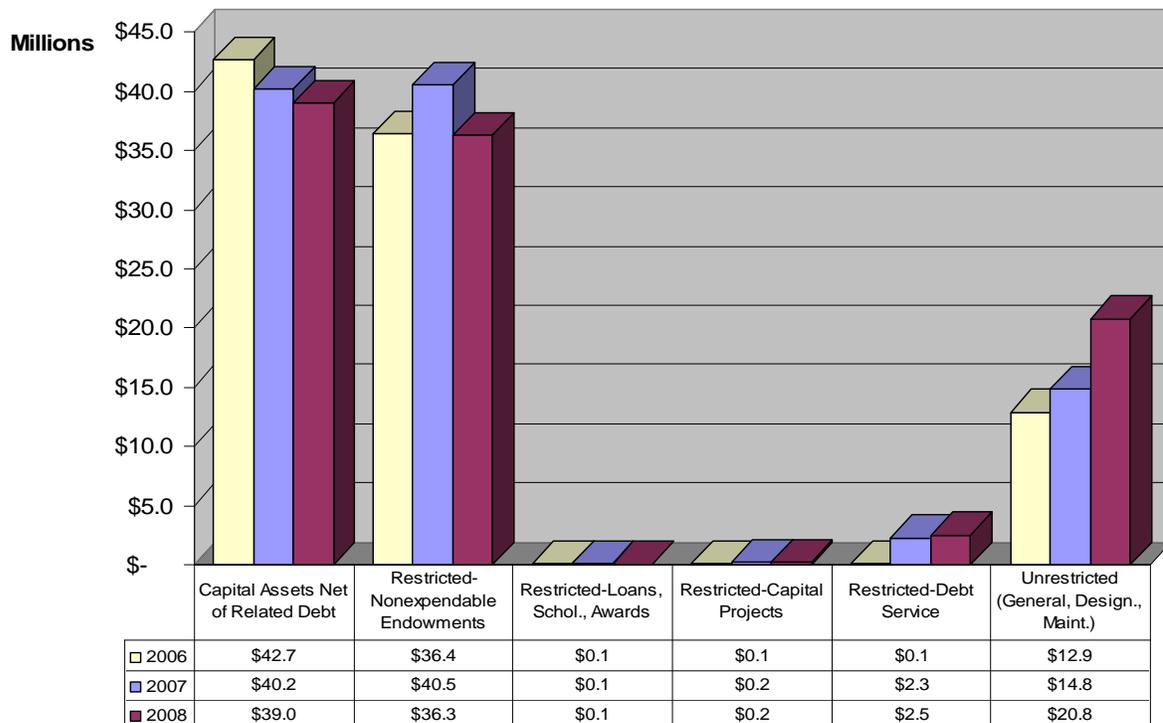
### Financial Highlights

The College's financial position improved for the year ended June 30, 2008. Total Assets increased during each of the past three years, from \$174.6 million to \$177.5 million to \$189.2 million at June 30, 2006, 2007 and 2008, respectively. Liabilities totaled \$90.3 million at June 30, 2008, compared to \$79.4 million in 2007 and \$82.3 million in 2006. Net assets, which represent the remaining value of the College's assets after liabilities are deducted, increased by \$753 thousand (or 1%) from the previous year, which had increased by \$5.8 million (or 6.3%) from two years ago. The College's Net Assets totaled \$98.9 million at June 30, 2008.

The Unrestricted category within Net Assets has also increased over the past three years, from \$12.9 million at June 30, 2006, to \$14.8 million at June 30, 2007, to \$20.8 million at June 30, 2008.

The following chart provides a graphical categorization of net assets for the fiscal years ended June 30, 2008, 2007 and 2006:

**Breakdown of Net Assets - By Category**



# **Mott Community College**

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

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

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

These two statements report the College's net assets as of June 30, 2008 and 2007 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, 2008 compared to June 30, 2007 and 2006. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

# Mott Community College

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

	(in millions)		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>			
Current Assets	\$ 34.9	\$ 27.2	\$ 22.8
Noncurrent Assets	<u>\$ 154.3</u>	<u>\$ 150.3</u>	<u>\$ 151.8</u>
Total Assets	<u>\$ 189.2</u>	<u>\$ 177.5</u>	<u>\$ 174.6</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 15.7	\$ 14.0	\$ 11.3
Noncurrent Liabilities	<u>\$ 74.6</u>	<u>\$ 65.4</u>	<u>\$ 71.0</u>
Total Liabilities	\$ 90.3	\$ 79.4	\$ 82.3
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 39.0	\$ 40.2	\$ 42.7
Restricted - Nonexpendable	\$ 36.3	\$ 40.5	\$ 36.4
Restricted - Expendable	\$ 2.8	\$ 2.6	\$ 0.3
Unrestricted	<u>\$ 20.8</u>	<u>\$ 14.8</u>	<u>\$ 12.9</u>
Total Net Assets	<u>\$ 98.9</u>	<u>\$ 98.1</u>	<u>\$ 92.3</u>
Total Liabilities and Net Assets	<u>\$ 189.2</u>	<u>\$ 177.5</u>	<u>\$ 174.6</u>

The growth in Total Net Assets from 2006 to 2007 to 2008, from \$92.3 million to \$98.1 million to \$98.9 million, respectively, was primarily due to the growth in endowment value and the purchase and completion of capital assets.

The most significant changes in the Balance Sheet during 2008 related to:

- Increases from 2007 to 2008 in Current Assets, due to higher balances in cash and cash equivalents in both the Plant Fund and the General Fund which was a result of better than expected results from operating activities-both in higher enrollment and cost containment.
- An increase from 2007 to 2008 in Non-current Assets is due to a significant increase in assets limited as to use, as a result of the proceeds from the March 2008 bond sale, along with a decrease in Beneficial interest in perpetual trusts.
- The increase in Total Liabilities from 2007 to 2008 reflects higher unearned grant and fee revenue for summer and fall 2008, timing differences in vendor payments resulting in an increase in accounts payable, and the net increase in bonded debt after factoring in scheduled payments and issuance of new debt.

The year ended on June 30, 2008 with a \$753 thousand increase in Total Net Assets, and totals \$98.9 million.

# Mott Community College

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

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

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

Activities are reported as either operating or non-operating. The financial reporting model classifies state appropriations, property taxes, PELL grant revenue, 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, 2008 compared to June 30, 2007 and 2006. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

	(in millions)		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Total Operating Revenues	\$ 28.4	\$ 27.3	\$ 27.3
Total Operating Expenses	<u>\$ 86.0</u>	<u>\$ 80.6</u>	<u>\$ 79.5</u>
Total Operating Loss	\$ (57.6)	\$ (53.3)	\$ (52.2)
Nonoperating Revenues, Net	<u>\$ 58.4</u>	<u>\$ 59.1</u>	<u>\$ 53.7</u>
Total Increase in Net Assets	\$ 0.8	\$ 5.8	\$ 1.5
Net Assets, Beginning of Year	<u>\$ 98.1</u>	<u>\$ 92.3</u>	<u>\$ 90.8</u>
Net Assets, End of Year	<u>\$ 98.9</u>	<u>\$ 98.1</u>	<u>\$ 92.3</u>

In the fiscal year ended June 30, 2008, the College's revenues and other support exceeded expenses, creating an increase in Total Net Assets of \$753 thousand (compared to a \$5.8 million increase during 2007 and a \$1.5 million increase during 2006).

### **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), and other miscellaneous sales and rental income.

# Mott Community College

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

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

	2008	2007	2006
<b>Tuition and fees, net of Scholarship Allowances of \$8,823,221, \$7,622,602, and \$7,045,289 in 2008, 2007 and 2006, respectively</b>	\$ 18,827,117	\$ 17,698,751	\$ 17,399,652
<b>Federal Grants and contracts</b>	\$ 5,664,807	\$ 3,764,217	\$ 3,777,887
<b>State and Local Grants and Contracts</b>	\$ 1,228,938	\$ 1,841,881	\$ 1,650,904
<b>Nongovernmental Grants</b>	\$ 688,618	\$ 2,057,465	\$ 2,355,707
<b>Auxiliary enterprises</b>	\$ 725,317	\$ 701,287	\$ 706,469
<b>Other Operating Revenues</b>	\$ 1,295,365	\$ 1,252,498	\$ 1,406,801
<b>Total Operating Revenues</b>	<b>\$ 28,430,162</b>	<b>\$ 27,316,099</b>	<b>\$ 27,297,420</b>

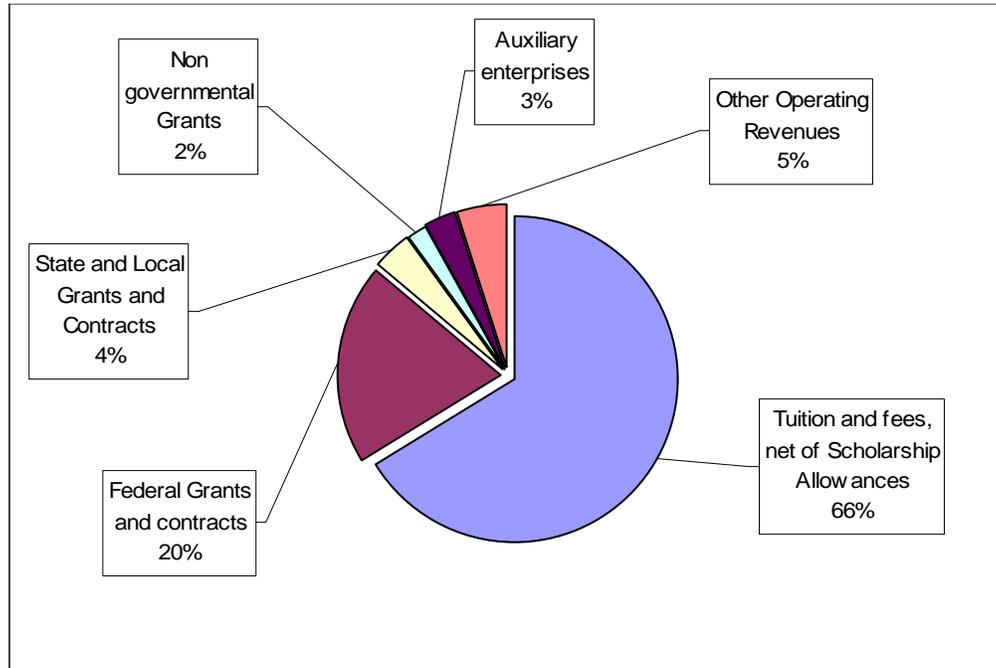
Total operating revenues increased \$1.1 million (or 4.1%) during the past three years, as a result of the following:

- Gross tuition and fee revenue increased by approximately \$3.2 million during the three years ended June 30, 2008. This 13.1% overall increase was principally due to average annual tuition increases of 3.7% for the 2006, 2007 and 2008 academic years coupled with credit-side enrollment increasing in all three years.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) increased during the past three years by 25.2%, a rate exceeding the tuition and fee revenue increase by 12.1% and an indication of efforts to maintain affordability of higher education.
- All Grants and Contracts categories combined remained fairly consistent from 2006 to 2008.
- Auxiliary enterprises revenue stayed level from 2006 to 2008, at approximately \$700 thousand, and miscellaneous revenues decreased by approximately \$100 thousand.

# Mott Community College

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

The following is a graphic illustration of operating revenues by source for 2008:



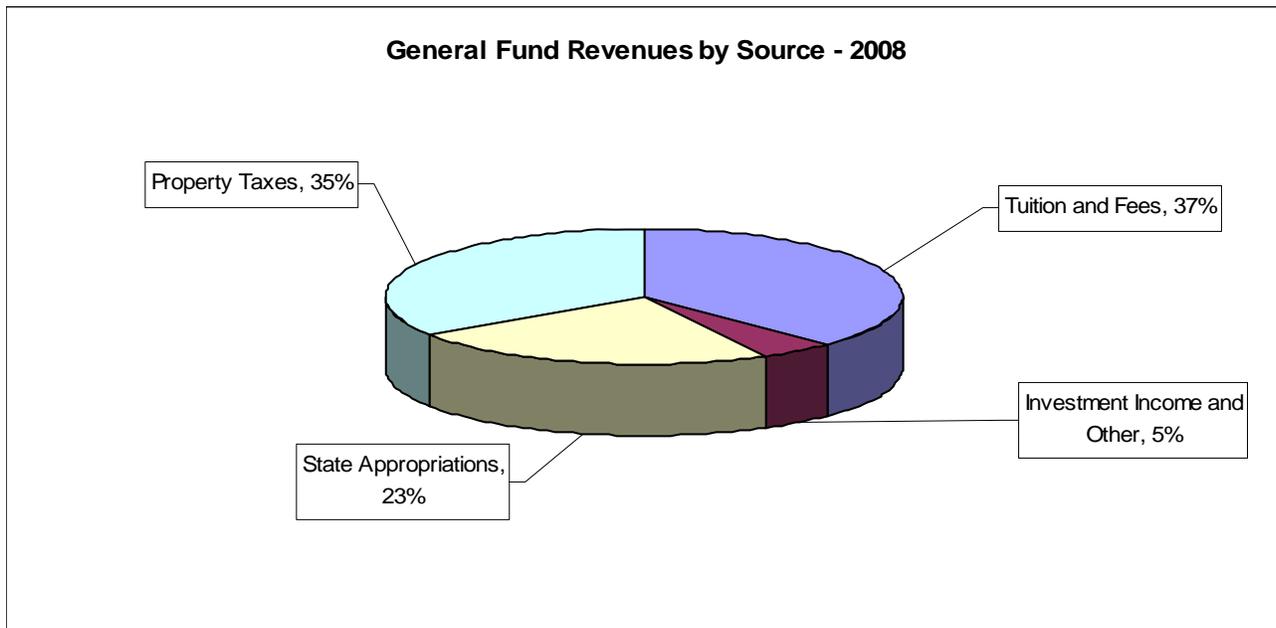
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

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

# Mott Community College

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

The following chart shows the percentages of all General Fund revenue sources for the year ended June 30, 2008:



### 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, 2008 total \$86 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.

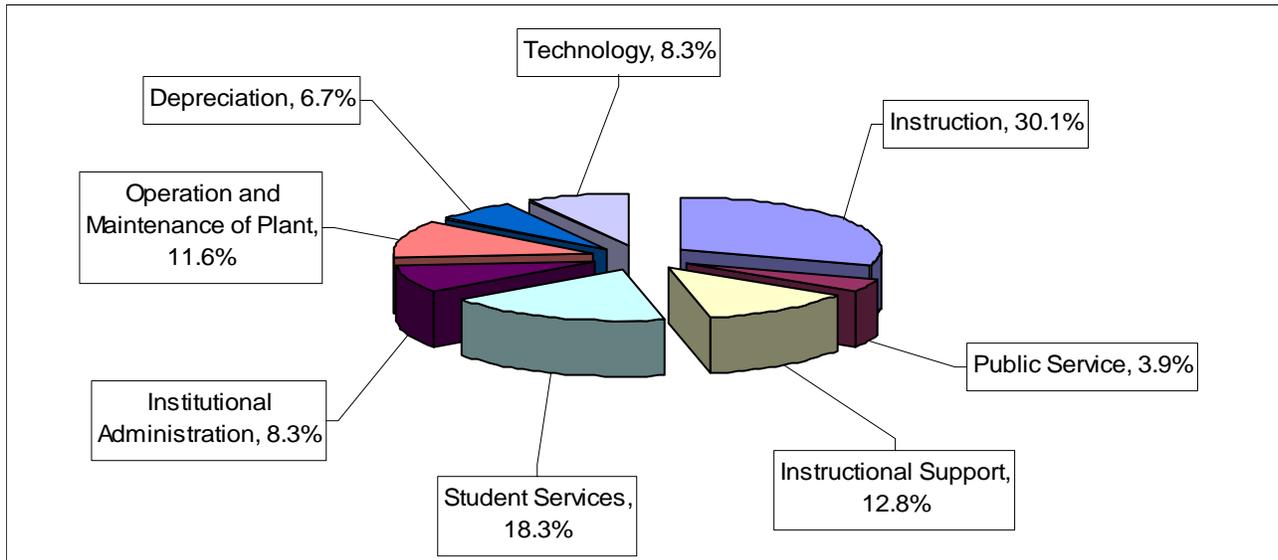
#### Operating Expenses by Function

	2008	2007	2006
Instruction	\$ 25,887,769	\$ 25,240,808	\$ 26,282,771
Public Service	\$ 3,336,269	\$ 2,638,844	\$ 2,579,035
Instructional Support	\$ 11,016,337	\$ 9,370,344	\$ 9,715,299
Student Services	\$ 15,735,005	\$ 13,164,162	\$ 12,958,833
Institutional Administration	\$ 7,173,258	\$ 7,527,947	\$ 7,447,570
Operation and Maintenance of Plant	\$ 10,001,872	\$ 10,962,286	\$ 9,718,575
Depreciation	\$ 5,781,137	\$ 4,924,722	\$ 4,844,182
Technology	\$ 7,166,947	\$ 6,762,459	\$ 5,904,989
<b>Total Operating Expenses</b>	<b>\$ 86,098,594</b>	<b>\$ 80,591,572</b>	<b>\$ 79,451,254</b>

# Mott Community College

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

The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2008:



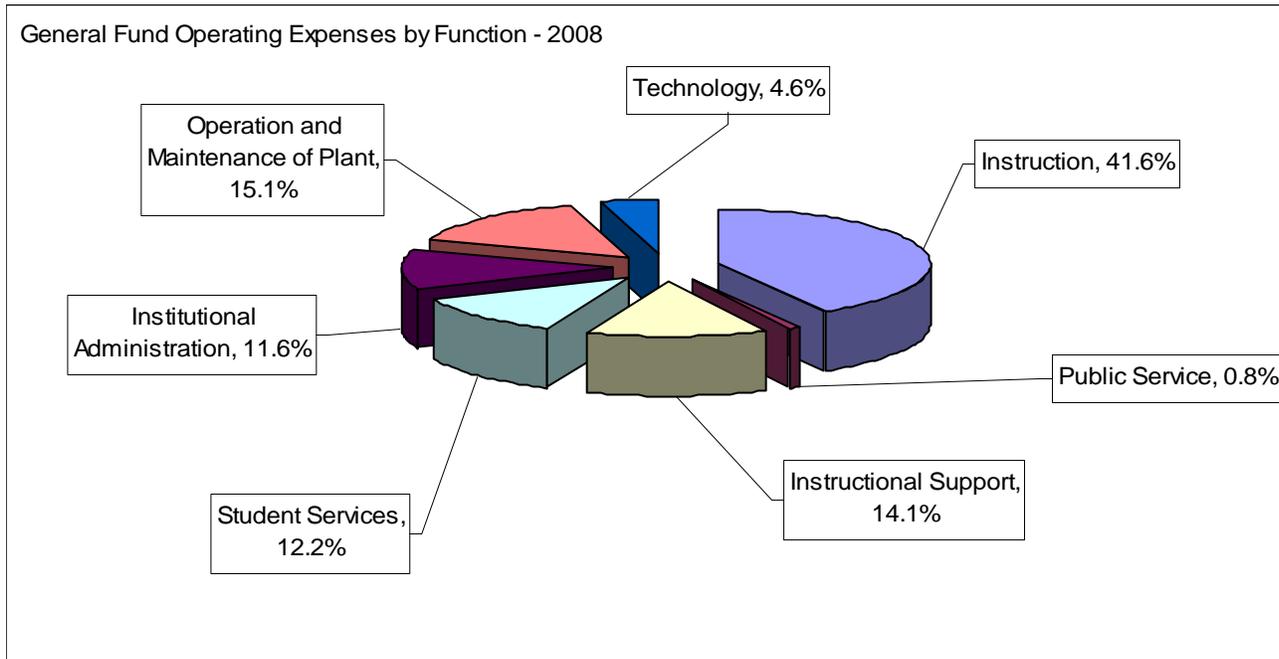
The College continues to spend the largest percentage of operating budget on instruction, with student services, instructional support and operation and maintenance of plant making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant and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

The majority of total operating expenses is reported internally in the College's General Fund. In the General Fund, operating expenses for 2008 were \$61.1 million. General Fund operating expenses increased by \$2.3 million (or 3.9%) from 2007 to 2008, and by \$200 thousand (or .3%) from 2006 to 2007. Most of the increases represent contractual and rate increases in salary and fringe benefit costs, as well as rising materials and utilities costs.

# Mott Community College

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

Following is a graphic illustration of operating expenses by source as reported by the General Fund for the year ended June 30, 2008:



### 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.

	2008	2007	2006
State Appropriations	\$ 16,177,925	\$ 12,497,749	\$ 14,429,786
Property Tax Levy	\$ 32,511,222	\$ 31,541,917	\$ 29,685,742
Gifts	\$ 1,842,525	\$ 1,812,360	\$ 935,586
Pell Grants	\$ 13,643,093	\$ 10,373,789	\$ 9,996,659
Investment Income	\$ 1,335,863	\$ 1,755,333	\$ 1,141,192
<b>Total Non-Operating Revenues</b>	<b>\$ 65,510,628</b>	<b>\$ 57,981,148</b>	<b>\$ 56,188,965</b>

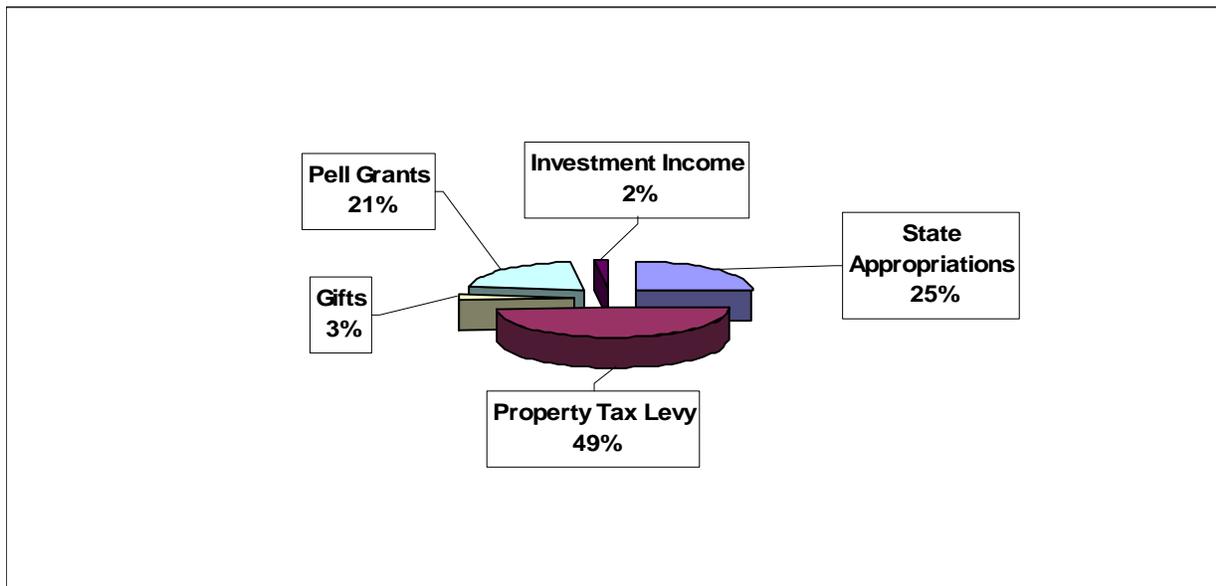
# Mott Community College

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

Total non-operating revenues increased by \$9.3 million during the past three years:

- State appropriations increased by \$1.7 million (or 12%) from 2006 to 2008. The 2007 appropriation revenue excludes one delayed payment of \$1.3 million and also reflects a reduction of \$832 thousand that was offset with a credit to the College's MPERS payment. The state continues to experience budget constraints due to lack of economic recovery at the level expected.
- Property tax revenues increased by 6.3% from 2006 to 2007, and by 3.1% from 2007 to 2008. The total increase was \$2.8 million (or 9.5%) from 2006 to 2008. Higher revenues from increased property values were offset by decreases in both the debt and operating portions of MCC's levied millage rate from 2007 to 2008. The College's combined tax levy rates were 2.6807, 2.6796, and 2.6796 for 2006, 2007 and 2008, respectively. The current budget year shows a \$60,000 decrease in property tax revenues with future reductions likely.
- Pell revenue has increased \$3.3 million from 2007 to 2008 and is increasingly becoming a larger percentage of revenue to the College. This is an indication that a greater percentage of our students are relying on financial assistance for their higher educational needs.

The following is a graphical illustration of the College's Non-operating revenues by source for the year ended June 30, 2008:



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.

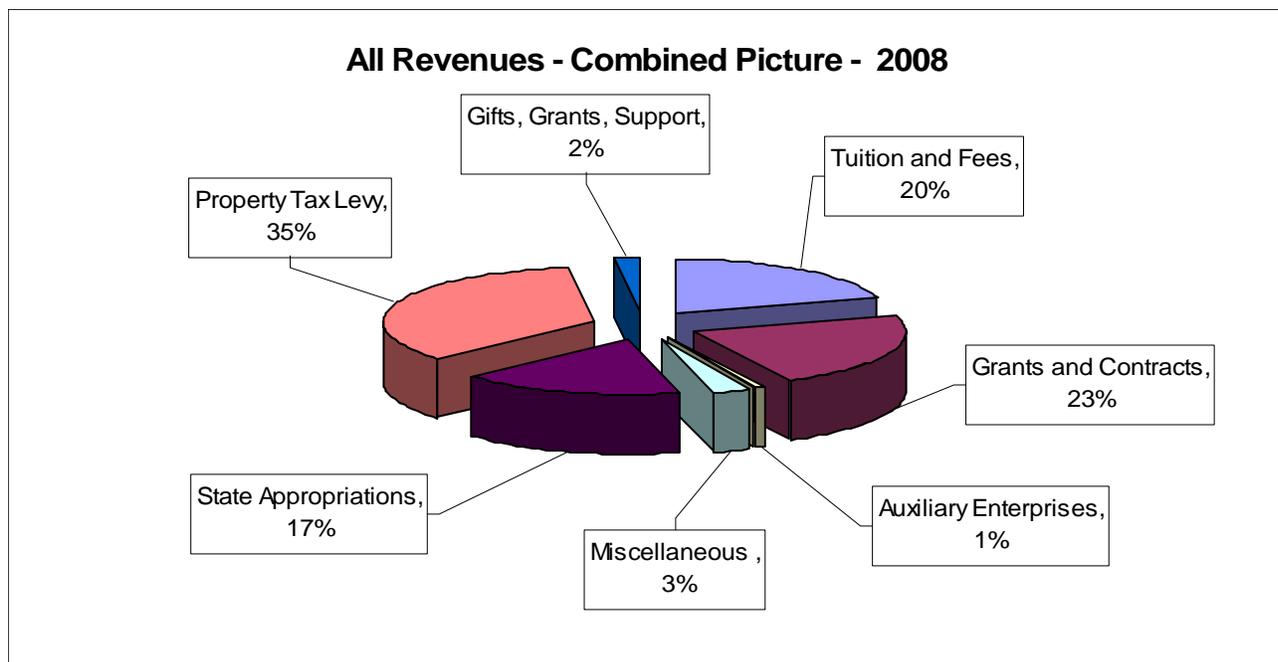
# Mott Community College

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

	2008	2007	2006
Interest on Capital Asset-Related Debt	\$ 2,914,100	\$ 3,016,206	\$ 2,950,675
Loss on Disposal of Assets	\$ 2,115	\$ 25,361	\$ 5,764
Discount on Bonds	\$ 8,311	\$ 6,733	\$ 39,980
Bond Issuance Costs	\$ 83,829	\$ 756	\$ 203,285
<b>Total Non-Operating Expenses</b>	<b>\$ 3,008,355</b>	<b>\$ 3,049,056</b>	<b>\$ 3,199,704</b>

### 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 2008:



For fiscal year 2008 property taxes, including operating and debt levies, accounted for 35% 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 2008.

# Mott Community College

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

### Statement of Cash Flows

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

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

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Cash and cash equivalents provided (used) by:</b>			
<b>Operating activities</b>	\$ (48.9)	\$ (48.7)	\$ (46.0)
<b>Noncapital financing activities</b>	54.1	49.9	47.3
<b>Capital and related financing activities</b>	9.4	(5.4)	5.4
<b>Investing activities</b>	<u>1.6</u>	<u>1.0</u>	<u>1.5</u>
<b>Net increase (decrease) in cash</b>	16.2	(3.2)	8.2
<b>Cash and cash equivalents, beginning of year</b>	<u>27.8</u>	<u>31.0</u>	<u>22.8</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 44.0</u></u>	<u><u>\$ 27.8</u></u>	<u><u>\$ 31.0</u></u>

The \$48.9 million in net cash used for operating activities includes \$78 million in payments to employees and suppliers, offset by \$29.1 million in cash received for tuition and fees, grants and contracts, auxiliary enterprise activities, and other miscellaneous revenues. This negative operating cash flow was covered by state appropriations, property taxes, gifts and other support, all of which are included in the \$54.1 million in cash provided from non-capital financing activities.

The net increase of \$9.4 million for capital and related financing activities is mostly due to the proceeds from the issuance of the final \$15 million sale of the 2004 \$45 million bond authorization, collection of the debt millage property tax levy offset by purchases of capital assets, and payments to make required principal and interest payments on outstanding bonded debt.

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

# Mott Community College

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

The overall result of cash flows is an increase in cash of \$16.2 million during 2008.

### Capital Assets and Debt Administration

#### Capital Assets

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

	2008	2007	2006
<b>Property and Equipment:</b>			
Land	\$ 844,173	\$ 844,173	\$ 844,173
Artwork	\$ 6,200	\$ 6,200	\$ 6,200
Construction in Progress	\$ 1,318,778	\$ 2,083,511	\$ 1,131,937
Buildings and Improvements	\$ 150,431,109	\$ 144,923,317	\$ 139,983,612
Infrastructure	\$ 7,499,797	\$ 7,413,416	\$ 7,355,453
Equipment	\$ 14,137,807	\$ 13,629,377	\$ 12,419,850
Vehicles	\$ 831,960	\$ 800,860	\$ 819,796
Library Books	\$ 1,933,015	\$ 1,892,016	\$ 1,850,959
Accumulated Depreciation	\$ (75,992,646)	\$ (70,377,979)	\$ (65,640,742)
<b>Total Property and Equipment</b>	<b>\$ 101,010,193</b>	<b>\$ 101,214,891</b>	<b>\$ 98,771,238</b>

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

Library Renovations-Event Center from Series 2006 bond proceeds	\$1.4 million
Prahl Center Renovations from designated reserves:	\$2.8 million
Wagoner Building Renovations from Series 2006 bond proceeds:	\$0.5 million

The College has future planned capital expenditures that include renovations to the Mott Library, a new food services area, replacement of roofs, and 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 the 2008 Bond proceeds and existing capital funds and planned transfers from operating funds.

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

# Mott Community College

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

### 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. The final issue took place on March 19, 2008 in the amount of \$15,000,000.

At June 30, 2008, the College had \$70.2 million in long-term bond-related debt outstanding, versus \$60.7 million on June 30, 2007 and \$66.0 million on June 30, 2006.

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 2008. 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 stable tax base; 2) adequate financial reserves; and 3) a low debt burden. Their rationale included evidence of planned balanced financial operations in the near future in addition to the College's already proven track record of maintaining improved, stable reserve levels.

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

### Economic Factors Affecting the Future

The economic position of the College is closely tied to that of Genesee County and the State of Michigan. Historically when the state economy is in a downturn, community colleges' enrollment increases and there are demands on community colleges for increased and more diverse training and education opportunities to meet needs of employers and individuals needing upgraded skills. By the same token, when the state experiences a lack of economic growth, decreased levels of appropriations to community colleges continue to result.

Traditionally, Mott Community College has received a majority of its revenues from property taxes with average increases of 5% over the past five years. In the 2008-2009 budget year, the College budgeted a decrease of approximately \$60 thousand based on the decrease in real estate Taxable Values provided by the Genesee County Equalization Department. Unfortunately, this trend is expected to continue and possibly worsen for the next few years. The College is aware of the potential ramifications of this shortfall and is taking steps to minimize its potential impact.

At this time, the 2008-2009 state budget includes a 2% increase in the Appropriation to Mott Community College which was reduced from the original increase of 2.9%. Based on recent history and current state budget problems, any additional increase in funding seems unlikely. In

# Mott Community College

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

2007, the state budget included a 2.7% funding increase to Mott Community College, prior to a reduction for the MPSERS credit and delayed August payment discussed previously. State appropriations to community colleges have not kept up with rates of inflation since 2000. Our original 2008-2009 budget includes a 2.9% increase and will be adjusted to reflect the actual increase in the amendment taking place in January 2009.

The Board of Trustees approved an increase of 3.2% for tuition and fee rates effective with the fall 2008 semester for the 2009 academic year. This modest increase reflects the results of continued efforts to contain operational costs. No mid-year tuition and fee increase is currently planned during 2009.

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

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

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

**Mott Community College**  
**Balance Sheet**  
**June 30, 2008**  
**With Comparative Figures at June 30, 2007**

	Primary Government		Component Unit Foundation for Mott Community College	
	2008	2007	2008	2007
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 29,119,288	\$ 21,988,505	\$ 159,074	\$ 58,922
Short-term investments	-	179,477	-	-
State appropriation receivable	2,678,218	910,172	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$2,904,193 for 2008 and \$2,412,060 for 2007)	1,209,906	1,401,099	268,005	269,217
Grants receivable	1,723,819	1,696,573	-	-
Inventories	44,430	46,045	-	-
Prepaid expenses and other assets	163,103	1,005,794	-	-
Total current assets	34,938,764	27,227,665	427,079	328,139
Long-term investment:	-	742,096	4,374,925	4,182,542
Assets limited as to use	14,860,342	5,853,763	-	-
Beneficial interest in perpetual trusts	36,341,336	40,422,588	-	-
Bond discount	404,145	319,933	-	-
Deferred charges	1,621,815	1,741,213	20,665	22,881
Property and equipment - Net of accumulated depreciation (\$75,992,646 for 2008 and \$70,377,979 for 2007 )	101,010,193	101,214,891	-	-
Total assets	\$ 189,176,595	\$ 177,522,149	\$ 4,822,669	\$ 4,533,562

	Primary Government		Component Unit Foundation for Mott Community College	
	2008	2007	2008	2007
<b>Liabilities and Net Assets:</b>				
Current liabilities:				
Current portion of debt obligations	\$ 5,545,000	\$ 5,315,000	\$ -	\$ -
Accounts payable	3,530,225	2,361,950	35,792	16,543
Accrued interest payable	720,834	663,084	-	-
Accrued payroll and related liabilities	3,821,225	3,738,900	-	-
Deposits held for others	45,732	671,063	-	-
Unearned revenue	2,019,696	1,285,793	15,669	18,389
Total current liabilities	15,682,712	14,035,790	51,461	34,932
Long-term debt obligations	70,180,000	60,725,000	-	-
Accrued termination pay	2,565,725	2,624,576	-	-
Bond premium	1,883,541	2,024,756	-	-
Total liabilities	90,311,978	79,410,122	51,461	34,932
Net assets:				
Invested in capital assets, net of related debt	39,020,103	40,226,347	-	-
Restricted for				
Nonexpendable	36,341,336	40,490,688	1,284,416	956,945
Expendable				
Student loans	-	68,294	-	-
Scholarships and awards	47,179	44,409	3,088,014	2,958,992
Capital projects	167,376	160,753	-	-
Debt service	2,525,638	2,272,490	-	-
Unrestricted	20,762,985	14,849,046	398,778	582,693
Total net assets	98,864,617	98,112,027	4,771,208	4,498,630
Total liabilities and net assets	\$ 189,176,595	\$ 177,522,149	\$ 4,822,669	\$ 4,533,562

**Mott Community College**  
**Statement of Revenues, Expenses and Changes in Net Asset**  
**Year Ended June 30, 2008**  
**With Comparative Figures at June 30, 2007**

	Primary Government		Component Unit Foundation for Mott Community College	
	2008	2007	2008	2007
<b>Revenues:</b>				
Operating revenues				
Tuition and fees	\$ 27,650,338	\$ 25,321,353	\$ -	\$ -
Less scholarship allowances	(8,823,221)	(7,622,602)	-	-
Federal grants and contracts	5,664,807	3,764,217	-	-
State and local grants and contracts	1,228,938	1,841,881	-	-
Private gifts and grants	688,618	2,057,465	213,890	-
Auxiliary enterprises	725,317	701,287	-	-
Gifts	-	-	590,142	983,784
Miscellaneous	1,295,366	1,252,498	29,477	159,553
Total operating revenues	28,430,163	27,316,099	833,509	1,143,337
<b>Expenses:</b>				
Operating expenses				
Instruction	25,887,769	25,240,808	-	-
Public service	3,336,269	2,638,844	213,890	209,047
Instructional support	11,016,337	9,370,344	86,358	265,500
Student services	15,735,005	13,164,162	187,001	215,457
Institutional administration	7,173,258	7,527,947	-	-
Operation and maintenance of plant	10,001,872	10,962,286	-	-
Depreciation	5,781,137	4,924,722	-	-
Technology	7,166,947	6,762,459	-	-
Foundation operations	-	-	115,170	164,337
Total operating expenses	86,098,594	80,591,572	602,419	854,341
Operating gain (loss)	(57,668,431)	(53,275,473)	231,090	288,996
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations	16,177,925	12,497,749	-	-
Property tax levy	32,511,222	31,541,917	-	-
Pell grants	13,643,093	10,373,789	-	-
Gifts	1,842,525	1,812,360	328,650	116,691
Investment income	1,335,863	1,755,333	159,038	-
Net realized and unrealized gain on investment	-	-	(446,200)	457,194
Change in value of perpetual trusts	(4,081,252)	4,129,164	-	-
Interest on capital asset - related debt	(2,914,100)	(3,016,206)	-	-
Loss on disposal of assets	(2,115)	(25,361)	-	-
Premium (discount) on bonds	(8,311)	(6,733)	-	-
Bond issuance costs	(83,829)	(756)	-	-
Net non-operating revenues	58,421,021	59,061,256	41,488	573,885
Increase in net assets	752,590	5,785,783	272,578	862,881
<b>Net Assets:</b>				
Net assets - beginning of year	98,112,027	92,326,244	4,498,630	3,635,749
Net assets - end of year	\$ 98,864,617	\$ 98,112,027	\$ 4,771,208	\$ 4,498,630

**Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2008**

	Primary Government 2008	Component Unit 2008
	<hr/>	<hr/>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 18,960,511	\$ -
Grants and contracts	7,926,725	213,890
Payments to suppliers	(24,960,380)	(313,035)
Payments to employees	(53,008,277)	-
Auxiliary enterprise	413,096	-
Gifts received	-	354,302
Allocations to primary government	-	(273,359)
Allocations from component unit	273,359	-
Other	1,441,576	29,477
	<hr/>	<hr/>
Net cash (used for) provided by operating activities	(48,953,390)	11,275
<b>Cash Flows from Noncapital Financing Activities:</b>		
State appropriations	14,409,879	-
Local property taxes	24,151,850	-
Pell grants	13,643,093	-
Gifts and contributions for other than capital purposes	1,842,525	328,650
Student loan receipts	9,085,680	-
Student loan disbursements	(9,082,773)	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	54,050,254	328,650
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Purchase of capital assets	(5,578,554)	-
Principal paid on capital debt	(5,315,000)	-
Proceeds from issuance of debt	14,885,659	-
Bond issuance costs	(83,829)	-
Capital property tax levy	8,359,372	-
Interest paid on capital debt	(2,856,350)	-
	<hr/>	<hr/>
Net cash provided by capital and related financing activities	9,411,298	-
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investment	13,176,771	770,337
Interest on investments	2,573,296	159,038
Purchase of investments	(14,120,867)	(1,169,148)
	<hr/>	<hr/>
Net cash provided by (used for) investing activities	1,629,200	(239,773)
<b>Net increase in cash</b>	16,137,362	100,152
<b>Cash - beginning of year</b>	27,842,268	58,922
<b>Cash - end of year</b>	<hr/> <u>\$ 43,979,630</u>	<hr/> <u>\$ 159,074</u>
Cash and cash equivalents	\$ 29,119,288	\$ 159,074
Assets limited as to use	14,860,342	-
	<hr/> <u>\$ 43,979,630</u>	<hr/> <u>\$ 159,074</u>

*See notes to financial statements.*

**Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2008**

	Primary Government 2008	Component Unit 2008
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities</b>		
Operating gain (loss)	\$(57,668,431)	\$ 231,090
Adjustments to reconcile operating loss to net cash provided by (used for):		
Depreciation	5,781,137	-
Donations of Stock & Other Assets	-	(239,772)
(Increase) decrease in net assets:		
Federal and state grants receivable	(27,246)	-
Accounts receivable (net)	191,193	1,212
Inventories	1,615	-
Prepaid assets and other current assets	842,690	2,216
Increase (decrease) in liabilities:		
Accounts payable	1,168,275	19,249
Accrued payroll and other compensation	23,474	-
Unearned revenue	733,903	(2,720)
	<u>\$(48,953,390)</u>	<u>\$ 11,275</u>
Net cash provided by (used for) operating activities	<u>\$(48,953,390)</u>	<u>\$ 11,275</u>

*See notes to financial statements.*

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

	Primary Government 2007	Component Unit 2007
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 18,306,260	\$ -
Grants and contracts	8,631,458	(209,047)
Payments to suppliers	(25,370,161)	(159,006)
Payments to employees	(51,171,385)	-
Auxiliary enterprise	343,687	-
Gifts received	-	848,109
Allocations to primary government	-	(480,957)
Allocations from component unit	480,957	-
Other	59,049	255,715
	<hr/>	<hr/>
Net cash provided by (used for) operating activities	(48,720,135)	254,814
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	14,170,379	-
Local property taxes	23,582,398	-
Pell grants	10,373,789	-
Gifts and contributions for other than capital purposes	1,732,360	116,691
Student loan receipts	10,873,702	-
Student loan disbursements	(10,876,124)	-
Agency transactions	11,821	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	49,868,325	116,691
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(7,393,737)	-
Principal paid on capital debt	(3,065,933)	-
Capital property tax levy	8,123,239	-
Interest paid on capital debt	(3,016,206)	-
	<hr/>	<hr/>
Net cash provided by capital and related financing activities	(5,352,637)	-
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales and maturities of investment	29,915,231	787,408
Interest on investments	1,514,402	-
Purchase of investments	(30,400,000)	(1,173,634)
	<hr/>	<hr/>
Net cash provided by (used for) investing activities	1,029,633	(386,226)
<b>Net increase (decrease) in cash</b>	(3,174,814)	(14,721)
<b>Cash - beginning of year</b>	31,017,082	73,643
<b>Cash - end of year</b>	<hr/> <u>\$ 27,842,268</u>	<hr/> <u>\$ 58,922</u>
Cash and cash equivalents	\$ 21,988,505	\$ 58,922
Assets limited as to use	5,853,763	-
	<hr/> <u>\$ 27,842,268</u>	<hr/> <u>\$ 58,922</u>

*See notes to financial statements.*

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

	Primary Government 2007	Component Unit 2007
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used for) Operating Activities</b>		
Operating gain (loss)	\$(53,275,473)	\$ 288,996
Adjustments to reconcile operating loss to net cash provided by (used for)		
Depreciation	4,924,722	-
(Increase) decrease in net assets		
Federal and state grants receivable	331,722	-
Accounts receivable (net)	(153,931)	(154,064)
Inventories	46,588	-
Prepaid assets and other current assets	(843,967)	(4,875)
Assets held by Primary Government	-	106,824
Increase (decrease) in liabilities		
Accounts payable	(344,771)	(456)
Accrued payroll and other compensation	244,021	-
Unearned revenue	350,954	18,389
	<u>\$(48,720,135)</u>	<u>\$ 254,814</u>

*See notes to financial statements.*

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

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

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

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

Significant accounting policies followed by the College are described below:

**Accrual basis**

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

**Cash and cash equivalents:**

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

**Gifts and pledges:**

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

**Investments:**

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

**Allowance for Doubtful Accounts:**

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

**Inventories:**

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

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

Assets Limited As To Use:

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

Property and Equipment:

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

Operating revenues:

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

Revenue recognition:

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

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

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

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

Estimates:

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

Net assets:

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

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

**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 2007 balances to conform with classifications used in 2008. These reclassifications had no effect on net assets as previously reported.

Pell grant reimbursements are classified as nonoperating revenues due to their nonexchange nature. The amounts received for 2008 and 2007 are \$13,643,093 and \$10,373,789, respectively.

**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, 2008, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-10 Years	More Than 10 Years
Money Markets	\$ 29,910,189	\$ 29,910,189	\$ -	\$ -
U.S. Government Bonds	348,874	-	348,874	-
U.S. Agency Bonds	13,109,603	7,764,452	5,345,151	-
Total investments and maturities	<u>\$ 43,368,666</u>	<u>\$ 37,674,641</u>	<u>\$ 5,694,025</u>	<u>\$ -</u>

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

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

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

Interest rate risk:

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk:

The College is authorized by Michigan Public Act 331 of 1966 and as amended through 1997 to invest surplus monies in bonds, bills, and notes of the United States or obligations of the State of Michigan, mutual funds and investment pools that are composed of authorized investments, bankers acceptances, commercial paper rated prime by at least one of the standard rating services, negotiable certificates of deposits and certain repurchase agreements. The College has no investment policy that would further limit its investment choices.

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

Custodial credit risk:

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

Deposits:

Of the cash that the College holds, \$235,150 was covered by federal depository insurance and \$4,011,534 was uninsured and uncollateralized for the year ended June 30, 2008.

The College believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the College evaluates each institution with which it deposits College funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

**3. Beneficial Interest in Perpetual Trusts**

The College's beneficial interest in perpetual trusts represents 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 the 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.

Investments held by the Foundation consisted of the following at June 30:

	<u>2008</u>	<u>2007</u>
Certificate of Deposits	\$ 190,579	\$ -
Common Stocks	2,742,232	2,941,101
U.S. government bonds and federal agency bonds	666,014	773,598
International and corporate bonds	489,643	378,537
Mortgage and asset-backed securities	142,457	89,306
Real estate holdings	144,000	-
Total	<u>\$ 4,374,925</u>	<u>\$ 4,182,542</u>

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

**4. Property and equipment**

The following table presents the changes in various fixed asset class categories for the year ended June 30, 2008 as follows:

	Beginning Balance	Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
<b>Nondepreciable capital assets:</b>					
Land	\$ 844,173	\$ -	\$ -	\$ 844,173	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 10)	2,083,511	1,318,778	(2,083,511)	1,318,778	
<b>Total nondepreciable capital assets</b>	<b>2,933,884</b>	<b>1,318,778</b>	<b>(2,083,511)</b>	<b>2,169,151</b>	
<b>Depreciable capital assets:</b>					
Buildings and improvements	142,737,284	5,359,849	-	148,097,133	15 - 50
Leasehold improvements	2,186,033	147,943	-	2,333,976	5
Infrastructure	7,413,416	86,381	-	7,499,797	10 - 50
Computer equipment	4,065,458	408,568	(29,299)	4,444,727	5 - 10
Audio-visual equipment	701,053	-	(17,403)	683,650	5 - 10
Other equipment	8,862,866	268,448	(121,884)	9,009,430	5 - 20
Vehicles	800,860	31,100	-	831,960	8
Library books	1,892,016	40,999	-	1,933,015	5
<b>Total depreciable capital assets</b>	<b>168,658,986</b>	<b>6,343,288</b>	<b>(168,586)</b>	<b>174,833,688</b>	
<b>Total capital assets</b>	<b>171,592,870</b>	<b>7,662,066</b>	<b>(2,252,097)</b>	<b>177,002,839</b>	
<b>Less: accumulated depreciation:</b>					
Buildings and improvements	53,220,652	3,926,262	-	57,146,914	
Leasehold improvements	226,736	466,795	-	693,531	
Infrastructure	6,724,189	131,636	-	6,855,825	
Computer equipment	2,553,419	634,470	(29,300)	3,158,589	
Audio-visual equipment	544,085	68,211	(15,287)	597,009	
Other equipment	4,665,272	462,874	(121,884)	5,006,262	
Vehicles	637,949	57,284	-	695,233	
Library books	1,805,677	33,606	-	1,839,283	
<b>Total accumulated depreciation</b>	<b>70,377,979</b>	<b>5,781,138</b>	<b>(166,471)</b>	<b>75,992,646</b>	
<b>Total net capital assets</b>	<b>\$ 101,214,891</b>	<b>\$ 1,880,928</b>	<b>\$(2,085,626)</b>	<b>\$ 101,010,193</b>	

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

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

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

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

**5. Long-term liabilities**

Long-term liabilities of the College consist of bonds. The changes in long-term liabilities for the year ended June 30, 2008 are as shown below.

	Beginning Balance	Additions	Reductions	Ending Balance	Current Debt Obligations
Building and Improvement Bonds:					
Series 1998	\$ 3,470,000	\$ -	\$ 135,000	\$ 3,335,000	\$ 150,000
Series 1999	2,705,000	-	65,000	2,640,000	80,000
Series 2000	2,625,000	-	725,000	1,900,000	800,000
Series 2002	1,825,000	-	450,000	1,375,000	450,000
Series 2003	7,315,000	-	1,840,000	5,475,000	1,965,000
Series 2004	12,100,000	-	800,000	11,300,000	650,000
Series 2005	22,050,000	-	650,000	21,400,000	800,000
Series 2006	13,950,000	-	650,000	13,300,000	650,000
Series 2008	-	15,000,000	-	15,000,000	-
Total bonds payable	<u>\$ 66,040,000</u>	<u>\$ 15,000,000</u>	<u>\$ 5,315,000</u>	75,725,000	<u>\$ 5,545,000</u>
Current debt obligations				<u>5,545,000</u>	
Long term debt obligations				<u>\$ 70,180,000</u>	

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

	Total	Principal	Interest
Year ended June 30, 2009	8,830,174	5,545,000	3,285,174
June 30, 2010	8,984,039	5,945,000	3,039,039
June 30, 2011	9,741,365	6,945,000	2,796,365
June 30, 2012	8,099,389	5,530,000	2,569,389
June 30, 2013	7,586,256	5,235,000	2,351,256
Remaining years	56,492,675	46,525,000	9,967,675
	<u>\$ 99,733,898</u>	<u>\$ 75,725,000</u>	<u>\$ 24,008,898</u>

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

Long-term liabilities of the College consist of bonds.

The changes in long-term liabilities for the year ended June 30, 2007 are as shown below.

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

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

The General Obligation Building and Improvement and Refunding Bonds, Series 1998, were issued September 1, 1998 for building and site purposes and for refunding all or a portion of certain prior year bond issues. Principal payments ranging from \$150,000 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 refurbishing College buildings and sites and other buildings

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

**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 the College. Principal payments ranging from \$80,000 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 the College. Principal payments ranging from \$800,000 to \$1,775,000 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 the College. Principal payments ranging from \$450,000 to \$475,000 are due annually through 2011. Interest is payable semiannually at rates which vary from 3.75% to 4%.

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 \$1,965,000 to \$2,000,000 are due annually through 2010. Interest is payable semiannually at rates which vary from 3% 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 3% to 4.625%.

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 Note 12, Advanced Refundings. Principal payments ranging from \$800,000 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 \$650,000 to \$1,325,000 are due annually through 2021. Interest is payable semiannually at rates which vary from 4% to 5%.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

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

The Community College Facilities Bonds, Series 2008, were issued on April 15, 2008 for the purpose of making permanent improvements to, renovating, remodeling, improving equipping, reequipping, furnishing, and refurbishing College buildings and sites and other buildings to be used by the College for instructional purposes; acquiring buildings and sites for buildings; and constructing buildings and additions to buildings. Principal payments ranging from \$650,000 to \$1,225,000 are due annually through 2023. Interest is payable semiannually at rates which vary from 3.375% to 4.625%.

**6. Operating Leases**

The College leases equipment under non-cancellable operating leases. Total costs for such leases were \$321,402 for 2008 and \$321,402 for 2007. The future minimum lease payments for these leases are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Amount</u>
2009	\$ 321,402
2010	313,231
2011	197,779
2012	<u>40,008</u>
Total	<u>\$ 872,420</u>

**7. Employee benefits**

**Retirement Plan**

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

MPERS members participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. MPERS annually issued a stand-alone Comprehensive Annual Financial Report for the year ended September 30, 2007. This report can be obtained at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools), by calling (517) 322-5103, or by writing to the Office of Retirement Systems, Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

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

Regular retirement benefits are payable monthly for the lifetime of a retiree. Annual benefits equal 1½% of a member's final average compensation multiplied by years of service credited. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the five 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 1 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 five years of credited service provided the member has worked through his or her 60<sup>th</sup> birthday and has credited service in each of the five 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 \$721,985 and \$755,815 of MIP contributions withheld from employees during the years ended June 30, 2008 and 2007, respectively.

Employer contributions to the pension system result from the effects of the School Finance Reform Act. Under these procedures, each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits. For the year ended June 30, 2008, the College was required to pay 11.19% of eligible employees' compensation from July 1, 2007 through September 30, 2007 and 10.17% of eligible employees' compensation from October 1, 2007 through June 30, 2008. A MPSERS credit of \$831,800 was issued to the College on June 6, 2007 due to a change in actuarial assumptions. The credit is being issued to reduce contributions to the plan in June and July 2007. The contributions made by the College (net of the MPSERS credit for 2007) amounted to \$2,701,690, \$2,476,076, and \$2,398,501, for the years ended June 30, 2008, 2007 and 2006, 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, 2007 comprehensive annual financial report.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

*Post-employment benefits.* Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10% of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. 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.

The MPSERS Board of Trustees annually set the employer contribution rate to fund the benefits on a pay as you go basis. Participating employers are required to contribute at that rate. The employer contribution rate was 6.55% of covered payroll for the period July 1, 2007 through September 30, 2007 and 6.55% for the period from October 1, 2007 through June 30, 2008. The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2008, 2007, and 2006 were \$1,655,874, \$1,550,064, and \$1,736,846, respectively.

During the year ended September 30, 2007, there were 162,844 eligible participants in the MPSERS that are eligible to receive benefits, of which, 129,777 are currently receiving benefits. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were \$653,573,464 for the year ended September 30, 2007.

**Defined Contribution Plan**

On July 13, 1994, the Governor signed Public Act No. 296 of 1994. This legislation amended Section 2 of Act No. 156 of the Public Acts of 1967 to include community colleges in the definition of higher education. This Act allows community colleges, beginning October 1, 1994, to offer to members of faculty and administrative staff on a full-time basis a defined contribution plan as an alternative to MPSERS. On December 19, 1994, the College agreed to establish such a plan. On January 23, 1995, the College approved a plan to be implemented effective February 1, 1995, of which Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF) was the chosen provider. Eligibility is defined as full-time faculty, supervisors and managers, and exempt

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

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

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, 2008, the College was required to pay 21.28% of eligible employees' compensation from July 1, 2007 through September 30, 2007 and 20.26% of eligible employees' compensation from October 1, 2007 through June 30, 2008. 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 30, 2008 amounted to \$6,845,790 and \$38,547,768, respectively. The College's covered payroll and total payroll for the year ended June 30, 2007 amounted to \$6,937,791 and \$38,109,824, respectively. Contributions made by the College during the years ended June 30, 2008 and 2007 were \$1,056,097 and \$1,135,854, respectively.

**8. 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 10 describes these commitments.

**9. 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, 2007 to June 30, 2008. Under the 2007-2008 leases, the aggregate monthly rental payment was \$7,714, for an annual total of \$70,602. Under the 2006-2007 leases, the aggregate monthly rental payment was \$6,768 for an annual total of \$81,211.

**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, 2007 to June 30, 2008. Under the 2007-2008 leases, the aggregate monthly rental payment was \$12,051, for an annual total of \$144,620. Under the 2006-2007 leases, the aggregate monthly rental payment was \$11,428 for an annual total of \$119,240.

**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 five months to two years terms during the lease year from July 1, 2007 to June 30, 2008. Under the 2007-2008 leases, the aggregate monthly rental payment was \$7,138 for an annual total of \$85,659. Under the 2006-2007 leases, the monthly rental payment was \$7,723 for an annual total of \$88,096.

**Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2008**

**9. Leases – (continued)**

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, 2007 to June 30, 2008. Under the 2007-2008 leases, the aggregate monthly rental payment was \$10,511 for an annual total of \$126,134. Under the 2006-2007 leases, the aggregate monthly rental payment was \$13,324 for an annual total of \$156,921.

**10. Construction in progress**

The College started construction on renovations of the Campus Food Service Facility during fiscal year 2007-2008. The total contract for this project is \$1,668,500. As of June 30, 2008, expenditures totaled \$309,005, including \$24,601 in retainage, leaving a remaining commitment of approximately \$1,359,495. The completion date is scheduled for the end of October 2008.

The College started roofing the Mott Memorial Building and the Prah! College Center during fiscal year 2007-2008. The total contract for this project is \$809,900. As of June 30, 2008, expenditures totaled \$728,910, including \$80,990 in retainage, leaving a remaining commitment of approximately \$80,990. The completion date is scheduled for August 2008.

The Library renovation, the Prah! College Center renovation, and the renovations at Lapeer Campus all started during fiscal year 2006-2007 and were completed during the 2007-2008 fiscal year.

**11. 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.

**12. Advance Refunding**

In prior years, the College defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$21,675,000 of bonds outstanding are considered defeased.

**Additional  
Information**

**Mott Community College  
Combining Balance Sheet  
June 30, 2008**

	Combined Total	General Fund	Designated Fund
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 29,119,288	\$ 20,531,215	\$ -
State appropriation receivable	2,678,218	2,678,218	-
Accounts receivable -			
Net of \$2,904,193 allowance	1,209,906	875,076	5,804
Grants receivable	1,723,819	-	-
Inventories	44,430	44,430	-
Prepaid expenses and other assets	163,103	163,103	-
Total current assets	34,938,764	24,292,042	5,804
Assets limited as to use	14,860,342	-	-
Beneficial interest in perpetual trusts	36,341,336	-	-
Bond discount	404,145	-	-
Deferred charges	1,621,815	-	-
Property and equipment -			
Net of \$75,992,646 accumulated depreciation	101,010,193	-	-
Total assets	\$ 189,176,595	\$ 24,292,042	\$ 5,804

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ 150	\$ -	\$ -	\$ -	\$ -	\$ 8,587,923
-	-	-	-	-	-
29,503	284,621	14,902	-	-	-
-	-	1,723,819	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
29,653	284,621	1,738,721	-	-	8,587,923
-	-	-	-	-	14,860,342
-	-	-	-	36,341,336	-
-	-	-	-	-	404,145
-	-	-	-	-	1,621,815
-	-	-	-	-	101,010,193
\$ 29,653	\$ 284,621	\$ 1,738,721	\$ - 0 -	\$ 36,341,336	\$ 126,484,418

**Mott Community College**  
**Combining Balance Sheet (continued)**  
**June 30, 2008**

	Combined Total	General Fund	Designated Fund
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Current portion of debt obligations	\$ 5,545,000	\$ -	\$ -
Accounts payable	3,530,225	3,529,625	-
Due to (from) other funds	-	7,044,915	(1,631,824)
Accrued interest payable	720,834	-	-
Accrued payroll and related liabilities	3,821,225	3,691,956	2,002
Deposits held for others	45,732	15,480	-
Unearned revenue	2,019,696	846,115	133,930
<b>Total current liabilities</b>	<b>15,682,712</b>	<b>15,128,091</b>	<b>(1,495,892)</b>
Long-term debt obligations	70,180,000	-	-
Accrued termination pay	2,565,725	2,565,725	-
Bond premium	1,883,541	-	-
<b>Total liabilities</b>	<b>90,311,978</b>	<b>17,693,816</b>	<b>(1,495,892)</b>
Net assets:			
Invested in capital assets, net of related deb	39,020,103	-	-
Restricted for			
Nonexpendable	36,341,336	-	-
Expendable			
Student loans	-	-	-
Scholarships and awards	47,179	-	-
Capital projects	167,376	-	-
Debt service	2,525,638	-	-
Unrestricted	20,762,985	6,598,226	1,501,696
<b>Total net assets</b>	<b>98,864,617</b>	<b>6,598,226</b>	<b>1,501,696</b>
<b>Total liabilities and net assets</b>	<b>\$ 189,176,595</b>	<b>\$ 24,292,042</b>	<b>\$ 5,804</b>

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,545,000
-	-	-	-	-	600
26,582	254,369	527,695	-	-	(6,221,737)
-	-	-	-	-	720,834
3,071	-	124,196	-	-	-
-	30,252	-	-	-	-
-	-	1,039,651	-	-	-
29,653	284,621	1,691,542	-	-	44,697
-	-	-	-	-	70,180,000
-	-	-	-	-	-
-	-	-	-	-	1,883,541
29,653	284,621	1,691,542	-	-	72,108,238
-	-	-	-	-	39,020,103
-	-	-	-	36,341,336	-
-	-	-	-	-	-
-	-	47,179	-	-	-
-	-	-	-	-	167,376
-	-	-	-	-	2,525,638
-	-	-	-	-	12,663,063
-	-	47,179	-	36,341,336	54,376,180
\$ 29,653	\$ 284,621	\$ 1,738,721	\$ - 0 -	\$ 36,341,336	\$ 126,484,418

**Mott Community College**  
**Combining Statement of Revenues, Expenses,**  
**Transfers and Changes in Net Assets**  
**Year Ended June 30, 2008**

	Combined Total	Eliminations	General Fund
<b>Revenues:</b>			
Operating revenues			
Tuition and fees	\$ 27,650,338	\$ -	\$ 26,262,113
Less scholarship allowances	(8,823,221)	(8,823,221)	-
Federal grants and contracts	5,664,807	-	-
State and local grants and contracts	1,228,938	-	-
Private gifts and grants	688,618	(1,413,339)	14,214
Auxiliary enterprises	725,317	-	-
Expenditures for equipment and capital improvements	-	(5,578,554)	-
Miscellaneous	1,295,366	-	813,221
Total operating revenues	28,430,163	(15,815,114)	27,089,548
<b>Expenses:</b>			
Operating expenses			
Instruction	25,887,769	(700,612)	25,436,966
Public service	3,336,269	(48,956)	480,486
Instructional support	11,016,337	(847,630)	8,603,378
Student services	15,735,005	(8,961,251)	7,457,702
Institutional administration	7,173,258	(1,400)	7,080,538
Operation and maintenance of plant	10,001,872	(4,900,891)	9,228,839
Depreciation	5,781,137	-	-
Technology	7,166,947	(354,374)	2,799,080
Total operating expenses	86,098,594	(15,815,114)	61,086,989
Operating income (loss)	(57,668,431)	-	(33,997,441)
<b>Non-Operating Revenues (Expenses):</b>			
State appropriations	16,177,925	-	16,177,925
Property tax levy	32,511,222	-	24,151,850
Pell grants	13,643,093	-	-
Gifts	1,842,525	-	1,782,525
Investment income	1,335,863	-	740,454
Change in value of perpetual trusts	(4,081,252)	-	-
Interest on capital asset - related debt	(2,914,100)	-	-
Loss on disposal of assets	(2,115)	-	-
Premium (discount) on bonds	(8,311)	-	-
Bond issuance costs	(83,829)	-	-
Net non-operating revenues	58,421,021	-	42,852,754
Increase (decrease) in net assets	752,590	-	8,855,313
Transfers in (out)	-	-	(8,546,659)
Net increase in net assets	752,590	-	308,654
<b>Net Assets:</b>			
Net assets - beginning of year	98,112,027	-	6,289,572
Net assets - end of year	\$ 98,864,617	\$ - 0 -	\$ 6,598,226

Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Student Loan Fund	Endowment Fund	Plant Fund
\$ 1,388,225	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	5,664,807	-	-	-
-	-	1,228,938	-	-	-
-	-	2,087,743	-	-	-
-	725,317	-	-	-	-
-	-	-	-	-	5,578,554
462,345	-	-	-	-	19,800
1,850,570	725,317	8,981,488	-	-	5,598,354
-	-	752,452	-	-	398,963
-	261,263	2,623,099	-	-	20,377
-	330	3,211,959	-	-	48,300
952,333	50,321	15,928,220	69,543	103,360	134,777
-	-	55,040	-	-	39,080
-	-	-	-	-	5,673,924
-	-	-	-	-	5,781,137
-	307	76,751	-	-	4,645,183
952,333	312,221	22,647,521	69,543	103,360	16,741,741
898,237	413,096	(13,666,033)	(69,543)	(103,360)	(11,143,387)
-	-	-	-	-	-
-	-	-	-	-	8,359,372
-	-	13,643,093	-	-	-
60,000	-	-	-	-	-
-	-	522	1,249	35,260	558,378
-	-	-	-	(4,081,252)	-
-	-	-	-	-	(2,914,100)
-	-	-	-	-	(2,115)
-	-	-	-	-	(8,311)
-	-	-	-	-	(83,829)
60,000	-	13,643,615	1,249	(4,045,992)	5,909,395
958,237	413,096	(22,418)	(68,294)	(4,149,352)	(5,233,992)
(484,346)	(413,096)	25,188	-	-	9,418,913
473,891	-	2,770	(68,294)	(4,149,352)	4,184,921
1,027,805	-	44,409	68,294	40,490,688	50,191,259
\$ 1,501,696	\$ - 0 -	\$ 47,179	\$ - 0 -	\$ 36,341,336	\$ 54,376,180

**Mott Community College**  
**Schedule 1 - Details of General Fund Expense**  
**Year Ended June 30, 2008**

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 18,166,742	\$ 5,863,022	\$ 502,727	\$ 701,460
Public service	254,729	62,930	81,147	14,787
Instructional support	5,114,085	2,493,612	316,211	196,282
Student services	4,387,069	1,689,226	192,726	181,848
Institutional administrator	3,243,027	2,043,715	966,987	178,064
Physical plant operations	3,268,718	1,571,689	1,157,666	610,852
Technology	917,663	466,249	1,016,090	37,847
	<u>\$ 35,352,033</u>	<u>\$ 14,190,443</u>	<u>\$ 4,233,554</u>	<u>\$ 1,921,140</u>

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 128,057	\$ -	\$ 48,211	\$ 26,747	\$ 25,436,966
8,400	-	58,493	-	480,486
-	58,281	412,856	12,051	8,603,378
490	2,634	1,003,709	-	7,457,702
-	-	648,195	550	7,080,538
55,000	2,520,094	26,438	18,382	9,228,839
-	-	355,881	5,350	2,799,080
<u>\$ 191,947</u>	<u>\$ 2,581,009</u>	<u>\$ 2,553,783</u>	<u>\$ 63,080</u>	<u>\$ 61,086,989</u>

**Mott Community College  
Schedule 2 - Details of Auxiliary Activities  
Year Ended June 30, 2008**

Activity	Balance July 1, 2007	Revenues	Expenditures (1)
Vending	\$ -	\$ 98,286	\$ -
Outside Catering	-	151,314	261,263
Bookstore--Main Campus	-	451,796	39,683
Pay Pal Account	-	-	330
Bookstore--Lapeer Campus	-	1,784	1,271
Pay Phones	-	1,259	-
Campus Kids Day Care	-	-	-
Student Computer Lab Printing	-	20,878	9,674
	<u>\$ - 0 -</u>	<u>\$ 725,317</u>	<u>\$ 312,221</u>

(1) Expenses include amounts allocated from the General Fund for utilities and maintenance cost  
These costs amounted to \$36,881 for the bookstore

Transfers In (Out)

Excess Revenues to General Fund	Excess Expenditures Absorbed by General Fund	Balance June 30, 2008
\$ 98,286	\$ -	\$ -
-	109,949	-
412,113	-	-
-	330	-
513	-	-
1,259	-	-
-	-	-
11,204	-	-
<u>\$ 523,375</u>	<u>\$ 110,279</u>	<u>\$ - 0 -</u>

**Mott Community College**  
**Schedule 3 - Details of Endowments and Similar Fund**  
**Year Ended June 30, 2008**

	Principal Balance July 1, 2007	Gifts	Additions Income from Investments
<b>Endowment Funds</b>			
Administered by Mott Community College			
Abe & Shirley Schreiber Memorial Scholarship Fund	\$ -	\$ -	\$ 2,614
Art Enrichment Fund	-	-	84
Ava Underhill Scholarship Fund	-	-	208
Begole Brownell Fund	-	-	11,631
Bertha F. Dunlap Trust Fund	-	-	413
Douglas Larmor Music Scholarship Fund	-	-	263
General Scholarship Fund	-	-	1,581
Goodrich - Skidmore Disabled Veterans Scholarship Fund	5,000	-	522
Jack J. & Gary I. Sarver Memorial Scholarship Fund	10,000	-	1,048
Nicholas S. Gytos Scholarship Fund	5,000	-	522
O.M. MacArthur Music Scholarship Fund	-	-	40
Oz Kelly Memorial Scholarship Fund	8,000	-	836
Robert Haw Scholarship Fund	25,000	-	2,614
Sidney B. Melet Scholarship Fund	5,100	-	533
Wendell Williams Scholarship Fund	10,000	-	1,048
Total administered by MCC	68,100	-	23,957
Administered by others:			
Glen L. Bancroft Trust Fund	269,268	-	19,486
John L. Pierce Educational Fund	189,163	-	11,105
Wesley F. Burdick Scholarship Fund	720,803	-	42,263
William S. Ballenger Trust Fund	39,171,258	-	1,159,522
Vernon A. Martin Trust Fund	72,098	-	5,060
Total administered by others	40,422,590	-	1,237,436
Total endowment funds	40,490,690	-	1,261,393
Funds functioning as endowments			
Chester Smith Memorial Fund	-	-	683
Juanita Carr Estate Library Fund	-	-	10,620
Total funds functioning as endowments	-	-	11,303
Total	\$ 40,490,690	\$ - 0 -	\$ 1,272,696

Deductions

Net Realized and Unrealized Loss on Investment	Administrative Expenses	Distributions	Principal Balance June 30, 2008	Beneficiary Fund
\$ -	\$ -	\$ 2,614	\$ -	Schreiber Memorial Scholarship Fund
-	-	84	-	Art Division Gifts (PG & G)
-	-	208	-	Underhill Music Scholarship Fund
-	-	11,631	-	Begole Brownell Fund (PG & G)
-	-	413	-	General Scholarship Fund
-	-	263	-	Douglas Larmor Music Scholarship Fund
-	-	1,581	-	General Scholarship Fund
-	-	5,522	-	Goodrich - Skidmore Scholarship Fund
-	-	11,048	-	General Scholarship Fund
-	-	5,522	-	General Scholarship Fund
-	-	40	-	MacArthur Music Scholarship Fund
-	-	8,836	-	General Scholarship Fund
-	-	27,614	-	General Scholarship Fund
-	-	5,633	-	General Scholarship Fund
-	-	11,048	-	General Scholarship Fund
-	-	92,057	-	
(20,812)	3,328	10,609	254,005	General Scholarship Fund
(16,775)	1,772	4,954	176,767	Designated Fund
(63,859)	5,441	20,222	673,544	General Scholarship Fund
(2,938,355)	437,295	1,782,525	35,172,605	Unrestricted General Fund
(7,913)	1,334	3,494	64,417	Vernon A. Martin Trust (PG & G)
(3,047,714)	449,170	1,821,804	36,341,338	
(3,047,714)	449,170	1,913,861	36,341,338	
-	-	683	-	Chester Smith Memorial Fund (PG & G)
-	-	10,620	-	Juanita Carr Library Grant (PG & G)
-	-	11,303	-	
\$ (3,047,714)	\$ 449,170	\$ 1,925,164	\$ 36,341,338	