

**Financial Statements**

**C.S. Mott Community College  
Flint, Michigan**

**June 30, 2012 and 2011**

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**INDEPENDENT AUDITORS' REPORT**

October 17, 2012

Board of Trustees  
C.S. Mott Community College  
Flint, Michigan

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of **C.S. Mott Community College** (the "College") as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit. The 2011 financial statements were audited by other auditors whose report dated October 13, 2011, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundation for Mott Community College, a discretely presented component unit of the College, were not audited in accordance with *Government Auditing Standards*. 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 audit of the 2012 financial statements provides a reasonable basis for our opinions.

In our opinion, the 2012 financial statements referred to above present fairly, in all material respects, the financial position of **C.S. Mott Community College** and its discretely presented component unit as of June 30, 2012, and the results of their operations and cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated October 17, 2012, on our consideration of **C.S. Mott Community College's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The combining balance sheet and statement of revenues, expenses and changes in net assets and schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

## **C. S. Mott Community College**

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### **Management's Discussion and Analysis - Unaudited**

This discussion and analysis section of C. S. Mott Community College's ("the College's") annual financial report provides an overview of the College's financial position at June 30, 2012, 2011 and 2010 and its financial activities for the three years ended June 30, 2012. 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, the 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, 2012. This supplementary section is not required by the 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, the 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."

# C.S. Mott Community College

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

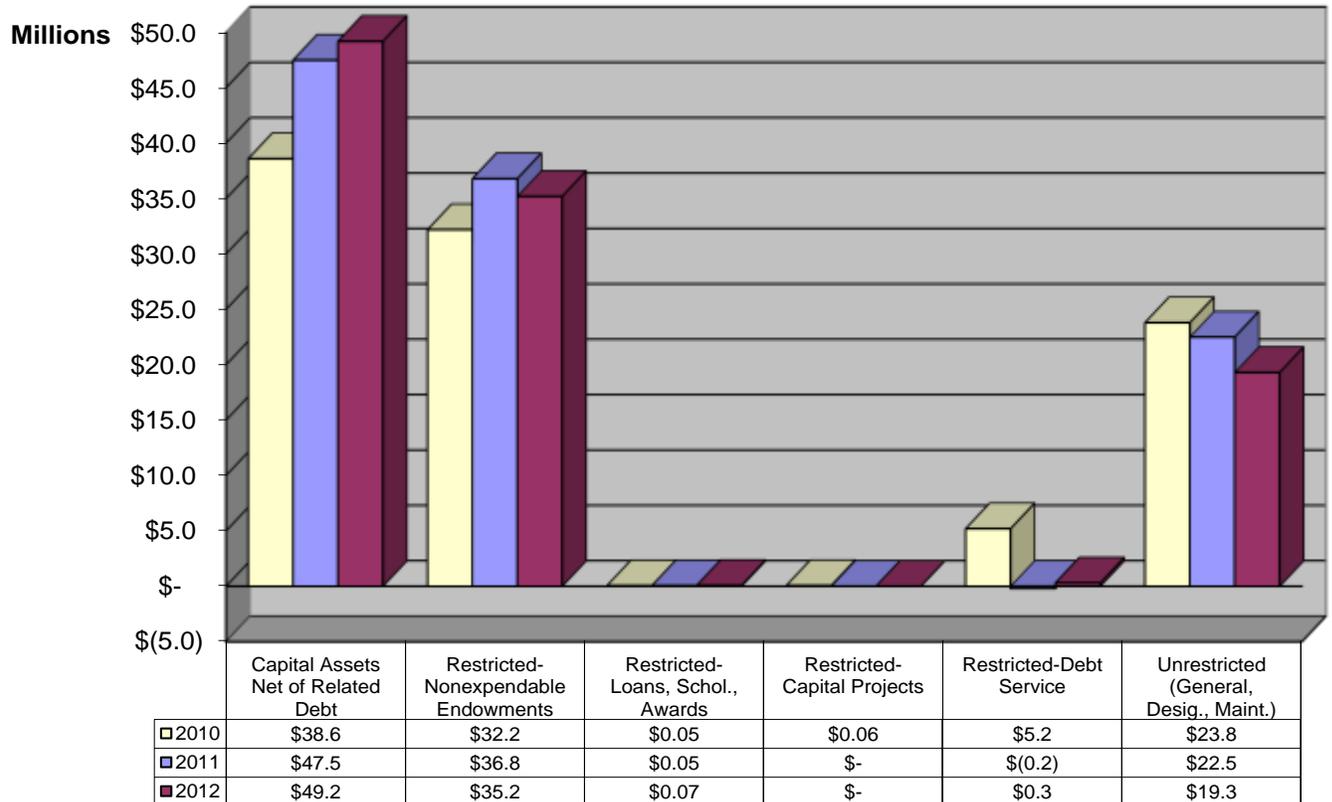
### Financial Highlights

The College's Net Assets decreased for the year ended June 30, 2012. Total Assets decreased from \$180.8 million to \$178.0 million to \$169.9 million at June 30, 2010, 2011 and 2012, respectively. Liabilities totaled \$65.7 million at June 30, 2012, compared to \$71.3 million in 2011 and \$80.9 in 2010. Net assets, which represent the remaining value of the College's assets after liabilities are deducted, decreased by \$2.6 million (or 2.4%) from the previous year, which was largely due to the decrease in market value of the investments in the perpetual trusts along with a budgeted net asset reduction. The College's Net Assets totaled \$104.1 million at June 30, 2012.

The Unrestricted category within Net Assets has decreased over the past three years, from \$23.8 million at June 30, 2010, to \$22.5 million at June 30, 2011, to \$19.3 million at June 30, 2012. This is mainly due to FYE 2012 planned net asset reductions in the general and plant funds.

The following chart provides a graphical categorization of net assets as of June 30, 2012, 2011 and 2010:

**Breakdown of Net Assets - By Category**



# C.S. 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, 2012 and 2011 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 health. The relationship between revenues and expenses may be thought of as C.S. 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, percentage of students requiring financial aid, 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, 2012 compared to June 30, 2011 and June 30, 2010. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

# C.S. Mott Community College

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

Mott Community College  
CONDENSED BALANCE SHEET  
As of June 30, 2012, 2011 and 2010  
(in millions)

	(in millions)		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>			
Current Assets	\$ 32.6	\$ 35.2	\$ 39.3
Capital Assets	\$ 100.4	\$ 104.3	\$ 102.4
Other Noncurrent Assets	<u>\$ 36.9</u>	<u>\$ 38.5</u>	<u>\$ 39.1</u>
Total Assets	<u>\$ 169.9</u>	<u>\$ 178.0</u>	<u>\$ 180.8</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 14.9	\$ 15.2	\$ 18.5
Noncurrent Liabilities	<u>\$ 50.9</u>	<u>\$ 56.1</u>	<u>\$ 62.4</u>
Total Liabilities	\$ 65.8	\$ 71.3	\$ 80.9
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	\$ 49.2	\$ 47.5	\$ 38.6
Restricted - Nonexpendable	\$ 35.2	\$ 36.8	\$ 32.2
Restricted - Expendable	\$ 0.4	\$ (0.2)	\$ 5.3
Unrestricted	<u>\$ 19.3</u>	<u>\$ 22.5</u>	<u>\$ 23.8</u>
Total Net Assets	<u>\$ 104.1</u>	<u>\$ 106.7</u>	<u>\$ 99.9</u>
Total Liabilities and Net Assets	<u>\$ 169.9</u>	<u>\$ 178.0</u>	<u>\$ 180.8</u>

The \$6.8 million growth in Total Net Assets from 2010 to 2011 and the decrease from 2011 to 2012 to \$104.1 million was largely due to the fluctuations in market valuation of our perpetual trusts along with budgeted net asset reductions.

The most significant changes in the Balance Sheet during 2012 related to:

- A decrease from 2011 to 2012 in Current Assets is due to an increase in cash and cash equivalents and short term investments, offset by a decrease in grants and state capital appropriation receivables.
- The decrease in Total Liabilities from 2011 to 2012 reflects the net decrease in bonded debt after factoring in scheduled payments, in addition to accrued payroll and related obligations.

The year ended on June 30, 2012, with a \$2.6 million decrease in Total Net Assets, totaling \$104.1 million.

# C.S. 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. Due to the reporting classifications for community colleges, their 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, 2012 compared to June 30, 2011 and June 30, 2010. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

Mott Community College  
CONDENSED STATEMENT OF REVENUES, EXPENSES,  
and CHANGES IN NET ASSETS  
For Years Ended June 30, 2012, 2011 and 2010

	(in millions)		
	<u>2012</u>	<u>2011</u>	<u>2010</u>
Total Operating Revenues	\$ 33.9	\$ 35.1	\$ 36.7
Total Operating Expenses	<u>\$ 106.8</u>	<u>\$ 111.0</u>	<u>\$ 109.2</u>
Total Operating Loss	\$ (72.9)	\$ (75.9)	\$ (72.5)
Nonoperating Revenues, Net	<u>\$ 70.3</u>	<u>\$ 78.6</u>	<u>\$ 76.7</u>
Income (loss) before other revenues	<u>\$ (2.6)</u>	<u>\$ 2.7</u>	<u>\$ 4.2</u>
Other Revenues	<u>\$ -</u>	<u>\$ 4.1</u>	<u>\$ -</u>
Total Increase(decrease) in Net Assets	\$ (2.6)	\$ 6.8	\$ 4.2
Net Assets, Beginning of Year	<u>\$ 106.7</u>	<u>\$ 99.9</u>	<u>\$ 95.7</u>
Net Assets, End of Year	<u><u>\$ 104.1</u></u>	<u><u>\$ 106.7</u></u>	<u><u>\$ 99.9</u></u>

In the fiscal year ended June 30, 2012, the College's expenses exceeded revenues and other support, creating a decrease in Total Net Assets of \$2.6 million (compared to a \$6.8 million increase during 2011, which included \$4.1 million in State Capital Appropriations, and a \$4.2 million increase during 2010).

## C.S. Mott Community College

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

#### Operating Revenues

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

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

	2012	2011	2010
<b>Tuition and Fees, net of Scholarship Allowances of \$21,503,662, \$19,915,988, and \$16,819,569 in 2012, 2011 and 2010, respectively</b>	<b>\$ 19,901,513</b>	<b>\$ 19,928,295</b>	<b>\$ 19,438,094</b>
<b>Federal Grants and Contracts</b>	<b>\$ 8,529,101</b>	<b>\$ 10,381,560</b>	<b>\$ 13,370,681</b>
<b>State and Local Grants and Contracts</b>	<b>\$ 785,605</b>	<b>\$ 1,255,139</b>	<b>\$ 615,107</b>
<b>Nongovernmental Grants</b>	<b>\$ 1,951,728</b>	<b>\$ 1,174,356</b>	<b>\$ 1,121,517</b>
<b>Auxiliary Enterprises</b>	<b>\$ 1,083,693</b>	<b>\$ 912,638</b>	<b>\$ 916,272</b>
<b>Other Operating Revenues</b>	<b>\$ 1,632,257</b>	<b>\$ 1,400,633</b>	<b>\$ 1,258,068</b>
<b>Total Operating Revenues</b>	<b>\$ 33,883,897</b>	<b>\$ 35,052,621</b>	<b>\$ 36,719,739</b>

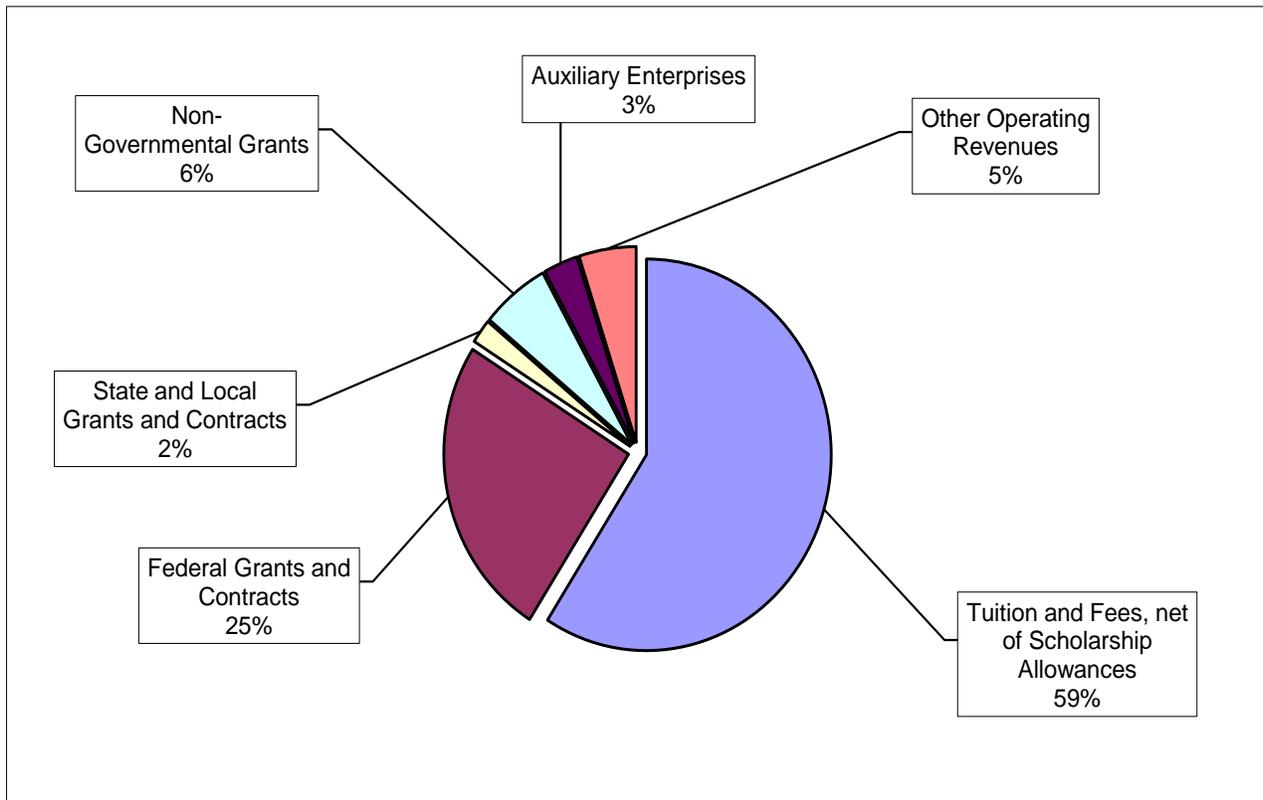
Total operating revenues decreased \$2.8 million (or 7.7%) during the past three years, as a result of the following:

- Gross tuition and fee revenue increased by approximately \$460 thousand during the three years ended June 30, 2012. This 2.4% overall increase was principally due to average annual tuition increases of 8.5% for the 2010, 2011, and 2012 academic years, coupled with a slight decrease in credit side enrollment.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) increased during the past three years by 27.8%, a rate exceeding the tuition and fee revenue increase by 19.3%. This is due to increased grant revenue and other student aid used to fund tuition and fees in recent years.
- Federal Grants and Contracts decreased from 2010 to 2011 due to ARRA funding ending, and several larger grants, including Tacom-RPDDP, IOFIS, CAM, and WIRED, winding down. The category decreased again from 2011 to 2012 due to decreased No Worker Left Behind funding as well as the elimination of Incumbent Worker and M-path funding.
- Nongovernmental grants increased in 2012 due to new funding sources, including the SESP (State Energy Sector Partnership) and MRS (Michigan Rehabilitation Services) grants.
- Auxiliary enterprises revenue increased slightly from 2010 to 2012, by \$167 thousand, and miscellaneous revenues increased by approximately \$374 thousand mainly due to a contribution from the Foundation for MCC in 2012.

# C.S. Mott Community College

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

The following is a graphic illustration of operating revenues by source for 2012:



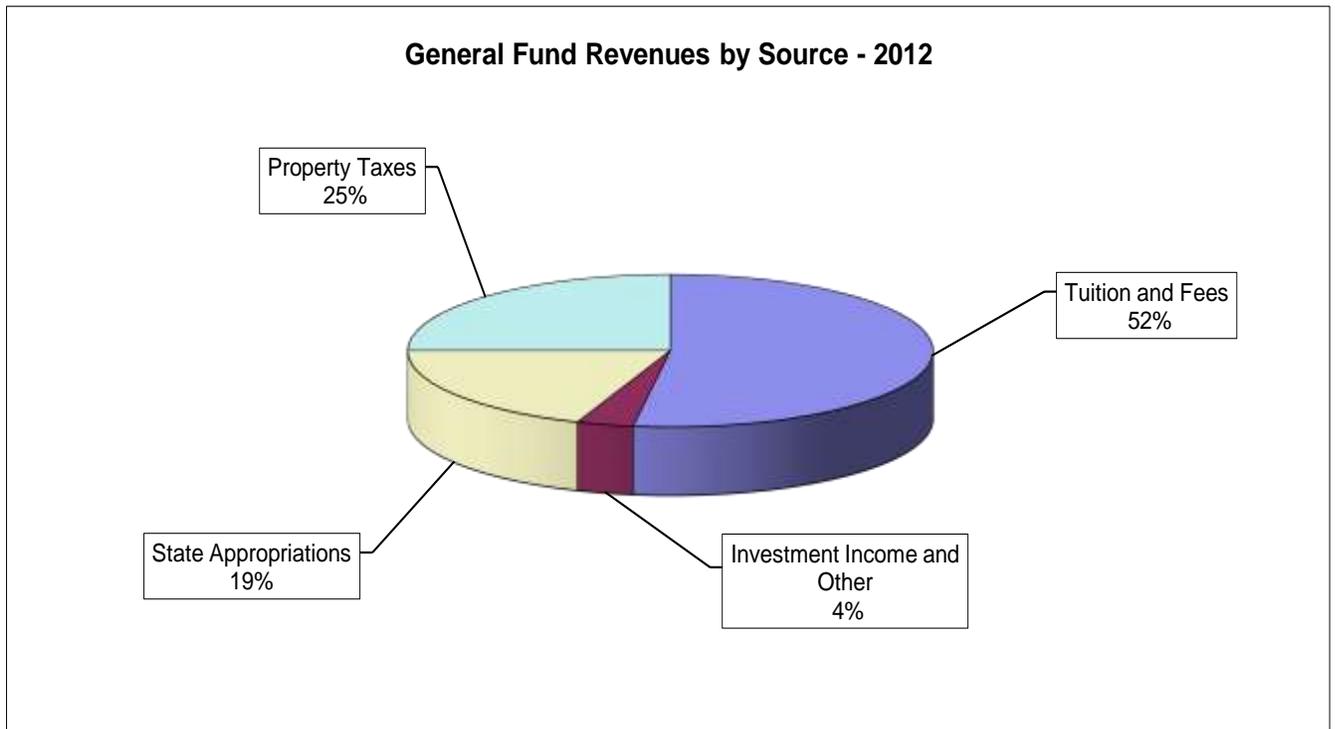
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

The College accounts for its primary programs and operations 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.

# C.S. 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, 2012:



### 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, 2012 total \$106.8 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.

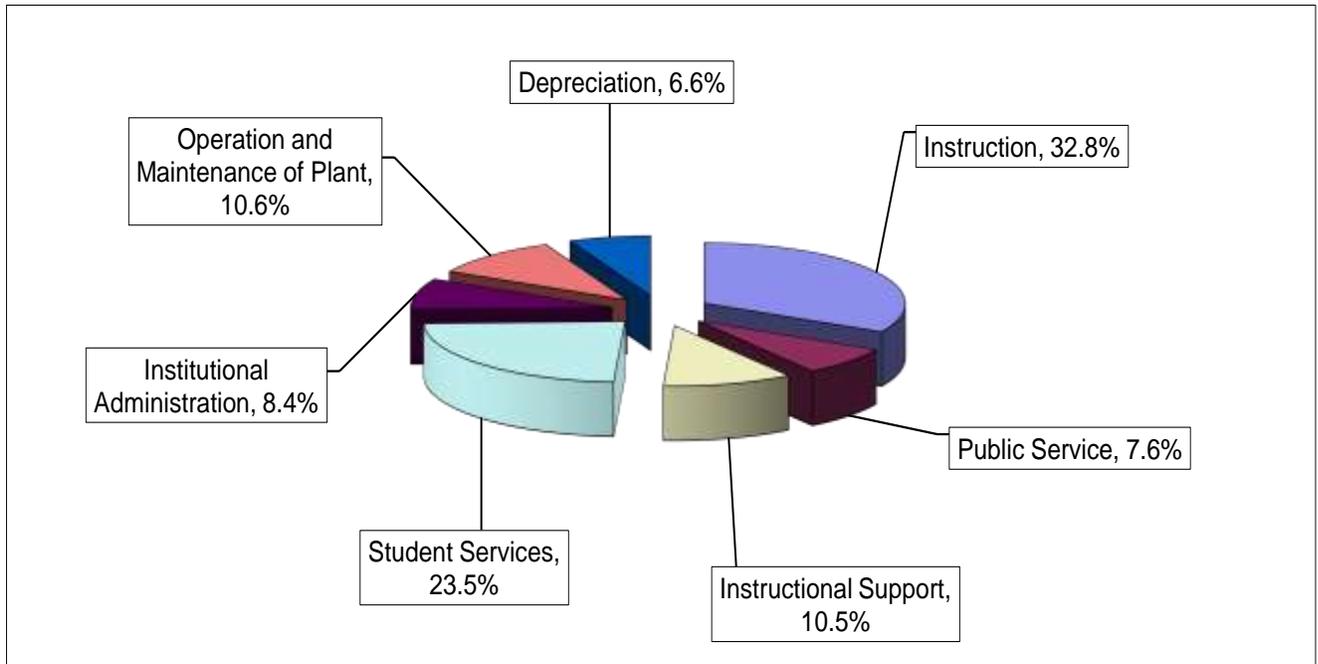
#### Operating Expenses by Function

	2012	2011	2010
Instruction	\$ 35,083,729	\$ 35,999,044	\$ 34,368,554
Public Service	\$ 8,109,362	\$ 8,494,713	\$ 10,570,553
Instructional Support	\$ 11,162,168	\$ 11,788,119	\$ 11,833,506
Student Services	\$ 25,116,859	\$ 27,505,734	\$ 23,860,041
Institutional Administration	\$ 8,964,710	\$ 8,771,676	\$ 9,424,336
Operation and Maintenance of Plant	\$ 11,338,438	\$ 11,324,043	\$ 12,636,790
Depreciation	\$ 7,018,973	\$ 7,148,626	\$ 6,522,902
<b>Total Operating Expenses</b>	<b>\$ 106,794,239</b>	<b>\$ 111,031,955</b>	<b>\$ 109,216,682</b>

# C.S. 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, 2012:



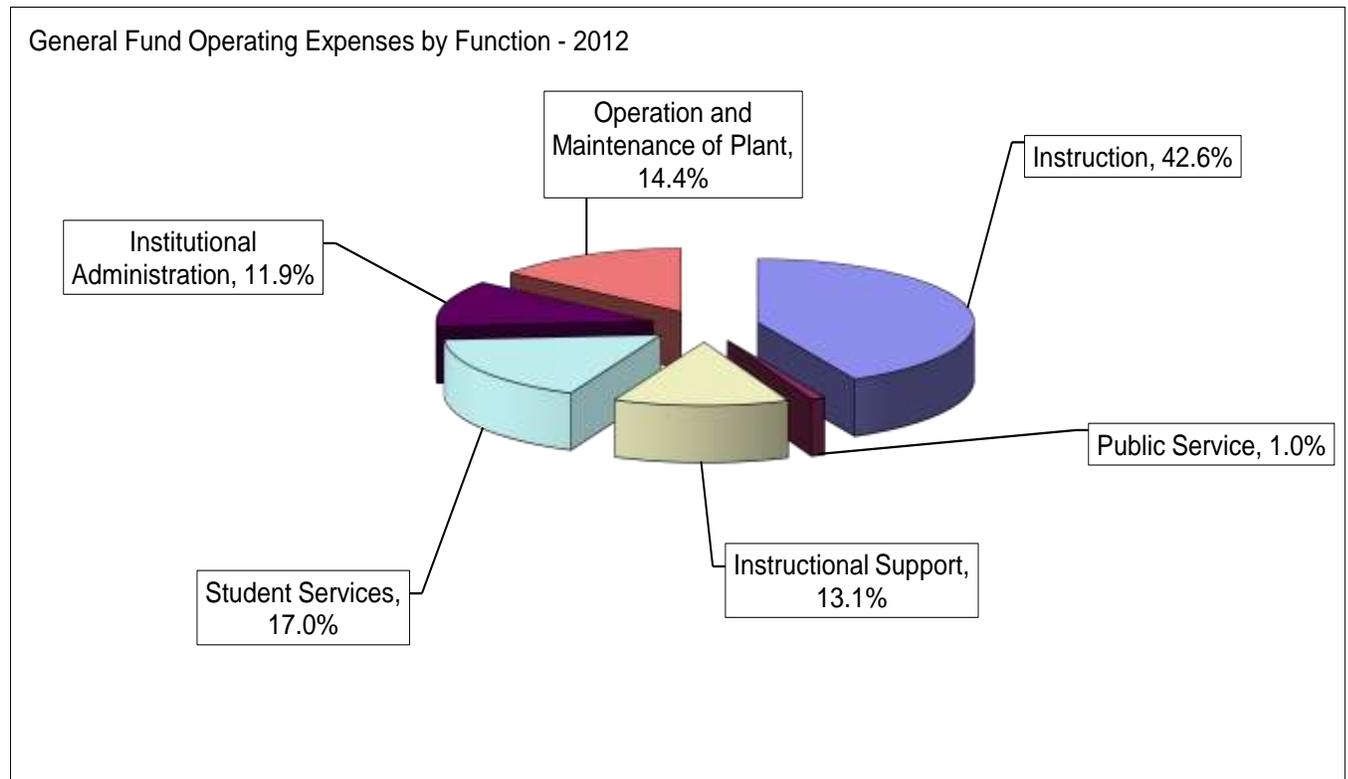
The College continues to spend the largest percentage of operating budget on instruction, with student services, operation and maintenance of plant, and instructional support making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant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

The majority of total operating expenses are reported internally in the College's General Fund. In the General Fund, operating expenses for 2012 were \$75.2 million. General Fund operating expenses increased by \$2.0 million (or 2.7%) from 2011 to 2012, and by \$2.4 million (or 3.3%) from 2010 to 2011. Most of the increases represent contractual and rate increases in salary and fringe benefit costs, as well as rising contracted services, bad debt, and utility costs.

# C.S. 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, 2012:



### 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.

	2012	2011	2010
<b>State Appropriations</b>	\$ 14,552,400	\$ 15,121,880	\$ 15,145,939
<b>Property Tax Levy</b>	\$ 27,395,708	\$ 27,258,403	\$ 31,335,431
<b>Gifts</b>	\$ 1,577,908	\$ 1,634,329	\$ 1,783,101
<b>Pell Grants</b>	\$ 30,871,349	\$ 32,720,276	\$ 28,599,401
<b>Investment Income</b>	\$ 4,291	\$ 22,611	\$ 84,882
<b>Total Non-Operating Revenues</b>	<b>\$ 74,401,656</b>	<b>\$ 76,757,499</b>	<b>\$ 76,948,754</b>

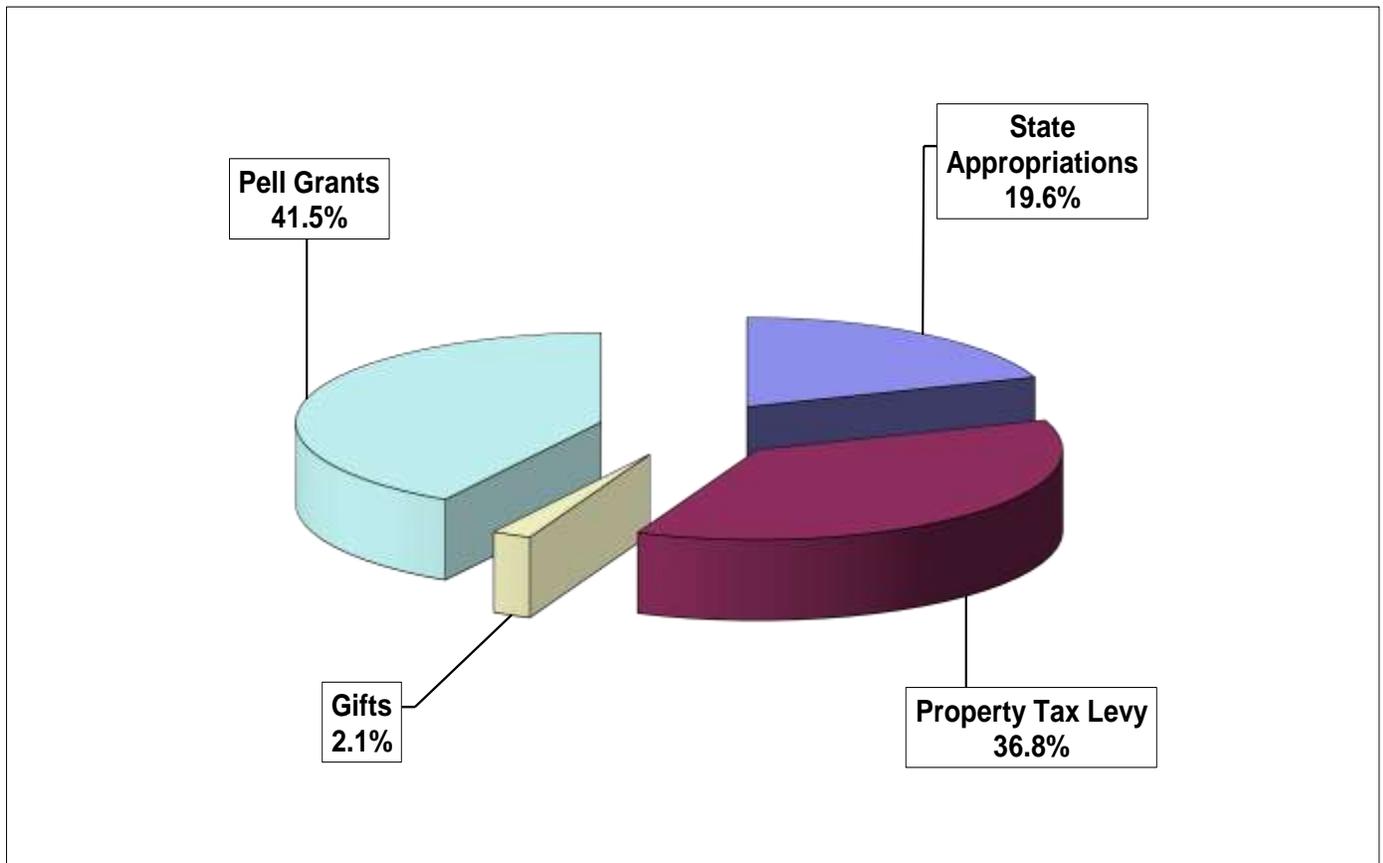
# C.S. Mott Community College

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

Total non-operating revenues decreased by \$2.5 million during the past three years:

- State appropriations decreased slightly from 2010 to 2012.
- Property tax revenues decreased 12.6% or \$3.9 million from 2010 to 2012. This downward trend, caused by declining property tax values, is projected by management to continue for the next two to three fiscal years and the fiscal 2013 budget includes a \$1.3 million decrease in property tax revenues. The College's combined tax levy rates were 2.6796 for 2010 and 2011, and 2.8596 for 2012.
- Pell revenue has increased \$4.1 million from 2010 to 2011 and decreased \$1.8 million from 2011 to 2012. Financial Aid dollars, namely Pell, brings with it additional administration costs and a significant percentage of our students continue to rely 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, 2012:



# C.S. Mott Community College

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

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

	2012	2011	2010
<b>Interest on Capital Asset-Related Debt</b>	<b>\$ 2,472,106</b>	<b>\$ 2,670,342</b>	<b>\$ 2,896,670</b>
<b>Loss on Disposal of Assets</b>	<b>\$ 15,369</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Discount on Bonds</b>	<b>\$ 24,030</b>	<b>\$ 26,998</b>	<b>\$ 28,482</b>
<b>Bond Issuance Costs</b>	<b>\$ -</b>	<b>\$ 5,359</b>	<b>\$ 16,319</b>
<b>Total Non-Operating Expenses</b>	<b>\$ 2,511,505</b>	<b>\$ 2,702,699</b>	<b>\$ 2,941,471</b>

Not reflected in either the non-operating revenue/expense tables or charts is the "change in value of perpetual trusts". This amount fluctuates year to year based on market conditions for the funds held and administered by independent trustees. The change for the years 2012, 2011, and 2010 was \$(1,490,688), \$4,574,086, and \$2,707,737, respectively.

### Other Revenues

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

	2012	2011	2010
<b>State Capital Appropriations</b>	<b>\$ -</b>	<b>\$ 4,078,000</b>	<b>\$ -</b>

There were no other revenues recorded in the years ended June 30, 2012 and June 30, 2010.

For the year ended June 30, 2011 other revenues included:

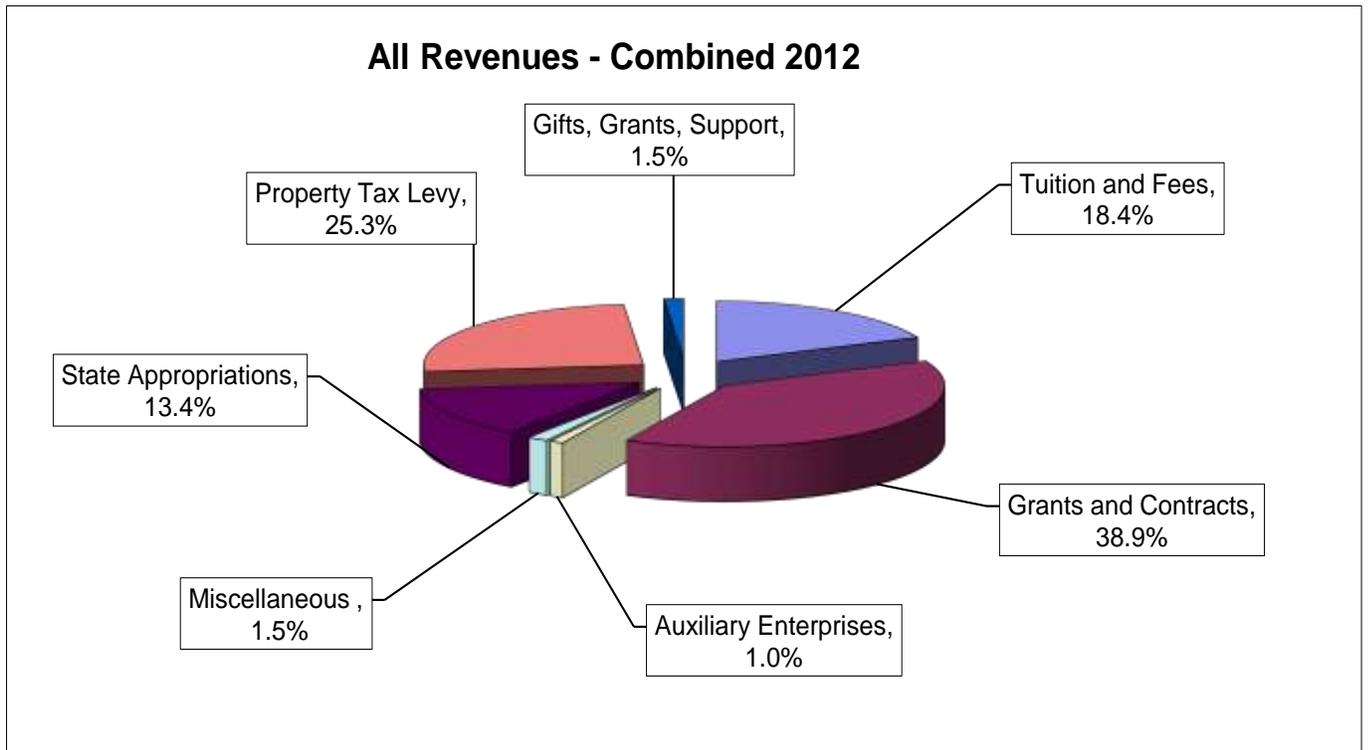
- State capital appropriations - this revenue is related to the state's portion of an \$8 million project to renovate the College's Library, which was funded 50% by voted bond proceeds obtained by the College, and 50% by the State of Michigan. Construction was completed during the 2010-2011 fiscal year.

# C.S. Mott Community College

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

### All Revenues – Combined

The following is a graphic illustration of the College's total revenues in all classifications-- Operating Revenues, Non-operating Revenues and Other Revenues—for 2012:



For fiscal year 2012 grants and contracts, including Pell grants, accounted for 38.9% of total revenues, and is the largest single source of revenue for the College. As property taxes continue to decline due to declining taxable values and the number of students using financial aid climbs, this trend is expected to continue. The second largest source of income is property taxes, followed by tuition and fees. State appropriations comprise 13.4% of the total revenues for the College as a whole for fiscal year 2012.

# C.S. 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>2012</u>	<u>2011</u>	<u>2010</u>
<b>Cash and cash equivalents provided (used) by:</b>			
<b>Operating activities</b>	\$ (61.9)	\$ (69.3)	\$ (66.8)
<b>Noncapital financing activities</b>	65.9	66.1	69.5
<b>Capital and related financing activities</b>	(0.7)	(9.6)	(10.2)
<b>Investing activities</b>	<u>(1.50)</u>	<u>0.0</u>	<u>6.2</u>
<b>Net increase(decrease) in cash</b>	1.8	(12.8)	(1.3)
<b>Cash and cash equivalents, beginning of year</b>	<u>21.1</u>	<u>33.9</u>	<u>35.2</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 22.9</u>	<u>\$ 21.1</u>	<u>\$ 33.9</u>

The \$61.9 million in net cash used for operating activities includes \$99.8 million in payments to employees and suppliers, offset by \$37.9 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, Pell grants, gifts and other support, all of which are included in the \$65.9 million in cash provided from non-capital financing activities.

The net decrease of \$.7 million for capital and related financing activities is mostly due to the 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.

The overall result of cash flows is an increase in cash of \$1.8 million during 2012.

# C.S. Mott Community College

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

### Capital Assets and Debt Administration

#### Capital Assets

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

	2012	2011	2010
<b>Property and Equipment:</b>			
Land	\$ 970,940	\$ 970,940	\$ 970,940
Artwork	\$ 6,200	\$ 6,200	\$ 6,200
Construction in Progress	\$ 705,538	\$ 41,528	\$ 1,743,412
Buildings and Improvements	\$ 170,106,773	\$ 169,736,164	\$ 160,351,321
Infrastructure	\$ 8,549,181	\$ 8,043,812	\$ 7,747,536
Equipment	\$ 18,846,828	\$ 17,520,204	\$ 16,671,789
Vehicles	\$ 1,500,437	\$ 1,345,498	\$ 1,256,366
Library Books	\$ 2,098,546	\$ 2,055,296	\$ 2,017,817
Accumulated Depreciation	\$(102,377,330)	\$(95,438,179)	\$(88,331,753)
<b>Total Property and Equipment</b>	<b>\$ 100,407,113</b>	<b>\$ 104,281,463</b>	<b>\$ 102,433,628</b>

Major capital additions completed this year included the following:

Curtice - Mott Building Renovations	\$316 thousand
Wagner Building Boiler Replacement	\$189 thousand
Prahl Drive Mini-Station	\$182 thousand

The College has future planned capital expenditures that include 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 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.

#### Debt Administration

On June 14, 2004, the College held a special election for the purpose of submitting a proposition to the electors that C.S. 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.

## **C.S. Mott Community College**

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

In May of 2009, the College refunded portions of its 1998 and 1999 General Obligation and Refunding bonds totaling \$5,665,000 maturing from 2010 through 2021. Management expects a savings of approximately \$300,000 in interest from this refunding.

At June 30, 2012, the College had \$46.1 million in long-term bond-related debt outstanding, versus \$51.4 million on June 30, 2011 and \$56.9 million on June 30, 2010.

The College received bond credit ratings of 'A+' from Standard & Poor's for the series of bonds issued during 2009. According to Standard & Poor's, at the time of the bond issuance, the strong rating reflected continued improvements in the College's general fund balance that stabilized its financial position. The 'A+' rating also reflects the following credit characteristics: 1) a diversifying economy that benefits from its proximity to Oakland County; 2) strong financial reserves; and 3) a low debt burden. Their rationale included evidence of planned balanced financial operations in the near future, the strength of our reserve levels, along with recent history of enrollment growth. Standard & Poor's has just completed a periodic review of our rating and affirmed our credit rating of 'A+' with a stable outlook.

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 lack of economic growth, decreased levels of appropriations to community colleges continue to result.

C.S. Mott Community College's revenues from property taxes increased 5% from 2002-2007. Beginning with the 2008-2009 budget year, the College's property tax revenues decreased due to significant declines in the Genesee county property tax values. For the two budget years ended in 2009 and 2010, the College lost nearly \$2 million. In the fiscal year ended June 30, 2011, the College lost another \$2.4 million in General Fund property taxes and in the fiscal year ended 2012, another \$1.1 million was lost. Unfortunately, this trend while flattening somewhat is expected to continue for the next few years. This revenue loss has been absorbed through budget cuts and larger than desired tuition increases.

The 2011-2012 state budget included a 4.2% decrease in the Appropriation to Mott Community College, or approximately \$650 thousand. The 2012-2013 Appropriation included a restoration of the previous year cut bringing the appropriation back to the 2010-2011 levels. Based on recent history, current state budget problems, Michigan Public School Employees Retirement System (MPERS) unfunded liabilities, any additional increases in base funding seem highly unlikely as State appropriations to community colleges have not kept up with the rate of inflation since 2000.

## **C.S. Mott Community College**

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

C.S. Mott Community College in January of 2010 elected to change the effective dates of its tuition and fees rates from an academic to a calendar year. In that year, the administration prepared a recommendation, and the Board of Trustees approved, a 4.3% tuition increase effective January 1, 2010 for the calendar year 2010. In June of 2010, the Board of Trustees approved an 11.7% increase in its tuition rates and changed the registration fee structure to equal one in-district contact hour, or \$98.68 beginning January 2011. This fee structure change was necessary to help alleviate the significant additional administrative costs in the student services area including financial aid, counseling, registration, and facilities.

In light of the continued significant losses in property tax revenue and a reduction in state aid for the 2011-2012 fiscal year, the Board of Trustees authorized substantial budget cuts and a \$9.37 per contact hour tuition increase effective January 2012, making the in-district tuition rate \$108.05 per contact hour. This tuition increase and budget cuts did not close the budget gap and the Board of Trustees also authorized a \$1.4 million use of the College's fund balance in the current year.

At the June 2012 Board of Trustees meeting, the trustees voted unanimously to set the tuition for the calendar year 2013 at \$117.23 per contact hour or an increase of \$9.18 per contact hour. The combination of this increase and operating budget cuts was sufficient to balance the current year budget without having to use fund balance.

In the fiscal year ended June 30, 2012 significant legislation was passed by the State of Michigan capping the amount that the College could pay towards employee's health insurance. The College used this legislation to educate, inform, and provide its employees with alternatives thereby minimizing the financial impact to them. In September of 2012, the Legislature passed and Governor signed a MPSERS reform bill capping the percentage that the College would be responsible to pay each year. These laws have helped address challenges of rising operating costs, especially within the employee benefit area.

C.S. 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 was accredited until 2009-10, the Board of Trustees chose in May 2005 to utilize a new approach to accreditation, a continuous improvement model called Academic Quality Improvement Program (AQIP). AQIP is the new, ongoing process of self-evaluation and analysis that is focused on institutional systems, Action Projects, and continual assessment of institutional quality, and it is designed specifically to allow MCC to customize the process to our own needs and those of our community and stakeholders. In the fiscal year ended June 30, 2007, the College implemented the first of three phases of this program, the second phase was implemented in the spring of 2009 and the final phase implemented in the spring of 2011.

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,

## **C.S. Mott Community College**

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

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.

The College is currently in the process of updating the strategic plan whereby all college employees are currently participating in group discussions on revising and re-prioritizing the enabling objectives from the previous plan with the intention of a formal Board presentation taking place in November 2012.

**C.S. Mott Community College**  
**Balance Sheets**  
**June 30, 2012**  
**With Comparative Figures at June 30, 2011**

	Primary Government		Component Unit Foundation for Mott Community College	
	2012	2011	2012	2011
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 22,927,047	\$ 21,093,219	\$ 113,576	\$ 5,433
Short term investments	1,511,425	-	-	-
Property taxes receivable	-	8,446	-	-
State appropriation receivable	2,641,166	2,730,256	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$5,062,680 for 2012 and \$4,835,390 for 2011)	2,078,582	2,213,483	116,293	105,648
Grants receivable	3,041,941	6,928,560	-	-
State capital appropriation receivable	-	2,032,059	-	-
Inventories	28,730	40,838	-	-
Prepaid expenses and other assets	341,932	116,221	5,000	5,428
Total current assets	32,570,823	35,163,082	234,869	116,509
Long-term investments	-	-	5,292,907	5,468,304
Assets limited as to use	-	208	-	-
Beneficial interest in perpetual trusts	35,261,781	36,752,469	-	-
Deferred charges	1,623,802	1,798,126	30,793	27,932
Property and equipment - net of accumulated depreciation ( \$102,377,330 for 2012 and \$95,438,179 for 2011 )	100,407,113	104,281,463	-	-
Total assets	<u>\$ 169,863,519</u>	<u>\$ 177,995,348</u>	<u>\$ 5,558,569</u>	<u>\$ 5,612,745</u>

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2012	2011	2012	2011
<b>Liabilities and Net Assets</b>				
Current liabilities:				
Current portion of debt obligations	\$ 5,275,000	\$ 5,545,000	\$ -	\$ -
Accounts payable	3,315,128	3,002,911	4,378	4,286
Accrued interest payable	382,716	417,878	-	-
Accrued payroll and related liabilities	3,869,497	4,497,609	-	-
Deposits held for others	284,762	329,665	-	-
Unearned revenue	1,664,630	1,417,605	3,360	7,167
Total current liabilities	14,791,733	15,210,668	7,738	11,453
Long-term debt obligations	46,125,000	51,400,000	-	-
Accrued termination pay	2,818,476	2,656,753	-	-
Bond premium	1,399,641	1,549,935	-	-
Other accrued liabilities	582,579	521,023	-	-
Total liabilities	65,717,429	71,338,379	7,738	11,453
Net assets:				
Invested in capital assets, net of related debt	49,185,917	47,291,106	-	-
Restricted for				
Nonexpendable	35,261,781	36,752,469	1,686,370	1,664,642
Expendable				
Scholarships and awards	66,225	52,927	1,737,232	1,786,113
Debt service	310,907	47,947	-	-
Unrestricted	19,321,260	22,512,520	2,127,229	2,150,537
Total net assets	104,146,090	106,656,969	5,550,831	5,601,292
Total liabilities and net assets	\$ 169,863,519	\$ 177,995,348	\$ 5,558,569	\$ 5,612,745

See notes to financial statements.

**C.S. Mott Community College**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Year Ended June 30, 2012**  
**With Comparative Figures at June 30, 2011**

	Primary Government		Component Unit Foundation for Mott Community College	
	2012	2011	2012	2011
<b>Revenues:</b>				
Operating revenues				
Tuition and fees	\$ 41,405,175	\$ 39,844,283	\$ -	\$ -
Less scholarship allowances	(21,503,662)	(19,915,988)	-	-
Federal grants and contracts	8,529,101	10,381,560	-	-
State and local grants and contracts	785,605	1,255,139	-	-
Private gifts and grants	1,951,728	1,174,356	534,111	213,348
Auxiliary enterprises	1,083,693	912,638	-	-
Miscellaneous	1,632,257	1,400,633	(3,733)	45,921
Total operating revenues	<u>33,883,897</u>	<u>35,052,621</u>	<u>530,378</u>	<u>259,269</u>
<b>Expenses:</b>				
Operating expenses				
Instruction	35,083,729	35,999,044	-	-
Public service	8,109,362	8,494,713	219,128	150,000
Instructional support	11,162,168	11,788,119	295,852	49,198
Student services	25,116,859	27,505,734	130,073	168,775
Institutional administration	8,964,710	8,771,676	-	-
Operation and maintenance of plant	11,338,438	11,324,043	-	-
Depreciation	7,018,973	7,148,626	-	-
Foundation operations	-	-	76,287	59,018
Total operating expenses	<u>106,794,239</u>	<u>111,031,955</u>	<u>721,340</u>	<u>426,991</u>
Operating loss	(72,910,342)	(75,979,334)	(190,962)	(167,722)
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations	14,552,400	15,121,880	-	-
Property tax levy	27,395,708	27,258,403	-	-
Pell grants	30,871,349	32,720,276	-	-
Gifts	1,577,908	1,634,329	-	105,550
Investment income	4,291	22,611	195,999	158,630
Net realized and unrealized gain (loss) on investments	-	-	(55,498)	761,386
Change in value of perpetual trusts	(1,490,688)	4,574,086	-	-
Interest on capital asset - related debt	(2,472,106)	(2,670,342)	-	-
Loss on disposal of assets	(15,369)	-	-	-
Discount on bonds	(24,030)	(26,998)	-	-
Bond issuance costs	-	(5,359)	-	-
Net non-operating revenues	<u>70,399,463</u>	<u>78,628,886</u>	<u>140,501</u>	<u>1,025,566</u>
(Loss) income before other revenues and expenses	(2,510,879)	2,649,552	(50,461)	857,844
<b>Other Revenues:</b>				
State capital appropriations	-	4,078,000	-	-
(Decrease) increase in net assets	(2,510,879)	6,727,552	(50,461)	857,844
<b>Net Assets:</b>				
Net assets - beginning of year	106,656,969	99,929,417	5,601,292	4,743,448
Net assets - end of year	<u>\$104,146,090</u>	<u>\$106,656,969</u>	<u>\$ 5,550,831</u>	<u>\$ 5,601,292</u>

*See notes to financial statements.*

**C.S. Mott Community College  
Statements of Cash Flows  
Year Ended June 30, 2012**

	Primary Government 2012	Component Unit 2012
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 20,143,567	\$ -
Grants and contracts	14,831,731	519,659
Payments to suppliers	(34,645,699)	(294,895)
Payments to employees	(65,162,955)	-
Auxiliary enterprises	1,070,861	-
Allocations to primary government	-	(425,925)
Allocations from component unit	425,925	-
Other	1,415,393	(3,733)
Net cash used for operating activities	(61,921,177)	(204,894)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	14,641,490	-
Local property taxes	18,875,895	-
Pell grants	30,871,349	-
Gifts and contributions for other than capital purposes	1,577,908	-
Agency transactions	(135,817)	-
Student loan receipts	35,720,099	-
Student loan disbursements	(35,619,772)	-
Net cash provided by noncapital financing activities	65,931,152	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(3,159,992)	-
Principal paid on capital debt	(5,545,000)	-
Capital grant proceeds	2,032,059	-
Capital property tax levy	8,528,259	-
Interest paid on capital debt	(2,507,268)	-
Net cash used for capital and related financing activities	(651,942)	-
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	-	2,610,970
Interest on investments	4,291	193,138
Purchase of investments	(1,528,704)	(2,491,071)
Net cash (used for) provided by investing activities	(1,524,413)	313,037
<b>Net increase in cash</b>	1,833,620	108,143
<b>Cash - beginning of year</b>	21,093,427	5,433
<b>Cash - end of year</b>	\$ 22,927,047	\$ 113,576

*See notes to financial statements.*

**C.S. Mott Community College  
Statements of Cash Flows  
Year Ended June 30, 2012**

	Primary Government 2012	Component Unit 2012
<b>Reconciliation of Net Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating loss	\$(72,910,342)	\$ (190,962)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	7,018,973	-
(Increase) decrease in operating assets:		
Federal and state grants receivable	3,886,619	-
Accounts receivable (net)	134,901	(10,645)
Inventories	12,108	-
Prepaid assets and other current assets	(225,711)	428
Increase (decrease) in operating liabilities:		
Accounts payable	312,217	92
Accrued payroll and other compensation	(466,389)	-
Other accrued liabilities	7,866	-
Unearned revenue	247,025	-
Deposits held for others	61,556	(3,807)
Net cash used for operating activities	\$(61,921,177)	\$ (204,894)

*See notes to financial statements.*

**C.S. Mott Community College**  
**Statements of Cash Flows**  
**Year Ended June 30, 2011**

	Primary Government 2011	Component Unit 2011
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 19,436,243	\$ -
Grants and contracts	13,672,314	309,423
Payments to suppliers	(42,542,355)	(209,981)
Payments to employees	(62,522,398)	-
Auxiliary enterprise	640,901	-
Allocations to primary government	-	(217,973)
Allocations from component unit	217,973	-
Other	1,732,483	45,921
Net cash used for operating activities	(69,364,839)	(72,610)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	15,121,880	-
Local property taxes	20,168,704	-
Pell grants	32,547,457	-
Gifts and contributions for other than capital purposes	1,634,329	105,550
Agency transactions	268,466	-
Student loan receipts	13,655,658	-
Student loan disbursements	(17,254,606)	-
Net cash provided by noncapital financing activities	66,141,888	105,550
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(8,996,460)	-
Principal paid on capital debt	(7,050,000)	-
Bond issuance costs	(5,359)	-
Capital grant proceeds	2,045,941	-
Capital property tax levy	7,089,699	-
Interest paid on capital debt	(2,729,382)	-
Net cash used for capital and related financing activities	(9,645,561)	-
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	-	2,289,730
Interest on investments	22,611	158,630
Purchase of investments	-	(2,522,577)
Net cash provided by (used for) investing activities	22,611	(74,217)
<b>Net decrease in cash</b>	(12,845,901)	(41,277)
<b>Cash - beginning of year</b>	33,939,328	46,710
<b>Cash - end of year</b>	<u>\$ 21,093,427</u>	<u>\$ 5,433</u>
Cash and cash equivalents	\$ 21,093,219	\$ 5,433
Assets limited as to use	208	-
	<u>\$ 21,093,427</u>	<u>\$ 5,433</u>

*See notes to financial statements.*

**C.S. Mott Community College  
Statements of Cash Flows  
Year Ended June 30, 2011**

	Primary Government 2011	Component Unit 2011
<b>Reconciliation of Net Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating loss	\$(75,979,334)	\$ (167,722)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	7,148,626	-
(Increase) decrease in operating assets:		
Federal and state grants receivable	1,290,656	-
Accounts receivable (net)	(187)	89,575
Inventories	326	-
Prepaid assets and other current assets	538,686	(428)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,252,123)	(535)
Accrued payroll and other compensation	(650,073)	-
Other accrued liabilities	61,199	-
Unearned revenue	(432,638)	-
Deposits held for others	(89,977)	6,500
Net cash used for operating activities	\$(69,364,839)	\$ (72,610)

*See notes to financial statements.*

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

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

**Reporting Entity** – C.S. Mott Community College (the “College”) is a Michigan community college, with its main campus located in Flint, Michigan and satellite sites 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. The Foundation for Mott Community College is a private organization that reports under the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from those under GASB. No modifications have been made to the Foundation financial information included in the College’s financial report to account for these differences.

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.

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.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

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

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.

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.

Accrued compensated balances and accrued termination pay:

Compensated absences are reported as accumulated liabilities to be paid under the College's current vacation and terminated leave pay policies. Vacation pay is a component of accrued payroll and related liabilities, and as the amounts are due on demand at the time of employee termination, the liability is classified as current in the accompanying balance sheets.

College employees receive termination pay benefits based on years of services and eligibility requirements listed under their union contracts. Accrued termination pay is calculated using a third party actuary and is represented in the non-current liability section of the accompanying balance sheets.

Reclassification:

Certain amounts as reported in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

Operating and Non-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.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

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

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 prior to June 30 and related to the period after June 30 are deferred and reported as unearned revenue.

**Estimates:**

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

**Net assets:**

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

Certain unrestricted net assets have been designated by the Board for the College Life Enhancement Fund, repairs and upgrades to parking facilities, and a reserve fund to protect the College against emergencies.

**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.

**Upcoming Accounting Pronouncement:**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was issued in June 2011. This Statement introduced and defined those elements as a consumption of net assets by the College that is applicable to a future reporting period and an acquisition of net assets by the College that is applicable to a future reporting period, respectively. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The College is currently evaluating the impact this standard will have on the financial statements when adopted, during the College's fiscal year ending June 2013.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**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 and in accordance with Michigan State law.

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

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 22,927,047	\$ 21,093,427
Short term investments	1,511,425	-
<b>Total</b>	<b><u>\$24,438,472</u></b>	<b><u>\$21,093,427</u></b>

The amounts are categorized as follows at June 30:

	<u>2012</u>	<u>2011</u>
Bank deposits (checking, savings, cash sweep accounts, money markets, and mutual funds)	\$ 22,917,262	\$ 21,082,417
Petty cash	9,785	11,010
Investments in government obligations	1,511,425	-
<b>Total</b>	<b><u>\$24,438,472</u></b>	<b><u>\$21,093,427</u></b>

As of June 30, 2012, the College had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>1-10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Rating</u>
U.S. Treasury Bonds	<u>\$ 1,511,425</u>	<u>\$ 1,511,425</u>	<u>\$ -</u>	<u>\$ -</u>	N/A

The College had no investments at June 30, 2011.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**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 237 of 2008 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 deposit and certain repurchase agreements. The College has no investment policy that would further limit its investment choices.

Custodial credit risk - Investments:

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.

Custodial credit risk - Deposits:

Of the cash that the College held as of June 30, 2012, \$16,270,688 was covered by federal depository insurance and the temporary liquidity guarantee program. \$9,151,396 was uninsured and uncollateralized for the year ended June 30, 2012.

Of the cash that the College held as of June 30, 2011, \$12,494,149 was covered by federal depository insurance and the temporary liquidity guarantee program. \$12,040,791 was uninsured and uncollateralized for the year ended June 30, 2011.

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.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

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

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

	2012	2011
Certificates of deposit	\$ -	\$ 198,024
Common stock - U.S. equities	97,008	199,140
U.S. government bonds and federal agency bonds	38,746	30,353
U.S. corporate bonds	1,496,071	1,212,765
Real estate holding	137,071	142,783
Mutual Funds		
Equity investments	3,161,997	3,331,962
Balanced investments	362,014	353,277
Total	\$ 5,292,907	\$ 5,468,304

**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 control of the College. Changes in the value of the beneficial interest are recorded as a component of non-operating revenue/expense.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**4. Property and equipment**

The changes in various capital asset class categories for the year ended June 30, 2012 are as follows:

	Beginning Balance	Transfer/ Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 970,940	\$ -	\$ -	\$ 970,940	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 9)	41,528	705,538	(41,528)	705,538	
<b>Total nondepreciable capital assets</b>	<b>1,018,668</b>	<b>705,538</b>	<b>(41,528)</b>	<b>1,682,678</b>	
Depreciable capital assets:					
Buildings and improvements	167,064,123	357,921	-	167,422,044	15 - 50
Leasehold improvements	2,672,040	12,689	-	2,684,729	5
Infrastructure	8,043,812	505,369	-	8,549,181	10 - 50
Computer equipment	6,055,765	445,682	-	6,501,447	5 - 10
Audio-visual equipment	822,424	6,005	-	828,429	5 - 10
Other equipment	10,642,016	952,019	(77,083)	11,516,952	5 - 20
Vehicles	1,345,498	173,047	(18,108)	1,500,437	8
Library books	2,055,296	43,250	-	2,098,546	5
<b>Total depreciable capital assets</b>	<b>198,700,974</b>	<b>2,495,982</b>	<b>(95,191)</b>	<b>201,101,765</b>	
<b>Total capital assets</b>	<b>199,719,642</b>	<b>3,201,520</b>	<b>(136,719)</b>	<b>202,784,443</b>	
Less: accumulated depreciation:					
Buildings and improvements	70,914,058	5,147,842	-	76,061,900	
Leasehold improvements	2,243,734	303,010	-	2,546,744	
Infrastructure	7,341,358	174,143	-	7,515,501	
Computer equipment	4,867,073	635,900	-	5,502,973	
Audio-visual equipment	683,224	35,267	-	718,491	
Other equipment	6,470,028	578,346	(61,714)	6,986,660	
Vehicles	951,962	99,054	(18,108)	1,032,908	
Library books	1,966,742	45,411	-	2,012,153	
<b>Total accumulated depreciation</b>	<b>95,438,179</b>	<b>7,018,973</b>	<b>(79,822)</b>	<b>102,377,330</b>	
<b>Total net capital assets</b>	<b>\$ 104,281,463</b>	<b>\$ (3,817,453)</b>	<b>\$ (56,897)</b>	<b>\$ 100,407,113</b>	

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

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

The changes in various capital asset class categories for the year ended June 30, 2011 are as follows:

	Beginning Balance	Transfer/ Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 970,940	\$ -	\$ -	\$ 970,940	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 9)	1,743,412	41,528	(1,743,412)	41,528	
<b>Total nondepreciable capital assets</b>	<b>2,720,552</b>	<b>41,528</b>	<b>(1,743,412)</b>	<b>1,018,668</b>	
Depreciable capital assets:					
Buildings and improvements	157,684,571	9,379,552	-	167,064,123	15 - 50
Leasehold improvements	2,666,750	5,290	-	2,672,040	5
Infrastructure	7,747,536	296,276	-	8,043,812	10 - 50
Computer equipment	5,606,852	448,913	-	6,055,765	5 - 10
Audio-visual equipment	802,010	20,414	-	822,424	5 - 10
Other equipment	10,262,927	421,289	(42,200)	10,642,016	5 - 20
Vehicles	1,256,366	89,132	-	1,345,498	8
Library books	2,017,817	37,479	-	2,055,296	5
<b>Total depreciable capital assets</b>	<b>188,044,829</b>	<b>10,698,345</b>	<b>(42,200)</b>	<b>198,700,974</b>	
<b>Total capital assets</b>	<b>190,765,381</b>	<b>10,739,873</b>	<b>(1,785,612)</b>	<b>199,719,642</b>	
Less: accumulated depreciation:					
Buildings and improvements	65,790,076	5,123,982	-	70,914,058	
Leasehold improvements	1,725,678	518,056	-	2,243,734	
Infrastructure	7,155,321	186,037	-	7,341,358	
Computer equipment	4,241,015	626,058	-	4,867,073	
Audio-visual equipment	647,001	36,223	-	683,224	
Other equipment	5,980,795	531,433	(42,200)	6,470,028	
Vehicles	865,992	85,970	-	951,962	
Library books	1,925,875	40,867	-	1,966,742	
<b>Total accumulated depreciation</b>	<b>88,331,753</b>	<b>7,148,626</b>	<b>(42,200)</b>	<b>95,438,179</b>	
<b>Total net capital assets</b>	<b>\$ 102,433,628</b>	<b>\$ 3,591,247</b>	<b>\$ (1,743,412)</b>	<b>\$ 104,281,463</b>	

C.S. Mott Community College's library renovation was partially financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into between the SBA, the State of Michigan, and the College. During the lease term, the SBA holds title to the building, the State of Michigan makes all lease payments directly to the SBA, and the College is responsible for all operating and maintenance costs. At the expiration of the lease, the SBA will transfer title to the building to the College. The cost (\$8.2 million) and accumulated depreciation for the facility is included in the accompanying statements of net assets.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**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, 2012 are as shown below.

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Debt Obligations
Series 2004	3.625% - 4.625%	May 1, 2019	\$ 9,200,000	\$ -	\$ 825,000	\$ 8,375,000	\$ 900,000
Series 2005	3.75% - 5.00%	May 1, 2021	17,425,000	-	2,425,000	15,000,000	1,650,000
Series 2006	4.00% - 5.00%	May 1, 2021	11,250,000	-	900,000	10,350,000	950,000
Series 2008	3.375% - 4.625%	May 1, 2023	14,350,000	-	875,000	13,475,000	1,225,000
Series 2009	3.00% - 4.00%	May 1, 2021	4,720,000	-	520,000	4,200,000	550,000
Total bonds payable			56,945,000	-	5,545,000	51,400,000	5,275,000
Accrued termination pay			2,656,753	161,723	-	2,818,476	-
Bond premium			1,549,935	-	150,294	1,399,641	-
Other accrued liabilities			521,023	61,556	-	582,579	-
Total bonds payable and other long term liabilities			<u>\$ 61,672,711</u>	<u>\$ 223,279</u>	<u>\$ 5,695,294</u>	56,200,696	<u>\$ 5,275,000</u>
Current debt obligations						<u>5,275,000</u>	
Long-term debt obligations						<u>\$ 50,925,696</u>	

Debt service requirements on general obligation bonds are as follows:

Year ended		Total	Principal	Interest
June 30, 2013		\$ 7,571,294	\$ 5,275,000	\$ 2,296,294
June 30, 2014		7,492,450	5,420,000	2,072,450
June 30, 2015		7,400,725	5,560,000	1,840,725
June 30, 2016		7,327,219	5,730,000	1,597,219
June 30, 2017		7,237,981	5,895,000	1,342,981
June 30, 2018 - June 30, 2022		25,120,456	22,295,000	2,825,456
June 30, 2023		1,281,656	1,225,000	56,656
		<u>\$ 63,431,781</u>	<u>\$ 51,400,000</u>	<u>\$ 12,031,781</u>

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**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, 2011 are as shown below.

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Debt Obligations
Series 2002	3.80%	May 1, 2011	\$ 475,000	\$ -	\$ 475,000	\$ -	\$ -
Series 2003	3.50%	July 1, 2010	1,510,000	-	1,510,000	-	-
Series 2004	3.50% - 4.625%	May 1, 2019	9,950,000	-	750,000	9,200,000	825,000
Series 2005	3.50% - 5.00%	May 1, 2021	19,825,000	-	2,400,000	17,425,000	2,425,000
Series 2006	4.00% - 5.00%	May 1, 2021	12,000,000	-	750,000	11,250,000	900,000
Series 2008	3.375% - 4.625%	May 1, 2023	15,000,000	-	650,000	14,350,000	875,000
Series 2009	3.00% - 4.00%	May 1, 2021	5,235,000	-	515,000	4,720,000	520,000
Total bonds payable			63,995,000	-	7,050,000	56,945,000	5,545,000
Accrued termination pay			3,123,061	-	466,308	2,656,753	-
Bond premium			1,700,230	-	150,295	1,549,935	-
Other accrued liabilities			611,000	-	89,977	521,023	-
Total bonds payable and other long term liabilities			<u>\$ 69,429,291</u>	<u>\$ -</u>	<u>\$ 7,756,580</u>	61,672,711	<u>\$ 5,545,000</u>
Current debt obligations						<u>5,545,000</u>	
Long-term debt obligations							<u>\$ 56,127,711</u>

**6. Operating Leases**

The College leases equipment under non-cancellable operating leases. Total cost for such leases was \$159,330 for 2012 and \$149,491 for 2011. The future minimum lease payments for these leases are as follows:

Years Ending <u>June 30</u>	<u>Amount</u>
2013	\$ 164,047
2014	125,108
2015	52,676
2016	<u>2,759</u>
Total	<u>\$ 344,590</u>

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**7. Employee benefits**

Retirement Plan

*Plan Description* - The College participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The system also provides post-employment health care benefits to retirees and beneficiaries who elect to receive those benefits. MPERS issues a financial report that is available to the public. That report includes financial statements and required supplementary information for the pension and post-employment health care plans. 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.

*Pension Benefits* - Employer contributions to the pension system result from the effects of implementing the School Finance Reform Act. Under these procedures, the College is required to contribute the full actuarial funding contribution amount to fund pension benefits. The employer contribution rate was 12.16% of covered payroll for the period, July 1, 2011 through September 30, 2011, and was 15.96% for the duration of the fiscal year. The contribution rate was 10.13% of covered payroll from July 1, 2010 through September 30, 2010 and 12.16% from October 1, 2010 through June 30, 2011. Basic plan members make no contributions, but Member Investment Plan participants contribute at rates ranging from 3% to 6.4% of gross wages. The College's required and actual pension contributions to the plan for the years ended June 30, 2012, 2011, and 2010 were \$4,568,183, \$3,712,100 and \$3,124,006, respectively.

*Post-employment benefits* - Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental and vision coverage through MPERS. 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 benefits. The MPERS Board of Trustees annually sets 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 8.5% of covered payroll for the period July 1, 2011 through June 30, 2012. The employer contribution rate was 6.81% for the period July 1, 2010 through September 30, 2010, 7.25% for the month of October 2010, and 8.5% for November 1, 2010 through June 30, 2011. The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2012, 2011, and 2010 were \$2,793,497, \$2,430,198, and \$2,142,961, respectively.

**Defined Contribution Plan**

Certain employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under the ORP, the College contributes between 10% and 13.54%, and the participant contributes 3.9% of the participant's compensation. Total covered payroll and College contributions for the years ended June 30, 2012 and 2011 were \$9,709,378 and \$1,160,249 and \$9,011,699 and \$1,095,234, respectively.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**7. Employee benefits – continued**

In addition to the MPSERS and ORP plans, the College also provides deferred compensation plans to all of its full-time employees under Sections 403(b) and 457(b) of the U.S. Internal Revenue Code. Employees may make elective deferrals up to amounts allowable by current tax law.

**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, with federal and/or non-federal grants, if any, to be immaterial in relation to the financial statements taken as a whole. The College also has various construction contract commitments. Note 9 describes these commitments.

**9. Construction in Progress**

The College started construction on the various parking decks on campus. As of June 30, 2012 total expenditures were \$271,027. The completion of this project will occur sometime in the fiscal year 2012-2013.

The College was in the process of purchasing the Lapeer building and land that is currently leased. As of June 30, 2012 total expenditures were \$24,446. The completion of this project occurred in the 2012-2013 fiscal year.

The College, through grant funding, started to build a prototype manufacturing cell. As of June 30, 2012 total expenditures were \$410,065. The completion of this project is expected to occur sometime in the fiscal year 2012-2013.

**10. Federal Direct Lending Program**

The College distributed \$32,659,886 and \$17,254,606 for student loans through the U.S. Department of Education's federal direct lending program for the years ended June 30, 2012 and 2011, respectively. These distributions and the related funding source are not included as expenses or revenues in the accompanying financial statements.

**11. Risk Management**

The College is exposed to various risks of loss related to property loss, errors and omissions, and 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.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2012**

**12. Advance Refunding**

On May 28, 2009, the College issued \$5,665,000 in Series 2009 Community College Refunding Bonds with an average interest rate of 3.4%. These bonds were issued to advance refund a portion of the 1998 Series and 1999 Series bonds in the amounts of \$3,035,000 and \$2,440,000, respectively, with an average interest rate of 4.6%. The net proceeds, after payment of \$166,821 in underwriting fees, insurance and other issuance costs, were \$ 5,607,134. These funds were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of these respective bonds. As a result, the refunded bonds are considered defeased with the liability for these bonds removed from the financial statements. The advance refunding reduced the total debt service payments by approximately \$303,866, which represents a present value economic gain of approximately \$257,533.

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, 2012, \$20,625,000 of bonds outstanding are considered defeased.

**13. Subsequent Event**

On July 2, 2012, the College negotiated a \$1,664,790 purchase with the City of Lapeer for its previously leased site. The College entered into an installment purchase agreement with the city which calls for a \$500,000 down payment at closing, with the remaining \$1,164,790 to be paid in five annual installments commencing twelve months from the date of closing. The College will use the accumulated fund balance from the Lapeer operations to self-finance this purchase.

**Additional  
Information**

**C.S. Mott Community College  
Combining Balance Sheet  
June 30, 2012**

	Combined Total	General Fund	Designated Fund
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 22,927,047	\$ 13,870,568	\$ -
Short term investments	1,511,425	-	-
State appropriation receivable	2,641,166	2,641,166	-
Accounts receivable - net of \$5,062,680 allowance	2,078,582	1,786,711	13,472
Grants receivable	3,041,941	-	-
Inventories	28,730	28,730	-
Prepaid expenses and other assets	341,932	337,713	-
Total current assets	32,570,823	18,664,888	13,472
Beneficial interest in perpetual trusts	35,261,781	-	-
Deferred charges	1,623,802	-	-
Property and equipment - net of \$102,377,330 accumulated depreciation	100,407,113	-	-
Total assets	<u>\$ 169,863,519</u>	<u>\$ 18,664,888</u>	<u>\$ 13,472</u>

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ 50	\$ -	\$ -	\$ -	\$ 9,056,429
-	-	-	-	1,511,425
-	-	-	-	-
17,510	260,889	-	-	-
-	-	3,041,941	-	-
-	-	-	-	-
-	-	-	-	4,219
17,560	260,889	3,041,941	-	10,572,073
-	-	-	35,261,781	-
-	-	-	-	1,623,802
-	-	-	-	100,407,113
\$ 17,560	\$ 260,889	\$ 3,041,941	\$ 35,261,781	\$ 112,602,988

**C.S. Mott Community College**  
**Combining Balance Sheet (continued)**  
**June 30, 2012**

	Combined Total	General Fund	Designated Fund
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Current portion of debt obligations	\$ 5,275,000	\$ -	\$ -
Accounts payable	3,315,128	3,241,978	-
Due to (from) other funds	-	1,164,114	(1,306,702)
Accrued interest payable	382,716	-	-
Accrued payroll and related liabilities	3,869,497	3,808,896	674
Deposits held for others	284,762	7,866	-
Unearned revenue	1,664,630	534,532	371,380
<b>Total current liabilities</b>	<b>14,791,733</b>	<b>8,757,386</b>	<b>(934,648)</b>
Long term debt obligations	46,125,000	-	-
Accrued termination pay	2,818,476	2,818,476	-
Bond premium	1,399,641	-	-
Other accrued liabilities	582,579	582,579	-
<b>Total liabilities</b>	<b>65,717,429</b>	<b>12,158,441</b>	<b>(934,648)</b>
Net assets:			
Invested in capital assets, net of related debt	49,185,917	-	-
Restricted for			
Nonexpendable	35,261,781	-	-
Expendable			
Scholarships and awards	66,225	-	-
Debt service	310,907	-	-
Unrestricted	19,321,260	6,506,447	948,120
<b>Total net assets</b>	<b>104,146,090</b>	<b>6,506,447</b>	<b>948,120</b>
<b>Total liabilities and net assets</b>	<b>\$ 169,863,519</b>	<b>\$ 18,664,888</b>	<b>\$ 13,472</b>

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ 5,275,000
-	-	73,150	-	-
(276,837)	(16,007)	2,343,921	-	(1,908,489)
-	-	-	-	382,716
-	-	59,927	-	-
-	276,896	-	-	-
260,000	-	498,718	-	-
(16,837)	260,889	2,975,716	-	3,749,227
-	-	-	-	46,125,000
-	-	-	-	-
-	-	-	-	1,399,641
-	-	-	-	-
(16,837)	260,889	2,975,716	-	51,273,868
-	-	-	-	49,185,917
-	-	-	35,261,781	-
-	-	66,225	-	-
-	-	-	-	310,907
34,397	-	-	-	11,832,296
34,397	-	66,225	35,261,781	61,329,120
\$ 17,560	\$ 260,889	\$ 3,041,941	\$ 35,261,781	\$ 112,602,988

**C.S. Mott Community College**  
**Combining Statement of Revenues, Expenses,**  
**Transfers and Changes in Net Assets**  
**Year Ended June 30, 2012**

	Combined Total	Eliminations
<b>Revenues:</b>		
Operating revenues		
Tuition and fees	\$ 41,405,175	\$ -
Less scholarship allowances	(21,503,662)	(21,503,662)
Federal grants and contracts	8,529,101	-
State and local grants and contracts	785,605	-
Private gifts and grants	1,951,728	(656,246)
Auxiliary enterprises	1,083,693	-
Expenditures for equipment and capital improvements	-	(3,159,992)
Miscellaneous	1,632,257	-
Total operating revenues	<u>33,883,897</u>	<u>(25,319,900)</u>
<b>Expenses:</b>		
Operating expenses		
Instruction	35,083,729	(882,034)
Public service	8,109,362	(151,899)
Instructional support	11,162,168	(832,134)
Student services	25,116,859	(21,514,984)
Institutional administration	8,964,710	(1,400)
Operation and maintenance of plant	11,338,438	(1,937,449)
Depreciation	7,018,973	-
Total operating expenses	<u>106,794,239</u>	<u>(25,319,900)</u>
Operating (loss) income	(72,910,342)	-
<b>Non-Operating Revenues (Expenses):</b>		
State appropriations	14,552,400	-
Property tax levy	27,395,708	-
Pell grants	30,871,349	-
Gifts	1,577,908	-
Investment income	4,291	-
Change in value of perpetual trusts	(1,490,688)	-
Interest on capital asset - related debt	(2,472,106)	-
Loss on disposal of assets	(15,369)	-
Discount on bonds	(24,030)	-
Net non-operating revenues (expenses)	<u>70,399,463</u>	<u>-</u>
Decrease (increase) in net assets	(2,510,879)	-
Transfers in (out)	-	-
Net (decrease) increase in net assets	<u>(2,510,879)</u>	<u>-</u>
<b>Net Assets:</b>		
Net assets - beginning of year	106,656,969	-
Net assets - end of year	<u>\$ 104,146,090</u>	<u>\$ -</u>

General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ 39,467,214	\$ 1,937,961	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	8,529,101	-	-
-	-	-	785,605	-	-
11,665	-	-	2,596,309	-	-
-	-	1,083,693	-	-	-
-	-	-	-	-	3,159,992
1,024,876	482,205	-	103	-	125,073
40,503,755	2,420,166	1,083,693	11,911,118	-	3,285,065
32,043,479	-	-	992,604	-	2,929,680
786,057	-	215,816	7,124,535	-	134,853
9,831,100	-	360	1,646,878	-	515,964
12,815,302	954,318	56,656	32,781,903	-	23,664
8,847,022	-	-	64,861	-	54,227
10,848,694	548,440	-	-	-	1,878,753
-	-	-	-	-	7,018,973
75,171,654	1,502,758	272,832	42,610,781	-	12,556,114
(34,667,899)	917,408	810,861	(30,699,663)	-	(9,271,049)
14,552,400	-	-	-	-	-
18,867,449	-	-	-	-	8,528,259
-	-	-	30,871,349	-	-
1,577,908	-	-	-	-	-
1,750	-	-	-	-	2,541
-	-	-	-	(1,490,688)	-
-	-	-	-	-	(2,472,106)
-	-	-	-	-	(15,369)
-	-	-	-	-	(24,030)
34,999,507	-	-	30,871,349	(1,490,688)	6,019,295
331,608	917,408	810,861	171,686	(1,490,688)	(3,251,754)
(1,291,248)	(1,454,682)	(810,861)	(158,388)	-	3,715,179
(959,640)	(537,274)	-	13,298	(1,490,688)	463,425
7,466,087	1,485,394	34,397	52,927	36,752,469	60,865,695
\$ 6,506,447	\$ 948,120	\$ 34,397	\$ 66,225	\$ 35,261,781	\$ 61,329,120

**C.S. Mott Community College**  
**Schedule 1 - Details of General Fund Expenses**  
**Year Ended June 30, 2012**

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 21,374,608	\$ 8,348,509	\$ 1,246,390	\$ 745,061
Public service	419,508	139,378	164,298	6,068
Instructional support	5,496,058	2,302,777	1,109,896	206,469
Student services	5,507,523	2,248,419	970,569	269,209
Institutional administration	3,732,603	2,919,407	776,704	65,111
Physical plant operations	3,961,442	1,858,033	1,290,652	842,960
	<u>\$ 40,491,742</u>	<u>\$ 17,816,523</u>	<u>\$ 5,558,509</u>	<u>\$ 2,134,878</u>

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 221,929	\$ 3,205	\$ 103,731	\$ 46	\$ 32,043,479
18,000	-	38,805	-	786,057
-	78,992	636,898	10	9,831,100
-	2,394	3,817,188	-	12,815,302
-	-	1,349,499	3,698	8,847,022
-	2,561,940	44,264	289,403	10,848,694
\$ 239,929	\$ 2,646,531	\$ 5,990,385	\$ 293,157	\$ 75,171,654

**C.S. Mott Community College**  
**Schedule 2 - Details of Auxiliary Activities**  
**Year Ended June 30, 2012**

Activity	Balance July 1, 2011	Revenues	Expenditures (1)
Vending	\$ -	\$ 95,622	\$ 1,000
Outside Catering	-	220,527	215,815
Bookstore--Main Campus	-	740,207	31,135
Pay Pal Account	-	-	360
Bookstore--Lapeer Campus	-	1,592	1,087
Student Computer Lab Printing	-	25,745	23,435
	<u>\$ -</u>	<u>\$ 1,083,693</u>	<u>\$ 272,832</u>

(1) Expenditures include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to \$30,974 for the bookstore.

Transfers In (Out)

Excess Revenues to General Fund	Excess Expenditures Absorbed by General Fund	Balance June 30, 2012
\$ 94,622	\$ -	\$ -
4,712	-	-
709,072	-	-
-	360	-
505	-	-
2,310	-	-
<u>\$ 811,221</u>	<u>\$ 360</u>	<u>\$ -</u>