

Financial Statements

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

June 30, 2013 and 2012

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INDEPENDENT AUDITORS' REPORT

October 28, 2013

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

Report on the Financial Statements

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 years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of *C.S. Mott Community College* as of June 30, 2013 and 2012, and the respective results of their operations and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The additional information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated October 28, 2013, on our consideration of *C.S. Mott Community College's* internal control over financial reporting and 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 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* in considering the College's internal control over financial reporting and compliance.

Rehmann Loborn LLC

Mott Community College

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, 2013, 2012 and 2011 and its financial activities for the three years ended June 30, 2013. 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, 2013. 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

The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34, GASB Statement No. 61, 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)

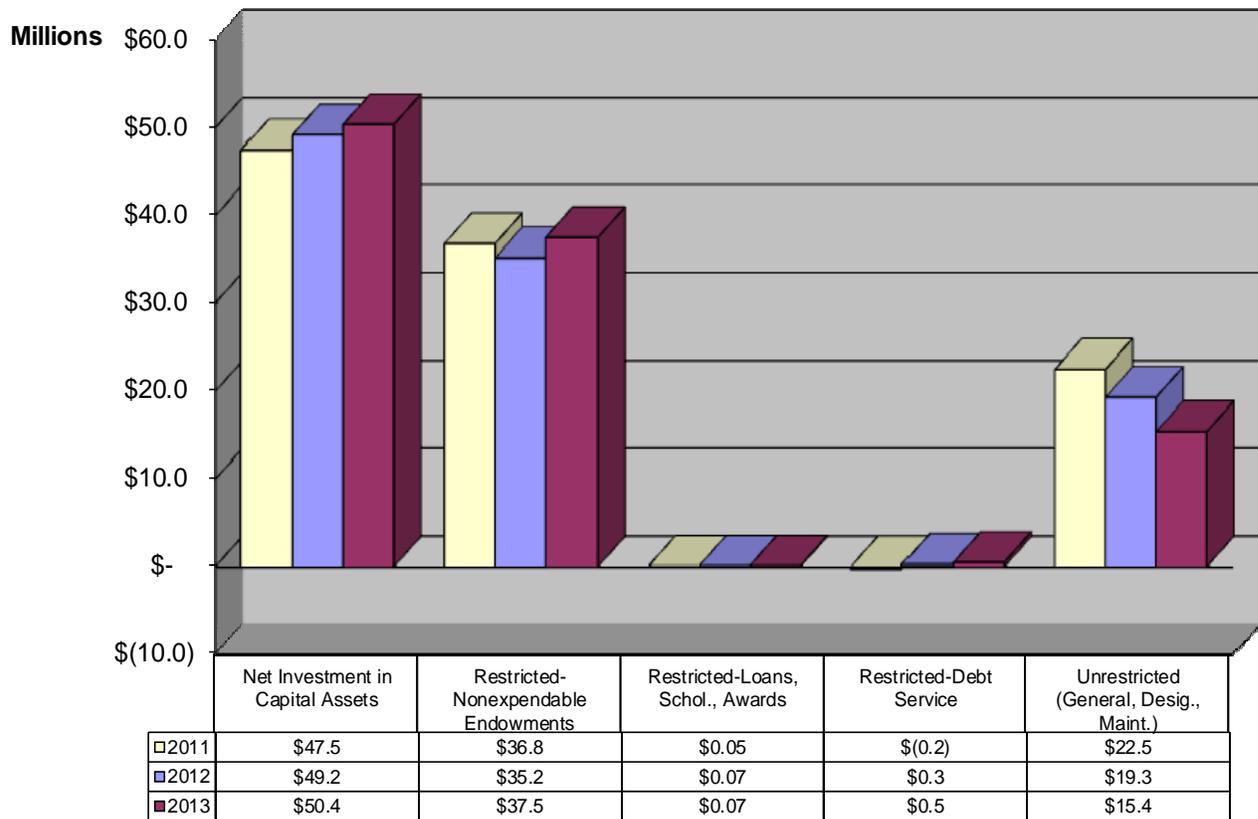
Financial Highlights

The College's Net Position decreased for the year ended June 30, 2013. Total Assets decreased from \$176.2 million to \$168.3 million to \$162.7 million at June 30, 2011, 2012 and 2013, respectively. Deferred Outflows of Resources decreased from \$1.8 million to \$1.6 million to \$1.3 million at June 30, 2011, 2012 and 2013, respectively. Liabilities totaled \$60.1 million at June 30, 2013, compared to \$65.8 million in 2012 and \$71.3 million in 2011. Net position, which represents the remaining value of the College's assets and deferred outflows after liabilities are deducted, decreased by \$221 thousand for a total of \$103.9 million at June 30, 2013.

The Unrestricted category within Net Position has decreased over the past three years, from \$22.5 million at June 30, 2011, to \$19.3 million at June 30, 2012, to \$15.4 million at June 30, 2013. This is mainly due to FYE 2012 planned net position reductions in the general fund and FYE 2012 and 2013 planned net position reductions in plant funds.

The following chart provides a graphical categorization of the net position for the fiscal years ended June 30, 2013, 2012 and 2011:

Breakdown of Net Position - By Category



Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position

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 Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, 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 position as of June 30, 2013 and 2012 and the change in net position for the years then ended. Net position is assets plus deferred outflows of resources minus liabilities, and is one way to measure the College's financial health. 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 position is 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.

Statement of Net Position

The Statement of Net Position'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 Statement of Net Position, with analysis of the major components of the net position of the College as of June 30, 2013 compared to June 30, 2012 and June 30, 2011. 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)

Mott Community College
STATEMENTS OF NET POSITION
As of June 30, 2013, 2012 and 2011
(in millions)

	(in millions)		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
ASSETS			
Current Assets	\$ 27.3	\$ 32.6	\$ 35.2
Capital Assets	\$ 97.7	\$ 100.4	\$ 104.3
Other Noncurrent Assets	<u>\$ 37.7</u>	<u>\$ 35.3</u>	<u>\$ 36.7</u>
Total Assets	<u>\$ 162.7</u>	<u>\$ 168.3</u>	<u>\$ 176.2</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	<u>\$ 1.3</u>	<u>\$ 1.6</u>	<u>\$ 1.8</u>
LIABILITIES			
Current Liabilities	\$ 14.0	\$ 14.9	\$ 15.2
Noncurrent Liabilities	<u>\$ 46.1</u>	<u>\$ 50.9</u>	<u>\$ 56.1</u>
Total Liabilities	<u>\$ 60.1</u>	<u>\$ 65.8</u>	<u>\$ 71.3</u>
NET POSITION			
Net Investment in Capital Assets	\$ 50.4	\$ 49.2	\$ 47.5
Restricted - Nonexpendable	\$ 37.5	\$ 35.2	\$ 36.8
Restricted - Expendable	\$ 0.6	\$ 0.4	\$ (0.2)
Unrestricted	<u>\$ 15.4</u>	<u>\$ 19.3</u>	<u>\$ 22.5</u>
Total Net Position	<u>\$ 103.9</u>	<u>\$ 104.1</u>	<u>\$ 106.7</u>

The \$2.6 million decrease in Total Net Position from 2011 to 2012 was largely due to the fluctuations in market valuation of our perpetual trusts along with budgeted net position reductions. Net position remained flat between 2012 and 2013, with significant changes noted below.

The most significant changes in the Statement of Net Position during 2013 related to:

- A decrease from 2012 to 2013 in Current Assets is due to a decrease in cash and cash equivalents, offset by an increase in grants and state appropriation receivables.
- The decrease in Total Liabilities from 2012 to 2013 reflects the net decrease in bonded debt after factoring in scheduled payments, in addition to accounts payable and accrued payroll and related obligations.

The year ended on June 30, 2013 with a \$221 thousand decrease in Total Net Position, totaling \$103.9 million.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position 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 position—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 Position, with analysis of the major components as of June 30, 2013 compared to June 30, 2012 and June 30, 2011. 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 STATEMENTS OF REVENUES, EXPENSES,
and CHANGES IN NET POSITION
For Years Ended June 30, 2013, 2012 and 2011

	(in millions)		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Total Operating Revenues	\$ 31.8	\$ 33.9	\$ 35.1
Total Operating Expenses	\$ 98.7	\$ 106.8	\$ 111.0
Total Operating Loss	\$ (66.9)	\$ (72.9)	\$ (75.9)
Nonoperating Revenues, Net	\$ 66.7	\$ 70.3	\$ 78.6
Income (loss) before other revenues	\$ (0.2)	\$ (2.6)	\$ 2.7
Other Revenues	\$ -	\$ -	\$ 4.1
Total (Decrease) increase in Net Position	\$ (0.2)	\$ (2.6)	\$ 6.8
Net Position, Beginning of Year	\$ 104.1	\$ 106.7	\$ 99.9
Net Position, End of Year	<u>\$ 103.9</u>	<u>\$ 104.1</u>	<u>\$ 106.7</u>

In the fiscal year ended June 30, 2013, the College's expenses exceeded revenues and other support, creating a decrease in Total Net Position of \$221 thousand (compared to a \$2.6 million decrease during 2012 and a \$6.8 million increase during 2011, which included \$4.1 million in State Capital Appropriations).

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:

	2013	2012	2011
Tuition and Fees, net of Scholarship Allowances of \$18,302,900, \$21,503,662, and \$19,915,988 in 2013, 2012 and 2011, respectively	\$ 19,383,424	\$ 19,901,513	\$ 19,928,295
Federal Grants and Contracts	\$ 7,211,534	\$ 8,529,101	\$ 10,381,560
State and Local Grants and Contracts	\$ 532,011	\$ 785,605	\$ 1,255,139
Nongovernmental Grants	\$ 1,806,496	\$ 1,951,728	\$ 1,174,356
Auxiliary Enterprises	\$ 988,068	\$ 1,083,693	\$ 912,638
Other Operating Revenues	\$ 1,834,010	\$ 1,632,257	\$ 1,400,633
Total Operating Revenues	\$ 31,755,543	\$ 33,883,897	\$ 35,052,621

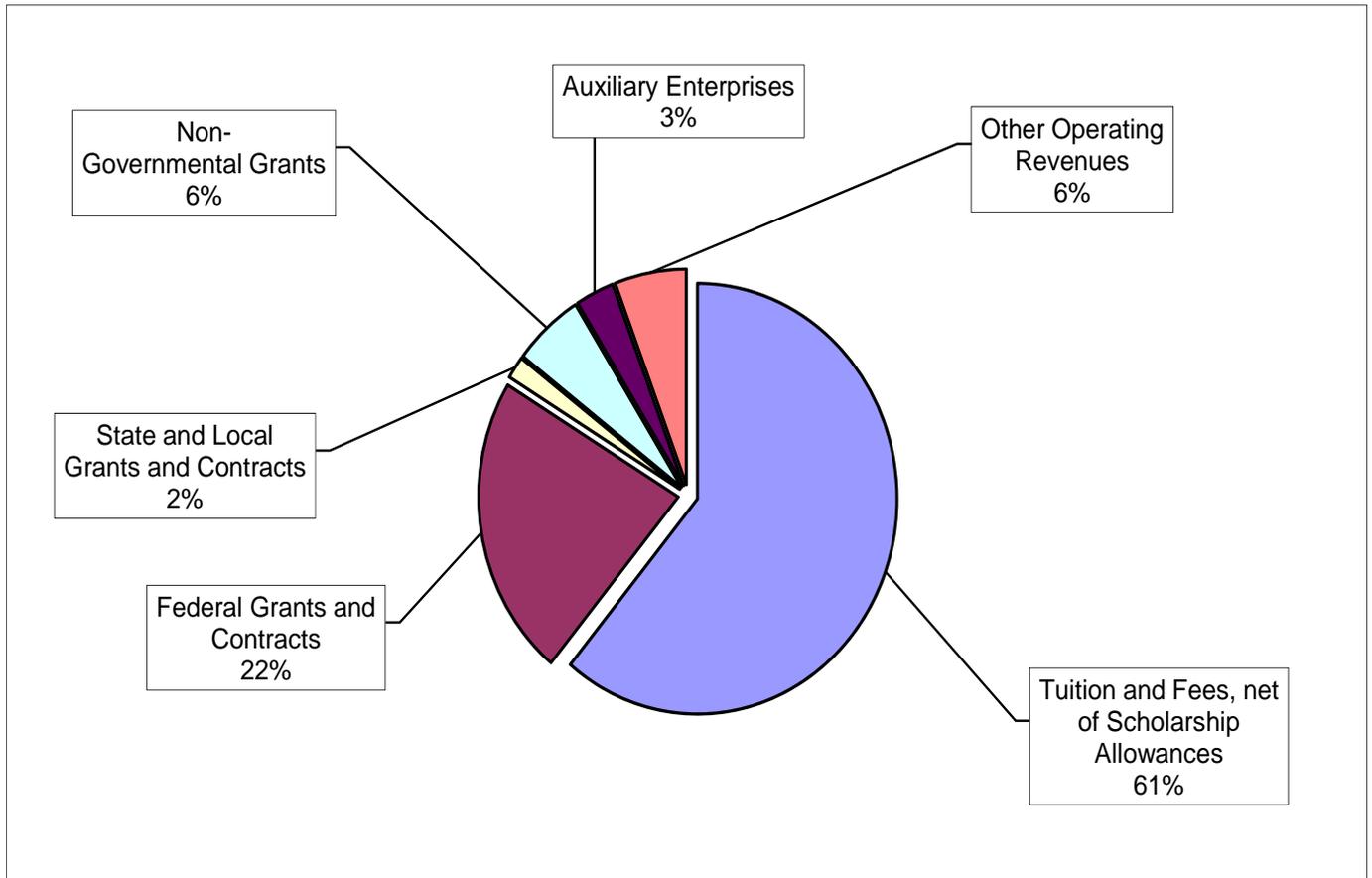
Total operating revenues decreased \$3.3 million (or 9.4%) during the past three years, as a result of the following:

- Although increasing from 2011 to 2012, gross tuition and fee revenue decreased by approximately \$2.2 million during the three years ended June 30, 2013. This 5.5% overall decrease was principally due to credit side enrollment decreases offset by average annual tuition increases of 9.9% for the 2011, 2012, and 2013 academic years.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) increased from 2011 to 2012, but decreased overall during the past three years by 8% mainly as a result of declining enrollment.
- Federal Grants and Contracts decreased from 2011 to 2012 due to a reduction in No Worker Left Behind funding as well as the elimination of Incumbent Worker and M-path funding, and decreased again from 2012 to 2013 due to a reduction/end in funding of several grants including Center for Advanced Manufacturing (CAM), Pathways Out of Poverty (POP) and Jet Plus.
- Auxiliary enterprises revenue increased slightly from 2011 to 2013, by \$75 thousand, and miscellaneous revenues increased by approximately \$433 thousand mainly due to increased contributions from the Foundation for MCC in both 2012 and 2013.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

The following is a graphic illustration of operating revenues by source for 2013:



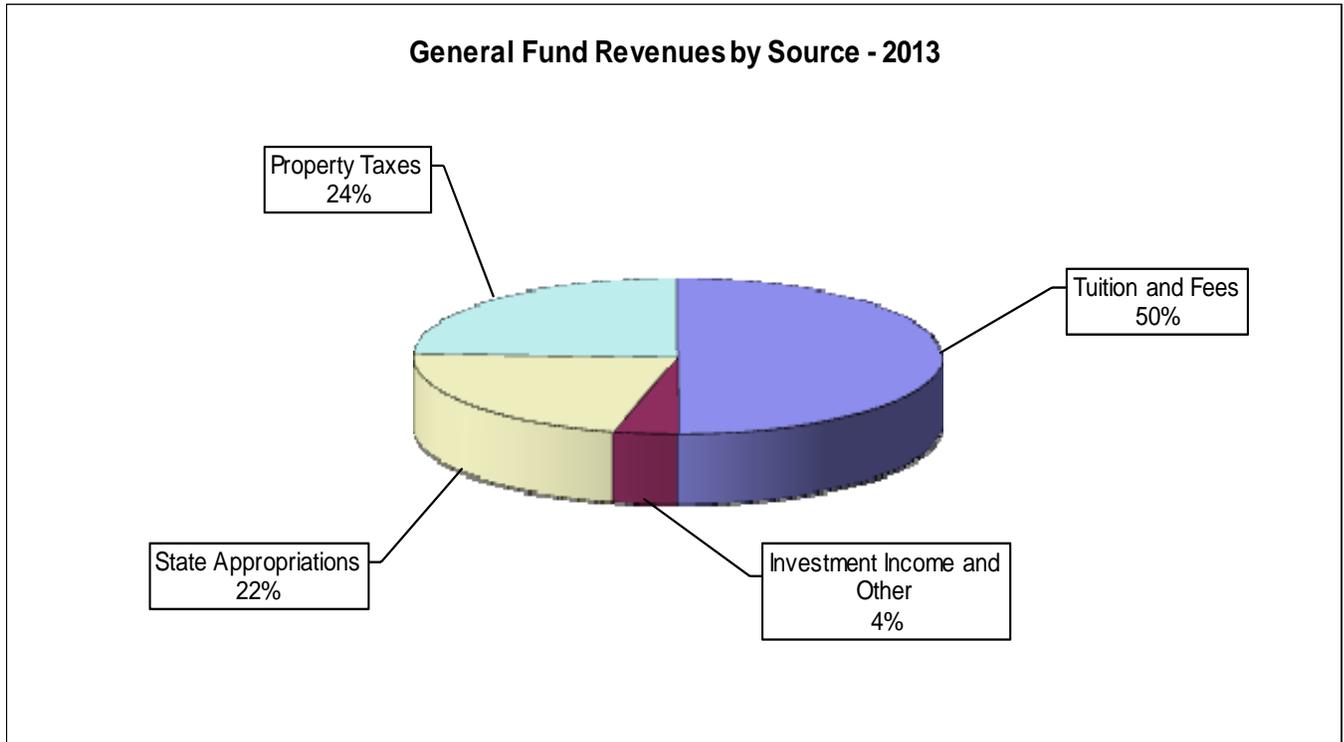
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

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.

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, 2013:



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, 2013 total \$98.7 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 Position, consistent with the State of Michigan's reporting format, currently the Activities Classification Structure (ACS) Manual.

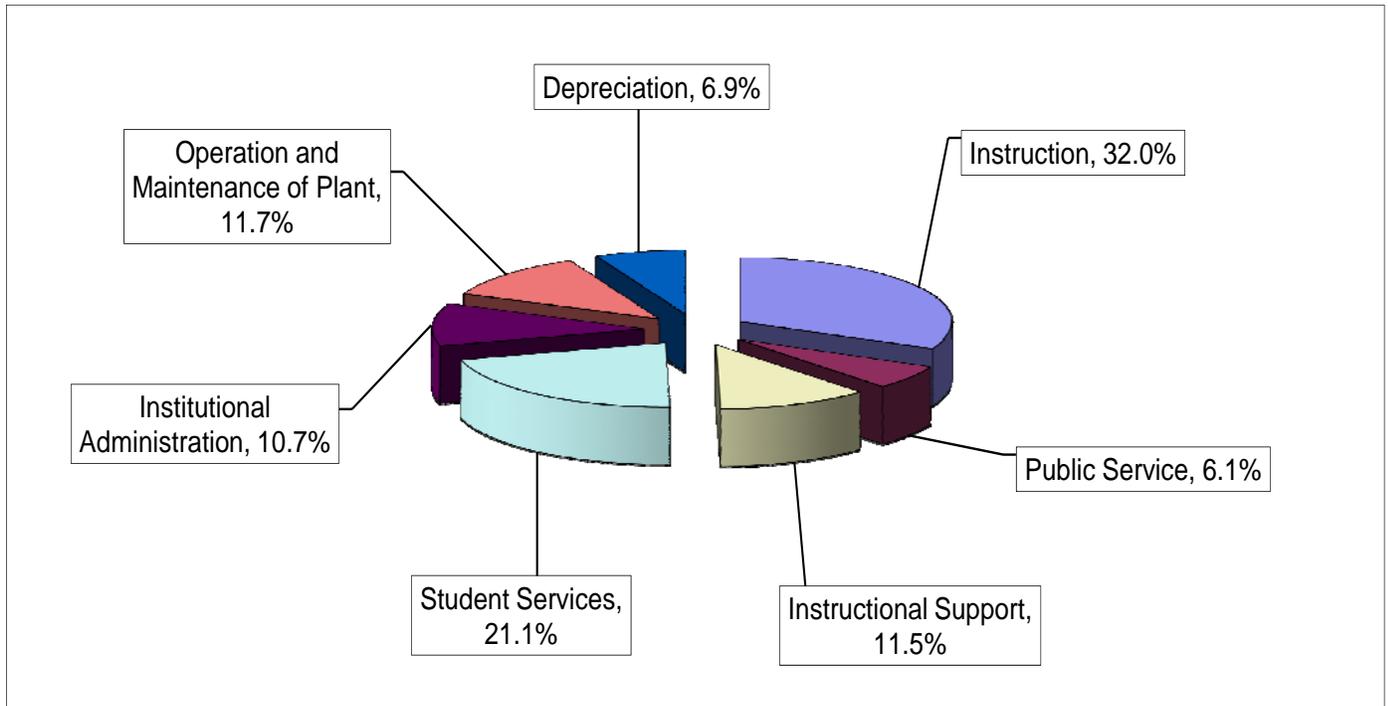
Operating Expenses by Function

	2013	2012	2011
Instruction	\$ 31,604,965	\$ 35,083,729	\$ 35,999,044
Public Service	\$ 6,022,478	\$ 8,109,362	\$ 8,494,713
Instructional Support	\$ 11,354,737	\$ 11,162,168	\$ 11,788,119
Student Services	\$ 20,776,582	\$ 25,116,859	\$ 27,505,734
Institutional Administration	\$ 10,618,900	\$ 8,964,710	\$ 8,771,676
Operation and Maintenance of Plant	\$ 11,520,523	\$ 11,338,438	\$ 11,324,043
Depreciation	\$ 6,778,456	\$ 7,018,973	\$ 7,148,626
Total Operating Expenses	\$ 98,676,641	\$ 106,794,239	\$ 111,031,955

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, 2013:



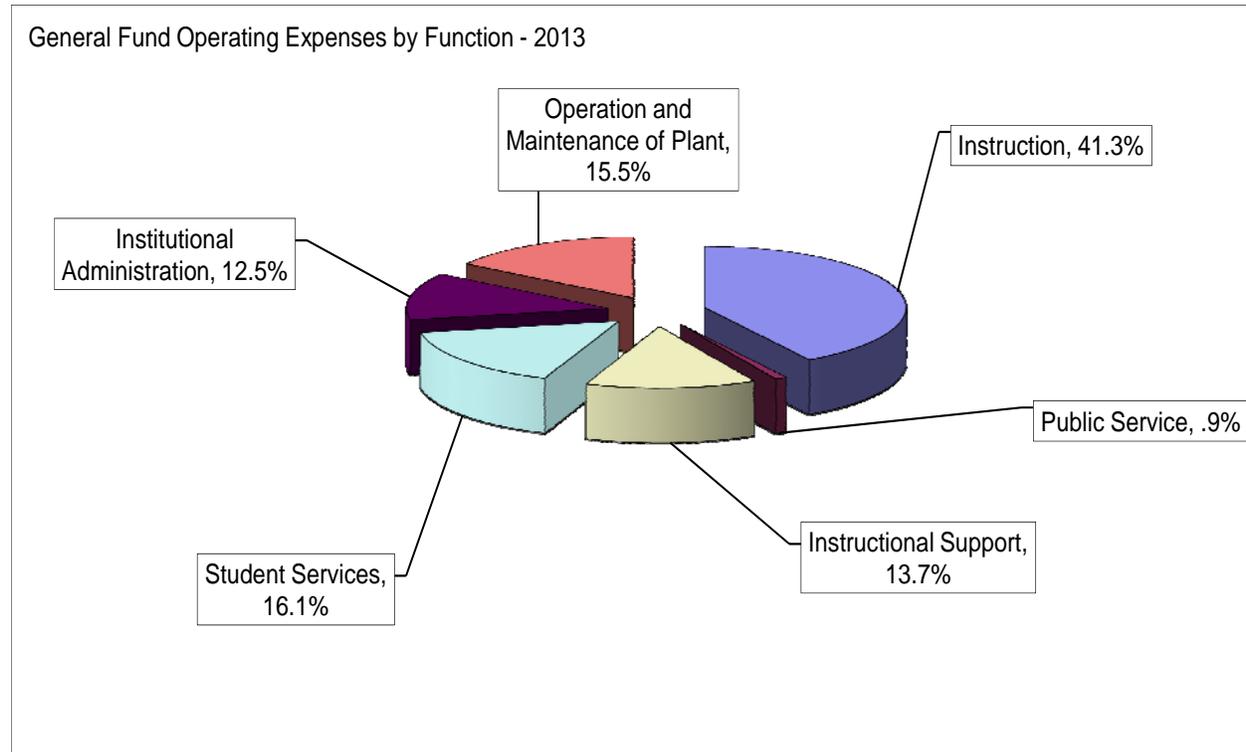
The College continues to spend the largest percentage of operating budget on instruction, with student services, operation and maintenance of plant, and instructional support making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant 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 2013 were \$72.5 million. General Fund operating expenses decreased by \$2.7 million (or 3.5%) from 2012 to 2013. This decrease was contained mainly in the instructional student services areas due to declining enrollment. General Fund operation expenses increased \$2.0 million (or 2.7%) from 2011 to 2012. 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.

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, 2013:



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.

	2013	2012	2011
State Appropriations	\$ 15,680,722	\$ 14,552,400	\$ 15,121,880
Property Tax Levy	\$ 25,292,264	\$ 27,395,708	\$ 27,258,403
Gifts	\$ 1,664,767	\$ 1,577,908	\$ 1,634,329
Pell Grants	\$ 24,112,196	\$ 30,871,349	\$ 32,720,276
Investment Income	\$ 12,270	\$ 4,291	\$ 22,611
Total Non-Operating Revenues	\$ 66,762,219	\$ 74,401,656	\$ 76,757,499

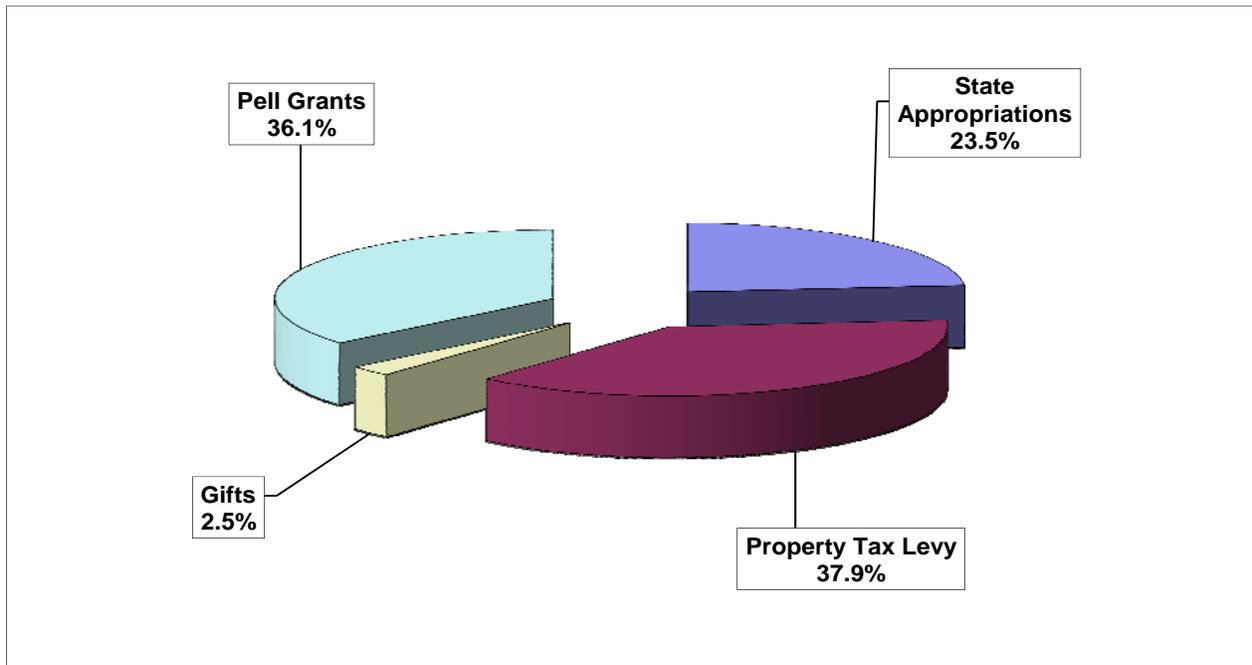
Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Total non-operating revenues decreased by \$10 million during the past three years:

- State appropriations increased slightly from 2011 to 2013.
- Property tax revenues decreased 7.2% or \$2.0 million from 2011 to 2013. 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 2014 budget includes a \$605 thousand decrease in property tax revenues. The College's combined tax levy rates were 2.6796 for 2011 and 2.8596 for 2012 and 2013.
- Pell revenue has decreased \$8.6 million from 2011 to 2013 due to a drop in credit side enrollment. 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, 2013:



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.

	2013	2012	2011
Interest on Capital Asset-Related Debt	\$ 2,114,053	\$ 2,472,106	\$ 2,670,342
Loss on Disposal of Assets	\$ 172,351	\$ 15,369	\$ -
Discount on Bonds	\$ 19,680	\$ 24,030	\$ 26,998
Bond Issuance Costs	\$ -	\$ -	\$ 5,359
Total Non-Operating Expenses	\$ 2,306,084	\$ 2,511,505	\$ 2,702,699

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 2013, 2012, and 2011 was \$2,243,645, \$(1,490,688), and \$4,574,086, respectively.

Other Revenues

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

	2013	2012	2011
State Capital Appropriations	\$ -	\$ -	\$ 4,078,000

There were no other revenues recorded in the years ended June 30, 2013 and June 30, 2012.

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

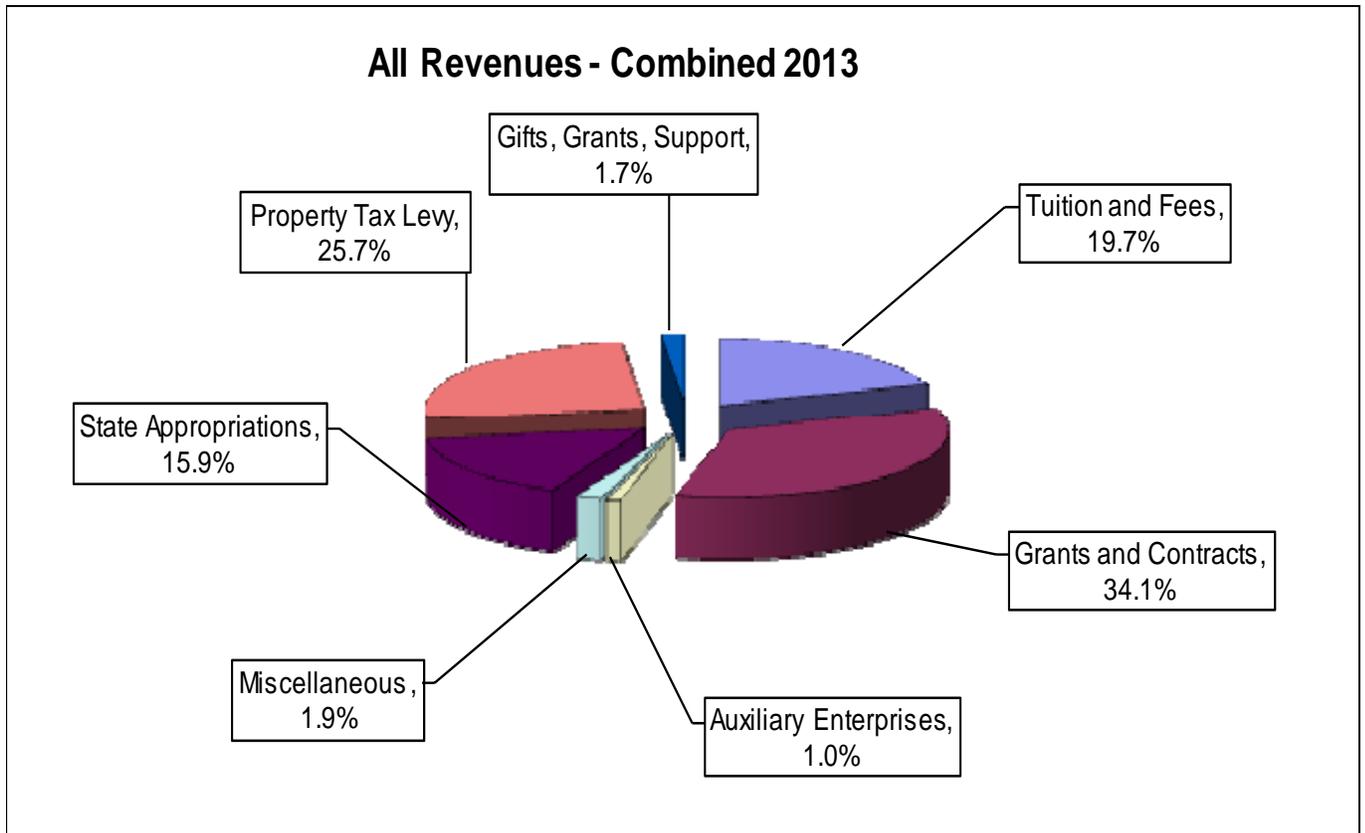
- State capital appropriations - this revenue is related to the state's portion of an \$8 million project to renovate the College's Library, which was funded 50% by voted bond proceeds obtained by the College, and 50% by the State of Michigan. Construction was completed during the 2010-2011 fiscal year.

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 2013:



For fiscal year 2013 grants and contracts, including Pell grants, accounted for 34.1% 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 15.9% of the total revenues for the College as a whole for fiscal year 2013.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Statement of Cash Flows

In addition to the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, 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>2013</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents provided (used) by:			
Operating activities	\$ (61.2)	\$ (61.9)	\$ (69.3)
Noncapital financing activities	52.2	65.9	66.1
Capital and related financing activities	(2.7)	(0.7)	(9.6)
Investing activities	<u>(0.5)</u>	<u>(1.5)</u>	<u>-</u>
Net (decrease) increase in cash	(12.2)	1.8	(12.8)
Cash and cash equivalents, beginning of year	<u>22.9</u>	<u>21.1</u>	<u>33.9</u>
Cash and cash equivalents, end of year	<u>\$ 10.7</u>	<u>\$ 22.9</u>	<u>\$ 21.1</u>

The \$61.2 million in net cash used for operating activities includes \$93 million in payments to employees and suppliers, offset by \$31.8 million in cash received for tuition and fees, grants and contracts, auxiliary enterprise activities, and other miscellaneous revenues. This negative operating cash flow was partially covered by state appropriations, property taxes, Pell grants, gifts and other support, all of which are included in the \$52.2 million in cash provided from non-capital financing activities.

The net decrease of \$2.7 million for capital and related financing activities is 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 a decrease in cash of \$12.2 million during 2013.

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:

	2013	2012	2011
Property and Equipment:			
Land	\$ 1,240,940	\$ 970,940	\$ 970,940
Artwork	\$ 6,200	\$ 6,200	\$ 6,200
Construction in Progress	\$ 66,971	\$ 705,538	\$ 41,528
Buildings and Improvements	\$ 172,702,300	\$ 170,106,773	\$169,736,164
Infrastructure	\$ 8,597,126	\$ 8,549,181	\$ 8,043,812
Equipment	\$ 19,586,543	\$ 18,846,828	\$ 17,520,204
Vehicles	\$ 1,740,383	\$ 1,500,437	\$ 1,345,498
Library Books	\$ 2,138,610	\$ 2,098,546	\$ 2,055,296
Accumulated Depreciation	\$(108,390,275)	\$(102,377,330)	\$(95,438,179)
Total Property and Equipment	\$ 97,688,798	\$ 100,407,113	\$104,281,463

Major capital additions completed this year included the following:

Chemical Storage Room	\$206 thousand
Parking Ramp Renovations	\$305 thousand
Manufacturing Cell (grant funded)	\$669 thousand
Lapeer Site Purchase	\$1.8 million

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.

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.

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.

In December of 2012, the College refunded portions of its 2004 General Obligation bonds totaling \$6,475,000. Management expects a savings of approximately \$484,000 in interest from this refunding.

At June 30, 2013, the College had \$46.1 million in long-term bond-related debt outstanding, versus \$51.4 million on June 30, 2012 and \$56.9 million on June 30, 2011.

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 completed a periodic review of our credit rating in August 2012 and reaffirmed 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 years ended June 30,

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

2011 and 2012 the College lost another \$2.4 and \$1.3 million in General Fund property taxes, respectively. In the fiscal year ended June 2013, another \$1.3 million was lost. While it appears beginning with the 2013-2014 fiscal year that these losses are beginning to flatten, we are anticipating about another \$0.6 million loss for the year ended June 30, 2014. 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 C.S. Mott Community College, or approximately \$650 thousand. The 2012-2013 Appropriation included a restoration of the previous year cut bringing the appropriation to the 2010-2011 levels. In the budget year ended June 30, 2014 a 1.8% increase was approved bringing the total State Aid funding to MCC still approximately \$300 thousand less than it was in 1999-2000. Based on recent history, current state budget problems, Michigan Public School Employees Retirement System (MPERS) unfunded liabilities, any increases in base funding is unlikely to keep up with inflation as State appropriations to community colleges have not kept up with the rate of inflation since 2000.

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 \$3.64/contact hour tuition increase effective January 1, 2010 for the calendar year 2010. In June of 2010, the Board of Trustees approved a \$10.34/contact hour increase in its tuition rates and changed the registration fee structure to equal one in-district contact hour, or \$98.68 beginning January 2011.

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/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 June 2013, the Board of Trustees unanimously approved a \$5.27/contact hour tuition increase beginning with the winter 2014 term.

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 MPERS 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 is

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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, 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 completed its update of the strategic plan and it was subsequently presented and adopted by the Board of Trustees in the Fall of 2012 and extends through 2018.

C.S. Mott Community College
Statements of Net Position
June 30, 2013 and 2012

	Primary Government		Component Unit Foundation for Mott Community College	
	2013	2012	2013	2012
Assets				
Current assets				
Cash and cash equivalents	\$ 10,732,990	\$ 22,927,047	\$ 223,938	\$ 113,576
Short term investments	1,738,574	1,511,425	-	-
State appropriation receivable	3,343,599	2,641,166	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$5,423,636 for 2013 and \$5,061,920 for 2012)	1,727,710	2,078,582	148,573	116,293
Grants receivable	9,035,757	3,041,941	-	-
Inventories	44,069	28,730	-	-
Prepaid expenses and other assets	686,341	341,932	5,000	5,000
Total current assets	27,309,040	32,570,823	377,511	234,869
Long-term investments	-	-	5,780,247	5,292,907
Beneficial interest in perpetual trusts	37,505,416	35,261,781	-	-
Bond discount	230,532	-	-	-
Other assets	-	-	33,732	30,793
Property and equipment - net of accumulated depreciation (\$108,390,275 for 2013 and \$102,377,330 for 2012)	97,688,798	100,407,113	-	-
Total assets	162,733,786	168,239,717	6,191,490	5,558,569
Deferred outflows of resources				
Deferred charge on refunding	1,276,631	1,623,802	-	-

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2013	2012	2013	2012
Liabilities				
Current liabilities				
Current portion of debt obligations	\$ 5,652,958	\$ 5,275,000	\$ -	\$ -
Accounts payable	3,054,952	3,315,128	4,722	4,378
Accrued interest payable	311,011	382,716	-	-
Accrued payroll and related liabilities	3,446,489	3,869,497	-	-
Deposits held for others	196,022	284,762	-	-
Unearned revenue	1,521,692	1,664,630	1,417	3,360
Total current liabilities	14,183,124	14,791,733	6,139	7,738
Long-term debt obligations	41,561,832	46,125,000	-	-
Accrued termination pay	2,551,206	2,818,476	-	-
Bond premium	1,248,957	1,399,641	-	-
Other accrued liabilities	540,536	582,579	-	-
Total liabilities	60,085,655	65,717,429	6,139	7,738
Net position				
Net investment in capital assets	50,474,008	49,185,917	-	-
Restricted for				
Nonexpendable	37,505,416	35,261,781	1,924,624	1,686,370
Expendable				
Scholarships and awards	73,364	66,225	2,009,378	1,737,232
Debt service	494,112	310,907	-	-
Unrestricted	15,377,862	19,321,260	2,251,349	2,127,229
Total net position	\$ 103,924,762	\$ 104,146,090	\$ 6,185,351	\$ 5,550,831

C.S. Mott Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012

	Primary Government		Component Unit Foundation for Mott Community College	
	2013	2012	2013	2012
Revenues				
Operating revenues				
Tuition and fees	\$ 37,686,324	\$ 41,405,175	\$ -	\$ -
Less scholarship allowances	(18,302,900)	(21,503,662)	-	-
Federal grants and contracts	7,211,534	8,529,101	-	-
State and local grants and contracts	532,011	785,605	-	-
Private gifts and grants	1,806,496	1,951,728	632,026	534,111
Auxiliary enterprises	988,068	1,083,693	-	-
Miscellaneous	1,834,010	1,632,257	36,918	(3,733)
Total operating revenues	<u>31,755,543</u>	<u>33,883,897</u>	<u>668,944</u>	<u>530,378</u>
Expenses				
Operating expenses				
Instruction	31,604,965	35,083,729	-	-
Public service	6,022,478	8,109,362	165,624	219,128
Instructional support	11,354,737	11,162,168	372,126	295,852
Student services	20,776,582	25,116,859	159,524	130,073
Institutional administration	10,618,900	8,964,710	-	-
Operation and maintenance of plant	11,520,523	11,338,438	-	-
Depreciation	6,778,456	7,018,973	-	-
Foundation operations	-	-	71,723	76,287
Total operating expenses	<u>98,676,641</u>	<u>106,794,239</u>	<u>768,997</u>	<u>721,340</u>
Operating loss	(66,921,098)	(72,910,342)	(100,053)	(190,962)
Non-Operating Revenues (Expenses)				
State appropriations	15,680,722	14,552,400	-	-
Property tax levy	25,292,264	27,395,708	-	-
Pell grants	24,112,196	30,871,349	-	-
Gifts	1,664,767	1,577,908	-	-
Investment income	12,270	4,291	231,796	195,999
Net realized and unrealized gain (loss) on investments	-	-	502,777	(55,498)
Change in value of perpetual trusts	2,243,635	(1,490,688)	-	-
Interest on capital asset - related debt	(2,114,053)	(2,472,106)	-	-
Loss on disposal of assets	(172,351)	(15,369)	-	-
Discount on bonds	(19,680)	(24,030)	-	-
Net non-operating revenues	<u>66,699,770</u>	<u>70,399,463</u>	<u>734,573</u>	<u>140,501</u>
(Decrease) increase in net position	(221,328)	(2,510,879)	634,520	(50,461)
Net Position				
Net position - beginning of year	104,146,090	106,656,969	5,550,831	5,601,292
Net position - end of year	<u>\$103,924,762</u>	<u>\$104,146,090</u>	<u>\$ 6,185,351</u>	<u>\$ 5,550,831</u>

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2013

	<u>Primary Government 2013</u>	<u>Component Unit 2013</u>
Cash Flows from Operating Activities		
Tuition and fees	\$ 19,612,626	\$ -
Grants and contracts	8,905,076	593,623
Payments to suppliers	(29,756,292)	(237,003)
Payments to employees	(63,216,007)	-
Auxiliary enterprises	646,937	-
Allocations to primary government	-	(525,527)
Allocations from component unit	525,527	-
Other	2,026,489	34,975
	<hr/>	<hr/>
Net cash used for operating activities	(61,255,644)	(133,932)
Cash Flows from Noncapital Financing Activities		
State appropriations	14,978,289	-
Local property taxes	17,440,448	-
Pell grants	24,112,196	-
Gifts and contributions for other than capital purposes	1,664,767	-
Agency transactions	27,463	-
Student loan receipts	24,592,423	-
Student loan disbursements	(30,614,803)	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	52,200,783	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(3,067,702)	-
Principal paid on capital debt	(12,250,000)	-
Bond proceeds	6,400,000	-
Refund from escrow	75,000	-
Capital property tax levy	7,851,816	-
Interest paid on capital debt	(2,185,758)	-
	<hr/>	<hr/>
Net cash used for capital and related financing activities	(3,176,644)	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	2,011,178	3,884,884
Interest on investments	12,270	228,857
Purchase of investments	(1,986,000)	(3,869,447)
	<hr/>	<hr/>
Net cash (used for) provided by investing activities	37,448	244,294
	<hr/>	<hr/>
Net (decrease) increase in cash	(12,194,057)	110,362
	<hr/>	<hr/>
Cash - beginning of year	22,927,047	113,576
	<hr/>	<hr/>
Cash - end of year	<u>\$ 10,732,990</u>	<u>\$ 223,938</u>

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2013

	<u>Primary Government 2013</u>	<u>Component Unit 2013</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	\$(66,921,098)	\$ (100,053)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	6,778,456	-
(Increase) decrease in assets:		
Federal and state grants receivable	28,564	-
Accounts receivable (net)	350,872	(32,280)
Inventories	(15,339)	-
Prepaid assets and other current assets	(344,409)	-
Increase (decrease) in liabilities:		
Accounts payable	(260,176)	344
Accrued payroll and other compensation	(690,278)	-
Other accrued liabilities	2,745	-
Unearned revenue	(142,938)	-
Deposits held by others	(42,043)	(1,943)
	<u>\$(61,255,644)</u>	<u>\$ (133,932)</u>
Net cash used for operating activities	<u>\$(61,255,644)</u>	<u>\$ (133,932)</u>

See notes to financial statements.

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

	<u>Primary Government 2012</u>	<u>Component Unit 2012</u>
Cash Flows from Operating Activities		
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)
	<hr/>	<hr/>
Net cash used for operating activities	(61,921,177)	(204,894)
Cash Flows from Noncapital Financing Activities		
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)	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	65,931,152	-
Cash Flows from Capital and Related Financing Activities		
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)	-
	<hr/>	<hr/>
Net cash used for capital and related financing activities	(651,942)	-
Cash Flows from Investing Activities		
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)
	<hr/>	<hr/>
Net cash (used for) provided by investing activities	(1,524,413)	313,037
	<hr/>	<hr/>
Net increase in cash	1,833,620	108,143
	<hr/>	<hr/>
Cash - beginning of year	21,093,427	5,433
	<hr/>	<hr/>
Cash - end of year	<u>\$ 22,927,047</u>	<u>\$ 113,576</u>

See notes to financial statements.

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

	<u>Primary Government 2012</u>	<u>Component Unit 2012</u>
Reconciliation of Operating Loss		
Net Cash Used for Operating Activities		
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 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 liabilities:		
Accounts payable	312,217	92
Accrued payroll and other compensation	(466,389)	-
Other accrued liabilities	7,866	-
Unearned revenue	247,025	-
Deposits held by others	61,556	(3,807)
	<u>\$(61,921,177)</u>	<u>\$ (204,894)</u>

See notes to financial statements.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

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, 2013

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.

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 statement of net position.

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 statements of net position.

Reclassification:

Certain amounts as reported in the 2012 financial statements have been reclassified to conform with the 2013 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, property taxes, Pell grants, 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, 2013

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 position:

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

Certain unrestricted net position is 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 position are available.

Bond issuance costs:

Bond issuance costs are expensed when incurred.

Change in Accounting Principles

Effective with the fiscal year ended June 30, 2013, the College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements introduce and define 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 standards also incorporate 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. In accordance with these standards, the College has modified the presentation of the Statements of Net Position and has reported deferred outflows of resources from refunding of debt at June 30, 2013 and 2012 in accordance with the standards.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

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 statements of net position under the following classifications as of June 30:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 10,732,990	\$ 22,927,047
Short term investments	<u>1,738,574</u>	<u>1,511,425</u>
Total	<u>\$12,471,564</u>	<u>\$24,438,472</u>

The amounts are categorized as follows at June 30:

	<u>2013</u>	<u>2012</u>
Bank deposits (checking, savings, cash sweep accounts and money markets)	\$ 10,723,105	\$ 22,917,262
Petty cash	9,885	9,785
Certificates of Deposit	990,388	-
Investments in government obligations	<u>748,186</u>	<u>1,511,425</u>
Total	<u>\$12,471,564</u>	<u>\$24,438,472</u>

As of June 30, 2013, 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	\$ 748,186	\$ 748,186	\$ -	\$ -	N/A
Certificates of Deposit	<u>990,388</u>	<u>990,388</u>	<u>-</u>	<u>-</u>	N/A
Total	<u>\$ 1,738,574</u>	<u>\$ 1,738,574</u>	<u>\$ -</u>	<u>\$ -</u>	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

2. Cash and investments – (continued)

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

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

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, 2013, \$706,482 was covered by federal depository insurance and the temporary liquidity guarantee program. \$11,823,020 was uninsured and uncollateralized for the year ended June 30, 2013.

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.

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, 2013

2. Cash and investments – (continued)

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

	2013	2012
Common stock - U.S. equities	\$ 125,697	\$ 97,008
U.S. government bonds and federal agency bonds	36,434	38,746
U.S. corporate bonds	815,445	1,496,071
Real estate holding	139,526	137,071
Mutual Funds		
Equity investments	4,126,369	3,161,997
Balanced investments	536,776	362,014
Total	\$ 5,780,247	\$ 5,292,907

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, 2013

4. Property and equipment

The changes in various capital asset class categories for the year ended June 30, 2013 are as follows:

	Beginning Balance	Transfer/ Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 970,940	\$ 270,000	\$ -	\$ 1,240,940	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 9)	705,538	66,971	(705,538)	66,971	
Total nondepreciable capital assets	1,682,678	336,971	(705,538)	1,314,111	
Depreciable capital assets:					
Buildings and improvements	167,422,044	2,595,527	-	170,017,571	15 - 50
Leasehold improvements	2,684,729	-	-	2,684,729	5
Infrastructure	8,549,181	47,945	-	8,597,126	10 - 50
Computer equipment	6,501,447	335,527	(633,929)	6,203,045	5 - 10
Audio-visual equipment	828,429	43,117	(7,716)	863,830	5 - 10
Other equipment	11,516,952	1,281,964	(279,248)	12,519,668	5 - 20
Vehicles	1,500,437	274,230	(34,284)	1,740,383	8
Library books	2,098,546	40,064	-	2,138,610	5
Total depreciable capital assets	201,101,765	4,618,374	(955,177)	204,764,962	
Total capital assets	202,784,443	4,955,345	(1,660,715)	206,079,073	
Less: accumulated depreciation:					
Buildings and improvements	76,061,900	5,230,537	-	81,292,437	
Leasehold improvements	2,546,744	112,178	-	2,658,922	
Infrastructure	7,515,501	161,447	-	7,676,948	
Computer equipment	5,502,973	499,878	(612,491)	5,390,360	
Audio-visual equipment	718,491	32,617	(7,716)	743,392	
Other equipment	6,986,660	588,658	(143,183)	7,432,135	
Vehicles	1,032,908	116,029	(2,121)	1,146,816	
Library books	2,012,153	37,112	-	2,049,265	
Total accumulated depreciation	102,377,330	6,778,456	(765,511)	108,390,275	
Total net capital assets	\$ 100,407,113	\$ (1,823,111)	\$ (895,204)	\$ 97,688,798	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

4. Property and equipment – (continued)

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	
Total nondepreciable capital assets	1,018,668	705,538	(41,528)	1,682,678	
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
Total depreciable capital assets	198,700,974	2,495,982	(95,191)	201,101,765	
Total capital assets	199,719,642	3,201,520	(136,719)	202,784,443	
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	
Total accumulated depreciation	95,438,179	7,018,973	(79,822)	102,377,330	
Total net capital assets	\$ 104,281,463	\$ (3,817,453)	\$ (56,897)	\$ 100,407,113	

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 position.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

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, 2013 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, 2014	\$ 8,375,000	\$ -	\$ 7,375,000	\$ 1,000,000	\$ 1,000,000
Series 2005	3.75% - 5.00%	May 1, 2021	15,000,000	-	1,650,000	13,350,000	1,650,000
Series 2006	4.00% - 5.00%	May 1, 2021	10,350,000	-	950,000	9,400,000	1,000,000
Series 2008	3.375% - 4.625%	May 1, 2023	13,475,000	-	1,225,000	12,250,000	1,225,000
Series 2009	3.00% - 4.00%	May 1, 2021	4,200,000	-	550,000	3,650,000	545,000
Series 2012	1.215%	May 1, 2019	-	6,400,000	-	6,400,000	-
Total bonds payable			51,400,000	6,400,000	11,750,000	46,050,000	5,420,000
Installment							
Purchase - Lapeer							
building & land	0%	December 21, 2017	-	1,664,790	500,000	1,164,790	232,958
Accrued termination pay			2,818,476	-	267,270	2,551,206	-
Bond premium			1,399,641	-	150,684	1,248,957	-
Other accrued liabilities			582,579	-	42,043	540,536	-
Total bonds payable and other long term liabilities			<u>\$ 56,200,696</u>	<u>\$ 8,064,790</u>	<u>\$ 12,709,997</u>	51,555,489	<u>\$ 5,652,958</u>
Current debt obligations						<u>5,652,958</u>	
Long-term debt obligations						<u>\$ 45,902,531</u>	

Debt service requirements are as follows:

Year ended		Total	Principal	Interest
June 30, 2014		\$ 7,519,024	\$ 5,652,958	\$ 1,866,066
June 30, 2015		7,412,299	5,777,958	1,634,341
June 30, 2016		7,420,985	5,997,958	1,423,027
June 30, 2017		7,337,743	6,132,958	1,204,785
June 30, 2018		7,217,562	6,237,958	979,604
June 30, 2019 - June 30, 2023		19,168,919	17,415,000	1,753,919
		<u>\$ 56,076,532</u>	<u>\$ 47,214,790</u>	<u>\$ 8,861,742</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

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, 2012 are as shown below.

Building and Improvement			Beginning			Ending	Current Debt
Bonds:	Interest Rate	Maturity Date	Balance	Additions	Reductions	Balance	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>

6. Operating Leases

The College leases equipment under non-cancellable operating leases. Total cost for such leases was \$164,047 for 2013 and \$159,330 for 2012. The future minimum lease payments for these leases are as follows:

<u>Years Ending</u> <u>June 30</u>	<u>Amount</u>
2014	\$ 136,975
2015	68,331
2016	12,231
2017	4,384
Total	<u>\$ 221,921</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

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, 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 pension benefit rate totaled 15.96% and 12.16% of covered payroll to the plan for the period from July 1 through September 30 for the years ended June 30, 2013 and 2012, respectively. The pension benefit rate totaled 16.25%, 15.96% and 12.16% of covered payroll to the plan from the period from October 1 through June 30 for the years ended June 30, 2013, 2012 and 2011, respectively. 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, 2013, 2012, and 2011 were \$5,049,735, \$4,568,183, and \$3,712,100, 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 7.25% of covered payroll for the period July 1, 2011 through September 30, 2011, and 8.50% for the period from October 1, 2011 through September 30, 2012. The employer contribution rate was 9.11% for the period October 1, 2012 through June 30, 2013. The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2013, 2012 and 2011 were \$2,224,835, \$2,793,497 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, 2013 and 2012 were \$10,155,007 and \$1,210,359 and \$9,709,378 and \$1,160,249, respectively.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

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. An audit of the schedule of expenditures of federal awards in accordance with OMB Circular A-133 has 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 number 9 describes these commitments.

9. Construction in Progress

The College started construction on the various parking decks on campus. As of June 30, 2013 total expenditures were \$57,579. The completion of this project will occur sometime in the fiscal year 2013-2014.

The College started construction on a kitchen in the workforce development department. As of June 30, 2013 total expenditures were \$9,392. The completion of this project will occur sometime in the 2013-2014 fiscal year.

10. 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.

11. Advance Refunding

On December 5, 2012 the College issued \$6,400,000 in Series 2012 Community College Refunding Bonds with an interest rate of 1.215%. These bonds were issued to advance refund a portion of the 2004 Series bonds in the amount of \$6,475,000 with an average interest rate of 4.37%. The net proceeds, after payment of \$53,630 in issuance costs, were \$6,886,370. 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 \$521,395, which represents a present value economic gain of approximately \$483,950.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2013

11. Advance Refunding – (continued)

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, 2013, \$24,650,000 of bonds outstanding are considered defeased.

12. Non-Cash Capital and Related Financing Activities

The College financed the purchase of real estate property during 2013 by obtaining credit in the form of a note payable in the amount of \$1,664,790.

**Additional
Information**

C.S. Mott Community College
Combining Statement of Net Position
June 30, 2013

	Combined Total	General Fund	Designated Fund
Assets			
Current assets			
Cash and cash equivalents	\$ 10,732,990	\$ 2,725,426	\$ -
Short term investments	1,738,574	-	-
State appropriation receivable	3,343,599	3,343,599	-
Accounts receivable - net of \$5,423,636 allowance	1,727,710	1,544,309	4,508
Grants receivable	9,035,757	-	-
Inventories	44,069	44,069	-
Prepaid expenses and other assets	686,341	685,244	-
Total current assets	27,309,040	8,342,647	4,508
Beneficial interest in perpetual trusts	37,505,416	-	-
Bond discount	230,532	-	-
Property and equipment - net of \$108,390,275 accumulated depreciation	97,688,798	-	-
Total assets	162,733,786	8,342,647	4,508
Deferred outflows of resources			
Deferred charge on refunding	1,276,631	-	-

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ 8,007,564
-	-	-	-	1,738,574
-	-	-	-	-
14,525	164,368	-	-	-
-	-	9,035,757	-	-
-	-	-	-	-
-	-	-	-	1,097
14,525	164,368	9,035,757	-	9,747,235
-	-	-	37,505,416	-
-	-	-	-	230,532
-	-	-	-	97,688,798
14,525	164,368	9,035,757	37,505,416	107,666,565
-	-	-	-	1,276,631

C.S. Mott Community College
Combining Statement of Net Position (continued)
June 30, 2013

	Combined Total	General Fund	Designated Fund
Liabilities			
Current liabilities:			
Current portion of debt obligations	\$ 5,652,958	\$ -	\$ -
Accounts payable	3,054,952	3,052,842	-
Due to (from) other funds	-	(8,376,697)	(1,558,838)
Accrued interest payable	311,011	-	-
Accrued payroll and related liabilities	3,446,489	3,398,501	1,166
Deposits held for others	196,022	2,745	-
Unearned revenue	1,521,692	592,354	383,621
Total current liabilities	14,183,124	(1,330,255)	(1,174,051)
Long term debt obligations	41,561,832	-	-
Accrued termination pay	2,551,206	2,551,206	-
Bond premium	1,248,957	-	-
Other accrued liabilities	540,536	540,536	-
Total liabilities	60,085,655	1,761,487	(1,174,051)
Net position			
Net investment in capital assets	50,474,008	-	-
Restricted for			
Nonexpendable	37,505,416	-	-
Expendable			
Scholarships and awards	73,364	-	-
Debt service	494,112	-	-
Unrestricted	15,377,862	6,581,160	1,178,559
Total net position	\$ 103,924,762	\$ 6,581,160	\$ 1,178,559

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ 5,652,958
-	-	2,110	-	-
(214,872)	(28,909)	8,562,744	-	1,616,572
-	-	-	-	311,011
-	-	46,822	-	-
-	193,277	-	-	-
195,000	-	350,717	-	-
(19,872)	164,368	8,962,393	-	7,580,541
-	-	-	-	41,561,832
-	-	-	-	-
-	-	-	-	1,248,957
-	-	-	-	-
(19,872)	164,368	8,962,393	-	50,391,330
-	-	-	-	50,474,008
-	-	-	37,505,416	-
-	-	73,364	-	-
-	-	-	-	494,112
34,397	-	-	-	7,583,746
\$ 34,397	\$ -	\$ 73,364	\$ 37,505,416	\$ 58,551,866

C.S. Mott Community College
Combining Statement of Revenues, Expenses,
Transfers and Changes in Net Position
June 30, 2013

	Combined Total	Eliminations
Revenues		
Operating revenues		
Tuition and fees	\$ 37,686,324	\$ -
Less scholarship allowances	(18,302,900)	(18,302,900)
Federal grants and contracts	7,211,534	-
State and local grants and contracts	532,011	-
Private gifts and grants	1,806,496	(533,957)
Auxiliary enterprises	988,068	-
Expenditures for equipment and capital improvements	-	(3,067,702)
Miscellaneous	1,834,010	-
Total operating revenues	<u>31,755,543</u>	<u>(21,904,559)</u>
Expenses		
Operating expenses		
Instruction	31,604,965	(494,774)
Public service	6,022,478	(98,856)
Instructional support	11,354,737	(493,918)
Student services	20,776,582	(18,316,697)
Institutional administration	10,618,900	(1,422)
Operation and maintenance of plant	11,520,523	(2,498,892)
Depreciation	6,778,456	-
Total operating expenses	<u>98,676,641</u>	<u>(21,904,559)</u>
Operating income (loss)	(66,921,098)	-
Non-Operating Revenues (Expenses)		
State appropriations	15,680,722	-
Property tax levy	25,292,264	-
Pell	24,112,196	-
Gifts	1,664,767	-
Investment income	12,270	-
Change in value of perpetual trusts	2,243,635	-
Interest on capital asset - related debt	(2,114,053)	-
Loss on disposal of assets	(172,351)	-
Discount on bonds	(19,680)	-
Net non-operating revenues	<u>66,699,770</u>	<u>-</u>
(Decrease) increase in net position	(221,328)	-
Transfers in (out)	-	-
Net (decrease) increase in net position	<u>(221,328)</u>	<u>-</u>
Net Position		
Net position - beginning of year	<u>104,146,090</u>	<u>-</u>
Net position - end of year	<u>\$ 103,924,762</u>	<u>\$ -</u>

General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ 35,916,576	\$ 1,769,748	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	7,211,534	-	-
-	-	-	532,011	-	-
16,276	-	-	2,324,177	-	-
-	-	988,068	-	-	-
-	-	-	-	-	3,067,702
1,166,406	515,371	-	724	-	151,509
37,099,258	2,285,119	988,068	10,068,446	-	3,219,211
29,966,397	-	-	628,889	-	1,504,453
660,574	-	212,850	5,207,797	-	40,113
9,931,331	-	30	1,702,992	-	214,302
11,646,886	1,115,100	63,251	26,268,042	-	-
9,033,811	-	-	46,637	-	1,539,874
11,255,678	120,834	-	-	-	2,642,903
-	-	-	-	-	6,778,456
72,494,677	1,235,934	276,131	33,854,357	-	12,720,101
(35,395,419)	1,049,185	711,937	(23,785,911)	-	(9,500,890)
15,680,722	-	-	-	-	-
17,440,448	-	-	-	-	7,851,816
-	-	-	24,112,196	-	-
1,664,767	-	-	-	-	-
1,399	-	-	-	-	10,871
-	-	-	-	2,243,635	-
-	-	-	-	-	(2,114,053)
-	-	-	-	-	(172,351)
-	-	-	-	-	(19,680)
34,787,336	-	-	24,112,196	2,243,635	5,556,603
(608,083)	1,049,185	711,937	326,285	2,243,635	(3,944,287)
682,796	(818,746)	(711,937)	(319,146)	-	1,167,033
74,713	230,439	-	7,139	2,243,635	(2,777,254)
6,506,447	948,120	34,397	66,225	35,261,781	61,329,120
\$ 6,581,160	\$ 1,178,559	\$ 34,397	\$ 73,364	\$ 37,505,416	\$ 58,551,866

C.S. Mott Community College
Schedule 1 - Details of General Fund Expenses
Year Ended June 30, 2013

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 20,500,163	\$ 7,571,186	\$ 740,358	\$ 812,637
Public service	378,445	119,869	89,945	3,214
Instructional support	5,600,295	2,538,682	903,587	202,101
Student services	5,625,272	2,222,445	1,024,016	296,472
Institutional administration	3,846,646	2,584,728	834,304	105,246
Physical plant operations	4,279,714	2,087,526	1,275,246	754,747
	<u>\$ 40,230,535</u>	<u>\$ 17,124,436</u>	<u>\$ 4,867,456</u>	<u>\$ 2,174,417</u>

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 205,124	\$ 2,439	\$ 134,490	\$ -	\$ 29,966,397
24,000	-	45,101	-	660,574
-	85,205	600,668	793	9,931,331
-	613	2,476,861	1,207	11,646,886
11,418	-	1,651,469	-	9,033,811
-	2,790,545	67,900	-	11,255,678
\$ 240,542	\$ 2,878,802	\$ 4,976,489	\$ 2,000	\$ 72,494,677

C.S. Mott Community College
Schedule 2 - Details of Auxiliary Activities
Year Ended June 30, 2013

Activity	Balance July 1, 2012	Revenues	Expenditures (1)
Vending	\$ -	\$ 100,855	\$ 625
Outside Catering	-	215,635	212,850
Bookstore--Main Campus	-	639,779	38,595
Pay Pal Account	-	-	30
Bookstore--Lapeer Campus	-	1,338	695
Student Computer Lab Printing	-	30,461	23,336
	<u>\$ -</u>	<u>\$ 988,068</u>	<u>\$ 276,131</u>

(1) Expenditures include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to \$38,595 for the bookstore.

Transfers In (Out)

Excess Revenues to General Fund	Excess Expenditures Absorbed by General Fund	Balance June 30, 2013
\$ 100,230	\$ -	\$ -
2,785	-	-
601,184	-	-
-	30	-
643	-	-
7,125	-	-
<u>\$ 711,967</u>	<u>\$ 30</u>	<u>\$ -</u>