

**Financial Statements**

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

**June 30, 2014 and 2013**

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**INDEPENDENT AUDITORS' REPORT**

November 5, 2014

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, 2014 and 2013, 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 Auditors' 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, 2014 and 2013, and the respective results of their operations and cash flows 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 19 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 November 5, 2014, 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.



# 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, 2014, 2013 and 2012 and its financial activities for the three years ended June 30, 2014. 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, 2014. 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)

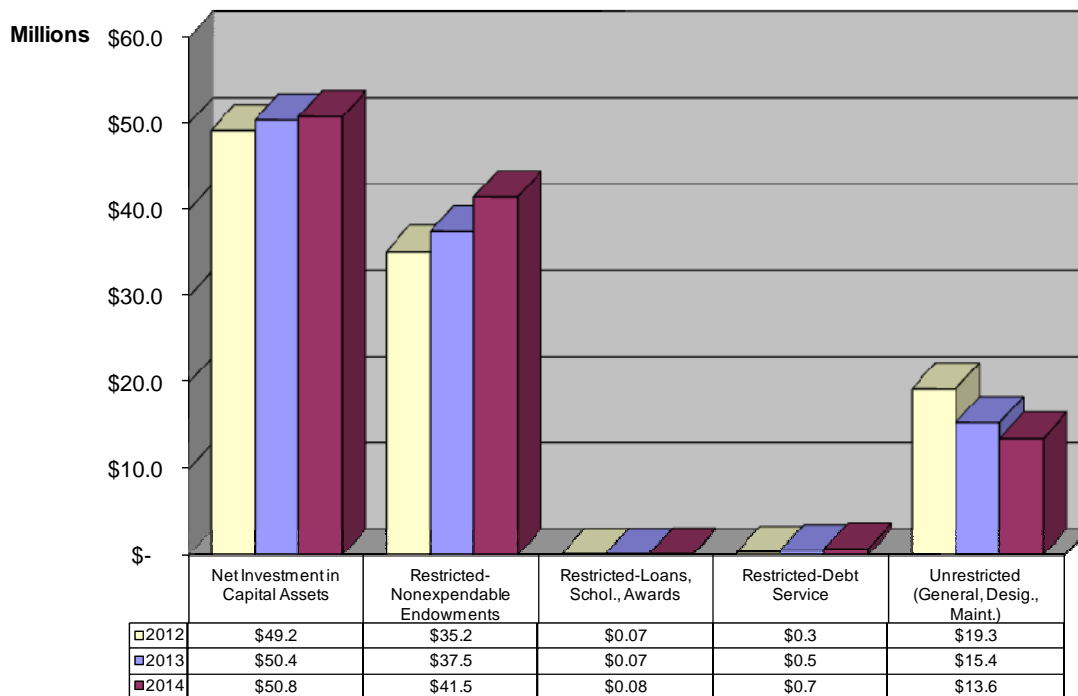
### Financial Highlights

The College's Net Position increased for the year ended June 30, 2014. Total Assets decreased from \$168.3 million to \$162.7 million and then increased to \$172.2 million at June 30, 2012, 2013 and 2014, respectively. Deferred Outflows of Resources decreased from \$1.6 million to \$1.3 million to \$977 thousand at June 30, 2012, 2013 and 2014, respectively. Liabilities totaled \$66.6 million at June 30, 2014, compared to \$60.1 million in 2013 and \$65.8 million in 2012. Net position, which represents the remaining value of the College's assets and deferred outflows after liabilities are deducted, increased by \$2.7 million for a total of \$106.6 million at June 30, 2014.

The Unrestricted category within Net Position has decreased over the past three years, from \$19.3 million at June 30, 2012, to \$15.4 million at June 30, 2013, to \$13.6 million at June 30, 2014. This is mainly due to planned fiscal year 2014 net position reductions in the general fund and fiscal year 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, 2014, 2013 and 2012:

**Breakdown of Net Position - By Category**



# Mott Community College

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## 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, 2014 and 2013 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, 2014 compared to June 30, 2013 and June 30, 2012. 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, 2014, 2013 and 2012  
(in millions)

	(in millions)		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Current Assets	\$ 27.8	\$ 27.3	\$ 32.6
Capital Assets	\$ 93.2	\$ 97.7	\$ 100.4
Other Noncurrent Assets	\$ 51.2	\$ 37.7	\$ 35.3
Total Assets	<u>\$ 172.2</u>	<u>\$ 162.7</u>	<u>\$ 168.3</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge on Refunding	<u>\$ 1.0</u>	<u>\$ 1.3</u>	<u>\$ 1.6</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 16.9	\$ 14.0	\$ 14.9
Noncurrent Liabilities	\$ 49.7	\$ 46.1	\$ 50.9
Total Liabilities	<u>\$ 66.6</u>	<u>\$ 60.1</u>	<u>\$ 65.8</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 50.8	\$ 50.4	\$ 49.2
Restricted - Nonexpendable	\$ 41.5	\$ 37.5	\$ 35.2
Restricted - Expendable	\$ 0.8	\$ 0.6	\$ 0.4
Unrestricted	\$ 13.5	\$ 15.4	\$ 19.3
Total Net Position	<u>\$ 106.6</u>	<u>\$ 103.9</u>	<u>\$ 104.1</u>

Net position remained flat between 2012 and 2013 and increased from 2013 to 2014, with significant changes noted below.

The most significant changes in the Statement of Net Position during 2014 related to:

- An increase from 2013 to 2014 in Investments – restricted of \$9.4 million representing the unspent portion of the \$10 million bond proceeds received in March of 2014.
- An increase of \$4 million in the market value of the college's interest in its beneficial trusts.
- A net increase of approximately \$4.2 million in long-term debt obligations after new issuances and payments on existing obligations.

The year ended on June 30, 2014 with a \$2.7 million increase in Total Net Position finishing at \$106.6 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, 2014 compared to June 30, 2013 and June 30, 2012. 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, 2014, 2013 and 2012

	(in millions)		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Operating Revenues	\$ 31.4	\$ 31.8	\$ 33.9
Total Operating Expenses	<u>\$ 97.0</u>	<u>\$ 98.7</u>	<u>\$ 106.8</u>
Total Operating Loss	\$ (65.6)	\$ (66.9)	\$ (72.9)
Nonoperating Revenues, Net	<u>\$ 68.3</u>	<u>\$ 66.7</u>	<u>\$ 70.3</u>
Total increase (decrease) in Net Position	\$ 2.7	\$ (0.2)	\$ (2.6)
Net Position, Beginning of Year	<u>\$ 103.9</u>	<u>\$ 104.1</u>	<u>\$ 106.7</u>
Net Position, End of Year	<u><u>\$ 106.6</u></u>	<u><u>\$ 103.9</u></u>	<u><u>\$ 104.1</u></u>

In the fiscal year ended June 30, 2014, the College's revenues exceeded expenditures and other support, creating an increase in Total Net Position of \$2.7 million (compared to a \$221 thousand decrease in 2013, and a \$2.6 million decrease in 2012).

# 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:

	2014	2013	2012
<b>Tuition and Fees, net of Scholarship Allowances of \$18,594,723, \$18,302,900, and \$21,503,662 in 2014, 2013 and 2012, respectively</b>	\$ 19,648,335	\$ 19,383,424	\$ 19,901,513
<b>Federal Grants and Contracts</b>	\$ 5,911,850	\$ 7,211,534	\$ 8,529,101
<b>State and Local Grants and Contracts</b>	\$ 963,786	\$ 532,011	\$ 785,605
<b>Nongovernmental Grants</b>	\$ 1,681,396	\$ 1,806,496	\$ 1,951,728
<b>Auxiliary Enterprises</b>	\$ 920,979	\$ 988,068	\$ 1,083,693
<b>Other Operating Revenues</b>	\$ 2,293,288	\$ 1,834,010	\$ 1,632,257
<b>Total Operating Revenues</b>	<b>\$ 31,419,634</b>	<b>\$ 31,755,543</b>	<b>\$ 33,883,897</b>

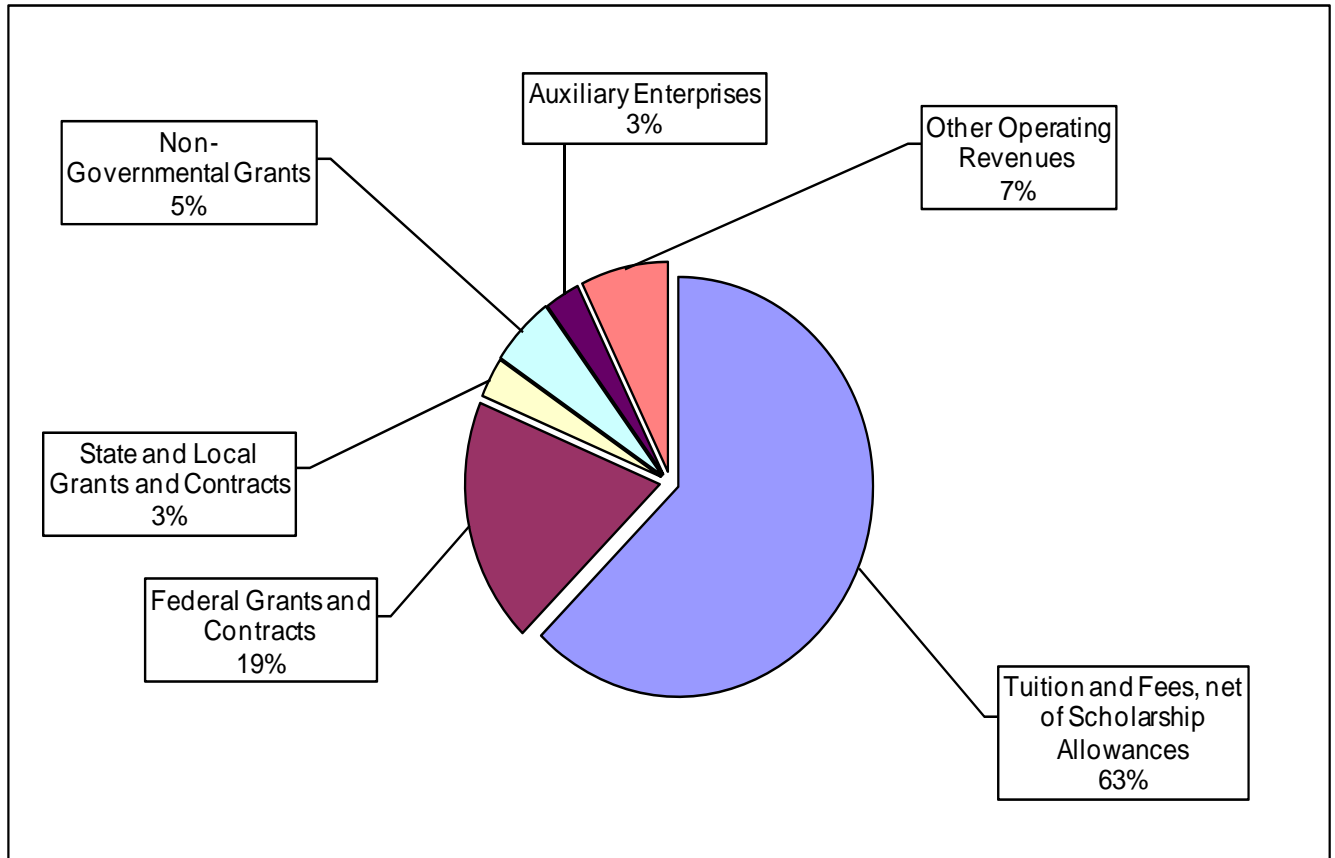
Total operating revenues decreased \$2.5 million (7.3%) during the past three years, primarily as a result of the following:

- Gross tuition and fee revenue decreased by approximately \$250 thousand during the three years ended June 30, 2014. This 1.2% overall decrease was principally due to credit side enrollment decreases offset by average annual tuition and fee increases of 6.4% for the 2012, 2013, and 2014 academic years.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) decreased overall during the past three years by 13.5% mainly as a result of declining enrollment.
- Federal Grants and Contracts decreased 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. While there were some new grants in fiscal year 2014, it was not enough to offset the substantial decreases in a majority of the federal grants, especially in the employment services area.
- Auxiliary enterprises revenue decreased from 2012 to 2014, by \$163 thousand, and other operating revenues include unrestricted contributions from the Foundation for MCC exceeding just over \$1 million over the last three fiscal years.

# Mott Community College

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

The following is a graphic illustration of operating revenues by source for 2014:



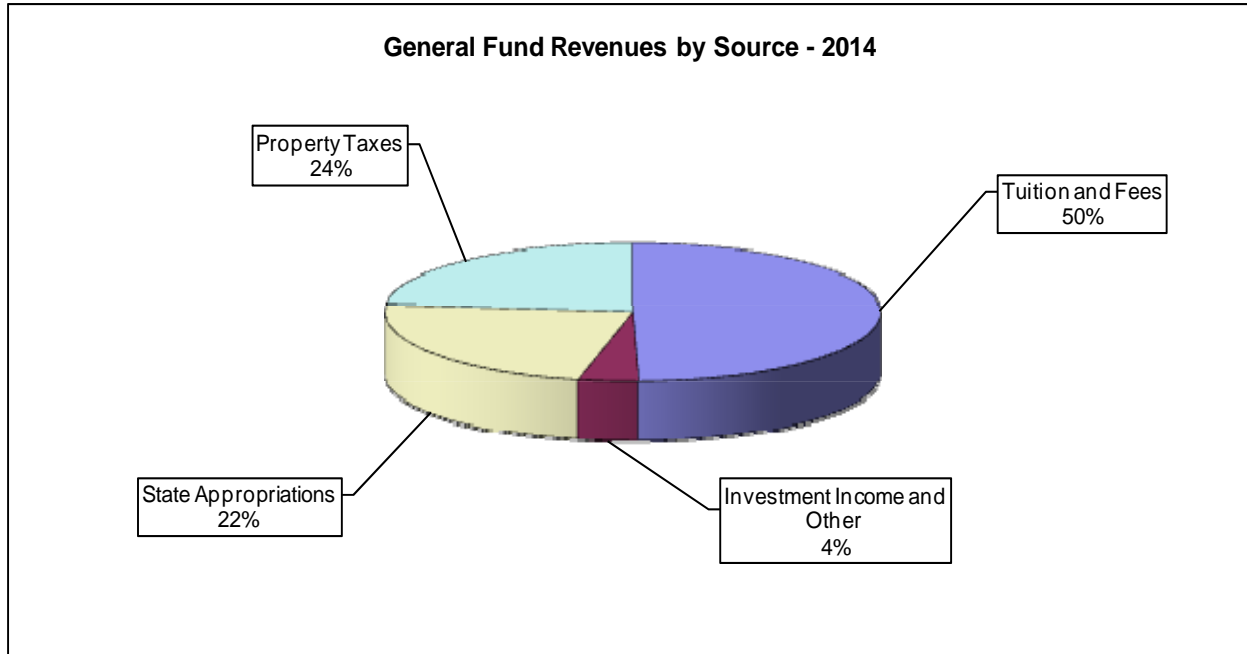
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

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, 2014:



### 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, 2014 total \$97.0 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.

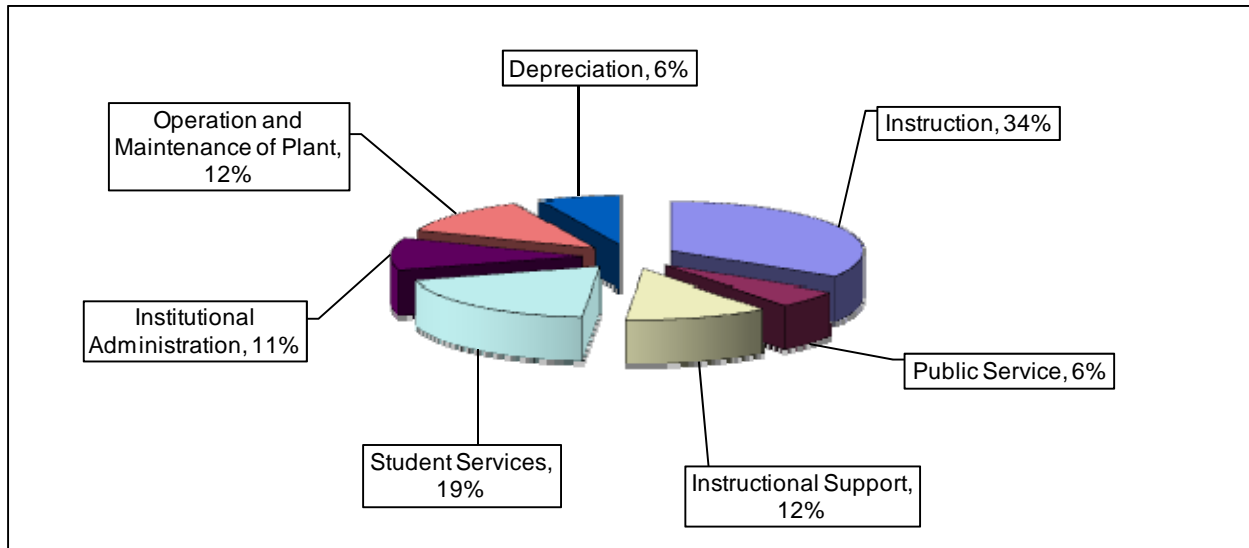
#### Operating Expenses by Function

	2014	2013	2012
Instruction	\$ 32,718,492	\$ 31,604,965	\$ 35,083,729
Public Service	\$ 5,524,541	\$ 6,022,478	\$ 8,109,362
Instructional Support	\$ 11,695,432	\$ 11,354,737	\$ 11,162,168
Student Services	\$ 18,380,703	\$ 20,776,582	\$ 25,116,859
Institutional Administration	\$ 10,268,067	\$ 10,618,900	\$ 8,964,710
Operation and Maintenance of Plant	\$ 11,740,621	\$ 11,520,523	\$ 11,338,438
Depreciation	\$ 6,679,125	\$ 6,778,456	\$ 7,018,973
<b>Total Operating Expenses</b>	<b>\$ 97,006,981</b>	<b>\$ 98,676,641</b>	<b>\$ 106,794,239</b>

# Mott Community College

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

The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2014:



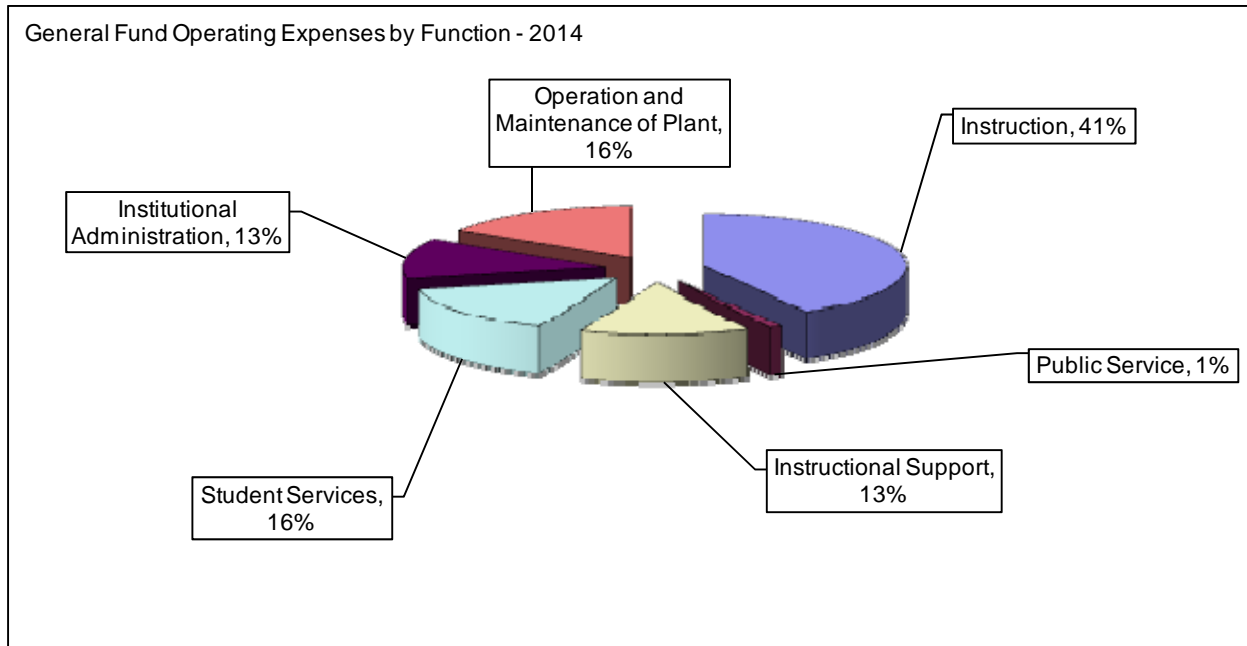
The College continues to spend the largest percentage of operating budget on instruction, with student services, operation and maintenance of plant, and instructional support making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant 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 2014 were \$73.8 million. General Fund operating expenses increased by \$1.3 million (2%) from 2013 to 2014 compared to a decrease of \$2.7 million (3.5%) from 2012 to 2013. 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, 2014:



### 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.

	2014	2013	2012
State Appropriations	\$ 16,924,560	\$ 15,680,722	\$ 14,552,400
Property Tax Levy	\$ 24,917,441	\$ 25,292,264	\$ 27,395,708
Gifts	\$ 1,765,763	\$ 1,664,767	\$ 1,577,908
Pell Grants	\$ 22,840,850	\$ 24,112,196	\$ 30,871,349
Investment Income	\$ 10,964	\$ 12,270	\$ 4,291
<b>Total Non-Operating Revenues</b>	<b>\$ 66,459,578</b>	<b>\$ 66,762,219</b>	<b>\$ 74,401,656</b>

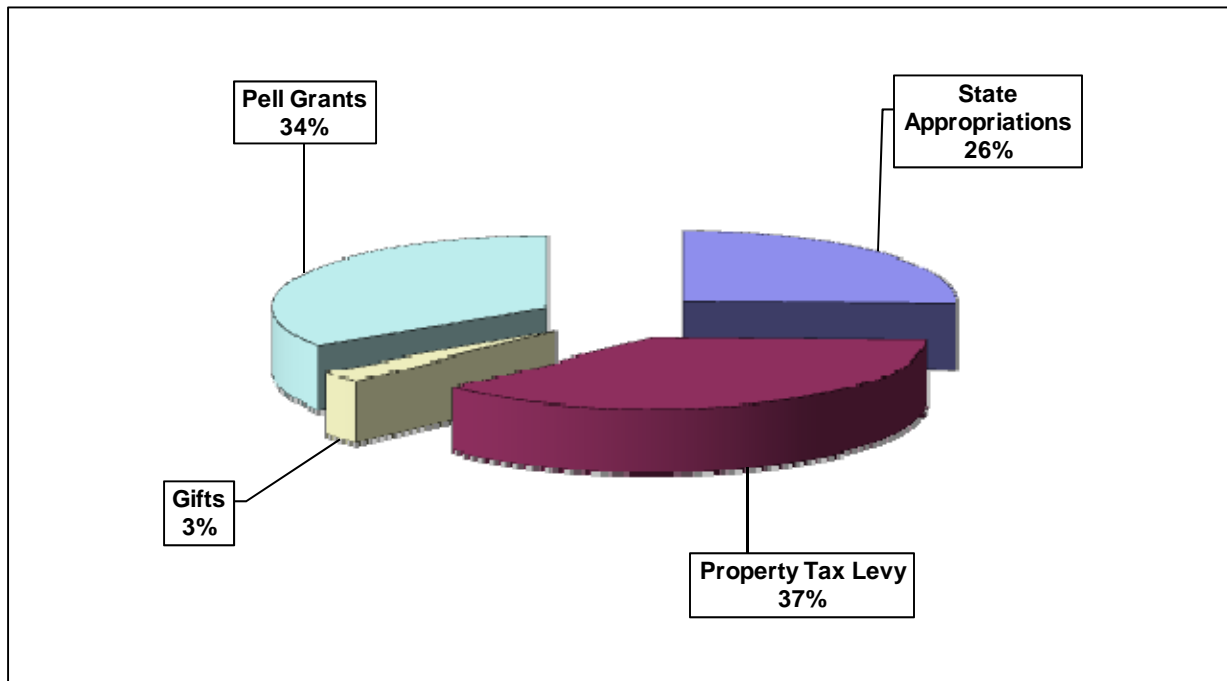
# Mott Community College

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

Total non-operating revenues decreased by \$7.9 million during the past three years:

- The unrestricted portion of State appropriations increased slightly from \$14.5 million to \$15.4 million from the fiscal years ended June 30, 2012 to 2014.
- Property tax revenues decreased 10% or \$2.5 million from 2012 to 2014. This downward trend, caused by declining property tax values, is projected by management to level off. The fiscal 2014 budget reflects flat property tax revenues. The College's combined tax levy rates were 2.8596 for 2012, 2013, and 2014.
- Pell revenue has decreased \$8 million from 2012 to 2014 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, 2014:



# Mott Community College

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

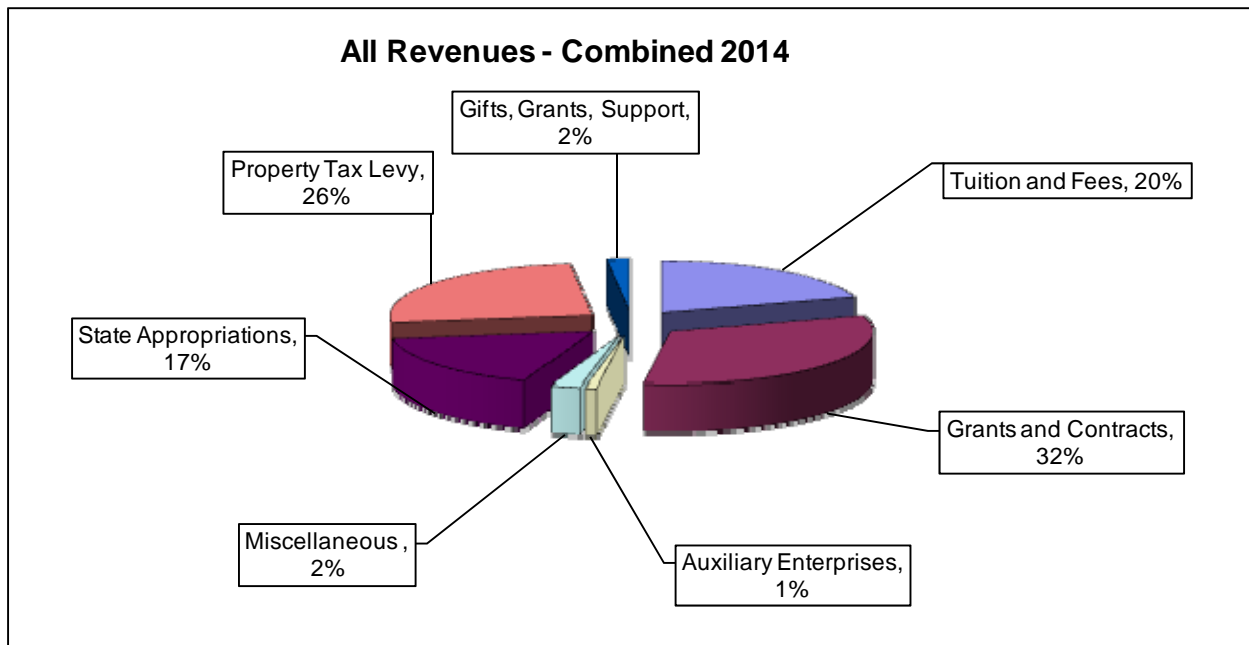
Non-operating expenses are also listed in the same category with non-operating revenues. This item includes the loss on the disposal of assets, the interest paid on the College’s outstanding bond debts, as well as other costs associated with bond debt issuance and financing.

	2014	2013	2012
Interest on Capital Asset-Related Debt	\$ 1,898,228	\$ 2,114,053	\$ 2,472,106
Loss on Disposal of Assets	\$ 140,174	\$ 172,351	\$ 15,369
Discount on Bonds	\$ 24,037	\$ 19,680	\$ 24,030
Bond Issuance Costs	\$ 84,795	\$ -	\$ -
<b>Total Non-Operating Expenses</b>	<b>\$ 2,147,234</b>	<b>\$ 2,306,084</b>	<b>\$ 2,511,505</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 2014, 2013, and 2012 was \$3,980,756, \$2,243,645, and \$(1,490,688), respectively.

### 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 2014:





# Mott Community College

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

For fiscal year 2014 grants and contracts, including Pell grants, accounted for 32% of total revenues, and is the largest single source of revenue for the College. As property taxes have declined 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 revenue is property taxes, followed by tuition and fees. State appropriations comprise 17% of the total revenues for the College as a whole for fiscal year 2014.

### 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 for the College only, summarizing cash receipts and cash payments by type of activity, for the three years ended June 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Cash and cash equivalents provided (used) by:</b>			
<b>Operating activities</b>	\$ (57.0)	\$ (61.2)	\$ (61.9)
<b>Noncapital financing activities</b>	64.7	52.2	65.9
<b>Capital and related financing activities</b>	7.7	(3.2)	(0.7)
<b>Investing activities</b>	<u>(9.0)</u>	<u>-</u>	<u>(1.5)</u>
<b>Net increase (decrease) in cash</b>	6.4	(12.2)	1.8
<b>Cash and cash equivalents, beginning of year</b>	<u>10.7</u>	<u>22.9</u>	<u>21.1</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 17.1</u>	<u>\$ 10.7</u>	<u>\$ 22.9</u>

The \$57 million in net cash used for operating activities includes \$89.4 million in payments to employees and suppliers, offset by \$32.4 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 \$64.7 million in cash provided from non-capital financing activities.

# Mott Community College

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

The net cash flows of \$7.7 million for capital and related financing activities is a combination of the \$10 million in bond proceeds, 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 net cash outflows of \$9.0 million in investing activities includes purchase of investments with the bond proceeds as well as maturities and purchases of regular and ongoing investment activities of the College.

The overall result of cash flows is an increase in cash of \$6.4 million during 2014.

### Capital Assets and Debt Administration

#### Capital Assets

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

	2014	2013	2012
<b>Property and Equipment:</b>			
Land	\$ 1,240,940	\$ 1,240,940	\$ 970,940
Artwork	\$ 6,200	\$ 6,200	\$ 6,200
Construction in Progress	\$ 607,075	\$ 66,971	\$ 705,538
Buildings and Improvements	\$ 173,409,542	\$ 172,702,300	\$ 170,106,773
Infrastructure	\$ 8,605,490	\$ 8,597,126	\$ 8,549,181
Equipment	\$ 20,299,343	\$ 19,586,543	\$ 18,846,828
Vehicles	\$ 1,761,793	\$ 1,740,383	\$ 1,500,437
Library Books	\$ 2,177,839	\$ 2,138,610	\$ 2,098,546
Accumulated Depreciation	\$(114,864,187)	\$(108,390,275)	\$(102,377,330)
<b>Total Property and Equipment</b>	<b>\$ 93,244,035</b>	<b>\$ 97,688,798</b>	<b>\$ 100,407,113</b>

Major capital additions completed this year included the following:

Regional Technology Center Improvements	\$459 thousand
Parking Ramp Renovations	\$103 thousand
SLBC Boiler Replacement	\$149 thousand

# Mott Community College

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

The College has future planned capital expenditures that include repurposing an existing building, renovations and upgrades on other existing facilities and a disaster recovery solution. These, in addition to other minor projects will be funded out of the 2014 bond proceeds. Additionally, replacement of computers and technology and the purchase of instructional equipment 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 November 5, 2013, the College in the general election submitted a proposition to the electors that Mott Community College be allowed to borrow \$50,000,000 in the issuance of bonds for capital expenditures. The election was successful and this bond authority was granted. The College issued its first tranche of \$10,000,000 in March 2014.

In December 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, 2014, the College had \$50.6 million in long-term bond-related debt outstanding, versus \$46.1 million on June 30, 2013 and \$51.4 million on June 30, 2012.

The College's underlying credit rating was reaffirmed at 'A+' from Standard & Poor's in February 2014 for all of its General Obligation debt including the series of bonds issued during 2014. According to Standard & Poor's 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 position; and 3) a moderate debt burden as a percentage of market value, coupled with rapid amortization. Their rationale included evidence of planned balanced financial operations in the near future and the strength of our reserve levels.

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

### Economic Factors Affecting the Future

The economic position of the College is closely tied to that of Genesee County and the State of Michigan. Enrollment is counter cyclical to the economy. In poor economic times, enrollment traditionally increases and in good economic times enrollment generally wanes. Each condition offers unique financial challenges. Currently, the local economy is improving and enrollment is projected to decline.

# Mott Community College

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

C.S. Mott Community College's revenues from property taxes increased 5% annually 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, 2011 and 2012, and 2013 the College lost another \$2.4, \$1.3, and \$1.3 million in General Fund property taxes. For the current fiscal year ended June 2014, another \$450 thousand was lost. The compounded losses for those four years total over \$19 million. In order to balance these losses, substantial budget cuts coupled with above historical average tuition increases were made.

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 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 for the fiscal year ended June 30, 2012. 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. In June 2013, the Board of Trustees unanimously approved a \$5.27/contact hour tuition increase beginning with the winter 2014 term and in June of 2014, the Board of Trustees unanimously approved a \$3.63/contact hour increase bringing the in-district contact hour to \$120.86 beginning in the Winter 2015 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. Under this state reform, each community college received through its yearly appropriation a restricted pass-through payment for its portion of the MPERS liability pay down. MCC passed-through \$636 thousand in fiscal year 2013 and \$1.5 million in fiscal year 2014.

# Mott Community College

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

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.

*GASB 68 – Accounting and Financial Reporting for Pensions* - This standard is effective for the College's fiscal year 2015 and establishes new requirements for colleges to report a "net pension liability" for the unfunded portion of the pension plan benefits provided to college employees. The College participates in the State of Michigan cost sharing multiple employer plan and will report in the upcoming fiscal year a liability for its "proportionate share" of the "net pension liability" of the Michigan Public Schools Employee Retirement System (MPERS). Changes in this liability from year to year will largely be reflected on the statement of revenues, expenses, and changes in net position, though certain amounts will be deferred and amortized over varying periods. The College received a letter dated February 28, 2014 from the State of Michigan communicating its estimated proportionate share of the Net Pension Liability and Pension Expense related to GASB 68 reporting requirements was \$82,560,000 and \$3,127,000, respectively, based on the plan fiscal year 2012 data. The College will receive updated information in the next fiscal year.

**C.S. Mott Community College  
Statements of Net Position  
June 30, 2014 and 2013**

	Primary Government		Component Unit Foundation for Mott Community College	
	2014	2013	2014	2013
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 17,108,270	\$ 10,732,990	\$ 79,974	\$ 223,938
Short-term investments	1,487,542	1,738,574	-	-
State appropriation receivable	3,043,086	3,343,599	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$4,388,241 for 2014 and \$5,423,636 for 2013)	675,258	1,727,710	302,304	148,573
Grants receivable	4,646,312	9,035,757	-	-
Inventories	48,024	44,069	-	-
Prepaid expenses and other assets	853,506	686,341	5,000	5,000
<b>Total current assets</b>	<b>27,861,998</b>	<b>27,309,040</b>	<b>387,278</b>	<b>377,511</b>
Long-term investments	-	-	6,509,753	5,780,247
Investments - restricted, unspent bond proceeds	9,442,142	-	-	-
Beneficial interest in perpetual trusts	41,486,172	37,505,416	-	-
Bond discount	200,125	230,532	-	-
Other assets	-	-	36,768	33,732
Property and equipment - net of accumulated depreciation (\$114,864,187 for 2014 and \$108,390,275 for 2013)	93,244,035	97,688,798	-	-
<b>Total assets</b>	<b>172,234,472</b>	<b>162,733,786</b>	<b>6,933,799</b>	<b>6,191,490</b>
<b>Deferred outflows of resources</b>				
Deferred charge on refunding	977,507	1,276,631	-	-

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2014	2013	2014	2013
<b>Liabilities</b>				
Current liabilities				
Current portion of long-term liabilities	\$ 5,876,711	\$ 5,652,958	\$ -	\$ -
Accounts payable	3,348,927	3,054,952	5,585	4,722
Accrued interest payable	343,173	311,011	-	-
Accrued payroll and related liabilities	4,392,247	3,446,489	-	-
Deposits held for others	141,406	196,022	-	-
Unearned revenue	2,769,664	1,521,692	52,998	1,417
Total current liabilities	16,872,128	14,183,124	58,583	6,139
Long-term debt obligations	45,733,874	41,561,832	-	-
Accrued termination pay	2,528,343	2,551,206	-	-
Bond premium	1,295,663	1,248,957	-	-
Other accrued liabilities	151,456	540,536	-	-
Total liabilities	66,581,464	60,085,655	58,583	6,139
<b>Net position</b>				
Net investment in capital assets	50,817,011	50,474,008	-	-
Restricted for				
Nonexpendable	41,486,172	37,505,416	1,960,016	1,924,624
Expendable				
Scholarships and awards	85,600	73,364	2,381,695	2,009,378
Debt service	683,482	494,112	-	-
Unrestricted	13,558,250	15,377,862	2,533,505	2,251,349
Total net position	\$ 106,630,515	\$ 103,924,762	\$ 6,875,216	\$ 6,185,351

**C.S. Mott Community College**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2014 and 2013**

	Primary Government		Component Unit Foundation for Mott Community College	
	2014	2013	2014	2013
<b>Revenues</b>				
Operating revenues				
Tuition and fees	\$ 38,243,058	\$ 37,686,324	\$ -	\$ -
Less scholarship allowances	(18,594,723)	(18,302,900)	-	-
Federal grants and contracts	5,911,850	7,211,534	-	-
State and local grants and contracts	963,786	532,011	-	-
Private gifts and grants	1,681,396	1,806,496	557,641	625,903
Auxiliary enterprises	920,979	988,068	-	-
Miscellaneous	2,293,288	1,834,010	41,259	36,918
Total operating revenues	<u>31,419,634</u>	<u>31,755,543</u>	<u>598,900</u>	<u>662,821</u>
<b>Expenses</b>				
Operating expenses				
Instruction	32,718,492	31,604,965	-	-
Public service	5,524,541	6,022,478	229,448	165,624
Instructional support	11,695,432	11,354,737	432,734	366,003
Student services	18,380,703	20,776,582	193,444	159,524
Institutional administration	10,268,067	10,618,900	-	-
Operation and maintenance of plant	11,740,621	11,520,523	-	-
Depreciation	6,679,125	6,778,456	-	-
Foundation operations	-	-	120,255	71,723
Total operating expenses	<u>97,006,981</u>	<u>98,676,641</u>	<u>975,881</u>	<u>762,874</u>
Operating loss	(65,587,347)	(66,921,098)	(376,981)	(100,053)
<b>Non-Operating Revenues (Expenses)</b>				
State appropriations	16,924,560	15,680,722	-	-
Property tax levy	24,917,441	25,292,264	-	-
Pell grants	22,840,850	24,112,196	-	-
Gifts	1,765,763	1,664,767	-	-
Investment income	10,964	12,270	339,656	231,796
Net realized and unrealized gain on investments	-	-	727,190	502,777
Change in value of perpetual trusts	3,980,756	2,243,635	-	-
Interest on capital asset - related debt	(1,898,228)	(2,114,053)	-	-
Loss on disposal of assets	(140,174)	(172,351)	-	-
Discount on bonds	(24,037)	(19,680)	-	-
Bond issuance costs	(84,795)	-	-	-
Net non-operating revenues	<u>68,293,100</u>	<u>66,699,770</u>	<u>1,066,846</u>	<u>734,573</u>
Increase (decrease) in net position	2,705,753	(221,328)	689,865	634,520
Net position - beginning of year	<u>103,924,762</u>	<u>104,146,090</u>	<u>6,185,351</u>	<u>5,550,831</u>
Net position - end of year	<u>\$106,630,515</u>	<u>\$103,924,762</u>	<u>\$ 6,875,216</u>	<u>\$ 6,185,351</u>

See notes to financial statements.



**C.S. Mott Community College**  
**Statement of Cash Flows**  
**Year Ended June 30, 2014**

	Primary Government 2014	Component Unit 2014
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 20,476,735	\$ -
Grants and contracts	8,027,115	455,491
Payments to suppliers	(30,283,614)	(348,840)
Payments to employees	(59,117,910)	-
Auxiliary enterprises	586,307	-
Allocations to primary government	626,178	(626,178)
Other	2,641,364	41,259
Net cash used for operating activities	(57,043,825)	(478,268)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	17,225,073	-
Local property taxes	17,232,844	-
Pell grants	22,840,850	-
Gifts and contributions for other than capital purposes	1,765,763	-
Agency transactions	103,354	-
Student loan receipts	33,906,249	-
Student loan disbursements	(28,396,756)	-
Net cash provided by noncapital financing activities	64,677,377	-
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	(2,374,536)	-
Principal paid on capital debt	(5,652,958)	-
Bond proceeds	10,000,000	-
Bond issuance costs	(84,795)	-
Capital property tax levy	7,684,597	-
Interest paid on capital debt	(1,898,228)	-
Net cash provided by capital and related financing activities	7,674,080	-
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	2,509,906	2,084,753
Interest on investments	43,125	335,133
Purchase of investments	(11,485,383)	(2,085,582)
Net cash (used for) provided by investing activities	(8,932,352)	334,304
<b>Net increase (decrease) in cash</b>	6,375,280	(143,964)
<b>Cash - beginning of year</b>	10,732,990	223,938
<b>Cash - end of year</b>	\$ 17,108,270	\$ 79,974

*See notes to financial statements.*

**C.S. Mott Community College  
Statement of Cash Flows  
Year Ended June 30, 2014**

	Primary Government 2014	Component Unit 2014
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</b>		
Operating loss	\$(65,587,347)	\$ (376,981)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	6,679,125	-
(Increase) decrease in assets:		
Grants receivable	(1,120,048)	-
Accounts receivable, net	1,052,452	(153,731)
Inventories	(3,955)	-
Prepaid expenses and other current assets	(167,165)	-
Increase (decrease) in liabilities:		
Accounts payable	293,974	863
Accrued payroll and other compensation	922,894	-
Other accrued liabilities	(389,080)	-
Unearned revenue	1,247,972	51,581
Deposits held by others	27,353	-
	<u>\$(57,043,825)</u>	<u>\$ (478,268)</u>

*See notes to financial statements.*

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

	Primary Government 2013	Component Unit 2013
<b>Cash Flows from Operating Activities</b>		
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 from (to) component unit	525,527	(525,527)
Other	2,026,489	34,975
	(61,255,644)	(133,932)
Net cash used for operating activities		
<b>Cash Flows from Noncapital Financing Activities</b>		
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)	-
	52,200,783	-
Net cash provided by noncapital financing activities		
<b>Cash Flows from Capital and Related Financing Activities</b>		
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)	-
	(3,176,644)	-
Net cash used for capital and related financing activities		
<b>Cash Flows from Investing Activities</b>		
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)
	37,448	244,294
Net cash provided by investing activities		
<b>Net (decrease) increase in cash</b>	(12,194,057)	110,362
<b>Cash - beginning of year</b>	22,927,047	113,576
<b>Cash - end of year</b>	\$ 10,732,990	\$ 223,938

*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>
<b>Reconciliation of Operating Loss</b>		
<b>Net Cash Used for Operating Activities</b>		
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:		
Grants receivable	28,564	-
Accounts receivable, net	350,872	(32,280)
Inventories	(15,339)	-
Prepaid expenses 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)
Net cash used for operating activities	<u><u>\$(61,255,644)</u></u>	<u><u>\$ (133,932)</u></u>

*See notes to financial statements.*

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

**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 its economic interest, 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 differ from those under GASB. No modifications have been made to the Foundation financial information included in the College’s financial report accounting 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, 2014**

**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, compensatory, and terminated leave pay policies. Vacation and compensatory 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 2013 financial statements have been reclassified to conform with the 2014 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.

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

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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 includes 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.

Upcoming Changes in Accounting Principles

The Governmental Accounting Standards Board has issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which will be effective for the College's fiscal year ending June 30, 2015. This statement will require the recognition of a net pension liability on the statement of net position, equal to the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard. While the exact amount of this liability is not readily determinable at this time, management estimates that it may approximate \$82.5 million. This statement will require the net pension liability to be recorded for the year ending June 30, 2015, by restating beginning net position as of July 1, 2014.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

**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>2014</u>	<u>2013</u>
Cash and cash equivalents	\$17,108,270	\$10,732,990
Short term investments	1,487,542	1,738,574
Investments - restricted, unspent bond proceeds	<u>9,442,142</u>	<u>-</u>
Total	<u>\$28,037,954</u>	<u>\$12,471,564</u>

The amounts are categorized as follows at June 30:

	<u>2014</u>	<u>2013</u>
Bank deposits (checking, savings, cash sweep accounts and money markets)	\$17,098,385	\$10,723,105
Petty cash	9,885	9,885
Certificates of deposit	1,487,542	990,388
Investments in government obligations	<u>9,442,142</u>	<u>748,186</u>
Total	<u>\$28,037,954</u>	<u>\$12,471,564</u>

As of June 30, 2014, 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	\$ 4,399,355	\$ 1,715,565	\$ 2,683,790	\$ -	N/A
U.S. Treasury Bills	5,042,787	5,042,787	-	-	N/A
Certificates of Deposit	<u>1,487,542</u>	<u>1,240,308</u>	<u>247,234</u>	<u>-</u>	<u>N/A</u>
Total	<u>\$ 10,929,684</u>	<u>\$ 7,998,660</u>	<u>\$ 2,931,024</u>	<u>\$ -</u>	



**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

**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, 2014, \$750,000 was covered by federal depository insurance and the temporary liquidity guarantee program. \$18,244,025 was uninsured and uncollateralized for the year ended June 30, 2014.

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.

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, 2014**

**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.

**4. Property and equipment**

The changes in various capital asset class categories for the year ended June 30, 2014 are as follows:

	Beginning Balance	Transfer/ Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 1,240,940	\$ -	\$ -	\$ 1,240,940	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 9)	66,971	607,075	(66,971)	607,075	
<b>Total nondepreciable capital assets</b>	<b>1,314,111</b>	<b>607,075</b>	<b>(66,971)</b>	<b>1,854,215</b>	
Depreciable capital assets:					
Buildings and improvements	170,017,571	707,242	-	170,724,813	15 - 50
Leasehold improvements	2,684,729	-	-	2,684,729	5
Infrastructure	8,597,126	8,364	-	8,605,490	10 - 50
Computer equipment	6,203,045	256,666	(240,161)	6,219,550	5 - 10
Audio-visual equipment	863,830	103,176	-	967,006	5 - 10
Other equipment	12,519,668	687,521	(94,401)	13,112,787	5 - 20
Vehicles	1,740,383	47,976	(26,566)	1,761,793	8
Library books	2,138,610	39,229	-	2,177,839	5
<b>Total depreciable capital assets</b>	<b>204,764,962</b>	<b>1,850,174</b>	<b>(361,128)</b>	<b>206,254,007</b>	
<b>Total capital assets</b>	<b>206,079,073</b>	<b>2,457,249</b>	<b>(428,099)</b>	<b>208,108,222</b>	
Less: accumulated depreciation:					
Buildings and improvements	81,292,437	5,309,268	-	86,601,705	
Leasehold improvements	2,658,922	14,597	-	2,673,519	
Infrastructure	7,676,948	156,388	-	7,833,336	
Computer equipment	5,390,360	346,161	(167,590)	5,568,931	
Audio-visual equipment	743,392	44,232	-	787,624	
Other equipment	7,432,135	646,366	(28,491)	8,050,010	
Vehicles	1,146,816	129,059	(9,132)	1,266,743	
Library books	2,049,265	33,054	-	2,082,319	
<b>Total accumulated depreciation</b>	<b>108,390,275</b>	<b>6,679,125</b>	<b>(205,213)</b>	<b>114,864,187</b>	
<b>Total net capital assets</b>	<b>\$ 97,688,798</b>	<b>\$ (4,221,876)</b>	<b>\$ (222,886)</b>	<b>\$ 93,244,035</b>	

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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)
<b>Nondepreciable capital assets:</b>					
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	
<b>Total nondepreciable capital assets</b>	<b>1,682,678</b>	<b>336,971</b>	<b>(705,538)</b>	<b>1,314,111</b>	
<b>Depreciable capital assets:</b>					
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
<b>Total depreciable capital assets</b>	<b>201,101,765</b>	<b>4,618,374</b>	<b>(955,177)</b>	<b>204,764,962</b>	
<b>Total capital assets</b>	<b>202,784,443</b>	<b>4,955,345</b>	<b>(1,660,715)</b>	<b>206,079,073</b>	
<b>Less: accumulated depreciation:</b>					
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	
<b>Total accumulated depreciation</b>	<b>102,377,330</b>	<b>6,778,456</b>	<b>(765,511)</b>	<b>108,390,275</b>	
<b>Total net capital assets</b>	<b>\$ 100,407,113</b>	<b>\$ (1,823,111)</b>	<b>\$ (895,204)</b>	<b>\$ 97,688,798</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, on June 30, 2046, 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, 2014**

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

C.S. Mott Community College’s regional technology center 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, on August 31, 2037, the SBA will transfer title to the building to the College. The cost (\$33.4 million) and accumulated depreciation for the facility is included in the accompanying statements of net position.

**5. Long term liabilities**

The changes in long term liabilities for the year ended June 30, 2014 are as shown below.

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Obligations
Series 2004	3.625% - 4.625%	May 1, 2014	\$ 1,000,000	\$ -	\$ 1,000,000	\$ -	\$ -
Series 2005	3.75% - 5.00%	May 1, 2021	13,350,000	-	1,650,000	11,700,000	1,650,000
Series 2006	4.00% - 5.00%	May 1, 2021	9,400,000	-	1,000,000	8,400,000	1,050,000
Series 2008	3.375% - 4.625%	May 1, 2023	12,250,000	-	1,225,000	11,025,000	1,225,000
Series 2009	3.00% - 4.00%	May 1, 2021	3,650,000	-	545,000	3,105,000	535,000
Series 2012	1.215%	May 1, 2019	6,400,000	-	-	6,400,000	1,085,000
Series 2014	2.00% - 4.00%	May 1, 2033	-	10,000,000	-	10,000,000	50,000
Total bonds payable			46,050,000	10,000,000	5,420,000	50,630,000	5,595,000
Installment							
Purchase - Lapeer							
building & land	0%	December 21, 2017	1,164,790	-	232,958	931,832	232,958
Accrued termination pay			2,551,206	150,102	172,965	2,528,343	-
Bond premium			1,248,957	199,615	152,909	1,295,663	-
Other accrued liabilities			540,536	48,753	389,080	200,209	48,753
Total bonds payable and other long term liabilities			<u>\$ 51,555,489</u>	<u>\$10,398,470</u>	<u>\$ 6,367,912</u>	55,586,047	<u>\$ 5,876,711</u>
Current long term liabilities						<u>5,876,711</u>	
Long-term liabilities						<u>\$ 49,709,336</u>	

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

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

Debt service requirements are as follows:

Year ended		Total	Principal	Interest
June 30, 2015		\$ 7,847,600	\$ 5,827,958	\$ 2,019,642
June 30, 2016		7,815,892	6,047,958	1,767,934
June 30, 2017		7,731,649	6,182,958	1,548,691
June 30, 2018		7,735,468	6,412,958	1,322,510
June 30, 2019		7,358,075	6,270,000	1,088,075
June 30, 2020 - June 30, 2024		16,683,130	14,140,000	2,543,130
June 30, 2025 - June 30, 2029		4,481,156	3,430,000	1,051,156
June 30, 2030 - June 30, 2033		3,580,400	3,250,000	330,400
		<u>\$ 63,233,370</u>	<u>\$ 51,561,832</u>	<u>\$ 11,671,538</u>

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 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
<b>Installment</b>							
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 long term liabilities						<u>5,652,958</u>	
Long term liabilities						<u>\$ 45,902,531</u>	

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

**6. Operating Leases**

The College leases equipment under non-cancellable operating leases. Total cost for such leases was \$161,622 for 2014 and \$164,047 for 2013. The future minimum lease payments for these leases are as follows:

Years Ending June 30	Amount
2015	\$ 148,090
2016	92,107
2017	84,565
2018	79,649
2019	47,369
Total	\$ 451,780

**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 pension benefit rate totaled 25.69% of covered payroll for the period of February 1, 2013 through September 30, 2013 and 26.33% for the period of October 1, 2013 through June 30, 2014. The pension benefit rate totaled 18.62% of covered payroll from October 1, 2013 through January 31, 2014 and 15.96% from the period from October 1, 2011 through September 30, 2012. 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, 2014, 2013, and 2012 were \$6,002,498, \$5,049,735, and \$4,568,183, 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

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

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 September 30, 2013. The employer contribution rate was 6.45% for the period October 1, 2013 through June 30, 2014. The College's required and actual contributions to the plan for retiree health care benefits for the years ended June 30, 2014, 2013 and 2012 were \$1,229,427, \$2,224,835 and \$2,793,497, 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 MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). The ORP has 128 members and is a single employer plan. 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, 2014 and 2013 were \$9,715,683 and \$1,178,880 and \$10,155,007 and \$1,210,359, respectively.

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. The funds received through these programs are subject to audits by the grantor agencies and the results of these audits might identify costs that are not allowable. 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, 2014 total expenditures were \$445,825. The completion of this project will occur during fiscal year 2014-2015.

The College also started multiple construction projects on campus consisting of the following: Prah drainage, Lapeer extension, Geology lab, Durham fitness center, VADC sculpture lab, SLBC chiller, cold stage and the Ballenger field house. As of June 30, 2014 total expenditures were \$161,250. The completion of these projects will occur during 2014-2015 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.

**C.S. Mott Community College**  
**Notes to Financial Statements**  
**June 30, 2014**

**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.

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, 2014, \$22,415,000 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, 2014**

	Combined Total	General Fund	Designated Fund
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 17,108,270	\$ 10,477,112	\$ -
Short-term investments	1,487,542	-	-
State appropriation receivable	3,043,086	3,043,086	-
Accounts receivable - net of \$4,388,241 allowance	675,258	495,846	10,025
Grants receivable	4,646,312	-	-
Inventories	48,024	48,024	-
Prepaid expenses and other assets	853,506	851,908	-
Total current assets	27,861,998	14,915,976	10,025
Investments - restricted, unspent bond proceeds	9,442,142	-	-
Beneficial interest in perpetual trusts	41,486,172	-	-
Bond discount	200,125	-	-
Property and equipment - net of \$114,864,187 accumulated depreciation	93,244,035	-	-
Total assets	172,234,472	14,915,976	10,025
<b>Deferred outflows of resources</b>			
Deferred charge on refunding	977,507	-	-

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ 6,631,158
-	-	-	-	1,487,542
-	-	-	-	-
16,192	153,195	-	-	-
-	-	4,646,312	-	-
-	-	-	-	-
-	241	-	-	1,357
16,192	153,436	4,646,312	-	8,120,057
-	-	-	-	9,442,142
-	-	-	41,486,172	-
-	-	-	-	200,125
-	-	-	-	93,244,035
16,192	153,436	4,646,312	41,486,172	111,006,359
-	-	-	-	977,507

**C.S. Mott Community College**  
**Combining Statement of Net Position (continued)**  
**June 30, 2014**

	Combined Total	General Fund	Designated Fund
<b>Liabilities</b>			
Current liabilities:			
Current portion of long-term liabilities	\$ 5,876,711	\$ 48,753	\$ -
Accounts payable	3,348,927	3,323,382	-
Due to (from) other funds	-	(2,835,009)	(1,297,286)
Accrued interest payable	343,173	-	-
Accrued payroll and related liabilities	4,392,247	4,354,232	995
Deposits held for others	141,406	14,396	-
Unearned revenue	2,769,664	1,042,550	30,090
Total current liabilities	16,872,128	5,948,304	(1,266,201)
Long term debt obligations	45,733,874	-	-
Accrued termination pay	2,528,343	2,528,343	-
Bond premium	1,295,663	-	-
Other accrued liabilities	151,456	151,456	-
Total liabilities	66,581,464	8,628,103	(1,266,201)
<b>Net position</b>			
Net investment in capital assets	50,817,011	-	-
Restricted for			
Nonexpendable	41,486,172	-	-
Expendable			
Scholarships and awards	85,600	-	-
Debt service	683,482	-	-
Unrestricted	13,558,250	6,287,873	1,276,226
Total net position	\$ 106,630,515	\$ 6,287,873	\$ 1,276,226

Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ 5,827,958
-	-	25,545	-	-
(113,808)	26,426	2,931,123	-	1,288,554
-	-	-	-	343,173
-	-	37,020	-	-
-	127,010	-	-	-
130,000	-	1,567,024	-	-
16,192	153,436	4,560,712	-	7,459,685
-	-	-	-	45,733,874
-	-	-	-	-
-	-	-	-	1,295,663
-	-	-	-	-
16,192	153,436	4,560,712	-	54,489,222
-	-	-	-	50,817,011
-	-	-	41,486,172	-
-	-	85,600	-	-
-	-	-	-	683,482
-	-	-	-	5,994,151
\$ -	\$ -	\$ 85,600	\$ 41,486,172	\$ 57,494,644

**C.S. Mott Community College**  
**Combining Statement of Revenues, Expenses,**  
**Transfers and Changes in Net Position**  
**June 30, 2014**

	Combined Total	Eliminations
<b>Revenues</b>		
Operating revenues		
Tuition and fees	\$ 38,243,058	\$ -
Less scholarship allowances	(18,594,723)	(18,594,723)
Federal grants and contracts	5,911,850	-
State and local grants and contracts	963,786	-
Private gifts and grants	1,681,396	(470,928)
Auxiliary enterprises	920,979	-
Expenditures for equipment and capital improvements	-	(2,374,536)
Miscellaneous	2,293,288	-
Total operating revenues	<u>31,419,634</u>	<u>(21,440,187)</u>
<b>Expenses</b>		
Operating expenses		
Instruction	32,718,492	(507,926)
Public service	5,524,541	(36,558)
Instructional support	11,695,432	(359,897)
Student services	18,380,703	(18,615,839)
Institutional administration	10,268,067	-
Operation and maintenance of plant	11,740,621	(1,919,967)
Depreciation	6,679,125	-
Total operating expenses	<u>97,006,981</u>	<u>(21,440,187)</u>
Operating (loss) income	(65,587,347)	-
<b>Non-Operating Revenues (Expenses)</b>		
State appropriations	16,924,560	-
Property tax levy	24,917,441	-
Pell grants	22,840,850	-
Gifts	1,765,763	-
Investment income	10,964	-
Change in value of perpetual trusts	3,980,756	-
Interest on capital asset - related debt	(1,898,228)	-
Loss on disposal of assets	(140,174)	-
Discount on bonds	(24,037)	-
Bond issuance costs	(84,795)	-
Net non-operating revenues	<u>68,293,100</u>	<u>-</u>
Increase (decrease) in net position	2,705,753	-
Transfers in (out)	-	-
Net increase (decrease) in net position	<u>2,705,753</u>	<u>-</u>
<b>Net Position</b>		
Net position - beginning of year	103,924,762	-
Net position - end of year	<u>\$ 106,630,515</u>	<u>\$ -</u>

General Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ 36,502,681	\$ 1,740,377	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	5,911,850	-	-
-	-	-	963,786	-	-
7,731	-	-	2,144,593	-	-
-	-	920,979	-	-	-
-	-	-	-	-	2,374,536
1,142,354	514,018	-	179	-	636,737
37,652,766	2,254,395	920,979	9,020,408	-	3,011,273
30,744,707	-	-	720,547	-	1,761,164
792,429	-	196,485	4,467,206	-	104,979
9,908,563	-	-	1,803,897	-	342,869
11,289,796	1,068,247	73,187	24,534,996	-	30,316
9,209,442	-	-	38,870	-	1,019,755
11,876,329	-	-	-	-	1,784,259
-	-	-	-	-	6,679,125
73,821,266	1,068,247	269,672	31,565,516	-	11,722,467
(36,168,500)	1,186,148	651,307	(22,545,108)	-	(8,711,194)
16,924,560	-	-	-	-	-
17,232,844	-	-	-	-	7,684,597
-	-	-	22,840,850	-	-
1,765,763	-	-	-	-	-
788	-	-	-	-	10,176
-	-	-	-	3,980,756	-
-	-	-	-	-	(1,898,228)
-	-	-	-	-	(140,174)
-	-	-	-	-	(24,037)
-	-	-	-	-	(84,795)
35,923,955	-	-	22,840,850	3,980,756	5,547,539
(244,545)	1,186,148	651,307	295,742	3,980,756	(3,163,655)
(48,742)	(1,088,481)	(685,704)	(283,506)	-	2,106,433
(293,287)	97,667	(34,397)	12,236	3,980,756	(1,057,222)
6,581,160	1,178,559	34,397	73,364	37,505,416	58,551,866
\$ 6,287,873	\$ 1,276,226	\$ -	\$ 85,600	\$ 41,486,172	\$ 57,494,644

**C.S. Mott Community College**  
**Schedule 1 - Details of General Fund Expenses**  
**Year Ended June 30, 2014**

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 20,479,852	\$ 8,268,585	\$ 883,203	\$ 826,635
Public service	449,882	160,260	123,500	12,484
Instructional support	5,597,621	2,727,150	777,497	243,970
Student services	5,329,434	2,317,109	1,015,970	306,529
Institutional administration	4,117,185	3,052,391	865,473	140,192
Physical plant operations	4,226,096	2,281,102	1,380,282	787,959
	<u>\$ 40,200,070</u>	<u>\$ 18,806,597</u>	<u>\$ 5,045,925</u>	<u>\$ 2,317,769</u>



Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 162,029	\$ 1,499	\$ 122,904	\$ -	\$ 30,744,707
-	-	46,303	-	792,429
-	43,826	515,312	3,187	9,908,563
-	-	2,320,754	-	11,289,796
10,085	-	1,024,116	-	9,209,442
-	2,897,430	50,605	252,855	11,876,329
<u>\$ 172,114</u>	<u>\$ 2,942,755</u>	<u>\$ 4,079,994</u>	<u>\$ 256,042</u>	<u>\$ 73,821,266</u>

**C.S. Mott Community College**  
**Schedule 2 - Details of Auxiliary Activities**  
**Year Ended June 30, 2014**

Activity	Balance July 1, 2013	Revenues	Expenditures (1)
Vending	\$ -	\$ 99,991	\$ 550
Outside Catering	34,397	200,117	196,485
Bookstore--Main Campus	-	593,285	37,209
Student Computer Lab Printing	-	27,586	35,428
	<u>\$ 34,397</u>	<u>\$ 920,979</u>	<u>\$ 269,672</u>

(1) Expenditures include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to \$34,999 for the bookstore.

Transfers In (Out)

<u>Excess Revenues to General Fund</u>	<u>Excess Expenditures Absorbed by General Fund</u>	<u>Balance June 30, 2014</u>
\$ (99,441)	\$ -	\$ -
(38,029)	-	-
(556,076)	-	-
-	7,842	-
<u>\$ (693,546)</u>	<u>\$ 7,842</u>	<u>\$ -</u>