

Financial Statements

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

June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

November 9, 2015

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, 2015 and 2014, 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, 2015 and 2014, and the results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

As described in Notes 1 and 7, the College implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. Accordingly, beginning net position of business-type activities as of July 1, 2014 was restated. Application of this new standard to July 1, 2013, the earliest year presented, is not practical as complete information is not available. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension plan, as listed in the table of contents, 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 9, 2015, 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") annual financial report provides an overview of the College's financial position at June 30, 2015, 2014 and 2013 and its financial activities for the three years ended June 30, 2015. 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 required supplementary schedules and additional supplementary schedules and information for the year ended June 30, 2015. The additional information 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.

For the year ended June 30, 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This new standard requires the College to record its proportionate share of the pension liability of the Michigan Public School Employees Retirement System (MPERS), the defined benefit plan in which the majority of the employees of the College participate. This new standard has had a significant impact on the liabilities and net position of the College as discussed below. In addition, Note 7 to the financial statements includes a number of new items related to the implementation of this standard, and two new schedules are included with the required supplementary information following the footnotes.

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)

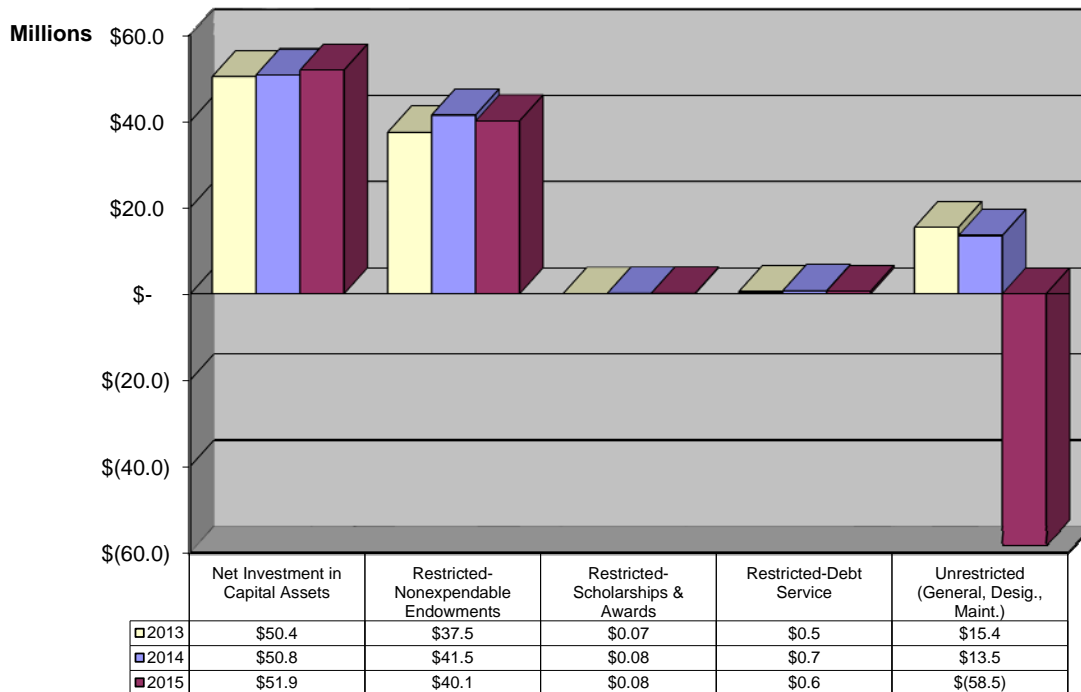
Financial Highlights

The College implemented GASB Statement No. 68 in the current year. In addition to expanded disclosure requirements, the College is required to report its proportionate share of the Michigan Public Schools Employee Retirement System (MPERS) net pension liability on the statement of net position. The total financial impact to the College was a reduction in net assets to \$34.2 million as of June 30, 2015. Total assets increased from \$162.7 million to \$172.2 million and then decreased to \$164.4 million at June 30, 2013, 2014 and 2015, respectively. Deferred Outflows of Resources decreased from \$1.3 million to \$1.0 million and then increased to \$11.0 million at June 30, 2013, 2014 and 2015, respectively. Liabilities totaled \$132.9 million at June 30, 2015, compared to \$66.6 million in 2014 and \$60.1 million in 2013. Prior to the implementation of GASB Statement No. 68, net position, which represents the remaining value of the College's assets and deferred outflows after liabilities and deferred inflows are deducted, increased by \$1.3 million for a total of \$34.2 million at June 30, 2015.

The Unrestricted category within net position has decreased over the past three years, from \$15.4 million at June 30, 2013, to \$13.5 million at June 30, 2014, and then to a deficit of \$58.5 million at June 30, 2015. This is mainly due to the implementation of GASB Statement No. 68 in 2015 and planned net position reductions in plant funds in fiscal years 2013 and 2014.

The following chart provides a graphical categorization of the net position as of June 30, 2015, 2014 and 2013:

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, 2015 and 2014 and the change in net position for the years then ended. Net position is assets plus deferred outflows of resources minus liabilities and deferred inflows of resources, 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.

The College's financial position was significantly impacted by the implementation of GASB Statement 68 during the fiscal year ended June 30, 2015. Excluding the impact of GASB 68, the College's net position increased by approximately \$300 thousand, from general operations. The amount invested in capital assets remained flat, as new asset purchases and principal debt reductions were offset by the depreciation of new and existing assets.

Three new line items appear on the Statement of Net Position as of June 30, 2015, each related to GASB 68: Deferred outflows of resources – deferred pension amounts; Deferred inflows of resources – deferred pension amounts; and Net pension liability. Each of these categories represent a separate piece of the required presentation for the College's participation in the MPSERS pension plan. As of June 30, 2015, the combined impact to the College from these new captions is a decrease of \$72.0 million in unrestricted net position, resulting from a \$73.7 million restatement of beginning net position, and a current year reduction to pension expense of \$344 thousand. These items are discussed in greater detail in the footnotes to the financial statements and the required supplementary information following the footnotes. It is important to note that while this new standard raises awareness of potential future obligations of the College, its implementation has no immediate impact on the cash position of the College or its ability to meet current obligations.

The College's total assets as of June 30, 2015 were \$164.4 million. As of June 30, 2014 and 2013, total assets were \$172.2 million and \$162.7 million, respectively.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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, 2015 compared to June 30, 2014 and June 30, 2013. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

Mott Community College			
STATEMENTS OF NET POSITION			
As of June 30, 2015, 2014 and 2013			
(in millions)			
	(in millions)		
	2015	2014	2013
ASSETS			
Current Assets	\$ 25.8	\$ 27.8	\$ 27.3
Capital Assets	\$ 93.5	\$ 93.2	\$ 97.7
Other Noncurrent Assets	\$ 45.1	\$ 51.2	\$ 37.7
Total Assets	\$ 164.4	\$ 172.2	\$ 162.7
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	\$ 0.7	\$ 1.0	\$ 1.3
Deferred Pension Amounts	\$ 10.3	\$ -	\$ -
Total Deferred Outflows of Resources	\$ 11.0	\$ 1.0	\$ 1.3
LIABILITIES			
Current Liabilities	\$ 15.5	\$ 16.9	\$ 14.0
Noncurrent Liabilities	\$ 117.4	\$ 49.7	\$ 46.1
Total Liabilities	\$ 132.9	\$ 66.6	\$ 60.1
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Amounts	\$ 8.3	\$ -	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 51.9	\$ 50.8	\$ 50.4
Restricted - Nonexpendable	\$ 40.1	\$ 41.5	\$ 37.5
Restricted - Expendable	\$ 0.7	\$ 0.8	\$ 0.6
Unrestricted (deficit)	\$ (58.5)	\$ 13.5	\$ 15.4
Total Net Position	\$ 34.2	\$ 106.6	\$ 103.9

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Net position increased from 2013 to 2014 and decreased from 2014 to 2015, with significant changes noted below.

The most significant changes in the Statement of Net Position during 2015 related to:

- A decrease of \$72 million from 2014 to 2015 in Unrestricted net assets primarily due to the implementation of GASB No. 68.
- A decrease of \$1.4 million in the market value of the college's interest in its beneficial trusts.

The year ended on June 30, 2015 with a \$72.4 million decrease in Total Net Position, finishing at \$34.2 million.

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 for the fiscal year ended June 30, 2015 compared to the years ended June 30, 2014 and June 30, 2013. 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
CONDENSED STATEMENTS OF REVENUES, EXPENSES,
and CHANGES IN NET POSITION
For Years Ended June 30, 2015, 2014 and 2013

	(in millions)		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total Operating Revenues	\$ 32.6	\$ 31.4	\$ 31.8
Total Operating Expenses	<u>\$ 93.8</u>	<u>\$ 97.0</u>	<u>\$ 98.7</u>
Total Operating Loss	\$ (61.2)	\$ (65.6)	\$ (66.9)
Nonoperating Revenues, Net	<u>\$ 62.5</u>	<u>\$ 68.3</u>	<u>\$ 66.7</u>
Total increase (decrease) in Net Position	\$ 1.3	\$ 2.7	\$ (0.2)
Net Position, Beginning of Year	\$ 106.6	\$ 103.9	\$ 104.1
Implementation of GASB Statement No. 68	<u>\$ (73.7)</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position, End of Year	<u>\$ 34.2</u>	<u>\$ 106.6</u>	<u>\$ 103.9</u>

In the fiscal year ended June 30, 2015, the College's revenues exceeded expenditures and other support, creating an increase in Total Net Position of \$1.3 million (compared to a \$2.7 million increase in 2014, and a \$221 thousand decrease in 2013).

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:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Tuition and Fees, net of Scholarship Allowances of \$17,330,716, \$18,594,723, and \$18,302,900 in 2015, 2014 and 2013, respectively	\$ 19,651,865	\$ 19,648,335	\$ 19,383,424
Federal Grants and Contracts	\$ 6,324,145	\$ 5,911,850	\$ 7,211,534
State and Local Grants and Contracts	\$ 1,853,430	\$ 963,786	\$ 532,011
Nongovernmental Grants	\$ 2,221,540	\$ 1,681,396	\$ 1,806,496
Auxiliary Enterprises	\$ 933,533	\$ 920,979	\$ 988,068
Other Operating Revenues	\$ 1,631,754	\$ 2,293,288	\$ 1,834,010
Total Operating Revenues	<u>\$ 32,616,267</u>	<u>\$ 31,419,634</u>	<u>\$ 31,755,543</u>

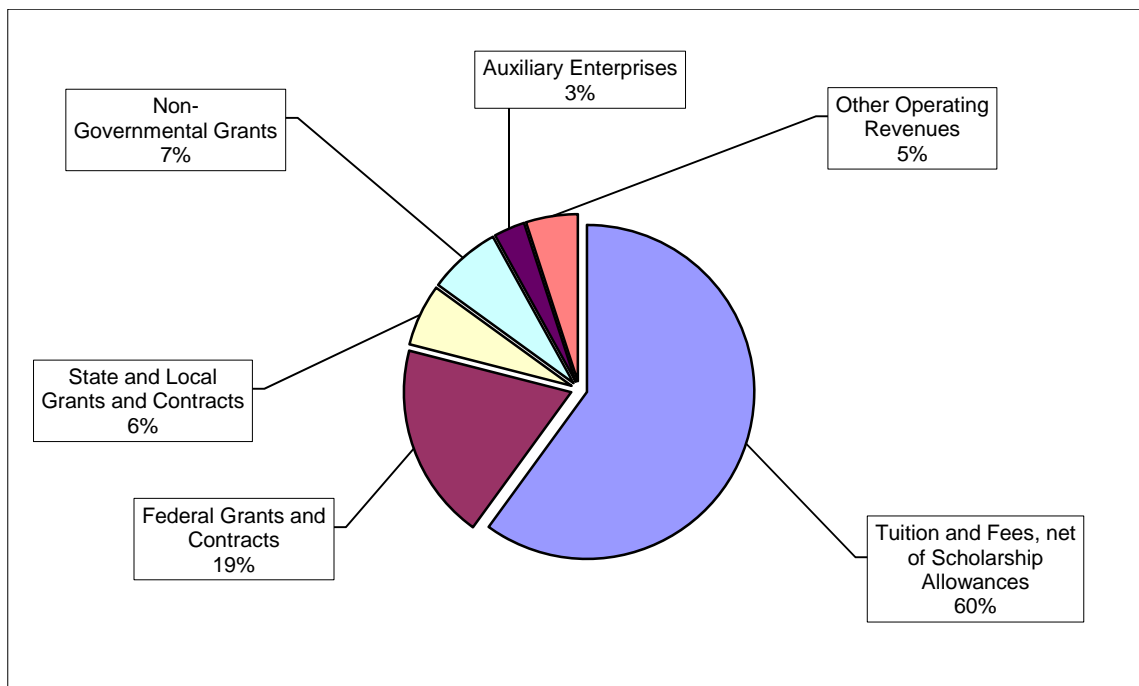
Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Total operating revenues increased \$861 thousand (2.7%) during the past three years, as a result of the following:

- Gross tuition and fee revenue increased by approximately \$268 thousand during the three years ended June 30, 2015. This 1.4% overall increase was principally due to credit side enrollment decreases offset by average annual tuition and fee increases of 4.5% for the 2013 , 2014, and 2015 academic years.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) decreased overall during the past three years by 5.3% mainly as a result of declining enrollment.
- Federal Grants and Contracts decreased from 2013 to 2014 due to a reduction/end in funding of several grants including Center for Advanced Manufacturing (CAM), Pathways Out of Poverty (POP) and Jet Plus.
- State and Local Grants and Contracts increased slightly from 2013 to 2014 and increased significantly in 2015 due in large part to the CSTEP grant.

The following is a graphic illustration of operating revenues by source for 2015:



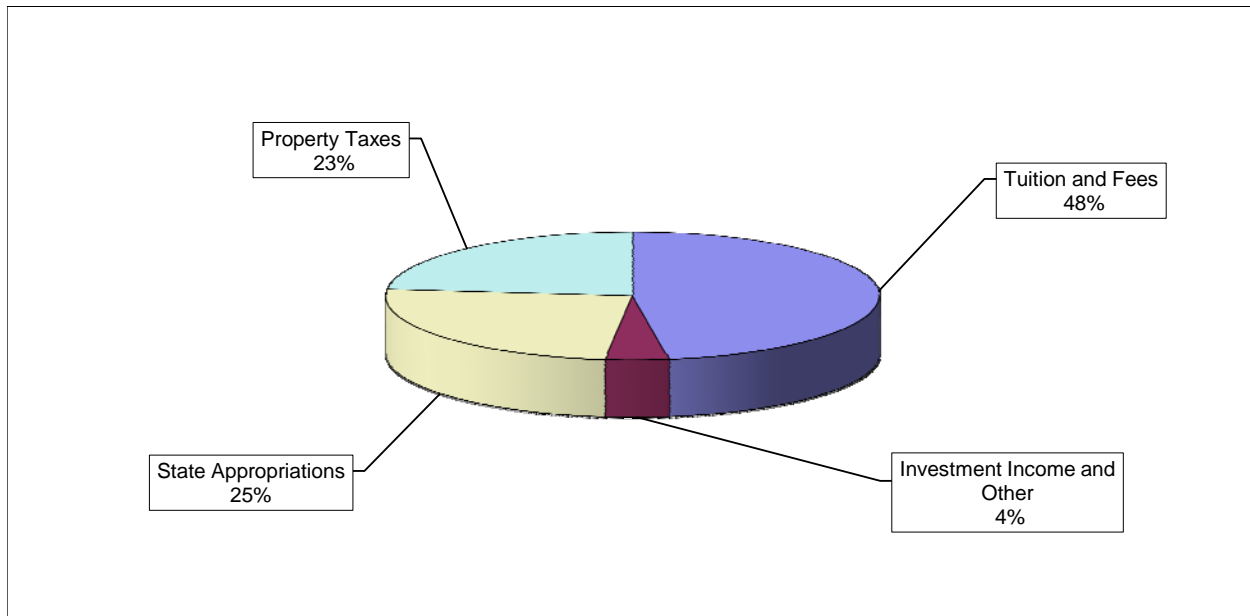
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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.

The following chart shows the percentages of all General Fund revenue sources for the year ended June 30, 2015:



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, 2015 total \$93.8 million, and consist of salaries and benefits, scholarships, utilities, contracted services, supplies and materials, and depreciation. These items are presented in a functional format in the Statement of Revenues, Expenses, and Changes in Net Position, consistent with the State of Michigan's reporting format, currently the Activities Classification Structure (ACS) Manual.

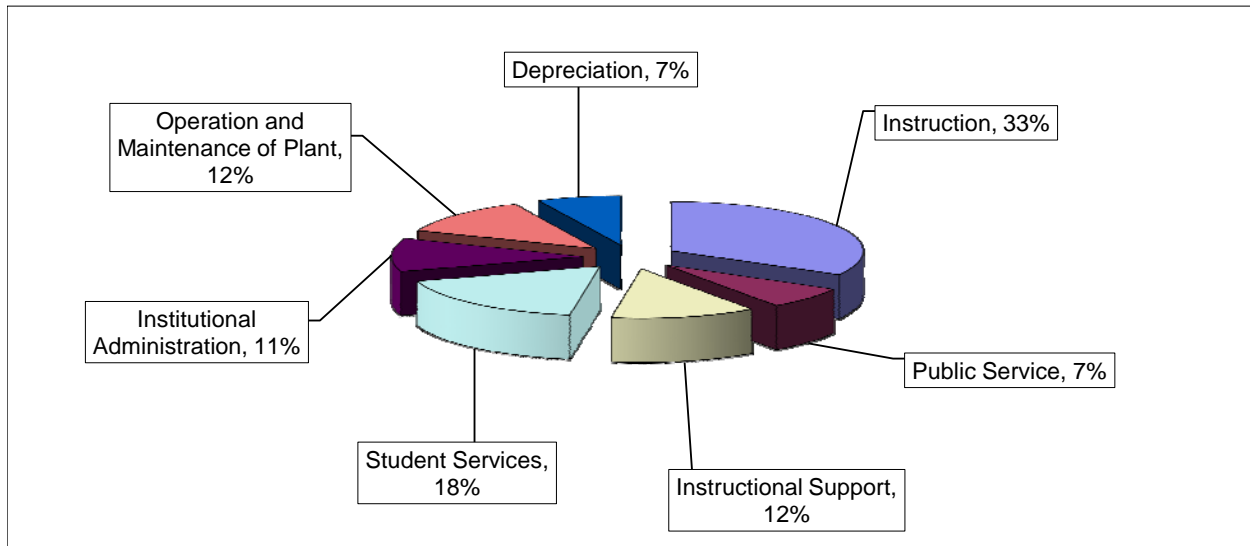
Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Operating Expenses by Function

	2015	2014	2013
Instruction	\$ 31,043,126	\$ 32,718,492	\$ 31,604,965
Public Service	\$ 6,729,465	\$ 5,524,541	\$ 6,022,478
Instructional Support	\$ 11,488,009	\$ 11,695,432	\$ 11,354,737
Student Services	\$ 16,488,370	\$ 18,380,703	\$ 20,776,582
Institutional Administration	\$ 10,277,625	\$ 10,268,067	\$ 10,618,900
Operation and Maintenance of Plant	\$ 11,249,422	\$ 11,740,621	\$ 11,520,523
Depreciation	\$ 6,566,892	\$ 6,679,125	\$ 6,778,456
Total Operating Expenses	\$ 93,842,909	\$ 97,006,981	\$ 98,676,641

The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2015:



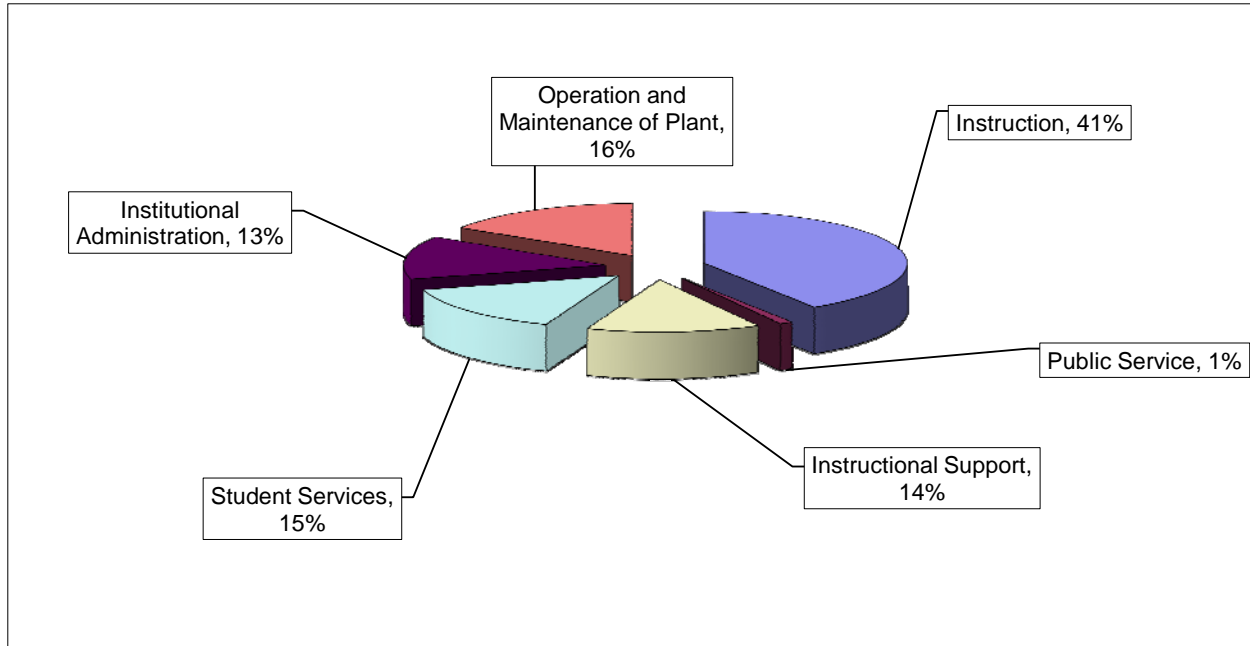
The College continues to spend the largest percentage of operating budget on instruction, with student services, operation and maintenance of plant, and instructional support making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant 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 2015 were \$72.2 million. General Fund operating expenses decreased by \$1.6 million (2.2%) from 2014 to 2015 compared to an increase of \$1.3 million (2%) from 2013 to 2014. Most of the changes are the result of fluctuations in fringe benefit costs, contracted services and bad debts.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Following is a graphic illustration of operating expenses by function as reported by the General Fund for the year ended June 30, 2015:



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.

	2015	2014	2013
State Appropriations	\$ 18,427,226	\$ 16,924,560	\$ 15,680,722
Property Tax Levy	\$ 25,042,619	\$ 24,917,441	\$ 25,292,264
Gifts	\$ 1,891,447	\$ 1,765,763	\$ 1,664,767
Pell Grants	\$ 20,038,208	\$ 22,840,850	\$ 24,112,196
Premium on Bonds	\$ 186,341	\$ 152,910	\$ 150,683
Investment Income	\$ 31,164	\$ 10,964	\$ 12,270
Total Non-Operating Revenues	\$ 65,617,005	\$ 66,612,488	\$ 66,912,902

Total non-operating revenues decreased by \$1.3 million during the past three years:

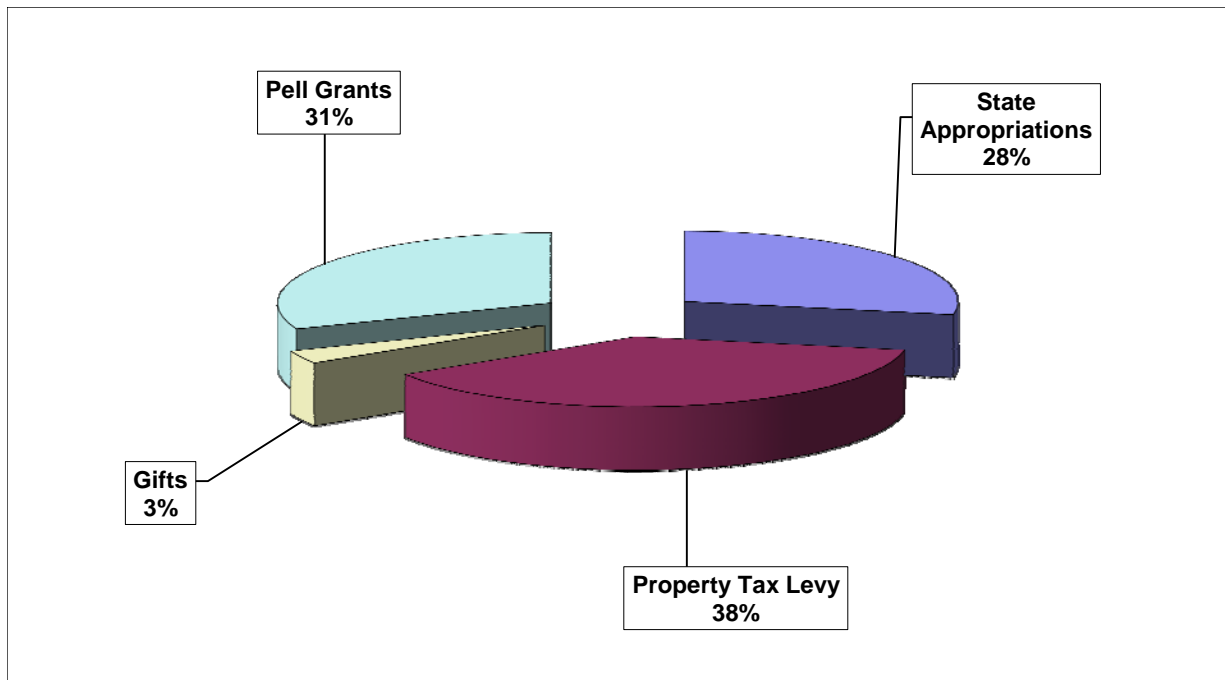
- The State appropriations increased from \$15.7 million to \$18.4 million from the fiscal years ended June 30, 2013 to 2015; however, \$2.6 million was restricted for the pay down of the MPSERS liability.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

- Property tax revenues decreased 1% or \$250 thousand from 2013 to 2015. The previous downward trend, caused by declining property tax values to level off. The fiscal 2016 budget reflects a slight increase in property tax revenues. The College's combined tax levy rates were 2.8596 for 2013, 2014, and 2015.
- Pell revenue has decreased \$4.1 million from 2013 to 2015 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, 2015:



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.

	2015	2014	2013
Interest on Capital Asset-Related Debt	\$ 1,581,716	\$ 1,898,228	\$ 2,114,053
Loss on Disposal of Assets	\$ 1,418	\$ 140,174	\$ 172,351
Discount on Bonds	\$ 166,312	\$ 176,947	\$ 170,363
Bond Issuance Costs	\$ 4,028	\$ 84,795	\$ -
Total Non-Operating Expenses	\$ 1,753,474	\$ 2,300,144	\$ 2,456,767

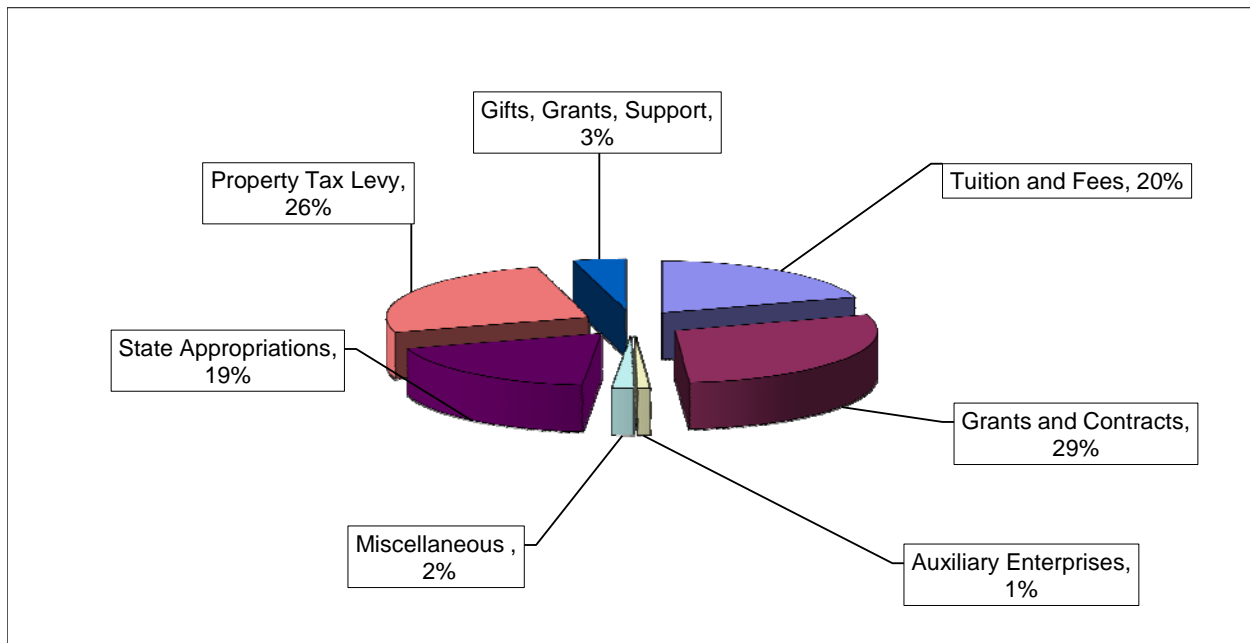
Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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 2015, 2014, and 2013 was \$(1,366,206), \$3,980,756, and \$2,243,645, 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 2015:



For fiscal year 2015 grants and contracts, including Pell grants, accounted for 29% 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 19% of the total revenues for the College as a whole for fiscal year 2015.

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

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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>2015</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents (used) provided by:			
Operating activities	\$ (57.0)	\$ (57.0)	\$ (61.2)
Noncapital financing activities	57.4	64.7	52.2
Capital and related financing activities	(7.9)	7.7	(3.2)
Investing activities	<u>4.1</u>	<u>(9.0)</u>	<u>-</u>
Net (decrease) increase in cash	(3.4)	6.4	(12.2)
Cash and cash equivalents, beginning of year	<u>17.1</u>	<u>10.7</u>	<u>22.9</u>
Cash and cash equivalents, end of year	<u><u>\$ 13.7</u></u>	<u><u>\$ 17.1</u></u>	<u><u>\$ 10.7</u></u>

The \$57.0 million in net cash used for operating activities includes \$88.0 million in payments to employees and suppliers, offset by \$31.0 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 \$57.4 million in cash provided from non-capital financing activities.

The net cash used by capital and related financing activities of \$7.9 million was the use of the remaining bond proceeds and 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 inflow of \$4.1 million in investing activities includes both regular and ongoing investment activities as well as investment activity for the College's bond issuances.

The overall result of cash flows is a decrease in cash of \$3.4 million during 2015.

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:

	2015	2014	2013
Property and Equipment:			
Land	\$ 1,240,940	\$ 1,240,940	\$ 1,240,940
Artwork	\$ 6,200	\$ 6,200	\$ 6,200
Construction in Progress	\$ 2,276,821	\$ 607,075	\$ 66,971
Buildings and Improvements	\$ 174,504,698	\$ 173,409,542	\$ 172,702,300
Infrastructure	\$ 10,342,938	\$ 8,605,490	\$ 8,597,126
Equipment	\$ 22,218,691	\$ 20,299,343	\$ 19,586,543
Vehicles	\$ 1,797,434	\$ 1,761,793	\$ 1,740,383
Library Books	\$ 2,214,301	\$ 2,177,839	\$ 2,138,610
Accumulated Depreciation	\$(121,144,236)	\$(114,864,187)	\$(108,390,275)
Total Property and Equipment	\$ 93,457,787	\$ 93,244,035	\$ 97,688,798

Major capital additions completed this year included the following:

Parking Ramp Renovations	\$1.4 Million
Prahl Drainage Project	\$385 thousand
Kearsley Park	\$233 thousand
SLBC Roof Replacement	\$232 thousand

The College has future planned capital expenditures that include repurposing an existing building, and renovations and upgrades on other existing facilities. These, in addition to other minor projects will be funded out of the anticipated 2016 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 February 25, 2015 the College issued \$14,715,000 in Series 2015 Community College Refunding Bonds with interest rates between 3.000 to 5.000%. These bonds were issued to advance refund the 2005 Series bonds and a portion of the 2006 Series bonds in the amounts of \$10,050,000 and \$6,250,000, respectively. The estimated savings is \$1,418,065.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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, 2015, the College had \$43.5 million in long-term bond-related debt outstanding, versus \$50.6 million on June 30, 2014 and \$46.1 million on June 30, 2013.

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. In January 2015, the College received another 'A+' rating on its refunding issue.

The College does intend to issue bonds in the first part of the 2016 calendar year. At this time the amount of the issuance has not been determined.

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 in decline.

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, 2012, and 2013 the College lost another \$2.4, \$1.3, and \$1.3 million in General Fund property taxes, respectively. For the 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 property taxes have stabilized and are anticipated to increase minimally in the foreseeable future.

Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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 \$126.50 beginning in the Winter 2015 term. For the calendar year 2016, the Board of Trustees unanimously approved a tuition increase of \$3.84/contact hour making the in-district contact hour \$130.34.

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, \$1.5 million in fiscal year 2014, and \$2.6 million in 2015.

Mott Community College

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.

C.S. Mott Community College
Statements of Net Position
June 30, 2015 and 2014

	Primary Government		Component Unit Foundation for Mott Community College	
	2015	2014	2015	2014
Assets				
Current assets				
Cash and cash equivalents	\$ 13,652,414	\$ 17,108,270	\$ 96,056	\$ 79,974
Short-term investments	2,736,921	1,487,542	-	-
Property taxes receivable	60,292	-	-	-
State appropriation receivable	3,327,242	3,043,086	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$4,225,552 for 2015 and \$4,388,241 for 2014)	428,359	675,258	238,464	302,304
Grants receivable	4,559,350	4,646,312	-	-
Inventories	74,972	48,024	-	-
Prepaid expenses and other assets	973,117	853,506	5,000	5,000
Total current assets	25,812,667	27,861,998	339,520	387,278
Long-term investments	-	-	6,387,276	6,509,753
Investments - restricted, unspent bond proceeds	4,953,990	9,442,142	-	-
Beneficial interest in perpetual trusts	40,119,966	41,486,172	-	-
Bond discount	88,731	200,125	-	-
Other assets	-	-	40,925	36,768
Property and equipment - net of accumulated depreciation (\$121,144,236 for 2015 and \$114,864,187 for 2014)	93,457,787	93,244,035	-	-
Total assets	164,433,141	172,234,472	6,767,721	6,933,799
Deferred outflows of resources				
Deferred pension amounts (Notes 1 & 7)	10,302,767	-	-	-
Deferred charge on refunding	655,924	977,507	-	-
Total deferred outflows of resources	10,958,691	977,507	-	-

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2015	2014	2015	2014
Liabilities				
Current liabilities				
Current portion of long-term liabilities	\$ 6,449,081	\$ 5,876,711	\$ -	\$ -
Accounts payable	3,829,357	3,348,927	6,205	5,585
Accrued interest payable	301,880	343,173	-	-
Accrued payroll and related liabilities	3,479,297	4,392,247	-	-
Deposits held for others	169,631	141,406	-	-
Unearned revenue	1,303,566	2,769,664	2,125	52,998
Total current liabilities	15,532,812	16,872,128	8,330	58,583
Long-term debt obligations	37,850,865	45,733,874	-	-
Net pension liability (Notes 1 & 7)	75,346,059	-	-	-
Accrued termination pay	2,423,505	2,528,343	-	-
Bond premium	1,547,690	1,295,663	-	-
Other accrued liabilities	177,218	151,456	-	-
Total liabilities	132,878,149	66,581,464	8,330	58,583
Deferred inflows of resources				
Deferred pension amounts (Notes 1 & 7)	8,329,473	-	-	-
Net position				
Net investment in capital assets	51,843,335	50,817,011	-	-
Restricted for				
Nonexpendable	40,119,966	41,486,172	2,385,228	1,960,016
Expendable				
Scholarships and awards	87,453	85,600	2,395,992	2,381,695
Debt service	594,071	683,482	-	-
Unrestricted (deficit) (Note 13)	(58,460,615)	13,558,250	1,978,171	2,533,505
Total net position	\$ 34,184,210	\$ 106,630,515	\$ 6,759,391	\$ 6,875,216

See notes to financial statements.

C.S. Mott Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2015 and 2014

	Primary Government		Component Unit Foundation for Mott Community College	
	2015	2014	2015	2014
Revenues				
Operating revenues				
Tuition and fees	\$ 36,982,581	\$ 38,243,058	\$ -	\$ -
Less scholarship allowances	(17,330,716)	(18,594,723)	-	-
Federal grants and contracts	6,324,145	5,911,850	-	-
State and local grants and contracts	1,853,430	963,786	-	-
Private gifts and grants	2,221,540	1,681,396	595,723	557,641
Auxiliary enterprises	933,533	920,979	-	-
Miscellaneous	1,631,754	2,293,288	35,935	41,259
Total operating revenues	<u>32,616,267</u>	<u>31,419,634</u>	<u>631,658</u>	<u>598,900</u>
Expenses				
Operating expenses				
Instruction	31,043,126	32,718,492	-	-
Public service	6,729,465	5,524,541	234,173	229,448
Instructional support	11,488,009	11,695,432	434,712	432,734
Student services	16,488,370	18,380,703	187,955	193,444
Institutional administration	10,277,625	10,268,067	-	-
Operation and maintenance of plant	11,249,422	11,740,621	-	-
Depreciation	6,566,892	6,679,125	-	-
Foundation operations	-	-	100,900	120,255
Total operating expenses	<u>93,842,909</u>	<u>97,006,981</u>	<u>957,740</u>	<u>975,881</u>
Operating loss	(61,226,642)	(65,587,347)	(326,082)	(376,981)
Non-Operating Revenues (Expenses)				
State appropriations	18,427,226	16,924,560	-	-
Property tax levy	25,042,619	24,917,441	-	-
Pell grants	20,038,208	22,840,850	-	-
Gifts	1,891,447	1,765,763	-	-
Investment income	31,164	10,964	440,668	339,656
Net realized and unrealized (loss) gain on investments	-	-	(230,411)	727,190
Change in value of perpetual trusts	(1,366,206)	3,980,756	-	-
Interest on capital asset - related debt	(1,581,716)	(1,898,228)	-	-
Loss on disposal of assets	(1,418)	(140,174)	-	-
Net premium (discount) on bonds	20,029	(24,037)	-	-
Bond issuance costs	(4,028)	(84,795)	-	-
Net non-operating revenues	<u>62,497,325</u>	<u>68,293,100</u>	<u>210,257</u>	<u>1,066,846</u>
Increase (decrease) in net position	1,270,683	2,705,753	(115,825)	689,865
Net position - beginning of year	106,630,515	103,924,762	6,875,216	6,185,351
Implementation of GASB Statement No. 68 (Note 1 & 7)	(73,716,988)	-	-	-
Net position - end of year	<u>\$ 34,184,210</u>	<u>\$106,630,515</u>	<u>\$ 6,759,391</u>	<u>\$ 6,875,216</u>

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2015

	Primary Government 2015	Component Unit Foundation for Mott Community College 2015
Cash Flows from Operating Activities		
Tuition and fees	\$ 19,653,295	\$ -
Grants and contracts	8,448,620	606,993
Payments to suppliers	(24,978,474)	(330,942)
Payments to employees	(62,981,412)	-
Auxiliary enterprises	550,039	-
Gifts received	987,667	-
Allocations to primary government	-	(626,178)
Other	1,334,715	35,935
Net cash used for operating activities	(56,985,550)	(314,192)
Cash Flows from Noncapital Financing Activities		
State appropriations	18,143,070	-
Local property taxes	17,299,336	-
Pell grants	20,038,208	-
Gifts and contributions for other than capital purposes	1,891,447	-
Agency transactions	32,448	-
Student loan receipts	25,995,698	-
Student loan disbursements	(26,009,688)	-
Net cash provided by noncapital financing activities	57,390,519	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(6,626,358)	-
Principal paid on capital debt	(22,132,590)	-
Bond proceeds	14,715,000	-
Bond issuance costs	(4,028)	-
Capital property tax levy	7,682,991	-
Interest paid on capital debt	(1,623,009)	-
Net cash used for capital and related financing activities	(7,987,994)	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	7,088,489	1,156,997
Interest on investments	31,164	438,208
Purchase of investments	(2,992,484)	(1,264,931)
Net cash provided by investing activities	4,127,169	330,274
Net (decrease) increase in cash and cash equivalents	(3,455,856)	16,082
Cash and cash equivalents - beginning of year	17,108,270	79,974
Cash and cash equivalents - end of year	\$ 13,652,414	\$ 96,056

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2015

	Primary Government 2015	Component Unit Foundation for Mott Community College 2015
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	\$ (61,226,642)	\$ (326,082)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	6,566,892	-
(Increase) decrease in assets:		
Grants receivable	(116,631)	-
Accounts receivable, net	246,899	66,300
Inventories	(26,948)	-
Prepaid expenses and other current assets	(119,611)	(4,157)
Increase (decrease) in liabilities:		
Accounts payable	480,431	620
Accrued payroll and other compensation	(1,017,788)	-
Other accrued liabilities	12,407	-
Unearned revenue	(1,466,098)	(50,873)
Deposits held by others	25,762	-
Change in net pension liability and deferred amounts	(344,223)	-
	<u>\$ (56,985,550)</u>	<u>\$ (314,192)</u>

See notes to financial statements.

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

	<u>Primary Government 2014</u>	<u>Component Unit Foundation for Mott Community College 2014</u>
Cash Flows from Operating Activities		
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
	<hr/>	<hr/>
Net cash used for operating activities	(57,043,825)	(478,268)
Cash Flows from Noncapital Financing Activities		
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)	-
	<hr/>	<hr/>
Net cash provided by noncapital financing activities	64,677,377	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(2,374,536)	-
Principal paid on capital debt	(5,652,958)	-
Bond Proceeds	10,000,000	-
Refund from escrow	(84,795)	-
Capital property tax levy	7,684,597	-
Interest paid on capital debt	(1,898,228)	-
	<hr/>	<hr/>
Net cash provided by capital and related financing activities	7,674,080	-
Cash Flows from Investing Activities		
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)
	<hr/>	<hr/>
Net cash (used in) provided by investing activities	(8,932,352)	334,304
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	6,375,280	(143,964)
	<hr/>	<hr/>
Cash and cash equivalents - beginning of year	10,732,990	223,938
	<hr/>	<hr/>
Cash and cash equivalents - end of year	<u>\$ 17,108,270</u>	<u>\$ 79,974</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 Foundation for Mott Community College 2014
Reconciliation of Operating Loss to		
Net Cash Used for Operating Activities		
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	-
	\$ (57,043,825)	\$ (478,268)

See notes to financial statements.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

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, 2015

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.

Deferred Outflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The College reports a deferred outflow of resources for its deferred charge on debt refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. This deferred outflow is amortized over the shorter of the life of the refunded or refunding bonds. The College also reports deferred outflows of resources for certain pension related amounts, such as change in expected and actual experience, change in assumptions, and certain contributions made to the plan subsequent to the plan measurement date. More detailed information can be found in Note 7.

Deferred Inflows of Resources:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

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

deferred inflows of resources for certain pension related amounts, such as the difference between projected and actual earnings as part of the pension plan's investments. More detailed information can be found in Note 7.

Pension:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the plan fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of July 1, 2014, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires that the College recognize 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. More detailed information can be found in Note 7. As a result of this change, the College recognized a net pension liability of \$80,153,206 and deferred outflows of resources of \$6,436,218, which resulted in a decrease in net position of \$73,716,988 as of July 1, 2014. Application of this new standard to July 1, 2013, the earliest year presented, is not practical as complete information is not available.

Reclassification:

Certain amounts as reported in the 2014 financial statements have been reclassified to conform with the 2015 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.

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.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

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

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.

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.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

2. Cash and investments – (continued)

The College's deposits and investments are included on the statements of net position under the following classifications as of June 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$13,652,414	\$17,108,270
Short term investments	2,736,921	1,487,542
Investments - restricted, unspent bond proceeds	<u>4,953,990</u>	<u>9,442,142</u>
 Total	 <u><u>\$21,343,325</u></u>	 <u><u>\$28,037,954</u></u>

The amounts are categorized as follows at June 30:

	<u>2015</u>	<u>2014</u>
Bank deposits (checking, savings, cash sweep accounts and money markets)	\$13,642,318	\$17,098,385
Petty cash	10,096	9,885
Certificates of deposit	1,489,526	1,487,542
Investments in government obligations	<u>6,201,385</u>	<u>9,442,142</u>
 Total	 <u><u>\$21,343,325</u></u>	 <u><u>\$28,037,954</u></u>

As of June 30, 2015, 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	\$ 3,931,186	\$ 3,931,186	\$ -	\$ -	N/A
Federated Gov't Obligations	2,270,199	2,270,199	-	-	N/A
Certificates of Deposit	<u>1,489,526</u>	<u>1,489,526</u>	<u>-</u>	<u>-</u>	N/A
 Total	 <u><u>\$ 7,690,911</u></u>	 <u><u>\$ 7,690,911</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

2. Cash and investments – (continued)

As of June 30, 2014, 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	\$ 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	1,487,542	1,240,308	247,234	-	N/A
Total	<u>\$ 10,929,684</u>	<u>\$ 7,998,660</u>	<u>\$ 2,931,024</u>	<u>\$ -</u>	

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, 2015, \$750,000 was covered by federal depository insurance and the temporary liquidity guarantee program. \$15,841,569 was uninsured and uncollateralized for the year ended June 30, 2015.

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.

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, 2015

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, 2015 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)	607,075	2,248,440	(578,694)	2,276,821	
Total nondepreciable capital assets	1,854,215	2,248,440	(578,694)	3,523,961	
Depreciable capital assets:					
Buildings and improvements	170,724,813	861,914	-	171,586,727	15 - 50
Leasehold improvements	2,684,729	233,242	-	2,917,971	5
Infrastructure	8,605,490	1,737,448	-	10,342,938	10 - 50
Computer equipment	6,219,550	631,779	(46,956)	6,804,373	5 - 10
Audio-visual equipment	967,006	-	(102,117)	864,889	5 - 10
Other equipment	13,112,787	1,624,603	(187,961)	14,549,429	5 - 20
Vehicles	1,761,793	51,393	(15,752)	1,797,434	8
Library books	2,177,839	36,462	-	2,214,301	5
Total depreciable capital assets	206,254,007	5,176,841	(352,786)	211,078,062	
Total capital assets	208,108,222	7,425,281	(931,480)	214,602,023	
Less: accumulated depreciation:					
Buildings and improvements	86,601,705	5,209,967	-	91,811,672	
Leasehold improvements	2,673,519	2,552	-	2,676,071	
Infrastructure	7,833,336	143,627	-	7,976,963	
Computer equipment	5,568,931	312,288	(46,956)	5,834,263	
Audio-visual equipment	787,624	49,844	(100,699)	736,769	
Other equipment	8,050,010	690,877	(123,436)	8,617,451	
Vehicles	1,266,743	125,125	(15,752)	1,376,116	
Library books	2,082,319	32,612	-	2,114,931	
Total accumulated depreciation	114,864,187	6,566,892	(286,843)	121,144,236	
Total net capital assets	\$ 93,244,035	\$ 858,389	\$ (644,637)	\$ 93,457,787	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

4. Property and equipment – (continued)

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	
Total nondepreciable capital assets	1,314,111	607,075	(66,971)	1,854,215	
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	(240,162)	6,219,549	5 - 10
Audio-visual equipment	863,830	103,176	-	967,006	5 - 10
Other equipment	12,519,668	687,521	(94,401)	13,112,788	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
Total depreciable capital assets	204,764,962	1,850,174	(361,129)	206,254,007	
Total capital assets	206,079,073	2,457,249	(428,100)	208,108,222	
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	
Total accumulated depreciation	108,390,275	6,679,125	(205,213)	114,864,187	
Total net capital assets	\$ 97,688,798	\$ (4,221,876)	\$ (222,887)	\$ 93,244,035	

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, 2015

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, 2015 are as shown below.

C.S. Mott Community College
Listing of Long Term Liabilities with Current Debt Obligations
For the Year Ended June 30, 2015

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Obligations
Series 2005	3.00% - 5.00%	May 1, 2021	\$ 11,700,000	\$ -	\$ 11,700,000	\$ -	\$ -
Series 2006	4.00% - 5.00%	May 1, 2021	8,400,000	-	7,300,000	1,100,000	1,100,000
Series 2008	3.375% - 4.625%	May 1, 2023	11,025,000	-	1,225,000	9,800,000	1,225,000
Series 2009	3.00% - 4.00%	May 1, 2021	3,105,000	-	535,000	2,570,000	530,000
Series 2012	1.215%	May 1, 2019	6,400,000	-	1,085,000	5,315,000	1,235,000
Series 2014	2.00% - 4.00%	May 1, 2033	10,000,000	-	50,000	9,950,000	50,000
Series 2015	3.00% - 5.00%	May 1, 2021	-	14,715,000	-	14,715,000	2,050,000
Total bonds payable			50,630,000	14,715,000	21,895,000	43,450,000	6,190,000
Installment Purchase -							
Lapeer building &							
land	0%	December 21, 2017	931,832	-	232,958	698,874	232,958
Capital Lease - Copiers	4.625%	May 1, 2020	-	155,704	4,632	151,072	26,123
Accrued termination pay			2,528,343	109,846	214,684	2,423,505	-
Bond premium			1,295,663	1,380,466	1,128,439	1,547,690	-
Other accrued liabilities			200,209	46,550	69,541	177,218	-
Total bonds payable and other long term liabilities			<u>\$ 55,586,047</u>	<u>\$ 16,407,566</u>	<u>\$ 23,545,254</u>	48,448,359	<u>\$ 6,449,081</u>
(Current long term liabilities						6,449,081	
Long term liabilities						<u>\$ 41,999,278</u>	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

5. Long term liabilities – (continued)

Debt service requirements are as follows:

	Total	Principal	Interest
Year ended June 30, 2016	\$ 8,153,718	\$ 6,449,081	\$ 1,704,637
June 30, 2017	7,266,589	5,892,745	1,373,844
June 30, 2018	7,271,458	6,084,152	1,187,306
June 30, 2019	6,892,065	5,922,668	969,397
June 30, 2020	5,346,772	4,546,300	800,472
June 30, 2021 - June 30, 2025	11,262,294	9,360,000	1,902,294
June 30, 2026 - June 30, 2030	4,489,650	3,565,000	924,650
June 30, 2031 - June 30, 2033	2,680,400	2,480,000	200,400
	<u>\$ 53,362,946</u>	<u>\$ 44,299,946</u>	<u>\$ 9,063,000</u>

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, 2015

6. Operating Leases

The College leases equipment under non-cancellable operating leases. Total cost for such leases was \$101,676 for 2015 and \$161,622 for 2014. The future minimum lease payments for these leases are as follows:

Years Ending June 30,	Amount
2016	\$ 97,546
2017	88,788
2018	65,916
2019	29,387
Total	\$ 281,637

7. Employee benefits

Retirement Plan

Plan Description. The College contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multi-employer pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Services with oversight from a 12-member board. Benefit provisions are established and may be amended by state statute. The Office of Retirement Services issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Member Investment Plan (MIP)	Defined Benefit	Closed
Basic	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

The Member Investment Plan (MIP) includes additional subgroups based on hire date. The MIP Fixed plan includes members hired prior to January 1, 1990. The MIP Graded plan includes members first hired from January 1, 1990 through June 30, 2008. The MIP Plus plan includes members first hired from July 1, 2008 through June 30, 2010. Members who initially enrolled in the MIP plan and made a voluntary election to contribute a higher rate are participants in the MIP 7% plan.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

7. Employee benefits – (continued)

Members hired between July 1, 2010 and September 3, 2012 were enrolled in the Pension Plus plan. Members hired on or after September 4, 2012 are automatically enrolled in this plan unless an election is made to participate in the defined contribution plan. The plan includes a pension component as well as a savings component. Member contributions to the savings component are match at a rate of 50% by the employer (up to a maximum of 1%) and invested in a 401(k) plan.

Effective February 1, 2013, members that initially enrolled in MIP were provided the option to convert to a defined contribution plan (Basic 4%). In these instances, any service credit accumulated under the defined benefit plan before February 1, 2013 is retained. For service performed after this date, the converted plan member receives 4% employer contributions to a personal 401(k) account.

A member first enrolling in MPSERS on or after September 4, 2012 may elect to enroll in the defined contribution plan. Employer and employee contribution rates and vesting requirements are consistent with the defined contribution component of the Pension Plus plan as described above.

Benefits Provided. MPSERS provides retirement, death, disability and postemployment benefits to eligible participants. Retirement benefits are calculated as a percentage of the employee's final average compensation times the employee's years of service. All participants qualify for a benefit multiplier of 1.5% for the first 30 years of service. Certain benefit groups receive a reduced rate of 1.25% for service above 30 years. Disability benefits are calculated the same as regular service retirement. Participants are eligible to receive full retirement benefits upon reaching the age and years of service requirements below. Most plans offer additional options for early retirement if certain stipulations have been met. Voluntary contributions vest immediately.

Plan	Eligibility Based on Years of Service	Vesting
Member Investment Plan (MIP)	Age 46 with 30 years or age 60 with 10 years	10 Years
Basic	Age 55 with 30 years or age 60 with 10 years	10 Years
Pension Plus	Age 60 with 10 years	4 Years
Defined Contribution	Age 46 with 30 years or age 60 with 10 years	4 Years

Contributions. Employer contributions to the plans are based on a percentage of covered payroll that has been actuarially determined as an amount that, when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Member contributions are determined based on date of hire and the plan selected. In addition, the College is invoiced monthly an amount that approximates 7.63% of covered payroll for "MPSERS UAAL Stabilization." This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. For the plan year ended June 30, 2015, an additional 1.13% MPSERS liability prepayment was invoiced as a one-time cost. Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization and one-time prepayment rates, range from 27.52% to 31.83% of covered payroll. Plan member contributions range from 0.0% to 7.0% of covered payroll.

The College's contributions to MPSERS under all pension plans for the year ended June 30, 2015, inclusive of the MPSERS UAAL stabilization and one-time prepayment was \$8,419,942.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

7. Employee benefits – (continued)

The College's cash contributions to MPSERS under all pension plans for the year ended June 30, 2015, 2014 and 2013 were \$7,008,013, \$6,002,498 and \$5,049,735, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the College reported a liability of \$75,346,059 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015 the College's proportion (as calculated by MPSERS) was 0.34207%.

For the year ended June 30, 2015, the College recognized pension expense of \$6,104,396. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2015	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 2,780,087	\$ -	\$ 2,780,087
Changes in proportionate share	4,621	-	4,621
Net difference between projected and actual earnings on pension plan investments	-	8,329,473	(8,329,473)
	<u>2,784,708</u>	<u>8,329,473</u>	<u>(5,544,765)</u>
College contributions subsequent to measurement date	7,518,059	-	7,518,059
	<u>7,518,059</u>	<u>-</u>	<u>7,518,059</u>
Total	<u>\$ 10,302,767</u>	<u>\$ 8,329,473</u>	<u>\$ 1,973,294</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

7. Employee benefits – (continued)

The amount of deferred outflows of resources related to College contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2016	\$ (1,358,259)
2017	(1,358,259)
2018	(1,358,259)
2019	(1,469,988)
Total	<u>\$ (5,544,765)</u>

Actuarial Assumptions. The total pension liability in the September 30, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage inflation	3.5%
Salary increases	3.5% to 12.3%, including wage inflation of 3.5%
Investment rate of return	8% (7% for the Pension Plus plan)
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Healthcare cost trend rate	8.5% year 1 graded to 3.5% year 12

The mortality table used in this valuation was the RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

7. Employee benefits – (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity pools	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short - term investment pools	2.00%	-0.20%	-0.02%
	<u>100.00%</u>		<u>5.50%</u>
Inflation			<u>2.50%</u>
Investment rate of return			<u>8.00%</u>

Discount Rate. The discount rate used to measure the total pension liability is 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that College contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the College, calculated using the discount rate of 8.0%, as well as what the College's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate:

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate</u>	<u>1% Increase (9.0%)</u>
College's proportionate share of the net pension liability	\$ 99,336,449	\$ 75,346,059	\$ 55,132,726

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial statements available on the State of Michigan Office of Retirement Services website at www.michigan.gov/orsschools.

Payable to the Pension Plan. At June 30, 2015, the College reported a payable of \$698,279 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

7. Employee benefits – (continued)

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.20% to 2.71% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

Plan members enrolled on or after September 4, 2012 participate in the Personal Healthcare Fund. This defined contribution other postemployment benefits plan includes a required 2% employee contribution into a personal tax-deferred account, which is matched by an additional 2% employer contribution. Employees are fully vested in these contributions which can be used, along with earnings thereon, to pay for postemployment healthcare expenses. Plan members working prior to September 4, 2012 were given the option to convert from the Premium Subsidy plan to the Personal Healthcare Fund option. Effective February 1, 2013, these members are no longer required to make the 3% employee contribution. Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The College's contributions to MPSERS for other postemployment benefits amounted to \$940,480 for the year ended June 30, 2015.

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, 2015 and 2014 were \$10,415,815 and \$1,216,272 and \$9,715,683 and \$1,178,880, 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.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

9. Construction in Progress

The College continued construction on the Durham fitness center on campus, work on this project started during the 2013-2014 fiscal year. As of June 30, 2015 total expenditures were \$1,112,382. The completion of this project will occur during the fiscal year 2015-2016. The total project is estimated to cost \$2,500,000.

The College started multiple construction projects on campus consisting of the following: Upgrades to campus elevators, Lapeer data center site build, and Lapeer partial roof replacement. As of June 30, 2015 total expenditures were \$1,164,439. The completion of these projects will occur during in the 2015-2016 fiscal year. The total expense of these projects is estimated to be \$1,446,000.

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 February 25, 2015 the College issued \$14,715,000 in Series 2015 Community College Refunding Bonds with interest rates between 3.000 and 5.000%. These bonds were issued to advance refund the 2005 Series bonds and a portion of the 2006 Series bonds in the amounts of \$10,050,000 and \$6,250,000, respectively. The net proceeds, after payment of \$41,496 in underwriting fees, insurance and other issuance costs, plus a premium of \$1,380,466 were \$16,053,969. 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 \$1,575,674, which represents a present value economic gain of approximately \$1,418,065.

In prior years, the College defeased certain other 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, 2015, \$22,415,000 of bonds outstanding are considered defeased.

12. Non-cash Capital and Related Financing Activities

The College financed the lease of print room equipment during 2015 by obtaining credit in the form of a lease note payable in the amount of \$155,704.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2015

13. Deficit Net Position

The Pension Liability Fund reported a deficit in unrestricted net position in the amount of \$73,372,765 at June 30, 2015. Total unrestricted net position for the College was a deficit of \$58,460,615 while net position for the College overall was \$34,184,210.

**C.S. Mott Community College
MPERS Cost-Sharing Multiple-Employer Plan
Schedule of the College's Proportionate Share of the Net Pension Liability**

	<u>Year Ended June 30, 2015</u>
College's proportion of the net pension liability	0.34207%
College's proportionate share of the net pension liability	\$ 75,346,059
College's covered employee payroll	41,856,974
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	180.01%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

The amounts presented for the fiscal year were determined as of September 30th of the preceding year.

NOTE: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

**C.S. Mott Community College
MPERS Cost-Sharing Multiple-Employer Plan
Schedule of College's Contributions**

	<u>Year Ended June 30, 2015</u>
Contractually required contribution	\$ 8,419,942
Contribution in relation to the contractually required contribution	<u>(8,419,942)</u>
Contribution deficiency (excess)	<u>\$ -</u>
College's covered payroll	\$ 41,335,940
Contribution as a percentage of covered employee payroll	20.37%

NOTE: GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Additional Information

C.S. Mott Community College
Combining Statement of Net Position
June 30, 2015

	<u>Combined Total</u>	<u>General Fund</u>	<u>Pension Liability Fund</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 13,652,414	\$ 9,507,003	\$ -
Short-term investments	2,736,921	-	-
Property taxes receivable	60,292	60,292	-
State appropriation receivable	3,327,242	3,327,242	-
Accounts receivable - net of \$4,225,552 allowance	428,359	308,982	-
Grants receivable	4,559,350	-	-
Inventories	74,972	74,972	-
Prepaid expenses and other assets	973,117	949,935	-
	<hr/>		
Total current assets	25,812,667	14,228,426	-
Investments - restricted, unspent bond proceeds	4,953,990	-	-
Beneficial interest in perpetual trusts	40,119,966	-	-
Bond discount	88,731	-	-
Property and equipment - net of \$121,144,236 accumulated depreciation	93,457,787	-	-
	<hr/>		
Total assets	164,433,141	14,228,426	-
<hr/>			
Deferred outflows of resources			
Deferred pension amounts	10,302,767	-	10,302,767
Deferred charge on refunding	655,924	-	-
	<hr/>		
Total deferred outflows of resources	10,958,691	-	10,302,767
	<hr/>		

Designated Fund	Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,145,411
-	-	-	-	-	2,736,921
-	-	-	-	-	-
-	-	-	-	-	-
9,047	18,819	91,511	-	-	-
-	-	-	4,559,350	-	-
-	-	-	-	-	-
-	-	-	-	-	23,182
9,047	18,819	91,511	4,559,350	-	6,905,514
-	-	-	-	-	4,953,990
-	-	-	-	40,119,966	-
-	-	-	-	-	88,731
-	-	-	-	-	93,457,787
9,047	18,819	91,511	4,559,350	40,119,966	105,406,022
-	-	-	-	-	-
-	-	-	-	-	655,924
-	-	-	-	-	655,924

C.S. Mott Community College
Combining Statement of Net Position (continued)
June 30, 2015

	Combined Total	General Fund	Pension Liability Fund
Liabilities			
Current liabilities:			
Current portion of debt obligations	\$ 6,449,081	\$ -	\$ -
Accounts payable	3,829,357	3,680,424	-
Due to (from) other funds	-	(2,619,424)	-
Accrued interest payable	301,880	-	-
Accrued payroll and related liabilities	3,479,297	3,451,693	-
Deposits held for others	169,631	12,407	-
Unearned revenue	1,303,566	495,262	-
Total current liabilities	15,532,812	5,020,362	-
Long term debt obligations	37,850,865	-	-
Net pension liability	75,346,059	-	75,346,059
Accrued termination pay	2,423,505	2,423,505	-
Bond premium	1,547,690	-	-
Other accrued liabilities	177,218	177,218	-
Total liabilities	132,878,149	7,621,085	75,346,059
Deferred inflows of resources			
Deferred pension amounts	8,329,473	-	8,329,473
Net position			
Net investment in capital assets	51,843,335	-	-
Restricted for			
Nonexpendable	40,119,966	-	-
Expendable			
Scholarships and awards	87,453	-	-
Debt service	594,071	-	-
Unrestricted (deficit)	(58,460,615)	6,607,341	(73,372,765)
Total net position	\$ 34,184,210	\$ 6,607,341	\$(73,372,765)

Designated Fund	Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,449,081
-	-	-	148,933	-	-
(1,275,476)	(46,181)	(65,713)	3,576,006	-	430,788
-	-	-	-	-	301,880
1,474	-	-	26,130	-	-
-	-	157,224	-	-	-
22,476	65,000	-	720,828	-	-
(1,251,526)	18,819	91,511	4,471,897	-	7,181,749
-	-	-	-	-	37,850,865
-	-	-	-	-	-
-	-	-	-	-	1,547,690
-	-	-	-	-	-
(1,251,526)	18,819	91,511	4,471,897	-	46,580,304
-	-	-	-	-	-
-	-	-	-	-	51,843,335
-	-	-	-	40,119,966	-
-	-	-	87,453	-	-
-	-	-	-	-	594,071
1,260,573	-	-	-	-	7,044,236
\$ 1,260,573	\$ -	\$ -	\$ 87,453	\$ 40,119,966	\$ 59,481,642

C.S. Mott Community College
Combining Statement of Revenues, Expenses,
Transfers and Changes in Net Position
June 30, 2015

	Combined Total	Eliminations	General Fund
Revenues			
Operating revenues			
Tuition and fees	\$ 36,982,581	\$ -	\$ 35,360,871
Less scholarship allowances	(17,330,716)	(17,330,716)	-
Federal grants and contracts	6,324,145	-	-
State and local grants and contracts	1,853,430	-	-
Private gifts and grants	2,221,540	(985,897)	4,306
Auxiliary enterprises	933,533	-	-
Expenditures for equipment and capital improvements	-	(6,626,358)	-
Miscellaneous	1,631,754	-	1,174,780
Total operating revenues	<u>32,616,267</u>	<u>(24,942,971)</u>	<u>36,539,957</u>
Expenses			
Operating expenses			
Instruction	31,043,126	(2,153,897)	29,558,774
Public service	6,729,465	(485,092)	743,193
Instructional support	11,488,009	20,352	10,024,066
Student services	16,488,370	(17,374,100)	10,670,286
Institutional administration	10,277,625	(4,918)	9,687,187
Operation and maintenance of plant	11,249,422	(4,945,316)	11,539,356
Depreciation	6,566,892	-	-
Total operating expenses	<u>93,842,909</u>	<u>(24,942,971)</u>	<u>72,222,862</u>
Operating income (loss)	(61,226,642)	-	(35,682,905)
Non-Operating Revenues (Expenses)			
State appropriations	18,427,226	-	18,427,226
Property tax levy	25,042,619	-	17,359,628
Pell grants	20,038,208	-	-
Gifts	1,891,447	-	1,891,447
Investment income	31,164	-	2,089
Change in value of perpetual trusts	(1,366,206)	-	-
Interest on capital asset - related debt	(1,581,716)	-	-
Loss on disposal of assets	(1,418)	-	-
Net premium on bonds	20,029	-	-
Bond issuance costs	(4,028)	-	-
Net non-operating revenues	<u>62,497,325</u>	<u>-</u>	<u>37,680,390</u>
(Decrease) increase in net position	1,270,683	-	1,997,485
Transfers in (out)	-	-	(1,678,017)
Increase (decrease) in net position	<u>1,270,683</u>	<u>-</u>	<u>319,468</u>
Net Position			
Net position - beginning of year	106,630,515	-	6,287,873
Implementation of GASB Statement No. 68	(73,716,988)	-	-
Net position - end of year	<u>\$ 34,184,210</u>	<u>\$ -</u>	<u>\$ 6,607,341</u>

Pension Liability Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ 1,621,710	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	6,324,145	-	-
-	-	-	1,853,430	-	-
-	-	-	3,203,131	-	-
-	-	933,533	-	-	-
-	-	-	-	-	6,626,358
-	417,563	-	73	-	39,338
-	2,039,273	933,533	11,380,779	-	6,665,696
(163,885)	-	-	1,640,855	-	2,161,279
(16,214)	-	261,542	6,225,018	-	1,018
(48,538)	-	-	937,412	-	554,717
(41,359)	978,029	56,953	22,151,427	-	47,134
(28,879)	-	-	40,879	-	583,356
(45,348)	91,337	-	-	-	4,609,393
-	-	-	-	-	6,566,892
(344,223)	1,069,366	318,495	30,995,591	-	14,523,789
344,223	969,907	615,038	(19,614,812)	-	(7,858,093)
-	-	-	-	-	-
-	-	-	-	-	7,682,991
-	-	-	20,038,208	-	-
-	-	-	-	-	-
-	-	-	-	-	29,075
-	-	-	-	(1,366,206)	-
-	-	-	-	-	(1,581,716)
-	-	-	-	-	(1,418)
-	-	-	-	-	20,029
-	-	-	-	-	(4,028)
-	-	-	20,038,208	(1,366,206)	6,144,933
344,223	969,907	615,038	423,396	(1,366,206)	(1,713,160)
-	(985,560)	(615,038)	(421,543)	-	3,700,158
344,223	(15,653)	-	1,853	(1,366,206)	1,986,998
	1,276,226	-	85,600	41,486,172	57,494,644
(73,716,988)					
\$(73,372,765)	\$ 1,260,573	\$ -	\$ 87,453	\$ 40,119,966	\$ 59,481,642

C.S. Mott Community College
Schedule 1 - Details of General Fund Expenses
Year Ended June 30, 2015

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 18,946,457	\$ 8,467,980	\$ 952,079	\$ 863,795
Public service	412,080	144,557	87,154	10,853
Instructional support	5,506,166	2,808,083	769,424	271,609
Student services	4,947,347	2,294,451	1,056,686	313,258
Institutional administration	3,707,767	2,944,305	1,176,168	102,880
Physical plant operations	4,015,305	2,352,558	1,428,983	700,044
	<u>\$ 37,535,122</u>	<u>\$ 19,011,934</u>	<u>\$ 5,470,494</u>	<u>\$ 2,262,439</u>

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 161,929	\$ -	\$ 151,367	\$ 15,167	\$ 29,558,774
24,000	-	64,549	-	743,193
-	-	664,583	4,201	10,024,066
-	-	2,058,544	-	10,670,286
9,552	-	1,746,188	327	9,687,187
-	2,780,228	45,008	217,230	11,539,356
\$ 195,481	\$ 2,780,228	\$ 4,730,239	\$ 236,925	\$ 72,222,862

C.S. Mott Community College
Schedule 2 - Details of Auxiliary Activities
Year Ended June 30, 2015

Activity	Balance July 1, 2014	Revenues	Expenditures (1)
Vending	\$ -	\$ 82,293	\$ 460
Outside Catering	-	258,743	261,542
Bookstore--Main Campus	-	571,596	36,075
Student Computer Lab Printing	-	20,901	20,418
	<u>\$ - 0 -</u>	<u>\$ 933,533</u>	<u>\$ 318,495</u>

(1) Expenditures include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to \$33,332 for the bookstore.

Transfers In (Out)

Excess Revenues to General Fund	Excess Expenditures Absorbed by General Fund	Balance June 30, 2015
\$ (81,833)	\$ -	\$ -
-	2,799	-
(535,521)	-	-
(483)	-	-
<u>\$ (617,837)</u>	<u>\$ 2,799</u>	<u>\$ -</u>