Financial Statements

C.S. Mott Community College
Flint, Michigan

June 30, 2019 and 2018

Table of Contents

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Independent Auditor's Report

To the Board of Trustees
C.S. Mott Community College

Report on the Financial Statements

We have audited the accompanying financial statements of C.S. Mott Community College (Mott Community College or the "College") and the discretely presented component unit as of and for the years ended June 30, 2019 and 2018 and the related notes to the financial statements, which collectively comprise Mott Community 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component unit was not audited under *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity'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 respective financial position of Mott Community College and the discretely presented component unit as of June 30, 2019 and 2018 and the respective changes in their financial position and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
C.S. Mott Community College

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the College's proportionate share of net pension and net OPEB liabilities, and schedules of college contributions for pension and OPEB, as identified 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, which 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 supplemental 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 Mott Community College's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2019 on our consideration of Mott Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide 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.

Plante & Moran, PLLC

November 4, 2019

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, 2019, 2018 and 2017 and its financial activities for the three years ended June 30, 2019. Management has prepared this section, along with the financial statements and the related footnote disclosures, and 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, 2019. 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, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This new standard requires the College to record its proportionate share of other post employment benefits (OPEB) liability of the Michigan Public School Employees Retirement System (MPSERS). This 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 items related to the requirements of this standard, and two schedules that are included with the required supplementary information following the footnotes.

As of July 1, 2018 the College adopted GASB Statement No. 89, Accounting of Interest Cost Incurred before the End of a Construction Period, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset. The requirements of the standard were applied prospectively and resulted in an insignificant increase in interest expense for the year ended June 30, 2019.

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."

Financial Highlights

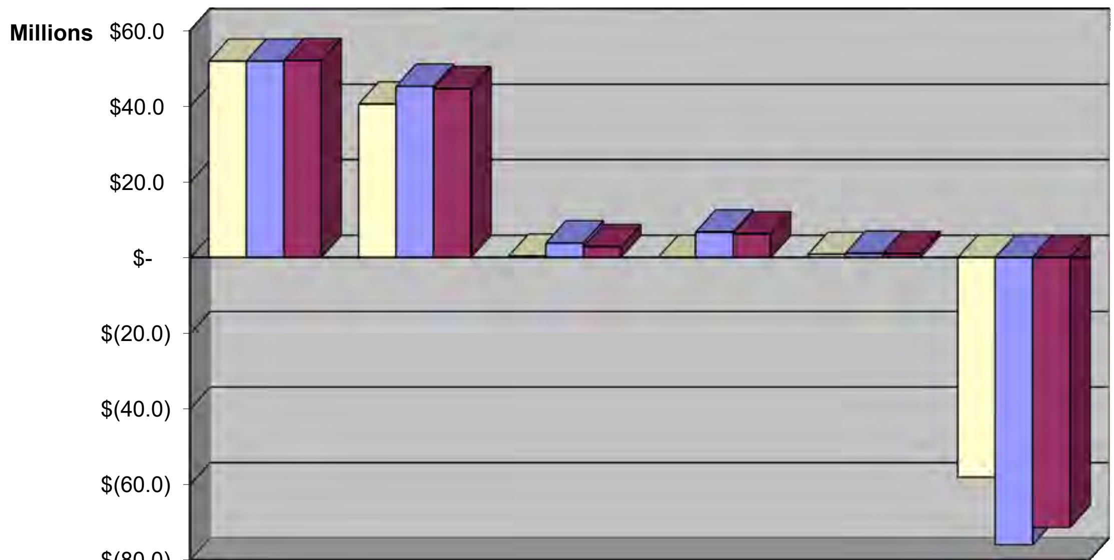
During the June 30, 2019 fiscal year, we relocated the MCC Culinary Arts Institute to downtown Flint, enabling the College to expand the number of students it can serve in the program. The College renovated the building at 100 W. Second Street, housing two culinary arts teaching kitchens, two bakery and pastry arts teaching kitchens, a meat fabrication teaching laboratory, a garde mangér classroom, a fine dining space connected to a baked goods café and a large, dividable meeting space to teach all aspects of the food service industry to MCC students. This larger state of the art facility enables MCC to increase the Culinary Arts program capacity to educate more students and bring new students to the area. The project is being financed by new market tax credits, grant funds and the College's bond funds. For June 30, 2019 and 2018, there is a note receivable on the Statement of Financial Position for $6.3 million, representing the amount of a leveraged loan. See Note 1 of the accompanying financial statements for additional information.

Total assets increased from $179.1 million to $211.4 million to $218.6 million at June 30, 2017, 2018 and 2019, respectively. Deferred outflows of resources increased from $11.3 to $18.4 and then to $31.6 at June 30, 2017, 2018, and 2019, respectively. Liabilities totaled $191.7 million at June 30, 2019, compared to $182.2 million in 2018 and $147.6 million in 2017. Deferred inflows of resources increased from $7.2 million to $14.6 million and then to $22.8 million at June 30, 2017, 2018 and 2019, respectively.

The College's Unrestricted net position has increased from a deficit of ($58.0) million at June 30, 2017, to a deficit of ($75.9) million at June 30, 2018, and then decreased to a deficit of ($71.3) million at June 30, 2019. Although significant cost reductions were made in previous years, the implementation of GASB Statement No. 75 caused the significant decrease in 2018.

The following chart provides a graphical categorization of the net position as of June 30, 2019, 2018 and 2017:

Breakdown of Net Position - By Category



	Net Investment in Capital Assets	Restricted-Nonexpendable Endowments	Restricted-Scholarships & Awards	Restricted-Culinary Arts Institute	Restricted-Debt Service	Unrestricted (General, Desig., Maint.)
2017	$52.0	$40.6	$0.3	$-	$0.8	$(58.0)
2018	$52.0	$45.3	$3.8	$6.7	$1.1	$(75.9)
2019	$52.1	$44.7	$2.8	$6.3	$1.0	$(71.3)

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, 2019 and 2018 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 and the implementation of GASB 75 in June 30, 2018. Excluding the impact of GASB 68 and GASB 75, the College's net position increased $1.8 million for fiscal year June 30, 2019, $22.3 million for the fiscal year 2018, and increased by approximately $4.9 million for the fiscal year 2017. 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.

As of July 1, 2017, three new line items appear on the Statement of Net Position, each related to GASB 75: Deferred outflows of resources – deferred OPEB amounts; Deferred inflows of resources – deferred OPEB amounts; and Net OPEB liability. Each of these categories represent a separate piece of the required presentation for the College's participation in the MPSERS post-employment benefit plan. 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.

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, 2019 compared to June 30, 2018 and June 30, 2017. 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, 2019, 2018 and 2017
(in millions)

	(in millions) 2019	2018	2017
ASSETS			
Current Assets	$ 44.3	$ 40.4	$ 30.9
Capital Assets	$ 109.4	$ 97.6	$ 95.8
Other Noncurrent Assets	$ 64.9	$ 73.4	$ 52.4
Total Assets	$ 218.6	$ 211.4	$ 179.1
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	$ 0.3	$ 0.4	$ 0.4
Deferred OPEB Amounts	$ 3.7	$ 1.4	$ -
Deferred Pension Amounts	$ 27.5	$ 16.6	$ 10.9
Total Deferred Outflows of Resources	$ 31.5	$ 18.4	$ 11.3
LIABILITIES			
Current Liabilities	$ 17.0	$ 15.6	$ 19.3
Noncurrent Liabilities	$ 174.7	$ 166.6	$ 128.2
Total Liabilities	$ 191.7	$ 182.2	$ 147.5
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Amounts	$ 6.7	$ 0.9	$ -
Deferred Pension Amounts	$ 16.1	$ 13.7	$ 7.2
Total Deferred Outflows of Resources	$ 22.8	$ 14.6	$ 7.2
NET POSITION			
Net Investment in Capital Assets	$ 52.1	$ 52.0	$ 52.0
Restricted - Nonexpendable	$ 44.7	$ 45.3	$ 40.6
Restricted - Expendable	$ 10.1	$ 11.6	$ 1.1
Unrestricted (deficit)	$ (71.3)	$ (75.9)	$ (58.0)
Total Net Position	$ 35.6	$ 33.0	$ 35.7

Net position decreased from 2017 to 2018 and increased from 2018 to 2019, with significant changes noted below.

The most significant changes in the Statement of Net Position relate to:

- An increase in Restricted – Nonexpendable of $4.7 million in 2018 is due to the change in value of beneficial interest in perpetual trusts, related to the market performance.

- An increase in the Restricted – Expendable from 2017 to 2018 is due to receiving a $3 million private grant that has no offsetting expenses as of June 30, 2018.

The year ended on June 30, 2019 with a $2.6 million increase in Total Net Position, finishing at $35.6 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, 2019 compared to the years ended June 30, 2018 and June 30, 2017. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC.

Mott Community College
CONDENSED STATEMENTS OF REVENUES, EXPENSES,
and CHANGES IN NET POSITION
For Years Ended June 30, 2019, 2018 and 2017

		(in millions)	
	2019	2018	2017
Total Operating Revenues	$ 31.6	$ 34.5	$ 34.1
Total Operating Expenses	91.1	83.7	92.0
Total Operating Loss	(59.5)	(49.2)	(57.9)
Nonoperating Revenues, Net	62.9	62.5	60.3
Income before other revenue, expenses, gains, losses and transfers	3.4	13.3	2.4
Other Financing Sources (Expenses), Net	(0.8)	11.0	2.3
Total Increase (Decrease) in Net Position	2.6	24.3	4.7
Net Position, Beginning of Year	33.0	35.7	31.0
Implementation of GASB Statement No. 75	-	(27.0)	-
Net Position, End of Year	$ 35.6	$ 33.0	$ 35.7

In the fiscal year ended June 30, 2019, the College's revenues exceeded expenditures and other support by $2.6 million. For the fiscal year ended June 30, 2018 and 2017, revenues exceeded expenditures and other support by $24.3 million and $4.7 million, respectively. Combining the 2018 increase with the implementation of GASB No. 75, there was a decrease in Total Net Position of $2.7 million.

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:

	2019	2018	2017
Tuition and Fees, net of Scholarship Allowances of $11,867,924, $13,793,531 and $12,552,928 in 2019, 2018 and 2017, respectively	$ 20,964,950	$ 20,009,299	$ 21,774,054
Federal Grants and Contracts	4,208,945	3,860,464	4,062,435
State and Local Grants and Contracts	1,401,174	1,424,366	2,368,884
Private Gifts and Grants	1,730,743	6,246,488	3,365,975
Auxiliary Enterprises	732,499	760,286	779,877
Other Operating Revenues	2,618,935	2,233,800	1,716,036
Total Operating Revenues	$ 31,657,246	$ 34,534,703	$ 34,067,261

Total operating revenues increased $0.5 million from June 30, 2017 to June 30, 2018 and then reduced from June 30, 2018 to June 30, 2019 by $2.9 million, as a result of the following:

- Gross tuition and fee revenue decreased by approximately $1.5 million during the three years ended June 30, 2019. This 4.3% overall decrease was principally due to enrollment decreases offset by average annual tuition and fee increases of 2.5% for the 2017, 2018, and 2019 academic years. Prior to the Fall 2017 semester, the Board established tuition rate increases that correlated to the fiscal year. In Spring of 2017, the Board moved to establish tuition increases on an academic year, beginning with the Fall semester.

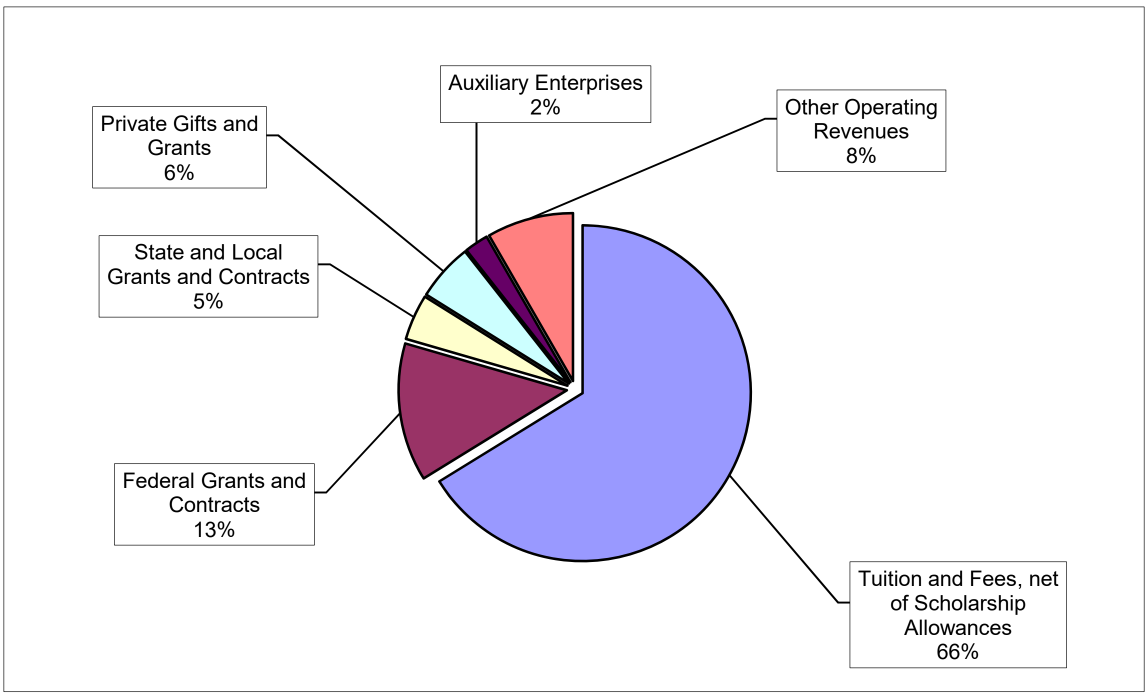
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) decreased overall during the past three years by 5.0% mainly as a result of declining enrollment.

- Federal Grants had a decrease between years 2017 and 2018 where Mott is a pass-through entity on grants and the pass-through money was changed from federal to state and local sources. The increase between years 2018 and 2019 is attributed to receiving both new and additional funds for already established grants. The College was awarded an additional $144 thousand in Adult Education – Family Literacy funds. Through the City of Flint; the College was awarded The Choice Neighborhoods Implementation grant for over $4.3 million.

- State and Local Grants and Contracts is down from 2017 to 2018 mainly because of the CCSTEP grant received by the State of Michigan and most of the spending occurring in the June 30, 2017 fiscal year.

- Private gifts and grants are up in 2018 from 2017 by $2.9 million. There was $3.0 million received for the construction of the Lenore Croudy Family Life Center. Overall, for the three years the private gifts and grants are down. In 2017 the College had the Flint Water Works Grant that has expired and other grants that changed funding sources from private to State funded.

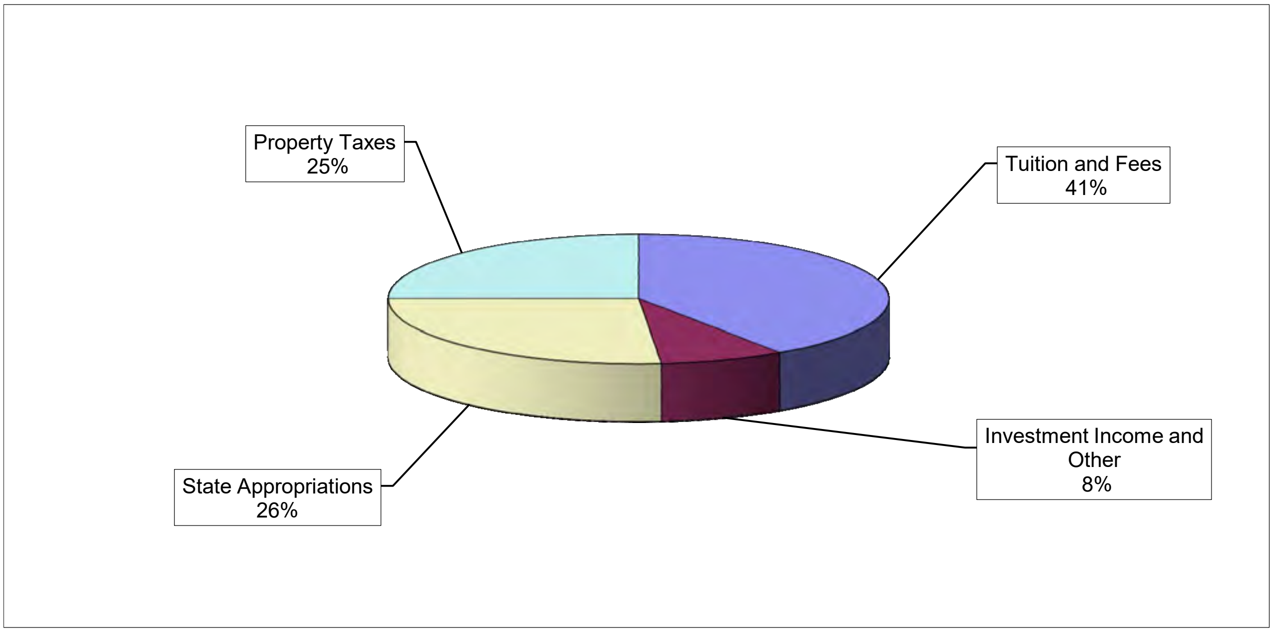
The following is a graphic illustration of operating revenues by source for 2019:



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

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

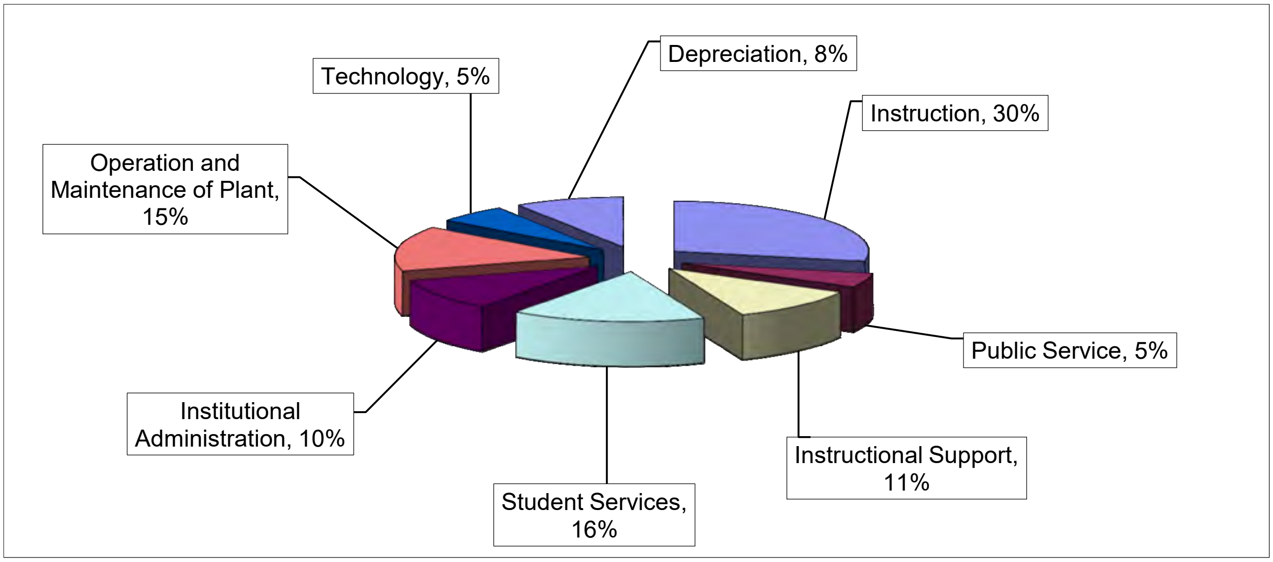
The following chart shows the percentages of all General Fund revenue sources for the year ended June 30, 2019:



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, 2019 total $91.1 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 Michigan Postsecondary Data Inventory (MPDI).

The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2019:



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.

	2019	2018	2017
Instruction	$ 25,680,755	$ 26,852,918	$ 29,413,902
Public Service	4,299,926	4,448,193	5,612,474
Instructional Support	9,972,163	9,947,735	10,517,035
Student Services	14,737,896	12,907,815	14,504,521
Institutional Administration	9,502,274	7,208,363	10,753,758
Operation and Maintenance of Plant	13,322,953	9,600,398	10,367,229
Technology	5,334,255	5,190,389	3,646,806
Depreciation	8,249,115	7,596,755	7,212,430
Total Operating Expenses	$ 91,099,337	$ 83,752,566	$ 92,028,155

Total operating expenses decreased $8.3 million between 2017 and 2018 and increased $7.3 million from 2018 to 2019 as a result of the following:

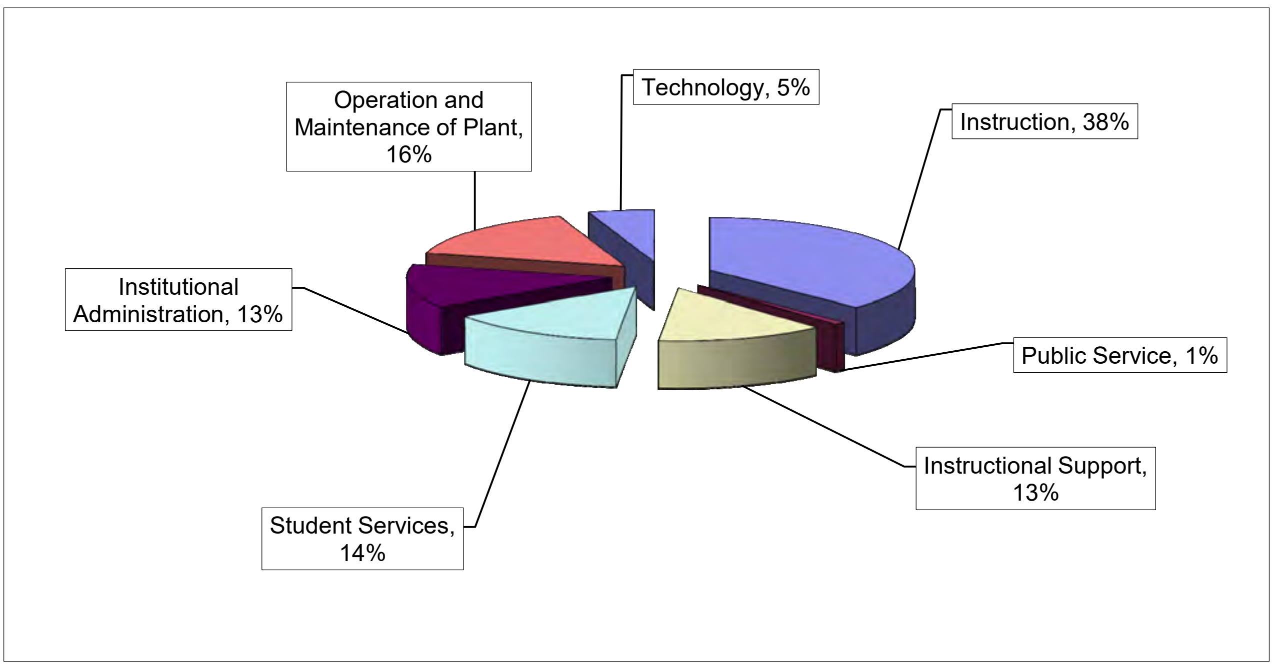
- The $3.7 million decrease in instruction is mainly due to the decreased enrollment the college has been seeing over the past three years.
- The public service category has decreased $1.3 million over the three years. The biggest difference was a TACOM Army grant that had expenditures of $658 thousand in 2017. This grant ended and did not have expenses in 2018 and 2019.

- Institutional administration decreased from 2017 to 2018 due to a larger amount of expenditures incurred in 2017 related to accruals of a Title IX single audit finding. This accrual was reversed in 2018 causing the decrease from 2017 to 2018. Because of this accrual, there was a reduction in expense in 2018, causing the 2019 increase.

- A decrease in the operation and maintenance of plant between 2017 and 2018 was due to the 2016 bond series being expended and wrapping up. The increase in expenses between 2018 and 2019 is due to the new 2018 bond series being expended and expensing occurring from a grant for the Lenore Croudy Family Life Center.

The majority of total operating expenses are reported internally in the College's General Fund. In the General Fund, operating expenses for 2019 were $71.6 million. General Fund operating expenses increased by $4.5 million from 2018 to 2019 and decreased from 2017 to 2018 in the amount of $3.7 million. Most of the changes are the result of fluctuations in salaries, fringe benefit costs, contracted services, and bad debts.

Following is a graphic illustration of operating expenses by function as reported by the General Fund for the year ended June 30, 2019:



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.

	2019	2018	2017
State Appropriations	$ 20,590,790	$ 21,284,146	$ 20,014,097
Property Tax Levy	27,381,908	26,324,300	25,748,518
Gifts	4,366,474	2,188,617	1,808,232
Pell Grants	13,112,046	14,351,207	14,561,258
Investment Income	1,522,357	282,565	100,731
Net premium on bonds	65,407	24,244	90,458
Total Non-Operating Revenues	$ 67,038,982	$ 64,455,079	$ 62,323,294

Total non-operating revenues increased by $4.7 million during the past three years:

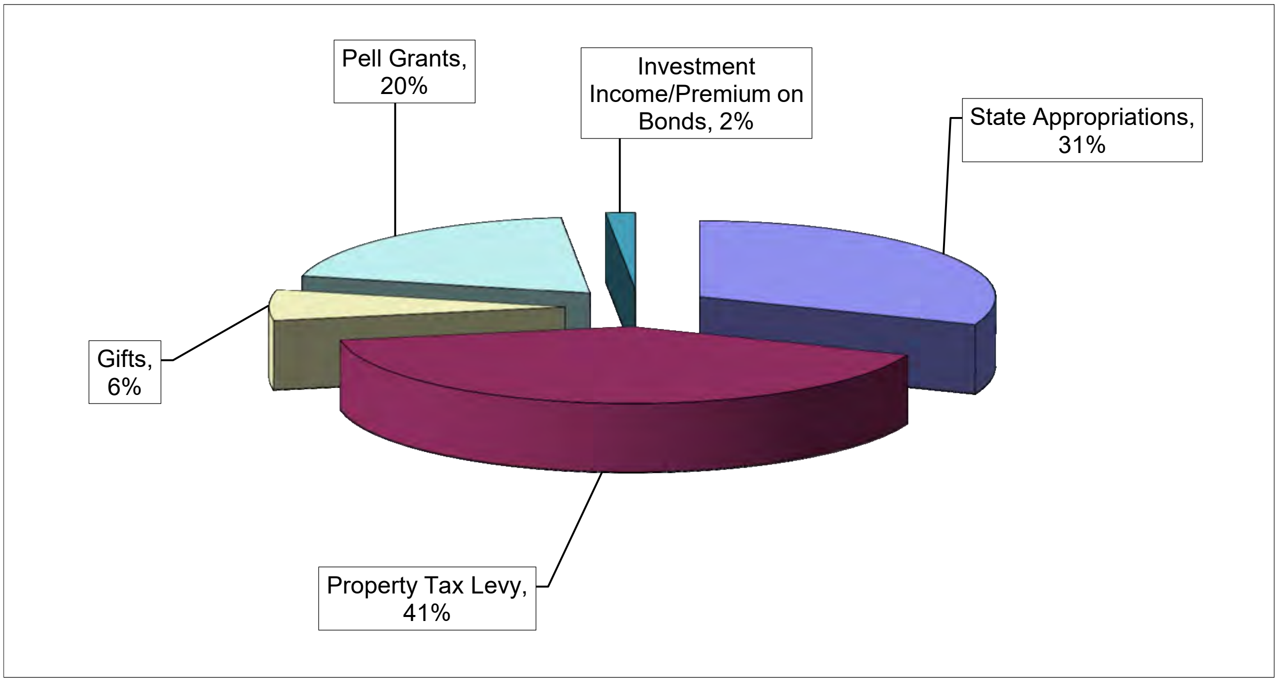
- The State appropriations was steady at $20 million from the fiscal years ended June 30, 2017 to 2019. The stabilization payments increased from 2017 to 2018 and then decreased for 2019. For the year ended June 30, 2019, $3.2 million was restricted for the pay down of the MPSERS liability.

- Property tax revenues increased $1.6 million from 2017 to 2019. Property tax values have begun to slightly increase after a decline in values for several years. The College's combined tax levy rate was 2.8047 for 2019 and 2.8096 for 2018 and 2017.

- Gift revenue increased in 2019 due to the Jana B. Robinson trust income.

- Pell revenue has decreased $1.4 million from 2017 to 2019 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, 2019:



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, pass through donations to the Foundation, as well as other costs associated with bond debt issuance and financing.

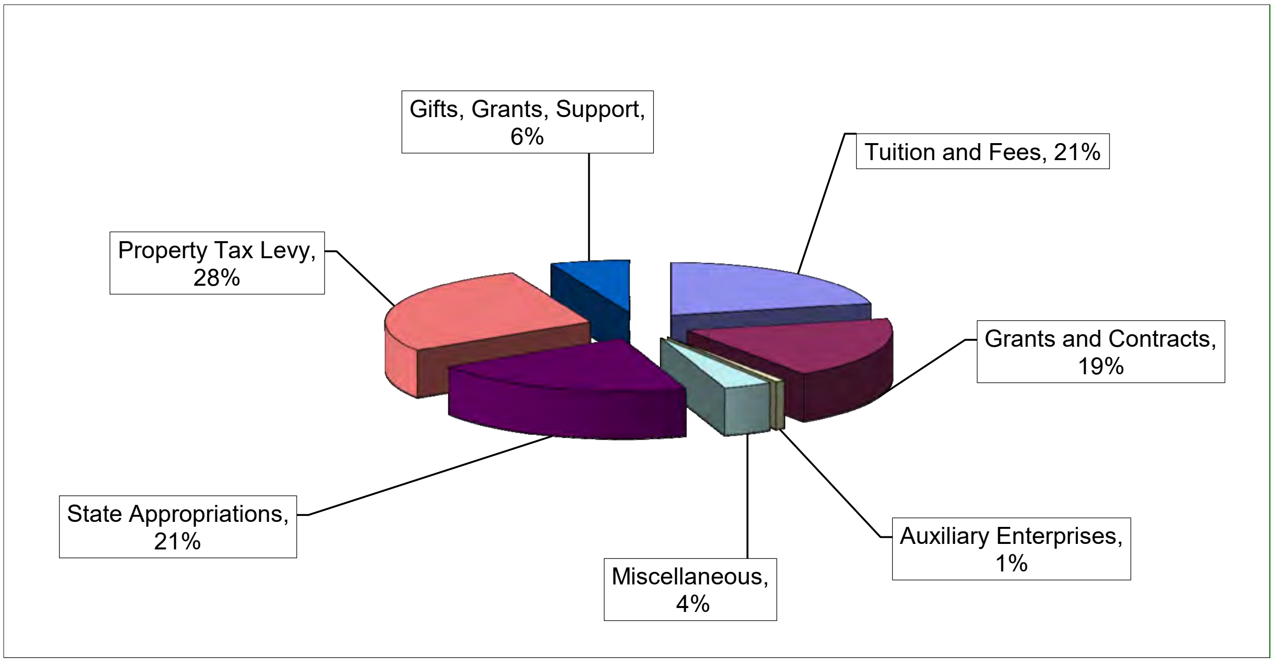
	2019	2018	2017
Interest on Capital Asset-Related Debt	$ 2,271,735	$ 1,767,150	$ 1,891,587
Loss on Disposal of Assets	-	9,247	28,039
Bond Issuance Costs	-	154,350	-
Donation to Foundation	1,688,663	-	-
Total Non-Operating Expenses	$ 3,960,398	$ 1,930,747	$ 1,919,626

For June 30, 2019, the donation to the Foundation represents the transfer of the Jana Robinson Trust from the College to the Foundation for MCC.

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 2019, 2018, and 2017 was ($511,066), $4,701,192, and $2,334,140, 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 2019:



For fiscal year 2019, property tax revenues accounted for 28% of total revenues, and is the largest single source of revenue for the College. This is a result of property tax values stabilizing while student enrollment declines. The second largest source of revenue is state appropriations, followed by tuition and fees.

Statement of Cash Flows

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

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

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

	(in millions)		
	2019	2018	2017
Cash and cash equivalents (used) provided by:			
Operating activities	$ (48.0)	$ (41.7)	$ (48.3)
Non-capital financing activities	56.0	56.1	55.0
Capital and related financing activities	(10.4)	16.4	(9.8)
Investing activities	7.0	(20.1)	6.1
Net increase (decrease) in cash and cash equivalents	4.6	10.7	3.0
Cash and cash equivalents, beginning of year	29.5	18.8	15.8
Cash and cash equivalents, end of year	$ 34.1	$ 29.5	$ 18.8

The $48.0 million in net cash used for operating activities includes $80.3 million in payments to employees and suppliers, offset by $32.3 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 $56.0 million in cash provided from non-capital financing activities.

The net cash used in capital and related financing activities of $10.4 million was mainly due to 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 provided by investing activities is $7.0 million. This includes both regular and ongoing investment activities as well as investment activity for the College's prior year bond issuances.

The overall result of cash flows is an increase in cash and cash equivalents of $4.6 million during 2019.

Capital Assets and Debt Administration

Capital Assets

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

	2019	2018	2017
Land	$ 1,240,940	$ 1,240,940	$ 1,240,940
Artwork	6,200	6,200	6,200
Construction in Progress	4,089,197	2,209,725	5,013,268
Buildings and Improvements	199,638,101	184,994,720	179,622,305
Infrastructure	19,164,211	18,248,674	13,696,246
Equipment	30,424,619	27,900,784	26,081,368
Vehicles	1,920,443	1,875,231	1,861,881
Library Books	2,389,680	2,336,463	2,283,111
Accumulated Depreciation	(149,451,687)	(141,226,785)	(134,021,234)
Total Property and Equipment	$ 109,421,704	$ 97,585,952	$ 95,784,085

Major capital additions completed this year include the following:

Culinary Arts Institute - Capital Lease	$10.2 million
Culinary Arts Institute - Equipment	$2.2 million
Ballenger Field House Renovation (phase II)	$2.0 million
Infrastructure Improvements	$725 thousand

During the year ended June 30, 2018, the College purchased the Woodside Church. The College is repurposing and revitalizing the former Woodside Church building, located adjacent to the main campus in Flint, into a Family Life Center to ensure student success and completion of their educational goals, while providing much-needed, high quality learning opportunities for the children of Flint and Genesee County.

The College has future planned capital expenditures that include renovations and upgrades on existing facilities. These, in addition to other planned projects, will be funded out of the 2018 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 September 1, 2018, the College commenced a building lease with 550 Bears for the Culinary Arts Institute, which is accounted for as a capital lease. The lease expires on December 31, 2047. Quarterly lease payments range from $13,750 to $152,051.

On February 12, 2018, the College issued $20,000,000 in Series 2018 Community College Bonds with an interest rates ranging from 3.000% and 3.250%. This is the final portion of the $50,000,000 authorized by voters, as discussed below.

During the fiscal year June 30, 2018, $7,035,000 of bonds were refunded via a $7,035,000 bond issuance, with cash proceeds of $290,000 received. The advance refunding will reduce the total debt service payments by approximately $388,000, which represents a present value economic gain of approximately $367,000.

On March 30, 2016, the College issued $20,000,000 in Series 2016 Community College Bonds with an interest rate of 3.047%. This is a portion of the $50,000,000 authorized by voters, as discussed below.

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 estimated savings is $1,575,677 and the economic gain of $1,418,065.

On March 20, 2014, the College issued $10,000,000 in Series 2014 Community College Bonds with interest rates between 2.000 and 4.000%. This is the first portion of the $50,000,000 authorized by voters, as discussed below.

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 and the second on March 30, 2016 for $20,000,000.

At June 30, 2019, the College had $59.4 million in long-term bond-related debt outstanding, versus $65.6 million on June 30, 2018 and $51.6 million on June 30, 2017.

The College’s underlying credit rating was reaffirmed at ‘A+’ from Standard & Poor’s in February 2018 for all of its General Obligation debt including the series of bonds issued during 2018. 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 2016 and 2015, the College received another 'A+' rating on its issuance and refunding issue.

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 continues to improve and enrollment is in decline for the fifth consecutive year. The 2019-2020 fiscal year enrollment is also projected to 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 $2.0 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 $19.0 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 have started to increase.

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 the College still approximately $300 thousand less than it was in 1999-2000. In the fiscal years ended June 30, 2019, 2018 and 2017, a nominal increase of roughly 1% was received. Given the current state budget problems, Michigan Public School Employees Retirement System (MPSERS) 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 per contact hour. This tuition increase and budget cuts did not close the budget gap and the Board of Trustees also authorized a $1.4 million use of the College's fund balance 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 per contact hour tuition increase beginning with the winter 2014 term and in June of 2014, the Board of Trustees unanimously approved a $3.80/contact hour increase bringing the in-district contact hour rate to $126.30 beginning in the Winter 2015 term. For the calendar year 2016, the Board of Trustees unanimously approved a tuition increase of $4.04 per contact hour making the in-district contact hour rate $130.34. For the calendar year 2017, the Board approved a tuition increase of $4.56

per contact hour making the in-district contact hour rate $134.90. As the College was fiscally preparing for the 2017-2018 budget year, we realized that the factors that changed the tuition from an academic year to a calendar year were no longer prevalent. With property taxes stabilizing and the College having difficulty with tuition reporting on a calendar year, the Board approved moving the tuition rate back to an academic year starting in the Fall of 2017. With this change, a $2.70 per contact hour increase in tuition, was also approved, making the in-district contact hour rate $137.60. The in-district tuition rate per contact hour was $140.49 starting in the Fall of 2018, and the Board approved a 2.2% increase, making the tuition rate per contact hour $143.58 starting in Fall 2019.

In the fiscal year ended June 30, 2012 significant legislation was passed by the State of Michigan capping the amount that the College could pay towards employee's health insurance. The College used this legislation to educate, inform, and provide its employees with alternatives thereby minimizing the financial impact to them.

In September of 2012, the Legislature passed and Governor signed a MPSERS reform bill capping the percentage that the College would be responsible to pay each year. These laws have helped address challenges of rising operating costs, especially within the employee benefit area. Under this state reform, each community college received through its yearly appropriation a restricted pass-through payment for its portion of the MPSERS liability pay down. MCC passed-through $3.4 million in fiscal year 2017, $3.6 million in fiscal year 2018, and $3.2 million in fiscal year 2019.

In December 2018, the Mott Community College Board of Trustees adopted a new, multi-year Strategic Plan for the period 2019-2021, which includes MCC's overarching Institutional Priorities, its high-level Goal Areas, and is based on MCC's Foundational Beliefs. Mott Community College will serve as the leader among all community colleges in the Institutional Priority areas of: Diversity, Equity & Inclusion, A Committed Employee Culture, A Student-Centered Environment, Stewardship & Sustainability, Compliance, and Workforce Collaboration & Partnerships. MCC's major goal areas fall under the themes of: Student Success, Employee Success, Teaching & Learning, Workforce Partnerships and College & Community Sustainability. All of the above rests on the foundational beliefs of MCC: Commitment, Civility, and Compliance.

The new Strategic Plan, labelled "Mott Strong," was first shared with the College community and the general public in January 2019. Mott Strong is the belief that we're a united family dedicated to creating successful students, bettering lives through education, and improving the economic and social fabric of the broader community. All of MCC's Divisions are now actively implementing and reporting on their progress based on the Plan. For additional information, please visit https://www.mcc.edu/strategic-plan/index.shtml

C.S. Mott Community College
Statements of Net Position
June 30, 2019 and 2018

	Primary Government		Component Unit Foundation for Mott Community College	
	2019	2018	2019	2018
Assets				
Current assets				
Cash and cash equivalents	$ 34,153,061	$ 29,481,683	$ 1,004,918	$ 107,365
Short-term investments (Note 2)	3,481,344	3,199,241	-	-
Property taxes receivable	90,710	-	-	-
State appropriation receivable	3,604,908	3,533,494	-	-
Accounts receivable - Net of allowance for uncollectible accounts ($6,411,897 for 2019 and $5,939,559 for 2018)	728,784	439,093	520,110	403,046
Grants receivable	1,210,254	2,313,126	-	-
Inventories	70,956	55,947	-	-
Prepaid expenses and other assets	930,349	1,395,628	13,501	5,100
Total current assets	44,270,366	40,418,212	1,538,529	515,511
Note receivable (Note 1)	6,342,000	6,342,000	-	-
Long-term investments	-	-	7,836,120	6,686,548
Investments - restricted, unspent bond proceeds (Note 2)	13,804,812	21,759,246	-	-
Beneficial interest in perpetual trusts	44,742,538	45,253,604	-	-
Bond discount	33,669	-	-	-
Other assets	-	-	57,197	53,223
Property and equipment - net of accumulated depreciation ($149,451,687 for 2019 and $141,226,785 for 2018) (Note 4)	109,421,704	97,585,952	-	-
Total assets	218,615,089	211,359,014	9,431,846	7,255,282
Deferred outflows of resources				
Deferred pension amounts (Notes 1 & 7)	27,526,862	16,627,373	-	-
Deferred OPEB amounts (Notes 1 & 7)	3,760,442	1,374,721	-	-
Deferred charge on refunding	281,121	437,442	-	-
Total deferred outflows of resources	31,568,425	18,439,536	-	-

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2019	2018	2019	2018
Liabilities				
Current liabilities				
Current portion of long-term liabilities (Note 5)	$ 7,133,059	$ 6,728,096	$ -	$ -
Accounts payable	4,450,598	4,133,227	9,965	5,780
Accrued interest payable	311,122	467,238	-	-
Accrued payroll and related liabilities	3,367,569	3,314,396	-	-
Deposits held for others	250,330	234,672	-	-
Unearned revenue	1,445,279	713,145	57,107	26,476
Total current liabilities	16,957,957	15,590,774	67,072	32,256
Long-term debt obligations (Note 5)	63,611,464	60,087,770	-	-
Net pension liability (Notes 1 & 7)	86,218,478	77,588,625	-	-
Net OPEB liability (Notes 1 & 7)	22,177,392	26,632,166	-	-
Accrued termination pay	2,766,751	2,283,442	-	-
Other accrued liabilites	30,026	68,010	-	-
Total liabilities	191,762,068	182,250,787	67,072	32,256
Deferred inflows of resources				
Deferred pension amounts (Notes 1 & 7)	16,098,602	13,659,052	-	-
Deferred OPEB amounts (Notes 1 & 7)	6,681,857	904,724	-	-
Total deferred inflows of resources	22,780,459	14,563,776	-	-
Net position				
Net investment in capital assets	52,063,649	51,971,186	-	-
Restricted for				
Nonexpendable	44,742,538	45,253,604	4,093,813	2,298,366
Expendable				
Scholarships and awards	2,818,299	3,829,465	3,500,343	3,108,061
Culinary Arts Institute	6,342,000	6,742,000	-	-
Debt service	985,741	1,046,616	-	-
Unrestricted (deficit)	(71,311,240)	(75,858,884)	1,770,618	1,816,599
Total net position	$ 35,640,987	$ 32,983,987	$ 9,364,774	$ 7,223,026

See notes to financial statements.

C.S. Mott Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

	Primary Government		Component Unit Foundation for Mott Community College	
	2019	2018	2019	2018
Revenues				
Operating revenues				
Tuition and fees	$ 32,832,874	$ 33,802,830	$ -	$ -
Less scholarship allowances	(11,867,924)	(13,793,531)	-	-
Federal grants and contracts	4,208,945	3,860,464	-	-
State and local grants and contracts	1,401,174	1,424,366	-	-
Private gifts and grants	1,730,743	6,246,488	2,523,379	831,755
Auxiliary enterprises	732,499	760,286	-	-
Miscellaneous	2,618,935	2,233,800	27,922	42,552
Total operating revenues	31,657,246	34,534,703	2,551,301	874,307
Expenses				
Operating expenses				
Instruction	25,680,755	26,852,918	-	-
Public service	4,299,926	4,448,193	-	-
Instructional support	9,972,163	9,947,735	522,736	491,965
Student services	14,737,896	12,907,815	311,852	298,414
Institutional administration	9,502,274	7,208,363	-	-
Operation and maintenance of plant	13,322,953	9,600,398	-	-
Technology	5,334,255	5,190,389	-	-
Depreciation	8,249,115	7,596,755	-	-
Foundation operations	-	-	82,531	96,743
Total operating expenses	91,099,337	83,752,566	917,119	887,122
Operating loss	(59,442,091)	(49,217,863)	1,634,182	(12,815)
Non-Operating Revenues (Expenses)				
State appropriations	20,590,790	21,284,146	-	-
Property tax levy	27,381,908	26,324,300	-	-
Pell grants	13,112,046	14,351,207	-	-
Gifts	4,366,474	2,188,617	-	-
Donation to Foundation	(1,688,663)	-	-	-
Investment income	1,053,931	282,565	486,473	494,276
Net realized and unrealized loss on investments	-	-	21,093	38,550
Interest on capital asset - related debt	(1,922,578)	(1,742,906)	-	-
Loss on disposal of assets	-	(9,247)	-	-
Bond issuance costs	-	(154,350)	-	-
Net non-operating revenues	62,893,908	62,524,332	507,566	532,826
Income before other financing sources	3,451,817	13,306,469	2,141,748	520,011
Other Financing Sources (Expenses)				
Capital contribution	-	6,342,000	-	-
Interest on capital lease	(283,751)	-	-	-
Change in value of perpetual trusts	(511,066)	4,701,192	-	-
Total other financing sources	(794,817)	11,043,192	-	-
Increase in net position	2,657,000	24,349,661	2,141,748	520,011
Net position - beginning of year	32,983,987	8,634,326	7,223,026	6,703,015
Net position - end of year	$ 35,640,987	$ 32,983,987	$ 9,364,774	$ 7,223,026

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2019

	Primary Government 2019	Component Unit Foundation for Mott Community College 2019
Cash Flows from Operating Activities		
Tuition and fees	$ 21,003,203	$ -
Grants and contracts	8,000,617	54,500
Payments to suppliers	(28,627,728)	(114,907)
Payments to employees	(51,706,910)	
Auxiliary enterprises	381,348	
Gifts received	-	2,410,685
Allocations to primary government	810,719	(810,719)
Other	2,233,498	
Net cash used for operating activities	(47,905,253)	1,539,559
Cash Flows from Noncapital Financing Activities		
State appropriations	20,519,376	-
Local property taxes	19,272,557	-
Pell grants	13,112,046	-
Gifts and contributions for other than capital purposes	4,366,474	-
Contributions for other than capital purposes	(1,688,663)	-
Agency transactions	(4,830)	-
Student loan receipts	14,215,823	-
Student loan disbursements	(13,795,949)	-
Net cash provided by noncapital financing activities	55,996,834	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(9,830,067)	-
Principal paid on capital debt	(6,227,920)	-
Capital property tax levy	8,018,641	-
Interest paid on capital debt	(2,362,445)	-
Net cash used in capital and related financing activities	(10,401,791)	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	8,367,022	255,383
Interest on investments	490,612	494,874
Purchase of investments	(1,876,046)	(1,392,263)
Net cash provided by (used in) investing activities	6,981,588	(642,006)
Net increase in cash and cash equivalents	4,671,378	897,553
Cash and cash equivalents - beginning of year	29,481,683	107,365
Cash and cash equivalents - end of year	$ 34,153,061	$ 1,004,918

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2019

		Primary Government 2019		Component Unit Foundation for Mott Community College 2019
Reconciliation of Operating Loss to Net Cash Used for Operating Activities				
Operating loss	$	(59,442,091)	$	1,634,182
Adjustments to reconcile operating loss to net cash used for operating activities				
Depreciation		8,249,115		-
(Increase) decrease in assets:				
Grants receivable		682,998		-
Accounts receivable, net		(289,691)		(117,064)
Inventories		(15,009)		-
Prepaid expenses and other current assets		465,279		(12,375)
Increase (decrease) in liabilities:				
Accounts payable		317,371		4,185
Accrued payroll and other compensation		536,482		-
Other accrued liabilities				-
Unearned revenue		732,134		30,631
Deposits held for others		2,695		-
Other current liabilities		(37,984)		-
Net change in deferred outflows and inflows		5,068,527		-
Net pension liability		(8,629,853)		-
Net OPEB liability		4,454,774		-
Net cash used for operating activities	$	(47,905,253)	$	1,539,559

Non - cash disclosure:

There were no non - cash capital, noncapital, or investing activities for the year ended June 30, 2019, except for the culinary capital lease totaling $10,254,800 disclosed in Note 4.

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2018

	Primary Government 2018	Component Unit Foundation for Mott Community College 2018
Cash Flows from Operating Activities		
Tuition and fees	$ 18,326,734	$ -
Grants and contracts	11,972,781	4,848
Payments to suppliers	(24,783,064)	(166,438)
Payments to employees	(50,537,322)	-
Auxiliary enterprises	378,697	-
Gifts received	-	632,559
Allocations to primary government	722,909	(722,909)
Other	2,167,290	-
Net cash used for operating activities	(41,751,975)	(251,940)
Cash Flows from Noncapital Financing Activities		
State appropriations	21,292,633	-
Local property taxes	18,555,841	-
Pell grants	14,351,207	-
Gifts and contributions for other than capital purposes	2,188,617	-
Agency transactions	928	-
Student loan receipts	16,752,876	-
Student loan disbursements	(17,097,983)	-
Net cash provided by noncapital financing activities	56,044,119	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(9,407,869)	-
Principal paid on capital debt	(6,547,705)	-
Bond Proceeds	20,000,000	-
Bond issuance costs	(154,350)	-
Capital contribution - Culinary Arts Institute	6,342,000	-
Capital property tax levy	7,768,459	-
Interest paid on capital debt	(1,573,610)	-
Net cash used for capital and related financing activities	16,426,925	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	12,310,572	1,828,370
Interest on investments	282,564	494,376
Issuance of note receivable	(6,342,000)	-
Deposit received on investment property	-	(43,052)
Purchase of investments	(26,301,740)	(2,010,942)
Net cash provided by investing activities	(20,050,604)	268,752
Net (decrease) increase in cash and cash equivalents	10,668,465	16,812
Cash and cash equivalents - beginning of year	18,813,218	90,553
Cash and cash equivalents - end of year	$ 29,481,683	$ 107,365

See notes to financial statements.

C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2018

	Primary Government 2018	Component Unit Foundation for Mott Community College 2018
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	$ (49,217,863)	$ (12,815)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	7,596,755	-
(Increase) decrease in assets:		-
Grants receivable	1,722,835	-
Accounts receivable, net	196,195	(175,805)
Inventories	14,758	-
Prepaid expenses and other current assets	(313,559)	(1,572)
Increase (decrease) in liabilities:		
Accounts payable	(995,048)	1,156
Accrued payroll and other compensation	(159,431)	-
Other accrued liabilities	(86,030)	-
Unearned revenue	(543,031)	(62,904)
Deposits held for others	1,675	-
Other current liabilities	(2,008,039)	-
Net change in deferred outflows and inflows	(1,358,253)	-
Net pension liability	1,938,191	-
Net OPEB liability	1,458,870	-
Net cash used for operating activities	$ (41,751,975)	$ (251,940)

Non - cash disclosure:
There were no non - cash capital, noncapital, or investing activities for the year ended June 30, 2018, except for the bond defeasance, as disclosed in Note 11.

See notes to financial statements.

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 (FMCC) 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.

550 Bears, LLC (550 Bears) is a Michigan limited liability company formed during the year ended June 30, 2018. FMCC owns 10 percent of 550 Bears and the other 90 percent is owned by Downtown Restoration Corporation (DRC), an unrelated taxable entity that is a wholly-owned subsidiary of Uptown Reinvestment Corporation, a tax-exempt entity. FMCC's investment in 550 Bears is accounted for under the equity method of accounting and included in the prepaids and other assets line in the accompanying Statements of Net Position. 550 Bears was formed exclusively to acquire, own, and renovate a 36,000 square foot abandoned building and create the Mott Community College Culinary Arts Institute. The building is located in a severely distressed census tract that makes a taxpayer eligible to receive new markets tax credits (NMTC) for making a qualified equity investment in a community development entity (CDE), if the CDE then makes an equity investment or a loan to a qualified active low-income community business and all other criteria of the NMTC are met. During the year ended June 30, 2018, the CDE received a qualified equity investment of $3,393,000 from the investor (unrelated third party), which it used to make a loan to 550 Bears. Under the program as part of the loan agreement, 550 Bears has committed to maintaining its status as a qualified active low-income community business (QALICB) as defined in IRC Section 45D.

On September 1, 2018, the College commenced a building lease with 550 Bears for the Culinary Arts Institute, which is accounted for as a capital lease. See Note 5 for additional information.

1. <u>Basis of presentation and significant accounting policies</u> – (continued)

During the 3-month period after the 84-month NMTC compliance period (the "Put Period"), the investor will have the right to sell its ownership interest in the NMTC Investment Fund to the College for an amount equal to $1,000. If the investor does not exercise the Put during the Put Period, the Put/Call Counterparty shall have a call option during the 3-month period following the Put Period to acquire the investor ownership interest in the NMTC Investment Fund for an amount equal to the fair market value of such interest.

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.

Short-term investments:
Investments with an initial maturity of greater than three months but less than twelve months.

Gifts and pledges:
Gifts are recorded at estimated fair values when received, and pledges are recorded at their net present value when all eligibility requirements have been met.

Investments:
The College carries its investments at fair value, which is determined generally by using quoted market prices. Realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position. Realized and unrealized gains and losses from securities in the investment accounts are allocated monthly based on the relationship of the estimated market value of each account to the total market value of the investment accounts, as adjusted for additions to or deductions from those accounts.

1. <u>Basis of presentation and significant accounting policies</u> – (continued)

Fair Value measurements: Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (level 1) and the lowest priority to unobservable data (level 3).

A description of each category in the fair value hierarchy is as follows:

Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of fair value measurements, refer to Note 2 to the financial statements.

Allowance for Doubtful Accounts:

Accounts receivable are recorded net of allowance for doubtful accounts. The allowance for doubtful accounts is established using a general valuation allowance based on historical loss experience. All amounts deemed uncollectible are charged against the allowance in the period that determination is made.

Inventories:

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

Note Receivable:

During the year ended June 30, 2018, a leveraged loan of $6,342,000 was provided by the College to the investor for the purpose of financing the construction of the Culinary Arts Institute. Interest accrues at one percent and interest-only payments are due quarterly through December 2024. Principal and interest payments commence in 2025, and the note matures in December 2047. As collateral, the borrower has assigned all of its rights, title and interest in the CDE. The note is reviewed annually for collectability and is deemed fully collectible as of June 30, 2019 and 2018. The balance of the note receivable is classified as restricted – expendable net position as of June 30, 2019 and 2018.

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

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, art or construction in progress. 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 presented in the non-current liability section of the accompanying statements of net position. See Note 7 for additional information.

Deferred Outflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

The College reports deferred outflows of resources for certain pension-related and OPEB-related amounts, such as change in expected and actual experience, changes in assumptions, and certain contributions made to the Michigan Public School Employees Retirement System (MPSERS) plan subsequent to the plan measurement date. More detailed information can be found in Note 7.

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.

Deferred Inflows of Resources:

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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

The College reports deferred inflows of resources for certain pension-related and OPEB-related amounts, such as the difference between projected and actual earnings of the MPSERS 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 MPSERS plan and additions to/deductions from the MPSERS plan fiduciary net position have been determined on the same basis as they are reported by the MPSERS 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.

Other Postemployment Benefit Costs:

For purposes of measuring the net other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the MPSERS and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. For this purpose, MPSERS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Reclassification:

Certain amounts as reported in the 2018 financial statements have been reclassified to conform to the 2019 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.

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

Scholarship allowances:

Tuition and fee revenue are reported net of scholarship allowances in the statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or non-operating revenue in the College's financial statements. To the extent that revenue from such programs is used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance.

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 and local grant funds to be used for the construction of the Culinary Arts Institute.

Certain unrestricted net position is designated by the Board for the College Life Enhancement Funds, repairs and upgrades to parking facilities, student success, professional development 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.

Adoption of New Accounting Pronouncements:

As of July 1, 2018 the College adopted GASB Statement No. 89, Accounting of Interest Cost Incurred before the End of a Construction Period, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset. The requirements of the standard were applied prospectively and resulted in an insignificant increase in interest expense for the year ended June 30, 2019.

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

Upcoming accounting pronouncements:

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financials statements. The College is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the College's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, Leases, which increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The new lease standard is expected to have an effect on the College's statement of net position as a result of the capital lease described in Note 5 and the operating leases described in Note 6. The effects on the statement of revenues, expenses and changes in net position is not expected to be significant. The provisions of this statement are effective for the College's financial statements for the year ended June 30, 2021.

Subsequent Events:

The financial statements and related disclosures include evaluation of events up through and including November 4, 2019, which is the date the financial statements were available to be issued.

2. Cash, investments and fair value measurements

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

	2019	2018
Cash and cash equivalents	$34,153,061	$29,481,683
Short-term investments	3,481,344	3,199,241
Investments - restricted, unspent bond proceeds	13,804,812	21,759,246
Total	$51,439,217	$54,440,170

2. Cash, investments and fair value measurements - (continued)

The amounts are categorized as follows at June 30:

	2019	2018
Bank deposits (checking, savings, cash sweep accounts and money markets)	$34,142,419	$29,471,196
Petty cash	10,642	10,487
Certificates of deposit	2,489,229	1,732,156
Investments in government obligations	14,796,927	23,226,331
Total	$51,439,217	$54,440,170

As of June 30, 2019, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-10 Years	Credit Rating	Rating Organization
Certificates of Deposit	$ 2,489,229	$ 2,489,229	$ -	N/A	N/A
Federal Government Obligations	935,644	935,644	-	N/A	N/A
Federated Government Agency Bonds	13,861,283	11,088,414	2,772,869	AA+	S&P
Total	$ 17,286,156	$ 14,513,287	$ 2,772,869		

As of June 30, 2018, the College had the following investments and maturities:

	Fair Market Value	Less Than One Year	1-10 Years	Credit Rating	Rating Organization
Certificates of Deposit	$ 1,732,156	$ 1,484,156	$ 248,000	N/A	N/A
Federal Government Obligations	2,671,476	2,671,476	-	N/A	N/A
Federated Government Agency Bonds	20,554,855	7,843,304	12,711,551	AA+	S&P
Total	$ 24,958,487	$ 11,998,936	$ 12,959,551		

College 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.

2. <u>Cash, investments and fair value measurements</u> - (continued)

Interest rate risk:

Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. Investments with interest rates that are affixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. 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:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College's investment policy does not address custodial credit risk. All of the investments are, however, in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

Custodial credit risk - Deposits:

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be available or returned. The College does not have a deposit policy for custodial credit risk. The College does not require deposits to be insured or collateralized and it is precluded by state law from collateralizing its deposits. Of the deposits and cash that the College held as of June 30, 2019, $1,000,000 was covered by federal depository insurance and the temporary liquidity guarantee program. $33,153,061 was uninsured and uncollateralized for the year ended June 30, 2019. Of the deposits and cash that the College held as of June 30, 2018, $1,015,167 was covered by federal depository insurance and the temporary liquidity guarantee program. $28,466,516 was uninsured and uncollateralized for the year ended June 30, 2018.

Fair value measurements:

The College utilizes fair value measurements to record fair value adjustments to its investment securities and to determine fair value disclosures. These assets are recorded at fair value on a recurring basis.

The following is a description of the valuation methodology used for assets recorded at fair value. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2019 or 2018.

Money market funds: Shares held in money market funds are comprised of debt securities with individual maturities of 13 months or less and an average maturity of 75 days or less. The composition of securities is structured to maintain a value of $1 per share and these funds are classified as Level 1.

2. Cash, investments and fair value measurements – (continued)

Certificates of deposit: Valued at face value plus accrued interest earned and classified as Level 1.

Corporate bonds: Certain corporate bonds and debentures valued at the closing price reported in the active market in which the security is traded are classified as Level 1.

U.S. government obligations and municipal bonds: Level 1 fair value measurement is based upon the closing price reported in the active market in which the individual securities are traded.

The following tables set forth, by level, within the fair value hierarchy, the College's investments measured at fair value on a recurring basis as of June 30:

2019	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 2,489,229	$ -	$ -	$ 2,489,229
Debt securities				
U.S. Government & agencies	13,861,283	-	-	13,861,283
Money market accounts	935,644	-	-	935,644
Total investments at fair value	$ 17,286,156	$ -	$ -	$ 17,286,156

2018	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ 1,732,156	$ -	$ -	$ 1,732,156
Debt securities				
U.S. Government & agencies	20,554,855	-	-	20,554,856
Money market accounts	2,671,476	-	-	2,671,475
Total investments at fair value	$ 24,958,487	$ -	$ -	$ 24,958,487

Foundation for Mott Community College:

Investments are comprised of mutual funds, common stock, and debt holdings with a fair market value of $7,836,120 and $6,686,548 as of June 30, 2019 and June 30, 2018, respectively. All investments held by the Foundation at June 30, 2019 and 2018 are categorized as Level 1 and Level 2 investments.

Concentration of Credit Risk:

The College places no limit on the amount the College may invest in any one issuer. More than eighty percent and eighty two percent of the College's investments at June 30, 2019 and 2018, respectively, were invested in U.S. Government & agencies.

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. For this reason, these funds are recorded in nonexpendable net position in the accompanying Statements of Net Position. Changes in the value of the beneficial interest are recorded as a component of other financing sources. The beneficial interest in perpetual trusts is recorded at fair value. It is classified as a Level 3 investment as defined in Note 1.

4. Property and equipment

The changes in various capital asset class categories for the year ended June 30, 2019 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)	2,209,725	6,981,935	(5,102,463)	4,089,197	
Total nondepreciable capital assets	3,456,865	6,981,935	(5,102,463)	5,336,337	
Depreciable capital assets:					
Buildings and improvements	182,076,749	14,643,381	-	196,720,130	15 - 50
Leasehold improvements	2,917,971	-	-	2,917,971	5
Infrastructure	18,248,674	915,537	-	19,164,211	10 - 50
Computer equipment	8,205,811	314,747	(7,966)	8,512,592	5 - 10
Audio-visual equipment	905,216	156,645	(15,447)	1,046,414	5 - 10
Other equipment	18,789,757	2,075,856	-	20,865,613	5 - 20
Vehicles	1,875,231	45,212	-	1,920,443	8
Library books	2,336,463	53,217	-	2,389,680	5
Total depreciable capital assets	235,355,872	18,204,595	(23,413)	253,537,054	
Total capital assets	238,812,737	25,186,530	(5,125,876)	258,873,391	
Less: accumulated depreciation:					
Buildings and improvements	107,684,838	5,565,501	-	113,250,339	
Leasehold improvements	2,701,934	8,621	-	2,710,555	
Infrastructure	9,354,310	1,057,380	-	10,411,690	
Computer equipment	6,473,421	541,465	(8,765)	7,006,121	
Audio-visual equipment	780,503	43,630	(15,448)	808,685	
Other equipment	10,389,431	912,597	-	11,302,028	
Vehicles	1,630,433	80,117	-	1,710,550	
Library books	2,211,915	39,804	-	2,251,719	
Total accumulated depreciation	141,226,785	8,249,115	(24,213)	149,451,687	
Total net capital assets	$ 97,585,952	$ 16,937,415	$ (5,101,663)	$ 109,421,704	

4. Property and equipment – (continued)

The changes in various capital asset class categories for the year ended June 30, 2018 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)	5,013,268	2,209,725	(5,013,268)	2,209,725	
Total nondepreciable capital assets	6,260,408	2,209,725	(5,013,268)	3,456,865	
Depreciable capital assets:					
Buildings and improvements	176,704,334	5,473,076	(100,661)	182,076,749	15 - 50
Leasehold improvements	2,917,971	-	-	2,917,971	5
Infrastructure	13,696,246	4,552,428	-	18,248,674	10 - 50
Computer equipment	7,974,965	316,343	(85,497)	8,205,811	5 - 10
Audio-visual equipment	918,337	5,229	(18,350)	905,216	5 - 10
Other equipment	17,188,066	1,789,860	(188,169)	18,789,757	5 - 20
Vehicles	1,861,881	21,125	(7,775)	1,875,231	8
Library books	2,283,111	53,352	-	2,336,463	5
Total depreciable capital assets	223,544,911	12,211,413	(400,452)	235,355,872	
Total capital assets	229,805,319	14,421,138	(5,413,720)	238,812,737	
Less: accumulated depreciation:					
Buildings and improvements	102,368,207	5,317,228	(597)	107,684,838	
Leasehold improvements	2,693,313	8,621	-	2,701,934	
Infrastructure	8,567,834	786,476	-	9,354,310	
Computer equipment	6,035,720	523,200	(85,499)	6,473,421	
Audio-visual equipment	763,182	35,671	(18,350)	780,503	
Other equipment	9,872,617	803,572	(286,758)	10,389,431	
Vehicles	1,542,240	88,193	-	1,630,433	
Library books	2,178,121	33,794	-	2,211,915	
Total accumulated depreciation	134,021,234	7,596,755	(391,204)	141,226,785	
Total net capital assets	$ 95,784,085	$ 6,824,383	$ (5,022,516)	$ 97,585,952	

The Culinary Arts building under capital lease was capitalized in the amount of $10,254,800 during the year ended June 30, 2019 and is included in the Building and improvements line in the above schedule. Amortization of the building under capital lease totaled $294,678 for the year ended June 30, 2019. The amortization is included in the depreciation expense above. Accumulated amortization of the assets under capital lease is $294,678 at June 30, 2019.

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

4. Property and equipment – (continued)

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'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.

C.S. Mott Community College's southern lakes branch 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 ($8.1 million) and accumulated depreciation for the facility will be included in the accompanying statements of net position when the project is finished. For the year ended June 30, 2019, this project is included in construction in progress.

5. Long-term liabilities

The changes in long-term liabilities for the year ended June 30, 2019, excluding Net Pension and OPEB liabilities which are discussed in further detail in Note 7, are as shown below.

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Obligations
Series 2009	3.00% - 4.00%	May 1, 2021	335,000	-	185,000	150,000	75,000
Series 2012	1.215%	May 1, 2019	1,410,000	-	1,410,000	-	-
Series 2014	2.00% - 4.00%	May 1, 2033	9,675,000	-	175,000	9,500,000	520,000
Series 2015	3.00% - 5.00%	May 1, 2021	7,645,000	-	2,545,000	5,100,000	2,560,000
Series 2016	3.047%	May 1, 2035	19,675,000	-	200,000	19,475,000	800,000
Series 2017	1.920%	May 1, 2023	6,900,000	-	1,680,000	5,220,000	1,425,000
Series 2018	3.0% - 3.25%	May 1, 2037	20,000,000	-	-	20,000,000	1,225,000
Total bonds payable			65,640,000	-	6,195,000	59,445,000	6,605,000
Capital lease - copiers	4.625%	May 1, 2020	58,627	-	32,920	25,707	25,707
Capital lease - culinary	1.996%	December 31, 2047	-	10,342,711	-	10,342,711	-
Accrued termination pay			2,524,453	605,641	122,332	3,007,762	241,011
Bond premium/discount			894,707	-	232,977	661,730	232,977
Other accrued liabilities			94,450	-	36,060	58,390	28,364
Total bonds payable and other long-term liabilites			$ 69,212,237	$ 10,948,352	$ 6,619,289	73,541,300	$ 7,133,059
Current long-term liabilities						7,133,059	
Long-term liabilities						$ 66,408,241	

On September 1, 2018, the College commenced a building lease with 550 Bears for the Culinary Arts Institute, which is accounted for as a capital lease. The lease expires on December 31, 2047. Quarterly lease payments range from $13,750 to $152,051. Future lease payments are included in the debt service requirements below.

5. Long-term liabilities – (continued)

Debt service requirements are as follows:

		Total	Principal	Interest
Year ended	June 30, 2020	$ 8,649,735	$ 6,575,288	$ 2,074,447
	June 30, 2021	8,034,020	6,188,464	1,845,556
	June 30, 2022	5,250,532	3,602,326	1,648,206
	June 30, 2023	5,219,908	3,667,200	1,552,708
	June 30, 2024	4,037,306	2,582,354	1,454,952
	June 30, 2025 - June 30, 2029	22,144,803	16,210,248	5,934,555
	June 30, 2030 - June 30, 2034	21,632,016	18,387,115	3,244,901
	June 30, 2035 - June 30, 2039	8,844,138	7,947,672	896,466
	June 30, 2040 - June 30, 2044	2,958,818	2,615,046	343,772
	June 30, 2045 - June 30, 2048	2,115,138	2,037,706	77,432
		$ 88,886,414	$ 69,813,419	$ 19,072,995

The changes in long-term liabilities for the year ended June 30, 2018 are as shown below.

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Obligations
Series 2008	3.375% - 4.625%	May 1, 2023	7,350,000	-	7,350,000	-	-
Series 2009	3.00% - 4.00%	May 1, 2021	1,495,000	-	1,160,000	335,000	185,000
Series 2012	1.215%	May 1, 2019	2,775,000	-	1,365,000	1,410,000	1,410,000
Series 2014	2.00% - 4.00%	May 1, 2033	9,850,000	-	175,000	9,675,000	175,000
Series 2015	3.00% - 5.00%	May 1, 2021	10,160,000	-	2,515,000	7,645,000	2,545,000
Series 2016	3.047%	May 1, 2035	20,000,000	-	325,000	19,675,000	200,000
Series 2017	1.920%	May 1, 2023	-	7,035,000	135,000	6,900,000	1,680,000
Series 2018	3.0% - 3.25%	May 1, 2037	-	20,000,000	-	20,000,000	-
Total bonds payable			51,630,000	27,035,000	13,025,000	65,640,000	6,195,000
Installment Purchase - Lapeer building & land	0%	December 21, 2017	232,958	-	232,958	-	-
Capital Lease - Copiers	4.625%	May 1, 2020	90,061	-	31,434	58,627	32,668
Capital Lease - Copiers	10.980%	February 1, 2018	3,313	-	3,313	-	-
Accrued termination pay			2,493,159	262,579	231,285	2,524,453	241,011
Bond premium			1,072,670	87,394	265,357	894,707	232,977
Other accrued liabilities			161,766	-	67,316	94,450	26,440
Total bonds payable and other long-term liabilites			$ 55,683,927	$ 27,384,973	$ 13,856,663	69,212,237	$ 6,728,096
Current long-term liabilities						6,728,096	
Long-term liabilities						$ 62,484,141	

6. Operating leases

The College leases equipment, buildings and parking spaces under non-cancellable operating leases. Total cost for such leases was $319,343 for 2019 and $89,544 for 2018. The future minimum lease payments for these leases are as follows:

Years Ending June 30,	Amount
2020	$ 261,904
2021	180,561
Total	$ 442,465

7. Employee benefits

Retirement Plan

Plan Description. The College participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the College. Certain College employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided: Benefit provisions of the defined benefit (DB) pension plan and the postemployment healthcare plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan and the postemployment healthcare plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation, times years of service, times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the Defined Contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

7. Employee benefits – (continued)

Members are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions: Public Act 300 of 1980, as amended, required the College to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each colleges’ contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

Under Public Act 300 of 2012, members were given the choice between continuing the 3 percent contribution to the retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3 percent contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2 percent employee contribution into their 457 account as of their transition date, earning them a 2 percent employer match into a 401(k) account. Members who selected this option stop paying the 3 percent contribution to the retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

The College’s contributions are determined based on employee elections. There are multiple different pension and healthcare benefit options included in the plan available to employees based on date of hire and the elections available at that time. Contribution rates are adjusted annually by the ORS.

7. Employee benefits – (continued)

The range of rates is as follows:

	Pension	OPEB
October 1, 2016 - September 30, 2017	15.27% - 19.03%	5.69% - 5.91%
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%
October 1, 2018 – September 30, 2019	13.39% - 19.59%	7.57% - 7.93%

Depending on the plan selected, member pension contributions range from 0 percent up to 7.0 percent of gross wages. For certain plan members, a 4 percent employer contribution to the defined contribution pension plan is required. In addition, for certain plan members, a 3 percent employer match is provided to the defined contribution pension plan.

The College's required and actual pension contributions to the plan for the year ended June 30, 2019 and 2018 were $7,597,142 and $8,063,750, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual pension contributions include an allocation of $3,174,303 and $3,021,975 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019 and 2018, respectively.

The College's required and actual OPEB contributions to the plan for the year ended June 30, 2019 and 2018 were $1,984,630 and $1,831,382, respectively, which include the College's contributions required for those members with a defined contribution benefit. The College's required and actual OPEB contributions do not include any additional allocation received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2019 and 2018, respectively.

Net Pension Liability. At June 30, 2019 and 2018, the College reported a liability of $86,218,478 and $77,588,625 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 2017 and 2016, which used updated procedures to roll forward the estimated liability to September 30, 2018 and 2017. The College's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2018, 2017 and 2016, the College's proportion was 0.286804%, 0.299405% and 0.318760%, respectively representing a 4.208737% decrease and 6.071891% decrease for the years ended September 30, 2018 and 2017, respectively.

Net OPEB Liability. At June 30, 2019 and 2018, the College reported a liability of $22,177,392 and $26,632,166 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2019 was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2017, which used updated procedures to roll forward the estimated liability to September 30, 2018. The College's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially

7. Employee benefits – (continued)

determined. At September 30, 2018 and 2017, the College's proportion was 0.278998% and 0.300743%, respectively, of MPSERS in total, representing a 7.230381% decrease for the year ended September 30, 2018.

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

For the year ended 2019 and 2018, the College recognized pension expense of $7,848,971 and $5,801,333, respectively, inclusive of payments to fund the MPSERS UAAL stabilization rate.

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected & actual experience	$ 400,070	$ 626,535	$ (226,465)
Changes in assumptions	19,968,128	-	19,968,128
Net difference between projected and actual earnings on pension plan investments	-	5,895,152	(5,895,152)
Changes in proportion and differences between employer contributions and proportionate share of contributions	756,722	6,402,612	(5,645,890)
	21,124,920	12,924,299	8,200,621
College contributions subsequent to measurement date	6,401,942	-	6,401,942
Total	$ 27,526,862	$ 12,924,299	$ 14,602,563

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

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected & actual experience	$ 674,298	$ 380,711	$ 293,587
Changes in assumptions	8,500,450	-	8,500,450
Net difference between projected and actual earnings on pension plan investments	-	3,709,247	- (3,709,247)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,244,435	6,547,119	(5,302,684)
	10,419,183	10,637,077	(217,894)
College contributions subsequent to measurement date	6,208,190	-	6,208,190
Total	$ 16,627,373	$ 10,637,077	$ 5,990,296

The $3,174,303 and $3,021,975 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Section 201(5) of the State School Aid Act (PA 94 of 1979), will be recognized as state appropriations revenue for the years ended June 30, 2020 and 2019, respectively. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending	Amount
2020	$ 3,130,930
2021	2,659,205
2022	1,626,713
2023	783,773
Total	$ 8,200,621

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended 2019 and 2018, the College recognized OPEB expense of $712,532 and $1,780,386, respectively.

7. Employee benefits – (continued)

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected & actual experience	$ -	$ 4,127,782	$ (4,127,782)
Changes in assumptions	2,348,597	-	2,348,597
Net difference between projected and actual			-
earnings on pension plan investments	-	852,330	(852,330)
Changes in proportion and differences between			-
employer contributions and proportionate			-
share of contributions	-	1,701,745	(1,701,745)
	2,348,597	6,681,857	(4,333,260)
College contributions subsequent to			
measurement date	1,411,845	-	1,411,845
Total	$ 3,760,442	$ 6,681,857	$ (2,921,415)

At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2018	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected & actual experience	$ -	$ 283,554	$ (283,554)
Changes in assumptions	-	-	-
Net difference between projected and actual			-
earnings on pension plan investments	-	616,807	(616,807)
Changes in proportion and differences between			-
employer contributions and proportionate			-
share of contributions	-	4,363	(4,363)
	-	904,724	(904,724)
College contributions subsequent to			
measurement date	1,374,722	-	1,374,722
Total	$ 1,374,722	$ 904,724	$ 469,998

7. <u>Employee benefits</u> – (continued)

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and therefore will not be included in future OPEB expense):

Years Ending June 30	Amount
2020	$ (1,019,915)
2021	(1,019,915)
2022	(1,019,915)
2023	(845,450)
2024	(428,065)
Total	$ (4,333,260)

Actuarial Assumptions: The total pension liability and total OPEB liability as of September 30, 2018 and 2017 is based on the results of an actuarial valuation as of September 30, 2017 and 2016, respectively, and rolled forward. The total pension liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	6.00% - 7.05% - 2018 7.00% - 7.50% - 2017	Net of investment expenses based on the groups
Investment rate of return – OPEB	7.15% - 2018 7.5% - 2017	Net of investment expenses based on the groups
Salary increases	2.75% - 11.55% - 2018 3.50% - 12.30% - 2017	Including wage inflation of 2.75% (2018) and 3.50% (2017)
Healthcare Cost Trend Rate	7.50% - 2018 & 2017	Year 1 graded to 3.0% (2018) and 3.5% (2017) Year 12
Mortality basis		RP-2014 Male and Female Employee Annuitant Mortality tables, scaled 100% (retirees: 82% male and for 78% females) and adjusted for mortality improvements using projection scale MP-2017 from 2006 (2018) and RP-2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB (men scaled 80% and 70% for women) (2017)
Cost of living pension adjustments	3.00%	Annual non-compounded for MIP members

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

7. Employee benefits – (continued)

Discount Rate: The discount rate used to measure the total pension liability was 6.00– 7.05 and 7.00 – 7.50 percent as of September 30, 2018 and 2017, respectively, depending on the plan option. The discount rate used to measure the total OPEB liability was 7.15 percent as of September 30, 2018 and 7.50 percent as of September 30, 2017. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that college contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position and the OPEB plan's fiduciary net position were 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 and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability and total OPEB liability.

The long-term expected rate of return on pension plan and OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

	2019		2018	
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00%	5.70%	28.00%	5.60%
Private equity pools	18.00	9.20	18.00	8.70
International equity pools	16.00	7.20	16.00	7.20
Fixed-income pools	10.50	0.50	10.50	(0.10)
Real estate and infrastructure pools	10.00	3.90	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.20	15.50	5.00
Short-term investment pools	2.00	0.00	2.00	(0.90)
Total	100.00%		100.00%	

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 depending on the plan option. The following also reflects what the College's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

7. Employee benefits – (continued)

2019		
1 Percent Decrease (5.00 – 6.05%)	Current Discount Rate (6.00 – 7.05%)	1 Percent Increase (7.00 – 8.05%)
$113,198,203	$86,218,478	$63,802,713

2018		
1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
$101,072,173	$77,588,626	$57,816,975

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the College, calculated using the current discount rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2019		
1 Percent Decrease (6.15%)	Current Discount Rate (7.15%)	1 Percent Increase (8.15%)
$26,623,508	$22,177,392	$18,437,665

2018		
1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
$31,193,965	$26,632,166	$22,760,629

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the net OPEB liability of the College, calculated using the current healthcare cost trend rate. The following also reflects what the College's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

2019		
1 Percent Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1 Percent Increase (8.50%)
$18,240,661	$22,177,392	$26,693,627

2018		
1 Percent Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1 Percent Increase (8.50%)
$22,553,865	$26,632,166	$31,262,794

7. Employee benefits – (continued)

Pension Plan and OPEB Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan and OPEB Plan: At June 30, 2019 and 2018, the College reported a payable of $577,146 and $549,450, respectively, for the outstanding amount of contributions to the pension plan required for the year then ended. There were no such payables recorded as of June 30, 2019 and 2018 related to the OPEB plan.

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 131 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 for the years ended June 30, 2019 and 2018 was $11,482,171 and $10,880,577, respectively. Total College contributions for the years ended June 30, 2019 and 2018 were $1,271,279 and $1,213,302, 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.

Accrued Termination Pay

The total amount of termination benefits paid out were $122,333 and $202,632 for the years ended June 30, 2019 and 2018, respectively. The actuarial assumptions are as follows:

Assumption	June 30, 2019	June 30, 2018
Cost method	Projected unit credit	Projected unit credit
Discount rate	3.03% per annum	3.85% per annum
Staff salary scale	3.00% per annum	2.25% per annum
Faculty salary scale	3.00% per annum	2.25% per annum
Health care inflation	2.00% per annum	3.4% per annum
Mortality rate, pre-retirement	MP-2018, Public Teacher 2010 headcount weighted (sex distinct) mortality	MP-2017 Dynamic, white collar employee (sex distinct) mortality
Mortality rate, post-retirement	MP-2018, Public Teacher 2010 headcount weighted (sex distinct) mortality	MP-2017 Dynamic, white collar annuitant (sex distinct) mortality

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 9 describes these commitments.

9. Construction in progress

The College started multiple construction projects on campus consisting of the following: Ballenger Field House Phase III renovations, Lenore Croudy Family Life Center, Southern Lakes Branch Center renovations and other miscellaneous projects. As of June 30, 2019, total expenses relating to these projects were $4,089,197. The completion of these projects are expected to occur throughout the 2019-2020 and the 2020-2021 fiscal years. The total expense of these projects is estimated to be $17,603,000.

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

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, 2019 and 2018, $15,670,000 and $23,950,000, respectively, of bonds outstanding are considered defeased.

During the fiscal year ended June 30, 208, $7,035,000 of bonds were refunded via a $7,035,000 bond issuance, with cash proceeds of $290,000 received. The advance refunding will reduce the total debt service payments by approximately $388,000, which represents a present value economic gain of approximately $367,000. For the purposes of the cash flow statement, the refunding is a non-cash transaction.

12. GASB Statement No. 77 – Tax abatements

The College receives reduced property tax revenues as a result of Industrial Facilities Tax Exemptions (PA 198 of 1974) and Brownfield Redevelopment granted by cities, villages and townships within Genesee, Lapeer, Livingston, and Oakland Counties. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

For the fiscal year ended June 30, 2019 and June 30, 2018, the College's property tax revenues were reduced by $278,373 and $181,954, respectively.

Required Supplemental Information

C.S. Mott Community College
MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the College's Proportionate Share of the Net Pension Liability
as of the Plan Year Ended September 30:

	2018	2017	2016	2015	2014
College's proportion of the net pension liability	0.28680%	0.29941%	0.31876%	0.31004%	0.34207%
College's proportionate share of the net pension liability	$ 86,218,478	$ 77,588,625	$ 79,526,817	$ 75,726,813	$ 75,346,059
College's covered employee payroll	$ 23,787,341	$ 24,364,876	$ 26,711,512	$ 26,065,757	$ 27,855,602
College's proportionate share of the net pension liability as a percentage of its covered employee payroll	362.46%	318.44%	297.72%	290.52%	270.49%
Plan fiduciary net position as a percentage of the total pension liability	62.12%	63.96%	63.01%	63.17%	66.20%

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

See notes to required supplemental information.

C.S. Mott Community College
MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of College's Contributions, Pension

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
Contractually required contribution	$ 7,457,335	$ 7,339,496	$ 7,019,603	$ 7,229,049	$ 8,419,942
Contribution in relation to the contractually required contribution	(7,457,335)	(7,339,496)	(7,019,603)	(7,229,049)	(8,419,942)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
College's covered payroll	23,770,819	23,921,207	24,173,177	26,065,757	$ 27,855,602
Contribution as a percentage of covered employee payroll	31.37%	30.68%	29.04%	27.73%	30.23%

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
MPSERS Cost-Sharing Multiple-Employer Plan
Schedule of the College's Proportionate Share of the Net OPEB Liability
as of the Plan Year Ended September 30:

	2018	2017
College's proportion of the net OPEB liability	0.27900%	0.30074%
College's proportionate share of the net OPEB liability	$ 22,177,392	$ 26,632,166
College's covered employee payroll	$ 23,787,341	$ 24,364,876
College's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	93.23%	109.31%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	36.53%

NOTE: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplemental information.

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

	Year Ended June 30, 2019	Year Ended June 30, 2018
Contractually required contribution	$ 1,867,204	$ 1,727,763
Contribution in relation to the contractually required contribution	(1,867,204)	(1,727,763)
Contribution deficiency (excess)	$ -	$ -
College's covered payroll	$ 23,770,819	$ 23,921,207
Contribution as a percentage of covered employee payroll	7.86%	7.22%

NOTE: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplemental information.

Other Supplemental Information

1. <u>Pension information</u>

Benefit Changes: There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions: There were no changes of assumptions for the plan years ended September 30, except for the following:

2018 – The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.45%.
2017 – The discount rate used in the September 30, 2016 actuarial valuation decreased by 0.50%.

2. <u>OPEB information</u>

Benefit Changes: There were no changes of benefit terms for each of the reported plan years ended September 30.

Changes in Assumptions: There were no changes of assumptions for the plan years ended September 30, except the following:

2018 – The discount rate used in the September 30, 2017 actuarial valuation decreased by 0.35%.

C.S. Mott Community College
Combining Statement of Net Position
June 30, 2019

	Combined Total	General Fund	Pension Liability & OPEB Fund
Assets			
Current assets			
Cash and cash equivalents	$ 34,153,061	$ 26,179,844	$ -
Short-term investments	3,481,344	-	-
Property taxes receivable	90,710	90,710	-
State appropriation receivable	3,604,908	3,604,908	-
Accounts receivable -			-
net of $6,411,897 allowance	728,784	415,274	-
Grants receivable	1,210,254	-	-
Inventories	70,956	70,956	-
Prepaid expenses and other assets	930,349	849,510	-
Total current assets	44,270,366	31,211,202	-
Notes receivable	6,342,000	-	-
Long-term investments	-	-	-
Investments - restricted, unspent bond proceeds	13,804,812	-	-
Beneficial interest in perpetual trusts	44,742,538	-	-
Bond discount	33,669	-	-
Property and equipment -			
net of $149,451,687 accumulated depreciation	109,421,704	-	-
Total assets	218,615,089	31,211,202	-
Deferred outflows of resources			
Deferred pension amounts	27,526,862	-	27,526,862
Deferred OPEB amounts	3,760,442	-	3,760,442
Deferred charge on refunding	281,121	-	-
Total deferred outflows of resources	31,568,425	-	31,287,304

Designated Fund	Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
$ -	$ -	$ -	$ -	$ -	$ 7,973,217
-	-	-	-	-	3,481,344
-	-	-	-	-	-
-	-	-	-	-	-
3,556	20,369	154,555	-	-	135,030
-	-	-	1,210,254	-	-
-	-	-	-	-	-
-	-	-	-	-	80,839
3,556	20,369	154,555	1,210,254	-	11,670,430
-	-	-	-	-	6,342,000
-	-	-	-	-	-
-	-	-	-	-	13,804,812
-	-	-	-	44,742,538	-
-	-	-	-	-	33,669
-	-	-	-	-	109,421,704
3,556	20,369	154,555	1,210,254	44,742,538	141,272,615
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	281,121
-	-	-	-	-	281,121

C.S. Mott Community College
Combining Statement of Net Position (continued)
June 30, 2019

	Combined Total	General Fund	Pension Liability & OPEB Fund
Liabilities			
Current liabilities:			
Current portion of long-term liabilities	$ 7,133,059	$ 269,375	$ -
Accounts payable	4,450,598	4,434,000	-
Due to (from) other funds	-	11,899,729	-
Accrued interest payable	311,122	-	-
Accrued payroll and related liabilities	3,367,569	3,253,842	-
Deposits held for others	250,330	2,695	-
Unearned revenue	1,445,279	620,502	-
Other current liabilities	-	-	-
Total current liabilities	16,957,957	20,480,143	-
Long-term debt obligations	63,611,464	-	-
Net pension liability	86,218,478	-	86,218,478
Net OPEB liability	22,177,392	-	22,177,392
Accrued termination pay	2,766,751	2,766,751	-
Other accrued liabilities	30,026	30,026	-
Total liabilities	191,762,068	23,276,920	108,395,870
Deferred inflows of resources			
Deferred pension amounts	16,098,602	-	16,098,602
Deferred OPEB amounts	6,681,857	-	6,681,857
Total deferred inflows of resources	22,780,459	-	22,780,459
Net position			
Net investment in capital assets	52,063,649	-	-
Restricted for			
Nonexpendable	44,742,538	-	-
Expendable			
Scholarships and awards	2,818,299	-	-
Capital projects	6,342,000	-	-
Debt service	985,741	-	-
Unrestricted (deficit)	(71,311,240)	7,934,282	(99,889,025)
Total net position	$ 35,640,987	$ 7,934,282	$ (99,889,025)

Designated Fund	Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
$ -	$ -	$ -	$ -	$ -	$ 6,863,684
-	-	-	16,598	-	-
(6,294,723)	(157,306)	(93,080)	(2,533,141)	-	(2,821,479)
-	-	-	-	-	311,122
1,955	-	-	111,772	-	-
-	-	247,635	-	-	-
28,051	-	-	796,726	-	-
-	-	-	-	-	-
(6,264,717)	(157,306)	154,555	(1,608,045)	-	4,353,327
-	-	-	-	-	63,611,464
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(6,264,717)	(157,306)	154,555	(1,608,045)	-	67,964,791
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	52,063,649
-	-	-	-	44,742,538	-
-	-	-	2,818,299	-	-
-	-	-	-	-	6,342,000
-	-	-	-	-	985,741
6,268,273	177,675	-	-	-	14,197,555
$ 6,268,273	$ 177,675	$ -	$ 2,818,299	$ 44,742,538	$ 73,588,945

C.S. Mott Community College
Combining Statement of Revenues, Expenses,
Transfers and Changes in Net Position
June 30, 2019

	Combined Total	Eliminations	General Fund
Revenues			
Operating revenues			
Tuition and fees	$ 32,832,874	$ -	$ 31,379,333
Less scholarship allowances	(11,867,924)	(11,867,924)	-
Federal grants and contracts	4,208,945	-	-
State and local grants and contracts	1,401,174	-	-
Private gifts and grants	1,730,743	(331,420)	15,884
Auxiliary enterprises	732,499	-	-
Expenditures for equipment and capital improvements	-	(9,830,067)	-
Miscellaneous	2,618,935	-	1,494,820
Total operating revenues	31,657,246	(22,029,411)	32,890,037
Expenses			
Operating expenses			
Instruction	25,680,755	(1,654,396)	26,774,526
Public service	4,299,926	(41,215)	648,438
Instructional support	9,972,163	(276,329)	9,489,773
Student services	14,737,896	(11,875,060)	10,081,838
Institutional administration	9,502,274	(4,740)	9,574,790
Operation and maintenance of plant	13,322,953	(7,651,126)	11,315,303
Technology	5,334,255	(526,545)	3,708,392
Depreciation	8,249,115	-	-
Total operating expenses	91,099,337	(22,029,411)	71,593,060
Operating (loss) income	(59,442,091)	-	(38,703,023)
Non-Operating Revenues (Expenses)			
State appropriations	20,590,790	-	20,508,927
Property tax levy	27,381,908	-	19,363,267
Pell grants	13,112,046	-	-
Gifts	4,366,474	-	4,366,474
Donation to Foundation	(1,688,663)	-	(1,688,663)
Investment income	1,053,931	-	363,169
Net realized and unrealized gain on investments	-	-	-
Interest on capital asset - related debt	(1,922,578)	-	-
Loss on disposal of assets	-	-	-
Net premium on bonds	-	-	-
Bond issuance costs	-	-	-
Net non-operating revenues	62,893,908	-	42,913,174
Income before other financing sources	3,451,817	-	4,210,151
Other Financing Sources (Expenses)			
State capital appropriations	-	-	-
Capital contribution	-	-	-
Interest on capital lease	(283,751)	-	(195,840)
Change in value of perpetual trusts	(511,066)	-	-
Transfers in (out)	-	-	(3,645,625)
Total other financing sources	(794,817)	-	(3,841,465)
Increase in net position	2,657,000	-	368,686
Net Position			
Net position - beginning of year	32,983,987	-	7,565,596
Net position - end of year	$ 35,640,987	$ - 0 -	$ 7,934,282

Pension Liability & OPEB Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
$ -	$ 1,452,766	$ -	$ -	$ -	$ 775
-	-	-	-	-	-
-	-	-	4,208,945	-	-
-	-	-	1,401,174	-	-
-	-	-	2,046,279	-	-
-	-	732,499	-	-	-
-	-	-	-	-	9,830,067
-	295,148	-	45	-	828,922
-	1,747,914	732,499	7,656,443	-	10,659,764
(436,758)	-	-	721,683	-	275,700
(39,415)	-	303,923	3,428,195	-	-
(165,589)	-	-	871,091	-	53,217
(136,903)	1,038,762	41,253	15,567,109	-	20,897
(108,148)	-	5,975	32,147	-	2,250
(149,194)	-	-	868,608	-	8,939,362
(9,769)	180,322	-	10,224	-	1,971,631
-	-	-	-	-	8,249,115
(1,045,776)	1,219,084	351,151	21,499,057	-	19,512,172
1,045,776	528,830	381,348	(13,842,614)	-	(8,852,408)
(152,328)	-	-	-	-	234,191
-	-	-	-	-	8,018,641
-	-	-	13,112,046	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	690,762
	-	-	-	-	-
-	-	-	-	-	(1,922,578)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(152,328)	-	-	13,112,046	-	7,021,016
893,448	528,830	381,348	(730,568)	-	(1,831,392)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(87,911)
-	-	-	-	(511,066)	-
-	(557,540)	(277,934)	(280,598)	-	4,761,697
-	(557,540)	(277,934)	(280,598)	(511,066)	4,673,786
893,448	(28,710)	103,414	(1,011,166)	(511,066)	2,842,394
(100,782,473)	6,296,983	74,261	3,829,465	45,253,604	70,746,551
$ (99,889,025)	$ 6,268,273	$ 177,675	$ 2,818,299	$ 44,742,538	$ 73,588,945

C.S. Mott Community College
Schedule 1 - Details of General Fund Expenses
Year Ended June 30, 2019

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	$ 16,645,922	$ 8,011,373	$ 745,078	$ 767,317
Public service	278,237	186,238	139,081	13,213
Instructional support	5,279,277	3,055,004	513,639	264,689
Student services	4,496,033	2,635,205	1,218,852	325,048
Institutional administration	3,606,921	2,722,873	1,395,524	194,406
Physical plant operations	3,708,270	2,512,891	1,940,295	529,541
Technology	1,330,468	537,861	640,792	35,748
	$ 35,345,128	$ 19,661,445	$ 6,593,261	$ 2,129,962

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
$ 230,899	$ 1,380	$ 136,557	$ 236,000	$ 26,774,526
12,000	-	19,669	-	648,438
-	-	366,192	10,972	9,489,773
15,094	-	1,391,606	-	10,081,838
7,091	-	1,644,788	3,187	9,574,790
-	2,484,542	80,105	59,659	11,315,303
-	-	1,163,523	-	3,708,392
$ 265,084	$ 2,485,922	$ 4,802,440	$ 309,818	$ 71,593,060

C.S. Mott Community College
Schedule 2 - Details of Auxiliary Activities
Year Ended June 30, 2019

Activity	Balance July 1, 2018	Revenues	Expenditures (1)
Vending	$ -	$ 50,848	$ 239
Outside Catering	-	198,843	183,816
Bookstore	-	282,124	32,505
Day Care	60,889	186,893	120,107
Funding for College Initiatives	13,372	-	5,975
Student Computer Lab Printing	-	13,791	8,509
	$ 74,261	$ 732,499	$ 351,151

(1) Expenditures include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to $32,505 for the bookstore.

Excess (Revenues) Expenses	Other In (Out)	Balance June 30, 2019
$ (50,609)	$ -	$ -
(15,027)	-	-
(249,619)	-	-
(66,786)	-	127,675
5,975	42,602	49,999
(5,282)	-	-
$ (381,348)	$ 42,602	$ 177,674