

Financial Statements

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

June 30, 2016 and 2015

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Financial Statements	1-2
Management's Discussion and Analysis	3-18
Financial Statements:	
Statements of Net Position	19-20
Statements of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows – Fiscal Year 2016	22-23
Statement of Cash Flows – Fiscal Year 2015	24-25
Notes to Financial Statements	26-46
Supplemental Information:	
MPSERS Cost-Sharing Multiple-Employer Plan	
Schedule of the College's Proportionate Share of the Net Pension Liability	47
Schedule of the College's Contributions	48
Additional Information:	
Combining Statement of Net Position	49-52
Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position	53-54
Schedule 1 - Details of General Fund Expenses	55-56
Schedule 2 - Details of Auxiliary Activities	57-58

INDEPENDENT AUDITORS' REPORT

November 14, 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of *C.S. Mott Community College* (the "College"), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of *C.S. Mott Community College* as of June 30, 2016 and 2015, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Implementation of GASB Statement No. 68

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

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated November 14, 2016, on our consideration of *C.S. Mott Community College's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Rehmann Loban LLC

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited

This discussion and analysis section of C.S. Mott Community College's ("the College") annual financial report provides an overview of the College's financial position at June 30, 2016, 2015 and 2014 and its financial activities for the three years ended June 30, 2016. 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, 2016. The additional information is not required by the GASB, but is provided to give additional information regarding the various funds and activities of the College that are not disclosed in the basic financial statements.

For the year ended June 30, 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68). This new standard requires the College to record its proportionate share of the pension liability of the Michigan Public School Employees Retirement System (MPERS), the defined benefit plan in which the majority of the employees of the College participate. This 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.

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."

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

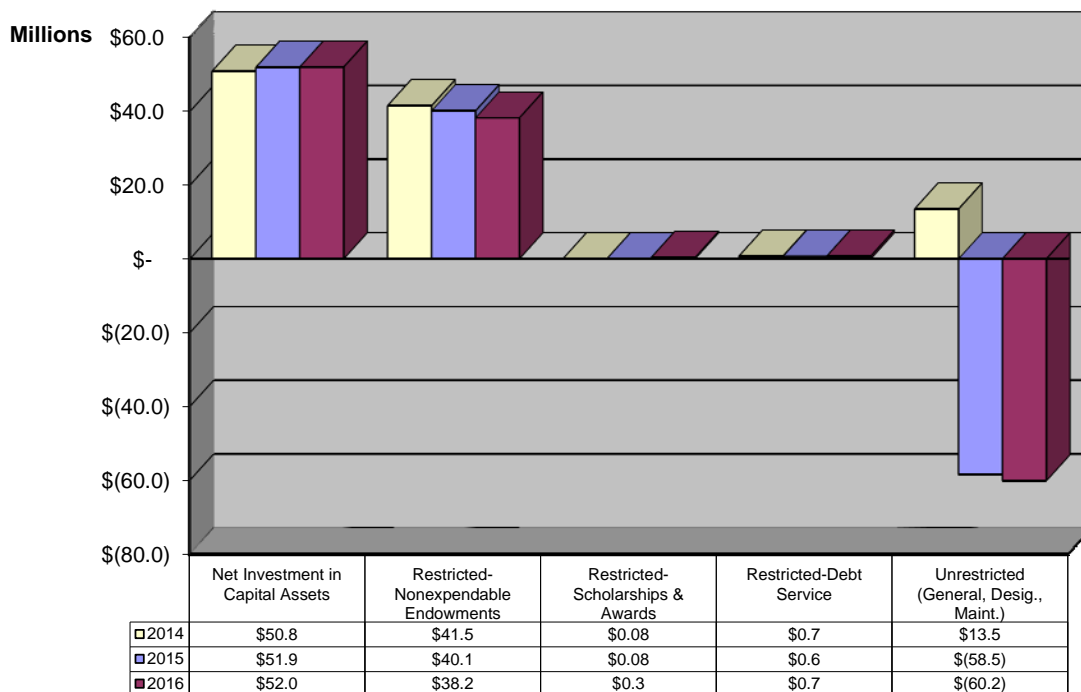
Financial Highlights

The College implemented GASB Statement No. 68 in the prior year. In addition to expanded disclosure requirements, the College is required to report its proportionate share of the Michigan Public Schools Employee Retirement System (MPERS) net pension liability on the statement of net position. The total financial impact to the College was a reduction in net assets to \$30.9 million as of June 30, 2016 and \$34.2 million as of June 30, 2015. Deferred Outflows of Resources increased from \$1.0 million to \$11.0 million and then decreased to \$9.1 million at June 30, 2014, 2015 and 2016, respectively. Total liabilities totaled \$146.9 million at June 30, 2016, compared to \$132.9 million in 2015 and \$66.6 million in 2014.

The College's Unrestricted net position has decreased from \$13.5 million at June 30, 2014, to a deficit of (\$58.5) million at June 30, 2015, and then decreased to a deficit of (\$60.2) million at June 30, 2016. Although significant cost reductions were made in the current fiscal year, the increase in the deficit was mainly due to GASB Statement No. 68 activity, the implementation of GASB Statement No. 68 in 2015 and planned net position reductions in plant funds in fiscal year 2014.

The following chart provides a graphical categorization of the net position as of June 30, 2016, 2015 and 2014:

Breakdown of Net Position - By Category



C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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

One of the most important questions asked about the College's finances is whether the College as a whole is better off or worse off as a result of the year's activities. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position, report information on the College as a whole and on its activities in a way that helps answer this question.

These two statements report the College's net position as of June 30, 2016 and 2015 and the change in net position for the years then ended. Net position is assets plus deferred outflows of resources minus liabilities and deferred inflows of resources, and is one way to measure the College's financial health. The relationship between revenues and expenses may be thought of as Mott Community College's operating results. Over time, increases or decreases in the College's net position is one indicator of whether its financial health is improving or deteriorating.

Many other non-financial indicators, such as quality of teaching and learning, percentage of students requiring financial aid, enrollment and retention trends, and condition of the facilities must also be considered in assessing the overall health of the College.

The College's financial position was significantly impacted by the implementation of GASB Statement 68 during the fiscal year ended June 30, 2015. Excluding the impact of GASB 68, the College's net position decreased by approximately \$1.0 million for the fiscal year ended June 30, 2016 and increased \$900 thousand for the fiscal year ended June 30, 2015, from general operations. The amount invested in capital assets remained flat, as new asset purchases and principal debt reductions were offset by the depreciation of new and existing assets.

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

The College's total assets as of June 30, 2016 were \$177.2 million. As of June 30, 2015 and 2014, total assets were \$164.4 million and \$172.2 million, respectively.

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Statement of Net Position

The Statement of Net Position's purpose is to provide the College's overall financial position at the fiscal year close. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when a service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The following is a condensed version of the Statement of Net Position, with analysis of the major components of the net position of the College as of June 30, 2016 compared to June 30, 2015 and June 30, 2014. 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, 2016, 2015 and 2014 (in millions)			
	<u>2016</u>	<u>2015</u>	<u>2014</u>
ASSETS			
Current Assets	\$ 27.2	\$ 25.8	\$ 27.8
Capital Assets	\$ 93.5	\$ 93.5	\$ 93.2
Other Noncurrent Assets	\$ 56.5	\$ 45.1	\$ 51.2
Total Assets	<u>\$ 177.2</u>	<u>\$ 164.4</u>	<u>\$ 172.2</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charge on Refunding	\$ 0.5	\$ 0.7	\$ 1.0
Deferred Pension Amounts	\$ 8.6	\$ 10.3	\$ -
Total Deferred Outflows of Resources	<u>\$ 9.1</u>	<u>\$ 11.0</u>	<u>\$ 1.0</u>
LIABILITIES			
Current Liabilities	\$ 15.8	\$ 15.5	\$ 16.9
Noncurrent Liabilities	\$ 131.1	\$ 117.4	\$ 49.7
Total Liabilities	<u>\$ 146.9</u>	<u>\$ 132.9</u>	<u>\$ 66.6</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Amounts	\$ 8.4	\$ 8.3	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 52.0	\$ 51.9	\$ 50.8
Restricted - Nonexpendable	\$ 38.2	\$ 40.1	\$ 41.5
Restricted - Expendable	\$ 1.0	\$ 0.7	\$ 0.8
Unrestricted (deficit)	\$ (60.2)	\$ (58.5)	\$ 13.5
Total Net Position	<u>\$ 31.0</u>	<u>\$ 34.2</u>	<u>\$ 106.6</u>

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Net position decreased from 2014 to 2015 and from 2015 to 2016, with significant changes noted below.

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

- A decrease of \$72.0 million from 2014 to 2015 in Unrestricted net position primarily due to the implementation of GASB No. 68.
- A decrease of \$1.9 million from 2015 to 2016 in the market value of the College's interest in its beneficial perpetual trusts.

The year ended on June 30, 2016 with a \$3.2 million decrease in Total Net Position, finishing at \$31.0 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, 2016 compared to the years ended June 30, 2015 and June 30, 2014. This illustration includes the primary government operations of the College, but does not include its component unit, the Foundation for MCC:

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Mott Community College
CONDENSED STATEMENTS OF REVENUES, EXPENSES,
and CHANGES IN NET POSITION
For Years Ended June 30, 2016, 2015 and 2014

	(in millions)		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Operating Revenues	\$ 32.5	\$ 32.6	\$ 31.4
Total Operating Expenses	<u>93.1</u>	<u>93.8</u>	<u>97.0</u>
Total Operating Loss	(60.6)	(61.2)	(65.6)
Nonoperating Revenues, Net	<u>57.4</u>	<u>62.5</u>	<u>68.3</u>
Total (decrease) increase in Net Position	(3.2)	1.3	2.7
Net Position, Beginning of Year	34.2	106.6	103.9
Implementation of GASB Statement No. 68	<u>-</u>	<u>(73.7)</u>	<u>-</u>
Net Position, End of Year	<u>\$ 31.0</u>	<u>\$ 34.2</u>	<u>\$ 106.6</u>

In the fiscal year ended June 30, 2016, the College's expenditures exceeded revenues and other support, creating an decrease in Total Net Position of \$3.2 million (compared to a \$1.3 million increase in 2015, and a \$2.7 million increase in 2014).

Operating Revenues

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Tuition and Fees, net of Scholarship Allowances of \$14,670,206, \$17,330,716, and \$18,594,723 in 2016, 2015 and 2014, respectively	\$ 20,032,359	\$ 19,651,865	\$ 19,648,335
Federal Grants and Contracts	6,190,082	6,324,145	5,911,850
State and Local Grants and Contracts	1,936,341	1,853,430	963,786
Private Gifts and Grants	1,927,273	2,221,540	1,681,396
Auxiliary Enterprises	800,191	933,533	920,979
Other Operating Revenues	1,631,406	1,631,754	2,293,288
Total Operating Revenues	<u>\$ 32,517,652</u>	<u>\$ 32,616,267</u>	<u>\$ 31,419,634</u>

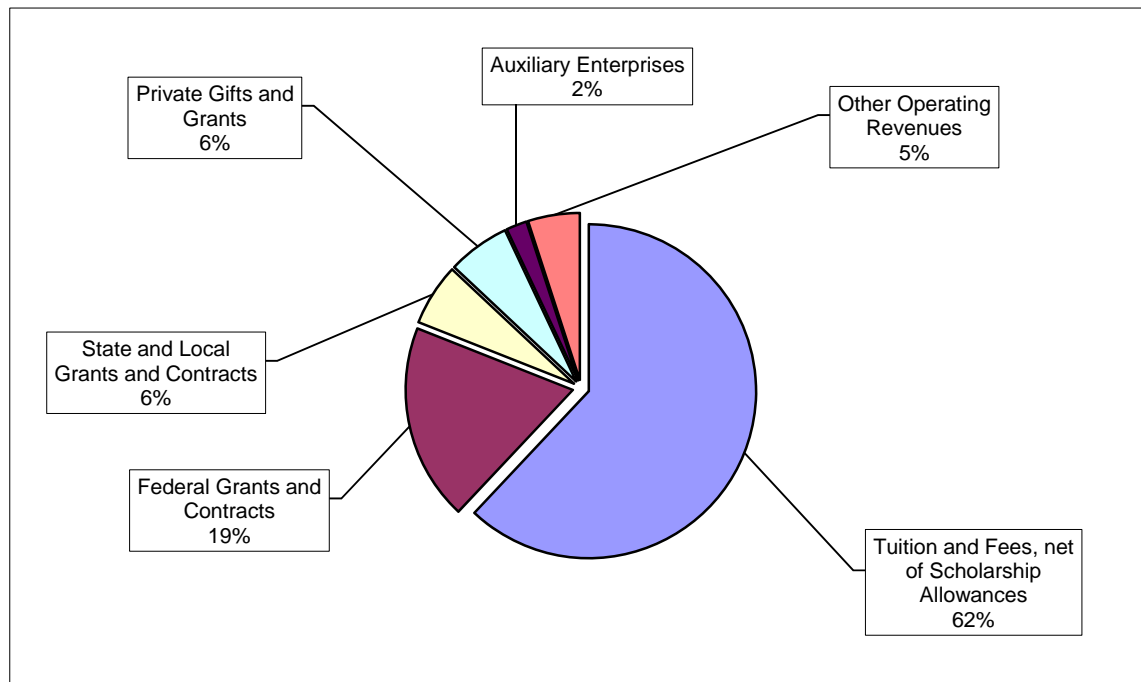
C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Total operating revenues increased \$1.1 million (3.0%) during the past three years, as a result of the following:

- Gross tuition and fee revenue decreased by approximately \$3.5 million during the three years ended June 30, 2016. This 9.3% overall decrease was principally due to enrollment decreases offset by average annual tuition and fee increases of 3.3% for the 2014, 2015, and 2016 academic years.
- Scholarship Allowances (the portion of financial aid assistance covering student tuition and fees) decreased overall during the past three years by 21.1% mainly as a result of declining enrollment.
- State and Local Grants and Contracts increased by \$973 thousand from 2014 to 2016 due in large part to the CCSTEP grant.

The following is a graphic illustration of operating revenues by source for 2016:



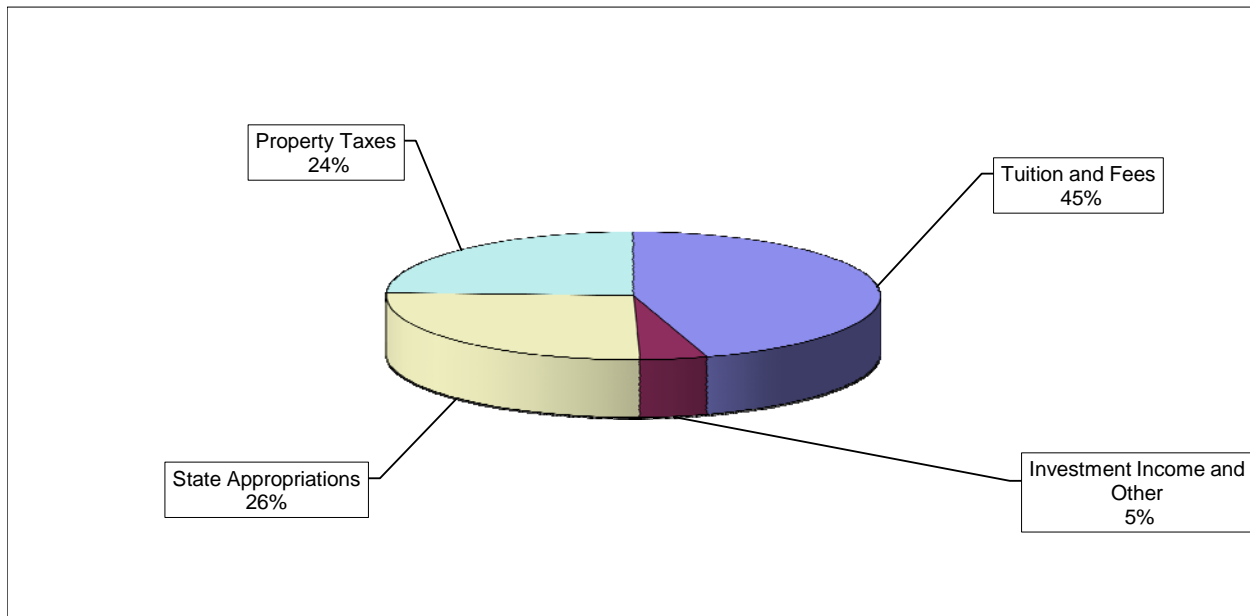
Internally, the College uses fund accounting to account for separate funding sources and uses. The operating revenues above, for instance, include revenues within all funds, depicting the funding sources of the institution as a whole as required by the reporting model.

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

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

The following chart shows the percentages of all General Fund revenue sources for the year ended June 30, 2016:



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, 2016 total \$93.1 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 Activities Classification Structure (ACS) Manual.

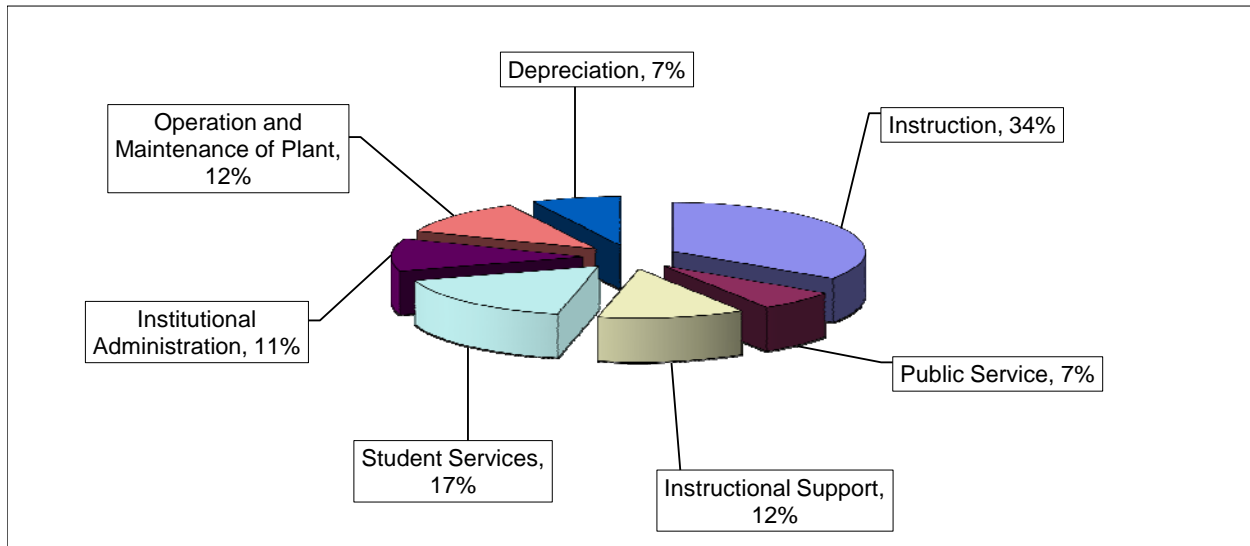
Operating Expenses by Function

	2016	2015	2014
Instruction	\$ 32,000,746	\$ 31,043,126	\$ 32,718,492
Public Service	6,255,363	6,729,465	5,524,541
Instructional Support	11,533,493	11,488,009	11,695,432
Student Services	15,634,297	16,488,370	18,380,703
Institutional Administration	10,023,195	10,277,625	10,268,067
Operation and Maintenance of Plant	10,775,359	11,249,422	11,740,621
Depreciation	6,930,451	6,566,892	6,679,125
Total Operating Expenses	\$ 93,152,904	\$ 93,842,909	\$ 97,006,981

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

The following is a graphic illustration of operating expenses for the institution as a whole for the year ended June 30, 2016:



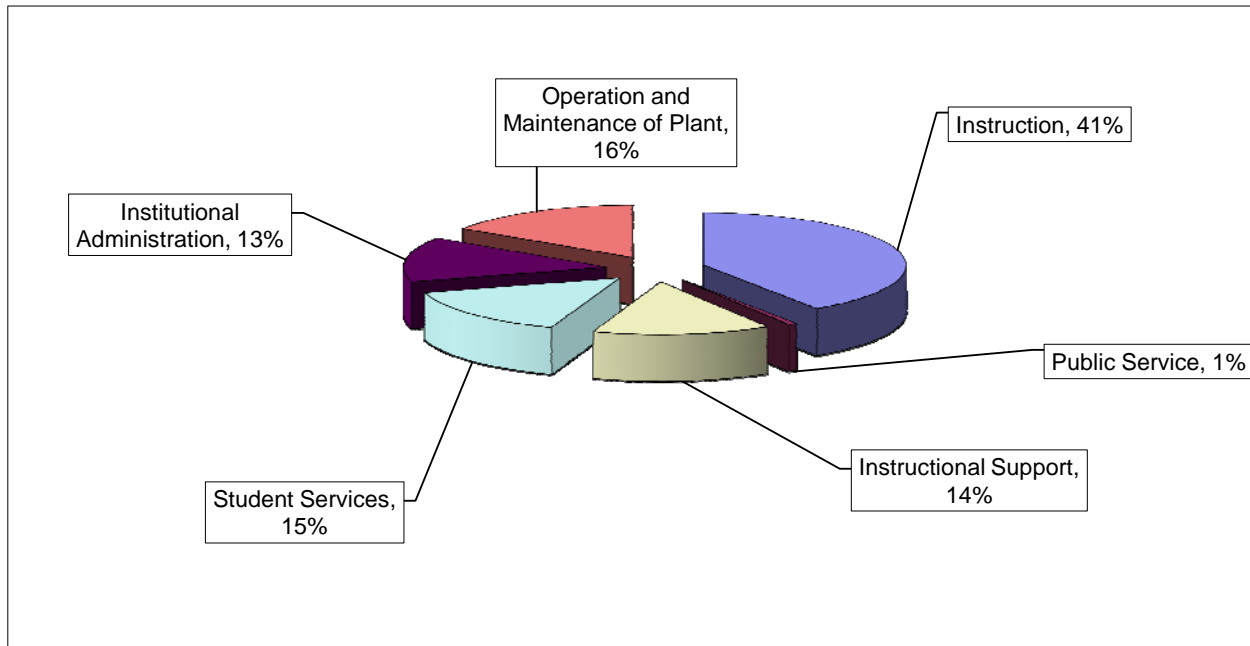
The College continues to spend the largest percentage of operating budget on instruction, with student services, operation and maintenance of plant, and instructional support making up the next largest proportions of operating expenses. These expenses include not only operating funds, but also plant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

The majority of total operating expenses are reported internally in the College's General Fund. In the General Fund, operating expenses for 2016 were \$71.7 million. General Fund operating expenses decreased by \$1.6 million from 2014 to 2015 and decreased again from 2015 to 2016 in the amount of \$480 thousand. Most of the changes are the result of fluctuations in fringe benefit costs, contracted services and bad debts.

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

Following is a graphic illustration of operating expenses by function as reported by the General Fund for the year ended June 30, 2016:



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.

	2016	2015	2014
State Appropriations	\$ 16,975,697	\$ 18,427,226	\$ 16,924,560
Property Tax Levy	25,825,520	25,042,619	24,917,441
Gifts	1,939,348	1,891,447	1,765,763
Pell Grants	16,251,046	20,038,208	22,840,850
Premium on Bonds	237,509	186,341	152,910
Investment Income	83,900	31,164	10,964
Total Non-Operating Revenues	\$ 61,313,020	\$ 65,617,005	\$ 66,612,488

Total non-operating revenues decreased by \$5.3 million during the past three years:

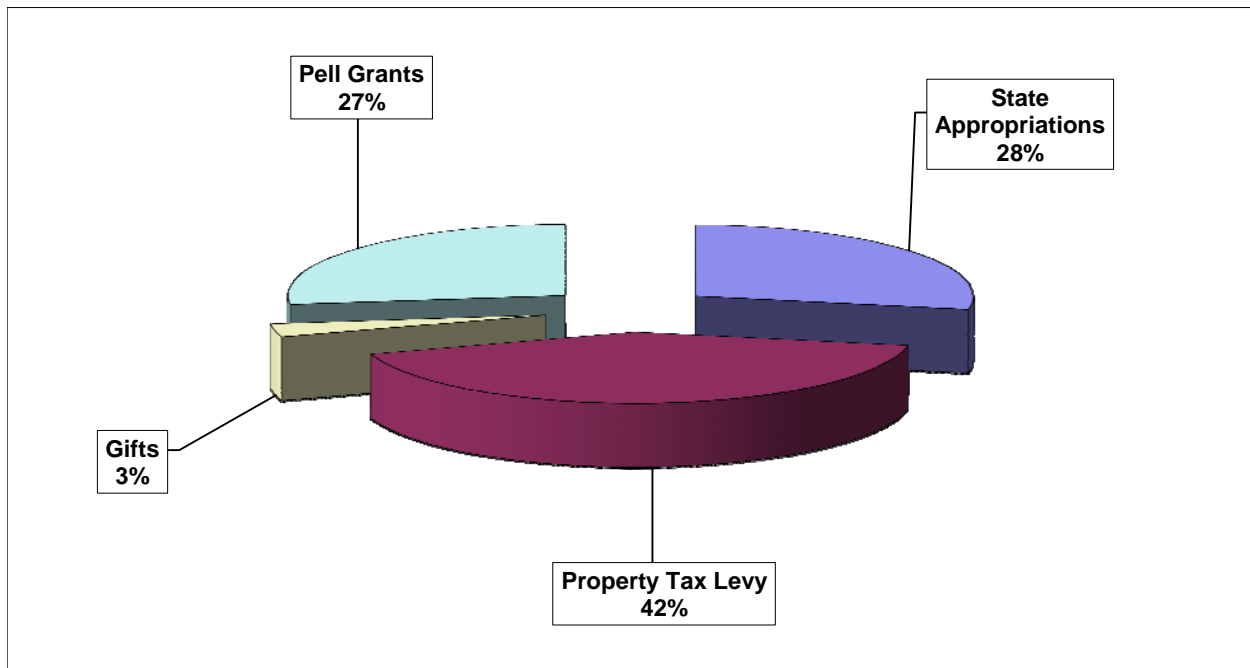
- The State appropriations was steady from \$16.9 million to \$17.0 million from the fiscal years ended June 30, 2014 to 2016, however, \$3.1 million was restricted for the pay down of the MPSERS liability.

C.S. Mott Community College

Management’s Discussion and Analysis - Unaudited (continued)

- Property tax revenues increased \$908 thousand from 2014 to 2016. The previous downward trend, caused by declining property tax values have begun to level off or begin to slightly increase. The fiscal 2017 budget reflected a slight increase in property tax revenues. The College’s combined tax levy rates were 2.8596 for 2014, 2015, and 2016.
- Pell revenue has decreased \$6.6 million from 2014 to 2016 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, 2016:



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

	2016	2015	2014
Interest on Capital Asset-Related Debt	\$ 1,750,131	\$ 1,581,716	\$ 1,898,228
Loss on Disposal of Assets	-	1,418	140,174
Discount on Bonds	145,545	166,312	176,947
Bond Issuance Costs	95,981	4,028	84,795
Total Non-Operating Expenses	\$ 1,991,657	\$ 1,753,474	\$ 2,300,144

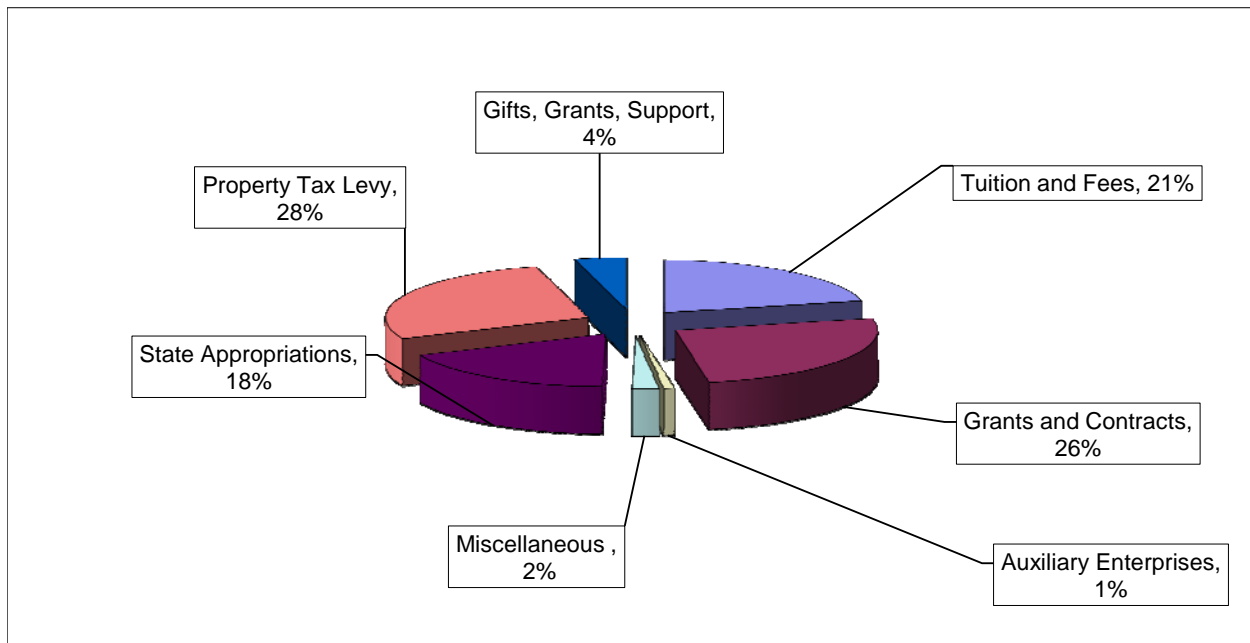
C.S. Mott Community College

Management’s Discussion and Analysis - Unaudited (continued)

Not reflected in either the non-operating revenue/expense tables or charts is the “change in value of perpetual trusts”. This amount fluctuates year to year based on market conditions for the funds held and administered by independent trustees. The change for the years 2016, 2015, and 2014 was (\$1,901,694), (\$1,366,206), and \$3,980,756, 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 2016:



For fiscal year 2016 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 grants and contracts, followed by tuition and fees. State appropriations comprise 18% of the total revenues for the College as a whole for fiscal year 2016.

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

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

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

	<u>2016</u>	(in millions) <u>2015</u>	<u>2014</u>
Cash and cash equivalents (used) provided by:			
Operating activities	\$ (55.0)	\$ (57.0)	\$ (57.0)
Noncapital financing activities	57.5	57.4	64.7
Capital and related financing activities	12.7	(7.9)	7.7
Investing activities	(13.1)	4.1	(9.0)
Net increase (decrease) in cash and cash equivalents	2.1	(3.4)	6.4
Cash and cash equivalents, beginning of year	13.7	17.1	10.7
Cash and cash equivalents, end of year	<u>\$ 15.8</u>	<u>\$ 13.7</u>	<u>\$ 17.1</u>

The \$55.0 million in net cash used for operating activities includes \$88.0 million in payments to employees and suppliers, offset by \$33.0 million in cash received for tuition and fees, grants and contracts, auxiliary enterprise activities, and other miscellaneous revenues. This negative operating cash flow was covered by state appropriations, property taxes, Pell grants, gifts and other support, all of which are included in the \$57.5 million in cash provided from non-capital financing activities.

The net cash provided by capital and related financing activities of \$12.7 million was mainly due to the issuance of the \$20.0 million in bonds and 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 outflow of \$13.1 million in investing activities includes both regular and ongoing investment activities as well as investment activity for the College's bond issuances.

The overall result of cash flows is an increase in cash and cash equivalents of \$2.1 million during 2016.

Capital Assets and Debt Administration

Capital Assets

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

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

	2016	2015	2014
Land	\$ 1,240,940	\$ 1,240,940	\$ 1,240,940
Artwork	6,200	6,200	6,200
Construction in Progress	1,310,853	2,276,821	607,075
Buildings and Improvements	179,327,120	174,504,698	173,409,542
Infrastructure	10,374,388	10,342,938	8,605,490
Equipment	24,813,715	22,218,691	20,299,343
Vehicles	1,823,416	1,797,434	1,761,793
Library Books	2,249,741	2,214,301	2,177,839
Accumulated Depreciation	(127,613,568)	(121,144,236)	(114,864,187)
Total Property and Equipment	\$ 93,532,805	\$ 93,457,787	\$ 93,244,035

Major capital additions completed this year included the following:

Durham Fitness Center	\$2.8 million
Network Switch Project	\$1.1 million
Lapeer Data Center	\$983 thousand

The College has future planned capital expenditures that include repurposing an existing building, and renovations and upgrades on other existing facilities. These, in addition to other planned projects will be funded out of the 2016 bond proceeds. Additionally, replacement of computers and technology and the purchase of instructional equipment are expected to be funded with existing capital funds and planned transfers from operating funds.

More information about the College's capital assets is presented in the Notes to the Financial Statements.

Debt Administration

On 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 to 5.000%. These bonds were issued to advance refund the 2005 Series bonds and a portion of the 2006 Series bonds in the amounts of \$10,050,000 and \$6,250,000, respectively. The estimated savings is \$1,575,677 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.

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

On November 5, 2013, the College in the general election submitted a proposition to the electors that Mott Community College be allowed to borrow \$50,000,000 in the issuance of bonds for capital expenditures. The election was successful and this bond authority was granted. The College issued its first tranche of \$10,000,000 in March 2014 and the second on March 30, 2016 for \$20,000,000.

At June 30, 2016, the College had \$57.3 million in long-term bond-related debt outstanding, versus \$43.5 million on June 30, 2015 and \$50.6 million on June 30, 2014.

The College's underlying credit rating was reaffirmed at 'A+' from Standard & Poor's in March 2016 for all of its General Obligation debt including the series of bonds issued during 2016. According to Standard & Poor's the strong rating reflected continued improvements in the College's general fund balance that stabilized its financial position. The 'A+' rating also reflects the following credit characteristics: 1) a diversifying economy that benefits from its proximity to Oakland County; 2) strong financial position; and 3) a moderate debt burden as a percentage of market value, coupled with rapid amortization. Their rationale included evidence of planned balanced financial operations in the near future and the strength of our reserve levels. In January 2015, the College received another 'A+' rating on its refunding issue.

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 third consecutive year. The 2016-2017 fiscal year enrollment, although in decline, appears to have stabilized.

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 are anticipated to increase minimally in the foreseeable future.

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

C.S. Mott Community College

Management's Discussion and Analysis - Unaudited (continued)

funding to MCC still approximately \$300 thousand less than it was in 1999-2000. In both June 30, 2016 and 2015 fiscal year ended, a nominal increase of roughly 1% was received. Given the current state budget problems, Michigan Public School Employees Retirement System (MPERS) unfunded liabilities, any increases in base funding is unlikely to keep up with inflation as State appropriations to community colleges have not kept up with the rate of inflation since 2000.

C.S. Mott Community College in January of 2010 elected to change the effective dates of its tuition and fees rates from an academic to a calendar year. In light of the continued significant losses in property tax revenue and a reduction in state aid for the 2011-2012 fiscal year, the Board of Trustees authorized substantial budget cuts and a \$9.37 per contact hour tuition increase effective January 2012, making the in-district tuition rate \$108.05/contact hour. This tuition increase and budget cuts did not close the budget gap and the Board of Trustees also authorized a \$1.4 million use of the College's fund balance for the fiscal year ended June 30, 2012. At the June 2012 Board of Trustees meeting, the trustees voted unanimously to set the tuition for the calendar year 2013 at \$117.23 per contact hour or an increase of \$9.18 per contact hour. In June 2013, the Board of Trustees unanimously approved a \$5.27/contact hour tuition increase beginning with the winter 2014 term and in June of 2014, the Board of Trustees unanimously approved a \$3.80/contact hour increase bringing the in-district contact hour 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/contact hour making the in-district contact hour \$130.34.

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

In September of 2012, the Legislature passed and Governor signed a MPERS reform bill capping the percentage that the college would be responsible to pay each year. These laws have helped address challenges of rising operating costs, especially within the employee benefit area. Under this state reform, each community college received through its yearly appropriation a restricted pass-through payment for its portion of the MPERS liability pay down. MCC passed-through \$1.5 million in fiscal year 2014, \$2.6 million in fiscal year 2015, and \$3.1 million in fiscal year 2016.

In April of 2007, the Board of Trustees adopted a five-year strategic plan for 2007-2012. This initiative was centered around the Board's desire for a learning-centered college with an emphasis on the cultural shift associated with the AQIP and the Continuous Quality Improvement (CQI) philosophies. This comprehensive strategic planning initiative is comprised of seven long-term goals in the areas of student learning and success, technology initiatives, systems improvement, economic and human resources development, institutional image and community relations, and budget/finance. These overarching goals are designed to result in quality delivery of education and training that continues to meet community needs while exceeding expectations. The College completed its update of the strategic plan and it was subsequently presented and adopted by the Board of Trustees in the fall of 2012 and extends through 2018.

C.S. Mott Community College
Statements of Net Position
June 30, 2016 and 2015

	Primary Government		Component Unit Foundation for Mott Community College	
	2016	2015	2016	2015
Assets				
Current assets				
Cash and cash equivalents	\$ 15,812,665	\$ 13,652,414	\$ 13,844	\$ 96,056
Short-term investments	2,992,073	2,736,921	-	-
Property taxes receivable	-	60,292	-	-
State appropriation receivable	3,463,592	3,327,242	-	-
Accounts receivable - Net of allowance for uncollectible accounts (\$4,822,659 for 2016 and \$4,225,552 for 2015)	579,596	428,359	231,140	238,464
Grants receivable	3,380,997	4,559,350	-	-
Inventories	56,540	74,972	-	-
Prepaid expenses and other assets	937,909	973,117	9,000	5,000
Total current assets	27,223,372	25,812,667	253,984	339,520
Long-term investments	-	-	6,116,627	6,387,276
Investments - restricted, unspent bond proceeds	18,089,345	4,953,990	-	-
Beneficial interest in perpetual trusts	38,218,272	40,119,966	-	-
Bond discount	111,568	88,731	-	-
Other assets	-	-	44,443	40,925
Property and equipment - net of accumulated depreciation (\$127,613,568 for 2016 and \$121,144,236 for 2015)	93,532,805	93,457,787	-	-
Total assets	177,175,362	164,433,141	6,415,054	6,767,721
Deferred outflows of resources				
Deferred pension amounts (Notes 1 & 7)	8,580,388	10,302,767	-	-
Deferred charge on refunding	527,744	655,924	-	-
Total deferred outflows of resources	9,108,132	10,958,691	-	-

See notes to financial statements.

	Primary Government		Component Unit Foundation for Mott Community College	
	2016	2015	2016	2015
Liabilities				
Current liabilities				
Current portion of long-term liabilities	\$ 6,349,459	\$ 6,449,081	\$ -	\$ -
Accounts payable	3,784,660	3,829,357	4,047	6,205
Accrued interest payable	346,137	301,880	-	-
Accrued payroll and related liabilities	3,594,974	3,479,297	-	-
Deposits held for others	219,381	169,631	-	-
Unearned revenue	1,485,427	1,303,566	95,000	2,125
Total current liabilities	15,780,038	15,532,812	99,047	8,330
Long-term debt obligations	51,956,332	37,850,865	-	-
Net pension liability (Notes 1 & 7)	75,726,813	75,346,059	-	-
Accrued termination pay	2,219,889	2,423,505	-	-
Bond premium	1,072,670	1,547,690	-	-
Other accrued liabilities	153,583	177,218	-	-
Total liabilities	146,909,325	132,878,149	99,047	8,330
Deferred inflows of resources				
Deferred pension amounts (Notes 1 & 7)	8,405,545	8,329,473	-	-
Net position				
Net investment in capital assets	51,933,314	51,843,335	-	-
Restricted for				
Nonexpendable	38,218,272	40,119,966	2,028,342	1,978,171
Expendable				
Scholarships and awards	326,409	87,453	2,255,754	2,365,760
Debt service	664,811	594,071	-	-
Unrestricted (deficit) (Note 13)	(60,174,182)	(58,460,615)	2,031,911	2,415,460
Total net position	\$ 30,968,624	\$ 34,184,210	\$ 6,316,007	\$ 6,759,391

C.S. Mott Community College
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	Primary Government		Component Unit Foundation for Mott Community College	
	2016	2015	2016	2015
Revenues				
Operating revenues				
Tuition and fees	\$ 34,702,564	\$ 36,982,581	\$ -	\$ -
Less scholarship allowances	(14,670,206)	(17,330,716)	-	-
Federal grants and contracts	6,190,082	6,324,145	-	-
State and local grants and contracts	1,936,341	1,853,430	-	-
Private gifts and grants	1,927,273	2,221,540	253,142	595,723
Auxiliary enterprises	800,190	933,533	-	-
Miscellaneous	1,631,404	1,631,754	53,215	35,935
Total operating revenues	<u>32,517,648</u>	<u>32,616,267</u>	<u>306,357</u>	<u>631,658</u>
Expenses				
Operating expenses				
Instruction	32,000,746	31,043,126	-	-
Public service	6,255,363	6,729,465	-	234,173
Instructional support	11,533,493	11,488,009	510,277	434,712
Student services	15,634,297	16,488,370	275,580	187,955
Institutional administration	10,023,195	10,277,625	-	-
Operation and maintenance of plant	10,775,359	11,249,422	-	-
Depreciation	6,930,451	6,566,892	-	-
Foundation operations	-	-	106,171	100,900
Total operating expenses	<u>93,152,904</u>	<u>93,842,909</u>	<u>892,028</u>	<u>957,740</u>
Operating loss	(60,635,256)	(61,226,642)	(585,671)	(326,082)
Non-Operating Revenues (Expenses)				
State appropriations	16,975,697	18,427,226	-	-
Property tax levy	25,825,520	25,042,619	-	-
Pell grants	16,251,046	20,038,208	-	-
Gifts	1,939,348	1,891,447	-	-
Investment income	83,900	31,164	401,235	440,668
Net realized and unrealized loss on investments	-	-	(258,948)	(230,411)
Change in value of perpetual trusts	(1,901,694)	(1,366,206)	-	-
Interest on capital asset - related debt	(1,750,131)	(1,581,716)	-	-
Loss on disposal of assets	-	(1,418)	-	-
Net premium on bonds	91,965	20,029	-	-
Bond issuance costs	(95,981)	(4,028)	-	-
Net non-operating revenues	<u>57,419,670</u>	<u>62,497,325</u>	<u>142,287</u>	<u>210,257</u>
(Decrease) increase in net position	(3,215,586)	1,270,683	(443,384)	(115,825)
Net position - beginning of year	34,184,210	106,630,515	6,759,391	6,875,216
Implementation of GASB Statement No. 68 (Note 1 & 7)	-	(73,716,988)	-	-
Net position - end of year	<u>\$ 30,968,624</u>	<u>\$ 34,184,210</u>	<u>\$ 6,316,007</u>	<u>\$ 6,759,391</u>

See notes to financial statements.

**C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2016**

	Primary Government 2016	Component Unit Foundation for Mott Community College 2016
Cash Flows from Operating Activities		
Tuition and fees	\$ 19,946,817	\$ -
Grants and contracts	10,471,554	50,000
Payments to suppliers	(25,239,318)	(115,889)
Payments to employees	(62,874,783)	-
Auxiliary enterprises	410,003	-
Gifts received	731,363	302,104
Allocations to primary government	-	(731,363)
Other	1,580,074	-
Net cash used for operating activities	(54,974,290)	(495,148)
Cash Flows from Noncapital Financing Activities		
State appropriations	21,211,999	-
Local property taxes	17,927,158	-
Pell grants	16,251,046	-
Gifts and contributions for other than capital purposes	1,939,348	-
Agency transactions	(126,814)	-
Student loan receipts	22,583,550	-
Student loan disbursements	(22,227,291)	-
Net cash provided by noncapital financing activities	57,558,996	-
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(6,996,216)	-
Principal paid on capital debt	(6,455,355)	-
Bond proceeds	20,000,000	-
Bond issuance costs	(95,981)	-
Capital property tax levy	7,958,654	-
Interest paid on capital debt	(1,705,874)	-
Net cash provided by capital and related financing activities	12,705,228	-
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	10,089,989	581,747
Interest on investments	83,901	402,950
Purchase of investments	(23,303,575)	(571,761)
Net cash (used for) provided by investing activities	(13,129,685)	412,936
Net increase (decrease) in cash and cash equivalents	2,160,249	(82,212)
Cash and cash equivalents - beginning of year	13,652,414	96,056
Cash and cash equivalents - end of year	\$ 15,812,663	\$ 13,844

See notes to financial statements.

**C.S. Mott Community College
Statement of Cash Flows
Year Ended June 30, 2016**

	<u>Primary Government 2016</u>	<u>Component Unit Foundation for Mott Community College 2016</u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities		
Operating loss	\$ (60,635,256)	\$ (585,671)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	6,930,451	-
(Increase) decrease in assets:		
Grants receivable	968,875	-
Accounts receivable, net	(151,237)	7,324
Inventories	18,432	-
Prepaid expenses and other current assets	35,208	(7,518)
Increase (decrease) in liabilities:		
Accounts payable	(44,697)	(2,158)
Accrued payroll and other compensation	(87,939)	-
Other accrued liabilities	(23,635)	-
Unearned revenue	181,861	92,875
Deposits held for others	12,852	-
Net pension liability and deferred amounts	(2,179,205)	-
	<u>\$ (54,974,290)</u>	<u>\$ (495,148)</u>

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

1. Basis of presentation and significant accounting policies

Reporting Entity – C.S. Mott Community College (the “College”) is a Michigan community college, with its main campus located in Flint, Michigan and satellite sites in Genesee, Lapeer, and Livingston Counties. The College is governed by a Board of Trustees, whose seven members are elected for six-year overlapping terms.

The accompanying financial statements have been prepared in accordance with the criteria established by the Governmental Accounting Standards Board (GASB) for determining the various organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Because of its economic interest, the Foundation for Mott Community College is included in the College’s reporting entity as a discretely presented component unit. The Foundation for Mott Community College is a private organization that reports under the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features differ from those under GASB. No modifications have been made to the Foundation financial information included in the College’s financial report accounting for these differences.

Separate financial statements of the Foundation can be obtained by contacting the Foundation for Mott Community College, 1401 East Court Street, Flint, Michigan 48503.

Basis of presentation - The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as applicable to public colleges and universities as described in GASB Statement No. 35 and the *Manual for Uniform Financial Reporting- Michigan Public Community Colleges, 2001*. The College follows the “business-type” activities model of the GASB Statement No. 35. Business-Type Activities are those that are financed in whole or in part by fees charged to external parties for goods and services. Reporting for business-type activities is based on all applicable GASB pronouncements.

Significant accounting policies followed by the College are described below:

Accrual basis:

The financial statements have been prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

Cash and cash equivalents:

Cash and cash equivalents consist of all highly liquid investments with an initial maturity of three months or less.

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 it is determined that collection of the gift is probable.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

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

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.

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:

An allowance is established, when material, for doubtful accounts.

Inventories:

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

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

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 or art. Expenditures for major renewals and betterments that extend the useful lives of the capital assets are capitalized. The College has a policy of capitalizing only property and equipment purchases of \$5,000 and over. Expenditures for maintenance and repairs are charged to current expenditures as incurred.

Accrued Compensated Balances and Accrued Termination Pay:

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

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

Deferred Outflows of Resources:

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

Deferred Inflows of Resources:

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The College reports deferred inflows of resources for certain pension related amounts, such as the difference between employer contributions and proportionate share. More detailed information can be found in Note 7.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

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

Pension:

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

As of July 1, 2014, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires that the College recognize a net pension liability on the statement of net position, equal to the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 7. As a result of this change, the College recognized a net pension liability of \$80,153,206 and deferred outflows of resources of \$6,436,218, which resulted in a decrease in net position of \$73,716,988 as of July 1, 2014.

Reclassification:

Certain amounts as reported in the 2015 financial statements have been reclassified to conform with the 2016 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.

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.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

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

Net position:

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

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

Restricted resources:

The College applies expenses first against restricted resources when an expense is incurred for which both restricted and unrestricted net position are available.

Bond issuance costs:

Bond issuance costs are expensed when incurred.

Foundation for Mott Community College:

The Foundation for Mott Community College is presented in the financial statements as a component unit. The Foundation for Mott Community College's financial statements have been prepared in accordance with the criteria established by the Financial Accounting Standards Board (FASB).

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:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$15,812,665	\$13,652,414
Short term investments	2,992,073	2,736,921
Investments - restricted, unspent bond proceeds	<u>18,089,345</u>	<u>4,953,990</u>
Total	<u>\$36,894,083</u>	<u>\$21,343,325</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

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

The amounts are categorized as follows at June 30:

	<u>2016</u>	<u>2015</u>
Bank deposits (checking, savings, cash sweep accounts and money markets)	\$15,802,419	\$13,642,318
Petty cash	10,246	10,096
Certificates of deposit	1,491,673	1,489,526
Investments in government obligations	<u>19,589,745</u>	<u>6,201,385</u>
Total	<u>\$36,894,083</u>	<u>\$21,343,325</u>

As of June 30, 2016, the College had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>1-10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Rating</u>
Certificates of Deposit	\$ 1,491,673	\$ 1,242,555	\$ 249,118	\$ -	N/A
Commercial Paper	4,489,300	4,489,300	-	-	
Federal Government Obligations	1,555,270	1,555,270	-	-	N/A
Federated Government Agency Bonds	12,038,725	4,002,879	8,035,846	-	N/A
Municipal Bonds	<u>1,506,450</u>	<u>-</u>	<u>1,506,450</u>	<u>-</u>	N/A
Total	<u>\$ 21,081,418</u>	<u>\$ 11,290,004</u>	<u>\$ 9,791,414</u>	<u>\$ -</u>	

As of June 30, 2015, the College had the following investments and maturities:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>1-10 Years</u>	<u>More Than 10 Years</u>	<u>Credit Rating</u>
U.S. Treasury Bonds	\$ 3,931,186	\$ 3,931,186	\$ -	\$ -	N/A
Federated Government Obligations	2,270,199	2,270,199	-	-	N/A
Certificates of Deposit	<u>1,489,526</u>	<u>1,489,526</u>	<u>-</u>	<u>-</u>	N/A
Total	<u>\$ 7,690,911</u>	<u>\$ 7,690,911</u>	<u>\$ -</u>	<u>\$ -</u>	

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.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

2. Cash and investments – (continued)

Interest rate risk:

Interest rate risk is the risk that changes in interest rate risk 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, 2016, \$750,000 was covered by federal depository insurance and the temporary liquidity guarantee program. \$15,062,665 was uninsured and uncollateralized for the year ended June 30, 2016. Of the deposits and cash that the College held as of June 30, 2015, \$750,000 was covered by federal depository insurance and the temporary liquidity guarantee program. \$15,481,569 was uninsured and uncollateralized for the year ended June 30, 2015.

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.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

2. Cash and investments – (continued)

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, 2016 or 2015.

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 2.

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:

<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 1,491,673	\$ -	\$ -	\$ 1,491,673
Debt securities		-	-	
U.S. Government & agencies	12,038,725	-	-	12,038,725
Municipal bonds	1,506,450	-	-	1,506,450
Corporate bonds	4,489,300	-	-	4,489,300
Money market accounts	-	1,555,270	-	1,555,270
Total investments at fair value	<u>\$ 19,526,148</u>	<u>\$1,555,270</u>	<u>\$ -</u>	<u>\$ 21,081,418</u>
<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 1,489,526	\$ -	\$ -	\$ 1,489,526
Debt securities		-	-	
U.S. Government & agencies	3,931,185	-	-	3,931,185
Money market accounts	-	2,270,200	-	2,270,200
Total investments at fair value	<u>\$ 5,420,711</u>	<u>\$ 2,270,200</u>	<u>\$ -</u>	<u>\$ 7,690,911</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

3. Beneficial interest in perpetual trusts

The College's beneficial interest in perpetual trusts represents funds held in and administered by independent trustees. The College derives income from such funds but they are not in the possession of or under control of the College. Changes in the value of the beneficial interest are recorded as a component of non-operating revenue/expense.

4. Property and equipment

The changes in various capital asset class categories for the year ended June 30, 2016 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)	2,276,821	1,310,853	(2,276,821)	1,310,853	
Total nondepreciable capital assets	3,523,961	1,310,853	(2,276,821)	2,557,993	
Depreciable capital assets:					
Buildings and improvements	171,586,727	4,822,422	-	176,409,149	15 - 50
Leasehold improvements	2,917,971	-	-	2,917,971	5
Infrastructure	10,342,938	31,450	-	10,374,388	10 - 50
Computer equipment	6,804,373	1,523,463	(362,383)	7,965,453	5 - 10
Audio-visual equipment	864,889	54,773	(32,307)	887,355	5 - 10
Other equipment	14,549,429	1,483,118	(71,640)	15,960,907	5 - 20
Vehicles	1,797,434	25,982	-	1,823,416	8
Library books	2,214,301	35,440	-	2,249,741	5
Total depreciable capital assets	211,078,062	7,976,648	(466,330)	218,588,380	
Total capital assets	214,602,023	9,287,501	(2,743,151)	221,146,373	
Less: accumulated depreciation:					
Buildings and improvements	91,811,672	5,233,816	-	97,045,488	
Leasehold improvements	2,676,071	8,621	-	2,684,692	
Infrastructure	7,976,963	287,535	-	8,264,498	
Computer equipment	5,834,263	376,595	(362,383)	5,848,475	
Audio-visual equipment	736,769	43,650	(27,099)	753,320	
Other equipment	8,617,451	822,655	(71,640)	9,368,466	
Vehicles	1,376,116	125,187	-	1,501,303	
Library books	2,114,931	32,395	-	2,147,326	
Total accumulated depreciation	121,144,236	6,930,454	(461,122)	127,613,568	
Total net capital assets	\$ 93,457,787	\$ 2,357,047	\$ (2,282,029)	\$ 93,532,805	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

4. Property and equipment – (continued)

The changes in various capital asset class categories for the year ended June 30, 2015 are as follows:

	Beginning Balance	Transfer/ Additions	Transfer/ Deletions	Ending Balance	Estimated Useful Life (in years)
Nondepreciable capital assets:					
Land	\$ 1,240,940	\$ -	\$ -	\$ 1,240,940	
Artwork	6,200	-	-	6,200	
Construction in progress (see note 9)	607,075	2,248,440	(578,694)	2,276,821	
Total nondepreciable capital assets	1,854,215	2,248,440	(578,694)	3,523,961	
Depreciable capital assets:					
Buildings and improvements	170,724,813	861,914	-	171,586,727	15 - 50
Leasehold improvements	2,684,729	233,242	-	2,917,971	5
Infrastructure	8,605,490	1,737,448	-	10,342,938	10 - 50
Computer equipment	6,219,550	631,779	(46,956)	6,804,373	5 - 10
Audio-visual equipment	967,006	-	(102,117)	864,889	5 - 10
Other equipment	13,112,787	1,624,603	(187,961)	14,549,429	5 - 20
Vehicles	1,761,793	51,393	(15,752)	1,797,434	8
Library books	2,177,839	36,462	-	2,214,301	5
Total depreciable capital assets	206,254,007	5,176,841	(352,786)	211,078,062	
Total capital assets	208,108,222	7,425,281	(931,480)	214,602,023	
Less: accumulated depreciation:					
Buildings and improvements	86,601,705	5,209,967	-	91,811,672	
Leasehold improvements	2,673,519	2,552	-	2,676,071	
Infrastructure	7,833,336	143,627	-	7,976,963	
Computer equipment	5,568,931	312,288	(46,956)	5,834,263	
Audio-visual equipment	787,624	49,844	(100,699)	736,769	
Other equipment	8,050,010	690,877	(123,436)	8,617,451	
Vehicles	1,266,743	125,125	(15,752)	1,376,116	
Library books	2,082,319	32,612	-	2,114,931	
Total accumulated depreciation	114,864,187	6,566,892	(286,843)	121,144,236	
Total net capital assets	\$ 93,244,035	\$ 858,389	\$ (644,637)	\$ 93,457,787	

C.S. Mott Community College's library renovation was partially financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into between the SBA, the State of Michigan, and the College. During the lease term, the SBA holds title to the building, the State of Michigan makes all lease payments directly to the SBA, and the College is responsible for all operating and maintenance costs. At the expiration of the lease, on June 30, 2046, the SBA will transfer title to the building to the College. The cost (\$8.2 million) and accumulated depreciation for the facility is included in the accompanying statements of net position.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

4. Property and equipment – (continued)

C.S. Mott Community College's regional technology center renovation was partially financed through the issuance of bonds by the State of Michigan Building Authority (SBA). The SBA bonds are secured by a pledge of rentals to be received from the State of Michigan pursuant to a lease agreement entered into between the SBA, the State of Michigan, and the College. During the lease term, the SBA holds title to the building, the State of Michigan makes all lease payments directly to the SBA, and the College is responsible for all operating and maintenance costs. At the expiration of the lease, on August 31, 2037, the SBA will transfer title to the building to the College. The cost (\$33.4 million) and accumulated depreciation for the facility is included in the accompanying statements of net position.

5. Long term liabilities

The changes in long term liabilities for the year ended June 30, 2016 are as shown below.

Building and Improvement Bonds:	Interest Rate	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance	Current Obligations
Series 2006	4.00% - 5.00%	May 1, 2021	\$ 1,100,000	\$ -	\$ 1,100,000.00	\$ -	\$ -
Series 2008	3.375% - 4.625%	May 1, 2023	9,800,000	-	1,225,000	8,575,000	1,225,000
Series 2009	3.00% - 4.00%	May 1, 2021	2,570,000	-	530,000	2,040,000	545,000
Series 2012	1.215%	May 1, 2019	5,315,000	-	1,235,000	4,080,000	1,305,000
Series 2014	2.00% - 4.00%	May 1, 2033	9,950,000	-	50,000	9,900,000	50,000
Series 2015	3.00% - 5.00%	May 1, 2021	14,715,000	-	2,050,000	12,665,000	2,505,000
Series 2016	3.047%	May 1, 2035	-	20,000,000	-	20,000,000	-
Total bonds payable			43,450,000	20,000,000	6,190,000	57,260,000	5,630,000
Installment Purchase -							
Lapeer building & land	0%	December 21, 2017	698,874	-	232,958	465,916	232,958
Capital Lease - Copiers	4.625%	May 1, 2020	151,072	-	30,992	120,080	30,017
Capital Lease - Copiers	10.980%	February 1, 2018	-	9,254	1,405	7,849	4,537
Accrued termination pay			2,423,505	297,902	302,624	2,418,783	198,895
Bond premium			1,547,690	-	237,510	1,310,180	237,510
Other accrued liabilities			177,218	-	8,093	169,125	15,542
Total bonds payable and other long term liabilities			<u>\$ 48,448,359</u>	<u>\$ 20,307,156</u>	<u>\$ 7,003,582</u>	61,751,933	<u>\$ 6,349,459</u>
Current long term liabilities						6,349,459	
Long term liabilities						<u>\$ 55,402,474</u>	

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

5. Long term liabilities – (continued)

Debt service requirements are as follows:

Year ended		Total	Principal	Interest
June 30, 2017		\$ 7,927,877	\$ 5,897,512	\$ 2,030,365
June 30, 2018		8,204,003	6,412,706	1,791,297
June 30, 2019		7,686,409	6,122,920	1,563,489
June 30, 2020		6,729,293	5,340,707	1,388,586
June 30, 2021		6,480,225	5,315,000	1,165,225
June 30, 2022 - June 30, 2026		14,643,956	10,705,000	3,938,956
June 30, 2027 - June 30, 2031		12,472,244	10,130,000	2,342,244
June 30, 2032 - June 30, 2035		8,525,575	7,930,000	595,575
		<u>\$ 72,669,582</u>	<u>\$ 57,853,845</u>	<u>\$ 14,815,737</u>

The changes in long term liabilities for the year ended June 30, 2015 are as shown below.

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

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

6. Operating Leases

The College leases equipment under non-cancellable operating leases. Total cost for such leases was \$98,136 for 2016 and \$101,676 for 2015. The future minimum lease payments for these leases are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 86,763
2018	80,988
2019	47,894
2020	<u>540</u>
Total	<u>\$ 216,185</u>

7. Employee benefits

Retirement Plan

Plan Description. The Michigan Public School Employees' Retirement System (the "System" or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (the "State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available at www.michigan.gov/mpsers-cafr.

Benefits Provided. Benefit provisions of the defined benefit pension 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 (DB) pension plan. Depending on the plan option selected, member retirement benefits for are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

DB member plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

7. Employee benefits – (continued)

Contributions. Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21-year period for the 2015 fiscal year. In addition, the College is invoiced monthly an amount for “MPSERS UAAL Stabilization.” This additional contribution is offset by monthly State aid payments equal to the amounts actually billed by the Office of Retirement Services. Employer contribution requirements for pension, exclusive of the MPSERS UAAL Stabilization, range from 17.72% – 23.07% for the year ended June 30, 2016 and 19.89% - 24.20% for the year ended June 30, 2015.

The plan options include Basic, Member Investment Plan (MIP), MIP Fixed, MIP Graded, MIP Plus, and Pension Plus. Beginning February 1, 2013, existing members could transition to Basic 4%, MIP 7%, or a defined contribution plan (DC). Depending on the plan selected, plan member contributions range from 0% to 7% of reportable wages.

The College’s contributions to MPSERS under all pension plans for the year ended June 30, 2016 and June 30, 2015, inclusive of the MPSERS UAAL stabilization and one-time prepayment was \$7,229,049 and \$8,419,942, respectively.

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

At June 30, 2016 and 2015, the College reported a liability of \$75,726,813 and \$75,346,059 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2014 and 2013, respectively. The College’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the College’s proportion (as calculated by MPSERS) was 0.31004%, which was a decrease of (0.03203%) from its proportion measured as of September 30, 2014 of 0.34207%.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

7. Employee benefits – (continued)

For the year ended June 30, 2016, the College recognized pension expense of \$4,834,225. At June 30, 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2016	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected & actual experience	\$ -	\$ 250,829	\$ (250,829)
Changes in assumptions	1,864,555	-	1,864,555
Net difference between projected and actual earnings on pension plan investments	386,524	-	386,524
Changes in proportion and differences between employer contributions and proportionate share of contributions	147,236	5,968,390	(5,821,154)
	<u>2,398,315</u>	<u>6,219,219</u>	<u>(3,820,904)</u>
College contributions subsequent to measurement date	6,182,073	-	6,182,073
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	2,186,326	(2,186,326)
	<u>-</u>	<u>2,186,326</u>	<u>(2,186,326)</u>
Total	<u>\$ 8,580,388</u>	<u>\$ 8,405,545</u>	<u>\$ 174,843</u>

For June 30, 2016, \$6,182,073 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017. The \$2,186,326 reported as deferred inflows resulting from the pension portion of the state appropriations received pursuant to Sec 147c of the State School Aid Act (PA194 of 1979), will be recognized as state aid revenue for the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2017	\$ (1,353,815)
2018	(1,353,815)
2019	(1,455,099)
2020	341,825
Total	<u>\$ (3,820,904)</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

7. Employee benefits – (continued)

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

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

Actuarial Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2014 and 2013 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus plan (hybrid)	7.5% (7% for 2013)
Projected salary increases	3.5% - 12.3%, including wage inflation of 3.5%
Cost of living adjustments	3.0% annual, non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

7. Employee benefits – (continued)

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 valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015 and 2014, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study for 2014.

Long Term Expected Return on Plan Assets: The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 and 2014, are summarized in the following tables:

2015			
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Expected Money- Weighted Rate of Return</u>
Domestic equity pools	28.00%	5.90%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity pools	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short - term investment pools	2.00%	0.00%	0.00%
	<u>100.00%</u>		<u>5.90%</u>
Inflation			<u>2.10%</u>
Investment rate of return			<u>8.00%</u>

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

7. Employee benefits – (continued)

2014			
Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money- Weighted Rate of Return
Domestic equity pools	28.00%	4.80%	1.34%
Alternative investment pools	18.00%	8.50%	1.53%
International equity pools	16.00%	6.10%	0.98%
Fixed income pools	10.50%	1.50%	0.16%
Real estate and infrastructure pools	10.00%	5.30%	0.53%
Absolute return pools	15.50%	6.30%	0.98%
Short - term investment pools	2.00%	-0.20%	-0.02%
	100.00%		5.50%
Inflation			2.50%
Investment rate of return			8.00%

Discount Rate: A discount rate of 8.0% was used to measure the total pension liability (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 8.0%, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (7.0%) or 1% higher (9.0%) than the current rate for the years ended June 30, 2016 and 2015, respectively:

	2016	1% Decrease (7.0%)	Current Discount Rate	1% Increase (9.0%)
College's proportionate share of the net pension liability	\$	97,631,275	\$	75,726,813
			\$	57,260,455

**C.S. Mott Community College
Notes to Financial Statements
June 30, 2016**

7. Employee benefits – (continued)

2015	1% Decrease (7.0%)	Current Discount Rate	1% Increase (9.0%)
College's proportionate share of the net pension liability	\$ 99,336,449	\$ 75,346,059	\$ 55,132,726

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

Payable to the Pension Plan. At June 30, 2016 and 2015, the College reported a payable of \$511,344 and \$698,279, respectively for the outstanding amount of pension contributions to the Plan required for the years ended June 30, 2016 and 2015.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a prefunded basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Employer contributions range from 2.71% to 6.83% of covered payroll. Plan participants contribute 3% of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that covers up to 80% of cost.

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

The College's contributions to MPSERS for other postemployment benefits amounted to \$2,549,239 and \$940,480 for the years ended June 30, 2016 and 2015, respectively.

Defined Contribution Plan

Certain employees of the College may elect to participate in an optional retirement program (ORP) in lieu of participating in the MPSERS plan. The ORP is a defined contribution plan affiliated with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). The ORP has 128 members and is a single employer plan. Under the ORP, the College contributes between 10% and 13.54%, and the participant contributes 3.9% of the participant's compensation. Total

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

7. Employee benefits – (continued)

covered payroll and College contributions for the years ended June 30, 2016 and 2015 were \$10,508,991 and \$1,200,860 and \$10,415,815 and \$1,216,272, respectively.

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

8. Contingencies and Commitments

The College participates in various grant programs, both federal and state sponsored. The funds received through these programs are subject to audits by the grantor agencies and the results of these audits might identify costs that are not allowable. The College also has various construction contract commitments. Note number 9 describes these commitments.

9. Construction in Progress

The College started a construction project on campus consisting of upgrades and repairs to the Ramp J parking structure. As of June 30, 2016 total expenditures were \$1,310,853. The completion of this project will occur at the end of August 2016. The total expense of this project is estimated to be \$3,021,121.

10. Risk Management

The College is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The College has purchased commercial insurance for property loss, errors and omissions and medical benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

11. Advance refunding

On February 25, 2015 the College issued \$14,715,000 in Series 2015 Community College Refunding Bonds with interest rates between 3.000 and 5.000%. These bonds were issued to advance refund the 2005 Series bonds and a portion of the 2006 Series bonds in the amounts of \$10,050,000 and \$6,250,000, respectively. The net proceeds, after payment of \$41,496 in underwriting fees, insurance and other issuance costs, plus a premium of \$1,380,466 were \$16,053,969. These funds were used to purchase U.S Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of these respective bonds. As a result, the refunded bonds are considered defeased with the liability for these bonds removed from the financial statements. The advance refunding reduced the total debt service payments by approximately \$1,575,674, which represents a present value economic gain of approximately \$1,418,065.

C.S. Mott Community College
Notes to Financial Statements
June 30, 2016

11. Advance refunding – (continued)

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, 2016 and 2015, \$30,195,000 and \$35,355,000, respectively of bonds outstanding are considered defeased.

12. Non-cash Capital and Related Financing Activities

The College financed the lease of print room equipment during 2015 by obtaining credit in the form of a lease note payable in the amount of \$155,704. Additional lease agreements for copiers in the Center for Teaching & Learning and Public Safety were entered into during 2016 by obtaining credit in the form of a lease note payable for \$4,119 and \$5,135 respectively.

13. Deficit Net Position

For fiscal year ended June 30, 2016, the Pension Liability Fund reported a deficit in unrestricted net position in the amount of \$75,551,970. Total unrestricted net position for the College was a deficit of \$60,174,182 while net position for the College overall was \$30,968,624.

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

14. GASB 75 Statement No. 75

"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", is effective for the College's fiscal year 2018 and establishes new recognition and disclosure requirements for employers that provide other postemployment benefits (OPEB) to recognize a net OPEB liability on their statement of net position based on an actuarial valuation of retiree healthcare. Since the College participates in the MPSERS OPEB plan, it will report a liability for its "proportionate share" of the "net OPEB liability" of the MPSERS OPEB plan. The College will be required to recognize OPEB expense, deferred outflows of resources and deferred inflows of resources related to its proportionate share of the corresponding collective OPEB amounts. The methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service will be specified in this Statement. Further updates are expected as MPSERS OPEB begins their actuarial calculations.

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**

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
College's proportion of the net pension liability	0.31004%	0.34207%
College's proportionate share of the net pension liability	\$ 75,726,813	\$ 75,346,059
College's covered employee payroll	\$ 40,189,775	\$ 41,856,974
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.42%	180.01%
Plan fiduciary net position as a percentage of the total pension liability	63.17%	66.20%

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

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

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

	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
Contractually required contribution	\$ 7,229,049	\$ 8,419,942
Contribution in relation to the contractually required contribution	<u>(7,229,049)</u>	<u>(8,419,942)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	40,109,269	\$ 41,335,940
Contribution as a percentage of covered employee payroll	18.02%	20.37%

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

C.S. Mott Community College
Combining Statement of Net Position
June 30, 2016

	Combined Total	General Fund	Pension Liability Fund
Assets			
Current assets			
Cash and cash equivalents	\$ 15,812,665	\$ 11,926,347	\$ -
Short-term investments	2,992,073	-	-
State appropriation receivable	3,463,592	3,463,592	-
Accounts receivable - net of \$4,822,659 allowance	579,596	376,474	-
Grants receivable	3,380,997	-	-
Inventories	56,540	56,540	-
Prepaid expenses and other assets	937,909	898,906	-
Total current assets	27,223,372	16,721,859	-
Investments - restricted, unspent bond proceeds	18,089,345	-	-
Beneficial interest in perpetual trusts	38,218,272	-	-
Bond discount	111,568	-	-
Property and equipment - net of \$127,613,569 accumulated depreciation	93,532,805	-	-
Total assets	177,175,362	16,721,859	-
Deferred outflows of resources			
Deferred pension amounts	8,580,388	-	8,580,388
Deferred charge on refunding	527,744	-	-
Total deferred outflows of resources	9,108,132	-	8,580,388

Designated Fund	Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,886,318
-	-	-	-	-	2,992,073
-	-	-	-	-	-
6,817	18,238	178,067	-	-	-
-	-	-	3,380,997	-	-
-	-	-	-	-	-
-	-	-	-	-	39,003
6,817	18,238	178,067	3,380,997	-	6,917,394
-	-	-	-	-	18,089,345
-	-	-	-	38,218,272	-
-	-	-	-	-	111,568
-	-	-	-	-	93,532,805
6,817	18,238	178,067	3,380,997	38,218,272	118,651,112
-	-	-	-	-	-
-	-	-	-	-	527,744
-	-	-	-	-	527,744

C.S. Mott Community College
Combining Statement of Net Position (continued)
June 30, 2016

	Combined Total	General Fund	Pension Liability Fund
Liabilities			
Current liabilities:			
Current portion of debt obligations	\$ 6,349,459	\$ 214,437	\$ -
Accounts payable	3,784,660	3,687,090	-
Due to (from) other funds	-	(505,956)	-
Accrued interest payable	346,137	-	-
Accrued payroll and related liabilities	3,594,974	3,502,301	-
Deposits held for others	219,381	12,852	-
Unearned revenue	1,485,427	495,523	-
Total current liabilities	15,780,038	7,406,247	-
Long term debt obligations	51,956,332	-	-
Net pension liability	75,726,813	-	75,726,813
Accrued termination pay	2,219,889	2,219,889	-
Bond premium	1,072,670	-	-
Other accrued liabilities	153,583	153,583	-
Total liabilities	146,909,325	9,779,719	75,726,813
Deferred inflows of resources			
Deferred pension amounts	8,405,545	-	8,405,545
Net position			
Net investment in capital assets	51,933,314	-	-
Restricted for			
Nonexpendable	38,218,272	-	-
Expendable			
Scholarships and awards	326,409	-	-
Debt service	664,811	-	-
Unrestricted (deficit)	(60,174,182)	6,942,140	(75,551,970)
Total net position	\$ 30,968,624	\$ 6,942,140	\$(75,551,970)

Designated Fund	Auxiliary Fund	Agency Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,135,022
-	-	-	97,570	-	-
(1,342,484)	(57,017)	(28,462)	1,965,357	-	(31,438)
-	-	-	-	-	346,137
2,186	-	-	90,487	-	-
-	-	206,529	-	-	-
23,730	65,000	-	901,174	-	-
(1,316,568)	7,983	178,067	3,054,588	-	6,449,721
-	-	-	-	-	51,956,332
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,072,670
-	-	-	-	-	-
(1,316,568)	7,983	178,067	3,054,588	-	59,478,723
-	-	-	-	-	-
-	-	-	-	-	51,933,314
-	-	-	-	38,218,272	-
-	-	-	326,409	-	-
-	-	-	-	-	664,811
1,323,385	10,255	-	-	-	7,102,008
\$ 1,323,385	\$ 10,255	\$ -	\$ 326,409	\$ 38,218,272	\$ 59,700,133

C.S. Mott Community College
Combining Statement of Revenues, Expenses,
Transfers and Changes in Net Position
June 30, 2016

	Combined Total	Eliminations	General Fund
Revenues			
Operating revenues			
Tuition and fees	\$ 34,702,564	\$ -	\$ 33,174,890
Less scholarship allowances	(14,670,206)	(14,670,206)	-
Federal grants and contracts	6,190,082	-	-
State and local grants and contracts	1,936,341	-	-
Private gifts and grants	1,927,273	(751,866)	6,532
Auxiliary enterprises	800,190	-	-
Expenditures for equipment and capital improvements	-	(6,996,216)	-
Miscellaneous	1,631,404	-	1,270,253
Total operating revenues	<u>32,517,648</u>	<u>(22,418,288)</u>	<u>34,451,675</u>
Expenses			
Operating expenses			
Instruction	32,000,746	(2,213,271)	29,107,992
Public service	6,255,363	(33,286)	466,399
Instructional support	11,533,493	(62,850)	10,187,233
Student services	15,634,297	(14,670,206)	10,772,873
Institutional administration	10,023,195	(6,616)	9,940,109
Operation and maintenance of plant	10,775,359	(5,432,059)	11,268,744
Depreciation	6,930,451	-	-
Total operating expenses	<u>93,152,904</u>	<u>(22,418,288)</u>	<u>71,743,350</u>
Operating (loss) income	(60,635,256)	-	(37,291,675)
Non-Operating Revenues (Expenses)			
State appropriations	16,975,697	-	19,162,023
Property tax levy	25,825,520	-	17,866,866
Pell grants	16,251,046	-	-
Gifts	1,939,348	-	1,939,348
Investment income	83,900	-	767
Change in value of perpetual trusts	(1,901,694)	-	-
Interest on capital asset - related debt	(1,750,131)	-	-
Net premium on bonds	91,965	-	-
Bond issuance costs	(95,981)	-	-
Net non-operating revenues	<u>57,419,670</u>	<u>-</u>	<u>38,969,004</u>
(Decrease) increase in net position	(3,215,586)	-	1,677,329
Transfers in (out)	-	-	(1,342,530)
(Decrease) increase in net position	(3,215,586)	-	334,799
Net Position			
Net position - beginning of year	34,184,210	-	6,607,341
Net position - end of year	<u>\$ 30,968,624</u>	<u>\$ -</u>	<u>\$ 6,942,140</u>

Pension Liability Fund	Designated Fund	Auxiliary Fund	Expendable Restricted Fund	Endowment Fund	Plant Fund
\$ -	\$ 1,527,674	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	6,190,082	-	-
-	-	-	1,936,341	-	-
-	-	-	2,672,607	-	-
-	-	800,190	-	-	-
-	-	-	-	-	6,996,216
-	346,746	-	14	-	14,391
-	1,874,420	800,190	10,799,044	-	7,010,607
(2,304)	-	-	1,755,275	-	3,353,054
(214)	-	315,008	5,505,844	-	1,612
(792)	-	-	708,714	-	701,188
(576)	966,265	50,179	18,363,495	-	152,267
(2,594)	-	25,000	42,648	-	24,648
(641)	8,839	-	-	-	4,930,476
-	-	-	-	-	6,930,451
(7,121)	975,104	390,187	26,375,976	-	16,093,696
7,121	899,316	410,003	(15,576,932)	-	(9,083,089)
(2,186,326)	-	-	-	-	-
-	-	-	-	-	7,958,654
-	-	-	16,251,046	-	-
-	-	-	-	-	-
-	-	-	-	-	83,133
-	-	-	-	(1,901,694)	-
-	-	-	-	-	(1,750,131)
-	-	-	-	-	91,965
-	-	-	-	-	(95,981)
(2,186,326)	-	-	16,251,046	(1,901,694)	6,287,640
(2,179,205)	899,316	410,003	674,114	(1,901,694)	(2,795,449)
-	(836,504)	(399,748)	(435,158)	-	3,013,940
(2,179,205)	62,812	10,255	238,956	(1,901,694)	218,491
(73,372,765)	1,260,573	-	87,453	40,119,966	59,481,642
\$(75,551,970)	\$ 1,323,385	\$ 10,255	\$ 326,409	\$ 38,218,272	\$ 59,700,133

C.S. Mott Community College
Schedule 1 - Details of General Fund Expenses
Year Ended June 30, 2016

	Salaries	Fringe Benefits	Services	Materials and Supplies
Instruction	\$ 18,572,150	\$ 8,637,971	\$ 778,456	\$ 830,121
Public service	175,817	94,406	75,258	5,082
Instructional support	5,553,997	2,970,293	781,515	283,173
Student services	4,898,414	2,366,494	1,074,130	277,147
Institutional administration	3,556,270	2,913,428	1,325,465	123,685
Physical plant operations	3,915,026	2,418,928	1,573,299	577,920
	<u>\$ 36,671,674</u>	<u>\$ 19,401,520</u>	<u>\$ 5,608,123</u>	<u>\$ 2,097,128</u>

Facilities Rent	Utilities and Insurance	Other Expenses	Capital Outlay	Total
\$ 161,929	\$ -	\$ 127,365	\$ -	\$ 29,107,992
90,620	-	25,216	-	466,399
-	-	585,873	12,382	10,187,233
12,980	-	2,142,458	1,250	10,772,873
9,552	-	1,996,049	15,660	9,940,109
7,500	2,654,403	35,205	86,463	11,268,744
<u>\$ 282,581</u>	<u>\$ 2,654,403</u>	<u>\$ 4,912,166</u>	<u>\$ 115,755</u>	<u>\$ 71,743,350</u>

C.S. Mott Community College
Schedule 2 - Details of Auxiliary Activities
Year Ended June 30, 2016

Activity	Balance July 1, 2016	Revenues	Expenditures (1)
Vending	\$ -	\$ 72,924	\$ 270
Outside Catering	-	254,615	256,011
Bookstore--Main Campus	-	399,512	35,592
Day Care	-	50,931	58,997
Funding for College Initiatives	-	-	25,000
Student Computer Lab Printing	-	22,208	14,317
	<u>\$ - 0 -</u>	<u>\$ 800,190</u>	<u>\$ 390,187</u>

(1) Expenditures include amounts allocated from the General Fund for utilities and maintenance costs. These costs amounted to \$33,106 for the bookstore.

(2) A transfer in was made from program income on a related grant from a grant fund.

Excess (Revenues) Expenses	Other Transfers In (Out) (2)	Balance June 30, 2016
\$ (72,654)	\$ -	\$ -
1,396	-	-
(363,920)	-	-
-	18,321	10,255
25,000	-	-
(7,891)	-	-
<u>\$ (418,069)</u>	<u>\$ 18,321</u>	<u>\$ 10,255</u>