

Muskegon Community College

**REPORT ON FINANCIAL STATEMENTS**

Year ended June 30, 2011

Muskegon Community College

**TABLE OF CONTENTS**

Management's Discussion and Analysis.....	i - x
Independent Auditors' Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets .....	3
Statement of Revenues, Expenses and Changes in Net Assets .....	4
Statement of Cash Flows.....	5
Component Unit	
Statement of Financial Position.....	7
Statement of Activities .....	8
Notes to Financial Statements .....	9
Supplemental Information	
Fund Financial Statements	
Consolidating Balance Sheet.....	19
Consolidating Statement of Revenues, Expenses, Transfers and Changes in Net Assets.....	21



# Muskegon Community College

221 South Quarterline Road • Muskegon, Michigan 49442 • (231) 773-9131

## Management's Discussion and Analysis

---

The discussion and analysis of Muskegon Community College's financial statements provides an overview of the College's financial activities for the year ended June 30, 2011. Management has prepared the financial statements and the related footnote disclosures along with the discussion and analysis. Responsibility for the completeness and fairness of this information rests with the College's management.

The financial statements have been prepared in accordance with generally accepted accounting principles outlined in the *Manual for Uniform Financial Reporting for Michigan Public Community Colleges, 2001* issued by the State of Michigan.

This annual financial report includes the report of independent auditors, this management's discussion and analysis, the basic financial statements in the above-referred format and notes to the financial statements along with supplemental information.

### **Financial Highlights**

In the fiscal year ended June 30, 2011, the College's revenue and other support exceeded expenses by \$1,797,531, creating an increase in net assets.

### **The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets**

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information on the College as a whole. These two statements report the College's net assets and changes within net assets. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid and are separated into categories of operating and non-operating.

# Muskegon Community College

## Management's Discussion and Analysis

---

Following is a comparative analysis of the major components of the net assets of the College as of June 30, 2011 and 2010:

	<b>Net Assets As of June 30</b>			
	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>Percent Change</b>
(in thousands)				
<b>Assets</b>				
Current assets	\$ 24,537	\$ 24,411	\$ 126	0.52%
Non-current assets				
Capital assets, net	23,879	23,863	16	0.07%
Contract receivable	5,535	5,910	(375)	-6.35%
Bond issuance costs, net	80	86	(6)	-6.98%
Total assets	<u>54,031</u>	<u>54,270</u>	<u>(239)</u>	<u>-0.44%</u>
<b>Liabilities</b>				
Current liabilities	9,842	10,697	(855)	-7.99%
Long-term liabilities				
Long-term debt obligations	13,130	13,983	(853)	-6.10%
Accrued sick leave	1,822	2,151	(329)	-15.30%
Total liabilities	<u>24,794</u>	<u>26,831</u>	<u>(2,037)</u>	<u>-7.59%</u>
<b>Net Assets</b>				
Invested in capital assets,				
net of related debt	15,799	15,320	479	3.13%
Restricted	2,082	2,030	52	2.56%
Unrestricted	<u>11,356</u>	<u>10,089</u>	<u>1,267</u>	<u>12.56%</u>
Total net assets	<u>\$ 29,237</u>	<u>\$ 27,439</u>	<u>\$ 1,798</u>	<u>6.55%</u>

# Muskegon Community College

## Management's Discussion and Analysis

---

The net increase in current assets is due in part to an increase in cash and cash equivalents and investments totaling \$138,000. In addition, a receivable from Muskegon Community College Foundation of \$85,493 was recorded at June 30, 2011 that did not exist at June 30, 2010. Other receivables also increased by \$46,000. These changes were offset by a decrease in property taxes receivable of \$108,000 and prepaid expenses of \$45,000 for a total net increase in current assets of \$126,000.

Capital assets increased by \$16,000 net of accumulated depreciation. Total additions of \$1,629,000 included building roof replacements and equipment related to the Siemens Energy Project. These additions were offset by the reduction in construction in progress and miscellaneous other disposals along with the current year impact of depreciation.

Contract receivable was created from the sale of the Career Tech Center in June 2009. Payments will be received each year through April 2013 and therefore, result in the continued decrease in the balance.

Current liabilities decreased by \$855,000 which is due to changes in several areas. There was a decrease of \$916,000 in accrued salaries and payroll related taxes. Of this decrease, approximately \$481,000 was due to a difference in the number of accrued contract pays for faculty from the prior year. In addition, the pension liability for the month of June was paid before year end resulting in \$205,000 of the decrease. A change in methodology for calculating the year end medical reserve caused an additional \$220,000 of this decrease from the prior year. Deferred revenue also decreased by \$109,000 for students that registered for fall 2011 classes prior to June 30. These decreases were partially offset by an increase of \$140,000 in accounts payable.

Long-term liabilities decreased due to scheduled bonded debt payments.

Accrued sick leave decreased by \$329,000 primarily due to a large number of retirements during fiscal 2010-11 resulting in balances being paid out to those long-term retiring employees.

Although unrestricted net assets are not subject to externally imposed restrictions, a majority of the College's unrestricted net assets are designated for purposes which fulfill the College's mission, as well as, designations for capital projects (plant fund - \$3,027,648); fund balance reserve (general fund - \$5,463,621); scholarships and grants (expendable restricted fund - \$66,284); and future health care cost increases (designated fund - \$410,000).

Muskegon Community College

**Management's Discussion and Analysis**

---

**Summary Operating Results for the Year**

(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Percent Change</u>
Operating revenues				
Tuition and fees	\$ 9,620	\$ 8,486	\$ 1,134	13.36%
Grants and contracts	11,846	12,292	(446)	-3.63%
Auxiliary services	556	583	(27)	-4.63%
Other	<u>502</u>	<u>532</u>	<u>(30)</u>	<u>-5.64%</u>
Total operating revenues	22,524	21,893	631	2.88%
Total operating expenses	<u>38,774</u>	<u>40,043</u>	<u>(1,269)</u>	<u>-3.17%</u>
Operating loss	(16,250)	(18,150)	1,900	10.47%
Non-operating revenues (expenses)				
State appropriations	8,519	8,519	-	0.00%
Property taxes	9,809	10,188	(379)	-3.72%
Gifts	81	124	(43)	-34.68%
Investment income	80	115	(35)	-30.43%
Interest on capital asset - related debt	(579)	(605)	26	4.30%
Gain on sale of capital asset	<u>138</u>	<u>(21)</u>	<u>159</u>	<u>757.14%</u>
Total non-operating revenues (expenses)	<u>18,048</u>	<u>18,320</u>	<u>(272)</u>	<u>-1.48%</u>
Income before other revenues	1,798	170	1,628	957.65%
State capital appropriations	-	<u>532</u>	<u>(532)</u>	<u>-100.00%</u>
Change in net assets	1,798	702	1,096	156.13%
Net assets - beginning of year	<u>27,439</u>	<u>26,737</u>	<u>702</u>	<u>2.63%</u>
Net assets - end of year	<u>\$ 29,237</u>	<u>\$ 27,439</u>	<u>\$ 1,798</u>	<u>6.55%</u>

# Muskegon Community College

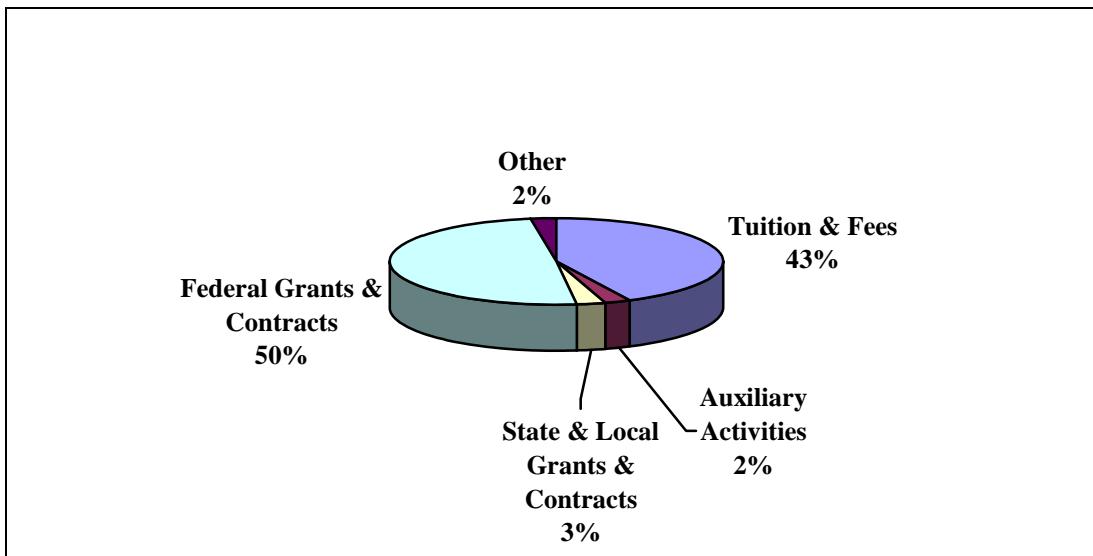
## Management's Discussion and Analysis

---

### Operating Revenues

Operating revenues include all transactions that result in the sales and/or receipts from goods and services such as tuition and fees and bookstore operations. In addition, certain federal, state, and private grants are considered operating if they are not for capital purposes and are considered a contract for services.

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



Most of the College's operating revenue comes from tuition and fees and federal and state grants. Tuition and fees increased in total by \$1,134,000. The College increased tuition rates, per contact hour, ranging from 6.57% for in-district to 14.55% for out-of-state residents. The total contact hours for fiscal year 2010-11, increased by approximately 1,400 over the prior year. The technology fee was also increased from \$7 to \$8 per contact hour. The amount of scholarship allowances decreased by \$101,000 which offsets the amount of tuition and fees reported.

Federal and state grants decreased by almost \$454,000. The primary reason for the decrease was due to the end of the Michigan Works contract on July 31, 2010 resulting in a reduction in federal and state grant funding of \$1,756,000. Offsetting this decrease was an increase in federal aid to students of \$1,473,000 and an increase in state grants of \$79,000.

# Muskegon Community College

## Management's Discussion and Analysis

---

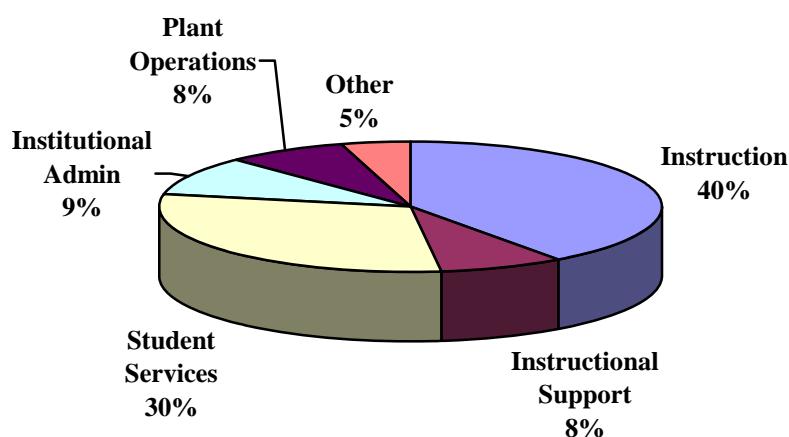
### Operating Expenses

Operating expenses include all the costs necessary to perform and conduct the programs and primary purposes of the College. Operating expenses for the fiscal year ended June 30, 2011 and 2010 consist of the following:

(in thousands)

	<b>2011</b>	<b>2010</b>	<b>Change</b>	<b>Percent Change</b>
Instruction	\$ 15,478	\$ 16,382	\$ (904)	-5.52%
Public services	556	616	(60)	-9.74%
Instructional support	3,181	3,391	(210)	-6.19%
Student services	11,650	11,784	(134)	-1.14%
Institutional administration	3,677	3,906	(229)	-5.86%
Operation and maintenance of plant	3,017	2,471	546	22.10%
Unallocated depreciation and amortization	1,026	1,009	17	1.68%
Other expenses	<u>189</u>	<u>484</u>	<u>(295)</u>	-60.95%
Total	<u><u>\$ 38,774</u></u>	<u><u>\$ 40,043</u></u>	<u><u>\$ (1,269)</u></u>	-3.17%

The following is a graphic illustration of operating expenses by source:



# Muskegon Community College

## Management's Discussion and Analysis

---

Operating expenses decreased by \$1,269,000. Instruction and Instructional Support decreased by \$904,000 and \$210,000 respectively. These reductions are primarily the result of salaries and fringes being lower due to a difference in the number of contract pays accrued at year end and several long-term employee retirements which reduced the accrued sick pay. Student services decreased by \$134,000 due to a reduction in the tuition and fee allowance for financial aid. Institutional administration decreased by \$229,000. A reduction in bad debt expense and legal expense contributed to this decrease as well as some positions being left vacant for a period of time. These decreases were offset by an increase in operation and maintenance of \$547,000. Expenses related to a fuel spill clean-up, additional custodial temporary help and a full year under security service contract were the primary reasons for this overall increase.

### **Non-operating Revenues (Expenses)**

Non-operating revenues (expenses) include all revenue sources or expenses that are primarily non-exchange in nature. They would consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), grants and contracts (that do not require any services to be performed), interest expense on bond issues and gains or losses on sale of capital assets.

Non operating revenue (expense) changes were the result of the following factors:

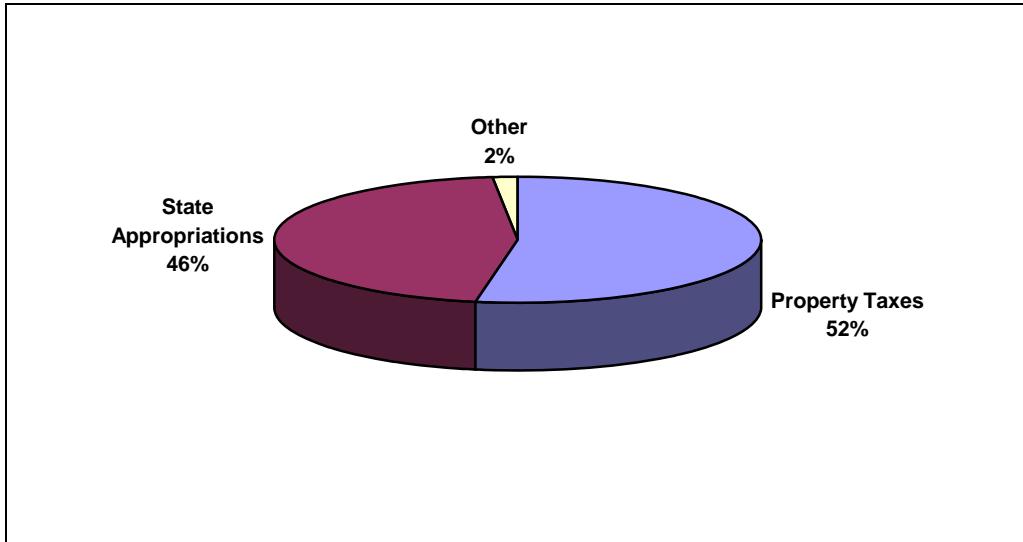
- Decrease in taxable value, for property within the taxing district, resulting in decreased property tax revenues of \$379,000, or a 3.73% decrease.
- Investment income decreased by \$35,000, or 29.78%, due to the continued low interest rates.
- Interest on capital asset - related debt decreased 4.29% or \$26,000.
- Gain on sale of capital asset increased \$159,000 as a result of the sale of land.

# Muskegon Community College

## Management's Discussion and Analysis

---

The following is a graphic illustration of non-operating revenues by source:



Note: Graph does not show non-operating expenses.

### Other Revenue

Other revenue consists of items that are typically nonrecurring, extraordinary or unusual to the College. Examples would be state capital appropriations, additions to permanent endowments and transfers from related entities. The College had no other revenue during the year ended June 30, 2011.

### Statement of Cash Flows

The primary purpose of this statement is to provide relevant information about the cash receipts and cash payments of an entity during a period. The Statement of Cash Flows also may help users assess:

- An entity's ability to generate future net cash flows
- Its ability to meet obligations as they come due
- Its needs for external financing

Overall, the College's year-end cash position increased by \$59,952.

# Muskegon Community College

## Management's Discussion and Analysis

---

### Cash Flows for the Year Ended June 30

(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Percent Change</u>
Cash provided by (used for)				
Operating activities	\$ (16,518)	\$ (16,528)	\$ 10	0.06%
Noncapital financing activities	18,517	18,697	(180)	-0.96%
Capital and related financing activities	(1,941)	(2,597)	656	25.26%
Investing activities	<u>2</u>	<u>(12,754)</u>	<u>12,756</u>	100.02%
Net change in cash	60	(13,182)	13,242	100.46%
Cash - beginning of year	<u>1,046</u>	<u>14,228</u>	<u>(13,182)</u>	-92.65%
Cash - end of year	<u>\$ 1,106</u>	<u>\$ 1,046</u>	<u>\$ 60</u>	5.74%

### Capital Assets

At June 30, 2011, the College had \$37.4 million invested in capital assets, with accumulated depreciation of \$13.5 million. Depreciation charges totaled \$1,019,499 for the current fiscal year. Details of these assets, net of depreciation at June 30, are shown in the following table.

### Fixed Assets for the Year Ended June 30

(in thousands)

	<u>2011</u>	<u>2010</u>	<u>Change</u>
Land	\$ 231	\$ 231	\$ -
Construction in progress	388	573	(185)
Land improvements	626	669	(43)
Buildings and improvements	20,395	20,677	(282)
Equipment	<u>2,239</u>	<u>1,713</u>	<u>526</u>
Total	<u>\$ 23,879</u>	<u>\$ 23,863</u>	<u>\$ 16</u>

Construction in progress changed due to the completion of the Siemens Project and the start of the roof replacement project. Land improvements decreased because of the current year depreciation charges. The decrease in buildings and improvements is for the completion of three of the four phases of the roof replacement project, net of current year depreciation charges. The increase in equipment is primarily due to the capitalization of the Siemens Project, which had been reported in construction in progress in the prior year. See Note D, in the notes to the financial statements, for more detail.

# Muskegon Community College

## Management's Discussion and Analysis

---

In the next fiscal year, the College has budgeted for equipment and building and improvements of approximately \$1,187,000; primarily for instructional equipment and minor facility renovations. Only those items with a cost of more than \$5,000 will be capitalized.

### **Debt**

The College's long-term debt consists of \$13,990,344 in General Obligation – Limited Tax Bonds, issued in 2003 and 2005. This compares to \$14,812,750 as of June 30, 2010. The College's bond debt rating is AAA.

The 2003 bonds were issued for the purpose of constructing the Career Tech Center (CTC) and a new library addition to the College's main campus. The CTC is operated by the Muskegon Area Intermediate School District (MAISD), and is being sold to them on a land contract. The MAISD is obligated to make payments to the College which approximates debt service requirements on the portion of bonds used to construct that facility through 2012, after which time, a balloon payment is due in 2013.

The 2005 bonds were issued for the purpose of completing the new library addition and renovating/remodeling vacated space. More detailed information about the College's long-term liabilities is presented in Note G of the notes to financial statements.

### **Economic Factors That Will Affect the Future**

The economic position of the College is closely tied to that of the State. Because of limited economic growth and increased demand for state resources, the current state funding for the College is projected to decrease by 4.2% for fiscal year 2011-12. Property taxes are also projected to decrease by about 2.02% for next year and another slight decrease after that before leveling off.

The national and state economy still seems uncertain even though, in certain areas, there shows signs of turnaround. The layoff of employees seems to have slowed and community colleges continued to see an influx of students in fiscal year 2011 because of their affordability, compared to four year institutions, and young adults realizing the importance of having some type of college education to get a job. The elimination of the No Worker Left Behind funding has contributed to a slight decline in enrollment of approximately 2.0% in the Fall 2011 semester, which is better than what most other community colleges in the state are experiencing. As a result, we are seeing an increase in the number of part-time students as they seek part-time employment to fill the gap left by the funding reduction.

Overall, the College's current financial condition, and future growth plans, indicates that the College is positioned to maintain and grow its present level of services.

# **BRICKLEY DELONG**

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

November 9, 2011

Board of Trustees  
Muskegon Community College  
Muskegon, Michigan

We have audited the accompanying financial statements of Muskegon Community College (College) and its discretely presented component unit as of and for the year ended June 30, 2011, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College and its discretely presented component unit, as of June 30, 2011, and the changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated November 9, 2011, on our consideration of the 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* and important for assessing the results of our audit.

## **BRICKLEY DELONG**

Board of Trustees

November 9, 2011

Page 2

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis i - x 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's financial statements as a whole. The consolidating fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The consolidating fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Brickley DeLong, P.C.*

Muskegon Community College  
**STATEMENT OF NET ASSETS**  
June 30, 2011

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 1,105,518
Investments	14,241,759
Property taxes receivable	119,463
State appropriation receivable	1,548,838
Accounts receivable	6,637,312
Due from College Foundation	85,493
Land contract receivable	375,000
Prepaid expenses and other assets	<u>423,302</u>
<b>TOTAL CURRENT ASSETS</b>	<u>24,536,685</u>
<b>BOND ISSUANCE COSTS, net</b>	80,286
<b>LONG-TERM LAND CONTRACT RECEIVABLE</b>	5,535,000
<b>PROPERTY AND EQUIPMENT, net</b>	<u>23,878,940</u>
<b>TOTAL ASSETS</b>	<u>54,030,911</u>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current portion of debt obligations	860,000
Accounts payable	823,139
Accrued interest payable	52,396
Accrued payroll and other compensation	3,048,103
Deposits	128,200
Unearned revenue	<u>4,930,026</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>9,841,864</u>
<b>LONG-TERM DEBT OBLIGATIONS</b>	13,130,344
<b>ACCRUED SICK LEAVE</b>	<u>1,821,815</u>
<b>TOTAL LIABILITIES</b>	<u>24,794,023</u>

**NET ASSETS**

Invested in capital assets, net of related debt	15,798,596
Restricted	
Expendable	
Scholarships	134,674
Instructional department uses	111,752
Loans	5,148
Career Tech Center	1,096,422
Library	640,969
Planetarium	93,625
Unrestricted	<u>11,355,702</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 29,236,888</u>

The accompanying notes are an integral part of this statement.

**Muskegon Community College**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
Year ended June 30, 2011

**REVENUES**

Operating revenues

Tuition and fees (net of scholarship allowances of \$4,911,832)	\$ 9,619,591
Federal grants and contracts	11,120,960
State and local grants and contracts	676,065
Nongovernmental grants	49,276
Auxiliary activities	555,571
Miscellaneous	<u>502,276</u>
Total operating revenue	22,523,739

**EXPENSES**

Operating expenses

Instruction	15,478,172
Public services	556,031
Instructional support	3,181,175
Student services	11,650,086
Institutional administration	3,676,641
Operation and maintenance of plant	3,017,254
Depreciation and amortization	1,025,622
Other expenses	<u>189,289</u>
Total operating expenses	<u>38,774,270</u>
Operating loss	(16,250,531)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	8,518,600
Property tax levy	9,808,691
Gifts	81,124
Investment income	80,489
Interest on capital asset - related debt	(579,189)
Gain on disposal of capital asset	<u>138,347</u>
Total nonoperating revenues (expenses)	<u>18,048,062</u>
Change in net assets	1,797,531
Net assets at July 1, 2010	<u>27,439,357</u>
Net assets at June 30, 2011	<u><b>\$ 29,236,888</b></u>

The accompanying notes are an integral part of this statement.

**Muskegon Community College**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2011

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 9,386,629
Grants and contracts	11,846,301
Payments to suppliers	(14,722,507)
Payment to employees	(24,086,100)
Auxiliary enterprise charges	555,571
Other	<u>502,276</u>

Net cash used for operating activities (16,517,830)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Local property taxes	9,917,216
Gifts and contributions for other than capital purposes	81,124
State appropriations	<u>8,518,600</u>

Net cash provided by noncapital financing activities 18,516,940

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(1,070,665)
Principal paid on capital debt	(830,000)
Interest paid on capital debt	(574,303)
Collection of land contract receivable	360,000
Proceeds from sale of capital assets	<u>173,495</u>

Net cash used for capital and related financing activities (1,941,473)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	(78,174)
Interest on investments	<u>80,489</u>
Net cash provided by investing activities	2,315

**NET CHANGE IN CASH AND CASH EQUIVALENTS** 59,952

**CASH AND CASH EQUIVALENTS at July 1, 2010** 1,045,566

**CASH AND CASH EQUIVALENTS at June 30, 2011** \$ 1,105,518

The accompanying notes are an integral part of this statement.

**Muskegon Community College**  
**STATEMENT OF CASH FLOWS—CONTINUED**  
Year ended June 30, 2011

**RECONCILIATION OF OPERATING LOSS TO NET CASH  
USED FOR OPERATING ACTIVITIES**

Operating loss	\$ (16,250,531)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation and amortization expense	1,025,622
(Increases) decreases in assets	
Accounts receivables (net)	(126,139)
Prepaid expenses and other assets	44,744
Increases (decreases) in liabilities	
Accounts payable	140,293
Accrued payroll and other compensation	(1,244,996)
Deposits	2,626
Deferred revenue	<u>(109,449)</u>
Net cash used for operating activities	<u><u>\$ (16,517,830)</u></u>

The accompanying notes are an integral part of this statement.

Muskegon Community College  
**COMPONENT UNIT STATEMENT OF FINANCIAL POSITION**  
**FOR MUSKEGON COMMUNITY COLLEGE FOUNDATION**  
June 30, 2011

**ASSETS**

Cash	\$ 109,632
Beneficial interest in assets held by others	<u>241,066</u>
Total assets	350,698

**LIABILITIES AND NET ASSETS**

Liabilities

Due to Muskegon Community College	<u>85,493</u>
-----------------------------------	---------------

Net assets

Unrestricted	253,227
Temporarily restricted	<u>11,978</u>

Total net assets	<u><b>\$ 265,205</b></u>
------------------	--------------------------

The accompanying notes are an integral part of this statement.

**Muskegon Community College**  
**COMPONENT UNIT STATEMENT OF ACTIVITIES**  
**FOR MUSKEGON COMMUNITY COLLEGE FOUNDATION**  
Year ended June 30, 2011

Revenues and support	
Contributions	
Cash	\$ 126,898
In-kind	132,565
Gain from beneficial interest in assets held by others	<u>42,724</u>
Total revenues and support	302,187
Expenses	
Distributions to Muskegon Community College	163,489
Management and general	34,424
Fundraising	<u>37,411</u>
Total expenses	<u>235,324</u>
Change in net assets	66,863
Net assets at July 1, 2010	<u>198,342</u>
Net assets at June 30, 2011	<u><b>\$ 265,205</b></u>

The accompanying notes are an integral part of this statement

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

## **NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### ***Reporting Entity***

Muskegon Community College (College) is a Michigan community college whose financial statements have been prepared in accordance with the generally accepted accounting principles outlined in *Manual for Uniform Financial Reporting – Michigan Public Community Colleges, 2001*.

Muskegon Community College, established in 1926, is located in Muskegon, Michigan. The College provides educational services to residents of Muskegon County. A seven-member Board, which is elected by residents of Muskegon County, governs the College.

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the College. Based on application of the criteria, the College has one component unit.

### ***Discretely presented component unit***

The discretely presented component unit, Muskegon Community College Foundation, is reported in separate statements in the financial statements to emphasize that it is legally separate from the College.

Significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader.

### ***Accrual Basis***

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

### ***Assets, Liabilities and Net Assets***

#### **Cash and Cash Equivalents**

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

#### **Investments**

Investments are recorded at fair value, based on quoted market prices.

#### **Property and Equipment**

Property and equipment are recorded at cost or, if acquired by gift, at the fair market value as of the date of acquisition. Capitalized property and equipment are assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year.

Depreciation is provided on the straight-line basis over the following useful lives:

Land improvements	20 years
Buildings and improvements	15-50 years
Equipment	5-20 years

Land and certain land improvements are deemed to be inexhaustible capital assets, as the economic benefit or service potential is used up so slowly that the estimated useful life is extraordinarily long. These inexhaustible assets are not depreciated.

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets—Continued*

**Accrued Sick Leave**

Accrued sick leave represents the accumulated liability to be paid under the College's current sick pay policy. Under the College's policy, employees earn sick time based on time of service and/or contract with the College. Employment contracts generally provide for the payment of one-half of unused sick leave to a maximum per individual at retirement, or for clerical and custodial staff, at termination.

**Unearned Revenues**

Revenues received prior to year end that are related to the next fiscal period are recorded as deferred revenues. These consist primarily of grants and entitlements received before the eligibility requirements are met and tuition payments received for the subsequent fall semester.

**Gifts and Pledges**

Gifts are recorded when received and pledges are recorded when it is determined that the gift is probable of collection at its net present value.

**Internal Service Activities**

Both revenue and expenses related to internal service activities including office equipment, maintenance, and copying have been eliminated.

**Property Taxes**

The College's property tax is levied and becomes a lien on December 1, based on the assessed value listed as of the prior December 31. Local governmental units within the College's jurisdiction collect and remit taxes until March 1, at which time the uncollected real property taxes are turned over to the County of Muskegon for collection. The County advances the College all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the College and are recorded as revenue when received.

The 2010 state taxable value for real/personal property of the College totaled approximately \$4,375,200,000. The ad valorem taxes levied consisted of 2.2037 mills for operating purposes.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE B—DEPOSITS AND INVESTMENTS**

As of June 30, 2011, the College had the following investments:

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted average maturity (Days)</b>	<b>Standard &amp; Poor's rating</b>	<b>Percent</b>
U.S. Agency bonds	\$ 5,242,233	546	AA+	38.0 %
Money market mutual fund	2,546,767	42	AAA	18.5
CDARs	<u>6,000,000</u>	33	not rated	43.5
Total fair value	<b><u>\$ 13,789,000</u></b>			<b><u>100.0</u></b> %
Portfolio weighted average maturity		<b><u>230</u></b>		

**Interest rate risk**

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk**

State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The College has no investment policy that would further limit its investment choices.

**Concentration of credit risk**

The College does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the College investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. More than 5 percent of the College's investments are in obligations issued by the Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association. These investments are 11.42, 10.27, and 31.42 percent of the College's investments, respectively.

**Custodial credit risk – deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. As of June 30, 2011, \$1,731,011 of the College's bank balance of \$2,436,563 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial credit risk – investments**

The College does not have a custodial credit risk policy for investments. This 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.

**Foreign currency risk**

The College is not authorized to invest in investments which have this type of risk.

**Muskegon Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE C—LAND CONTRACT RECEIVABLE**

The College sold a Career Technical Center that it constructed to the Muskegon Area Intermediate School District through a land contract. The agreement requires a payment of \$375,000 during the year ending June 30, 2012 and a final balloon payment of \$5,535,000 during the year ending June 30, 2013 plus 3.9 percent interest.

**NOTE D—PROPERTY AND EQUIPMENT**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2011</b>
<b>Capital assets, not being depreciated:</b>				
Land	\$ 231,371	\$ -	\$ -	\$ 231,371
Construction in progress	572,570	374,129	558,870	387,829
Total capital assets, not being depreciated	803,941	374,129	558,870	619,200
<b>Capital assets, being depreciated:</b>				
Land improvements	1,785,400	-	17,600	1,767,800
Buildings and improvements	29,762,613	353,669	2,100	30,114,182
Equipment	4,120,373	901,737	149,797	4,872,313
Total capital assets, being depreciated	35,668,386	1,255,406	169,497	36,754,295
<b>Less accumulated depreciation:</b>				
Land improvements	1,116,564	43,135	17,600	1,142,099
Buildings and improvements	9,086,174	634,129	1,491	9,718,812
Equipment	2,406,667	342,235	115,258	2,633,644
Total accumulated depreciation	12,609,405	1,019,499	134,349	13,494,555
Total capital assets, being depreciated, net	23,058,981	235,907	35,148	23,259,740
Capital assets, net	<b>\$ 23,862,922</b>	<b>\$ 610,036</b>	<b>\$ 594,018</b>	<b>\$ 23,878,940</b>

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE E—RETIREMENT PLANS**

***Employee Retirement System – Defined Benefit Plan***

**Plan Description** —The College participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple employer defined benefit pension plan administered by the twelve member board of the MPSERS. The MPSERS provides retirement benefits and post-retirement benefits for health, dental, and vision. The MPSERS was established by Public Act 136 of 1945 and operates under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing or calling:

Office of Retirement Systems  
Michigan Public School Employees Retirement System  
P.O. Box 30171  
Lansing, MI 48909  
1-800-381-5111

**Funding Policy** — Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9 percent. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 and December 31, 1989 contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 6.4 percent of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9 percent of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to contribute 3 percent (or 1.5 percent) of their compensation to offset employer contributions for health care benefits of current retirees. For the school fiscal year that began July 1, 2010, members who were employed by a reporting unit and were paid less than \$18,000 in the prior school fiscal year and members who were hired on or after July 1, 2010, with a starting salary less than \$18,000 are required to contribute 1.5 percent of the member's compensation. For each school fiscal year that begins on or after July 1, 2011, members shall contribute 3 percent of compensation into the health care funding account.

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2011 ranged from 16.94 percent to 20.66 percent of payroll. The contribution requirements of plan members and the College are established and may be amended by the MPSERS Board of Trustees. The College contributions to MPSERS for the year ended June 30, 2011, 2010, and 2009 were approximately \$2,357,000, \$2,119,000, and \$2,004,000, respectively and were equal to the required contribution for those years. Employee contributions to the MIP were approximately \$664,900 for the year ended June 30, 2011.

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE E—RETIREMENT PLANS—Continued**

***Defined Contribution Plan***

Effective, July 1, 1999, the Muskegon Community College Board of Trustees approved an Optional Retirement Plan (ORP) to be administered by TIAA-CREF. The ORP is available for all full-time faculty and full-time salaried administrative staff. Upon eligibility to participate in the ORP, employees have 90 days in which to elect participation in either the ORP or the MPSERS plan.

The ORP is a non-voluntary defined-contribution plan in which the College contributes 14.0 percent and the employee contributes 4.0 percent of the participating employee's includable compensation. Participants are immediately 100 percent vested in all ORP contributions. Participating employees elect their own allocation of contributions among the available investment vehicles offered by TIAA-CREF. ORP retirement benefits are based on the accumulation of contributions and the related investment income for each participant. Distributions of retirement benefits are available under the ORP when participants attain age 55. The College's contributions to the ORP were approximately \$492,000 and employee contributions were approximately \$141,000 for the year ended June 30, 2011.

Public Act 75 of 2010 established the Pension Plus Plan which provides all individuals hired on or after July 1, 2010, with a combined Defined Benefit and Defined Contribution benefit structure. Any member of MPSERS who became a member of MPSERS on or after July 1, 2010 is a Pension Plus member. The plan is administered by the MPSERS Board of Trustees and the contribution requirements of plan members and the School District are established and may be amended by the MPSERS Board of Trustees.

Employees under the Pension Plus Plan are automatically enrolled in the defined contribution component of the plan with a default employee contribution rate of 2 percent of the employee's pay. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing. The College is required to match 50 percent of the employee contribution up to 1 percent of the employee's pay. For the year ended June 30, 2011, College and employee contributions were approximately \$64,000 and \$21,000, respectively.

**Other post-employment benefits** – Under the MPSERS Act, all retirees have the option of continuing health, dental and vision coverage.

**NOTE F—BOND ISSUANCE COSTS**

Bond issuance cost activity for the year ended June 30, 2011 was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2010</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2011</b>
Bond issuance costs	\$ 122,442	\$ -	\$ -	\$ 122,442
Less accumulated amortization	36,033	6,123	-	42,156
<b>Bond issuance costs, net</b>	<b>\$ 86,409</b>	<b>\$ (6,123)</b>	<b>\$ -</b>	<b>\$ 80,286</b>

**Amortization**

Amortization expense has been charged as unallocated amortization.

**Muskegon Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

**NOTE G—LONG-TERM OBLIGATIONS**

**Summary of Long-Term Obligations**

The following is a summary of long-term obligations activity for the College for the year ended June 30, 2011.

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2011</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
General obligation bonds	\$ 14,812,750	\$ -	\$ 822,406	\$ 13,990,344	\$ 860,000
<b>General obligation bonds:</b>					
\$9,985,000 Community College Building and Site					
Bonds of 2003; payable in annual installments of \$465,000 to \$780,000 through May 2023; plus interest from 3.5% to 4.4%				\$ 7,310,000	
Less bond discount				(47,908)	
\$9,000,000 College Facilities Bond of 2005;					
payable in annual installments of \$395,000 to \$580,000 through May 2025; plus interest from 3.5% to 4.125%				6,780,000	
Less bond discount				(51,748)	
				<u><b>\$ 13,990,344</b></u>	

Annual debt service requirements to maturity for debt outstanding as of June 30, 2011 follow:

<b>Year ending</b>	<b>June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 860,000	\$ 546,353	\$ 1,406,353	
2013	895,000	516,253		1,411,253
2014	930,000	484,928		1,414,928
2015	965,000	452,378		1,417,378
2016	1,005,000	418,068		1,423,068
2017-2021	5,680,000	1,487,040		7,167,040
2022-2025	3,755,000	331,818		4,086,818
	<b><u>\$ 14,090,000</u></b>	<b><u>\$ 4,236,838</u></b>		<b><u>\$ 18,326,838</u></b>

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

#### **NOTE H—RISK MANAGEMENT**

The College is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the College carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated.

The College participates in the Michigan Community College Risk Management Authority (risk pool) for claims relating to general and auto liability, motor vehicle physical damage, and property. Member contributions, which provide for losses incurred, reinsurance premiums, and risk management fees are allocated according to the actual costs incurred for each member. A member stop-loss fund provides for losses exceeding \$15,000 per occurrence or \$45,000 in the aggregate, on a year-to-year basis from the fund. Reinsurance agreements provide for loss coverage in excess of the amounts to be retained by the members. The Authority provides for withdrawal from membership at the end of any anniversary year.

#### **NOTE I—COMMITMENTS AND CONTINGENCIES**

The College has contract agreements for campus improvements as of June 30, 2011 of approximately \$279,000.

The College participates in federal student financial aid grant and loan programs which are subject to program compliance audits by the grantor or its representatives. Such audits of these programs may be performed at some future date. The amount, if any, of grants or expenditures which may be disallowed by the granting agencies cannot be determined at this time although the College expects such amounts, if any, to be immaterial.

#### **NOTE J—SELF-INSURANCE**

The College has a self-insured medical reimbursement plan for substantially all employees. In general, the College is liable for benefits up to \$60,000 per covered individual per year. Benefit payments in excess of \$60,000 per covered individual are payable by an insurance company subject to a \$1,000,000 lifetime maximum per employee and aggregate liability. Benefits in excess of \$1,000,000 in aggregate or \$1,000,000 per employee, if any, would be the liability of the covered individual.

The College utilizes a third party administrator to administer benefits payable under this plan. Reimbursement payments for claims to the third party administrator, which have been charged to expense, approximated \$2,670,000 for the year ended June 30, 2011.

Muskegon Community College  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2011

## **NOTE K—COMPONENT UNIT**

The Muskegon Community College Foundation (Foundation) was established in 1981 for the following purposes:

- a. To provide financial support to and for the benefit of Muskegon Community College;
- b. To carry out such of the purposes of Muskegon Community College as are not prohibited by statute or regulation;
- c. To provide services and facilities for the use of the individual members of the charitable class that Muskegon Community College benefits;
- d. To pursue independent activities and programs that support or benefit Muskegon Community College;
- e. To solicit, receive and administer funds exclusively to support Muskegon Community College and its educational programs;
- f. To actively engage in donor stewardship and facilitate fostering long-term relationships between community members and the College; and
- g. To meet fundraising goals defined by the President and the Cabinet, as permitted for an organization described in Section 509(a)(3) of the Internal Revenue Code.

The College is the primary beneficiary of any donations to, or funds raised by, the Foundation.

The College provides personnel support, supplies and equipment to the Foundation. The management of the College should be contacted for copies of the Foundation's audit report.

**SUPPLEMENTAL INFORMATION**

**Muskegon Community College**  
**CONSOLIDATING BALANCE SHEET**  
June 30, 2011

	Combined total	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund	Agency Fund
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and cash equivalents	\$ 1,105,518	\$ 1,104,564	\$ -	\$ -	\$ -	\$ 954	\$ -	\$ -	\$ -	\$ -
Investments	14,241,759	14,241,759	-	-	-	-	-	-	-	-
Property taxes receivable	119,463	119,463	-	-	-	-	-	-	-	-
State appropriation receivable	1,548,838	1,548,838	-	-	-	-	-	-	-	-
Accounts receivable	6,637,312	6,637,312	-	-	-	-	-	-	-	-
Due from College Foundation	85,493	85,493	-	-	-	-	-	-	-	-
Land contract receivable	375,000	-	-	-	-	-	-	-	375,000	-
Prepaid expenses and other assets	423,302	423,302	-	-	-	-	-	-	-	-
Due from (due to) other funds	-	(8,076,765)	410,000	2,390,087	312,710	4,994	-	-	4,830,774	128,200
<b>TOTAL CURRENT ASSETS</b>	<b>24,536,685</b>	<b>16,083,966</b>	<b>410,000</b>	<b>2,390,087</b>	<b>312,710</b>	<b>5,948</b>	<b>-</b>	<b>-</b>	<b>5,205,774</b>	<b>128,200</b>
<b>BOND ISSUANCE COSTS, NET OF AMORTIZATION</b>	<b>80,286</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,286</b>	<b>-</b>
<b>LONG-TERM LAND CONTRACT RECEIVABLE</b>	<b>5,535,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,535,000</b>	<b>-</b>
<b>PROPERTY AND EQUIPMENT</b>										
Land and improvements	1,999,171	-	-	-	-	-	-	-	1,999,171	-
Buildings and improvements	30,114,182	-	-	-	-	-	-	-	30,114,182	-
Equipment	4,872,313	-	-	-	-	-	-	-	4,872,313	-
Construction in progress	387,829	-	-	-	-	-	-	-	387,829	-
Allowance for depreciation	(13,494,555)	-	-	-	-	-	-	-	(13,494,555)	-
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>23,878,940</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,878,940</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>54,030,911</b>	<b>16,083,966</b>	<b>410,000</b>	<b>2,390,087</b>	<b>312,710</b>	<b>5,948</b>	<b>-</b>	<b>-</b>	<b>34,700,000</b>	<b>128,200</b>

**Muskegon Community College**  
**CONSOLIDATING BALANCE SHEET—CONTINUED**  
June 30, 2011

	Combined total	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund	Agency Fund
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES</b>										
Current portion of debt obligations	\$ 860,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 860,000	\$ -
Accounts payable	823,139	820,401	-	1,938	-	800	-	-	-	-
Accrued interest payable	52,396	-	-	-	-	-	-	-	52,396	-
Accrued payrolls and other compensation	3,048,103	3,048,103	-	-	-	-	-	-	-	-
Deposits	128,200	-	-	-	-	-	-	-	-	128,200
Deferred revenue	4,930,026	4,930,026	-	-	-	-	-	-	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>9,841,864</b>	<b>8,798,530</b>	<b>-</b>	<b>1,938</b>	<b>-</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>912,396</b>	<b>128,200</b>
<b>LONG-TERM DEBT OBLIGATIONS</b>										
	13,130,344	-	-	-	-	-	-	-	13,130,344	-
<b>ACCRUED SICK LEAVE</b>										
	1,821,815	1,821,815	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>24,794,023</b>	<b>10,620,345</b>	<b>-</b>	<b>1,938</b>	<b>-</b>	<b>800</b>	<b>-</b>	<b>-</b>	<b>14,042,740</b>	<b>128,200</b>
<b>NET ASSETS</b>										
Invested in capital assets, net or related debt	15,798,596	-	-	-	-	-	-	-	15,798,596	-
Restricted										
Expendable										
Scholarships	134,674	-	-	-	134,674	-	-	-	-	-
Instructional department uses	111,752	-	-	-	111,752	-	-	-	-	-
Loans	5,148	-	-	-	-	5,148	-	-	-	-
Career Tech Center	1,096,422	-	-	-	-	-	-	-	1,096,422	-
Library	640,969	-	-	-	-	-	-	-	640,969	-
Planetarium	93,625	-	-	-	-	-	-	-	93,625	-
Unrestricted	11,355,702	5,463,621	410,000	2,388,149	66,284	-	-	-	3,027,648	-
<b>TOTAL NET ASSETS</b>	<b>\$ 29,236,888</b>	<b>\$ 5,463,621</b>	<b>\$ 410,000</b>	<b>\$ 2,388,149</b>	<b>\$ 312,710</b>	<b>\$ 5,148</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,657,260</b>	<b>\$ -</b>

**Muskegon Community College**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES,**  
**TRANSFERS AND CHANGES IN NET ASSETS**  
For the year ended June 30, 2011

	<b>Combined total</b>	<b>Eliminations</b>	<b>General Fund</b>	<b>Designated Fund</b>	<b>Auxiliary Activities Fund</b>	<b>Expendable Restricted Fund</b>	<b>Student Loan Fund</b>	<b>2003 Debt Service Fund</b>	<b>2005 Debt Service Fund</b>	<b>Plant Fund</b>
<b>REVENUES</b>										
Operating revenues										
Tuition and fees (net of scholarship allowances of \$4,911,832)	\$ 9,619,591	\$ (4,911,832)	\$ 14,531,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	11,120,960	-	-	-	-	11,120,960	-	-	-	-
State and local grants and contracts	676,065	-	-	-	-	676,065	-	-	-	-
Nongovernmental grants	49,276	-	-	-	-	49,276	-	-	-	-
Auxiliary activities	555,571	-	-	-	555,571	-	-	-	-	-
Miscellaneous	502,276	-	202,134	-	-	-	-	243,680	-	56,462
Total operating revenue	22,523,739	(4,911,832)	14,733,557	-	555,571	11,846,301	-	243,680	-	56,462
<b>EXPENSES</b>										
Operating expenses										
Instruction	15,478,172	-	15,202,189	-	11,056	264,927	-	-	-	-
Public services	556,031	-	536,380	-	19,651	-	-	-	-	-
Instructional support	3,181,175	-	3,163,654	-	-	17,521	-	-	-	-
Student services	11,650,086	(4,911,832)	4,745,522	-	148,266	11,668,130	-	-	-	-
Institutional administration	3,676,641	-	3,632,903	-	43,738	-	-	-	-	-
Operation and maintenance of plant	3,017,254	-	2,600,899	-	416,355	-	-	-	-	-
Depreciation and amortization	1,025,622	-	-	-	-	-	-	-	-	1,025,622
Other expenses	189,289	-	-	-	-	-	444	225	225	188,395
Total operating expenses	38,774,270	(4,911,832)	29,881,547	-	639,066	11,950,578	444	225	225	1,214,017
<b>OPERATING INCOME (LOSS)</b>	<b>(16,250,531)</b>	<b>-</b>	<b>(15,147,990)</b>	<b>-</b>	<b>(83,495)</b>	<b>(104,277)</b>	<b>(444)</b>	<b>243,455</b>	<b>(225)</b>	<b>(1,157,555)</b>

Muskegon Community College  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES,  
TRANSFERS AND CHANGES IN NET ASSETS—CONTINUED**  
For the year ended June 30, 2011

	Combined total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Fund	Expendable Restricted Fund	Student Loan Fund	2003 Debt Service Fund	2005 Debt Service Fund	Plant Fund
<b>NONOPERATING REVENUES (EXPENSES)</b>										
State appropriations	\$ 8,518,600	\$ -	\$ 8,518,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property tax levy	9,808,691	-	9,808,691	-	-	-	-	-	-	-
Gifts	81,124	-	-	-	-	-	25	-	-	81,099
Investment income	80,489	-	74,166	-	-	-	-	-	-	6,323
Interest on capital asset - related debt	(579,189)	-	-	-	-	-	(301,245)	(273,058)	(4,886)	
Gain on disposal of capital asset	138,347	-	-	-	-	-	-	-	-	138,347
Total nonoperating revenues (expenses)	<u>18,048,062</u>	-	<u>18,401,457</u>	-	-	-	<u>25</u>	<u>(301,245)</u>	<u>(273,058)</u>	<u>220,883</u>
Change in net assets	1,797,531	-	3,253,467	-	(83,495)	(104,277)	(419)	(57,790)	(273,283)	(936,672)
Transfers in (out)	-	-	(1,450,659)	-	181,788	83,295	(15,497)	57,790	273,283	870,000
Net change in net assets	1,797,531	-	1,802,808	-	98,293	(20,982)	(15,916)	-	-	(66,672)
Net assets at July 1, 2010	<u>27,439,357</u>	-	<u>3,660,813</u>	<u>410,000</u>	<u>2,289,856</u>	<u>333,692</u>	<u>21,064</u>	-	-	<u>20,723,932</u>
Net assets at June 30, 2011	<b>\$ 29,236,888</b>	<b>\$ -</b>	<b>\$ 5,463,621</b>	<b>\$ 410,000</b>	<b>\$ 2,388,149</b>	<b>\$ 312,710</b>	<b>\$ 5,148</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,657,260</b>

**Notes:**

Capital expenditures are eliminated from operating expenditures in the current funds.

Student aid / scholarships are eliminated from expenditures to prevent double accounting of revenues.

The revenue is already recorded in federal and state grant revenues.

Internal service charges, such as duplicating, are eliminated.