



Comprehensive Annual Financial Report



Fiscal Year Ended June 30, 2013

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LANSING COMMUNITY COLLEGE
Lansing, MI

COMPREHENSIVE ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2013

Prepared by:
Financial Services Division

Don Wilske
Interim Chief Financial Officer

Randall Roy
Controller

Megan Garrett
Director of Accounting

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LANSING COMMUNITY COLLEGE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

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Introductory Section

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October 7, 2013

Members of the Board of Trustees, and
Citizens of Lansing Community College District

The Comprehensive Annual Financial Report (CAFR) of Lansing Community College for the fiscal year ended June 30, 2013, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the College. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the net position and changes in net position of the College. All disclosures necessary to enable the reader to gain an understanding of the College's financial activities in relation to its mission have been included.

Rehmann Robson, Certified Public Accountants, have issued an unmodified (clean) opinion on Lansing Community College's financial statements for the year ended June 30, 2013. The independent auditors' report is located at the front of the financial section of the report.

The Management Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

We strive for fiscally responsible planning for our immediate and future needs. As the financial operations shows in the recent CAFR, we continue to exercise fiscal prudence, to maintain a healthy financial condition and to protect tax dollars in the use of available resources while maintaining our commitment to academic excellence.

In March 2013 the College adopted a new Strategic Plan, *Learn Forward*, which will set the institution's direction for the next three fiscal years. This plan will be integrated into the College's planning and budgeting processes to support student success and institutional growth.

The College has a capital plan which is dynamic and is updated on a regular basis to reflect the most recent assessment of all projects required that will address the evolving academic programs and services needed. During the fiscal year ending June 30, 2013 the College embarked upon a \$67 million capital program funded by bond proceeds, internally designated funds, externally raised fund and a State of Michigan Capital outlay appropriation. This broad initiative will transform facilities for teaching and learning on campus for decades to come.

We have remained flexible in these most challenging economic times to provide services efficiently while maintaining our commitment to students. We are encouraged by the continued dedication of our faculty, administrators, staff and the Board of Trustees to make Lansing Community College an excellent place of higher education. Lansing Community College - "*Where Success Begins.*"

PROFILE OF THE COLLEGE

Lansing Community College is a major urban community college, situated on 32 acres, in a nine-city block area in downtown Lansing, Michigan. Founded in 1957, Lansing Community College is now the third largest community college in the state of Michigan. The College currently enrolls more than 20,000 students each year, and has over 500 full-time and over 1,800 part-time staff and faculty. The College offers classes year-round, in a three-semester curriculum. The College offers more than 280 degree and certificate programs and nearly 2,000 courses, to match career and workforce development pursuits, transfer curricula, developmental, or special interest needs. Courses are offered in one of three academic divisions; Arts and Sciences; Health and Human Services; and Technical Careers. In addition, the Extended Learning and Professional Studies division provides community and continuing education and includes the College's Business & Community Institute (BCI) that provides customized training directly to regional businesses and manufacturers.

In addition to the main campus, the College operates a West Campus that is home to the Michigan Technical Education Center (M-TEC) in Delta Township, the East Campus in East Lansing, the Livingston Center at Parker Campus in Howell, the Clinton County Center in St. Johns, and an Aviation Maintenance Center at Mason- Jewett Airport in Mason. In addition, there are learning centers in more than 20 communities within the College's 30-mile service district. Lansing Community College was the first Michigan community college to offer a complete associates degree online and now offers over 640 online/hybrid sections per semester, or approximately 26% of all course offerings.

LCC is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, and serves over 40,000 people annually.

The following table illustrates enrollments over the last five years:

	FALL				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<u>Enrollment</u>					
College (unduplicated head count)	20,394	20,057	22,014	20,640	19,082
Full-time Equivalents	10,936	12,535	13,524	10,793	11,147
Total Credit Hours	173,841	188,815	209,621	186,354	174,369

FINANCIAL PLANNING

In-District tuition was increased by \$2 per billing hour for Fiscal Year 2013. Tuition had remained constant for Fiscal Years 2009 and 2010, and increased by \$3 per billing hour in Fiscal Years 2011 and 2012. LCC's leadership remained firm in their stance to keep tuition rates low. With tuition and fees accounting for 42% of the revenue mix and few viable options available to diversify revenue sources, the college finds itself at the intersection of changing student demand, increasing costs, and decreasing revenue.

As the least expensive post-secondary education option in a community facing a difficult economic situation, LCC is well positioned to attract a diverse group of students. High potential targets include those who are looking for a less-expensive post-secondary education option, those who have recently lost their job and are looking to retool their skill set in order to be productive in what may potentially be a more service-oriented and higher-skill-based economy, and those looking to further their education in order to remain competitive in the job market. Additionally, as the price of four-year institutions continues to rise and cost becomes a preeminent concern, LCC's value proposition to graduating high school students improve. This value is aided by the numerous transfer agreements LCC maintains with four-year institutions in the state of Michigan as well as the success of the College's University Center.

At the start of the College's FY 2013 budget planning, College financial staff projected an initial gap of more than \$4.5 million between projected revenues and expenditures. This \$4.5 million deficit assumed College programs and services would remain at FY 2012 levels with the exception of additional funding deemed necessary to target student success and planned capital improvements. This also assumed that tuition rates would remain flat. The College engaged in a rigorous review of all programs and services and closed the \$4.5 million gap using criteria that prioritized funding for activities that had a direct impact on workforce development, educational quality or those that would produce more revenue than expense. Finally the remaining gap was closed with a conservative tuition rate increase of 2.5% for students.

As the financial report shows, we continue to exercise fiscal prudence, to maintain a healthy financial condition and to protect the tax dollars in the use of available resources to continue our commitment to academic excellence. The Lansing State Journal printed "The College has demonstrated restraint while coping with the same intense financial pressures facing every educational institution in the state."

STRATEGIC FOCUS

On March 18, 2013, the Board of Trustees adopted a strategic plan titled *Learn Forward* for 2013 through 2016. Development of the plan began in 2011 with an assessment of the College's strategic challenges and priorities and included numerous conversations with community and campus stakeholders.

Six areas of strategic focus emerged from the process:

Competitiveness and Innovation

Lansing Community College demonstrates its status as a college of choice by delivering superior value, by continuously improving and innovating, and by forecasting and responding to growth opportunities and competitive challenges.

Learning

Lansing Community College is an exemplary institution where student achievement and success are realized through relevant and rigorous curricula across all areas of teaching and learning.

Student Success

Lansing Community College provides excellent student support services that facilitate retention, goal completion, engagement, and success.

Community Engagement

Lansing Community College builds and enhances mutually beneficial relationships with community partners.

Leadership, Culture, and Communication

Lansing Community College is an organization in which personal responsibility, trust, respect for others, openness, and excellent customer service are core values. All employees model the values of integrity, honesty, transparency, accountability, and good stewardship. The College affirms its commitment to participatory governance.

Resource Management and Fiscal Responsibility

Lansing Community College engages in planning activities that support its ability to make data-informed and transparent decisions within a participatory framework at all levels to ensure the health and sustainability of the institution over the long term.

LOCAL ECONOMY

Michigan's economy spent the 2000-2010 period in recession, largely driven by the same fundamental restructuring that affected manufacturing globally. Manufacturing has experienced a significant surge in productivity, driven by competition in the economy. For Michigan, the effect of productivity improvements was substantial, particularly given that there was more room for improvement in the durable goods and motor vehicle manufacturing sectors than many other sectors, that Michigan was, and remains, very disproportionately concentrated in motor vehicle manufacturing and that the motor vehicle industries have become one of the most competitive sectors of the economy. For Michigan, those factors were complicated as General Motors, Ford, and Chrysler lost market share over the last decade, leaving Michigan to lose employment from both productivity and reduced demand. The impact on the Michigan economy was exacerbated by the rapid and drastic decline in automobile sales in late 2008 and during 2009, reflecting national collapses in sectors such as construction, real estate, and finance.

However, the drag from the manufacturing sector on Michigan's economy appears to have bottomed out and the recovery in vehicle sales nationally has helped Michigan's economic situation. Manufacturing employment in Michigan rose by 87,900 jobs (20.0%) between June 2009, when the U.S. recession ended, and January 2012.

Source: MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW - FY 2012-13, FY2013-14, and FY2014-15
May 13, 2013 Senate Fiscal Agency, State of Michigan

Forecast Summary

In 2013, the Michigan economy will grow more slowly than in 2012, resulting in slower revenue growth. Inflation-adjusted personal income is estimated to grow 0.6% in 2013 and 1.9% in 2014, and 1.8% in 2015, after rising 1.4% in 2012. Wage and salary employment is predicted to continue growing, increasing 1.2% during 2013, 0.8% in 2014 and 0.5% in 2015. The 1.9% increase in wage and salary employment during 2011 was the first annual expansion since 2000. Michigan's unemployment rate is expected to fall from 8.1% in 2012 to 7.6% in 2013.

Inflation is not anticipated to be a concern over the forecast period, despite the assumption of high (but only slowly increasing) energy prices and decline in the value of the dollar over the forecast period. Productivity, weak domestic consumer demand, and substantial weakness in the labor market will help keep labor costs low, with unit labor costs expected to increase 0.7% in 2013, before rising only 1.3% in 2014 and 1.8% in 2015.

Source: MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW - FY 2012-13, FY2013-14, and FY2014-15
May 13, 2013 Senate Fiscal Agency, State of Michigan

FINANCIAL INFORMATION

Internal Controls

Management of the College is responsible for establishing and maintaining internal controls designed to protect the assets of the College, prevent loss from theft or misuse and to provide that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal controls are designed to provide a reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. As demonstrated by the statements and schedules included in the financial section of this report, the College continues to meet its responsibility for sound financial management.

Property Taxes

The following table illustrates the College's property tax levy rates over the most recent three years for which data is available.

Levy Rates (Per \$1000 of taxable valuation):

<u>Fund Type</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>State Avg. (2012)</u>
Total Levy	\$3.8072	\$3.8072	\$3.8072	\$2.454

PROSPECTS FOR THE FUTURE

Compared with the January 11, 2013, Consensus Economic Forecast, both the U.S. and Michigan forecasts are slightly weaker in both 2013 and 2014. Weak employment growth, weak income growth, and slowdowns in overseas economies will temper the pace of the U.S. and Michigan recoveries during the forecast period. Improved vehicle sales and stronger profitability in Michigan's vehicle sector will provide stability to the Michigan employment situation as the government sector contracts.

Source: MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW - FY 2012-13, FY2013-14, and FY2014-15
May 13, 2013 Senate Fiscal Agency, State of Michigan

FY 2013-14 Revised Revenue Estimate - State-wide

- General Fund/General Purpose ("GF/GP") and School Aid Fund ("SAF") revenue will total an estimated \$20.9 billion in FY 2013-14. This revised estimate for FY 2013-14 is up 2.3% from FY2012-13 and \$243.4 million above the January 2013 consensus estimate.
- GF/GP revenue will total an estimated \$9.5 billion, an increase of 2.6% from FY2012-13, while SAF revenue will rise to an estimated \$11.5 billion, a 2.2% increase.

FY 2014-15 Initial Revenue Estimate - State-wide

- In FY 2014-15, GF/GP and SAF revenue will total an estimated \$21.6 billion. This revised estimate for FY 2014-15 is 3.1% higher than the revised estimate for FY 2013-14.
- GF/GP revenue will total an estimated \$9.8 billion, an increase of 3.2% from FY 2013-14, while SAF revenue will rise to an estimated \$11.8 billion, a 3.0% increase.

Source: MICHIGAN'S ECONOMIC OUTLOOK AND BUDGET REVIEW - FY 2012-13, FY2013-14, and FY2014-15
May 13, 2013 Senate Fiscal Agency, State of Michigan

CAPITAL PROJECTS

In July, 2012, the Lansing Community College Board of Trustees approved a forward-thinking set of renovation projects that will transform teaching and learning on campus for the next several decades. It is a sweeping vision grounded in the practical needs of our students – one that will enable them to pursue their educational and professional goals in settings that have been purposefully designed to help them perform at their best and to succeed.

These projects will fundamentally change the student experience by creating a variety of dynamic and adaptable teaching, learning, and support environments. They include:

- Technology-rich learning spaces and infrastructure
- Student-centered commons areas that encourage learning beyond the classroom
- Inviting environments for attracting and retaining students and enhancing campus-community connections

Together, these projects position LCC as a national leader in community college education, linking best practices in teaching and learning to the needs of Michigan employers and the expectations of baccalaureate-granting colleges and universities. In our transfer and career programs, as well as in our partnerships with K-12 schools in mid-Michigan, the College is committed to providing students with a superior learning environment that effectively prepares them to participate in the knowledge economy.

Multiple funding strategies were used. The State of Michigan Capital Outlay appropriation will fund \$9.975 million of the Arts & Sciences Building renovation. The College has accumulated \$11.4 million for these projects. The College received \$1.3 million from LCC Foundation capital funds, and the remainder will be financed with net proceeds of a bond issuance of approximately \$44.3 million dollars, net of the cost of issuance.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lansing Community College for its comprehensive annual financial report for the fiscal year ended June 30, 2012. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

LCC has received the Distinguished Budget Presentation Award from the GFOA for the 2012/2013 fiscal year. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. A copy of this award can be viewed on the College's website at http://www.lcc.edu/finservices/BudgetPresentation_2013.pdf.

LCC has received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA for the fiscal year ended June 30, 2012. The GFOA established the Popular Annual Financial Reporting Awards Program to encourage and assist state and local governments to extract information from their comprehensive annual financial report to produce high quality popular annual financial reports specifically designed to be readily accessible and easily understandable to the general public and other interested parties without a background in public finance and then to recognize individual governments that are successful in achieving that goal. A copy of this award can be viewed on the College's website at <http://www.lcc.edu/finservices/Annual-Report-2012-web.pdf>.

LCC's Purchasing Department is the recipient of the 17th Annual Achievement of Excellence in Procurement (AEP) Award. Lansing Community College has received the award for ten consecutive years and is one of only four government agencies in Michigan to receive the national award. The award is designed to recognize organizational excellence in procurement through efficient and effective practices within an organization's procurement policies and processes. It acknowledges measures in innovation, professionalism, e-procurement, productivity and leadership attributes of the procurement function.

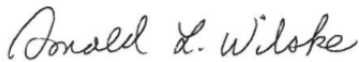
Independent Audit

State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the College's Board of Trustees. The auditors' report on the financial statements and schedules is included in the financial section of this report.

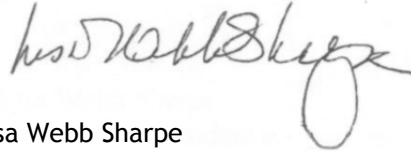
Acknowledgments

The timely preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the finance department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Donald L. Wilske
Interim Chief Financial Officer



Lisa Webb Sharpe
Senior Vice President of Finance, Administration, and
Advancement

LANSING COMMUNITY COLLEGE

PRINCIPAL OFFICIALS

Year Ended June 30, 2013

BOARD OF TRUSTEES

	<u>Position</u>	<u>Term Expires</u>
Larry Meyer	Chairperson	2016
Edward Woods III	Vice Chairperson	2014
Robin M. Smith	Secretary	2018
Jerry L. Hollister	Treasurer	2014
Deborah Canja	Trustee	2016
Robert E. Proctor	Trustee	2016
Lawrence Hidalgo, Jr.	Trustee	2018

OFFICERS OF THE COLLEGE

Brent Knight	President
Richard Prystowsky	Provost/Senior Vice President of Academic Affairs
Lisa Webb Sharpe	Senior Vice President of Finance, Administration & Advancement
Donald L. Wilske	Interim Chief Financial Officer

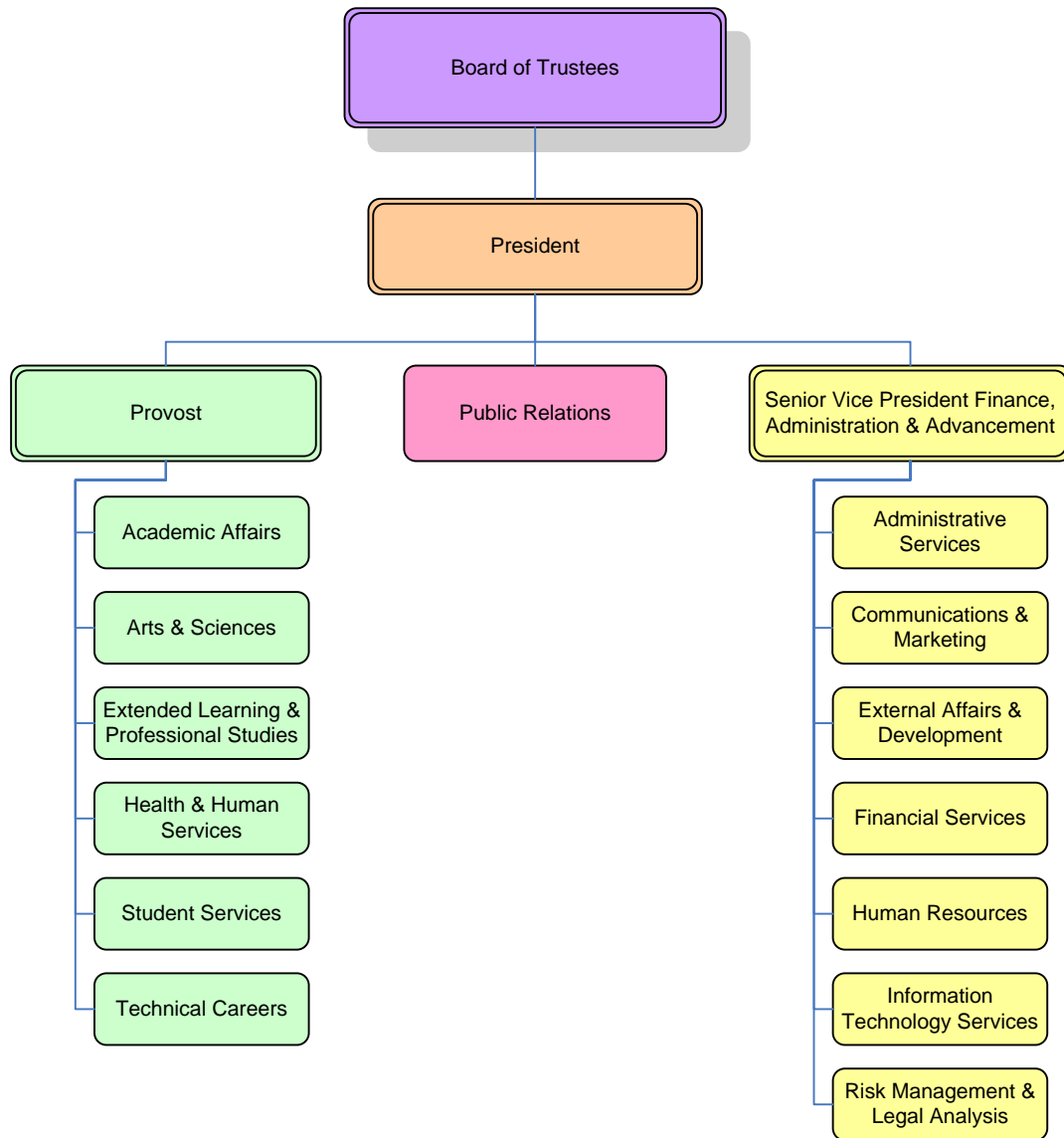
OFFICIALS ISSUING REPORT

Lisa Webb Sharpe	Senior Vice President of Finance, Administration & Advancement
Donald L. Wilske	Interim Chief Financial Officer
Randall Roy	Controller
Megan Garrett	Director of Accounting

DIVISION ISSUING REPORT

Financial Services Division

LANSING COMMUNITY COLLEGE ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Lansing Community College
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



Financial Section

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INDEPENDENT AUDITORS' REPORT

October 7, 2013

Board of Trustees
Lansing Community College
Lansing, 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 *Lansing Community College* (the "College") as of and for the years ended June 30, 2013 and 2012, 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 of material misstatement. The financial statements of Lansing Community College Foundation, the College's discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of *Lansing Community College* as of June 30, 2013 and 2012, and the respective results of their operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 26 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.

Additional 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 introduction and statistical and special reports sections 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 our 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 October 7, 2013 on our consideration of *Lansing Community College's* internal control over financial reporting and on 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 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 *Lansing Community College's* internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

LANSING COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEARS ENDED JUNE 30, 2013 AND 2012

The discussion and analysis of Lansing Community College's financial statements provides an overview of the College's financial activities for the years ended June 30, 2013 and 2012. Management has prepared the fiscal 2013 and 2012 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.

Using this Report

The College's financial statements have been prepared in accordance with the following standards.

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, 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. The State of Michigan has adopted these standards and therefore, has revised and issued the *Manual for Uniform Financial Reporting for Michigan Public Community Colleges, 2001*. Subsequent GASB statements, when applicable, have been implemented as well.

Component Unit

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, 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.

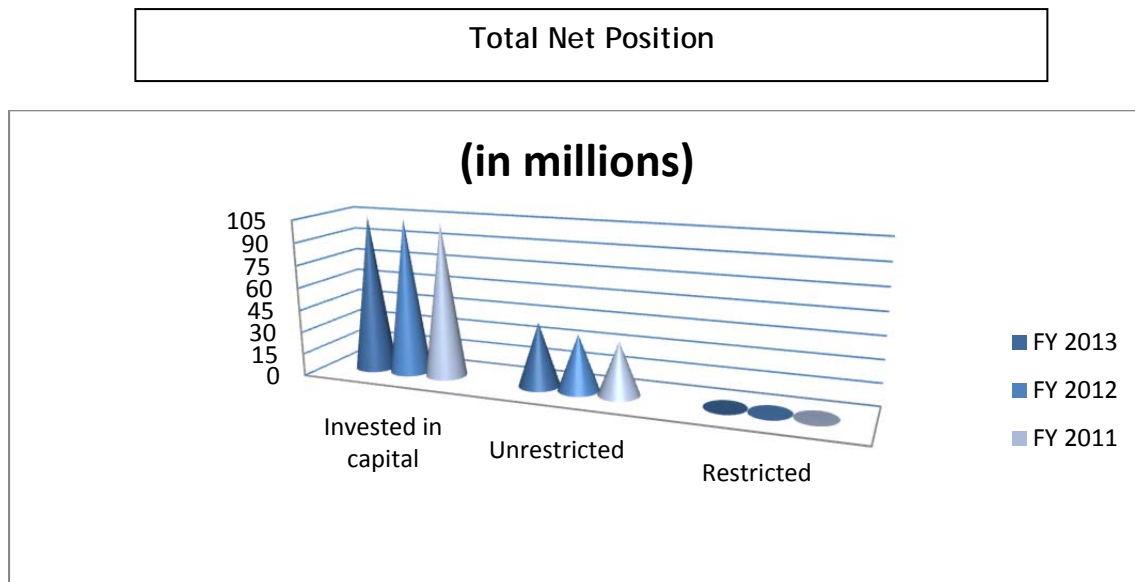
In compliance with this statement, the Lansing Community College Foundation is reported as a component unit of the College and its financial activities are presented separately from the rest of the College's activities in the Statements of Net Position and Revenues, Expenses and Changes in Net Position, in separate columns headed "Component Unit".

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

Financial Highlights

The College's financial position improved during the fiscal year ended June 30, 2013, with a \$5.4 million increase in total net position. The three major categories of net position changed somewhat, as shown in the graph below. While total net position increased by \$5.4 million, restricted net position declined by \$.2 million due to assets being released from restriction. Unrestricted net position as shown here increased by approximately \$5.3 million, from \$37.4 to \$42.7 million as a result of the increase in net position from current year operations, and there was a \$.3 million increase in net position invested in capital assets from \$104.2 million to \$104.5 million.

The College's net position improved during the fiscal year ended June 30, 2012, with a \$3.8 million increase in total net position. The three major categories of net position changed somewhat, as shown in the graph below. While total net position increased by \$3.8 million, unrestricted net position as shown here increased by approximately \$2.2 million, from \$35.2 to \$37.4 million as a result of the increase in net position from current year operations and there was a \$1.6 million increase in net position invested in capital assets from \$102.6 million to \$104.2 million. The increase in unrestricted net position is attributed to staff vacancies and reduced services and supplies expenditures.



Statements of Net Position and Revenues, Expenses, and Changes in Net Position

One of the most important questions to ask about the College's finances is, "Is Lansing Community College as a whole better off or worse off as a result of the year's activities?" The statements of net position and 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 include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions, and all deferred outflows and inflows of resources. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report Lansing Community College's net position and changes in them. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as Lansing Community College's operating results.

One can think of LCC's net position - the difference between assets plus deferred outflows less liabilities and deferred inflows - as one way to measure the College's financial health or net position. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the College, you will need to consider many other non-financial factors, such as the trend in College enrollment, student retention, condition of the buildings, and strength of the faculty.

Net Position (*in millions*) as of June 30

			Increase (Decrease) 2013-2012		Increase (Decrease) 2012-2011
	2013	2012		2011	
Current assets	\$ 51.6	\$ 45.7	\$ 5.9	\$ 36.8	\$ 8.9
Non-current assets					
Capital assets, net of depreciation	171.0	155.4	15.6	157.4	(2.0)
Other	35.4	7.6	27.8	15.8	(8.2)
Total non-current assets	206.4	163.0	43.4	173.2	(10.2)
Total assets	258.0	208.7	49.3	210.0	(1.3)
Deferred outflows of resources	1.5	0.9	0.6	1.0	(0.1)
Current liabilities	25.4	20.9	4.5	20.6	0.3
Long-term liabilities	86.9	46.9	40.0	52.4	(5.5)
Total liabilities	112.3	67.8	44.5	73.0	(5.2)
Net position					
Net investment in capital assets	104.5	104.2	0.3	102.6	1.6
Restricted	-	0.2	(0.2)	0.2	-
Unrestricted	42.7	37.4	5.3	35.2	2.2
Total net position	\$ 147.2	\$ 141.8	\$ 5.4	\$ 138.0	\$ 3.8

Fiscal Year 2013 Compared to 2012

The College increased its current assets by \$5.9 million primarily due to the increase in net position and an adjustment to appropriations receivable for the MPSERS UAAL rate stabilization in the amount of \$1.1 million. The College net position increased by \$5.4 million. This is attributed to various operational efficiencies and a Foundation donation for capital activities. The College's capital assets, net of depreciation increased due to significant Construction in Progress related to major campus renovations. Other assets increased due to reinvestment into long-term investments because of favorable rates, and unspent proceeds from the 2012 bond issue.

Fiscal Year 2012 Compared to 2011

The College increased its current assets by \$8.9 million primarily due to shortening investment maturities. The College net position increased by \$3.8 million. This is attributed to various operational efficiencies, and a \$1.0 million unused contingency budget in the General Fund. The College's capital assets, net of depreciation decreased as depreciation and disposals exceeded asset additions by \$2.0 million. Other assets decreased due to shortening of investment maturities. Long-term liabilities decreased as a result of debt payments.

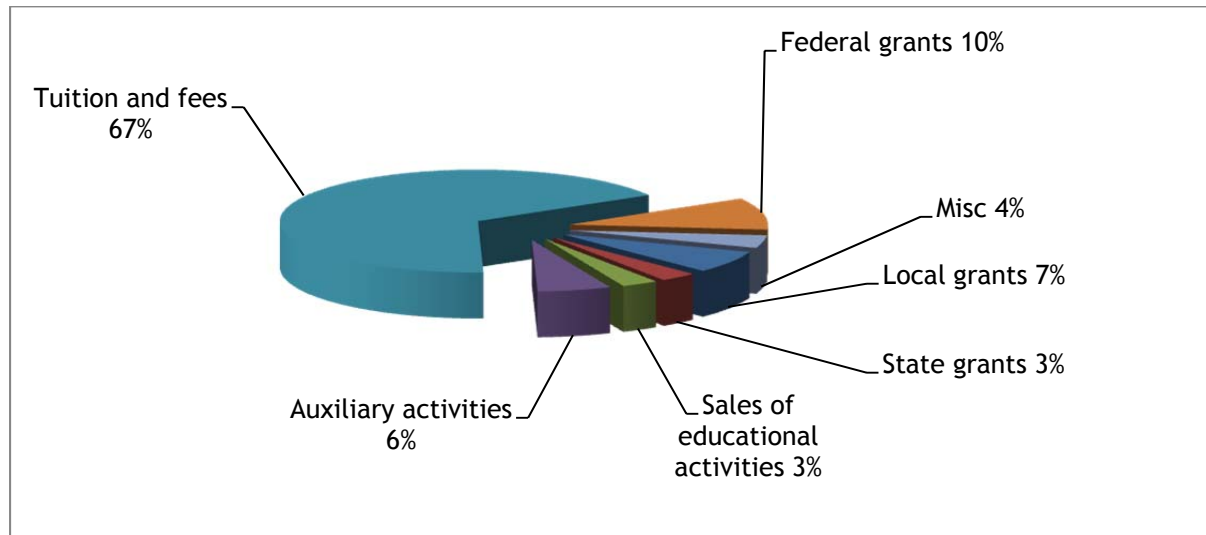
Operating Results (*in millions*) for the Years Ended June 30

	2013	2012	Increase (Decrease) 2013-2012	2011	Increase (Decrease) 2012-2011
Operating revenues:					
Tuition and fees (net of scholarship allowances)	\$ 29.4	\$ 29.0	\$ 0.4	\$ 29.6	\$ (0.6)
Federal grants and contracts	4.2	4.6	(0.4)	4.9	(0.3)
State grants and contracts	1.4	1.2	0.2	0.3	0.9
Local grants and contracts	3.0	2.9	0.1	3.0	(0.1)
Sales and services of educational activities	1.4	1.2	0.2	1.3	(0.1)
Sales and services of auxiliary activities	2.6	3.3	(0.7)	3.0	0.3
Miscellaneous	1.5	1.7	(0.2)	1.6	0.1
Total operating revenues	43.5	43.9	(0.4)	43.7	0.2
Operating expenses:					
Instruction	48.9	48.9	-	47.7	1.2
Public services	3.2	3.2	-	3.0	0.2
Instructional support	20.7	21.6	(0.9)	21.2	0.4
Student services	23.7	26.7	(3.0)	29.5	(2.8)
Institutional administration	11.1	12.0	(0.9)	11.7	0.3
Operation and maintenance of plant	17.0	17.9	(0.9)	18.9	(1.0)
Depreciation	8.7	8.2	0.5	9.0	(0.8)
Total operating expenses	133.3	138.5	(5.2)	141.0	(2.5)
Operating loss	(89.8)	(94.6)	4.8	(97.3)	2.7
Nonoperating revenues (expenses):					
State appropriations	30.7	28.7	2.0	29.8	(1.1)
Property tax levy	37.3	38.5	(1.2)	40.3	(1.8)
Pell Grant revenue	29.3	33.1	(3.8)	37.2	(4.1)
Other nonoperating expenses - net	(3.4)	(1.9)	(1.5)	(2.5)	0.6
Net nonoperating revenues	93.9	98.4	(4.5)	104.8	(6.4)
Other revenues:					
Capital gifts	1.3	-	1.3	-	-
Change in net position	5.4	3.8	1.6	7.5	(3.7)
Net position - beginning of year	141.8	138.0	3.8	130.5	7.5
Net position- end of year	\$ 147.2	\$ 141.8	\$ 5.4	\$ 138.0	\$ 3.8

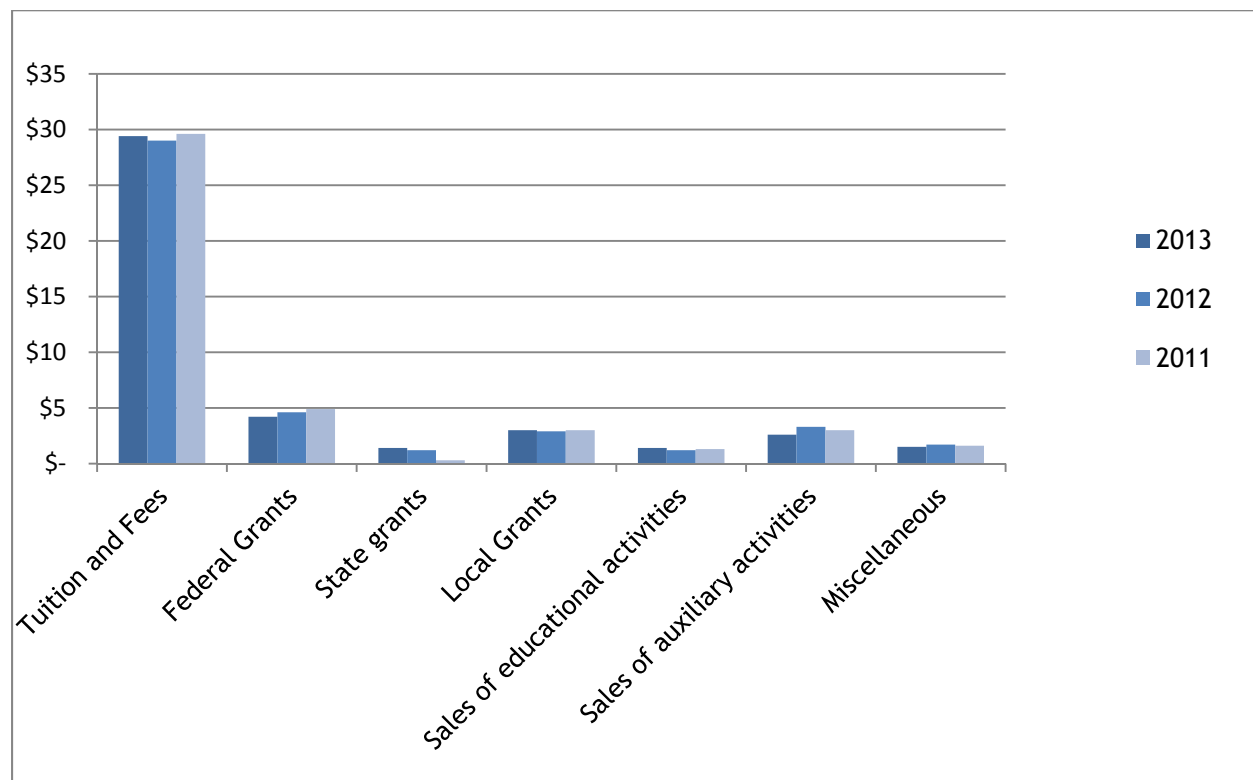
Operating Revenues

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

2013 Operating Revenues by Source



2013, 2012, 2011 Operating Revenues by Source (*in millions*)



Operating Revenues

Fiscal Year 2013 Compared to 2012

Operating revenue changes were the result of the following factors:

- Tuition and fee revenue increased by \$0.4 million. The increase is attributable to a decrease in the tuition allowance calculation due to a corresponding decrease in Pell.
- Federal grants and contracts decreased by \$0.4 million primarily due to the reduction in various grant expenditures including the HIT Consortium and the Military to Paramedic Program.
- Auxiliary fund revenue decreased by \$0.7 million due to food service space being unavailable during College renovations.

Fiscal Year 2012 Compared to 2011

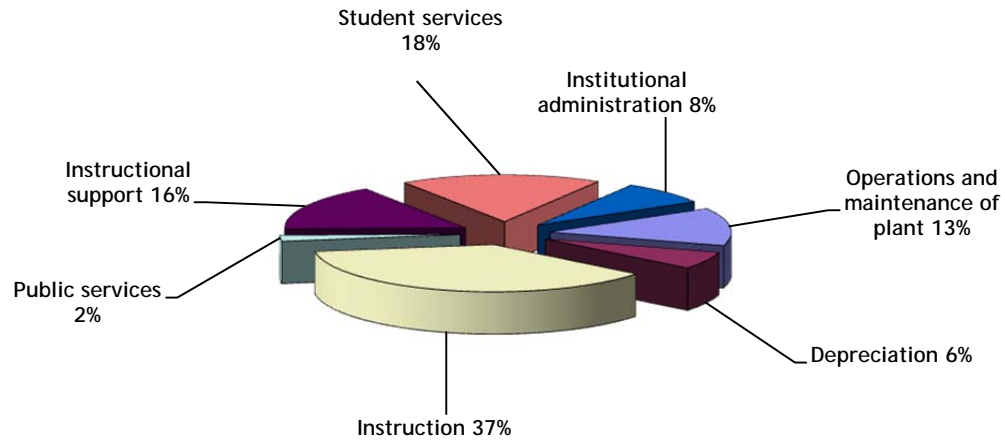
Operating revenue changes were the result of the following factors:

- Tuition and fee revenue decreased by \$0.6 million. The decrease is attributable to decline in enrollment.
- Federal grants and contracts decreased by \$0.3 million primarily due to the conclusion of the WIRED grant in fiscal year 2011.
- State grants increased by \$0.9 million due to revenue for the Early College.
- Auxiliary fund revenue increased by \$0.3 million due to extended parking hours, shifting lots from staff to students, increase in conference services activity, and an increase in food services revenue.

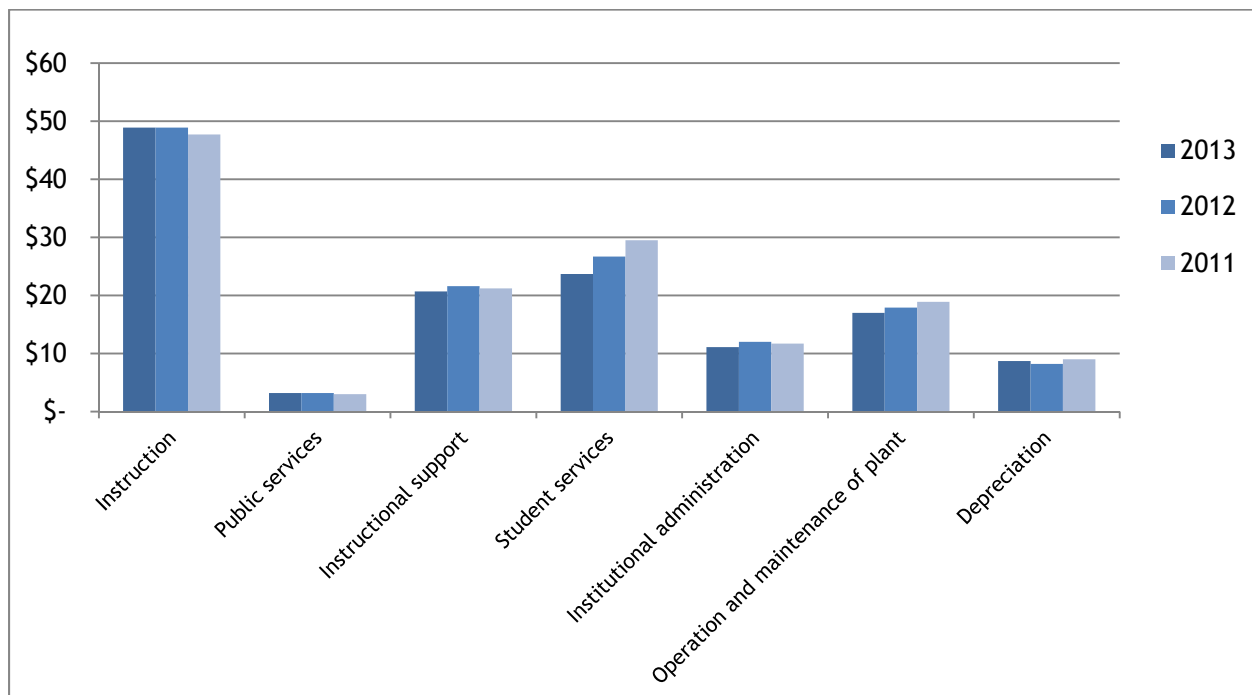
Operating Expenses

Operating expenses are all the costs necessary to perform and conduct the programs and primary purposes of the College.

2013 Operating Expenses



2013, 2012, 2011 Operating Expenses by Function (*in millions*)



Fiscal Year 2013 Compared to 2012

Total operating expenses decreased by \$5.2 million. Factors that influence this decrease are:

- Student services decreased by \$3.0 million due to a decrease in Pell expenses and planned operations efficiencies.
- Institutional administration decreased by \$0.9 million due to planned operations efficiencies.
- Instructional support decreased by \$0.9 million due to planned efficiencies and delays in hiring during a restructuring process.
- Operations and maintenance of plant expenses decreased by \$0.9 million due to planned efficiencies and a decrease in areas to be maintained during College renovations.
- Depreciation increased by \$0.5 million due to the capitalization of assets from construction in progress from the prior year and equipment acquisitions.

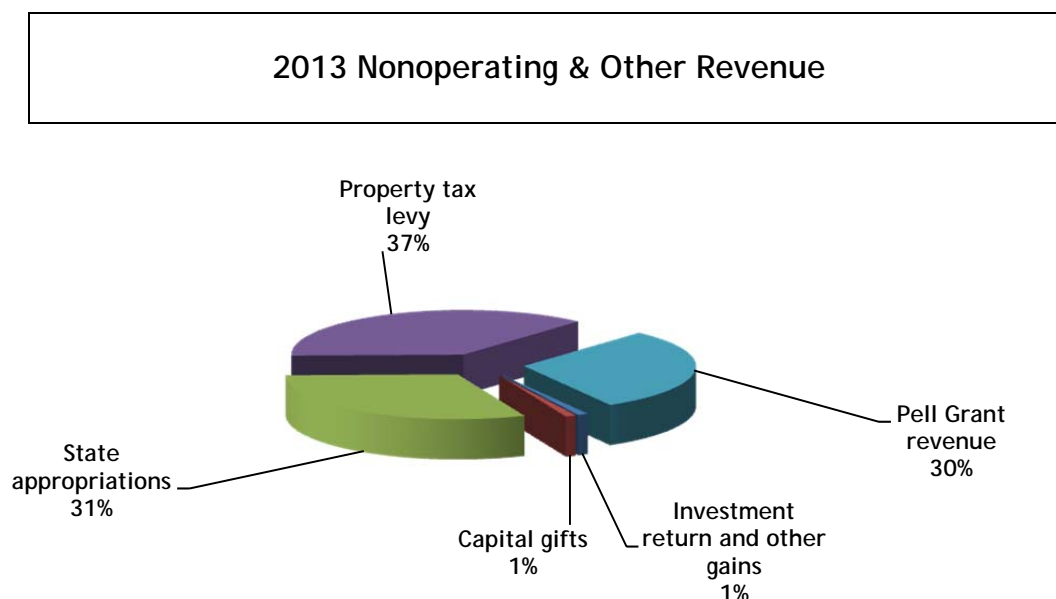
Fiscal Year 2012 Compared to 2011

Total operating expenses decreased by \$2.5 million. Factors that influence this decrease are:

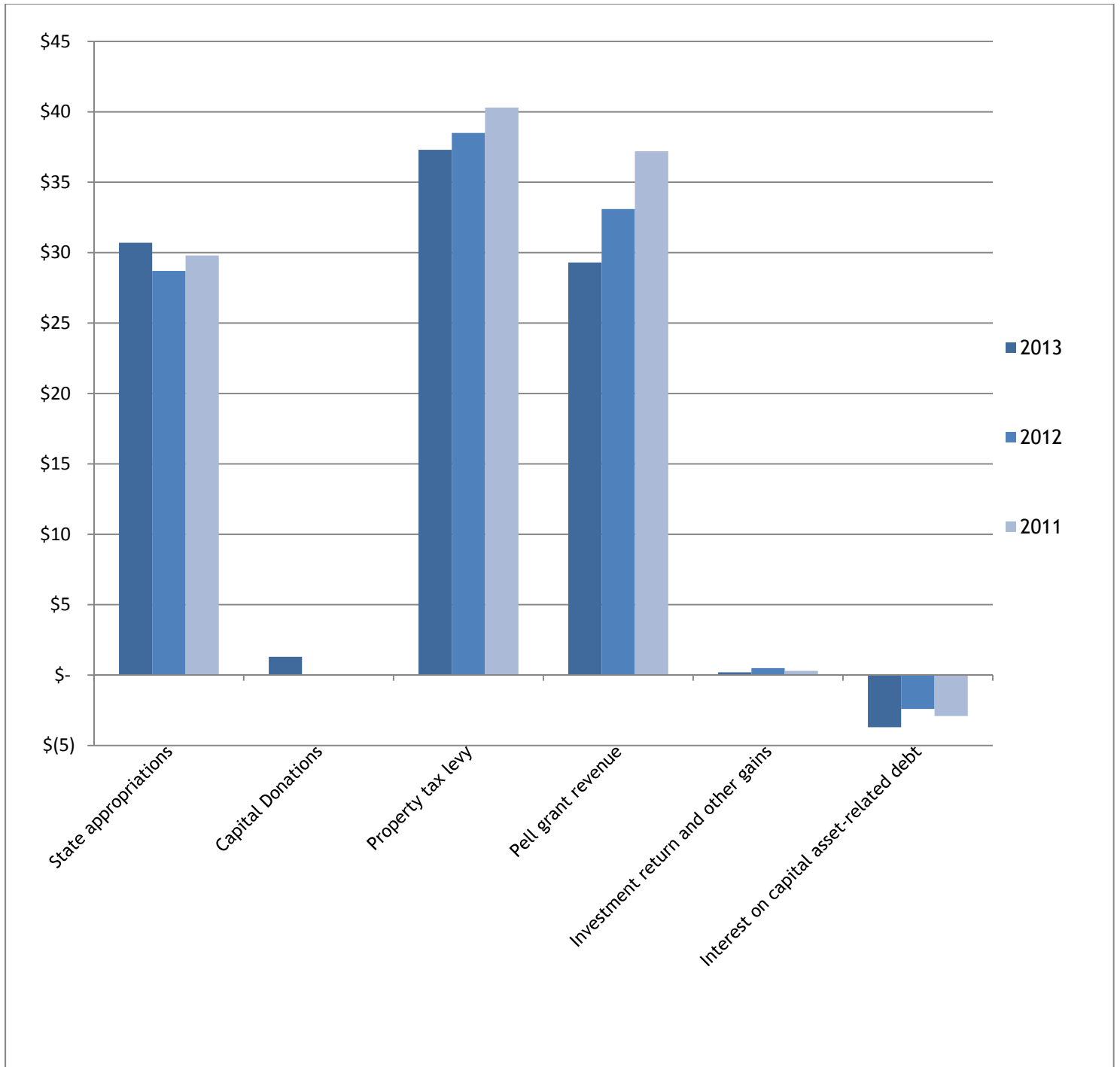
- Student services decreased by \$2.8 million due to a decrease in Pell expenses.
- Instruction increased by \$1.2 million due to increased personnel costs.
- Instructional support increased by \$0.4 million due to increased personnel costs.
- Operations and maintenance of plant expenses decreased by \$1.0 million due to planned efficiencies.

Nonoperating Revenues

Nonoperating revenues consist primarily of state appropriations, property tax revenue, investment income (including realized and unrealized gains and losses), and Pell Grant revenue.



2013, 2012, 2011 Net Nonoperating Revenue (*in millions*)



Fiscal Year 2013 Compared to 2012

Changes in nonoperating revenues were the result of the following factors:

- Pell awards decreased by \$3.8 million due to economic changes, and a decrease in enrollment.
- Investment return and other gains and other revenues increased by \$1.5 million primarily due to the \$1.3 million donation from the Foundation for capital renovations.
- Decline in property tax revenue is due to a decline in taxable values and a delay by the taxing authorities in processing appeals.
- State appropriations increased \$2.0 million due to economic changes and a one-time UAAL rate stabilization payment.

Fiscal Year 2012 Compared to 2011

Changes in nonoperating revenues were the result of the following factors:

- Pell awards decreased by \$4.1 million due to economic changes, and a decrease in enrollment.
- Investment return and other gains increased by \$0.3 million due to revenue recognized from the sale of capital assets, mainly equipment from discontinued programs.
- Decline in property tax revenue is due to a decline in taxable values.
- State appropriations decreased \$1.1 million due to economic changes.

Statement of Cash Flows

Another way to assess the financial health of a 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 an entity during a designated period. The statement of cash flows also helps users assess the College's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing

Cash flows for the years ended June 30, 2013, 2012 and 2011 *(in millions)*

	2013	2012	Increase (Decrease) 2012-2011	2011	Increase (Decrease) 2011-2010
Cash provided (used) by:					
Operating activities	\$ (77.2)	\$ (87.4)	\$ 10.2	\$ (90.2)	\$ 2.8
Noncapital financing activities	96.0	99.4	(3.4)	107.4	(8.0)
Capital and related financing activities	13.1	(13.5)	26.6	(11.4)	(2.1)
Investing activities	3.3	(0.8)	4.1	(21.1)	20.3
Net increase (decrease) in cash	35.2	(2.3)	37.5	(15.3)	13.0
Cash, beginning of year	8.8	11.1	(2.3)	26.4	(15.3)
Cash, end of year	<u>\$ 44.0</u>	<u>\$ 8.8</u>	<u>\$ 35.2</u>	<u>\$ 11.1</u>	<u>\$ (2.3)</u>
	2013	2012		2011	
Unrestricted cash	\$ 20.1	\$ 8.8		\$ 9.4	
Restricted cash	23.9	-		1.7	
Total cash	<u>\$ 44.0</u>	<u>\$ 8.8</u>		<u>\$ 11.1</u>	

Fiscal Year 2013 Compared to 2012

The College's cash and cash equivalents increased by \$35.2 million during 2013 primarily due to an increase in net position of \$5.4 million and an increase in cash due to the 2012 bond proceeds. In addition, there was a \$1.3 million capital gift from the Foundation for the *Build Forward* initiative.

Fiscal Year 2012 Compared to 2011

The College's cash and cash equivalents decreased by \$2.3 million during 2012 primarily due to a decrease in property tax receipts, due to current economic factors.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2013, the College has \$294.3 million invested in capital assets, net of accumulated depreciation of \$123.3 million, resulting in \$171.0 million in net capital assets. This investment in capital assets includes land, buildings, improvements, equipment and construction in progress. The total increase in the College's net capital assets for the current fiscal year is \$15.6 million. Annual depreciation for fiscal 2013 was \$8.7 million, which was offset by additions of \$0.9 million to depreciable capital assets and additions in construction in progress of \$23.4 million. Construction in progress includes major renovations to the Arts and Sciences and Gannon buildings.

Details of these assets at net book value for 2013, 2012 and 2011 are shown below (in millions):

	2013	2012	Increase (Decrease) 2013-2012	2011	Increase (Decrease) 2012-2011
Land	\$ 12.6	\$ 12.6	\$ -	\$ 11.5	\$ 1.1
Buildings and improvements	186.9	185.2	1.7	184.6	0.6
Furniture, fixtures and equipment	66.6	65.0	1.6	64.9	0.1
Infrastructure and land improvement:	3.4	3.3	0.1	3.2	0.1
Construction in progress	24.8	4.2	20.6	0.5	3.7
Total property and equipment	294.3	270.3	24.0	264.7	5.6
Less accumulated depreciation	123.3	114.9	8.4	107.3	7.6
Property and equipment, net	<u>\$ 171.0</u>	<u>\$ 155.4</u>	<u>\$ 15.6</u>	<u>\$ 157.4</u>	<u>\$ (2.0)</u>

For more detailed information of capital assets activity, refer to Note 4, Property and Equipment, within the notes to financial statements section of this document (pages 39 and 40).

Fiscal Year 2012 Compared to 2011

As of June 30, 2012, the College has \$270.3 million invested in capital assets, net of accumulated depreciation of \$114.9 million, resulting in \$155.4 million in net capital assets. This investment in capital assets includes land, buildings, improvements, and equipment. The total decrease in the College's net capital assets for the 2012 fiscal year is \$2.0 million. Annual depreciation for fiscal 2012 was \$8.2 million, which was offset by additions of \$6.2 million. Significant additions include the former city parking lot #2, Gannon Building sub-station replacement, the utility training center, and various equipment purchases.

Debt

At year end, the College had \$91.9 million in outstanding debt including four outstanding bond issues. The 2005 bond issue will be paid off in May of 2017, the 2006 bond issue will be paid off in May of 2026, the 2007 bond issue will be paid off in May of 2026 and the 2012 bond issue will be paid off in May of 2032. The 2012 bond issue includes \$13 million in escrow which paid off the 2003 bond issue, and significantly changed the pay off date of the 2005 bond issue. The table below summarizes these amounts (in millions).

			Increase (Decrease)		Increase (Decrease)
	2013	2012	2013-2012	2011	2012-2011
2002 building & site bonds	\$ -	\$ -	\$ -	\$ 3.2	\$ (3.2)
2003 building & site bonds	-	11.4	(11.4)	12.2	(0.8)
2005 building & site bonds	16.9	22.5	(5.6)	22.9	(0.4)
2006 building & site bonds	8.5	8.9	(0.4)	9.2	(0.3)
2007 building & site bonds	8.4	8.7	(0.3)	9.0	(0.3)
2012 building & site bonds	57.7	-	57.7	-	-
National City note payable	0.4	0.6	(0.2)	0.9	(0.3)
Less current portion of long-term debt	(5.0)	(5.3)	0.3	(5.1)	(0.2)
Long-term debt, net of current portion	<u>\$ 86.9</u>	<u>\$ 46.8</u>	<u>\$ 40.1</u>	<u>\$ 52.3</u>	<u>\$ (5.5)</u>

For more detailed information on debt activity, refer to Note 6, Long-Term Liabilities within the notes to financial statements section of this document (pages 41 through 43).

Economic Factors That Will Affect the Future

In fiscal year 2002, Lansing Community College received more than \$32 million in state appropriations. Since that time, Michigan community colleges have experienced a decrease in state appropriations resulting in General Fund State appropriations revenue for the fiscal year ended June 30, 2013 at \$29.6 million. State appropriations revenue for the fiscal year ended June 30, 2012 was \$28.7 million. Appropriations for the year ending June 30, 2011 were \$29.8.

The current and projected economic outlook for Michigan includes an uncertain employment, and a slowly rebounding real estate market. While there has been some recovery in the auto industry the future remains uncertain.

Property tax revenue to the College decreased in 2013. Lansing Community College remains near the bottom of Michigan's 28 community colleges in terms of taxable value per Fiscal Year Equated Student (FYES). Property tax revenue is projected to decline in the subsequent fiscal year as a result of a significant backlog in the processing of appeals by the tax authorities. In addition, the Michigan Legislature passed legislation which will cause major changes to the taxation of personal property that could have an additional negative impact.

The College faces continued increases in benefit costs. The contribution rate to the MPSERS system was 12.17% of all wages and salaries in fiscal year 2002. The total rate for the year ended June 30, 2013 (for employees who worked before July 1, 2010) was 24.46% through September 30, 2012 and increased to 25.36% in October 2012. For employees who worked on or after July 1, 2010, the total rate through September 30, 2012 was 23.23% and increased to 24.13% in October 2012.

Effective October 1, 2012, the contribution rate was 20.96% to 25.36% depending on date of hire. In August 2012, the Michigan Legislature passed legislation to reform MPSERS. This reform provided a defined contribution option at a rate of 20.96%. This legislation is anticipated to slow the rate of growth in the MPSERS contribution rates. Effective February 1, 2013, the contribution rates changed for community colleges to a range of 20.96% to 24.32% depending on date of hire and plan chosen by the employee.

The College now budgets approximately \$60 million in salaries and wages (excluding student staff), so each 1% increase in contribution rate equates to approximately \$600,000 more in retirement contribution costs.

The College anticipates an increase in benefit costs in FY2014 as a result of the pending implementation of the Affordable Care Act.

The College also anticipates additional costs in fiscal 2015 as a result of GASB No. 67 and No. 68 and the reporting of net pension liability.

Contacting the College's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the College's finances and to demonstrate the College's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the business office, Lansing Community College, P. O. Box 40010, Lansing, Michigan 48901-7210.

LANSING COMMUNITY COLLEGE

STATEMENTS OF NET POSITION JUNE 30,

	Primary Government Lansing Community College		Component Unit Lansing Community College Foundation	
	2013	2012	2013	2012
Assets				
Current assets				
Cash and cash equivalents	\$ 20,155,782	\$ 8,809,145	64,633	\$ 127,274
Short-term investments	15,290,530	20,284,914	111,720	691,952
Property taxes receivable, net	464,658	324,335	-	-
State appropriations receivable	6,419,065	5,209,438	-	-
Accounts receivable, net	7,156,361	6,670,728	82,902	83,026
Federal and state grants receivable	876,633	3,585,850	-	-
Inventories	73,631	111,798	-	-
Prepaid expenses and other assets	1,150,929	672,149	-	-
Total current assets	51,587,589	45,668,357	259,255	902,252
Noncurrent assets				
Restricted cash - unspent bond proceeds	23,867,509	-	-	-
Long-term investments	11,563,829	7,016,505	9,549,843	9,466,411
Promises to give, net of current portion	-	-	82,604	165,135
Bond issuance costs, net	-	572,360	-	-
Capital assets not being depreciated	37,483,127	16,903,211	-	-
Capital assets being depreciated, net	133,547,903	138,512,156	-	-
Total noncurrent assets	206,462,368	163,004,232	9,632,447	9,631,546
Total assets	258,049,957	208,672,589	9,891,702	10,533,798
Deferred outflows of resources				
Deferred charge on refunding	1,496,949	930,753	-	-
Liabilities				
Current liabilities				
Accounts payable	8,494,178	2,913,993	24,679	70,115
Accrued payroll and other compensation	5,817,314	7,163,134	-	-
Accrued vacation	1,451,812	1,636,222	-	-
Accrued interest payable	709,119	379,554	-	-
Unearned revenue	3,864,562	3,423,485	-	-
Other current liabilities	41,841	41,842	-	-
Current portion of debt obligations	5,002,213	5,336,909	-	-
Total current liabilities	25,381,039	20,895,139	24,679	70,115
Noncurrent liabilities				
Long-term debt obligations, net of current portion	86,878,558	46,765,772	-	-
Other noncurrent liabilities	69,404	111,245	-	-
Total noncurrent liabilities	86,947,962	46,877,017	-	-
Total liabilities	112,329,001	67,772,156	24,679	70,115
Net position				
Net investment in capital assets	104,514,717	104,243,439	-	-
Restricted:				
Restricted fund activities	-	171,618	-	-
Non-expendable - permanently restricted	-	-	6,387,715	6,137,403
Expendable - temporarily restricted	-	-	3,281,124	4,163,250
Unrestricted	42,703,188	37,416,129	198,184	163,030
Total net position	\$ 147,217,905	\$ 141,831,186	\$ 9,867,023	\$ 10,463,683

The accompanying notes are an integral part of these financial statements.

LANSING COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED JUNE 30,

	Primary Government Lansing Community College		Component Unit Lansing Community College Foundation	
	2013	2012	2013	2012
Operating revenues				
Tuition and fees (net of scholarship allowances of \$24,162,224 and \$26,332,209, respectively)	\$ 29,363,192	\$ 28,979,245	\$ -	\$ -
Federal grants and contracts	4,226,015	4,610,027	-	-
State grants and contracts	1,414,642	1,236,128	-	-
Local grants and contracts	3,028,011	2,936,104	-	-
Sales and services of educational activities	1,375,941	1,207,875	-	-
Sales and services of auxiliary activities	2,641,831	3,303,012	-	-
Miscellaneous	1,473,168	1,643,600	-	-
Total operating revenues	43,522,800	43,915,991	-	-
Operating expenses				
Instruction	48,827,540	48,921,597	-	-
Public services	3,194,984	3,164,438	-	-
Instructional support	20,729,384	21,545,150	-	-
Student services	23,726,541	26,742,055	-	-
Institutional administration	11,125,505	12,029,791	-	-
Operation and maintenance of plant	17,032,865	17,927,676	-	-
Depreciation	8,726,093	8,170,195	-	-
Foundation operations and fundraising	-	-	590,069	567,189
Total operating expenses	133,362,912	138,500,902	590,069	567,189
Operating loss	(89,840,112)	(94,584,911)	(590,069)	(567,189)
Nonoperating revenues (expenses)				
State appropriations	30,724,364	28,651,900	-	-
Property tax levy	37,294,876	38,543,630	-	-
Pell Grant revenue	29,347,419	33,125,802	-	-
Investment return and other gains (losses)	224,494	509,745	743,435	(8,119)
Interest on capital asset-related debt	(3,664,322)	(2,403,409)	-	-
Gifts	-	-	1,238,542	1,348,444
Payments to primary government	-	-	(2,238,880)	(896,571)
Net nonoperating revenues	93,926,831	98,427,668	(256,903)	443,754
Other revenues				
Capital gifts	1,300,000	-	-	-
Additions to permanent endowment funds	-	-	250,312	591,223
Total other revenues	1,300,000	-	250,312	591,223
Change in net position	5,386,719	3,842,757	(596,660)	467,788
Net position, beginning of year	141,831,186	137,988,429	10,463,683	9,995,895
Net position, end of year	\$ 147,217,905	\$ 141,831,186	\$ 9,867,023	\$ 10,463,683

The accompanying notes are an integral part of these financial statements.

LANSING COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30,

	Primary Government Lansing Community College	
	2013	2012
Cash flows from operating activities		
Tuition and fees	\$ 29,318,636	\$ 29,046,426
Grants and contracts	11,377,885	7,292,269
Payments to suppliers and students	(31,928,112)	(37,989,918)
Payments to or on behalf of employees	(91,471,524)	(91,937,285)
Educational enterprise charges	1,375,941	1,207,875
Auxiliary enterprise charges	2,641,831	3,303,012
Other	1,473,168	1,646,600
Net cash used in operating activities	(77,212,175)	(87,431,021)
Cash flows from noncapital financing activities		
Local property taxes	37,154,553	37,890,972
Pell Grant receipts	29,347,419	33,125,804
William D. Ford direct lending receipts	46,971,817	57,418,619
William D. Ford direct lending disbursements	(46,971,817)	(57,418,619)
State scholarship and grant receipts	2,059,048	975,191
State scholarship and grant disbursements	(2,059,048)	(975,191)
State appropriations	29,514,737	28,449,974
Net cash provided by noncapital financing activities	96,016,709	99,466,750
Cash flows from capital and related financing activities		
Purchase of capital assets	(24,192,367)	(6,210,406)
Principal paid on capital debt and other noncurrent obligations	(5,416,630)	(5,250,281)
Proceeds from issuance of bonds	44,652,173	-
Proceeds from sales of capital assets	82,892	419,905
Capital gifts	1,300,000	-
Discount on bonds	(591)	(35,256)
Interest paid on capital debt	(3,334,757)	(2,440,625)
Net cash provided by (used in) capital and related financing activities	13,090,720	(13,516,663)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	15,267,384	5,060,647
Interest on investments	77,258	86,840
Purchases of investments	(12,025,750)	(6,000,000)
Net cash provided by (used in) investing activities	3,318,892	(852,513)
Net increase (decrease) in cash	35,214,146	(2,333,447)
Cash, beginning of year	8,809,145	11,142,592
Cash, end of year	\$ 44,023,291	\$ 8,809,145
Reconciliation to Statements of Net Position:		
Cash and cash equivalents	\$ 20,155,782	\$ 8,809,145
Restricted cash - unspent bond proceeds	23,867,509	-
Cash, end of year	\$ 44,023,291	\$ 8,809,145

The accompanying notes are an integral part of these financial statements.

LANSING COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded) YEAR ENDED JUNE 30,

	Primary Government Lansing Community College	
	2013	2012
Reconciliation of operating loss		
to net cash used in operating activities		
Operating loss	\$ (89,840,112)	\$ (94,584,911)
Adjustments to reconcile operating loss to net cash		
used in operating activities		
Depreciation	8,726,093	8,170,195
Amortization of bond issuance costs	572,360	35,256
Amortization of bond premium	(189,107)	(192,732)
Amortization of loss on refunding	166,327	93,075
(Increase) decrease in operating assets:		
Accounts receivable, net	(485,633)	(309,909)
Federal and state grants receivable	2,709,217	(1,489,990)
Inventories	38,167	49,406
Prepaid expenses and other current assets	(478,780)	676,188
Increase (decrease) in operating liabilities:		
Accounts payable and other liabilities	2,658,446	325,493
Accrued payroll and other compensation	(1,345,820)	2,266
Accrued vacation	(184,410)	86,955
Unearned revenue	441,077	(292,313)
Net cash used in operating activities	<u>\$ (77,212,175)</u>	<u>\$ (87,431,021)</u>

The accompanying notes are an integral part of these financial statements.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Lansing Community College (the “College”) have been prepared in accordance with generally accepted accounting principles (“GAAP”) as applicable to public colleges and universities as described in Governmental Accounting Standards Board (“GASB”) Statement No. 35 and the *Manual for Uniform Financial Reporting—Michigan Public Community Colleges* (the “MUFR”). The College follows the “business-type” activities model of 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. The College’s functional expense classifications are in accordance with the guidance in the MUFR.

A. Reporting Entity

Lansing Community College is a Michigan community college with its main campus located in Lansing, Michigan. The College is governed by a Board of Trustees consisting of seven members.

The accompanying financial statements have been prepared in accordance with criteria established by the 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 determined that Lansing Community College Foundation (the “Foundation”) meets the criteria of a component unit.

Lansing Community College Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and consists of friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements. The College provides certain support and facilities to the Foundation.

During the years ended June 30, 2013 and 2012, the Foundation distributed \$2,238,880 and \$896,571, respectively, to the College for both restricted and unrestricted purposes. Complete financial statements prepared in accordance with accounting standards established by the Financial Accounting Standards Board for the Foundation can be obtained from the Administrative Office at 520 N. Capitol Avenue, Lansing, Michigan, 48901-7210.

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

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the economic resource measurement focus and 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.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

C. Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposits in banks, cash on hand, and highly liquid investments with an initial maturity of three months or less.

D. Investments

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

E. Inventories

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consist of expendable supplies held for consumption and resale.

F. Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense when necessary and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

G. Property and Equipment

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related assets. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and improvements	40 years
Furniture, fixtures and equipment	5 - 20 years
Infrastructure and land improvements	10 - 20 years

Buildings and major building improvements are depreciated using a 10% salvage value. The College's capitalization policy is to capitalize property improvements exceeding \$150,000 and all other individual items exceeding \$5,000.

In accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, internally generated software costs have been recorded as an intangible asset and are included within the Technology Equipment and Computers caption in Note 4.

H. Prepaid Expenses and Other Assets

Expenses, such as insurance premiums, that are expected to be of benefit within the next fiscal year are included in prepaid expenses. Deposits paid for equipment not yet received are included in other assets.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

I. Revenue and Expense Recognition

Operating revenues of the College consist of tuition and fees, grants and contracts, sales and services of educational activities and auxiliary enterprise revenues. Transactions related to capital and financing activities, noncapital financing activities, investing activities, State appropriations, property taxes, and Pell Grant revenue are components of nonoperating and other revenues. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses. For financial reporting purposes, restricted resources are deemed to be utilized first when both restricted and unrestricted resources are available to satisfy an expense.

Revenues received prior to year-end that are related to the next fiscal period are recorded as unearned revenues. Unearned revenue relates primarily to student tuition and fees on the summer semester and student deposits. The 2013 summer semester began June 6, 2013 and ended August 4, 2013. The 2012 summer semester began June 6, 2012 and ended August 1, 2012.

J. Property Tax Levy

Property taxes levied by the College are collected by various municipalities and periodically remitted to the College. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Property tax revenues are recognized when levied to the extent that they are determined to be collectible. Property taxes receivable are recorded net of an allowance for uncollectibles. For the years ended June 30, 2013 and 2012, the College levied 3.8072 mills per \$1,000 of assessed valuation for general operations.

In August 2010, the College became aware of a property tax settlement between Delta Township and General Motors which resulted in a tax refund that will be repaid by reducing the levy to General Motors over a period of 5 years. The refundable amount of \$111,245 and \$153,087 has been recorded within other liabilities in the accompanying statements of net position at June 30, 2013 and June 30, 2012, respectively.

K. State Appropriations Revenue

State appropriations revenue has been recorded in accordance with the MUFR.

L. Internal Service Activities

Both revenue and expenses related to internal service activities including print shops, office equipment, maintenance, telecommunications, and institutional services have been eliminated.

M. Accrued Vacation

Accrued vacation represents the accumulated liability to be paid under the College's vacation pay policy. Under the College's policy, employees earn vacation time based on time of service with the College and must use their accrued vacation within one year or it is forfeited. Accordingly, the entire accrued vacation balance as of June 30, 2013 and 2012 is classified as a current liability in the accompanying statements of net position.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

N. Long-Term Obligations

In the College's financial statements, long-term debt and other long-term obligations are reported as liabilities on the statements of net position. Bond premiums and discounts, as well as the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method.

O. Sabbatical Leaves

In accordance with the collective bargaining agreement between the College and its faculty, the College grants sabbatical leaves to various full-time instructors. The leaves are granted to enhance the professional competence of the instructors, who are required to return to the College for a period of one year. Compensation is recorded as an expense in the fiscal year that the leave is taken.

P. Use of Estimates

The process of preparing basic financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Estimates include allowances for doubtful accounts and estimated useful lives and salvage value of property.

Q. Foundation Reporting

The Foundation is a private nonprofit organization that reports under Financial Accounting Standards Board ("FASB") standards, including FASB Accounting Standards Codification ("ASC") Topic 958 regarding financial reporting for not-for-profit entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting for these differences.

R. New Accounting Pronouncements

Effective with the fiscal year ended June 30, 2013, the College adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements introduce and define those elements as a consumption of net assets by the College that is applicable to a future reporting period, and an acquisition of net assets by the College that is applicable to a future reporting period, respectively. The standards also incorporate deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In accordance with these standards, the College has modified the presentation of the statements of Net Position and has reported deferred outflows of resources from refundings of debt at June 30, 2013 and 2012 in accordance with the standard.

S. Reclassifications

Certain 2012 amounts have been reclassified to conform to the 2013 presentation.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

Deposit and investment amounts are reported in the statements of net position at June 30 as follows:

	2013	2012
Cash and cash equivalents (includes money market funds)	\$ 20,155,782	\$ 8,809,145
Short-term investments (money market funds and certificates of deposit)	15,290,530	20,284,914
Restricted cash	23,867,509	-
Long-term investments (certificates of deposit)	<u>11,563,829</u>	<u>7,016,505</u>
	<u>\$ 70,877,650</u>	<u>\$ 36,110,564</u>

Deposit and investment amounts at June 30 are as follows:

	2013	2012
Deposits	\$ 70,877,650	\$ 31,677,519
Investments	<u>-</u>	<u>4,433,045</u>
	<u>\$ 70,877,650</u>	<u>\$ 36,110,564</u>

As of June 30, 2012, the College had the following investment securities at fair value:

Investment Type	Fair Value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
Money market funds	<u>\$ 4,433,045</u>	<u>0.0027</u>	N/A	<u>100.00 %</u>

1 day maturity equals .0027; one year equals 1.00.

The College did not hold any investment securities as of June 30, 2013.

Interest rate risk. In accordance with its investment policy, the College will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the College's cash requirements.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College's certificates of deposit have scheduled maturities as follows as of June 30:

2013	Less Than One Year	One to Five Years	Total
Certificates of deposit	<u>\$ 15,290,530</u>	<u>\$ 11,563,829</u>	<u>\$ 26,854,359</u>

2012	Less Than One Year	One to Five Years	Total
Certificates of deposit	<u>\$ 18,574,864</u>	<u>\$ 7,016,505</u>	<u>\$ 25,591,369</u>

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations ("NRSRO"). The College does not allow direct investment in corporate bonds.

Concentration of credit risk. The College minimizes concentration of credit risk, which is the risk of loss attributed to the magnitude of the College's 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.

No more than \$10,000,000 shall be invested in any of the following:

1. The certificates of deposit, savings accounts, or share certificates of any one financial institution.
2. The bankers' acceptances of any one bank.
3. The commercial paper of any one issuer.

Investments in commercial paper rated prime 1, certificates of deposit, savings accounts, share certificates, or bankers' acceptances may not exceed 5% of the issuer's net worth at the time of purchase by the College. Investments in commercial paper rated prime 2 may not exceed 3% of the issuer's net worth at the time of purchase by the College.

The investment officer will attempt to match investments with anticipated cash flow requirements to prevent the need to sell securities before maturation.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank or financial institution failure, the College's deposits may not be returned to it because the deposits were uninsured and uncollateralized. It is the policy of the College to minimize custodial credit risk whenever possible. At June 30, 2013, \$0 of the College's bank balance of \$70,863,475 was uninsured and uncollateralized. At June 30, 2012, \$221,481 of the College's bank balance of \$32,410,501 was uninsured and uncollateralized. The College does have over \$10,000,000 at one institution as of June 30, 2013. That institution collateralizes the College's balances with U.S. Treasury Notes. As of June 30, 2012, no more than \$10 million was invested in any one financial institution. Interest bearing accounts and money market deposit accounts are included in the above totals.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Custodial credit risk - investments. For an investment, 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.

The College will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the College will do business.

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

The College is authorized by Michigan Public Act 331, as amended through 1997, and by resolution of the Board of Trustees, to invest surplus monies in:

1. Bonds, bills or notes of the United States (or of an agency or instrumentality of the United States) or obligations of this state.
2. Negotiable certificates of deposit, savings accounts, or other interest earning deposit accounts of a financial institution. As used in this subdivision, "financial institution" means a bank that is a member of the Federal Deposit Insurance Corporation, a savings and loan association that is a member of the Federal Savings and Loan Insurance Corporation, or a credit union whose deposits are insured by the National Credit Union Administration that have their principal office or a branch office in Michigan and which otherwise meets the requirement imposed by law.
3. Bankers' acceptances that are issued by a bank that is a member of the Federal Deposit Insurance Corporation.
4. Commercial paper that is supported by an irrevocable letter of credit issued by a bank that is a member of the Federal Deposit Insurance Corporation.
5. Commercial paper of corporations rated prime by at least one of the standard rating services.
6. Mutual funds, trusts or investment pools composed entirely of instruments that are eligible collateral.
7. Repurchase agreements against eligible collateral of the type specified in subsection (1) hereof, the market value of which must be maintained during the life of the agreements at levels equal to or greater than the amounts advanced. An undivided interest in the instruments pledged for these agreements must be granted to the College and the securities held by an independent custodial bank for the College without any right of set off. The repurchase agreement may allow for the substitution of collateral but shall not otherwise allow for the pledging or transfer of such collateral.
8. Investment pools, as authorized by the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118, composed entirely of instruments that are legal for direct investment by a community college.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

3. PROPERTY TAXES AND ACCOUNTS RECEIVABLE

Property taxes receivable, net at June 30 consists of the following:

	2013	2012
Property taxes receivable	\$ 3,537,596	\$ 2,463,162
Less allowance for doubtful collection	<u>(3,072,938)</u>	<u>(2,138,827)</u>
Property taxes receivable, net	<u>\$ 464,658</u>	<u>\$ 324,335</u>

Accounts receivable, net at June 30 consists of the following:

	2013	2012
Accounts receivable	\$ 18,241,510	\$ 17,333,660
Less allowance for doubtful collection	<u>(11,085,149)</u>	<u>(10,662,932)</u>
Accounts receivable, net	<u>\$ 7,156,361</u>	<u>\$ 6,670,728</u>

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY AND EQUIPMENT

Capital assets activity for the years ended June 30, 2013 and 2012 follows:

	Beginning Balance July 1, 2012	Additions	Deletions	Transfers	Ending Balance June 30, 2013
Assets not being depreciated:					
Land	\$ 12,661,038	\$ -	\$ -	\$ -	\$ 12,661,038
Construction in progress	4,242,173	23,423,037	-	(2,843,121)	24,822,089
Total capital assets not being depreciated	16,903,211	23,423,037	-	(2,843,121)	37,483,127
Capital assets being depreciated:					
Buildings and improvements	185,189,099	123,127	-	1,635,279	186,947,505
Furniture	2,755,780	-	-	-	2,755,780
Instructional equipment	12,106,343	582,041	(326,201)	-	12,362,183
Operational equipment	9,332,758	-	-	73,970	9,406,728
Technology equipment and computers	37,061,343	-	-	1,111,072	38,172,415
Vehicles	3,776,315	40,986	(38,954)	-	3,778,347
Infrastructure and improvements	3,204,561	172,565	-	22,800	3,399,926
Total capital assets being depreciated	253,426,199	918,719	(365,155)	2,843,121	256,822,884
Less accumulated depreciation:					
Buildings and improvements	54,772,651	5,118,579	-	-	59,891,230
Furniture and equipment	58,592,413	3,603,600	(365,155)	-	61,830,858
Infrastructure and improvements	1,548,979	3,914	-	-	1,552,893
Total accumulated depreciation	114,914,043	8,726,093	(365,155)	-	123,274,981
Capital assets being depreciated, net	138,512,156	(7,807,374)	-	2,843,121	133,547,903
Property and equipment, net	\$ 155,415,367	\$ 15,615,663	\$ -	\$ -	\$ 171,031,030

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

	Beginning Balance July 1, 2011	Additions	Deletions	Transfers	Ending Balance June 30, 2012
Assets not being depreciated:					
Land	\$ 11,450,770	\$ 1,210,268	-	-	\$ 12,661,038
Construction in progress	474,719	4,322,100	-	(554,646)	4,242,173
Total capital assets not being depreciated	11,925,489	5,532,368	-	(554,646)	16,903,211
Capital assets being depreciated:					
Buildings and improvements	184,634,453	-	-	554,646	185,189,099
Furniture	2,755,780	-	-	-	2,755,780
Instructional equipment	12,118,457	521,584	(533,698)	-	12,106,343
Operational equipment	9,258,390	74,368	-	-	9,332,758
Technology equipment and computers	36,979,257	82,086	-	-	37,061,343
Vehicles	3,776,315	-	-	-	3,776,315
Infrastructure and improvements	3,204,561	-	-	-	3,204,561
Total capital assets being depreciated	252,727,213	678,038	(533,698)	554,646	253,426,199
Less accumulated depreciation:					
Buildings and improvements	50,437,917	4,334,734	-	-	54,772,651
Furniture and equipment	55,295,945	3,830,166	(533,698)	-	58,592,413
Infrastructure and improvements	1,543,684	5,295	-	-	1,548,979
Total accumulated depreciation	107,277,546	8,170,195	(533,698)	-	114,914,043
Capital assets being depreciated, net	145,449,667	(7,492,157)	-	554,646	138,512,156
Property and equipment, net	\$ 157,375,156	\$ (1,959,789)	\$ -	\$ -	\$ 155,415,367

As of June 30, 2013, construction in progress reflected amounts expended for the Gannon building renovations, Arts & Sciences building renovations, the Mason Aviation Center, Mackinaw Building renovations, and West Campus renovations, which were not yet completed as of June 30, 2013. As of June 30, 2013, the College had approximately \$26.1 million of construction commitments outstanding related to these projects.

5. UNEARNED REVENUE

Unearned revenue at June 30 consists of the following:

	2013	2012
Student tuition and fees	\$ 3,435,773	\$ 2,966,467
Student deposits	99,483	116,210
General Motors and Liquid Web -MI Jobs Training	329,306	340,808
Total	<u>\$ 3,864,562</u>	<u>\$ 3,423,485</u>

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 51,428,711	\$ 57,849,696	\$ 17,789,697	\$ 91,488,710	\$ 4,710,000
Note payable	673,970	-	281,909	392,061	292,213
Property tax refundable	153,087	-	41,842	111,245	41,841
Total long-term liabilities	<u>\$52,255,768</u>	<u>\$57,849,696</u>	<u>\$18,113,448</u>	<u>\$91,992,016</u>	<u>\$ 5,044,054</u>

Long-term liabilities activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	\$ 56,458,406	\$ -	\$ 5,029,695	\$ 51,428,711	\$ 5,055,000
Note payable	945,790	-	271,820	673,970	281,909
Property tax refundable	194,928	-	41,841	153,087	41,842
Total long-term liabilities	<u>\$57,599,124</u>	<u>\$ -</u>	<u>\$ 5,343,356</u>	<u>\$52,255,768</u>	<u>\$ 5,378,751</u>

The following is a summary of long-term debt obligations for the College as of June 30:

	2013	2012
2003 building and site bonds and refunding bonds, refunded during fiscal 2013 (see below)	\$ -	\$ 11,395,000
2005 building and site and refunding bonds due in installments of \$280,000 to \$3,575,000 through May 1, 2017 plus interest at 4.1% to 5.0% (partially refunded during fiscal 2013; see below)	15,435,000	20,900,000
2006 general obligation limited tax bonds due in installments of \$385,000 to \$875,000 through May 1, 2026 plus interest at 3.7% to 3.9%	8,485,000	8,870,000

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

	2013	2012
2007 general obligation limited tax bonds due in installments of \$275,000 to \$900,000 through May 1, 2026 plus interest at 4.0 to 4.3%	\$ 8,425,000	\$ 8,700,000
2012 building and site and refunding bonds, due in installments of \$80,000 to \$5,240,000 through May 1, 2032 plus interest at 2.0% to 5.0%	50,220,000	-
Plus: premium on bonds	8,959,556	1,598,967
Less: discount on bonds	<u>(35,846)</u>	<u>(35,256)</u>
Total bonded debt	91,488,710	51,428,711
Note payable - bank, secured by equipment, with monthly payments of \$25,152 including interest at 3.65%, maturing October 2014	<u>392,061</u>	<u>673,970</u>
Total long-term debt obligations	<u>\$ 91,880,771</u>	<u>\$ 52,102,681</u>

Scheduled principal and interest requirements of bonds and notes payable for years succeeding June 30, 2013 are summarized as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2014	\$ 5,002,213	\$ 3,749,483	\$ 8,781,696
2015	5,234,848	3,521,558	8,756,406
2016	5,215,000	3,365,970	8,580,970
2017	5,965,000	3,124,520	9,089,520
2018	3,730,000	2,766,508	6,496,508
2019-2023	18,150,000	11,376,270	29,526,270
2024-2028	20,150,000	7,366,254	27,516,254
2029-2032	<u>19,510,000</u>	<u>2,498,250</u>	<u>22,008,250</u>
	82,957,061	37,768,813	120,725,874
Premium on bonds	8,959,556	-	8,959,556
Discount on bonds	<u>(35,846)</u>	<u>-</u>	<u>(35,846)</u>
Total as of June 30, 2013	<u>\$ 91,880,771</u>	<u>\$ 37,768,813</u>	<u>\$ 129,649,584</u>

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Scheduled principal and interest requirements of bonds and notes payable for years succeeding June 30, 2012 are summarized as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2013	\$ 5,336,909	\$ 2,297,245	\$ 7,634,154
2014	5,577,213	2,049,985	7,627,198
2015	5,619,848	1,794,185	7,414,033
2016	5,800,000	1,525,808	7,325,808
2017	6,065,000	1,244,808	7,309,808
2018-2022	15,390,000	3,461,680	18,851,680
2023-2026	<u>6,750,000</u>	<u>703,372</u>	<u>7,453,372</u>
	50,538,970	13,077,083	63,616,053
Premium on refunding	1,598,967	-	1,598,967
Discount on bonds	<u>(35,256)</u>	<u>-</u>	<u>(35,256)</u>
Total as of June 30, 2012	<u>\$ 52,102,681</u>	<u>\$ 13,077,083</u>	<u>\$ 65,179,764</u>

Interest is payable semi-annually on the bonds payable and monthly on the note payable. The principal and interest are generally payable from the College's nonoperating revenues. Certain bonds are callable at par and accrue interest plus a premium. Total interest charged to expense for the years ended June 30, 2013 and 2012 was \$3,664,322 and \$2,403,409, respectively.

During fiscal year 2013, Lansing Community College advance refunded \$10,575,000 of 2003 building and site and refunding bonds and \$1,890,000 of 2005 building and site and refunding bonds to provide resources to purchase U.S. government securities that were placed in an escrow fund for the purpose of generating resources for all future debt service payments on \$12,465,000 of refunded debt. As a result, the certificates are considered defeased and the liabilities have been removed from the statement of net position. The refunding resulted in a savings of \$1,780,883 and an economic gain of \$1,545,286. The 2003 series defeased bonds were then called prior to the year-end. At June 30, 2013, \$1,890,000 of the series 2005 bonds outstanding were considered defeased.

7. EMPLOYEE RETIREMENT SYSTEM

Plan Description

The College contributes to the Michigan Public School Employees Retirement System (MPERS), a collection of several retirement plans administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute. The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, 7150 Harris Drive, P.O. Box 30026, Lansing, Michigan, 48909 or by calling (517) 322-5103.

Funding Policy

Member contribution rates vary based on date of hire and certain voluntary elections. *Member Investment Plan ("MIP")* members enrolled in MIP prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990 through June 30, 2008 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 through June 30, 2010 contribute at the following graduated permanently fixed contribution rates: 3.0 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. Members first enrolled on or after July 1, 2010 are enrolled in the MIP Plus Plan. Member contributions are matched at a rate of 50 percent by the employer, up to a maximum of one percent. *Basic 4%* and *MIP 7%* members contribute 4 percent and 7 percent of pretax salary, respectively. Based on the option selected at enrollment, these individuals contribute at a fixed rate until termination of employment or until reaching 30 years of service. At that time, based on the option selected, employee contributions are no longer required or revert to the contribution requirements under the MIP plan in which the employee initially enrolled.

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree healthcare benefits on a cash disbursement basis. The rates for the years ended June 30, 2013 and 2012 as a percentage of payroll ranged from 20.96 to 25.36 percent and from 19.16 to 24.46 percent, respectively.

The contribution requirements of plan members and the College are established by Michigan State statute and may be amended only by action of the State Legislature. The College's contributions to MPSERS under all plans for the years ended June 30, 2013, 2012, and 2011 were \$12,264,763, \$12,584,032, and \$10,705,804, respectively, equal to the required contributions for each year.

Other Postemployment Benefits

Retirees enrolled in MPSERS before September 4, 2012 have the option of participating in the Premium Subsidy plan, a defined benefit postemployment healthcare plan, which is funded by employers on a cash disbursement basis. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension. Plan participants contribute 3 percent of covered payroll to the Retiree Healthcare Fund. At retirement, these individuals receive a subsidy for healthcare premiums that cover up to 80 percent 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 percent employee contribution into a personal tax-deferred account, which is matched by an additional 2 percent 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 percent employee contribution.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Amounts paid into the Retiree Healthcare Fund between September 4, 2012 and February 1, 2013 were credited to each individual's Personal Healthcare Fund account. Any contributions made prior to September 4, 2012 are pending a Supreme Court resolution.

The College's contributions to MPSERS for other postemployment benefits are not separately identified and are included in the contribution amounts disclosed above.

Other

Per MPSERS' comprehensive annual financial report as of September 30, 2012, the unfunded actuarial accrued liability ("UAAL") for pensions and other postemployment benefits ("OPEB/Healthcare") for MPSERS is \$22.4 billion and \$25.9 billion, respectively, and the ratio of the UAAL to covered payroll is 244.5% and 282.8%, respectively.

For the fiscal year ended June 30, 2013, Lansing Community College had approximately \$55.7 million of covered payroll. Applying the MPSERS ratio of the UAAL to Lansing Community College's covered payroll results in an estimated share of the UAAL for pension and OPEB/Healthcare of \$136.2 million and \$157.5 million, respectively.

8. OPTIONAL RETIREMENT PROGRAM

Plan Description

The College has adopted the Lansing Community College Optional Retirement Plan ("ORP") under IRS Code Section 403(A). This defined contribution plan is administered by the College and provides retirement benefits to participants. The ORP was established pursuant to Public Act No. 296 of 1994 and permits full-time faculty and administrative staff of the College to elect an optional retirement plan in lieu of coverage under MPSERS.

Funding Policy

The contribution requirements of plan members and the College are established by the plan document as 4.3% and 12.0% of MPSERS compensation, respectively. Institutional plan contributions will only be made for participants who have authorized the required participant plan contribution. Participant contributions are fully vested and non-forfeitable when made. Institutional contributions vest after two years of continuous full-time service as interpreted under MPSERS guidelines. The participant and College contributions to ORP for the year ended June 30, 2013 were \$310,979 and \$867,850, respectively. The participant and College contributions to ORP for the year ended June 30, 2012 were \$320,012 and \$891,017, respectively.

LANSING COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

9. UNRESTRICTED NET POSITION

The College has designated the use of unrestricted net position at June 30 as follows:

	2013	2012
Auxiliary activities	\$ 3,738,079	\$ 3,954,948
Encumbrances	899,134	1,101,756
Legal or plant improvement	12,284,572	9,784,572
Undesignated	<u>25,781,403</u>	<u>22,574,853</u>
Total unrestricted net position	<u>\$ 42,703,188</u>	<u>\$ 37,416,129</u>

10. LEASES

The College conducts a portion of its operations with leased property, including a parking structure and a building. Net rental expense on these operating leases was \$598,164 and \$529,082 for fiscal 2013 and 2012, respectively.

The following is a schedule of annual future minimum lease payments required under these non-cancelable operating leases as of June 30, 2013:

Year	Amount
2014	\$ 610,111
2015	622,301
2016	314,733
2017	<u>63,306</u>
Total minimum payments due	<u>\$ 1,610,451</u>

11. 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 participates in the Middle Cities Risk Management Pool for claims relating to auto, property, and liability; the College is separately insured for medical benefits provided to employees' claims.

The Middle Cities Risk Management Trust (the "Trust") provides a single multi-peril contract under which the members are covered for various types of risk including auto, property and liability. Contributions for premiums received from members are recorded as revenue by the Trust. Claim losses, along with excess insurance premiums and services fees, are recorded as expenses by the Trust. The estimated total costs of claim losses are accrued by the Trust. To the extent the group's contributions are deemed to exceed claim losses and other costs, the excess amount is refunded to the members by the Trust. If necessary, funding deficits in individual policy years are recovered through additional member contributions assessed to members of that policy year.

LANSING COMMUNITY COLLEGE

■ NOTES TO FINANCIAL STATEMENTS

■ 12. CONTINGENCIES

The College may be subject to various legal proceedings and claims which arise in the ordinary course of its business. The College believes that the amount, if any, of ultimate liability with respect to legal actions will be immaterial or will be covered by insurance.

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Statistical Section

LANSING COMMUNITY COLLEGE

STATISTICAL SECTION

This part of the College's Statistical section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the College's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the College's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the College's most significant local revenue source, the property tax, and tuition and fees data.

Debt Capacity

These schedules present information to help the reader assess the affordability of the College's current levels of outstanding debt and the College's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules contain service and infrastructure data to help the reader understand how the information in the College's financial report relates to the services the College provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

LANSING COMMUNITY COLLEGE

FINANCIAL TRENDS

Statements of Revenues, Expenses, and Changes in Net Position

Last Ten Fiscal Years

(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
OPERATING REVENUES										
Tuition and fees (net of scholarships allowances)	\$29,363,192	\$28,979,245	\$29,649,088	\$27,265,422	\$29,903,915	\$30,337,889	\$26,232,399	\$27,583,208	\$21,388,720	\$17,735,786
Federal grants and contracts	4,226,015	4,610,027	4,919,228	4,405,710	4,326,131	4,161,928	4,738,870	32,836,910	27,827,169	25,781,436
State grants and contracts	1,414,642	1,236,128	308,623	589,955	1,158,988	1,170,917	1,856,065	5,634,449	4,575,191	3,843,123
Local grants and contracts	3,028,011	2,936,104	2,994,464	2,452,566	2,149,412	2,174,917	1,526,458	1,428,950	1,435,047	1,586,287
Sales and services of educational activities	1,375,941	1,207,875	1,274,118	1,352,067	1,644,901	1,269,628	2,347,778	2,691,093	2,603,223	1,952,858
Sales and services of auxiliary activities	2,641,831	3,303,012	2,981,292	2,992,370	3,338,948	2,872,679	2,624,492	2,478,900	1,610,893	1,268,932
Miscellaneous	1,473,168	1,643,600	1,592,534	1,263,106	1,089,933	358,168	258,154	87,868	179,355	9,117
Total operating revenues	43,522,800	43,915,991	43,719,347	40,321,196	43,612,228	42,945,952	39,584,216	72,741,378	59,619,598	52,177,539
OPERATING EXPENSES										
Instruction	48,827,540	48,921,597	47,627,872	46,403,697	46,654,529	43,283,246	39,862,366	38,379,956	36,707,105	33,724,296
Information technology*	-	-	-	-	-	-	5,796,646	7,772,956	6,189,584	6,278,344
Public services	3,194,984	3,164,438	2,980,456	3,094,673	3,188,632	3,022,360	1,842,137	1,865,518	802,405	470,303
Instructional support	20,729,384	21,545,150	21,211,978	22,386,779	22,732,391	20,447,472	19,147,107	17,074,691	16,441,751	13,104,317
Student services**	23,726,541	26,742,055	29,539,633	26,913,778	19,182,351	17,729,457	16,774,351	38,255,517	33,083,298	31,326,308
Institutional administration	11,125,505	12,029,791	11,679,996	11,245,916	14,026,044	8,841,887	8,038,973	9,292,787	11,026,050	13,512,432
Operation and maintenance of plant**	17,032,865	17,927,676	18,855,091	17,827,998	19,449,921	16,306,000	14,133,693	14,057,156	11,558,577	10,781,525
Depreciation expense	8,726,093	8,170,195	9,091,813	9,414,522	8,949,125	7,680,791	8,678,276	7,797,489	9,219,598	8,016,380
Total operating expenses	133,362,912	138,500,902	140,986,839	137,287,363	134,182,993	117,311,213	114,273,549	134,496,070	125,028,368	117,213,905
Operating loss	(89,840,112)	(94,584,911)	(97,267,492)	(96,966,167)	(90,570,765)	(74,365,261)	(74,689,333)	(61,754,692)	(65,408,770)	(65,036,366)
NONOPERATING REVENUES (EXPENSES)										
State appropriations	30,724,364	28,651,900	29,762,500	29,762,500	29,762,500	31,810,203	25,019,900	28,323,200	29,243,500	27,729,500
Property tax levy	37,294,876	38,543,630	40,359,554	41,681,996	42,147,127	41,722,075	39,394,072	38,133,388	36,106,835	34,460,949
Pell Grant revenue	29,347,419	33,125,802	37,215,746	32,548,966	17,684,893	13,428,753	11,772,511	-	-	-
Investment return and other gains	224,494	509,745	195,154	82,155	437,689	1,244,354	1,018,574	667,871	432,038	572,592
Interest on capital asset - related debt	(3,664,322)	(2,403,409)	(2,725,686)	(2,936,962)	(3,097,828)	(3,241,375)	(2,888,177)	(2,517,177)	(1,521,755)	(18,444)
Other	-	-	-	-	-	-	(22,830)	321,656	146,425	121,147
Net nonoperating revenues	93,926,831	98,427,668	104,807,268	101,138,655	86,934,381	84,964,010	74,294,050	64,928,938	64,407,043	62,865,744
OTHER REVENUES										
State capital appropriations	-	-	-	-	1,092,736	2,532,140	1,592,206	281,190	1,195,326	2,411,101
Capital gifts	1,300,000	-	-	-	-	1,089,597	-	-	-	-
Total other revenues	1,300,000	-	-	-	1,092,736	3,621,737	1,592,206	281,190	1,195,326	2,411,101
Total change in net position	5,386,719	3,842,757	7,539,776	4,172,488	(2,543,648)	14,220,486	1,196,923	3,455,436	193,599	240,479
NET POSITION, beginning of year	141,831,186	137,988,429	130,448,653	126,276,165	128,819,813	114,599,327	113,402,404	109,946,968	109,753,369	109,512,890
NET POSITION, end of year	\$ 147,217,905	\$ 141,831,186	\$ 137,988,429	\$ 130,448,653	\$ 126,276,165	\$ 128,819,813	\$ 114,599,327	\$ 113,402,404	\$ 109,946,968	\$ 109,753,369

Source: Lansing Community College Audited Financial Statements

Not include Lansing Community College Foundation

*In 2010, per the State of Michigan DELEG, the 2.0 Information Technology category was eliminated. Per recommendation from DELEG, these expenses were reallocated to Instruction, Instructional Support, Student Services, and Institutional Administration. The corresponding amounts for 2008 and 2009 were reclassified to conform with the 2010 presentation.

**Reclassified Board authorized transfer in 2010 and 2009.

LANSING COMMUNITY COLLEGE

FINANCIAL TRENDS

Net Position by Components

Last Ten Fiscal Years
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net Position:										
Net investment in capital assets	\$ 104,514,717	\$ 104,243,439	\$ 102,655,503	\$ 103,542,183	\$ 103,559,437	\$ 107,118,926	\$ 100,880,868	\$ 95,890,086	\$ 84,098,914	\$ 74,738,440
Restricted for:										
Restricted fund activities	-	171,618	171,618	171,618	171,618	171,618	184,743	184,743	166,962	159,105
Loan programs	-	-	-	-	-	-	-	22,078	42,851	42,851
Unrestricted	42,703,188	37,416,129	35,161,308	26,734,852	22,545,110	21,529,269	13,533,716	17,305,497	25,638,241	34,812,973
Total Net position	\$ 147,217,905	\$ 141,831,186	\$ 137,988,429	\$ 130,448,653	\$ 126,276,165	\$ 128,819,813	\$ 114,599,327	\$ 113,402,404	\$ 109,946,968	\$ 109,753,369

Source: Lansing Community College's Audited Financial Statements;
does not include Lansing Community College Foundation

LANSING COMMUNITY COLLEGE
REVENUE CAPACITY
Major Taxpayers
2013 Levy Year vs. 2004 Levy Year
(Unaudited)

2013 Levy Year				2004 Levy Year					
2013 Taxpayer	Type of Business	2013 Taxable Valuation	Rank (a)	Percentage of Total College District Taxable Valuation (\$9,989,851,902)	2004 Taxpayer	Type of Business	2004 Taxable Valuation	Rank (a)	Percentage of Total College District Taxable Valuation (\$9,562,200,506)
Consumers Energy	Utility	\$86,104,354	1	0.86%	General Motors	Automotive	\$201,236,480	1	2.10%
Dart Container Corporation	Styrofoam Cups, etc.	31,406,164	2	0.31%	Consumers Energy	Utility	61,964,992	2	0.65%
Retail Properties of America, Inc.	Retail Property Investment	30,042,322	3	0.30%	Eyde Companies	Property Mgmt	40,474,739	3	0.42%
Meridian Mall LTD Partnership	Shopping Mall	28,513,300	4	0.29%	Jackson National Life	Insurance	30,636,080	4	0.32%
Jackson National Life	Insurance	25,607,100	5	0.26%	525 Redevco Inc	Support Services	25,976,200	5	0.27%
Comcast LLC	Cable	19,878,544	6	0.20%	Meridian Mall LTD Partnership	Shopping Mall	24,819,058	6	0.26%
Meijer, Inc.	Retail	17,762,905	7	0.18%	Meijer, Inc.	Retail	24,709,576	7	0.26%
Sprint Spectrum L P	Cellular Service	15,433,100	8	0.15%	Dart Container Corporation	Styrofoam Cups, etc.	22,890,565	8	0.24%
Gestamp Mason LLC	Metal Heat Treating	12,642,520	9	0.13%	MEIP Borrower	Financing	16,435,900	9	0.17%
General Motors LLC	Automotive	6,221,731	10	0.06%	Capital Outlook LLC	Financing	17,123,498	10	0.18%

Source - Ingham County Assessor, Ingham.org

(a) Ranking is in terms of Ad Valorem Taxable Valuation

LANSING COMMUNITY COLLEGE
REVENUE CAPACITY
Assessed Value and Taxable Value of Property
Last Ten Fiscal Years
(Unaudited)

Levy Year	Taxable Valuation (a)	Tax Rates (per \$1,000) of Valuation (a)	Taxes Extended	Collections through June 30 Each Year*	Percent of Taxes Extended Uncollected through June 30 through June 30 Each Year
2013	\$9,989,851,902	3.8072	\$38,033,364	\$ -	-
2012	10,068,843,104	3.8072	38,334,099	37,252,732	2.82%
2011	10,477,691,694	3.8072	39,890,668	38,652,739	3.10%
2010	10,863,291,527	3.8072	41,358,724	40,038,978	3.61%
2009	11,434,729,014	3.8072	43,534,300	41,441,780	4.81%
2008	11,394,316,077	3.8072	43,380,440	41,594,429	4.12%
2007	11,173,428,053	3.8072	42,539,475	41,185,737	3.18%
2006	10,637,548,443	3.8072	40,499,274	39,394,072	2.73%
2005	10,100,025,064	3.8112	38,493,216	38,133,388	0.93%
2004	9,562,200,506	3.8375	36,694,944	35,613,968	2.95%

(a) Tax Rate Request (Form L-4029) to County Board of Commissioners

(*) Per LCC Controller Office

LANSING COMMUNITY COLLEGE
REVENUE CAPACITY
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Levy Year	Levy	Collections through June 30 Each Year*	Collections through June 30 as a percentage of the Levy	Collections in subsequent years	Total Collections to date	Total Collections to date as percentage of levy
2013	\$38,033,364	-----	-----	-----	-----	-----
2012	38,334,099	\$37,252,732	97.18%	-----	\$37,781,577	98.56%
2011	39,890,668	38,652,739	96.90%	\$528,845	39,092,684	98.00%
2010	41,358,724	40,038,978	96.81%	439,945	40,313,910	97.47%
2009	43,534,300	41,441,780	95.19%	274,932	41,582,375	95.52%
2008	43,380,440	41,594,429	95.88%	140,595	41,784,364	96.32%
2007	42,539,475	41,185,737	96.82%	189,935	41,375,672	97.26%
2006	40,499,274	39,394,072	97.27%	61,176	39,455,248	97.42%
2005	38,493,216	38,133,388	99.07%	92,105	38,225,493	99.30%
2004	36,694,944	35,613,968	97.05%	109,275	35,723,243	97.35%

(*) Per LCC Controller Office

LANSING COMMUNITY COLLEGE

DEBT CAPACITY

Legal Debt Margin

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	Taxable Valuation	State Equalized Valuation	General Obligation		Total Outstanding Debt** (b)	Total Allowable for All Tax Debt (c)	Total Allowable for Limited Tax Debt (d)	Additional Limited	
			Bonds	Note Payable*				Tax Debt Could Legally Incurred (e)	Per Capita
2013	\$9,989,851,902	\$10,597,803,080	\$91,488,710	\$392,061	\$91,880,771	\$1,497,789,691	\$107,228,031	\$15,347,260	-----
2012	10,068,843,104	10,673,406,039	51,428,711	673,970	52,102,681	1,548,908,225	107,984,060	55,881,379	\$134
2011	10,477,691,694	11,367,915,808	56,458,406	945,790	57,404,196	1,647,783,175	114,929,158	57,524,962	147
2010	10,863,291,527	11,731,383,600	61,298,381	1,207,882	62,506,263	1,697,201,277	118,563,836	56,057,573	161
2009	11,435,297,400	12,863,353,645	65,908,356	1,460,754	67,369,110	1,862,133,937	129,883,536	62,514,426	176
2008	11,400,478,719	13,505,218,382	70,318,331	1,704,262	72,022,593	1,953,760,164	136,302,184	64,279,591	185
2007	11,108,592,218	13,607,027,906	74,495,662	1,939,209	76,434,871	1,964,619,315	137,320,279	60,885,408	197
2006	10,576,815,457	13,088,039,702	59,159,562	2,165,748	61,325,310	1,901,880,645	132,130,397	70,805,087	159
2005	10,100,025,064	12,204,082,783	62,862,035	2,384,179	65,246,214	1,765,366,203	123,290,828	58,044,614	169
2004	9,562,200,506	11,886,749,685	58,950,000	-----	58,950,000	1,724,062,453	120,117,497	61,167,497	154

*Note Payable to the bank began October 24, 2004, which is secured by equipment, with monthly payments at an interest rate at 6.5%, maturing October 2014.

Source: College Audited Financial Statements and Stauder, Barch & Associates Municipal Disclosure Annual Filing

(a) 15% of SEV

(b) College Audited Financial Statements

(c) Debt Limit less Total Outstanding Debt

(d) The College may incur indebtedness that is not greater than 1.5% of the first \$25,000,000 of SEV

of the taxable property within the college district and 1% of the excess SEV over \$250,000,000 without a vote of the electors of the College

(e) Total Allowable for Limited Tax Debt less Total Outstanding Debt

----- Information unavailable

**Adjusted 2004-2013 outstanding debt figures based on comments from GFOA on FY2012 CAFR submission.

LANSING COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION
 Personal Income per Capita
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year	Population (1)	Personal Income (2)	Per Capita Personal Income	Unemployment Rate (3)
2013	-----	-----	-----	7.40%
2012	389,731	-----	-----	7.70%
2011	389,669	\$13,338,096	\$34,053	9.00%
2010	388,654	\$13,005,245	\$33,391	14.30%
2009	383,710	\$13,008,000	\$33,902	11.30%
2008	388,281	\$12,878,362	\$33,295	6.80%
2007	387,060	\$12,417,188	\$31,949	5.66%
2006	386,431	\$11,944,941	\$30,666	5.75%
2005	385,201	\$11,496,164	\$29,368	5.89%
2004	383,552	\$11,210,488	\$28,857	5.80%

Source: (1) U.S. Census Bureau, State and County QuickFacts - for information for Ingham and Eaton Counties (<http://www.census.gov>)

(2) U.S. Bureau of Economic Analysis

(3) U.S. Labor of Statistics & Real Estate Center

----- Information is unavailable.

LANSING COMMUNITY COLLEGE
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 Top Ten Principal Employers
 Current Year and Nine Years Ago
 (Unaudited)

2013						2004					
<u>Employer</u>	<u>Product/Service</u>	<u>Rank</u>	<u>No. of Employees</u>	<u>% of Total District Population</u>		<u>Employer</u>	<u>Product/Service</u>	<u>Rank</u>	<u>No. of Employees</u>	<u>% of Total District Population</u>	
State of Michigan	Government	1	13,700	3.52%		General Motors Corporation	Automotive	1	16,000	7.59%	
Michigan State University	Higher Education	2	10,725	2.75%		State of Michigan	Government	2	13,517	6.42%	
Sparrow Health System	Health Care	3	5,735	1.47%		Michigan State University	Higher Education	3	12,200	5.79%	
General Motors Corporation	Automotive	4	5,222	1.34%		Sparrow Health System	Health Care	4	6,000	2.85%	
Auto Owners Insurance	Insurance	5	5,000	1.28%		Meijer's, Inc.	Retail	5	3,800	1.80%	
Lansing Community College	Higher Education	6	2,990	0.77%		Lansing School District	Education	6	3,500	1.66%	
Meijer's, Inc.	Retail	7	2,900	0.74%		Ingham Regional Medical Center	Health Care	7	2,800	1.33%	
Ingham Regional Medical Center	Health Care	8	2,400	0.62%		Lansing Community College	Higher Education	8	2,474	1.17%	
Lansing School District	Education	9	1,613	0.41%		U.S. Postal Service	Government	9	1,300	0.62%	
Jackson National Life	Insurance	10	1,393	0.36%		City of Lansing	Government	10	1,295	0.61%	

Source: Ingham County December 31, 2012 CAFR
 As of 2011 Chamber of Commerce is no longer providing current or historical data.

LANSING COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION
Capital Asset Statistics
Last Ten Fiscal Years
(Unaudited)

<u>Facilities Data</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Size of campus (acres)**	96.00	94.00	94.00	109.00	109.00	109.00	109.00	101.00	92.00	92.00
Square footage of gross building space*	1,873,583	1,870,683	1,831,132	1,834,012	1,834,012	1,834,012	1,834,012	1,834,012	1,732,373	1,732,373
Number of classrooms	136	132	130	136	137	137	123	127	169	153
Institutional administration (sq. ft.)	34,700	34,700	34,700	34,700	34,700	34,700	34,700	34,700	34,700	19,600

Source: 2003-2012 LCC Campus Master Plans
- FY13 Master Plan submitted to the state October 2012
* Including leased space
** In 2011 Administrative Services discovered that acreage had been previously reported incorrectly. The acreage is now correct.

LANSING COMMUNITY COLLEGE

REVENUE CAPACITY

Enrollment, Tuition and Fee Rates, Credit Hours, and Tuition and Fee Revenues Generated

Last Ten Fiscal Years

(Unaudited)

Fiscal Year	FYES (1)	Unduplicated Headcount	Duplicated Headcount	Headcount per Section	Total Credit Hours	In District Tuition Rate	Out of District Tuition Rate	Out of State Tuition Rate	Tuition & Fees per FYES	Total Tuition and Fee Revenue
2013**	-----	-----	-----	-----	-----	\$81.00	\$162.00	\$243.00	-----	-----
2012	13,232	31,042	128,383	18.1	410,190	79.00	158.00	237.00	\$4,180	\$55,311,454
2011	14,649	34,413	145,079	22.5	454,114	76.00	140.00	210.00	3,816	55,907,849
2010	13,720	31,179	140,942	21.8	449,923	73.00	134.00	201.00	3,707	50,859,326
2009	13,039	32,024	122,819	19.0	404,223	73.00	134.00	201.00	3,675	47,915,880
2008	11,953	30,620	116,700	18.1	370,542	73.00	134.00	201.00	3,779	45,172,683
2007	11,919	34,067	122,029	21.1	369,496	67.00	120.00	180.00	3,369	40,160,599
2006	11,311	32,097	116,595	19.4	350,626	65.00	105.00	145.00	3,291	37,223,761
2005	10,863	31,263	-----	-----	-----	55.00	88.00	120.00	2,866	31,134,402
2004 (*)	10,488	31,046	-----	-----	-----	54.00	86.00	118.00	2,584	27,103,801

Source: Activity Classification Structure Data (www.michigancc.net/ccdata/tuition/summary.aspx)

(1) One Fiscal Year Equated Student (FYES) equals 31 semester credit hours

(*) The College started charging by Contact hours

(**) The ACS Report for June 30, 2013 is due November 1, 2013, therefore the data is not yet available.

LANSING COMMUNITY COLLEGE
DEMOGRAPHIC AND ECONOMIC INFORMATION
Full-Time Equivalent Employees
Last Ten Fiscal Years
(Unaudited)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
ADMINISTRATORS:										
Full-Time	142	171	176	171	169	182	165	163	158	155
Part-Time	133	155	155	147	152	165	149	147	145	139
Calc 1/3 p/t	27	47	62	59	52	52	48	47	39	48
	9	16	21	20	17	17	16	16	13	16
FACULTY:										
Full-Time	778	865	816	826	825	807	815	639	617	618
Part-Time	211	225	217	229	223	250	229	237	232	231
Calc 1/3 p/t	1700	1919	1786	1781	1796	1670	1757	1207	1156	1160
	567	640	599	597	602	557	586	402	385	387
SUPPORT:										
Full-Time	286	275	257	283	257	287	259	257	248	262
Part-Time	198	183	158	187	163	195	183	183	181	187
Calc 1/3 p/t	264	275	295	287	280	277	229	222	202	224
	88	92	99	96	94	92	76	74	67	75
Actual total employees reported	2533	2804	2673	2690	2666	2609	2595	2043	1955	1989
TOTAL FTE	1206	1311	1249	1281	1252	1276	1239	1059	1023	1035

SOURCE: IPEDS Fall Staff Report (reporting all staff on payroll as of November 1st of each year)

Definition of FTE from the Data Directory: The full-time equivalent (FTE) of staff is calculated by summing the total number of full-time staff from the EAP component and adding one-third of the total number of part-time staff.

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Special Reports Section

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LANSING COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION (Unaudited)
JUNE 30, 2013

	Combined Total	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Plant Funds	Agency Funds
Assets							
Current assets							
Cash and cash equivalents	\$ 20,155,782	\$ 16,051,212	\$ -	\$ 2,392,985	\$ -	\$ 1,711,585	\$ -
Short-term investments	15,290,530	15,290,530	-	-	-	-	-
Property taxes receivable, net	464,658	464,658	-	-	-	-	-
State appropriations receivable	6,419,065	5,333,638	-	-	1,085,427	-	-
Accounts receivable, net	7,156,361	6,664,738	(46,702)	515,974	-	3,816	18,535
Federal and state grants receivable	876,633	-	-	-	876,633	-	-
Inventories	73,631	29,323	-	44,308	-	-	-
Prepaid expenses and other assets	1,150,929	1,150,929	-	-	-	-	-
Due from (due to) other funds	-	(12,281,233)	1,063,514	982,938	(520,046)	9,773,461	981,366
Total current assets	51,587,589	32,703,795	1,016,812	3,936,205	1,442,014	11,488,862	999,901
Noncurrent assets							
Restricted cash - unspent bond proceeds	23,867,509	-	-	-	-	23,867,509	-
Long-term investments	11,563,829	11,563,829	-	-	-	-	-
Capital assets not being depreciated	37,483,127	-	-	-	-	37,483,127	-
Capital assets being depreciated, net	133,547,903	-	-	-	-	133,547,903	-
Total noncurrent assets	206,462,368	11,563,829	-	-	-	194,898,539	-
Total assets	258,049,957	44,267,624	1,016,812	3,936,205	1,442,014	206,387,401	999,901
Deferred outflows of resources							
Deferred charge on bond refunding	1,496,949	-	-	-	-	1,496,949	-
Liabilities							
Current liabilities							
Accounts payable	8,494,178	1,572,604	41,075	98,643	1,112,708	5,544,491	124,657
Accrued payroll and other compensation	5,817,314	4,942,070	-	-	-	-	875,244
Accrued vacation	1,451,812	1,451,812	-	-	-	-	-
Accrued interest payable	709,119	-	-	-	-	709,119	-
Unearned revenue	3,864,562	3,435,773	-	99,483	329,306	-	-
Other current liabilities	41,841	41,841	-	-	-	-	-
Current portion of debt obligations	5,002,213	-	-	-	-	5,002,213	-
Total current liabilities	25,381,039	11,444,100	41,075	198,126	1,442,014	11,255,823	999,901
Noncurrent liabilities							
Long-term debt obligations, net of current portion	86,878,558	-	-	-	-	86,878,558	-
Other noncurrent liabilities	69,404	69,404	-	-	-	-	-
Total noncurrent liabilities	86,947,962	69,404	-	-	-	86,878,558	-
Total liabilities	112,329,001	11,513,504	41,075	198,126	1,442,014	98,134,381	999,901
Net position							
Net investment in capital assets	104,514,717	-	-	-	-	104,514,717	-
Unrestricted	42,703,188	32,754,120	975,737	3,738,079	-	5,235,252	-
Total net position	\$ 147,217,905	\$ 32,754,120	\$ 975,737	\$ 3,738,079	\$ -	\$ 109,749,969	\$ -

LANSING COMMUNITY COLLEGE
COMBINING STATEMENT OF NET POSITION (Unaudited)
JUNE 30, 2012

	Combined Total	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Plant Funds	Agency Funds
Assets							
Current assets	\$ 8,809,145	\$ 6,418,052	\$ -	\$ 2,391,093	\$ -	\$ -	\$ -
Cash and cash equivalents	20,284,914	18,574,864	-	-	-	1,710,050	-
Short-term investments	324,335	324,335	-	-	-	-	-
Property taxes receivable, net	5,209,438	5,209,438	-	-	-	-	-
State appropriations receivable	6,670,728	6,016,667	(1,267)	633,247	(470)	3,816	18,735
Accounts receivable, net	3,585,850	-	-	-	3,585,850	-	-
Federal and state grants receivable	111,798	111,798	-	-	-	-	-
Inventories	672,149	672,149	-	-	-	-	-
Prepaid expenses and other assets	-	(2,078,581)	(197,115)	1,144,538	(3,021,110)	3,166,161	986,107
Due from (due to) other funds	-	-	-	-	-	-	-
Total current assets	45,668,357	35,248,722	(198,382)	4,168,878	564,270	4,880,027	1,004,842
Noncurrent assets							
Long-term investments	7,016,505	7,016,505	-	-	-	-	-
Bond issuance costs, net	572,360	-	-	-	-	572,360	-
Capital assets not being depreciated	16,903,211	-	-	-	-	16,903,211	-
Capital assets being depreciated, net	138,512,156	-	-	-	-	138,512,156	-
Total noncurrent assets	163,004,232	7,016,505	-	-	-	155,987,727	-
Total assets	208,672,589	42,265,227	(198,382)	4,168,878	564,270	160,867,754	1,004,842
Deferred outflows of resources							
Deferred charge on bond refunding	930,753	-	-	-	-	930,753	-
Liabilities							
Current liabilities							
Accounts payable	2,913,993	1,709,240	500	97,720	51,844	975,911	78,778
Accrued payroll and other compensation	7,163,134	6,237,070	-	-	-	-	926,064
Accrued vacation	1,636,222	1,636,222	-	-	-	-	-
Accrued interest payable	379,554	-	-	-	-	379,554	-
Unearned revenue	3,423,485	2,966,467	-	116,210	340,808	-	-
Other current liabilities	41,842	41,842	-	-	-	-	-
Current portion of debt obligations	5,336,909	-	-	-	-	5,336,909	-
Total current liabilities	20,895,139	12,590,841	500	213,930	392,652	6,692,374	1,004,842
Noncurrent liabilities							
Long-term debt obligations, net of current portion	46,765,772	-	-	-	-	46,765,772	-
Other noncurrent liabilities	111,245	111,245	-	-	-	-	-
Total noncurrent liabilities	46,877,017	111,245	-	-	-	46,765,772	-
Total liabilities	67,772,156	12,702,086	500	213,930	392,652	53,458,146	1,004,842
Net position	104,243,439	-	-	-	-	104,243,439	-
Net investment in capital assets							
Restricted:							
Restricted fund activities	171,618	-	-	-	171,618	-	-
Unrestricted	37,416,129	29,563,141	(198,882)	3,954,948	-	4,096,922	-
Total net position	\$ 141,831,186	\$ 29,563,141	\$ (198,882)	\$ 3,954,948	\$ 171,618	\$ 108,340,361	\$ -

LANSING COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION (Unaudited)
YEAR ENDED JUNE 30, 2013

	Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Plant Funds
Operating revenues							
Tuition and fees (net of scholarship allowances of \$24,162,224)	\$ 29,363,192	\$ (24,162,224)	\$ 53,498,373	\$ -	\$ -	\$ 27,043	\$ -
Federal grants and contracts	4,226,015	-	-	-	-	4,226,015	-
State grants and contracts	1,414,642	-	-	-	-	1,414,642	-
Local grants and contracts	3,028,011	-	1,377,885	-	-	1,650,126	-
Sales and services of educational activities	1,375,941	-	5,223	1,014,106	356,612	-	-
Sales and services of auxiliary activities	2,641,831	-	-	-	2,641,831	-	-
Miscellaneous	1,473,168	-	1,249,629	-	-	186,754	36,785
Total operating revenues	43,522,800	(24,162,224)	56,131,110	1,014,106	2,998,443	7,504,580	36,785
Operating expenses							
Instruction	48,827,540	-	47,836,088	-	52,049	939,403	-
Public services	3,194,984	-	2,523,943	11	30,264	640,766	-
Instructional support	20,729,384	-	18,854,613	-	377,146	1,302,814	194,811
Student services	23,726,541	(24,162,224)	11,147,414	790,705	22,673	35,917,473	10,500
Institutional administration	11,125,505	-	8,925,883	209,588	505,610	341,565	1,142,859
Operation and maintenance of plant	17,032,865	-	10,300,020	39,183	2,630,229	258,357	3,805,076
Depreciation	8,726,093	-	-	-	-	-	8,726,093
Total operating expenses	133,362,912	(24,162,224)	99,587,961	1,039,487	3,617,971	39,400,378	13,879,339
Operating loss	(89,840,112)	-	(43,456,851)	(25,381)	(619,528)	(31,895,798)	(13,842,554)
Nonoperating revenues (expenses)							
State appropriations	30,724,364	-	29,638,937	-	-	1,085,427	-
Property tax levy	37,294,876	-	37,294,876	-	-	-	-
Pell Grant revenue	29,347,419	-	-	-	-	29,347,419	-
Investment return and other gains	224,494	-	151,482	-	2,659	-	70,353
Interest on capital asset - related debt	(3,664,322)	-	-	-	-	-	(3,664,322)
Net nonoperating revenues (expenses)	93,926,831	-	67,085,295	-	2,659	30,432,846	(3,593,969)
Other revenues							
Capital gifts	1,300,000	-	-	-	-	-	1,300,000
Increase (decrease) in net position	5,386,719	-	23,628,444	(25,381)	(616,869)	(1,462,952)	(16,136,523)
Transfers in (out)	-	-	(20,437,465)	1,200,000	400,000	1,291,334	17,546,131
Change in net position	5,386,719	-	3,190,979	1,174,619	(216,869)	(171,618)	1,409,608
Net position (deficit), beginning of year	141,831,186	-	29,563,141	(198,882)	3,954,948	171,618	108,340,361
Net position, end of year	\$ 147,217,905	\$ -	\$ 32,754,120	\$ 975,737	\$ 3,738,079	\$ -	\$ 109,749,969

LANSING COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION (Unaudited)
YEAR ENDED JUNE 30, 2012

	Combined Total	Eliminations	General Fund	Designated Fund	Auxiliary Activities Funds	Expendable Restricted Funds	Plant Funds
Operating revenues							
Tuition and fees (net of scholarship allowances of \$26,332,209)	\$ 28,979,245	\$ (26,332,209)	\$ 55,311,454	\$ -	\$ -	\$ -	\$ -
Federal grants and contracts	4,610,027	-	-	-	-	4,610,027	-
State grants and contracts	1,236,128	-	-	-	-	1,236,128	-
Local grants and contracts	2,936,104	-	1,419,639	-	-	1,516,465	-
Sales and services of educational activities	1,207,875	-	21,973	937,956	247,946	-	-
Sales and services of auxiliary activities	3,303,012	-	-	-	3,303,012	-	-
Miscellaneous	1,643,600	-	1,498,592	-	-	84,899	60,109
Total operating revenues	43,915,991	(26,332,209)	58,251,658	937,956	3,550,958	7,447,519	60,109
Operating expenses							
Instruction	48,921,597	-	46,871,270	-	83,863	1,117,219	849,245
Public services	3,164,438	-	2,420,660	-	29,599	673,406	40,773
Instructional support	21,545,150	-	18,945,514	5,831	358,373	1,905,734	329,698
Student services	26,742,055	(26,332,209)	14,528,687	753,209	15,545	37,595,717	181,106
Institutional administration	12,029,791	-	11,161,978	156,037	194,616	416,586	100,574
Operation and maintenance of plant	17,927,676	-	11,418,464	1,687	2,781,805	217,734	3,507,986
Depreciation	8,170,195	-	-	-	-	-	8,170,195
Total operating expenses	138,500,902	(26,332,209)	105,346,573	916,764	3,463,801	41,926,396	13,179,577
Operating (loss) income	(94,584,911)	-	(47,094,915)	21,192	87,157	(34,478,877)	(13,119,468)
Nonoperating revenues (expenses)							
State appropriations	28,651,900	-	28,651,900	-	-	-	-
Property tax levy	38,543,630	-	38,543,630	-	-	-	-
Pell Grant revenue	33,125,802	-	-	-	-	33,125,802	-
Investment return and other gains	509,745	-	80,597	-	2,585	-	426,563
Interest on capital asset - related debt	(2,403,409)	-	-	-	-	-	(2,403,409)
Net nonoperating revenues (expenses)	98,427,668	-	67,276,127	-	2,585	33,125,802	(1,976,846)
Increase (decrease) in net position	3,842,757	-	20,181,212	21,192	89,742	(1,353,075)	(15,096,314)
Transfers in (out)	-	-	(19,249,928)	-	400,000	1,353,075	17,496,853
Change in net position	3,842,757	-	931,284	21,192	489,742	-	2,400,539
Net position (deficit), beginning of year	137,988,429	-	28,631,857	(220,074)	3,465,206	171,618	105,939,822
Net position (deficit), end of year	\$ 141,831,186	\$ -	\$ 29,563,141	\$ (198,882)	\$ 3,954,948	\$ 171,618	\$ 108,340,361