



Years Ended
June 30,
2015 and 2014

Annual
Financial
Report

JACKSON COLLEGE

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JACKSON COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2015

Management's discussion and analysis (MD&A) of Jackson College's (the "College") financial statements provides an overview of the College's financial position as of June 30, 2015 and 2014 and its activities for the years then ended. The College's management has prepared and is responsible for the financial statements and the related footnote disclosures, along with the discussion and analysis.

Using the Annual Financial Report

This annual financial report includes this management's discussion and analysis, the report of independent auditors, the basic financial statements in the above referred format, and notes to financial statements. Following the basic financial statements and notes are supplementary schedules, including Combining Statements of Net Position and Combining Statements of Revenues, Expenses, Transfers and Changes in Net Position. These supplementary schedules are required by the State of Michigan. Though GASB does not require this information for a fair and complete presentation, these supplemental combining schedules do provide additional information regarding the various funds and activities of the College that is not presented in the basic, entity-wide statements.

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

Financial Highlights

The audited financial statements for Jackson College include the complete presentation of net position and changes therein. However, the traditional emphasis has been on the General Fund, or the portion of the institution primarily concerned with instruction and its support. It is this fund that the State of Michigan uses in its appropriation allocation each year. The following revenues and expenses sections of this analysis detail this portion of our operations, considering its importance to the overall health of the College.

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

One of the most important questions asked about the College's finances is, "Is Jackson College as a whole better or worse off from a financial standpoint as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information on the College as a whole and on its activities in a way that attempts to answer this question. 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. These two statements report the College's net position and changes in them during each fiscal year presented.

The College's net position (the difference between assets and deferred outflows less liabilities and deferred inflows) is as a way to measure the College's health, or financial condition. Over time, increases or decreases in the College's net position are one indicator of whether its financial health is improving or deteriorating. Many other non-financial factors, such as the trend in College applicants, student retention, condition of the buildings, and strength of the faculty need to be considered to assess the overall health of the College.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector institutions.

Condensed Statements of Net Position

	June 30,	
	2015	2014
ASSETS		
Current assets	\$ 29,095,202	\$ 20,259,347
Capital assets	62,822,145	64,067,881
Other noncurrent assets	101,182	117,029
Total assets	92,018,529	84,444,257
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	433,578	-
Deferred pension amounts (Note 7)	3,948,860	-
Total deferred outflows of resources	4,382,438	-
LIABILITIES		
Current liabilities	8,675,739	8,769,063
Noncurrent liabilities	39,647,012	31,271,390
Net pension liability	31,557,371	-
Total liabilities	79,880,122	40,040,453
DEFERRED INFLOWS OF RESOURCES		
Deferred pension amounts	3,488,676	-
NET POSITION		
Net investment in capital assets	31,444,109	30,871,276
Restricted:		
Nonexpendable	22,893	21,548
Expendable	223,949	254,399
Unrestricted	(18,658,782)	13,256,581
Total Net Position	\$ 13,032,169	\$ 44,403,804

The College's financial position was significantly impacted by the implementation of GASB 68 during the fiscal year ended June 30, 2015. Excluding the impact of GASB 68, the College's net position decreased by \$274,448. The majority of this decrease was due to bond issuance cost.

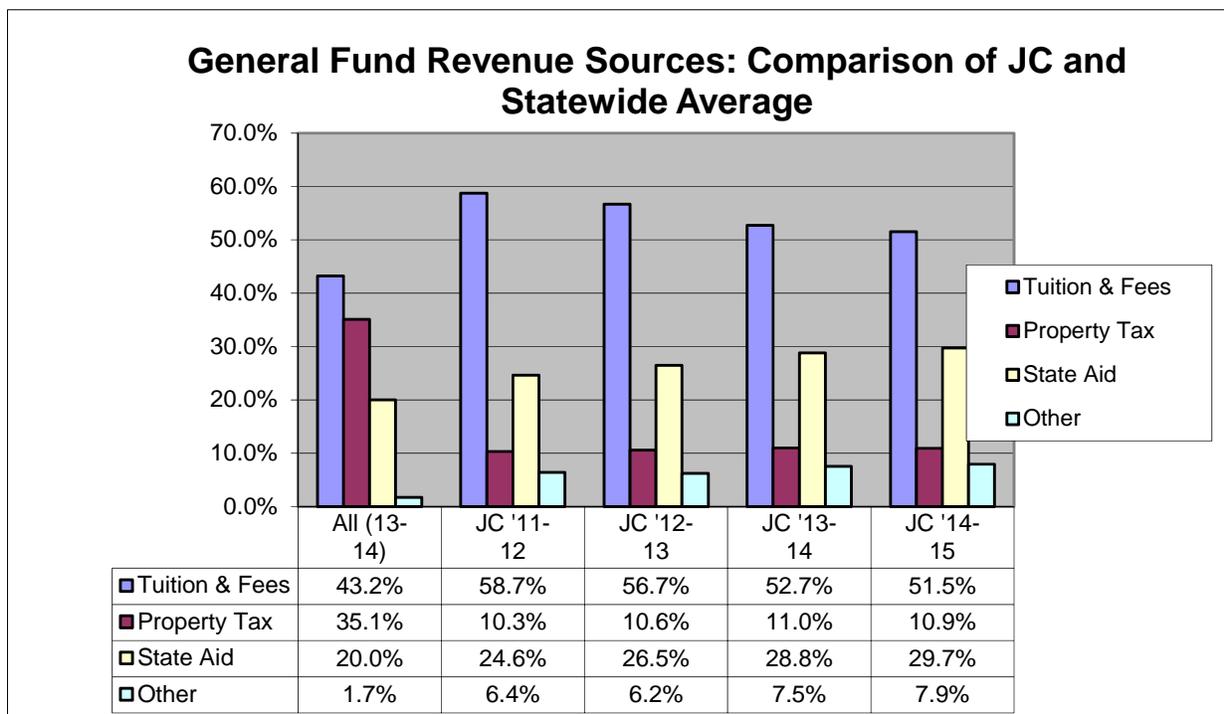
Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30,	
	<u>2015</u>	<u>2014</u>
Operating revenues		
Tuition and fees, net	\$ 11,453,375	\$ 10,967,168
Grants and contracts	3,636,923	3,735,464
Potter Center activities	468,218	456,414
Other operating revenues	4,409,750	3,374,105
Total operating revenues	<u>19,968,265</u>	<u>18,533,151</u>
Operating expenses		
Instruction	19,585,427	18,673,872
Public service	1,233,054	1,330,588
Academic support	3,047,545	2,825,129
Student services	7,136,861	6,419,267
Administration	4,891,586	6,063,827
Operation and maintenance of plant	6,448,771	5,202,930
Depreciation and amortization	3,780,624	3,787,547
Total operating expenses	<u>46,123,868</u>	<u>44,303,160</u>
Operating loss	<u>(26,155,603)</u>	<u>(25,770,009)</u>
Nonoperating and other revenues		
State appropriations	13,218,925	12,482,004
Local property taxes	4,842,394	4,782,538
Federal Pell grant revenue	8,922,468	9,556,905
Private gifts and grants	130,887	645,360
Other	(1,482,892)	(1,444,471)
Total nonoperating and other revenues	<u>25,814,203</u>	<u>26,022,336</u>
Increase/(Decrease) in net position	<u>(341,400)</u>	<u>252,327</u>
Net position, beginning of year	44,403,804	44,151,477
Implementation of GASB 68	(31,030,235)	-
Adjusted net position, beginning of year	<u>13,373,569</u>	<u>44,151,477</u>
Net position, end of year	<u>\$ 13,032,169</u>	<u>\$ 44,403,804</u>

Revenues

GASB guidelines require State appropriations, property tax revenues and Federal Pell grant revenue to be reported as nonoperating revenues. Management views, and has always viewed, major revenues to the College such as State appropriations, local property taxes and Pell grants as operating revenues. These dollars would not be received by the College to fund operating expenses if educational classes were not offered. Therefore, management believes these revenues should be applied directly to the operating costs that are associated with them for internal analysis purposes.

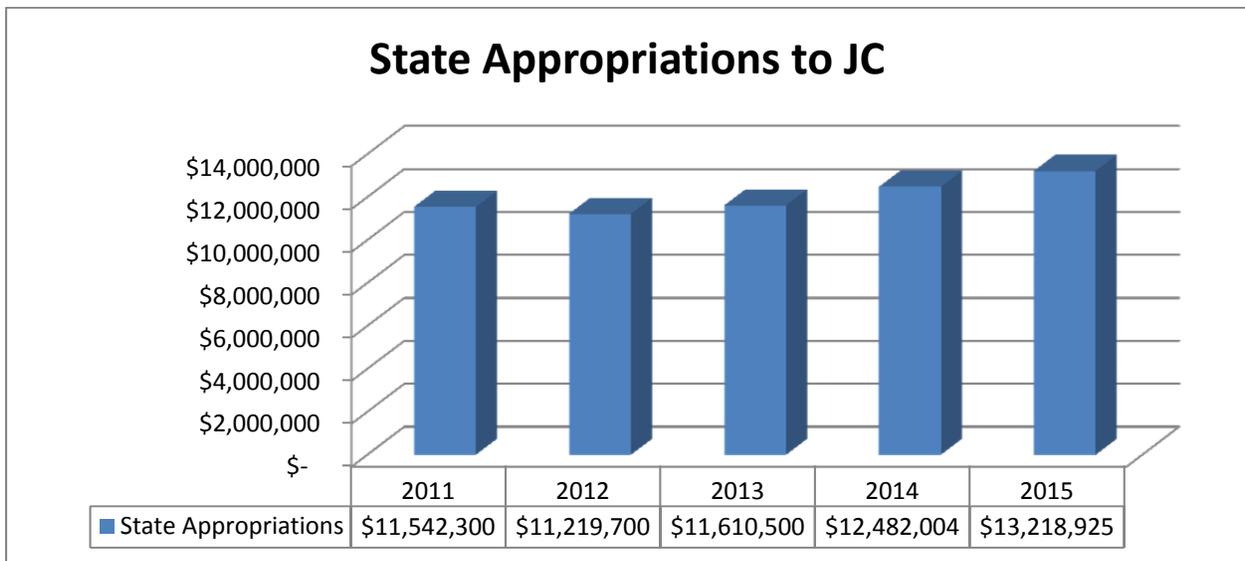
Each year the 28 Michigan public community colleges are required to submit data that is the basis of the Activities Classification Structure (ACS) Data Book. The Community College Appropriations Act assigns primary responsibility for data collection to the Michigan Department of Labor and Economic Growth. In addition to appropriations, the data in the ACS Data Book is used to derive comparisons among community colleges on a number of significant issues that relate to institutional concerns. The 2013-14 ACS Data Book reveals the following state averages for the year. Four years of Jackson College information is included for comparison. These are comparisons of general fund revenues, as these are the numbers used in the State reports. Capital Outlay is not included in the State ACS reports as these are recorded in Plant Funds and these operational reports only include the General and Designated Funds. The College generated General Fund revenues of \$44,532,745 and \$43,336,408 in 2015 and 2014, respectively.



General and Designated Funds					
Combining Statement from Audit	2015	2014	Difference	% of Total	% Change
Tuition & Fees	\$ 11,453,375	\$ 10,967,168	\$ 486,207	25.7%	4.4%
Discount	11,476,101	11,909,569	(433,468)	25.8%	-3.6%
Gross Tuition & Fees	22,929,476	22,876,737	52,739	51.5%	0.2%
Federal Grants	18,226	17,932	294	0.0%	1.6%
Property Tax	4,842,394	4,782,538	59,856	10.9%	1.3%
State Aid	13,218,925	12,482,004	736,921	29.7%	5.9%

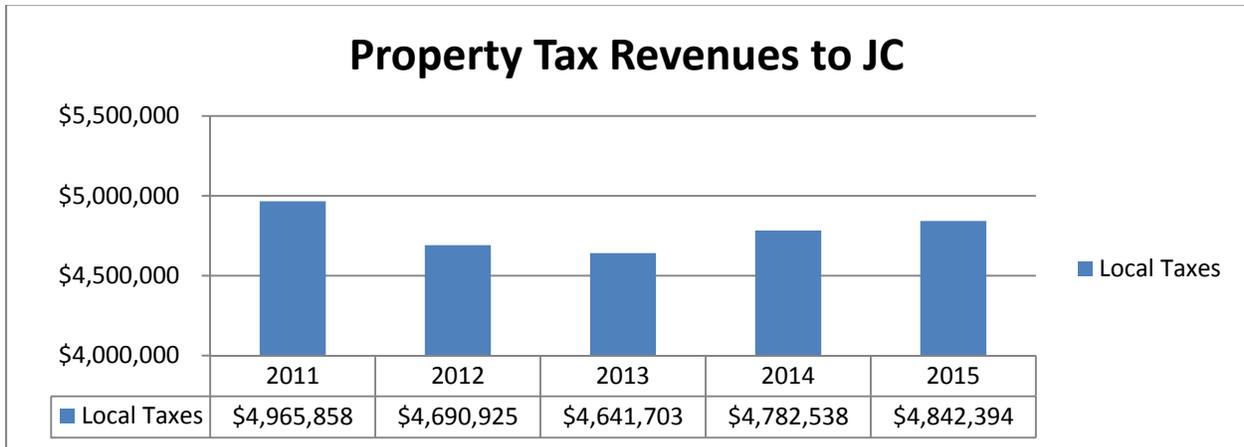
State Appropriations

Accounting guidelines issued by the GASB obligate the College to report State Appropriations source as nonoperating income. Generally, the State of Michigan includes the Appropriation to Community Colleges Act in its annual budget, which is approved just prior to the beginning of the State’s fiscal year, October 1. The College received \$13,218,925 in fiscal year 2015, of this total, \$1,095,318 was received and paid to the State of Michigan towards the unfunded actuarial accrued liability of the Michigan Public School Employees Retirement System. The graph below reflects the amount of State Appropriations received by the College that were reported as revenue in the general fund.



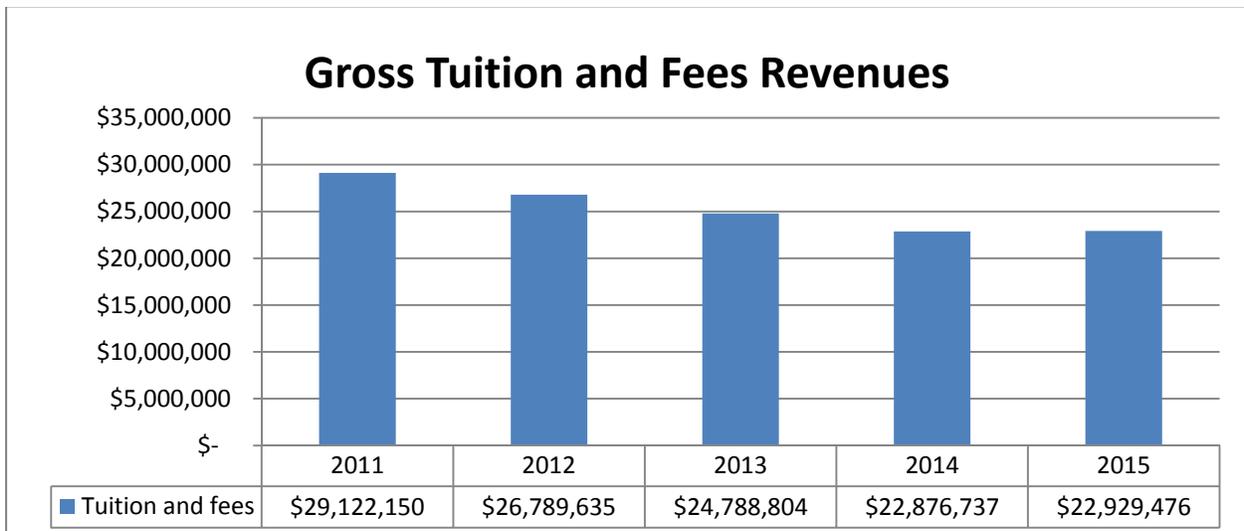
Property Taxes

Only 10.8% of ACS revenues come from property taxes from Jackson County. The other community colleges like JC that depend heavily on State Appropriations also have in common a low percentage of their General Fund revenue being derived from property taxes. The State average is 35.1%. No new attempt to adjust the voted millage rate was made during the current fiscal year. No millage increase has been approved by the voters of Jackson County since the charter millage of 1.33 in 1964. The current millage rate as adjusted by the Headlee override to 1.1446 (December 2008) is the lowest in the State. Property tax revenues have showed an increase as property values begin to slowly increase and past due tax bills get paid.

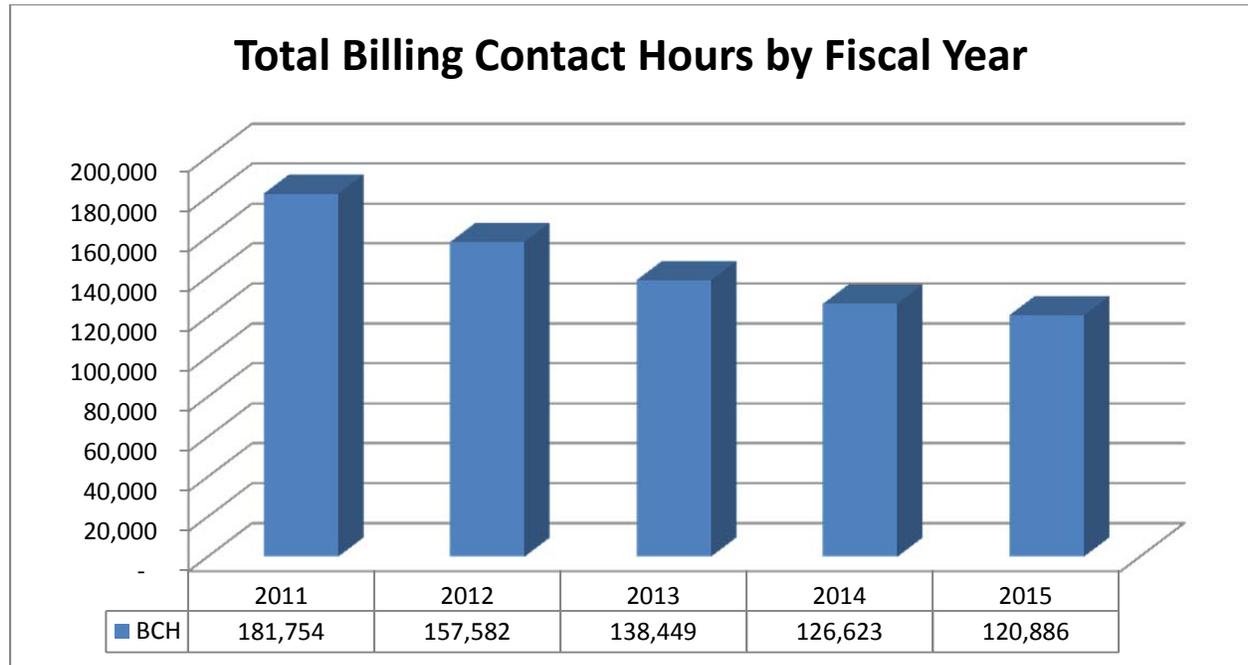


Tuition and Fees

\$11,476,101 and \$11,909,569 of scholarship allowances against tuition and fees represent amounts paid by grants, resulting in a "discount rate" of 50.0% and 52.1% for fiscal 2015 and 2014, respectively. The bulk of the scholarship allowance is Federal Pell awards which were \$8,922,468 and \$9,556,905 for fiscal 2015 and 2014, respectively. It is expected that the number of students receiving federal funds will level off as enrollment levels off. For purposes of this analysis, to show trends over time, the following chart presents gross tuition and fees. The College experienced an increase of 0.02% from this source of revenue in the current year as compared to fiscal 2014. The scholarship allowances also decreased by \$433,468 or 4.0%.



There was a 5.0% decrease in the amount of billing contact hours generated in 2015. The College began to implement a comprehensive enrollment management plan that focuses on recruitment & retention. The College continues to focus on recruiting students of color, international students and graduating high school seniors. The decline in enrollment is due in part to declining high school graduating classes, and the improved local economy. It is estimated that the new efforts in total commitment to student success, the college will see further decline in enrollment however, not as significant as the national or state average.



Jackson College Enrollment by Semester and Fiscal Year

	Billing Hours			
	<u>Fall</u>	<u>Winter</u>	<u>Spring</u>	<u>Total</u>
Year ending 2015	55,221	50,128	15,537	120,886
Year ending 2014	57,000	52,216	17,407	126,623
Year ending 2013	63,010	57,396	18,043	138,449
Year ending 2012	70,988	64,965	21,629	157,582
Year ending 2011	80,125	73,859	27,770	181,754

Tuition rates continued to rise, offsetting the small millage rate the local tax payers pay. Increases are detailed below.

Hourly Tuition Rates

	<u>In-district</u>	<u>Out-district</u>	<u>Out-Of -State</u>
Fiscal Year 2014-2015	\$117.00	\$161.00	\$234.00
Fiscal Year 2013-2014	\$111.00	\$161.00	\$216.00
Fiscal Year 2012-2013	\$106.00	\$161.00	\$212.00
Fiscal Year 2011-2012	\$100.50	\$141.50	\$200.00

Other Operating Revenues

The College ran a one year corrections officer training program in partnership with the Michigan Department of Corrections. This non-credit academy generated a significant increase in revenue for our contract training. The Potter Center activities, revenue and expenses increased at a proportionate rate due to the rising cost of hiring performers. The income classification of seminars, workshops & other income remained consistent with years past except for last year as the college received a onetime settlement payment.

Expenses

Compared to statewide averages, JC is relatively close to the state averages. Please note that the State of Michigan does not include depreciation as an "operating cost". The College continues to increase its attention to the instructional efforts and Student Services as that is the large part of our total commitment to student success.

The expenses under public service are higher than the statewide average due to the cultural affairs program, which includes the music hall events.

	ACS	Jackson College		
	<u>2013-14</u>	<u>2014-15</u>	<u>2013-14</u>	<u>2012-13</u>
Instructional	46.70%	50.70%	50.00%	50.80%
Information Tech	0.00%	0%	0%	0%
Public Service	1.40%	2.40%	2.60%	2.20%
Inst. Support	13.30%	6.80%	6.40%	6.60%
Std Services	12.90%	14.80%	12.60%	12.70%
Admin	13.40%	12.60%	16.40%	15.60%
Plant	<u>12.30%</u>	<u>12.70%</u>	<u>12.10%</u>	<u>12.10%</u>
Total	100.00%	100.00%	100.00%	100.00%

Statements of Cash Flows

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. Its primary purpose is to provide information about the College's cash receipts and cash payments during a fiscal year.

Major sources of cash were tuition and fees (\$10,800,855 in 2015 and \$10,689,343 in 2014), grants and contracts (\$5,564,017 in 2015 and \$3,261,912 in 2014), State appropriations (\$13,203,069 in 2015 and \$12,632,977 in 2014), local property taxes (\$4,842,394 in 2015 and \$4,782,538 in 2014), and Pell grant receipts (\$8,922,468 in 2015 and \$9,556,905 in 2014). The single, largest type of disbursement was compensation payments to or on behalf of the College's employees (\$29,755,715 in 2015 and \$29,380,193 in 2014).

Capital Assets

The components of the College's capital assets are as follows as of June 30:

	<u>2015</u>	<u>2014</u>
Land	\$1,313,765	\$1,313,765
Infrastructure and land Improvements	3,712,757	3,481,103
Buildings and improvements	88,038,892	87,449,523
Artwork	5,253,400	5,253,400
Leasehold improvements	2,247,106	2,247,106
Equipment	12,016,320	11,915,696
Construction in progress	1,205,862	140,697
Total capital assets	<u>113,788,102</u>	<u>111,801,290</u>
Less accumulated depreciation	<u>50,965,957</u>	<u>47,733,409</u>
Capital assets, net	<u>\$62,822,145</u>	<u>\$64,067,881</u>

Additional information regarding the College's capital assets can be found in the notes to the financial statements.

Information on the College's long-term debt can also be found in the notes to the financial statements.

Factors That Will Affect Our Future

The economic position of the College is closely tied to that of the State. Because of economic growth and changes to the funding formula for community colleges, the State budget projects an increase of 1.2% in State appropriations for the 2015-16 year, along with a Board of Trustees approved tuition increase of 6.8% for the upcoming fiscal year.

In an effort to stay ahead of upcoming changes to state and federal funding guidelines, the College is focusing on total commitment to student success (TCS2). This focus has the college changing its student services model from traditional academic advising with a ratio of 1 advisor to 1,400+ students to approaching student services on a more personal level with Student Success Navigators who will be responsible for 400-500 students. The use of national bench mark data reveals that student success is higher for students who have a personal relationship with a college professional. This strategy will be implemented over a two year period beginning in 2015-16. The college will measure the success of this strategy by monitoring retention, persistence and graduation rates.

The College continues to make investments in instructional facilities, aging infrastructure and modernization of learning environments.

A new and related statement to GASB 68, GASB 75, was issued in June 2015 for implementation in Fiscal Year 2018, which will require the College to record its proportionate share of the MPSERS OPEB/Healthcare liabilities which will have a similar impact as GASB 68.

Jackson College opened an additional 202 bed housing option to be available for the fall of 2016. This housing unit is owned by a separate Michigan non-profit Corporation, Jackson College Dormitories. The rental income does not come to the college but, the tuition & fee revenue for these fulltime students will benefit the college.

The State of Michigan has approved a capital outlay project for \$15.2 million to renovate Bert Walker Hall. The College has begun this project by issuing tax exempt bonds for the College's 50% match and is in the process of new addition and renovation of the existing space of Bert Walker Hall. The project is to be completed in August of 2016.

The College's current financial and capital plans indicate the College will be able to maintain its current level of service.

INDEPENDENT AUDITORS' REPORT

November 13, 2015

Board of Trustees
Jackson College
Jackson, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of *Jackson College* (the "College") as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 respective financial position of the business-type activities and the discretely presented component units of *Jackson College* as of June 30, 2015 and 2014, 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.

Implementation of GASB Statement No. 68

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

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued under separate cover, our report dated November 13, 2015, on our consideration of *Jackson College's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *Jackson College's* internal control over financial reporting and compliance.



JACKSON COLLEGE

STATEMENTS OF NET POSITION

	June 30,	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 13,573,849	\$ 14,371,442
Restricted cash - unspent bond proceeds	9,851,645	-
Tuition and other receivables, net	1,502,308	849,788
State appropriations receivable	2,272,124	2,256,268
Federal and state grants receivable	612,317	2,049,310
Current portion of note receivable	22,027	23,722
Inventories	39,769	39,775
Prepaid expenses and other assets	1,221,163	669,042
Total current assets	29,095,202	20,259,347
Investments	14,291	13,195
Note receivable, net of current portion	86,891	103,834
Campus property, plant and equipment, net	62,822,145	64,067,881
Total assets	92,018,529	84,444,257
Deferred outflows of resources		
Deferred change on refunding	433,578	-
Deferred pension amounts (Note 7)	3,948,860	-
Total deferred outflows of resources	4,382,438	-
Liabilities		
Current liabilities		
Accounts payable	1,580,607	958,051
Accrued compensation and benefits	2,647,113	2,900,037
Current portion of long-term liabilities	2,016,247	2,350,331
Accrued interest	259,895	225,203
Unearned revenue	2,171,877	2,335,441
Total current liabilities	8,675,739	8,769,063
Noncurrent liabilities		
Long-term liabilities, net of current portion	39,647,012	31,271,390
Net pension liability (Note 7)	31,557,371	-
Total noncurrent liabilities	71,204,383	31,271,390
Total liabilities	79,880,122	40,040,453
Deferred inflows of resources		
Deferred pension amounts (Note 7)	3,488,676	-
Net position		
Net investment in capital assets	31,444,109	30,871,276
Restricted:		
Nonexpendable	22,893	21,548
Expendable	223,949	254,399
Unrestricted (deficit) (Note 9)	(18,658,782)	13,256,581
Total net position	\$ 13,032,169	\$ 44,403,804

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

JACKSON COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30,	
	2015	2014
Operating revenues		
Tuition and fees (net of scholarship allowances of \$11,476,101 and \$11,909,569)	\$ 11,453,375	\$ 10,967,168
Federal grants and contracts	3,636,923	3,735,464
State grants and contracts	490,101	471,392
Housing revenue	1,315,173	1,136,733
Potter Center activities	468,218	456,414
Contract training	788,424	4,252
Seminars, workshops, and other	1,816,051	1,761,728
Total operating revenues	19,968,265	18,533,151
Operating expenses		
Instruction	19,585,427	18,673,872
Public service	1,233,054	1,330,588
Academic support	3,047,545	2,825,129
Student services	7,136,861	6,419,267
Administration	4,891,586	6,063,827
Operation and maintenance of plant	6,448,771	5,202,929
Depreciation and amortization	3,780,624	3,787,548
Total operating expenses	46,123,868	44,303,160
Operating loss	(26,155,603)	(25,770,009)
Nonoperating revenues (expenses)		
State appropriations	13,218,925	12,482,004
Local property taxes	4,842,394	4,782,538
Federal Pell grant revenue	8,922,468	9,556,905
Private gifts and grants	130,887	645,360
Interest income	7,421	5,277
Gain on disposal of property and equipment	44,710	12,466
Interest expense	(1,510,802)	(1,440,614)
Transfer of Funds to Jackson College Foundation	(16,800)	(21,600)
Net nonoperating revenues	25,639,203	26,022,336
Other revenues		
Capital gifts and grants	175,000	-
(Decrease) increase in net position	(341,400)	252,327
Net position, beginning of year	44,403,804	44,151,477
Implementation of GASB 68 (Note 7)	(31,030,235)	-
Adjusted net position, beginning of the year	13,373,569	44,151,477
Net position, end of year	\$ 13,032,169	\$ 44,403,804

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

JACKSON COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2015	2014
Cash flows from operating activities		
Tuition and fees	\$ 10,800,855	\$ 10,689,343
Housing	1,315,173	1,136,733
Grants and contracts	5,564,017	3,261,912
Contract training	742,764	3,437
Payments to vendors	(10,573,220)	(7,700,879)
Payments to or on behalf of employees	(29,775,715)	(29,380,193)
Payments to students	(2,439,859)	(2,474,369)
Potter Center activities	469,211	518,173
Seminars, workshops and other	1,585,257	1,721,181
Net cash used in operating activities	(22,311,517)	(22,224,662)
Cash flows from noncapital financing activities		
State appropriations	13,203,069	12,632,977
Local property taxes	4,842,394	4,782,538
Pell grant receipts	8,922,468	9,556,905
Gifts and contributions for other than capital purposes	130,887	645,360
Direct loan program receipts	12,498,697	13,631,289
Direct loan program disbursements	(12,498,697)	(13,631,289)
State scholarship and grant receipts	90,880	85,941
State scholarship and grant disbursements	(90,880)	(85,941)
Net cash provided by noncapital financing activities	27,098,818	27,617,780
Cash flows from capital and related financing activities		
Capital gift and grant proceeds	175,000	-
Purchases and construction of campus property, plant and equipment	(2,538,361)	(1,107,526)
Proceeds from sale of property and equipment	48,183	14,520
Collection of note receivable	18,638	16,944
Proceeds from capital debt	19,345,245	-
Principal paid on capital debt	(11,737,285)	(1,885,000)
Interest paid on capital debt	(1,476,110)	(1,431,376)
Net cash provided by (used in) capital and related financing activities	3,835,310	(4,392,438)
Cash flows from investing activities		
Interest and dividends on investments	6,325	3,312
Net increase in cash and cash equivalents	8,628,936	1,003,992
Cash and cash equivalents, beginning of year	14,371,442	13,367,450
Cash and cash equivalents, end of year	\$ 23,000,378	\$ 14,371,442
Reconciliation to Statements of Net Position		
Cash and cash equivalents	\$ 13,573,849	\$ 14,371,442
Restricted cash - unspent bond proceeds	9,851,645	-
Cash and cash equivalents, end of year	\$ 23,425,494	\$ 14,371,442

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

JACKSON COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30,	
	2015	2014
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (26,155,603)	\$ (25,770,009)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	3,780,624	3,787,548
Change in operating assets and liabilities that provided (used) cash:		
Tuition and other receivables, net	(652,520)	(277,825)
Federal and state grants receivable	1,436,993	(944,944)
Inventories	6	-
Prepaid expenses and other assets	(552,121)	73,936
Accounts payable	605,756	78,440
Accrued compensation and benefits	(252,924)	213,354
Long-term liabilities	(425,116)	(404,138)
Unearned revenue	(163,564)	1,018,976
Change in net pension liability and deferred amounts	66,952	-
Net cash used in operating activities	<u>\$ (22,311,517)</u>	<u>\$ (22,224,662)</u>

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

JACKSON COLLEGE

FOUNDATION STATEMENTS OF FINANCIAL POSITION

	June 30	
	2015	2014
ASSETS		
Cash and cash equivalents	\$ 94,465	\$ 129,411
Investments	12,550,863	12,498,006
Related party receivable	8,140	37,121
Contributions receivable, net of allowance of \$5,000	8,975	110,475
Beneficial interests in remainder trusts	635,458	308,219
Cash surrender value of life insurance	81,000	86,000
Prepaid expenses and other assets	-	933
Total assets	\$ 13,378,901	\$ 13,170,165
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 277,037	\$ 64,551
Annuities payable	125,337	128,198
Total liabilities	402,374	192,749
Net assets		
Unrestricted	834,802	948,673
Temporarily restricted	2,147,882	2,549,740
Permanently restricted	9,993,843	9,479,003
Total net assets	12,976,527	12,977,416
Total liabilities and net assets	\$ 13,378,901	\$ 13,170,165

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

JACKSON COLLEGE

FOUNDATION STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year Ended June 30	
	2015	2014
Support and revenue		
Gifts	\$ 700,085	\$ 392,817
Investment income and gains	75,205	1,521,389
Other revenue	205,088	174,672
	<u>980,378</u>	<u>2,088,878</u>
Grants and expenses		
Grant payments to Jackson College	340,570	862,108
Grant payments to the Dahlem Conservancy	64,136	60,744
Management and general expenses	466,736	528,511
	<u>871,442</u>	<u>1,451,363</u>
Support and revenue in excess of grants and expenses	108,936	637,515
Changes in values of interests in remainder trusts and actuarial adjustment of annuities	(16,625)	11,633
Transfers from Jackson College	16,800	21,600
Transfers to Jackson Public Schools Hurst Planetarium	(10,000)	-
Transfers to Jackson Preparatory & Early College	(100,000)	(400,000)
	<u>(889)</u>	<u>270,748</u>
(Decrease) increase in net assets		
Net assets, beginning of year	<u>12,977,416</u>	<u>12,706,668</u>
Net assets, end of year	<u><u>\$ 12,976,527</u></u>	<u><u>\$ 12,977,416</u></u>

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

JACKSON COLLEGE

DORMITORIES STATEMENT OF FINANCIAL POSITION

	June 30
	2015
ASSETS	
Restricted cash - unspent bond proceeds	\$ 4,103,934
Deferred bond issuance costs	427,555
Property and equipment	<u>6,227,068</u>
Total assets	<u>\$ 10,758,557</u>
LIABILITIES AND NET DEFICIT	
Liabilities	
Accounts payable	\$ 730,481
Accrued interest	109,729
Bond payable	<u>9,929,024</u>
Total liabilities	<u>10,769,234</u>
Net deficit	
Unrestricted	<u>(10,677)</u>
Total liabilities and net deficit	<u>\$ 10,758,557</u>

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

JACKSON COLLEGE

DORMITORIES

STATEMENT OF ACTIVITIES AND CHANGES IN NET DEFICIT

	Year Ended
	June 30, 2015
Expenses	
Interest	\$ 10,677
	<hr/>
Decrease in net assets	(10,677)
Net assets, beginning of year	<hr/> -
Net deficit, end of year	<hr/> <u>\$ (10,677)</u>

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

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. MISSION

Jackson College (the "College") is a Michigan Community College whose mission is to assist learners in identifying and achieving their educational goals. The College offers four associate degrees, numerous certificate programs, and other educational programs while being accredited by the North Central Association of Colleges and Secondary Schools. The primary education centers for the College are its 500-acre main campus situated six miles south of Jackson, and extension centers located in Hillsdale and Adrian (Lenawee Center).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The College is governed by an elected seven member board of trustees. The College has two affiliated organizations that are evaluated in accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. These organizations are described below:

Jackson College Foundation (the "Foundation") is a legally separate, tax-exempt not-for-profit organization that was formed to solicit, collect, and invest donations made for the promotion of educational activities at and to augment the facilities of the College. The Foundation acts primarily as a fundraising organization to supplement the resources of the College in support of its programs and facilities. As the restricted resources held by the Foundation can be used only by, or for the benefit of, the College, the Foundation is considered a component unit of the College.

Jackson College Dormitories ("JCD") is a legally separate, tax-exempt not-for-profit organization that was formed at beginning of fiscal year 2015 to provide financing for the construction of Campus View 3 to provide 202 additional student housing beds for Jackson College.

The College presents the Foundation and JCD as discretely presented component units of the College.

Separate financial statements are issued for the Foundation and JCD that are prepared in accordance with the accounting standards established by the Financial Accounting Standards Board. Those separate financial statements may be obtained from the College's Business Office.

Basis of Presentation

The accompanying financial statements have been prepared using 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.

The College prepares its annual financial statements in accordance with GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities, an amendment of GASB Statement No. 34*, as described below, and the American Institute of Certified Public Accountants' Audit and Accounting Guide, *Audits of State and Local Governments (GASB 34 Edition)*. The financial statements also consider the provisions of the Michigan Department of Career Development's *Manual for Uniform Financial Reporting - Michigan Public Community Colleges, 2001*.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Under the provisions of GASB Statement No. 35, the College is permitted to report as a special purpose government engaged only in business type activities (“BTA”). Business type activities are those that are financed in whole or in part by fees charged to external users in exchange for goods and services. BTA reporting requires the College to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund that includes management’s discussion and analysis (MD&A), a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, notes to the financial statements, and other applicable RSI. Fund financial information is not required for BTA reporting.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, money market accounts, and any certificates of deposit with an original maturity of three months or less, except that such investments purchased with endowment assets are classified as investments. On the Statement of Net Position, restricted cash (unspent bond proceeds) is segregated from cash and cash equivalents. For the Statement of Cash Flows, however, restricted cash is included in the beginning and ending balances of cash and cash equivalents.

Investments

Investments are carried at fair value determined using quoted market prices.

The College endowment investment income spending policy is 100% of the realized earnings of each College endowment. The annual spending income allocation cannot reduce the original gift principal. There is no net appreciation on investments of donor-restricted College endowments included in net position at June 30, 2015 or 2014. According to the law of the State of Michigan, the Board of Trustees may appropriate for expenditure for the uses and purposes for which an endowment is established an allocation of the net appreciation, realized and unrealized, in the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

Inventories

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Campus Property, Plant and Equipment

Campus property, plant and equipment, consisting of institutional physical properties used in College operations, are recorded at cost or, if acquired by gift, at fair market value at the date of acquisition. Building additions and improvements with a cost in excess of \$30,000 are capitalized if the life of the building is extended or square footage is added. Collections, such as works of art, are capitalized if such items are held for public exhibition, education, or research in furtherance of public service. Equipment with a cost in excess of \$1,000 with a useful life of more than one year is capitalized. Expenses for routine maintenance and ordinary repairs are expensed as incurred. Library books are expensed the year of purchase. Certain maintenance and replacement reserves have been established to provide for significant repair and maintenance costs to facilities.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Depreciation, which includes amortization of leasehold improvements, is provided for campus property, plant and equipment on a straight-line basis over the estimated useful life or the term of the lease, if shorter, of the assets as follows:

Classification	Estimated Useful Lives
Buildings	40 years
Infrastructure and land improvements	15 years
Building and leasehold improvements	10 years
Artwork	10 years
Furniture and fixtures	5 years
Computer equipment	3 years

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Pension

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

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition

Revenue from state appropriations are recognized in accordance with the accounting method described in the *Manual for Uniform Financial Reporting -- Michigan Public Community Colleges, 2001*, which provides that state appropriations are recorded as revenue in the period for which such amounts are appropriated. Student tuition and related revenues and expenses of an academic semester are reported in the fiscal year in which the program is conducted. Property taxes are recorded as revenue when received, which approximates the amounts when levied.

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 Federal 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.

Sabbatical Leaves

In accordance with the Master Agreement with the Faculty Association, the College grants sabbatical leaves to various full-time instructors. The leaves are granted to enhance the personal and professional competence of the instructors who are required to return to the College for a period of two years. Compensation is accounted for as an expense in the fiscal year the leave is taken.

Other Compensated Absences

Other compensated absences represent the accumulated liability to be paid under the College's current vacation and terminated leave pay policies. As the amounts are due on demand at the time of employee termination, the liability is classified as current (accrued payroll, vacation and other compensation) in the accompanying statements of net position.

Net Position

Net position is classified into the following categories:

- *Net investment in capital assets*: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- *Restricted expendable*: Net position whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time. The restricted balance of the College consists primarily of funds restricted for student loans, scholarships, and other purposes.
- *Unrestricted*: Net position that is not subject to externally imposed constraints. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

New Accounting Pronouncement

As of July 1, 2014, the College adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement requires that the College recognize a net pension liability on the statement of net position, equal to the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS), as defined and calculated in accordance with the new standard. More detailed information can be found in Note 7. As a result of this change, the College recognized a net pension liability of \$33,570,760 and deferred outflows of resources of \$2,540,525, which resulted in a decrease in net position of \$31,030,235 as of July 1, 2014. Application of this new standard to July 1, 2013, the earliest year presented, is not practical as complete information is not available.

3. DEPOSITS AND INVESTMENTS

State of Michigan statutes authorize the College to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper of corporations located in this state rated prime by at least one of the standard rating services. The College is also authorized to invest in U.S. government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds comprised of investments as outlined above. The College's investment policy allows for all of these types of investments.

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

	2015	2014
Cash and cash equivalents	\$ 13,573,849	\$ 14,371,442
Restricted cash - unspent bond proceeds	9,851,645	-
Investments	<u>14,291</u>	<u>13,195</u>
	<u>\$ 23,439,785</u>	<u>\$ 14,384,637</u>

The above amounts are categorized as follows at June 30:

	2015	2014
Bank deposits (checking, savings, cash sweep accounts and certificates of deposit)	\$ 23,424,694	\$ 14,370,642
Petty cash	<u>800</u>	<u>800</u>
Total deposits	23,425,494	14,371,442
Investments in equity securities	<u>14,291</u>	<u>13,195</u>
Total	<u>\$ 23,439,785</u>	<u>\$ 14,384,637</u>

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the College's deposits may not be returned. State law does not require and the College does not have a policy for deposit custodial credit risk. As of June 30, 2015, \$17,172,892 of the College's bank deposits balance of \$23,969,482 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2014, \$3,615,109 of the College's bank deposits balance of \$14,379,306 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments that are in the possession of an outside party. State law does not require and the College does not have a policy for investment custodial credit risk. However, all investments are in the name of the College, and the investments are held in trust accounts with each financial institution from which they were purchased.

4. TUITION AND OTHER RECEIVABLES

Tuition and other receivables result from various revenue sources including student tuition and fee billings, auxiliary enterprise sales and contract training revenues.

Tuition and other receivables consist of the following amounts at June 30:

	2015	2014
Tuition and fees	\$ 1,354,755	\$ 1,173,504
Private grants	3,228	4,116
Reimbursements	102,699	69,112
Due from JC Foundation	262,311	-
Due from Jackson Preparatory and Early College	172,416	-
Bookstore	2,789	1,747
Employees	<u>4,110</u>	<u>1,309</u>
Total	1,902,308	1,249,788
Less allowances	<u>400,000</u>	<u>400,000</u>
Tuition and other receivables, net	<u>\$ 1,502,308</u>	<u>\$ 849,788</u>

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

5. CAMPUS PROPERTY, PLANT AND EQUIPMENT, NET

The following tables present in summary fashion the changes in the components of campus property, plant and equipment for the years ended June 30:

<u>2015</u>	Balance, July 1, 2014	Additions	Deletions	Transfers	Balance, June 30, 2015
Capital Assets:					
Land	\$ 1,313,765	\$ -	\$ -	\$ -	\$ 1,313,765
Infrastructure and land improvements	3,481,103	90,957	-	140,697	3,712,757
Buildings and improvements	87,449,523	589,369	-	-	88,038,892
Leasehold improvements	2,247,106	-	-	-	2,247,106
Artwork	5,253,400	-	-	-	5,253,400
Furniture, fixtures and equipment	11,915,697	652,173	551,550	-	12,016,320
Construction in progress	140,697	1,205,862	-	(140,697)	1,205,862
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total property and equipment	111,801,291	2,538,361	551,550	-	113,788,102
Less accumulated depreciation	47,733,410	3,780,624	548,077	-	50,965,957
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Campus property, plant and equipment, net	\$ 64,067,881	\$ (1,242,263)	\$ 3,473	\$ -	\$ 62,822,145
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>2014</u>	Balance, July 1, 2013	Additions	Deletions	Transfers	Balance, June 30, 2014
Capital Assets:					
Land	\$ 1,313,765	\$ -	\$ -	\$ -	\$ 1,313,765
Infrastructure and land improvements	3,481,103	-	-	-	3,481,103
Buildings and improvements	86,883,070	566,453	-	-	87,449,523
Leasehold improvements	2,247,106	-	-	-	2,247,106
Artwork	5,253,400	-	-	-	5,253,400
Furniture, fixtures and equipment	11,596,676	400,376	81,355	-	11,915,697
Construction in progress	-	140,697	-	-	140,697
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total property and equipment	110,775,120	1,107,526	81,355	-	111,801,291
Less accumulated depreciation	44,025,163	3,787,548	79,301	-	47,733,410
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Campus property, plant and equipment, net	\$ 66,749,957	\$ (2,680,022)	\$ 2,054	\$ -	\$ 64,067,881
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM LIABILITIES

Long-term liability activity for years ended June 30 was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Current Portion
2015					
Bonds Payable					
General Bonds - 2006	\$ 11,815,000	\$ -	\$ 750,000	\$ 11,065,000	\$ 775,000
General Bonds - 2007	4,085,000	-	375,000	3,710,000	390,000
General Bonds - 2008	6,755,000	-	320,000	6,435,000	335,000
General Bonds - 2010	10,800,000	-	9,800,000	1,000,000	500,000
General Bonds - 2014	-	9,280,000	100,000	9,180,000	-
General Bonds - 2015	-	9,990,000	-	9,990,000	-
Total bonds payable	33,455,000	19,270,000	11,345,000	41,380,000	2,000,000
Bond Premium	-	583,255	36,454	546,801	36,454
Bond Discount	(258,395)	(74,432)	(69,285)	(263,542)	(20,207)
Total Bond Premium/Discount	(258,395)	508,823	(32,831)	283,259	16,247
Accrued Employee Severance	425,116	-	425,116	-	-
	\$ 33,621,721	\$ 19,778,823	\$ 11,737,285	41,663,259	\$ 2,016,247
Less current portion				2,016,247	
Long-term liabilities, net of current portion				\$ 39,647,012	
	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Current Portion
2014					
Bonds Payable					
General Bonds - 2006	\$ 12,540,000	\$ -	\$ 725,000	\$ 11,815,000	\$ 750,000
General Bonds - 2007	4,440,000	-	355,000	4,085,000	375,000
General Bonds - 2008	7,060,000	-	305,000	6,755,000	320,000
General Bonds - 2010	11,300,000	-	500,000	10,800,000	500,000
Total bonds payable	35,340,000	-	1,885,000	33,455,000	1,945,000
Bond Discount	(278,180)	-	(19,785)	(258,395)	(19,785)
Accrued Employee Severance	829,252	-	404,136	425,116	425,116
	\$ 35,891,072	\$ -	\$ 2,269,351	33,621,721	\$ 2,350,331
Less current portion				2,350,331	

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Bonded Debt

\$14,640,000 General Bonds, Series 2006

Unsecured bonds mature serially in annual amounts ranging from \$750,000 to \$1,240,000 through 2026, with interest charges at rates ranging from 4.00% to 4.50% per annum.

\$6,000,000 General Bonds, Series 2007

Unsecured bonds mature in annual amounts ranging from \$375,000 to \$545,000 through 2023 with interest charges at rates ranging from 4.00% to 4.15% per annum.

\$8,150,000 General Bonds, Series 2008

Unsecured bonds mature in annual amounts ranging from \$320,000 to \$605,000 through 2029 with interest charges at rates ranging from 3.25% to 4.40% per annum.

\$1,000,000 General Bonds, Series 2010

Unsecured bonds mature in annual amounts ranging from \$500,000 to \$1,000,000 through 2017 with interest charges at rates ranging from 1.70% to 6.27% per annum. The bonds are designated as "Build America Bonds" under Section 54AA of Internal Revenue Code. A credit of \$31,000 and \$199,227 was received during fiscal 2015 and 2014, respectively, from the U.S. Treasury equal to 27.8% of the stated interest paid during fiscal 2015 and 2014, which was recorded as a direct reduction to the College's interest expense.

During 2015, the College refunded \$9,300,000 of the Series 2010, "Build America Bond" with an average interest rate of 3.16%.

\$9,280,000 General Refunding Bonds, Series 2014

The College issued \$9,280,000 in refunding bonds with an interest rate of 2.00% to 4.25% to refund \$9,300,000 of outstanding 2010 Series Bonds with an interest rate of 4.90% to 6.27%, maturing in 2030. The bonds mature at varying amounts through 2030. The net proceeds of \$9,733,578 (after payment of \$129,676 in underwriting fees and other issuance cost) were used to purchase U.S. treasury securities which were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. The refunding resulted in an economic gain of \$370,962 and a net present value savings of \$304,771. As of June 30, 2015, the 2010 Series Bonds in the amount of \$9,300,000 are considered defeased and the liability has been removed from the statement of net position.

\$9,990,000 General Bonds, Series 2015

Unsecured bonds mature in annual amounts ranging from \$350,000 to \$745,000 through 2035 with interest charges at rates ranging from 3.00% to 3.625% per annum.

All borrowings are being repaid out of operating funds.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Scheduled principal and interest requirements of long-term debt for years succeeding June 30, 2015, are summarized below:

Year Ending June 30	Principal	Interest	Total
2016	\$ 2,000,000	\$ 1,577,320	\$ 3,577,320
2017	2,435,000	1,515,421	3,950,421
2018	2,560,000	1,417,083	3,977,083
2019	2,660,000	1,327,071	3,987,071
2020	2,760,000	1,231,946	3,991,946
2021-2025	14,670,000	4,522,897	19,192,897
2026-2030	10,860,000	1,797,798	12,657,798
2031-2035	3,435,000	378,881	3,813,881
Totals	<u>\$ 41,380,000</u>	<u>\$ 13,768,417</u>	<u>\$ 55,148,417</u>

During fiscal 2004, the College entered into a lease agreement with the State of Michigan as part of the Capital Outlay program offered by the State Building Authority. The State appropriated approximately \$1,500,000 toward the construction of the College's Lenawee Center. During fiscal 2008, the College entered into a similar lease as part of the construction of the new Atkinson Hall building and the renovation of a section of Whiting Hall. The net State contribution amounted to \$7,318,398. Again, in fiscal year 2011, the College entered into another lease with the State of Michigan in connection with the renovation of Whiting Hall and the building of the Health Laboratory Center. The net state contribution amounted to \$10,016,314. The appropriations were funded by the issuance of bonds by the State Building Authority. In return, the College has deeded the buildings to the State Building Authority as collateral for the bondholders. The College and the State of Michigan are leasing the buildings from the State Building Authority for the period that the bonds for the buildings are being repaid by the State Building Authority. These lease payments are made out of the State of Michigan general operating budget. The College includes the buildings as part of its total investment in physical plant as capital leases as the College will obtain title to the buildings at the end of the leases. No corresponding obligations have been recorded since there are no payments due by the College under these lease agreements.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

Employee Severance Plan

The College entered into an employee severance plan to reduce the percentage of top of scale employees and increase the percentage of lower salary employees, while avoiding layoffs and program cuts. The "Employee Severance Plan" was a onetime offer to full-time faculty, administrators, technical, and classified employees who would have twelve (12) or more years of service with Jackson College or will be eligible to retire with full or reduced benefits with the Michigan Public School Employee Retirement System as of June 30, 2012. The College selected Educators Preferred Corporation (EPC) to implement and administer the five (5) year buyout plan. The severance plan was selected by four (4) administrators, nine (9) faculty, and seven (7) technical and classified employees. The College is liable for paying the full cost of the plan over a three (3) year period beginning in 2013. The College made the remaining required payments of \$425,116 in 2015.

7. PENSION PLANS

Defined Benefit Plan

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

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

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

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

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

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

The College's contributions to MPSERS for all pension plans described above were \$3,135,547 for the year ended June 30, 2015. The College's contributions to MPSERS for all plans, including other postemployment benefits as described on pages 35 and 36, for the years ended June 30, 2014 and 2013 were \$3,802,000 and \$3,704,000, respectively. These amounts are equal to the College's required contributions for each year.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2015, the College reported a liability of \$31,557,371 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. At September 30, 2014, the College's proportion (as calculated by MPSERS) was 0.14327%.

For the year ended June 30, 2015, the College's proportionate share of pension expense was \$2,556,250. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2015	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Changes in assumptions	\$ 1,164,398	\$ -	\$ 1,164,398
Net difference between projected and actual earnings on pension plan investments	-	3,488,676	(3,488,676)
	1,164,398	3,488,676	(2,324,278)
College contributions subsequent to the measurement date	2,784,462	-	2,784,462
Total	\$ 3,948,860	\$ 3,488,676	\$ 460,184

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

Year Ended June 30	Amount
2016	\$ (569,372)
2017	(569,372)
2018	(569,372)
2019	(616,162)
Total	\$ (2,324,278)

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of net pension liability	\$ 41,605,596	\$ 31,557,371	\$ 23,091,524

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

Payable to the Pension Plan. At June 30, 2015, the College reported a payable of \$212,120 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2015.

Other Postemployment Benefits

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

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

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College's contributions to MPSERS for other postemployment benefits were \$317,227 for the year ended June 30, 2015.

Defined Contribution Plan

Effective July 1, 1996, the College established the Jackson College Optional Retirement Program ("JCCORP"), a defined contribution pension plan qualified under Section 414(d) of the Internal Revenue Code. Under this plan, eligible employees as of July 1, 1996 and who are members of MPSERS, may continue their membership in MPSERS or may elect to participate in the plan and retain limited membership in the retirement system. An employee becoming eligible after July 1, 1996 may elect to become a member of MPSERS or to participate in JCCORP. Benefit provisions and contribution requirements are established and may be amended by the College. Required contributions are made by the College and the participants at a rate of 14% and 4% of eligible compensation for Staff and Faculty, respectively, and 15% and 4% of eligible compensation for Administration, respectively. For the years ended June 30, 2015 and 2014, the cost of this plan to the College was approximately \$903,000 and \$847,000 and participant contributions in the form of payroll deductions were approximately \$283,000 and \$286,000, respectively.

8. RELATED PARTIES

Jackson College Foundation

The College employs all Foundation staff and charges the Foundation an allocation percentage to cover a portion of such personnel costs, as well as other Foundation related costs by the College. In addition, the College received payments from the Foundation for student scholarships and other support, including capital gifts, totaling \$340,570 and \$862,108 for the years ended June 30, 2015 and 2014, respectively. At June 30, 2015, the College reported a receivable of \$262,331 from the Foundation. The College entered a lease agreement with the Foundation on July 1, 2012 related to its W. J. Maher Campus building. The Foundation charged the College \$150,000 and \$125,000 in rent for fiscal 2015 and 2014, respectively.

Dahlem Environmental Center

In August 2005, the College spun off its Dahlem Environmental Center (the "Center") operations by entering into an agreement with The Dahlem Conservancy (the "Conservancy"), an independent, nonprofit organization, and the private donor of the Center's property. Under this agreement, the College leases the Center's property to the Conservancy for a term of 30 years at an annual amount of \$1. The agreement also states that any endowment gifts received for the benefit of the Center will be restricted support of the Foundation, and the Foundation annually distribute 5% of the total endowment funds held for the benefit of the Center to the Conservancy in quarterly installments.

Jackson College Dormitories

In August 2014, the College created Jackson College Dormitories (JCD), a separate tax exempt corporation following IRS code 501(c)(3). The creation of JCD was solely to finance and construct Campus View 3. Beginning during the Fall 2015 semester, the College collects and distributes rents for/to JCD and provides management, utilities and cleaning of the building. In 2015, the College purchased the architectural drawings of the building in the amount of \$400,000 and made a deposit on furniture for JCD's suites in the amount of \$502,500.

Other

During the year ended June 30, 2015, the College paid a Foundation board member approximately \$77,000 for architect services.

JACKSON COLLEGE

NOTES TO FINANCIAL STATEMENTS

9. UNRESTRICTED (DEFICIT) NET POSITION

The College, through Board of Trustees action via the budget process, has designated the use of unrestricted net (deficit) position for the following purposes at June 30:

	2015	2014
Major maintenance and equipment replacement	\$ 6,048,203	\$ 7,111,101
Future operations	<u>5,690,660</u>	<u>5,446,740</u>
Total designated	11,738,863	12,557,841
Pension liability fund deficit	(31,097,187)	-
Undesignated	<u>699,542</u>	<u>698,740</u>
Total unrestricted net (deficit) position	<u>\$(18,658,782)</u>	<u>\$ 13,256,581</u>

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2015 and 2014, the College carried commercial insurance to cover all risks of losses. The College has had no settled claims resulting from these risks that exceeded its commercial coverage limits in any of the past three fiscal years.

11. COMMITMENTS, UNCERTAINTIES AND OTHER MATTERS

Government Programs

The College conducts certain programs pursuant to grants and contracts funded, and subject to audit, by various federal and state agencies. Amounts questioned as a result of audits, if any, may result in refunds to these governmental agencies. Any liabilities for reimbursements which may arise as the result of these audits is not believed to be material.

Employment Contract

The College is obligated pursuant to the terms of the College President's employment contract to provide housing in which the President is required to reside, maintain the buildings and grounds and pay all utilities furnished for the President's residential housing, annually reimburse certain expenses connected with the Office of the President, and annually provide an agreed upon amount of deferred compensation payable upon termination of the President's tenure. The President's employment agreement is currently scheduled to expire on August 31, 2020.

Construction Commitment

The construction project to renovate the Hanger Activity Center was completed in September 2015. Additional costs incurred subsequent to June 30, 2015 were approximately \$265,000. The construction project to renovate the Bert Walker Hall is estimated to be completed in August 2016. Additional costs estimated to complete are approximately \$795,000.

JACKSON COLLEGE

■ NOTES TO FINANCIAL STATEMENTS

Other Matters

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.



REQUIRED SUPPLEMENTARY INFORMATION

**MPSERS COST-SHARING
MULTIPLE-EMPLOYER PLAN**

JACKSON COLLEGE

SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY YEAR ENDED JUNE 30, 2015

College's proportion of the net pension liability	0.14327%
College's proportionate share of the net pension liability	\$ 31,557,371
College's covered-employee payroll	\$ 12,661,497
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	249.24%
Plan fiduciary net position as a percentage of the total pension liability	66.20%

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

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

JACKSON COLLEGE

SCHEDULE OF COLLEGE CONTRIBUTIONS YEAR ENDED JUNE 30, 2015

Contractually required contribution	\$ 3,135,547
Contributions in relation to the contractually required contribution	<u>(3,135,547)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
College's covered-employee payroll	\$ 11,858,371
Contributions as a percentage of covered employee payroll	26.44%

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

SUPPLEMENTARY COMBINING INFORMATION

JACKSON COLLEGE

COMBINING STATEMENT OF NET POSITION (UNAUDITED) JUNE 30, 2015

Assets	General Fund	Designated Fund	Restricted Funds	Pension Liability Fund	Endowment Funds	Plant Funds	Combined Total
Current assets							
Cash and cash equivalents	\$ 1,683,823	\$ 5,516,694	\$ 132,147	\$ -	\$ 8,602	\$ 6,232,583	\$ 13,573,849
Restricted cash - unspent bond proceeds	-	-	-	-	-	9,851,645	9,851,645
Tuition and other receivables, net	1,143,552	177,948	3,228	-	-	1,502,308	1,502,308
State appropriations receivable	2,272,124	-	-	-	-	-	2,272,124
Federal and state grants receivable	6,226	-	606,091	-	-	-	612,317
Current portion of notes receivable	-	-	-	-	-	22,027	22,027
Inventories	39,769	-	-	-	-	-	39,769
Prepaid expenses and other assets	718,434	-	-	-	-	502,729	1,221,163
Total current assets	5,863,928	5,694,642	741,466	-	8,602	16,786,564	29,095,202
Investments	-	-	-	-	14,291	-	14,291
Note receivable, net of current portion	-	-	-	-	-	86,891	86,891
Campus property, plant and equipment, net	-	-	-	-	-	62,822,145	62,822,145
Total assets	5,863,928	5,694,642	741,466	-	22,893	79,695,600	92,018,529
Deferred outflows of resources							
Deferred charge on refunding	-	-	-	-	-	433,578	433,578
Deferred pension amounts	-	-	-	3,948,860	-	-	3,948,860
Total deferred outflows of resources	-	-	-	3,948,860	-	433,578	4,382,438
Liabilities							
Current liabilities							
Accounts payable	807,914	3,982	54,999	-	-	713,712	1,580,607
Accrued compensation and benefits	2,620,828	-	26,285	-	-	-	2,647,113
Current portion of long-term liabilities	-	-	-	-	-	2,016,247	2,016,247
Accrued interest	-	-	-	-	-	259,895	259,895
Unearned revenue	1,735,644	-	436,233	-	-	-	2,171,877
Total current liabilities	5,164,386	3,982	517,517	-	-	2,989,854	8,675,739
Noncurrent liabilities							
Long-term liabilities, net of current portion	-	-	-	-	-	39,647,012	39,647,012
Net pension liability	-	-	-	31,557,371	-	-	31,557,371
Total noncurrent liabilities	-	-	-	31,557,371	-	39,647,012	71,204,383
Total liabilities	5,164,386	3,982	517,517	31,557,371	-	42,636,866	79,880,122
Deferred inflows of resources							
Deferred pension amounts	-	-	-	3,488,676	-	-	3,488,676
Net position							
Net investment in capital assets	-	-	-	-	-	31,444,109	31,444,109
Restricted:							
Nonexpendable	-	-	-	-	22,893	-	22,893
Expendable	-	-	223,949	-	-	-	223,949
Unrestricted (deficit)	699,542	5,690,660	-	(31,097,187)	-	6,048,203	(18,658,782)
Total net position (deficit)	\$ 699,542	\$ 5,690,660	\$ 223,949	\$ (31,097,187)	\$ 22,893	\$ 37,492,312	\$ 13,032,169

JACKSON COLLEGE

COMBINING STATEMENT OF NET POSITION (UNAUDITED) JUNE 30, 2014

	General Fund	Designated Fund	Restricted Funds	Endowment Funds	Plant Funds	Combined Total
Assets						
Current assets						
Cash and cash equivalents	\$ 2,857,828	\$ 5,471,103	\$ (1,281,634)	\$ 8,353	\$ 7,315,792	\$ 14,371,442
Tuition and other receivables, net	844,907	765	4,116	-	-	849,788
State appropriations receivable	2,256,268	-	-	-	-	2,256,268
Federal and state grants receivable	5,932	-	2,043,378	-	-	2,049,310
Current portion of notes receivable	-	-	-	-	23,722	23,722
Inventories	39,775	-	-	-	-	39,775
Prepaid expenses and other assets	669,042	-	-	-	-	669,042
Total current assets	6,673,752	5,471,868	765,860	8,353	7,339,514	20,259,347
Investments	-	-	-	13,195	-	13,195
Note receivable, net of current portion	-	-	-	-	103,834	103,834
Campus property, plant and equipment, net	-	-	-	-	64,067,881	64,067,881
Total assets	6,673,752	5,471,868	765,860	21,548	71,511,229	84,444,257
Liabilities						
Current liabilities						
Accounts payable	758,362	22,105	70,540	-	107,044	958,051
Accrued compensation and benefits	2,698,071	3,023	198,943	-	-	2,900,037
Current portion of long-term liabilities	425,116	-	-	-	1,925,215	2,350,331
Accrued interest	-	-	-	-	225,203	225,203
Unearned revenue	2,093,463	-	241,978	-	-	2,335,441
Total current liabilities	5,975,012	25,128	511,461	-	2,257,462	8,769,063
Long-term liabilities, net of current portion	-	-	-	-	31,271,390	31,271,390
Total liabilities	5,975,012	25,128	511,461	-	33,528,852	40,040,453
Net position						
Net investment in capital assets	-	-	-	-	30,871,276	30,871,276
Restricted:						
Nonexpendable	-	-	-	21,548	-	21,548
Expendable	-	-	254,399	-	-	254,399
Unrestricted	698,740	5,446,740	-	-	7,111,101	13,256,581
Total net position	698,740	5,446,740	254,399	21,548	37,982,377	44,403,804

JACKSON COLLEGE

COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION (UNAUDITED) YEAR ENDED JUNE 30, 2015

	General Fund	Designated Fund	Restricted Funds	Pension Liability Fund	Endowment Funds	Plant Funds	Elimination Entries	Combined Total
Operating revenues								
Tuition and fees (net of scholarship allowance of \$11,476,101)	\$ 22,929,476	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (11,476,101)	\$ 11,453,375
Federal grants and contracts	18,226	-	3,618,697	-	-	-	-	3,636,923
State grants and contracts	-	-	490,101	-	-	-	-	490,101
Housing revenue	1,315,173	-	-	-	-	-	-	1,315,173
Potter Center activities	468,218	-	-	-	-	-	-	468,218
Contract training	788,424	-	-	-	-	-	-	788,424
Seminars, workshops and other	843,432	315,377	633,932	-	-	23,310	-	1,816,051
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	2,538,361	(2,538,361)	-
Total operating revenues	26,362,949	315,377	4,742,730	-	-	2,561,671	(14,014,462)	19,968,265
Operating expenses								
Instruction	19,415,219	-	153,470	16,738	-	-	-	19,585,427
Public service	923,629	-	309,425	-	-	-	-	1,233,054
Academic support	2,596,324	-	434,483	16,738	-	-	-	3,047,545
Student services	5,679,607	161,969	12,744,605	26,781	-	-	(11,476,101)	7,136,861
Administration	4,852,442	-	35,796	3,348	-	-	-	4,891,586
Operation and maintenance of plant	4,898,767	-	17,869	3,347	-	4,067,149	(2,538,361)	6,448,771
Depreciation and amortization	-	-	-	-	-	3,780,624	-	3,780,624
Total operating expenses	38,365,988	161,969	13,695,648	66,952	-	7,847,773	(14,014,462)	46,123,868
Operating (loss) income	(12,003,039)	153,408	(8,952,918)	(66,952)	-	(5,286,102)	-	(26,155,603)
Nonoperating revenues (expenses)								
State appropriations	13,218,925	-	-	-	-	-	-	13,218,925
Local property taxes	4,842,394	-	-	-	-	-	-	4,842,394
Federal Pell grant revenue	-	-	8,922,468	-	-	-	-	8,922,468
Private gifts and grants	108,442	22,445	-	-	1,345	93	-	130,887
Interest income	35	5,948	-	-	-	-	-	7,421
Gain on disposal of campus property, plant, and equipment	-	-	-	-	-	44,710	-	44,710
Interest expense	-	-	-	-	-	(1,510,802)	-	(1,510,802)
Transfer of Funds to Jackson College Foundation	-	(16,800)	-	-	-	-	-	(16,800)
Net nonoperating revenues (expenses)	18,169,796	11,593	8,922,468	-	1,345	(1,465,999)	-	25,639,203
Other revenues								
Capital gifts and grants	-	-	-	-	-	175,000	-	175,000
(Decrease) increase in net position	6,166,757	165,001	(30,450)	(66,952)	1,345	(6,577,101)	-	(341,400)
Transfers in (out)	(6,165,955)	78,919	-	-	-	6,087,036	-	-
Net (decrease) increase in net position	802	243,920	(30,450)	(66,952)	1,345	(490,065)	-	(341,400)
Net position, beginning of year	698,740	5,446,740	254,399	-	21,548	37,982,377	-	44,403,804
Implementation of GASB 68	-	-	-	(31,030,235)	-	-	-	(31,030,235)
Adjusted net position, beginning of year	698,740	5,446,740	254,399	(31,030,235)	21,548	37,982,377	-	13,373,569
Net position, end of year	\$ 699,542	\$ 5,690,660	\$ 223,949	\$ (31,097,187)	\$ 22,893	\$ 37,492,312	\$ -	\$ 13,032,169

JACKSON COLLEGE

**COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET POSITION (UNAUDITED)
YEAR ENDED JUNE 30, 2014**

	General Fund	Designated Fund	Restricted Funds	Endowment Funds	Plant Funds	Elimination Entries	Combined Total
Operating revenues							
Tuition and fees (net of scholarship allowance of \$11,909,569)	\$ 22,876,737	\$ -	\$ -	\$ -	\$ -	\$ (11,909,569)	\$ 10,967,168
Federal grants and contracts	17,932	-	3,717,532	-	-	-	3,735,464
State grants and contracts	-	-	471,392	-	-	-	471,392
Housing revenue	1,136,733	-	-	-	-	-	1,136,733
Potter Center activities	456,414	-	-	-	-	-	456,414
Contract training	4,252	-	-	-	-	-	4,252
Seminars, workshops and other	996,653	103,983	641,237	-	19,855	-	1,761,728
Current funds expenditures for capital equipment and improvements	-	-	-	-	1,107,526	(1,107,526)	-
Total operating revenues	25,488,721	103,983	4,830,161	-	1,127,381	(13,017,095)	18,533,151
Operating expenses							
Instruction	18,595,887	-	77,985	-	-	-	18,673,872
Public service	943,325	-	387,263	-	-	-	1,330,588
Academic support	2,366,671	-	458,458	-	-	-	2,825,129
Student services	4,660,400	227,663	13,440,773	-	-	(11,909,569)	6,419,267
Administration	6,010,845	3,185	49,797	-	-	-	6,063,827
Operation and maintenance of plant	4,418,164	-	18,346	-	1,873,945	(1,107,526)	5,202,929
Depreciation and amortization	-	-	-	-	3,787,548	-	3,787,548
Total operating expenses	36,995,292	230,848	14,432,622	-	5,661,493	(13,017,095)	44,303,160
Operating loss	(11,506,571)	(126,865)	(9,602,461)	-	(4,534,112)	-	(25,770,009)
Nonoperating revenues (expenses)							
State appropriations	12,482,004	-	-	-	-	-	12,482,004
Local property taxes	4,782,538	-	-	-	-	-	4,782,538
Federal Pell grant revenue	-	-	9,556,905	-	-	-	9,556,905
Private gifts and grants	582,815	62,545	-	-	-	-	645,360
Interest income	330	2,660	-	2,286	1	-	5,277
Gain on disposal of campus property, plant, and equipment	-	-	-	-	12,466	-	12,466
Interest expense	-	-	-	-	(1,440,614)	-	(1,440,614)
Transfer of Funds to Jackson College Foundation	-	(21,600)	-	-	-	-	(21,600)
Net nonoperating revenues (expenses)	17,847,687	43,605	9,556,905	2,286	(1,428,147)	-	26,022,336
Increase (decrease) in net position	6,341,116	(83,260)	(45,556)	2,286	(5,962,259)	-	252,327
Transfers in (out)	(6,340,714)	32,508	-	-	6,308,206	-	-
Net increase (decrease) in net position	402	(50,752)	(45,556)	2,286	345,947	-	252,327
Net position, beginning of year	698,338	5,497,492	299,955	19,262	37,636,430	-	44,151,477
Net position, end of year	\$ 698,740	\$ 5,446,740	\$ 254,399	\$ 21,548	\$ 37,982,377	\$ -	\$ 44,403,804