



Jackson, Michigan

ANNUAL FINANCIAL REPORT

For The Years Ended June 30, 2011 and 2010



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**JACKSON COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2011**

Management's discussion and analysis (MD&A) of Jackson Community College's (the "College") financial statements provides an overview of the College's financial position as of June 30, 2011 and 2010 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 Balance Sheets and Combining Statements of Revenues, Expenses, Transfers and Changes in Net Assets. These supplementary schedules are required by the State of Michigan. Though GASB does not require this information for a fair and complete presentation, supplemental schedules do provide additional information regarding the various funds and activities of the College that is not presented in the basic, entity-wide statements.

Financial Highlights

The audited financial statements for Jackson Community College include the complete presentation of net assets 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 Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets

One of the most important questions asked about the College's finances is, "Is Jackson Community College as a whole better or worse off from a financial standpoint as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses, and Changes in Net Assets 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 assets. When the reverse occurs, the result is a decrease in net assets. These two statements report the College's net assets and changes in them during each fiscal year presented.

One way to think of the College's net assets (the difference between assets and liabilities) is as a way to measure the College's health, or financial position. Over time, increases or decreases in the College's net assets 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. All of the current and prior years' revenues and expenses are taken into account regardless of when cash is received or paid.

Condensed Balance Sheets

	June 30,	
	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets	\$ 24,304,989	\$ 8,583,252
Capital assets	70,082,979	65,205,678
Noncurrent assets	<u>13,238,929</u>	<u>23,844,380</u>
Total assets	<u>\$107,626,897</u>	<u>\$97,633,310</u>
LIABILITIES		
Current liabilities	\$ 8,484,680	\$ 10,254,752
Noncurrent liabilities	<u>36,843,114</u>	<u>38,954,189</u>
Total liabilities	<u>45,327,794</u>	<u>49,208,941</u>
NET ASSETS		
Invested in capital assets, net of related debt	31,124,865	24,426,489
Restricted:		
Nonexpendable	53,434	50,955
Expendable	398,791	504,805
Jackson Community College Foundation	13,383,611	10,987,237
Unrestricted	<u>17,338,402</u>	<u>12,454,883</u>
Total net assets	<u>62,299,103</u>	<u>48,424,369</u>
Total liabilities and net assets	<u>\$107,626,897</u>	<u>\$ 97,633,310</u>

During the current fiscal year the College completed construction of the health education facility. Bond proceeds that had been restricted for the project were released during fiscal 2011 due to the fact that the funds were spent on capital assets during fiscal years 2010 and 2011, thus increasing current assets and decreasing noncurrent assets. The increase in the Jackson Community College Foundation restricted net assets represents the effect continued improved market conditions had on investments as of June 30, 2011.

Condensed Statements of Revenues, Expenses and Changes in Net Assets

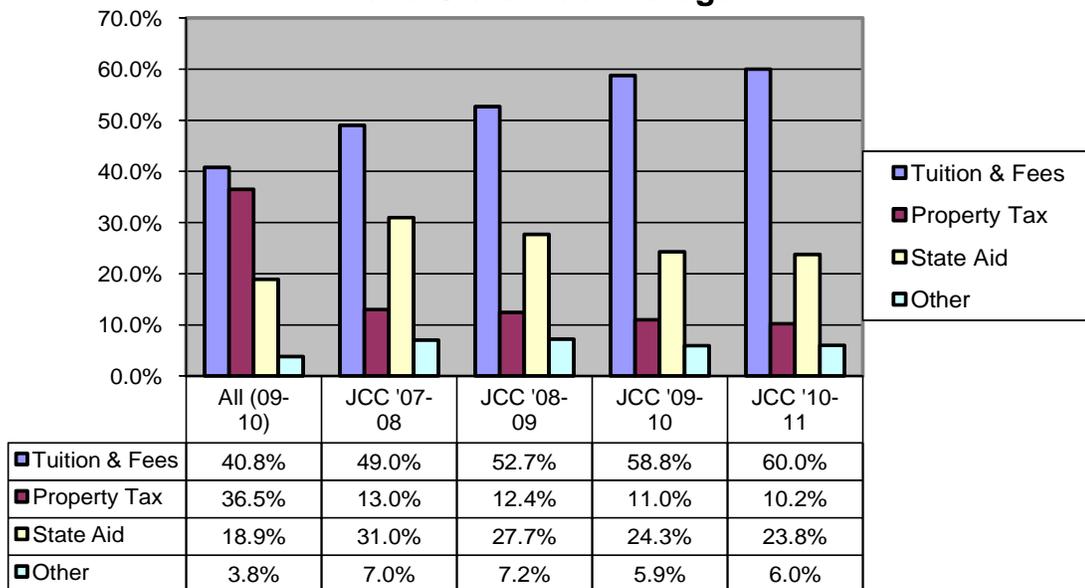
	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
Operating revenues		
Tuition and fees, net	\$12,710,882	\$12,889,854
Grants and contracts	8,508,696	7,528,230
Potter Center activities	356,622	410,390
Other operating revenues	<u>2,799,312</u>	<u>3,320,299</u>
Total operating revenues	<u>24,375,512</u>	<u>24,148,773</u>
Operating expenses		
Instruction	20,676,238	19,716,975
Public service	768,934	782,531
Academic support	4,869,640	4,565,281
Student services	11,619,021	10,953,976
Administration	6,199,868	5,738,227
Operation and maintenance of plant	5,424,593	4,836,227
Depreciation and amortization	<u>3,078,839</u>	<u>4,118,302</u>
Total operating expenses	<u>52,637,133</u>	<u>50,711,519</u>
Operating loss	<u>(28,261,621)</u>	<u>(26,562,746)</u>
Nonoperating and other revenues		
State appropriations	11,542,300	11,542,300
State capital appropriations	10,016,314	-
Local property taxes	4,965,858	5,219,325
Federal Pell grant revenue	14,611,122	13,113,429
Other	<u>1,000,761</u>	<u>401,839</u>
Total nonoperating and other revenues	<u>42,136,355</u>	<u>30,276,893</u>
Increase in net assets	13,874,734	3,714,147
Net assets, beginning of year	<u>48,424,369</u>	<u>44,710,222</u>
Net assets, end of year	<u>\$62,299,103</u>	<u>\$48,424,369</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 2009-10 ACS Data Book reveals the following state averages for the year. Four years of Jackson Community 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 \$48,346,454 and \$47,218,080 in 2011 and 2010, respectively.

General Fund Revenue Sources: Comparison of JCC and Statewide Average

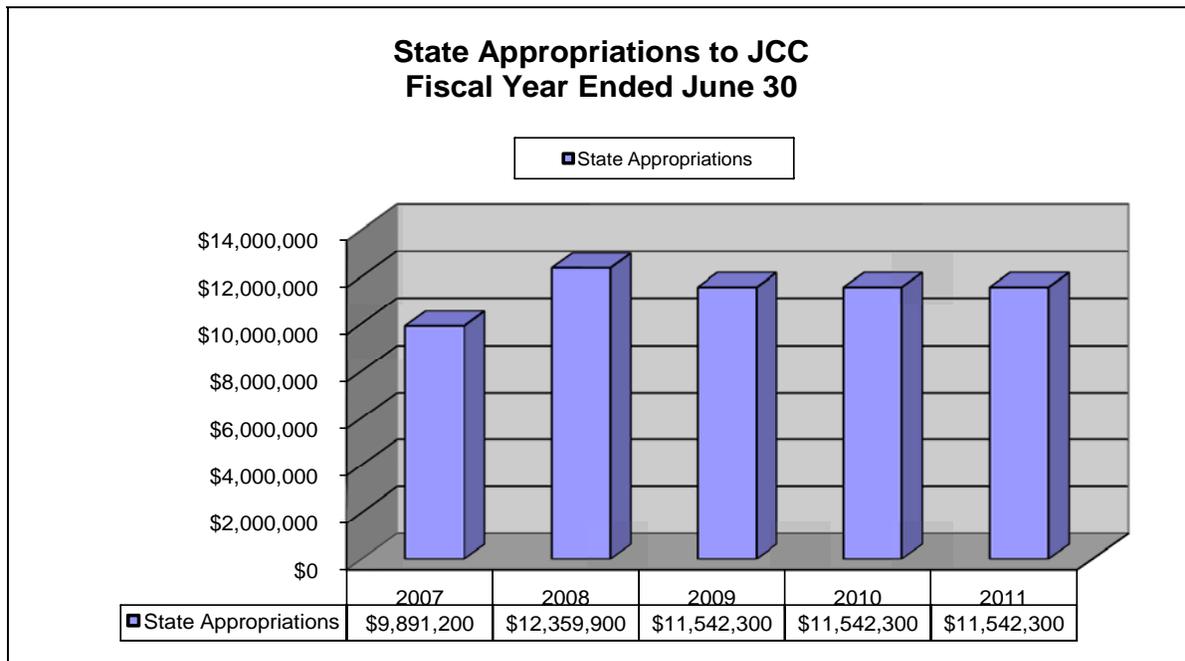


General and Designated Funds

Combining Statement from Audit	2011	2010	Difference	% of Total	% Change
Tuition & Fees	\$ 12,710,882	\$ 12,889,854	\$ (178,972)	26.2%	-1.4%
Discount	16,411,268	15,023,711	1,387,557	33.8%	9.2%
Gross Tuition & Fees	29,122,150	27,913,565	1,208,585	60.0%	4.3%
Federal Grants	18,324	17,612	712	0.0%	4.0%
Property Tax	4,965,858	5,219,325	(253,467)	10.2%	-4.9%
State Aid	11,542,300	11,542,300	-	23.8%	0.0%

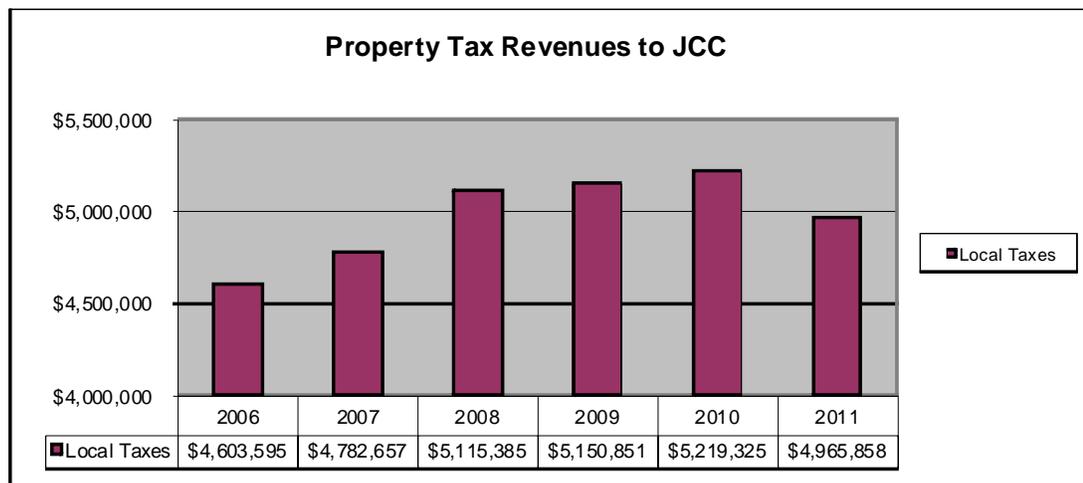
State Appropriations

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 \$11,542,300 in fiscal year 2011. This is unchanged from Fiscal Year 2010.



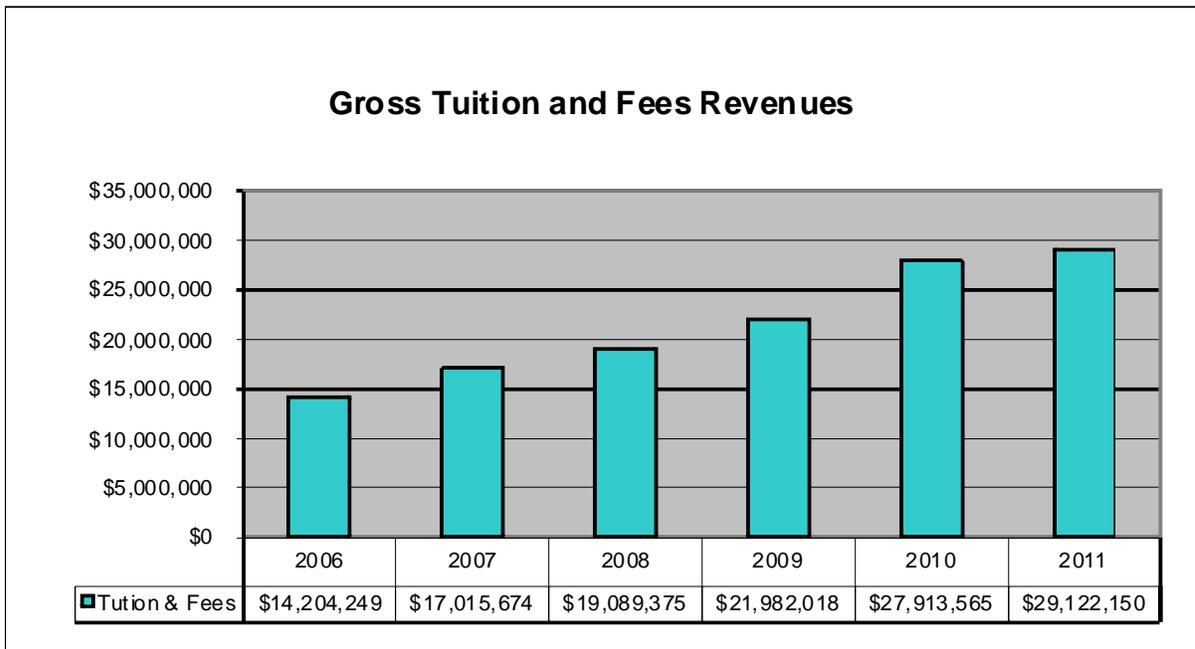
Property Taxes

Only 10.2% of ACS revenues come from property taxes from Jackson County. The other community colleges like JCC 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 36.5%. 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 in 1964. The current millage rate of 1.1446 (December 2008) is the lowest in the State. The decrease in revenue in fiscal 2011 is due to the decline in property market values in Jackson County.

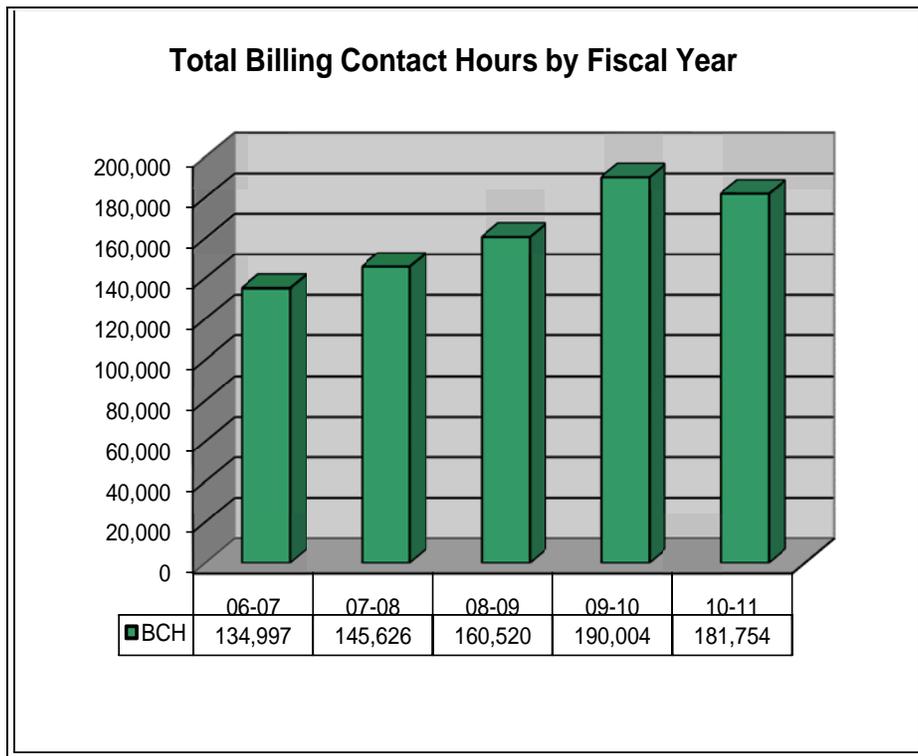


Tuition and Fees

\$16,411,268 and \$15,023,711 of scholarship allowances against tuition and fees representing amounts paid by grants, resulting in a "discount rate" of 56.4% and 53.8% for fiscal 2011 and 2010, respectively. The bulk of the scholarship allowance is Federal Pell awards which were \$14,611,122 and \$13,113,429 for fiscal 2011 and 2010, respectively. It is expected that the number of students receiving federal funds will continue to increase until a full economic recovery is realized. For purposes of this analysis, to show trends over time, the following chart presents gross tuition and fees. The College experienced an increase of 4.3% from this source of revenue in the current year as compared to fiscal 2010. The scholarship allowances also increased by \$1,387,557 or 9.2%.



There was a 4.3% decrease in the amount of billing contact hours generated in 2011. While not as high as anticipated, an increase in tuition rates resulted in the increase in Gross Tuition and Fees. Only Fall semester matched the prior year enrollment level. The decline in enrollment is due in part to declining funding of government sponsored education programs.



**Jackson Community College
Enrollment by Semester and Fiscal Year**

	Billing Hours			
	<u>Fall</u>	<u>Winter</u>	<u>Spring</u>	<u>Total</u>
Year Ended 2011	80,125	73,859	27,770	181,754
Year Ended 2010	80,043	79,584	30,377	190,004
Year Ended 2009	69,352	66,925	24,243	160,520
Year Ended 2008	63,335	61,685	20,606	145,626
Year Ended 2007	57,799	58,093	19,105	134,997

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-of-district</u>	<u>Out- of State</u>
Fiscal Year 2010-2011	\$95.00	\$134.00	\$191.00
Fiscal Year 2009-2010	\$90.50	\$127.00	\$182.00
Fiscal Year 2008-2009	\$86.50	\$122.00	\$174.00

Other Operating Revenues

Contract training, the Potter Center activities, and Seminars and Workshops all saw decreases in revenue and expenses during the year. State capital appropriations of \$10,016,314 for the construction project are also reported as other revenue.

Expenses

Compared to statewide averages, JCC is very 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; however increased fixed costs in student services, administration and operation and maintenance of plant cause the percentage of instruction to decline.

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

As a % of Total Operating Expenses

	Jackson Community College			
	<u>ACS 2009-10</u>	<u>2010-11</u>	<u>2009-10</u>	<u>2008-09</u>
Instructional	46.4%	49.5%	50.4%	50.8%
Information Tech	0.0%	0%	0%	0%
Public Service	1.2%	1.9%	2.0%	2.0%
Inst. Support	13.8%	8.3%	7.8%	8.0%
Std Services	13.0%	13.7%	14.3%	13.7%
Admin	13.3%	14.2%	13.2%	13.1%
Plant	<u>12.3%</u>	<u>12.4%</u>	<u>12.3%</u>	<u>12.4%</u>
Total	100.0%	100.0%	100.0%	100.0%

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 (\$13,789,827 in 2011 and \$12,021,929 in 2010), grants and contracts (\$5,658,219 in 2011 and \$7,385,247 in 2010), State appropriations (\$11,542,300 in both 2011 and 2010), local property taxes (\$4,965,858 in 2011 and \$5,219,325 in 2010), and Pell grant receipts (\$14,611,122 in 2011 and \$13,113,429 in 2010). The single, largest type of disbursement was compensation payments to or on behalf of the College's employees (\$31,396,760 in 2011 and \$32,274,910 in 2010).

Capital Assets

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

	<u>2011</u>	<u>2010</u>
Land	\$ 1,337,265	\$ 1,337,265
Infrastructure and land improvements	2,011,846	2,011,846
Buildings and improvements	86,883,070	67,500,098
Artwork	5,253,400	5,253,400
Equipment	10,735,948	10,032,799
Construction in progress	-	<u>13,232,588</u>
Total capital assets	<u>106,221,529</u>	<u>99,367,996</u>
Less accumulated depreciation	<u>36,138,550</u>	<u>34,162,318</u>
Capital assets, net	<u>\$ 70,082,979</u>	<u>\$ 65,205,678</u>

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

Factors That Will Affect Our Future

The State of Michigan continues to explore new and different ways to allocate annual appropriations. This is of great concern to the College as the final impact to the College is unknown. With the State economy still in a decline, future cuts could happen as the State budget is adjusted during the fiscal year 2011-2012.

The College will continue to face fiscal challenges brought forth by the economy of the State of Michigan and the failure to convince voters to support additional millage requests. Management hopes are that the investment made in the infrastructure of the campus and the improvements of the program offerings will continue the strong enrollment trends.

In October 2008 Public Act 511 was passed and signed by the governor. This authorized the College to start construction and renovation efforts for Whiting Hall. The \$22.9 million effort is being paid equally by the State and the College. The College sold bonds to finance its half and has increased tuition and fees to offset the annual debt service cost of these bonds. As of June 2011 the renovation and construction project was substantially complete and classes are being held in both Whiting Hall and the new Health Laboratory Center. The total project was completed on schedule and close to estimated budgeted amounts.

In fiscal year 2011, Public Act 329 of 2010 was signed by the Governor. This authorized the College to start planning for the renovation of Walker Hall and the addition to the instructional building in Adrian, MI. The total project is estimated at \$20,900,000. Half of that would be paid by State of Michigan Capital Outlay Appropriations. Only planning costs have been authorized thus far. It is anticipated that prior to calendar year ending 2012, construction will be approved.

INDEPENDENT AUDITORS' REPORT

November 3, 2011

Board of Trustees
Jackson Community College
Jackson, Michigan

We have audited the accompanying balance sheets of *Jackson Community College* as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion 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 Jackson Community College Foundation, a blended component unit of the College, were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Jackson Community College* as of June 30, 2011 and 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 3, 2011 on our consideration of Jackson 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis presented on pages 1 to 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Lehmann Johnson".

JACKSON COMMUNITY COLLEGE

BALANCE SHEETS

	June 30,	
ASSETS	2011	2010
Current assets		
Cash and cash equivalents	\$ 17,225,003	\$ 4,030,020
Tuition and other receivables, net	717,545	1,491,474
State appropriations receivable	2,098,600	2,098,600
State capital appropriations receivable	2,311,909	-
Federal and state grants receivable	1,265,689	727,121
Inventories	46,035	46,556
Prepaid expenses and other assets	640,208	189,481
Total current assets	24,304,989	8,583,252
Restricted cash	-	11,958,311
Investments	13,238,929	11,886,069
Campus property, plant and equipment, net	70,082,979	65,205,678
Total assets	\$ 107,626,897	\$ 97,633,310
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,696,485	\$ 3,593,319
Accrued compensation and benefits	2,642,934	2,720,288
Current portion of long-term debt	2,115,000	1,825,000
Accrued interest	257,827	295,171
Unearned revenue	1,772,434	1,820,974
Total current liabilities	8,484,680	10,254,752
Long-term debt, net of current portion	36,843,114	38,954,189
Total liabilities	45,327,794	49,208,941
Net assets		
Invested in capital assets, net of related debt	31,124,865	24,426,489
Restricted:		
Nonexpendable	53,434	50,955
Expendable	398,791	504,805
Jackson Community College Foundation	13,383,611	10,987,237
Unrestricted	17,338,402	12,454,883
Total net assets	62,299,103	48,424,369
Total liabilities and net assets	\$ 107,626,897	\$ 97,633,310

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

JACKSON COMMUNITY COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	Year Ended June 30,	
	2011	2010
Operating revenues		
Tuition and fees (net of scholarship allowances of \$16,411,268 and \$15,023,711)	\$ 12,710,882	\$ 12,889,854
Federal grants and contracts	7,705,494	6,559,459
State grants and contracts	803,202	968,771
Housing revenue	1,014,293	994,833
Potter Center activities	356,622	410,390
Contract training	161,519	293,286
Seminars, workshops, and other	1,623,500	2,032,180
Total operating revenues	24,375,512	24,148,773
Operating expenses		
Instruction	20,676,238	19,716,975
Public service	768,934	782,531
Academic support	4,869,640	4,565,281
Student services	11,619,021	10,953,976
Administration	6,199,868	5,738,227
Operation and maintenance of plant	5,424,593	4,836,227
Depreciation and amortization	3,078,839	4,118,302
Total operating expenses	52,637,133	50,711,519
Operating loss	(28,261,621)	(26,562,746)
Nonoperating revenues (expenses)		
State appropriations	11,542,300	11,542,300
Local property taxes	4,965,858	5,219,325
Federal Pell grant revenue	14,611,122	13,113,429
Private gifts and grants	825,145	809,671
Investment gain	1,973,083	992,179
Loss on disposal of property and equipment	(502,591)	(124,834)
Interest expense	(1,664,848)	(1,413,065)
Net nonoperating revenues	31,750,069	30,139,005
Other revenues		
Additions to permanent endowment funds	194,972	137,888
State capital appropriations	10,016,314	-
Capital gifts and grants	175,000	-
Total other revenues	10,386,286	137,888
Increase in net assets	13,874,734	3,714,147
Net assets, beginning of year	48,424,369	44,710,222
Net assets, end of year	\$ 62,299,103	\$ 48,424,369

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

JACKSON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS

	Year Ended June 30,	
	2011	2010
Cash flows from operating activities		
Tuition and fees	\$ 13,789,827	\$ 12,021,929
Housing	1,014,293	994,833
Grants and contracts	5,658,219	7,385,247
Contract training	191,655	287,437
Payments to vendors	(16,116,014)	(7,347,133)
Payments to or on behalf of employees	(31,396,760)	(32,274,910)
Payments to students	(4,984,863)	(4,296,890)
Potter Center activities	216,180	436,638
Seminars, workshops and other	1,922,657	2,480,892
Net cash used in operating activities	(29,704,806)	(20,311,957)
Cash flows from noncapital financing activities		
State appropriations	11,542,300	11,542,300
Local property taxes	4,965,858	5,219,325
Pell grant receipts	14,611,122	13,113,429
Private gifts for endowment purposes	1,164,010	45,348
Gifts and contributions for other than capital purposes	274,167	135,213
Direct loan program receipts	17,713,576	-
Direct loan program disbursements	(17,713,576)	-
FFELP loan receipts	-	20,234,023
FFELP loan disbursements	-	(20,234,023)
State scholarship and grant receipts	57,236	94,686
State scholarship and grant disbursements	(57,236)	(94,686)
Net cash provided by noncapital financing activities	32,557,457	30,055,615
Cash flows from capital and related financing activities		
State capital appropriations	7,704,405	-
Capital gift and grant proceeds	175,000	-
Purchases and construction of campus property, plant and equipment	(8,464,889)	(13,844,878)
Proceeds from sale of property and equipment	43,099	7,081
Proceeds from issuance of capital debt, net of discount of \$66,000 in 2010	-	11,934,000
Principal paid on capital debt	(1,825,000)	(1,745,000)
Interest paid on capital debt	(1,698,267)	(1,347,878)
Net cash used in capital and related financing activities	(4,065,652)	(4,996,675)
Cash flows from investing activities		
Proceeds from maturities of investments	7,401,181	26,171,689
Purchases of investments	(5,167,894)	(24,574,549)
Interest and dividends on investments	216,386	166,387
Net cash provided by investing activities	2,449,673	1,763,527
Net increase in cash and cash equivalents	1,236,672	6,510,510
Cash and cash equivalents, beginning of year	15,988,331	9,477,821
Cash and cash equivalents, end of year	\$ 17,225,003	\$ 15,988,331

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

JACKSON COMMUNITY COLLEGE

STATEMENTS OF CASH FLOWS (Concluded)

	Year Ended June 30,	
	2011	2010
Reconciliation to cash and cash equivalents presented on the balance sheets		
Cash and cash equivalents	\$ 17,225,003	\$ 4,030,020
Restricted cash	-	11,958,311
Total cash and cash equivalents	\$ 17,225,003	\$ 15,988,331
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (28,261,621)	\$ (26,562,746)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation and amortization	3,078,839	4,118,302
Change in operating assets and liabilities that provided (used) cash:		
Tuition and other receivables, net	773,929	(315,734)
Federal and state grants receivable	(2,850,477)	(142,983)
Inventories	521	(2,641)
Prepaid expenses and other assets	(450,727)	(15,410)
Accounts payable	(1,869,376)	2,009,149
Accrued compensation and benefits	(77,354)	347,007
Unearned revenue	(48,540)	253,099
Net cash used in operating activities	\$ (29,704,806)	\$ (20,311,957)

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

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. MISSION

Jackson Community 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. In evaluating how to define the College for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the Jackson Community College Foundation (the “Foundation”), described in Note 8, is included in the College’s reporting entity as a blended component unit.

Separate financial statements are issued for the Foundation 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.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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*.

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 balance sheet, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, notes to the financial statements, and other applicable RSI. Fund financial information is not required for BTA reporting.

In May 2002, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which amends Statement No. 14, *The Financial Reporting Entity*, to provide additional guidance whether entities associated with a primary government, although for which a primary government is not financially accountable, should be reported as component units, and presented in the primary government's financial statements based on the nature and significance of the relationship. Generally, Statement No. 39 requires inclusion of an organization that raises and holds economic resources for the direct benefit of the primary governmental unit. As a result, the College includes in its financial statements using a blended presentation the Jackson Community College Foundation (see Note 8).

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.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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 assets at June 30, 2011 or 2010. 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.

Investment gains accumulated by Foundation endowment funds may be used to support operations of the College at the discretion of the Foundation's Board of Directors.

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 COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

Depreciation is provided for campus property, plant and equipment on a straight-line basis over the estimated useful life of the assets as follows:

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

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.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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 balance sheets.

Reclassifications

Certain amounts as reported in the 2010 financial statements have been reclassified to conform with the 2011 presentation.

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 Foundation invests contributions primarily in debt and equity securities.

The College's deposits and investments are included on the balance sheets under the following classifications as of June 30:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
<u>2011</u>			
Cash and cash equivalents	\$ 17,012,753	\$ 212,250	\$ 17,225,003
Investments	<u>9,927</u>	<u>13,229,002</u>	<u>13,238,929</u>
	<u>\$ 17,022,680</u>	<u>\$ 13,441,252</u>	<u>\$ 30,463,932</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
<u>2010</u>			
Cash and cash equivalents	\$ 3,838,309	\$ 191,711	\$ 4,030,020
Restricted cash	11,958,311	-	11,958,311
Investments	<u>1,033,798</u>	<u>10,852,271</u>	<u>11,886,069</u>
	<u>\$ 16,830,418</u>	<u>\$ 11,043,982</u>	<u>\$ 27,874,400</u>

The above amounts are categorized as follows at June 30:

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
<u>2011</u>			
Bank deposits (checking, savings, cash sweep accounts, and certificates of deposit)	\$ 17,010,633	\$ 212,250	\$ 17,222,883
Petty cash	<u>2,120</u>	<u>-</u>	<u>2,120</u>
	17,012,753	212,250	17,225,003
Investments in government obligations	-	1,905,848	1,905,848
Investments in short-term funds	-	498,270	498,270
Investments in fixed income securities	-	976,615	976,615
Investments in equity securities	9,927	7,525,644	7,535,571
Investments in trusts and life insurance	-	305,025	305,025
Investments in mutual funds	<u>-</u>	<u>2,017,600</u>	<u>2,017,600</u>
Total	<u>\$ 17,022,680</u>	<u>\$ 13,441,252</u>	<u>\$ 30,463,932</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

	<u>College</u>	<u>Foundation</u>	<u>Total</u>
<u>2010</u>			
Bank deposits (checking, savings, cash sweep accounts, and certificates of deposit)	\$ 15,794,500	\$ 191,711	\$ 15,986,211
Petty cash	<u>2,120</u>	<u>-</u>	<u>2,120</u>
	15,796,620	191,711	15,988,331
Investments in government obligations	-	791,714	791,714
Investments in short-term funds	1,026,166	488,532	1,514,698
Investments in fixed income securities	-	1,674,964	1,674,964
Investments in equity securities	7,632	6,613,935	6,621,567
Investments in trusts and life insurance	<u>-</u>	<u>1,283,126</u>	<u>1,283,126</u>
Total	<u>\$ 16,830,418</u>	<u>\$ 11,043,982</u>	<u>\$ 27,874,400</u>

Interest Rate Risk. Neither the College nor the Foundation have investment policies with specific limits on maturities of debt securities. As a means of managing exposure to losses arising from increases in interest rates, the Foundation's investment policy statement provides a long-term benchmark of "Total Return greater than Consumer Price Index + 5%" and all holdings are part of investment funds and depend on the investment manager to allocate in appropriate fixed income investments in accordance with the Foundation IPS.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College and Foundation had the following debt securities and maturities as of June 30:

	Fair Value	Investment Maturities (In Years)			Credit Rating Range	
		Less Than 1	1-5	6-10	Standard & Poors	Moody's Investor's Services
2011						
U.S. treasuries	\$ 445,353	\$ 136,732	\$ 151,063	\$ 157,558	N/A	N/A
U.S. agencies	250,751	80,130	112,110	58,511	N/A	N/A
Municipal bonds	1,209,744	-	104,842	1,104,902	A- to AAA	A3 to AAA
Money market funds	498,270	498,270	-	-	N/A	N/A
Corporate bonds	976,615	177,012	361,108	438,495	A- to AAA	A3 to AAA
Total debt securities	\$ 3,380,733	\$ 892,144	\$ 729,123	\$ 1,759,466		
2010						
U.S. treasuries	\$ 462,963	\$ 143,007	\$ 157,993	\$ 161,963	N/A	N/A
U.S. agencies	328,751	130,539	84,835	113,377	N/A	N/A
Money market funds	1,514,698	1,514,698	-	-	N/A	N/A
Corporate bonds	1,674,964	107,425	664,971	902,568	A- to AAA	A3 to AAA
Total debt securities	\$ 3,981,376	\$ 1,895,669	\$ 907,799	\$ 1,177,908		

Credit Risk. Neither the College nor the Foundation have investment policies with specific limits in excess of state law on credit risk for allowable debt securities as identified above. The credit rating for each investment type is identified in the above table for debt securities held at June 30, 2011 and 2010.

Concentration of Credit Risk. The College's investment policy does not have specific limits on concentration of credit risk. The Foundation's investment policy limits the cost basis of individual equity securities to 4% of its total investment portfolio.

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 neither does the Foundation. As of June 30, 2011 and 2010, \$17,149,423 and \$16,118,691 of the College's bank deposits balance of \$17,549,443 and \$17,054,154, respectively, was exposed to custodial credit risk because it was uninsured and uncollateralized.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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, as neither does the Foundation. However, all investments are in the name of the College or Foundation, as applicable, 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:

	<u>2011</u>	<u>2010</u>
Tuition and fees	\$ 812,518	\$ 1,586,726
Private grants	48,199	42,620
Reimbursements	48,528	17,836
Bookstore	64,013	76,371
Employees	12,255	8,947
Contributions receivable (Foundation)	<u>107,032</u>	<u>108,974</u>
Total	1,092,545	1,841,474
Less allowances	<u>375,000</u>	<u>350,000</u>
Tuition and other receivables, net	<u>\$ 717,545</u>	<u>\$ 1,491,474</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

5. CAMPUS PROPERTY, PLANT AND EQUIPMENT, NET

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

<u>2011</u>	<u>Balance,</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance,</u> <u>June 30, 2011</u>
Capital Assets:					
Land	\$ 1,337,265	\$ -	\$ -	\$ -	\$ 1,337,265
Infrastructure and land improvements	2,011,846	-	-	-	2,011,846
Buildings and improvements	67,500,099	-	1,000,000	20,382,971	86,883,070
Artwork	5,253,400	-	-	-	5,253,400
Furniture, fixtures and equipment	10,032,798	1,314,506	611,356	-	10,735,948
Construction in progress	13,232,588	7,150,383	-	(20,382,971)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total property and equipment	99,367,996	8,464,889	1,611,356	-	106,221,529
Less accumulated depreciation	34,162,318	3,078,839	1,102,607	-	36,138,550
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Campus property, plant and equipment, net	\$ 65,205,678	\$ 5,386,050	\$ 508,749	\$ -	\$ 70,082,979

<u>2010</u>	<u>Balance,</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance,</u> <u>June 30, 2010</u>
Capital Assets:					
Land	\$ 1,337,265	\$ -	\$ -	\$ -	\$ 1,337,265
Infrastructure and land improvements	2,011,846	-	-	-	2,011,846
Buildings and improvements	59,834,456	-	-	7,665,643	67,500,099
Artwork	5,253,400	-	-	-	5,253,400
Furniture, fixtures and equipment	8,780,283	1,692,048	439,533	-	10,032,798
Construction in progress	8,745,401	12,152,830	-	(7,665,643)	13,232,588
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total property and equipment	85,962,651	13,844,878	439,533	-	99,367,996
Less accumulated depreciation	30,358,715	4,118,302	314,699	-	34,162,318
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Campus property, plant and equipment, net	\$ 55,603,936	\$ 9,726,576	\$ 124,834	\$ -	\$ 65,205,678

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

6. LONG-TERM DEBT

Long-term debt consists of the following obligations as of June 30:

	Balance			Change	Balance	Current
	July 1, 2010	Additions	Reductions	Premium/Discount	June 30, 2011	Portion
General Bonds, Series 2001	\$ 485,000	\$ -	\$ 240,000	\$ -	\$ 245,000	\$ 245,000
General Bonds, Series 2005	1,381,724	-	660,000	(15,860)	705,864	690,000
General Bonds, Series 2006	13,793,600	-	350,000	9,150	13,452,750	375,000
General Bonds, Series 2007	5,390,583	-	310,000	2,034	5,082,617	325,000
General Bonds, Series 2008	7,794,282	-	265,000	5,301	7,534,583	280,000
General Bonds, Series 2010	11,934,000	-	-	3,300	11,937,300	200,000
	\$ 40,779,189	\$ -	\$ 1,825,000	\$ 3,925	38,958,114	\$ 2,115,000
Less Current Portion					2,115,000	
Long Term Debt, net of current portion					\$ 36,843,114	

	Balance			Change	Balance	Current
	July 1, 2009	Additions	Reductions	Premium/Discount	June 30, 2010	Portion
General Bonds, Series 2001	\$ 715,000	\$ -	\$ 230,000	\$ -	\$ 485,000	\$ 240,000
General Bonds, Series 2005	2,032,584	-	635,000	(15,860)	1,381,724	660,000
General Bonds, Series 2006	14,109,450	-	325,000	9,150	13,793,600	350,000
General Bonds, Series 2007	5,688,549	-	300,000	2,034	5,390,583	310,000
General Bonds, Series 2008	8,043,981	-	255,000	5,301	7,794,282	265,000
General Bonds, Series 2010	-	12,000,000	-	(66,000)	11,934,000	-
	\$ 30,589,564	\$ 12,000,000	\$ 1,745,000	\$ (65,375)	40,779,189	\$ 1,825,000
Less Current Portion					1,825,000	
Long Term Debt, net of current portion					\$ 38,954,189	

Bonded Debt

\$2,000,000 General Bonds, Series 2001

Unsecured bonds mature serially in annual amounts ranging from \$215,000 to \$245,000 through May 2012, with interest charged at rates ranging from 3.65% to 4.55% per annum.

\$4,300,000 General Bonds, Series 2005

Unsecured bonds mature serially in annual amounts ranging from \$615,000 to \$690,000 through 2012 with interest charges at rates ranging from 3.50% to 5.00% per annum.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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

Unsecured bonds mature serially in annual amounts ranging from \$325,000 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 \$285,000 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 \$255,000 to \$605,000 through 2029 with interest charges at rates ranging from 3.25% to 4.40% per annum.

\$12,000,000 General Bonds, Series 2010

Unsecured bonds mature in annual amounts ranging from \$200,000 to \$1,000,000 through 2030 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. During fiscal 2011, a \$261,136 credit was received from the U.S. Treasury equal to 35% of the stated interest paid, which was recorded as a direct reduction to the College's interest expense.

All borrowings are being repaid out of operating funds.

Scheduled principal and interest requirements of long-term debt for years succeeding June 30, 2011, are summarized below:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,111,079	\$ 1,548,513	\$ 3,659,592
2013	1,785,215	1,473,906	3,259,121
2014	1,865,215	1,415,919	3,281,134
2015	1,925,215	1,352,569	3,277,784
2016	1,980,215	1,285,468	3,265,683
2017-2021	11,206,075	5,217,998	16,424,073
2022-2026	12,469,203	2,761,355	15,230,558
2027-2030	<u>5,615,897</u>	<u>555,103</u>	<u>6,171,000</u>
Totals	<u>\$ 38,958,114</u>	<u>\$ 15,610,831</u>	<u>\$ 54,568,945</u>

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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. Thus far, the reimbursement recorded from the State is \$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.

7. PENSION PLANS

Defined Benefit Plan

Plan Description

Jackson Community College contributes to the Michigan Public School Employees Retirement System (MPSERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. Substantially all College employees are eligible to participate in the MPSERS, which provides retirement, survivor and disability benefits, and death benefits to plan members and beneficiaries. State of Michigan statute assigns the authority to establish and amend benefit provisions to the State legislature. The Office of Retirement Systems 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 1-800-381-5111.

Funding Policy

Member Investment Plan ("MIP") members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

following graduated permanently fixed contribution rate: 3% of the first \$5,000, 3.6% of \$5,001 through \$15,000, and 4.3% of all wages over \$15,000. Members first hired July 1, 2008 or later contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

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

As of July 1, 2010, active members began contributing an additional 3% of gross wages toward retiree healthcare. Employees who earned less than \$18,000 in the 2009-2010 school year contributed 1.5% for the 2010-2011 school year and will contribute 3% thereafter.

The College is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts. The total rate for the year ended June 30, 2011 (for employees who worked before July 1, 2010) was 16.94% through September 30, 2010, and increased to 19.41% October 2010. On November 1, 2010, the total rate increased again to 20.66% through June 30, 2011. For employees who first worked on or after July 1, 2010, the total rate through September 30, 2010 was 15.44% and increased to 17.91% in October 2010. The total rate increased again November 1, 2010 to 19.61% through June 30, 2011. The total rate for the year ended June 30, 2010 was 16.54% through September 30, 2009 and increased to 16.94% effective October 2009 through June 30, 2010. The total rate for the year ended June 30, 2009 was 16.72% through September 30, 2008 and decreased to 16.54% effective October 2008 through June 30, 2009. The contribution requirements of plan members and the College are established and may be amended by the MPSERS Board of Trustees.

The College also contributes to the MPSERS healthcare plan, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by MPSERS. This plan provides medical benefits to retired employees of participating community colleges. Participating community colleges are contractually required to make monthly contributions to the plan at amounts assessed each year by MPSERS (current rate of 8.5% of annual covered payroll, which is included in the total of MPSERS rate disclosed above). The MPSERS board of trustees sets the employer contributions based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The College's contributions to the MPSERS healthcare plan for the years ended June 30, 2011, 2010 and 2009 equaled the required contributions each year. Thus, the College did not book a liability for this postemployment healthcare.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

The College's total contributions to MPSERS for the years ended June 30, 2011, 2010 and 2009, were approximately \$2,776,700, \$2,683,000 and \$2,350,000.

Defined Contribution Plan

Effective July 1, 1996, the College established the Jackson Community 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, respectively. For the years ended June 30, 2011 and 2010, the cost of this plan to the College was approximately \$867,000 and \$765,000 and participant contributions in the form of payroll deductions were approximately \$248,000 and \$219,000, respectively.

8. RELATED PARTIES

Jackson Community College Foundation

The Jackson Community College Foundation (the "Foundation") is a separate, legal nonprofit corporation formed for the purpose of receiving private funds for the sole benefit of the College. The net assets and financial activities of the Foundation are included in the financial statements of the College as a blended component unit.

The net assets of the Foundation consist of the following amounts as of June 30:

	<u>2011</u>	<u>2010</u>
Unrestricted	\$ 2,053,986	\$ 816,550
Temporarily restricted	3,196,236	2,232,270
Permanently restricted	<u>8,133,389</u>	<u>7,938,417</u>
Total	<u>\$13,383,611</u>	<u>\$10,987,237</u>

The College provides personnel support, facilities and equipment to the Foundation.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

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.

9. UNRESTRICTED NET ASSETS

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

	<u>2011</u>	<u>2010</u>
Major maintenance and equipment replacement	\$ 8,248,876	\$ 5,521,264
Future operations	<u>8,391,867</u>	<u>6,236,315</u>
Total unrestricted and designated	16,640,743	11,757,579
Unrestricted and undesignated	<u>697,659</u>	<u>697,304</u>
Total unrestricted net assets	<u>\$17,338,402</u>	<u>\$12,454,883</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, 2011 and 2010, 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.

JACKSON COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

11. COMMITMENTS, UNCERTAINTIES AND OTHER MATTERS

Capital Projects

In September 2008 Public Act 511 was passed and signed by the Governor of Michigan. This authorized the College to start construction and renovation efforts for Whiting Hall. The \$22.9 million effort will be paid equally by the State and the College. The 2010 Series Bonds (unsecured) in the amount of \$12,000,000 were issued in September 2010 to cover these costs. The amount incurred for this project was \$20,382,971 at June 30, 2011.

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, reimburse certain expenses, establish a deferred compensation plan on the President's behalf, and provide nonqualified retention compensation in which \$10,000 per year will be accrued as a liability to the College. If the President does not remain employed at the College through January 2013, all such amounts will be forfeited. The employment agreement also states that the College will 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 June 30, 2013.

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.

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SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON
SUPPLEMENTARY INFORMATION**

November 3, 2011

Board of Trustees
Jackson Community College
Jackson, Michigan

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented hereinafter 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 2011 and 2010 basic financial statements and, accordingly, we express no opinion on it.



**JACKSON COMMUNITY COLLEGE
COMBINING BALANCE SHEET
JUNE 30, 2011**

	General Fund	Designated Fund	Restricted Funds	Endowment Funds	Plant Funds	College Total	Foundation	Combined Total
ASSETS								
Current assets								
Cash and cash equivalents	\$ 1,940,890	\$ 8,394,677	\$ (655,400)	\$ 43,507	\$ 7,289,079	\$ 17,012,753	\$ 212,250	\$ 17,225,003
Tuition and other receivables, net	595,216	-	38,942	-	1,355	635,513	82,032	717,545
State appropriations receivable	2,098,600	-	-	-	-	2,098,600	-	2,098,600
State capital appropriations receivable	-	-	-	-	2,311,909	2,311,909	-	2,311,909
Federal and state grants receivable	4,324	-	1,261,365	-	-	1,265,689	-	1,265,689
Inventories	46,035	-	-	-	-	46,035	-	46,035
Prepaid expenses and other assets	640,208	-	-	-	-	640,208	-	640,208
Total current assets	5,325,273	8,394,677	644,907	43,507	9,602,343	24,010,707	294,282	24,304,989
Restricted cash	-	-	-	-	-	-	-	-
Investments	-	-	-	9,927	-	9,927	13,229,002	13,238,929
Campus property, plant and equipment, net	-	-	-	-	\$ 70,082,979	70,082,979	-	70,082,979
Total assets	\$ 5,325,273	\$ 8,394,677	\$ 644,907	\$ 53,434	\$ 79,685,322	\$ 94,103,613	\$ 13,523,284	\$ 107,626,897
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 406,077	\$ 2,810	\$ 52,285	\$ -	\$ 1,095,640	\$ 1,556,812	\$ 139,673	\$ 1,696,485
Accrued compensation and benefits	2,519,686	-	123,248	-	-	2,642,934	-	2,642,934
Current portion of long-term debt	-	-	-	-	2,115,000	2,115,000	-	2,115,000
Accrued interest	-	-	-	-	257,827	257,827	-	257,827
Unearned revenue	1,701,851	-	70,583	-	-	1,772,434	-	1,772,434
Total current liabilities	4,627,614	2,810	246,116	-	3,468,467	8,345,007	139,673	8,484,680
Long-term debt, net of current portion	-	-	-	-	36,843,114	36,843,114	-	36,843,114
Total liabilities	4,627,614	2,810	246,116	-	40,311,581	45,188,121	139,673	45,327,794
Net assets								
Invested in capital assets, net of related debt	-	-	-	-	31,124,865	31,124,865	-	31,124,865
Restricted:								
Nonexpendable	-	-	-	53,434	-	53,434	-	53,434
Expendable	-	-	398,791	-	-	398,791	-	398,791
Jackson Community College Foundation	-	-	-	-	-	-	13,383,611	13,383,611
Unrestricted	697,659	8,391,867	-	-	8,248,876	17,338,402	-	17,338,402
Total net assets	697,659	8,391,867	398,791	53,434	39,373,741	48,915,492	13,383,611	62,299,103
Total liabilities and net assets	\$ 5,325,273	\$ 8,394,677	\$ 644,907	\$ 53,434	\$ 79,685,322	\$ 94,103,613	\$ 13,523,284	\$ 107,626,897

See independent auditors' report on supplementary information.

**JACKSON COMMUNITY COLLEGE
COMBINING BALANCE SHEET
JUNE 30, 2010**

	General Fund	Designated Fund	Restricted Funds	Endowment Funds	Plant Funds	College Total	Foundation	Combined Total
ASSETS								
Current assets								
Cash and cash equivalents	\$ 856,931	\$ 6,238,740	\$ 147,523	\$ 43,323	\$ (3,448,208)	\$ 3,838,309	\$ 191,711	\$ 4,030,020
Tuition and other receivables, net	1,376,610	-	4,108	-	920	1,381,638	109,836	1,491,474
State appropriations receivable	2,098,600	-	-	-	-	2,098,600	-	2,098,600
Federal and state grants receivable	1,612	-	725,509	-	-	727,121	-	727,121
Inventories	46,556	-	-	-	-	46,556	-	46,556
Prepaid expenses and other assets	189,481	-	-	-	-	189,481	-	189,481
Total current assets	4,569,790	6,238,740	877,140	43,323	(3,447,288)	8,281,705	301,547	8,583,252
Restricted cash	10,000	-	-	-	11,948,311	11,958,311	-	11,958,311
Investments	1,026,166	-	-	7,632	-	1,033,798	10,852,271	11,886,069
Campus property, plant and equipment, net	-	-	-	-	65,205,678	65,205,678	-	65,205,678
Total assets	\$ 5,605,956	\$ 6,238,740	\$ 877,140	\$ 50,955	\$ 73,706,701	\$ 86,479,492	\$ 11,153,818	\$ 97,633,310
LIABILITIES AND NET ASSETS								
Current liabilities								
Accounts payable	\$ 647,345	\$ 2,425	\$ 92,380	\$ -	\$ 2,684,588	\$ 3,426,738	\$ 166,581	\$ 3,593,319
Accrued compensation and benefits	2,440,333	-	279,955	-	-	2,720,288	-	2,720,288
Current portion of long-term debt	-	-	-	-	1,825,000	1,825,000	-	1,825,000
Accrued interest	-	-	-	-	295,171	295,171	-	295,171
Unearned revenue	1,820,974	-	-	-	-	1,820,974	-	1,820,974
Total current liabilities	4,908,652	2,425	372,335	-	4,804,759	10,088,171	166,581	10,254,752
Long-term debt, net of current portion	-	-	-	-	38,954,189	38,954,189	-	38,954,189
Total liabilities	4,908,652	2,425	372,335	-	43,758,948	49,042,360	166,581	49,208,941
Net assets								
Invested in capital assets, net of related debt	-	-	-	-	24,426,489	24,426,489	-	24,426,489
Restricted:								
Nonexpendable	-	-	-	50,955	-	50,955	-	50,955
Expendable	-	-	504,805	-	-	504,805	-	504,805
Jackson Community College Foundation	-	-	-	-	-	-	13,383,611	13,383,611
Unrestricted	697,304	6,236,315	-	-	5,521,264	12,454,883	-	12,454,883
Total net assets	697,304	6,236,315	504,805	50,955	29,947,753	37,437,132	13,383,611	50,820,743
Total liabilities and net assets	\$ 5,605,956	\$ 6,238,740	\$ 877,140	\$ 50,955	\$ 73,706,701	\$ 86,479,492	\$ 13,550,192	\$ 100,029,684

See independent auditors' report on supplementary information.

JACKSON COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2011

	General Fund	Designated Fund	Restricted Funds	Endowment Funds	Plant Funds	GASB 35 Elimination Entries	College Total	Foundation	GASB 39 Elimination Entries	Combined Total
Operating revenues										
Tuition and fees (net of scholarship allowance of \$16,411,268)	\$ 29,122,150	\$ -	\$ -	\$ -	\$ -	\$ (16,411,268)	\$ 12,710,882	\$ -	\$ -	\$ 12,710,882
Federal grants and contracts	18,324	-	7,687,170	-	-	-	7,705,494	-	-	7,705,494
State grants and contracts	-	-	803,202	-	-	-	803,202	-	-	803,202
Housing revenue	1,014,293	-	-	-	-	-	1,014,293	-	-	1,014,293
Potter Center activities	356,622	-	-	-	-	-	356,622	-	-	356,622
Contract training	161,519	-	-	-	-	-	161,519	-	-	161,519
Seminars, workshops and other	1,151,561	163,815	469,239	-	7,585	-	1,792,200	4,290	(172,990)	1,623,500
Current funds expenditures for capital equipment and improvements	-	-	-	-	8,464,889	(8,464,889)	-	-	-	-
Total operating revenues	31,824,469	163,815	8,959,611	-	8,472,474	(24,876,157)	24,544,212	4,290	(172,990)	24,375,512
Operating expenses										
Instruction	20,552,426	-	123,812	-	-	-	20,676,238	-	-	20,676,238
Public service	768,934	-	-	-	-	-	768,934	-	-	768,934
Academic support	3,425,591	-	1,444,049	-	-	-	4,869,640	-	-	4,869,640
Student services	5,690,830	159,362	22,180,097	-	-	(16,411,268)	11,619,021	-	-	11,619,021
Administration	5,912,794	15,548	9,749	-	-	-	5,938,091	434,767	(172,990)	6,199,868
Operation and maintenance of plant	5,168,524	-	20,000	-	8,700,958	(8,464,889)	5,424,593	-	-	5,424,593
Depreciation and amortization	-	-	-	-	3,078,839	-	3,078,839	-	-	3,078,839
Total operating expenses	41,519,099	174,910	23,777,707	-	11,779,797	(24,876,157)	52,375,356	434,767	(172,990)	52,637,133
Operating loss	(9,694,630)	(11,095)	(14,818,096)	-	(3,307,323)	-	(27,831,144)	(430,477)	-	(28,261,621)
Nonoperating revenues (expenses)										
State appropriations	11,542,300	-	-	-	-	-	11,542,300	-	-	11,542,300
Local property taxes	4,965,858	-	-	-	-	-	4,965,858	-	-	4,965,858
Federal Pell grant revenue	-	-	14,611,122	-	-	-	14,611,122	-	-	14,611,122
Private gifts and grants	125	22,112	100,000	-	-	-	122,237	702,908	-	825,145
Investment income	13,702	35	960	2,479	26,936	-	44,112	1,928,971	-	1,973,083
Loss on disposal of campus property, plant, and equipment	-	-	-	-	(502,591)	-	(502,591)	-	-	(502,591)
Interest expense	-	-	-	-	(1,664,848)	-	(1,664,848)	-	-	(1,664,848)
Net nonoperating revenues (expenses)	16,521,985	22,147	14,712,082	2,479	(2,140,503)	-	29,118,190	2,631,879	-	31,750,069
Other revenues										
Additions to permanent endowment funds	-	-	-	-	-	-	-	194,972	-	194,972
State capital appropriations	-	-	-	-	10,016,314	-	10,016,314	-	-	10,016,314
Capital gifts and grants	-	-	-	-	175,000	-	175,000	-	-	175,000
Total other revenues	-	-	-	-	10,191,314	-	10,191,314	194,972	-	10,386,286
Increase (decrease) in net assets	6,827,355	11,052	(106,014)	2,479	4,743,488	-	11,478,360	2,396,374	-	13,874,734
Transfers in (out)	(6,827,000)	2,144,500	-	-	4,682,500	-	-	-	-	-
Net increase (decrease) in net assets	355	2,155,552	(106,014)	2,479	9,425,988	-	11,478,360	2,396,374	-	13,874,734
Net assets, beginning of year	697,304	6,236,315	504,805	50,955	29,947,753	-	37,437,132	10,987,237	-	48,424,369
Net assets, end of year	\$ 697,659	\$ 8,391,867	\$ 398,791	\$ 53,434	\$ 39,373,741	\$ -	\$ 48,915,492	\$ 13,383,611	\$ -	\$ 62,299,103

See independent auditors' report on supplementary information.

JACKSON COMMUNITY COLLEGE
COMBINING STATEMENT OF REVENUES, EXPENSES, TRANSFERS AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010

	General Fund	Designated Fund	Restricted Funds	Endowment Funds	Plant Funds	GASB 35 Elimination Entries	College Total	Foundation	GASB 39 Elimination Entries	Combined Total
Operating revenues										
Tuition and fees (net of scholarship allowance of \$15,023,711)	\$ 27,913,565	\$ -	\$ -	\$ -	\$ -	\$ (15,023,711)	\$ 12,889,854	\$ -	\$ -	\$ 12,889,854
Federal grants and contracts	17,612	-	6,541,847	-	-	-	6,559,459	-	-	6,559,459
State grants and contracts	-	-	968,771	-	-	-	968,771	-	-	968,771
Housing revenue	994,833	-	-	-	-	-	994,833	-	-	994,833
Potter Center activities	410,390	-	-	-	-	-	410,390	-	-	410,390
Contract training	293,286	-	-	-	-	-	293,286	-	-	293,286
Seminars, workshops and other	809,720	235,035	1,204,893	-	16,646	-	2,266,294	18,014	(252,128)	2,032,180
Current funds expenditures for capital equipment and improvements	-	-	-	-	13,844,879	(13,844,879)	-	-	-	-
Total operating revenues	30,439,406	235,035	8,715,511	-	13,861,525	(28,868,590)	24,382,887	18,014	(252,128)	24,148,773
Operating expenses										
Instruction	19,716,975	-	-	-	-	-	19,716,975	-	-	19,716,975
Public service	782,531	-	-	-	-	-	782,531	-	-	782,531
Academic support	3,088,701	-	1,476,580	-	-	-	4,565,281	-	-	4,565,281
Student services	5,328,506	260,529	20,388,652	-	-	(15,023,711)	10,953,976	-	-	10,953,976
Administration	5,064,438	105,796	28,059	-	-	-	5,198,293	792,062	(252,128)	5,738,227
Operation and maintenance of plant	4,811,168	-	14,030	-	13,855,908	(13,844,879)	4,836,227	-	-	4,836,227
Depreciation and amortization	-	-	-	-	4,118,302	-	4,118,302	-	-	4,118,302
Total operating expenses	38,792,319	366,325	21,907,321	-	17,974,210	(28,868,590)	50,171,585	792,062	(252,128)	50,711,519
Operating loss	(8,352,913)	(131,290)	(13,191,810)	-	(4,112,685)	-	(25,788,698)	(774,048)	-	(26,562,746)
Nonoperating revenues (expenses)										
State appropriations	11,542,300	-	-	-	-	-	11,542,300	-	-	11,542,300
Local property taxes	5,219,325	-	-	-	-	-	5,219,325	-	-	5,219,325
Federal Pell grant revenue	-	-	13,113,429	-	-	-	13,113,429	-	-	13,113,429
Private gifts and grants	-	24,800	100,000	-	-	-	124,800	684,871	-	809,671
Investment income	17,049	5,698	1,302	700	22,881	-	47,630	944,549	-	992,179
Loss on disposal of equipment	-	-	-	-	(124,834)	-	(124,834)	-	-	(124,834)
Interest expense	-	-	-	-	(1,413,065)	-	(1,413,065)	-	-	(1,413,065)
Net nonoperating revenues (expenses)	16,778,674	30,498	13,214,731	700	(1,515,018)	-	28,509,585	1,629,420	-	30,139,005
Other revenues										
Additions to permanent endowment funds	-	-	-	-	-	-	-	137,888	-	137,888
Increase (decrease) in net assets	8,425,761	(100,792)	22,921	700	(5,627,703)	-	2,720,887	993,260	-	3,714,147
Transfers in (out)	(8,424,895)	2,523,055	319	(384)	5,901,905	-	-	-	-	-
Net increase in net assets	866	2,422,263	23,240	316	274,202	-	2,720,887	993,260	-	3,714,147
Net assets, beginning of year	696,438	3,814,052	481,565	50,639	29,673,551	-	34,716,245	9,993,977	-	44,710,222
Net assets, end of year	\$ 697,304	\$ 6,236,315	\$ 504,805	\$ 50,955	\$ 29,947,753	\$ -	\$ 37,437,132	\$ 10,987,237	\$ -	\$ 48,424,369

See independent auditors' report on supplementary information.