Jackson College

Years Ended June 30, 2018 and 2017

Annual Financial Report

Rehmann

Business wisdom delivered.

JACKSON COLLEGE

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Management's Discussion and Analysis - Unaudited

Management's discussion and analysis of Jackson College's (the "College") financial statements provides an overview of the College's financial position as of June 30, 2018 and 2017 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 and other required supplementary information, 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, consisting of the 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, 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.

During the year ended June 30, 2018, the College implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75). This standard required the College to record its proportionate share of the net postemployment benefits other than pension (OPEB) liability of the Michigan Public School Employee Retirement System (MPSERS), the defined benefit plan which the majority of the employees of the College participate. This standard has had a significant impact on the liabilities and net position of the College as discussed below. In addition, Note 7 to the financial statements includes a number of items related to the requirements of this standard, and two schedules 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 of resources and liabilities and deferred inflows of resources) 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by private-sector institutions.

	Condensed Statements of Net Position	
	June 30,	
	2018	2017
Assets		
Current assets	$ 13,168,839	$ 21,538,468
Capital assets, net	74,438,315	73,526,894
Other noncurrent assets	10,053,860	65,180
Total assets	97,661,014	95,130,542
Deferred Outflows of Resources		
Deferred loss on refunding	500,941	560,661
Deferred pension amounts	5,315,546	3,272,448
Deferred OPEB amounts	486,110	-
Total deferred outflows of resources	6,302,597	3,833,109
Liabilities		
Current liabilities	12,312,730	11,405,002
Noncurrent liabilities	64,194,418	59,670,428
Total liabilities	76,507,148	71,075,430
Deferred Inflows of Resources		
Deferred pension amounts	7,143,671	6,514,766
Deferred OPEB amounts	292,376	-
Total deferred inflows of resources	7,436,047	6,514,766
Net position		
Net investment in capital assets	40,761,358	36,516,367
Restricted		
Nonexpendable	27,733	24,757
Expendable	360,525	843,531
Unrestricted deficit	(21,129,200)	(16,011,200)
Total net position	$ 20,020,416	$ 21,373,455

The College's financial position was significantly impacted by the implementation of GASB 75 during the fiscal year ended June 30, 2018. Excluding the impacts of GASB 75 and GASB 68 contained in the pension and OPEB liability fund, the College's net position increased by $5,271,314. The increase was mainly attributable to investments in future operations and capital equipment.

	Condensed Statements of Revenues, Expenses and Changes in Net Position	
	Year Ended June 30,	
	2018	2017
Operating revenues		
Tuition and fees, net	$ 13,345,857	$ 12,878,469
Grants and contracts	5,615,909	2,743,193
Potter Center activities	425,810	466,785
Other operating revenues	2,725,735	3,707,205
Total operating revenues	22,113,311	19,795,652
Operating expenses		
Instruction	17,311,328	18,052,356
Information technology	2,480,909	2,838,044
Public service	1,056,267	1,032,185
Academic support	4,389,486	2,402,546
Student services	5,998,634	5,112,911
Administration	5,319,222	5,296,145
Operation and maintenance of plant	1,943,517	4,863,380
Depreciation and amortization	4,504,406	4,014,414
Total operating expenses	43,003,769	43,611,981
Operating loss	(20,890,458)	(23,816,329)
Nonoperating and other revenues		
State appropriations	13,004,277	13,001,331
Local property taxes	4,967,735	4,890,768
Federal Pell grant revenue	10,272,235	9,275,140
Private gifts and grants	712,085	141,748
Other	(990,574)	726,007
Net nonoperating and other revenues	27,965,758	28,034,994
Increase in net position	7,075,300	4,218,665
Net position, beginning of year	21,373,455	17,154,790
Implementation of GASB 75	(8,428,339)	-
Adjusted net position, beginning of year	12,945,116	17,154,790
Net position, end of year	$ 20,020,416	$ 21,373,455

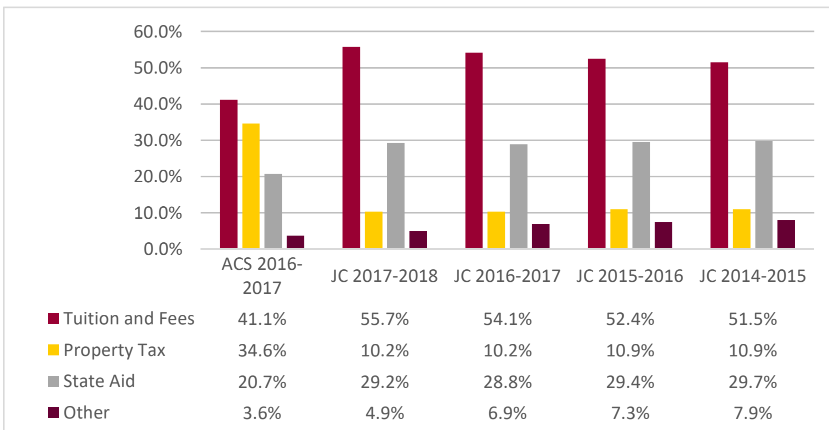
Management's Discussion and Analysis - Unaudited

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 Center for Educational Performance and Information. 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 2016-17 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 $48,659,889 and $47,867,343 in 2018 and 2017, respectively.

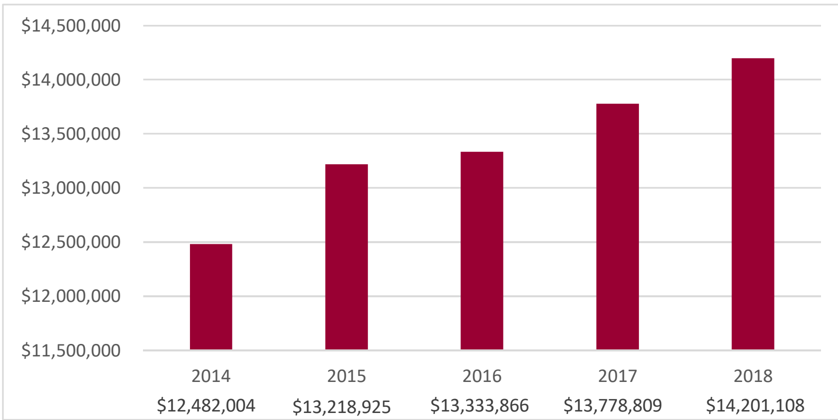
General Fund Revenue Sources: Comparison of JC and Statewide Averages



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 $14,201,108 in fiscal year 2018, of this total, $1,196,831 was received and paid to the State of Michigan towards the unfunded actuarial accrued liability of the Michigan Public School Employees Retirement System and $337,375 was received from the State of Michigan as a Personal Property Tax Reimbursement. The graph below reflects the amount of State Appropriations received by the College that were reported as revenue in the general fund.

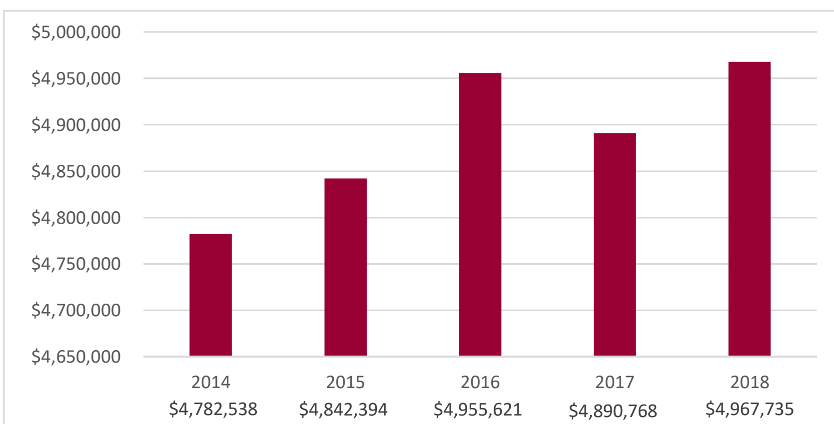
State Appropriations to Jackson College



Property Taxes

Only 10.2% 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 34.6%. 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 related to real estate have showed an increase as property values begin to slowly increase and past due tax bills get paid. In 2018, the overall property tax revenue increased slightly as property values increased.

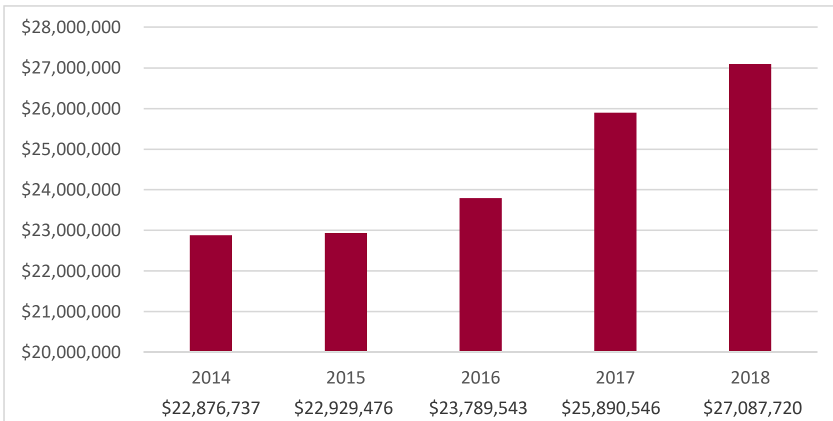
Property Tax Revenues to Jackson College



Tuition and Fees

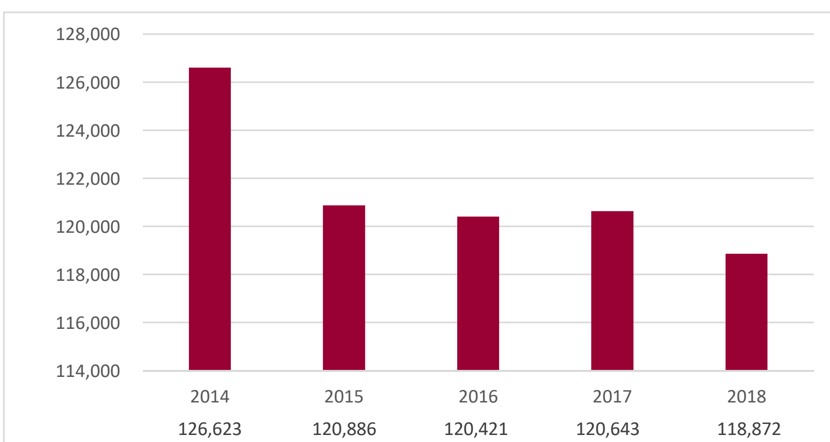
$13,741,863 and $13,011,927 of scholarship allowances against tuition and fees represent amounts paid by grants, resulting in a "discount rate" of 50.7% and 50.3% for fiscal 2018 and 2017, respectively. The bulk of the scholarship allowance is Federal Pell awards which were $10,272,235 and $9,275,140 for fiscal 2018 and 2017, respectively. It is expected that the number of students receiving federal funds may increase over the next year, given the College's involvement with the Second Chance Pell for Prisoners program. For purposes of this analysis, to show trends over time, the following chart presents gross tuition and fees. The College experienced an increase of 4.62% from this source of revenue in the current year as compared to fiscal 2017. The scholarship allowances also increased by $729,936 or 5.61%.

Gross Tuition and Fees Revenues



There was a 1.47% decrease in the amount of billing contact hours generated in 2018. The College began to implement a comprehensive enrollment management plan that focuses on recruitment and retention. The College continues to focus on recruiting students of color, international students, graduating high school seniors and dual enrolled students. The slight decrease in enrollment is due in part to declining high school graduating classes coupled with the decreased enrollment in Fall 2017 for the prisoner education program. It is estimated that the new efforts in total commitment to student success and new initiatives with Jackson County Early College and a new prisoner education pricing structure will help the College maintain its enrollment level.

Total Billing Contact Hours by Fiscal Year



	Jackson College Enrollment by Semester and Fiscal Year			
	Billing Hours			
	Fall	Winter	Spring	Total
Fiscal Year				
2018	52,464	47,651	18,757	118,872
2017	53,292	50,032	17,319	120,643
2016	54,368	49,543	16,510	120,421
2015	55,221	50,128	15,537	120,886
2014	57,000	52,216	17,407	126,623

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

	Jackson College Hourly Tuition Rates		
	In District	Out of District	Out of State
Fiscal Year			
2018	$ 145.00	$ 217.00	$ 290.00
2017	$ 135.00	$ 195.00	$ 270.00
2016	$ 125.00	$ 172.00	$ 250.00
2015	$ 117.00	$ 161.00	$ 234.00
2014	$ 111.00	$ 161.00	$ 216.00

Other Operating Revenues

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 decreased over the prior year as the housing revenue was down significantly in 2018. Beginning in Fall 2018, the College implemented new marketing and operational initiatives to attract and retain a greater number of housing students.

Expenses

Compared to statewide averages, the College is relatively close to its peers. 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.

Note that beginning in fiscal 2018, the State of Michigan is requiring Colleges to report Information technology as a separate expense category. Previously, these expenses were allocated to the other expense categories. The State of Michigan does not plan on revising previously reported data, so the new ACS comparative tables will be built prospectively.

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		
Jackson College Expenses Compared to State-Wide ACS Averages	**2016-2017**	**2017-2018**	**2016-2017**	**2015-2016**
Instructional	45.2%	43.1%	43.8%	47.7%
Informational Technology	0.0%	6.4%	6.7%	0.0%
Public Service	1.5%	2.6%	2.4%	2.6%
Institutional Support	13.6%	5.9%	6.1%	7.8%
Student Services	13.7%	16.4%	16.6%	16.8%
Administration	13.9%	13.1%	12.6%	12.4%
Plant	12.1%	12.6%	11.8%	12.8%
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 ($13,935,987 in 2018 and $13,737,983 in 2017), grants and contracts ($5,636,749 in 2018 and $2,780,616 in 2017), State appropriations ($12,932,594 in 2018 and $14,904,532 in 2017), local property taxes ($4,967,735 in 2018 and $4,890,768 in 2017), and Pell grant receipts ($10,272,235 in 2018 and $9,275,140 in 2017). The single, largest type of disbursement was compensation payments to or on behalf of the College's employees ($30,930,301 in 2018 and $32,273,654 in 2017).

Capital Assets

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

	2018	2017
Land	$ 1,313,765	$ 1,313,765
Infrastructure and land improvements	4,483,981	3,712,757
Buildings and improvements	105,780,605	104,587,546
Leasehold improvements	2,247,106	2,247,106
Artwork	6,366,227	6,366,227
Equipment	16,466,632	13,421,380
Construction in progress	160,397	640,501
Total capital assets	136,818,713	132,289,282
Less accumulated depreciation	62,380,398	58,762,388
Capital assets, net	$ 74,438,315	$ 73,526,894

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

Long-term debt

In fiscal year 2017, the College adopted a debt repayment strategy aimed at paying off all outstanding debt by 2028, which will be the College's 100th year in operation. In order to accomplish that, the College refunded portions of the 2007 and 2008 Series Bonds and budgeted to make additional bond payments. The current debt repayment schedule shows debt outstanding beyond 2028, but the College intends to pay off these bonds when they become callable in 2024 and 2025.

Additional 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 1.1% in State appropriations for the 2018-19 year, along with a Board of Trustees approved tuition increase of 5.4% 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 200-300 students. The use of national benchmark data reveals that student success is higher for students who have a personal relationship with a college professional. The College is taking a "whole student" approach and considering strategies that address food insecurity, housing insecurity and other basic needs that may prevent a student from succeeding. The College is also working departmentally to show employees what TCS2 looks like in their area of work. 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. The renovations of Justin Whiting Hall for the Oasis Center and Dental Hygiene Lab were completed in September 2017, with the George Potter Center lobby renovation completed in October 2017. Completion of the east beltway was completed in June of 2018, with improvements to the west beltway scheduled to begin in Spring 2019.

College management continues to watch enrollment trends, local economies, employer needs and will react to changing financial conditions with revenue enhancements and/or expense reductions as necessary to ensure financial stability of the College. Most notably, the Second Chance Pell Federal initiative is currently set to expire in August 2019. The College has a significant portion of tuition revenue that is tied to this program and management is closely monitoring any developments related to the extension and continuation of this program.

College management is also closely tracking the shifting enrollment mix as initiatives such as prisoner education and the Jackson County Early College begin to grow.

In an effort to meet local employer needs, Jackson College is launching new academic programming in Dental Hygiene with classes beginning in the fall of 2018.

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INDEPENDENT AUDITORS' REPORT

October 25, 2018

Board of Trustees
Jackson College
Jackson, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the the business-type activities and the discretely presented component units of *Jackson College* (the "College"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

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

Opinions

In our opinion, 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, 2018 and 2017, and the 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. 75

As described in Notes 2 and 7, the College implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* in the current year. Accordingly, beginning net position of business-type activities as of July 1, 2017 was restated. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available. Our opinion is not modified with respect to this matter.

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 and other postemployment benefits, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The supplementary combining statements identified 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 October 25, 2018, 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 the College's internal control over financial reporting and compliance.

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JACKSON COLLEGE

Statements of Net Position

	June 30, 2018	June 30, 2017
Assets		
Current assets		
Cash and cash equivalents	$ 7,766,010	$ 15,769,732
Tuition and other receivables, net	1,058,683	1,648,813
State appropriations receivable	3,036,388	2,976,347
Federal and state grants receivable	478,274	597,484
Current portion of note receivable	22,027	22,027
Inventories	27,796	33,388
Prepaid expenses and other assets	779,661	490,677
Total current assets	13,168,839	21,538,468
Noncurrent assets		
Investments	10,027,967	15,566
Note receivable, net of current portion	25,893	49,614
Campus property, plant and equipment, net	74,438,315	73,526,894
Total noncurrent assets	84,492,175	73,592,074
Total assets	97,661,014	95,130,542
Deferred outflows of resources		
Deferred loss on refunding	500,941	560,661
Deferred pension amounts	5,315,546	3,272,448
Deferred other postemployment benefits amounts	486,110	-
Total deferred outflows of resources	6,302,597	3,833,109
Liabilities		
Current liabilities		
Accounts payable	1,920,032	2,187,268
Accrued compensation and other benefits	2,420,042	2,369,808
Current portion of long-term liabilities	3,708,290	3,393,290
Accrued interest	168,452	169,652
Unearned revenue	4,095,914	3,284,984
Total current liabilities	12,312,730	11,405,002
Noncurrent liabilities		
Long-term liabilities, net of current portion	30,469,608	34,177,898
Net pension liability	25,076,508	25,492,530
Net other postemployment benefits liability	8,648,302	-
Total noncurrent liabilities	64,194,418	59,670,428
Total liabilities	76,507,148	71,075,430
Deferred inflows of resources		
Deferred pension amounts	7,143,671	6,514,766
Deferred other post employment benefits amounts	292,376	-
Total deferred inflows of resources	7,436,047	6,514,766
Net position		
Net investment in capital assets	40,761,358	36,516,367
Restricted:		
Nonexpendable	27,733	24,757
Expendable	360,525	843,531
Unrestricted deficit (Note 9)	(21,129,200)	(16,011,200)
Total net position	$ 20,020,416	$ 21,373,455

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

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JACKSON COLLEGE

Statements of Revenues, Expenses and Changes in Net Position

	Year Ended June 30,	
	2018	**2017**
Operating revenues		
Tuition and fees (net of scholarship allowances of $13,741,863 in 2018 and $13,011,927 in 2017)	$ 13,345,857	$ 12,878,469
Federal grants and contracts	2,465,102	2,636,316
State grants and contracts	3,150,807	106,877
Housing revenue	662,068	1,249,881
Potter Center activities	425,810	466,785
Contract training	156,183	250,346
Seminars, workshops, and other	1,907,484	2,206,978
Total operating revenues	**22,113,311**	**19,795,652**
Operating expenses		
Instruction	17,311,328	18,052,356
Information technology	2,480,909	2,838,044
Public service	1,056,267	1,032,185
Academic support	4,389,486	2,402,546
Student services	5,998,634	5,112,911
Administration	5,319,222	5,296,145
Operation and maintenance of plant	1,943,517	4,863,380
Depreciation and amortization	4,504,406	4,014,414
Total operating expenses	43,003,769	43,611,981
Operating loss	(20,890,458)	(23,816,329)
Nonoperating revenues (expenses)		
State appropriations	13,004,277	13,001,331
Local property taxes	4,967,735	4,890,768
Federal Pell grant revenue	10,272,235	9,275,140
Private gifts and grants	712,085	141,748
Interest income	15,399	5,692
Gain on disposal of property and equipment	2,912	9,415
Interest expense	(993,885)	(1,441,607)
Transfer of funds to Jackson College Foundation	(15,000)	-
Net nonoperating revenues	27,965,758	25,882,487
Other revenues		
Capital gifts and grants	-	271,973
State capital appropriations	-	1,880,534
Total other revenues	-	2,152,507
Increase in net position	7,075,300	4,218,665
Net position, beginning of year	21,373,455	17,154,790
Implementation of GASB 75 (Note 2)	(8,428,339)	-
Adjusted net position, beginning of year	12,945,116	17,154,790
Net position, end of year	$ 20,020,416	$ 21,373,455

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

JACKSON COLLEGE

Statements of Cash Flows

	Year Ended June 30,	
	2018	**2017**
Cash flows from operating activities		
Tuition and fees	$ 13,935,987	$ 13,737,983
Housing	662,068	1,249,731
Grants and contracts	5,636,749	2,780,616
Contract training	148,999	282,387
Payments to vendors	(7,223,743)	(9,405,891)
Payment to or on behalf of employees	(30,930,301)	(32,273,654)
Payments to students	(1,708,256)	(1,748,356)
Potter Center activities	383,348	478,872
Seminars, workshops and other	1,984,707	2,258,717
Net cash used in operating activities	(17,110,442)	(22,639,595)
Cash flows from noncapital financing activities		
State appropriations	12,932,594	14,904,532
Local property taxes	4,967,735	4,890,768
Pell grant receipts	10,272,235	9,275,140
Gifts and contributions for other than capital purposes	712,085	141,748
Direct loan program receipts	11,361,995	12,541,496
Direct loan program disbursements	(11,361,995)	(12,541,496)
State scholarship and grant receipts	106,568	100,616
State scholarship and grant disbursements	(106,568)	(100,616)
Net cash provided by noncapital financing activities	28,884,649	29,212,188
Cash flows from capital and related financing activities		
Capital appropriations	-	1,880,534
Capital gift and grant proceeds	-	271,973
Purchases and construction of campus property, plant and equipment	(5,419,185)	(3,303,291)
Proceeds from sale of property and equipment	2,912	14,912
Collection of note receivable	23,721	16,944
Proceeds from capital debt	-	8,581,697
Principal paid on capital debt	(3,393,290)	(10,750,665)
Interest paid on capital debt	(995,085)	(1,488,713)
Net cash used in capital and related financing activities	(9,780,927)	(4,776,609)
Cash flows from investing activities		
Purchase of investments	(10,000,000)	-
Interest and dividends on investments	2,998	3,890
Net cash (used in) provided by investing activities	(9,997,002)	3,890
Net (decrease) increase in cash and cash equivalents	(8,003,722)	1,799,874
Cash and cash equivalents, beginning of year	15,769,732	13,969,858
Cash and cash equivalents, end of year	$ 7,766,010	$ 15,769,732

continued...

Statements of Cash Flows

	Year Ended June 30,	
	2018	2017
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (20,890,458)	(23,816,329)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	4,504,406	4,014,414
Change in operating assets and liabilities that provided (used) cash:		
Tuition and other receivables, net	590,130	859,364
Federal and state grants receivable	119,210	49,499
Inventories	5,592	6,154
Prepaid expenses and other assets	(288,984)	229,571
Accounts payable	(267,236)	(2,288,389)
Accrued compensation and other benefits	50,234	(327,070)
Unearned revenue	810,930	621,070
Change in net pension and other postemployment benefits liabilities and deferred amounts	(1,744,266)	(1,987,879)
Net cash used in operating activities	$ (17,110,442)	$ (22,639,595)

concluded.

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

JACKSON COLLEGE

Foundation - Statements of Financial Position

	June 30, 2018	June 30, 2017
Assets		
Cash and cash equivalents	$ 477,203	$ 382,723
Investments	14,171,764	14,182,866
Related party receivable	1,618	982
Beneficial interests in remainder trusts	890,358	670,415
Cash surrender value of life insurance	99,000	94,000
Prepaid expenses and other assets	-	6,700
Total assets	**$ 15,639,943**	**$ 15,337,686**
Liabilities		
Accounts payable	$ 154,000	$ 30,945
Annuities payable	116,430	119,447
Deferred revenue	-	3,728
Total liabilities	270,430	154,120
Net assets		
Unrestricted	2,432,862	2,269,923
Temporarily restricted	2,362,476	2,660,126
Permanently restricted	10,574,175	10,253,517
Total net assets	15,369,513	15,183,566
Total liabilities and net assets	**$ 15,639,943**	**$ 15,337,686**

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

Foundation - Statements of Activities and Changes in Net Assets

	Year Ended June 30,	
	2018	2017
Support and revenue		
Gifts	$ 598,637	$ 812,511
Investment income and gains	808,163	970,244
Other revenue	304,165	272,545
Total support and revenue	1,710,966	2,055,300
Grants and expenses		
Grant payments to Jackson College	952,949	318,629
Grant payments to Dahlem Conservancy	54,641	54,935
Management and general expenses	636,870	542,194
Total grants and expenses	1,644,460	915,758
Support and revenue in excess of grants and expenses	66,506	1,139,542
Changes in values of interests in remainder trusts and actuarial adjustment of annuities	44,441	11,828
Fund transfer from Jackson College	15,000	-
Change in carrying value of investment in real estate	60,000	1,175,317
Increase in net assets	185,947	2,326,687
Net assets, beginning of year	15,183,566	12,856,879
Net assets, end of year	$ 15,369,513	$ 15,183,566

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

JACKSON COLLEGE

Dormitories - Statements of Financial Position

	June 30,	
	2018	2017
Assets		
Cash and cash equivalents	$ 579,497	$ 448,911
Restricted cash	784,495	785,546
Accounts receivable	7,405	7,405
Property and equipment	8,380,987	8,607,500
Total assets	**$ 9,752,384**	**$ 9,849,362**
Liabilities		
Accounts payable	$ 230,836	$ 28,770
Accrued interest	120,322	122,070
Bond and note payable, net of deferred bond issuance costs	9,755,909	9,884,220
Total liabilities	10,107,067	10,035,060
Net deficit		
Unrestricted	(354,683)	(185,698)
Total liabilities and net deficit	**$ 9,752,384**	**$ 9,849,362**

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

JACKSON COLLEGE

Dormitories - Statements of Activities and Changes in Net Deficit

	Year Ended June 30,	
	2018	**2017**
Revenue		
Housing rental	$ 946,400	$ 906,000
Interest income	1,457	1,621
Miscellaneous income	-	5,055
Total revenue	947,857	912,676
Expenses		
Office	5,031	4,350
Occupancy	153,609	165,993
Management consulting	18,727	-
Interest and fees	712,962	720,787
Depreciation	226,513	226,513
Total expenses	1,116,842	1,117,643
Change in net deficit	(168,985)	(204,967)
Net assets (deficit), beginning of year	(185,698)	19,269
Net deficit, end of year	$ (354,683)	$ (185,698)

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

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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.*

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.

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, 2018 or 2017. 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.

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 charge 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 MPSERS 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 resources for certain pension and other postemployment benefits (OPEB) related amounts, such as the difference between projected and actual earnings of the plan’s investments. More detailed information can be found in Note 7.

Pension and Other Postemployment Benefits

For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, pension and OPEB 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.

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, housing, 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.

Revenues received prior to year end that are related to the next fiscal year are recorded as unearned revenues. Unearned revenue relates primarily to student tuition and fees for the spring semester, student deposits and deposits of diverted Michigan income tax withholding from employers contracting with the College under the Michigan New Jobs Training Program to be used for future employee trainings.

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 compensation and other benefits) 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 nonexpendable: 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 nonexpendable balance of the College consists of donated endowment funds.

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 expendable 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.

New Accounting Pronouncement

As of July 1, 2017, the College adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement requires that the College recognize a net other postemployment benefits (OPEB) liability on the statement of net position, equal to the College's proportionate share of the net OPEB 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 OPEB liability of $9,122,042 and deferred outflows of resources of $693,703, which resulted in a decrease in net position of $8,428,339 as of July 1, 2017. Application of this new standard to July 1, 2016, the earliest year presented, is not practical as complete information is not available.

Reclassification

Certain amounts as reported in the June 30, 2017 financial statements have been reclassified to conform with the 2018 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 College's deposits and investments are included on the statements of net position under the following classifications as of June 30:

	2018	2017
Cash and cash equivalents	$ 7,766,010	$ 15,769,732
Investments	10,027,967	15,566
	$ 17,793,977	**$ 15,785,298**

The above amounts are categorized as follows at June 30:

	2018	2017
Bank deposits (checking, savings, cash sweep accounts and certificates of deposit)	$ 7,763,414	$ 15,766,986
Michigan Liquid Asset Fund	10,010,559	-
Petty cash	2,596	2,746
Total deposits	17,776,569	15,769,732
Investments in equity securities	17,408	15,566
Total	**$ 17,793,977**	**$ 15,785,298**

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. The College's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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, 2018, $7,759,256 of the College's bank deposits balance of $8,509,256 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2017, $12,043,457 of the College's bank deposits balance of $16,422,338 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, NET

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, net, consist of the following amounts at June 30:

	2018	2017
Tuition and fees	$ 1,662,345	$ 2,046,872
Private grants	1,037	15,953
Reimbursements	77,703	266,988
Due from Jackson Preparatory and Early College	12,628	12,603
Bookstore	2,543	2,722
Employees	2,427	3,675
Total	1,758,683	2,348,813
Less allowances	700,000	700,000
Tuition and other receivables, net	$ 1,058,683	$ 1,648,813

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:

2018	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	$ 1,313,765	$ -	$ -	$ -	$ 1,313,765
Infrastructure and land improvements	3,712,757	771,224	-	-	4,483,981
Buildings and improvements	104,587,546	1,026,566	(474,006)	640,499	105,780,605
Leasehold improvements	2,247,106	-	-	-	2,247,106
Artwork	6,366,227	-	-	-	6,366,227
Furniture, fixtures and equipment	13,421,380	3,458,088	(412,836)	-	16,466,632
Construction in progress	640,501	160,395	-	(640,499)	160,397
Total property and equipment	132,289,282	5,416,273	(886,842)	-	136,818,713
Less accumulated depreciation	58,762,388	4,504,406	(886,396)	-	62,380,398
Campus property, plant and equipment, net	$ 73,526,894	$ 911,867	$ (446)	$ -	$ 74,438,315

Notes to Financial Statements

2017	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	$ 1,313,765	$ -	$ -	$ -	$ 1,313,765
Infrastructure and land improvements	3,712,757	-	-	-	3,712,757
Buildings and improvements	89,515,964	-	-	15,071,582	104,587,546
Leasehold improvements	2,247,106	-	-	-	2,247,106
Artwork	6,094,254	271,973	-	-	6,366,227
Furniture, fixtures and equipment	12,907,097	519,780	(5,497)	-	13,421,380
Construction in progress	13,215,457	2,496,626	-	(15,071,582)	640,501
Total property and equipment	129,006,400	3,288,379	(5,497)	-	132,289,282
Less accumulated depreciation	54,753,471	4,014,414	(5,497)	-	58,762,388
Campus property, plant and equipment, net	$ 74,252,929	$ (726,035)	$ -	$ -	$ 73,526,894

6. LONG-TERM LIABILITIES

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

2018	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General Bonds - 2008	$ 365,000	$ -	$ 365,000	$ -	$ -
General Bonds - 2014	9,180,000	-	520,000	8,660,000	540,000
General Bonds - 2015	9,640,000	-	370,000	9,270,000	385,000
General Bonds - 2016	9,180,000	-	940,000	8,240,000	960,000
General Bonds - 2017	8,195,000	-	1,080,000	7,115,000	1,705,000
Total bonds payable	36,560,000	-	3,275,000	33,285,000	3,590,000
Deferred amounts					
Bond premium	1,078,176	-	122,012	956,164	122,012
Bond discount	(66,988)	-	(3,722)	(63,266)	(3,722)
Total deferred amounts	1,011,188	-	118,290	892,898	118,290
	$ 37,571,188	$ -	$ 3,393,290	34,177,898	$ 3,708,290
Less current portion				3,708,290	
Long-term liabilities, net of current portion				$ 30,469,608	

2017	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General Bonds - 2006	$ 825,000	$ -	$ 825,000	$ -	$ -
General Bonds - 2007	3,320,000	-	3,320,000	-	-
General Bonds - 2008	6,100,000	-	5,735,000	365,000	365,000
General Bonds - 2010	500,000	-	500,000	-	-
General Bonds - 2014	9,180,000	-	-	9,180,000	520,000
General Bonds - 2015	9,990,000	-	350,000	9,640,000	370,000
General Bonds - 2016	9,255,000	-	75,000	9,180,000	940,000
General Bonds - 2017	-	8,195,000	-	8,195,000	1,080,000
Total bonds payable	39,170,000	8,195,000	10,805,000	36,560,000	3,275,000
Deferred amounts					
Bond premium	813,492	386,696	122,012	1,078,176	122,012
Bond discount	(243,335)	-	(176,347)	(66,988)	(3,722)
Total deferred amounts	570,157	386,696	(54,335)	1,011,188	118,290
	$ 39,740,157	$ 8,581,696	$ 10,750,665	37,571,188	$ 3,393,290
Less current portion				3,393,290	
Long-term liabilities, net of current portion				$ 34,177,898	

Bonded Debt

$825,000 General Bonds, Series 2006

Unsecured bonds mature serially in annual amounts ranging from $775,000 to $825,000 through 2017, with interest charges at rates ranging from 4.00% to 4.50% per annum.

During 2016, the College refunded $9,465,000 of the Series 2006 bonds, with an average interest rate of 2.36%.

$6,000,000 General Bonds, Series 2007

During 2017, the College refunded $2,910,000 of the Series 2007 bonds, with an average interest rate of 2.96%.

$8,150,000 General Bonds, Series 2008

Unsecured bonds mature in an annual amount of $365,000 in 2018 with interest charges at 3.75% per annum.

During 2017, the College refunded $5,385,000 of the Series 2008 bonds, with an average interest rate of 2.96%.

$1,000,000 General Bonds, Series 2010

Unsecured bonds mature in an annual amount of $500,000 in 2017 with interest at a rate of 4.65% per annum. The bonds are designated as “Build America Bonds” under Section 54AA of Internal Revenue Code. A credit of $7,580 was received during fiscal 2017, from the U.S. Treasury equal to 27.8% of the stated interest paid during fiscal 2017, 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 charged at rates ranging from 3.00% to 3.625% per annum.

$9,255,000 General Refunding Bonds, Series 2016

The College issued $9,255,000 in refunding bonds with an interest rate of 2.00% to 3.00% to refund $9,465,000 of outstanding 2006 Series Bonds with an interest rate of 4.10% to 4.50%, maturing in 2026. The bonds mature at varying amounts through 2026. The net proceeds of $9,671,752 (after payment of $77,045 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 $1,546,700 and a net present value savings of $1,413,748. As of June 30, 2016, the 2006 Series Bonds in the amount of $9,465,000 are considered defeased and the liability has been removed from the statement of net position.

$8,195,000 General Refunding Bonds, Series 2017

The College issued $8,195,000 in refunding bonds with an interest rate of 2.00% to 3.00% to refund $2,910,000 of outstanding 2007 Series Bonds with an interest rate of 4.00% to 4.15%, maturing in 2024 and $5,385,000 of outstanding 2008 Series Bonds with an interest rate of 3.75% to 4.50%, maturing in 2029. The bonds mature at varying amounts through 2023. The net proceeds of $8,492,806 (after payment of $112,140 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 $1,500,326 and a net present value savings of $1,117,578. As of June 30, 2017, $2,910,000 of the Series 2007 Bonds and $5,385,000 of the Series 2008 Bonds are considered defeased and the liability has been removed from the statement of net position.

Scheduled principal and interest requirements of long-term debt for years succeeding June 30, 2018, are summarized below:

Year Ending June 30,	Principal	Interest	Total
2019	$ 3,590,000	$ 1,010,713	$ 4,600,713
2020	3,930,000	918,013	4,848,013
2021	3,025,000	815,263	3,840,263
2022	3,100,000	734,463	3,834,463
2023	3,185,000	651,613	3,836,613
2024-2028	9,905,000	2,163,461	12,068,461
2029-2033	5,090,000	726,412	5,816,412
2033-2035	1,460,000	79,931	1,539,931
Totals	$ 33,285,000	$ 7,099,869	$ 40,384,869

During fiscal 2017, the College adopted a debt retirement plan to fully pay all outstanding debt by the year 2028. This plan includes early repayment of debt issuances that are not callable until future fiscal years and as such, these issuances are still shown above at their original maturities.

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. In fiscal year 2016, the College entered into another lease with the State of Michigan in connection with the renovation of Bert Walker Hall. The net state contribution amounted to $7,446,282 once the renovation was complete in fiscal 2017. 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 AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Defined Benefit

Plan Description

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

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

Pension Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

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

Other Postemployment Benefits Provided

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member’s healthcare benefit are effective as of the member’s transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

Contributions

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

Employer contributions to the system are 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.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded actuarial accrued liability as of the September 30, 2016 valuation will be amortized over a 22-year period for the 2017 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 13.54% to 19.03% of covered payroll for the College's 2018 fiscal year. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's 2018 fiscal year.

Employer contribution requirements for pension, inclusive of the MPSERS UAAL Stabilization rates, ranged from 14.56% to 19.03% of covered payroll for the College's 2017 fiscal year. Plan member contributions range from 0.0% to 7.0% of covered payroll for the College's 2017 fiscal year.

The table below summarizes pension contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	17.89% - 19.03%
Member Investment Plan (MIP)	3.00% - 7.00%	17.89% - 19.03%
Pension Plus	3.00% - 6.40%	16.61% - 18.40%
Pension Plus 2	6.20%	19.74%
Defined Contribution	0.00%	13.54% - 15.27%

Required contributions to the pension plan from the College were approximately $2,534,000, $2,340,000 and $2,252,000 for the years ended June 30, 2018, 2017 and 2016.

The table below summarizes OPEB contribution rates in effect for fiscal year 2018:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	5.91% - 7.67%
Personal Healthcare Fund (PHF)	0.00%	5.69% - 7.42%

Required contributions to the OPEB plan from the College were $559,662, $508,389 and $609,508 for the years ended June 30, 2018, 2017 and 2016.

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

At June 30, 2018 and 2017, the College reported a liability of $25,076,508 and $25,492,530, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017 and 2016, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016 and 2015, respectively. The College's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2017, the College's proportion was 0.09677%, which was a decrease of -0.00541% from its proportion measured as of September 30, 2016 of 0.10218%.

For the year ended June 30, 2018, the College recognized pension expense of $262,385. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 217,932	$ 123,045	$ 94,887
Changes in assumptions	2,747,331	-	2,747,331
Net difference between projected and actual earnings on pension plan investments	-	1,198,822	(1,198,822)
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,087	4,624,973	(4,573,886)
	3,016,350	5,946,840	(2,930,490)
College contributions subsequent to the measurement date	2,299,196	-	2,299,196
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	1,196,831	(1,196,831)
	2,299,196	1,196,831	1,102,365
Total	$ 5,315,546	$ 7,143,671	$ (1,828,125)

The $2,299,196 reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The $1,196,831 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to Sec 147c of the State School Aid Act (PA 94 of 1979), will be recognized as State Aid revenue for the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amount
2019	$ (1,879,999)
2020	(898,398)
2021	49,261
2022	(201,354)
Total	$ (2,930,490)

For the year ended June 30, 2017, the College recognized its proportionate share of the Plan's pension expense of $390,612. At June 30, 2017, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ 317,704	$ 60,418	$ 257,286
Changes in assumptions	398,556	-	398,556
Net difference between projected and actual earnings on pension plan investments	423,686	-	423,686
Changes in proportion and differences between employer contributions and proportionate share of contributions	74,588	5,676,870	(5,602,282)
	1,214,534	5,737,288	(4,522,754)
College contributions subsequent to the measurement date	2,057,914	-	2,057,914
Pension portion of Sec 147c state aid award	-	777,478	(777,478)
subsequent to the measurement date	2,057,914	777,478	1,280,436
Total	$ 3,272,448	$ 6,514,766	$ (3,242,318)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College reported a liability of $8,648,302 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. The College’s proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, the College’s proportion was 0.09766%.

For the year ended June 30, 2018, the College recognized OPEB expense of $578,617. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	$ -	$ 92,079	$ (92,079)
Net difference between projected and actual earnings on OPEB plan investments	-	200,297	(200,297)
Changes in proportion and differences between employer contributions and proportionate share of contributions	686	-	686
	686	292,376	(291,690)
College contributions subsequent to the measurement date	485,424	-	485,424
Total	$ 486,110	$ 292,376	$ 193,734

The $485,424 reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ (70,500)
2020	(70,500)
2021	(70,500)
2022	(70,500)
2023	(9,690)
Total	$ (291,690)

Actuarial Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability in the September 30, 2016 and 2015 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	7.5% (8% for 2015)
Pension Plus plan (hybrid)	7.0%
OPEB plans	7.5%
Projected salary increases	3.5% - 12.3%, including wage inflation at 3.5%
Cost of living adjustments	3% annual non-compounded for MIP members
Healthcare cost trend rate	7.5% Year 1 graded to 3.5% Year 12
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. 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.
Other OPEB assumptions:	
Opt out assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage election at retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2017 and 2016, is based on the results of an actuarial valuation date of September 30, 2016 and 2015, respectively, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5188 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.4744 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation as of September 30, 2017 and 2016, are summarized in the following tables:

2017 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.56%
Alternative investment pools	18.00%	8.70%	1.57%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	-0.10%	-0.01%
Real estate and infrastructure pools	10.00%	4.20%	0.42%
Absolute return pools	15.50%	5.00%	0.78%
Short-term investment pools	2.00%	-0.90%	-0.02%
	100.00%		5.45%
Inflation			2.05%
Investment rate of return			7.50%

2016 Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Domestic equity pools	28.00%	5.60%	1.64%
Alternative investment pools	18.00%	9.20%	1.66%
International equity	16.00%	7.20%	1.15%
Fixed income pools	10.50%	0.90%	0.09%
Real estate and infrastructure pools	10.00%	4.30%	0.43%
Absolute return pools	15.50%	6.00%	0.93%
Short-term investment pools	2.00%	0.00%	0.00%
	100.00%		5.90%
Inflation			2.10%
Investment rate of return			8.00%

Discount Rate

A discount rate of 7.5% and 8.0% was used to measure the total pension and OPEB liabilities as of June 30, 2018 and 2017, respectively (7.0% for the Pension Plus plan, a hybrid plan provided through non-university employers only). This discount rate was based on the long term expected rate of return on pension and OPEB plan investments of 7.5% and 8.0%, as of June 30, 2018 and 2017 respectively (7.0% for the Pension Plus plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension and OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension and OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB liabilities.

Sensitivity of College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net pension liability as of June 30, 2018 calculated using the discount rate of 7.5% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	$ 32,666,349	$ 25,076,508	$ 18,686,345

The following presents the College's proportionate share of the net pension liability as of June 30, 2017 calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
College's proportionate share of the net pension liability	$ 32,827,962	$ 25,492,530	$ 19,308,056

Sensitivity of College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the College's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate of 7.5%, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 10,129,661	$ 8,648,302	$ 7,391,092

Sensitivity of College's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

The following presents the College's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the assumed trend rates, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage higher:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	$ 7,323,949	$ 8,648,302	$ 10,152,012

Change in Pension Plan Actuarial Assumption

On February 23, 2017, in accordance with PA 300 of 1980, as amended, the Michigan Public Schools' Employees Retirement System Board approved a decrease in the assumed investment rate of return (discount rate) used in the System's annual actuarial valuation for the non-hybrid defined benefit pension plan from 8.0% to 7.5% effective for the September 30, 2016 valuation and following.

The September 30, 2016 Annual Actuarial Valuation Report will be used to establish the employer contribution for fiscal year beginning October 1, 2018 and will be based upon the 7.5% investment rate of return assumption. The actuarial computed employer contributions for fiscal year 2019 and beyond and the net pension liability as of June 30, 2019 and beyond will increase as a result of lowering the assumed investment rate of return.

Pension and OPEB Plans Fiduciary Net Position

Detailed information about the pension and OPEB 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, 2018, the College reported a payable of $294,811 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2018. The College reported a payable of $264,347 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2017.

Payable to the OPEB Plan

At June 30, 2018, the College reported a payable of $50,599 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2018.

Defined Contribution

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, 2018 and 2017, the cost of this plan to the College was approximately $1,227,000 and $1,206,000 and participant contributions in the form of payroll deductions were approximately $346,000 and $339,000, 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 $952,949 and $318,629 for the years ended June 30, 2018 and 2017, respectively. The College entered into a lease agreement with the Foundation on July 1, 2012 related to its W. J. Maher Campus building. The Foundation charged the College $175,000 in rent for both fiscal 2018 and 2017.

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. JCD's expenses include depreciation on the building, interest payments on debt, direct utilities and other direct expenses covered by the rental income. The College collects and distributes rents for/to JCD and provides management and cleaning of the building. For the 2018 and 2017 fiscal years, the College paid JCD $946,400 and $906,000, respectively, in rental revenue.

9. UNRESTRICTED DEFICIT

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

	2018	2017
Major maintenance and equipment replacement	$ 3,856,326	$ 6,545,282
Future operations	9,671,867	5,477,298
Total designated	13,528,193	12,022,580
Pension and OPEB liability fund deficit	(35,359,201)	(28,734,848)
Undesignated	701,808	701,068
Total unrestricted net deficit	$ (21,129,200)	$ (16,011,200)

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, 2018 and 2017, 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, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

MPSERS COST-SHARING
MULTIPLE-EMPLOYER PLAN

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Pension Liability

	Year Ended June 30,			
	2018	2017	2016	2015
College's proportionate share of the net pension liability	$ 25,076,508	$ 25,492,530	$ 25,348,337	$ 31,557,371
College's proportion of the net pension liability	0.09677%	0.10218%	0.10378%	0.14327%
College's covered payroll	$ 8,021,049	$ 8,450,437	$ 9,132,227	$ 9,478,260
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	312.63%	301.67%	277.57%	332.94%
Plan fiduciary net position as a percentage of the total pension liability	64.21%	63.27%	63.17%	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.

Schedule of College Pension Contributions

	Year Ended June 30,			
	2018	2017	2016	2015
Contractually required contribution	$ 2,533,991	$ 2,340,447	$ 2,252,429	$ 3,135,547
Contributions in relation to the contractually required contribution	(2,533,991)	(2,340,447)	(2,252,429)	(3,135,547)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
College's covered payroll	$ 7,902,364	$ 9,003,990	$ 8,950,325	$ 12,526,015
Contributions as a percentage of covered employee payroll	32.07%	25.99%	25.17%	25.03%

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

Required Supplementary Information

Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability

	Year Ended June 30, 2018
College's proportionate share of the net OPEB liability	$ 8,648,302
College's proportion of the net OPEB liability	0.09766%
College's covered payroll	$ 8,021,049
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	107.82%
Plan fiduciary net position as a percentage of the total OPEB liability	36.39%

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

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Schedule of the College Other Postemployment Benefits Contributions

	Year Ended June 30, 2018
Contractually required contribution	$ 559,662
Contributions in relation to the contractually required contribution	(559,662)
Contribution deficiency (excess)	$ -
College's covered payroll	$ 7,902,364
Contributions as a percentage of covered payroll	7.08%

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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SUPPLEMENTARY COMBINING INFORMATION

JACKSON COLLEGE

Combining Statement of Net Position (Unaudited)
June 30, 2018

	General Fund	Designated Fund	Restricted Funds	Pension and OPEB Liability Fund	Endowment Funds	Plant Funds	Combined Total
Assets							
Current assets							
Cash and cash equivalents	$ 419,267	$ 1,647,898	$ 1,429,080	$ -	$ 10,325	$ 4,259,440	$ 7,766,010
Tuition and other receivables, net	1,035,097	2,549	1,037	-	-	20,000	1,058,683
State appropriations receivable	2,479,490	556,898	-	-	-	-	3,036,388
Federal and state grants receivable	-	-	478,274	-	-	-	478,274
Current portion of notes receivable	-	-	-	-	-	22,027	22,027
Inventories	27,796	-	-	-	-	-	27,796
Prepaid expenses and other assets	681,161	-	98,500	-	-	-	779,661
Total current assets	4,642,811	2,207,345	2,006,891	-	10,325	4,301,467	13,168,839
Noncurrent assets							
Investments	2,000,000	8,010,559	-	-	17,408	-	10,027,967
Notes receivable, net of current portion	-	-	-	-	-	25,893	25,893
Campus property, plant and equipment, net	-	-	-	-	-	74,438,315	74,438,315
Total noncurrent assets	2,000,000	8,010,559	-	-	17,408	74,464,208	84,492,175
Total assets	6,642,811	10,217,904	2,006,891	-	27,733	78,765,675	97,661,014
Deferred outflows of resources							
Deferred charge on refunding	-	-	-	-	-	500,941	500,941
Deferred pension amounts	-	-	-	5,315,546	-	-	5,315,546
Deferred OPEB amounts	-	-	-	486,110	-	-	486,110
Total deferred outflows of resources	-	-	-	5,801,656	-	500,941	6,302,597
Liabilities							
Current liabilities							
Accounts payable	779,967	546,037	291,446	-	-	302,582	1,920,032
Accrued compensation and benefits	2,409,766	-	10,276	-	-	-	2,420,042
Current portion of long-term liabilities	-	-	-	-	-	3,708,290	3,708,290
Accrued interest	-	-	-	-	-	168,452	168,452
Unearned revenue	2,751,270	-	1,344,644	-	-	-	4,095,914
Total current liabilities	5,941,003	546,037	1,646,366	-	-	4,179,324	12,312,730
Noncurrent liabilities							
Long-term liabilities, net of current portion	-	-	-	-	-	30,469,608	30,469,608
Net pension liability	-	-	-	25,076,508	-	-	25,076,508
Net OPEB liability	-	-	-	8,648,302	-	-	8,648,302
Total noncurrent liabilities	-	-	-	33,724,810	-	30,469,608	64,194,418
Total liabilities	5,941,003	546,037	1,646,366	33,724,810	-	34,648,932	76,507,148
Deferred inflows of resources							
Deferred pension amounts	-	-	-	7,143,671	-	-	7,143,671
Deferred OPEB amounts	-	-	-	292,376	-	-	292,376
Total deferred inflows of resources	-	-	-	7,436,047	-	-	7,436,047
Net position							
Net investment in capital assets	-	-		-	-	40,761,358	40,761,358
Restricted:							
Nonexpendable	-	-	-	-	27,733	-	27,733
Expendable	-	-	360,525	-		-	360,525
Unrestricted (deficit)	701,808	9,671,867	-	(35,359,201)	-	3,856,326	(21,129,200)
Total net position (deficit)	$ 701,808	$ 9,671,867	$ 360,525	$ (35,359,201)	$ 27,733	$ 44,617,684	$ 20,020,416

JACKSON COLLEGE

Combining Statement of Net Position (Unaudited)

June 30, 2017

	General Fund	Designated Fund	Restricted Funds	Pension Liability Fund	Endowment Funds	Plant Funds	Combined Total
Assets							
Current assets							
Cash and cash equivalents	$ 1,805,408	$ 5,461,699	$ 1,488,234	$ -	$ 9,191	$ 7,005,200	$ 15,769,732
Tuition and other receivables, net	1,602,784	3,876	15,953	-	-	26,200	1,648,813
State appropriations receivable	2,448,074	528,273	-	-	-	-	2,976,347
Federal and state grants receivable	3,200	-	594,284	-	-	-	597,484
Current portion of notes receivable	-	-	-	-	-	22,027	22,027
Inventories	33,388	-	-	-	-	-	33,388
Prepaid expenses and other assets	434,614	-	56,063	-	-	-	490,677
Total current assets	6,327,468	5,993,848	2,154,534	-	9,191	7,053,427	21,538,468
Noncurrent assets							
Investments	-	-	-	-	15,566	-	15,566
Notes receivable, net of current portion	-	-	-	-	-	49,614	49,614
Campus property, plant and equipment, net	-	-	-	-	-	73,526,894	73,526,894
Total noncurrent assets	-	-	-	-	15,566	73,576,508	73,592,074
Total assets	6,327,468	5,993,848	2,154,534	-	24,757	80,629,935	95,130,542
Deferred outflows of resources							
Deferred charge on refunding	-	-	-	-	-	560,661	560,661
Deferred pension amounts	-	-	-	3,272,448	-	-	3,272,448
Total deferred outflows of resources	-	-	-	3,272,448	-	560,661	3,833,109
Liabilities							
Current liabilities							
Accounts payable	956,426	516,550	326,185	-	-	388,107	2,187,268
Accrued compensation and benefits	2,361,556	-	8,252	-	-	-	2,369,808
Current portion of long-term liabilities	-	-	-	-	-	3,393,290	3,393,290
Accrued interest	-	-	-	-	-	169,652	169,652
Unearned revenue	2,308,418	-	976,566	-	-	-	3,284,984
Total current liabilities	5,626,400	516,550	1,311,003	-	-	3,951,049	11,405,002
Noncurrent liabilities							
Long-term liabilities, net of current portion	-	-	-	-	-	34,177,898	34,177,898
Net pension liability	-	-	-	25,492,530	-	-	25,492,530
Total noncurrent liabilities	-	-	-	25,492,530	-	34,177,898	59,670,428
Total liabilities	5,626,400	516,550	1,311,003	25,492,530	-	38,128,947	71,075,430
Deferred inflows of resources							
Deferred pension amounts	-	-	-	6,514,766	-	-	6,514,766
Net position							
Net investment in capital assets	-	-	-	-	-	36,516,367	36,516,367
Restricted:							
Nonexpendable	-	-	-	-	24,757	-	24,757
Expendable	-	-	843,531	-		-	843,531
Unrestricted (deficit)	701,068	5,477,298	-	(28,734,848)	-	6,545,282	(16,011,200)
Total net position (deficit)	$ 701,068	$ 5,477,298	$ 843,531	$ (28,734,848)	$ 24,757	$ 43,061,649	$ 21,373,455

JACKSON COLLEGE

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Unaudited)

For the Year Ended June 30, 2018

	General Fund	Designated Fund	Restricted Funds	Pension and OPEB Liability Fund	Endowment Funds	Plant Funds	Elimination Entries	Combined Total
Operating revenues								
Tuition and fees (net of scholarship allowances of $13,741,863)	$ 27,087,720	$ -	$ -	$ -	$ -	$ -	$ (13,741,863)	$ 13,345,857
Federal grants and contracts	9,200	-	2,455,902	-	-	-	-	2,465,102
State grants and contracts	-	-	3,150,807	-	-	-	-	3,150,807
Housing revenue	662,068	-	-	-	-	-	-	662,068
Potter Center activities	425,810	-	-	-	-	-	-	425,810
Contract training	156,183	-	-	-	-	-	-	156,183
Seminars, workshops, and other	1,041,879	251,621	589,738	-	-	24,246	-	1,907,484
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	5,416,274	(5,416,274)	-
Total operating revenues	**29,382,860**	**251,621**	**6,196,447**	**-**	**-**	**5,440,520**	**(19,158,137)**	**22,113,311**
Operating expenses								
Instruction	17,814,418	-	247,114	(750,204)	-	-	-	17,311,328
Information technology	2,630,950	-	-	(150,041)	-	-	-	2,480,909
Public service	1,056,267	-	-	-	-	-	-	1,056,267
Academic support	2,444,226	-	2,695,465	(750,205)	-	-	-	4,389,486
Student services	6,800,529	221,869	13,768,384	(1,050,285)	-	-	(13,741,863)	5,998,634
Administration	5,413,308	-	55,955	(150,041)	-	-	-	5,319,222
Operation and maintenance of plant	5,195,714	-	14,651	(150,041)	-	2,299,467	(5,416,274)	1,943,517
Depreciation and amortization	-	-	-	-	-	4,504,406	-	4,504,406
Total operating expenses	41,355,412	221,869	16,781,569	(3,000,817)	-	6,803,873	(19,158,137)	43,003,769
Operating (loss) income	(11,972,552)	29,752	(10,585,122)	3,000,817	-	(1,363,353)	-	(20,890,458)
Nonoperating revenues (expenses)								
State appropriations	14,201,108	-	-	(1,196,831)	-	-	-	13,004,277
Local property taxes	4,967,735	-	-	-	-	-	-	4,967,735
Federal Pell grant revenue	-	-	10,272,235	-	-	-	-	10,272,235
Private gifts and grants	108,160	100,175	3,750	-	-	500,000	-	712,085
Interest income	26	12,397	-	-	2,976	-	-	15,399
Gain on disposal of property and equipment	-	-	-	-	-	2,912	-	2,912
Interest expense	-	-	-	-	-	(993,885)	-	(993,885)
Transfer of funds to Jackson College Foundation	-	(15,000)	-	-	-	-	-	(15,000)
Net nonoperating revenues (expenses)	19,277,029	97,572	10,275,985	(1,196,831)	2,976	(490,973)	-	27,965,758
Increase (decrease) in net position	7,304,477	127,324	(309,137)	1,803,986	2,976	(1,854,326)	-	7,075,300
Transfers in (out)	(7,303,737)	4,067,245	(173,869)	-	-	3,410,361	-	-
Net increase (decrease) in net position	740	4,194,569	(483,006)	1,803,986	2,976	1,556,035	-	7,075,300
Net position (deficit), beginning of year	701,068	5,477,298	843,531	(28,734,848)	24,757	43,061,649	-	21,373,455
Implementation of GASB 75	-	-	-	(8,428,339)	-	-	-	(8,428,339)
Adjusted net position, beginning of year	701,068	5,477,298	843,531	(37,163,187)	24,757	43,061,649	-	12,945,116
Net position (deficit), end of year	$ 701,808	$ 9,671,867	$ 360,525	$ (35,359,201)	$ 27,733	$ 44,617,684	$ -	$ 20,020,416

JACKSON COLLEGE

Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Unaudited)
For the Year Ended June 30, 2017

	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 allowances of $13,011,927)	$ 25,890,396	$ -	$ -	$ -	$ -	$ -	$ (13,011,927)	$ 12,878,469
Federal grants and contracts	9,200	-	2,627,116	-	-	-	-	2,636,316
State grants and contracts	-	-	106,877	-	-	-	-	106,877
Housing revenue	1,249,881	-	-	-	-	-	-	1,249,881
Potter Center activities	466,785	-	-	-	-	-	-	466,785
Contract training	250,346	-	-	-	-	-	-	250,346
Seminars, workshops, and other	1,221,338	210,319	568,318	-	-	207,003	-	2,206,978
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	3,016,405	(3,016,405)	-
Total operating revenues	**29,087,946**	**210,319**	**3,302,311**	**-**	**-**	**3,223,408**	**(16,028,332)**	**19,795,652**
Operating expenses								
Instruction	18,646,818	-	96,877	(691,339)	-	-	-	18,052,356
Information technology	2,838,044	-	-	-	-	-	-	2,838,044
Public Service	1,032,185	-	-	-	-	-	-	1,032,185
Academic support	2,605,046	-	488,839	(691,339)	-	-	-	2,402,546
Student services	7,077,393	210,146	11,943,442	(1,106,143)	-	-	(13,011,927)	5,112,911
Administration	5,370,035	-	64,378	(138,268)	-	-	-	5,296,145
Operation and maintenance of plant	5,031,300	-	22,298	(138,268)	-	2,964,455	(3,016,405)	4,863,380
Depreciation and amortization	-	-	-	-	-	4,014,414	-	4,014,414
Total operating expenses	42,600,821	210,146	12,615,834	(2,765,357)	-	6,978,869	(16,028,332)	43,611,981
Operating (loss) income	(13,512,875)	173	(9,313,523)	2,765,357	-	(3,755,461)	-	(23,816,329)
Nonoperating revenues (expenses)								
State appropriations	13,778,809	-	-	(777,478)	-	-	-	13,001,331
Local property taxes	4,890,768	-	-	-	-	-	-	4,890,768
Federal Pell grant revenue	-	-	9,275,140	-	-	-	-	9,275,140
Private gifts and grants	109,755	30,993	1,000	-	-	-	-	141,748
Interest income	65	3,534	-	-	2,093	-	-	5,692
Gain on disposal of property and equipment	-	-	-	-	-	9,415	-	9,415
Interest expense	-	-	-	-	-	(1,441,607)	-	(1,441,607)
Transfer of funds to Jackson College Foundation	-	-	-	-	-	-	-	-
Total nonoperating revenues	18,779,397	34,527	9,276,140	(777,478)	2,093	(1,432,192)	-	25,882,487
Other revenues								
Capital gifts and grants	-	-	-	-	-	271,973	-	271,973
State capital appropriations	-	-	-	-	-	1,880,534	-	1,880,534
Total other revenues	-	-	-	-	-	2,152,507	-	2,152,507
Increase (decrease) in net position	5,266,522	34,700	(37,383)	1,987,879	2,093	(3,035,146)	-	4,218,665
Transfers in (out)	(5,265,791)	-	639,996	-	-	4,625,795	-	-
Net (decrease) increase in net position	731	34,700	602,613	1,987,879	2,093	1,590,649	-	4,218,665
Net position, beginning of year	700,337	5,442,598	240,918	(30,722,727)	22,664	41,471,000	-	17,154,790
Net position, end of year	$ 701,068	$ 5,477,298	$ 843,531	$ (28,734,848)	$ 24,757	$ 43,061,649	$ -	$ 21,373,455

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