

**Jackson College
Board of Trustees Meeting
Regular Meeting - Monday, November 9, 2020
6:30PM**



AGENDA

- 1.0 Call to Order & Pledge of Allegiance**
- 2.0 Trustee Declarations per Act No. 228, Public Acts of 2020 (SB 1108)**
- 3.0 Adoption of Minutes**
 - 3.1 Regular Board Meeting, Dated 10.12.20
 - 3.2 Fall Planning Session Meeting, Dated 11.6.20
- 4.0 Declaration of Conflict of Interest**
- 5.0 Ownership Linkage**
 - 5.1 Public Comments (limit of 5 minutes per person)
 - 5.2 Board Comments
- 6.0 Items for Decision**
 - 6.1 Executive Limitations**
 - 6.1.1 Naming of Central Campus Pond
 - 6.1.2 EL-04 Financial Conditions & Activities Policy
 - 6.1.3 EL-08 Communication & Support to the Board Policy
- 7.0 Monitoring CEO Performance**
 - 7.1 EL-04 Financial Conditions & Activities
 - 7.2 EL-08 Communication & Support to the Board
- 8.0 Monitoring Board Performance**
 - 8.1 Board Self-Monitoring Worksheet of BCD-01 Unity of Control (Previous Item From 10.12.20 agenda)
- 9.0 Information Requested by the Board**
 - 9.1 Audit Report
 - 9.2 CEO/CFO Audit Certifications
- 10.0 Self-Evaluation of Governance Process & Board Performance at this Meeting**
 - 10.1 Principles of Policy Governance
- 11.0 Meeting Content Review**
- 12.0 Adjourn**

REGULAR MEETING OF THE BOARD OF TRUSTEES
Jackson College
Virtual/Electronic Meeting – Via Zoom Video Communications
October 12, 2020

The regular meeting of the Board of Trustees of Jackson College was held on Monday, October 12, 2020 electronically on the Zoom video platform.

Chairman Barnes called the meeting to order at 6:30pm Eastern Daylight Savings Time.

Board Members Present: Chairman, Sam Barnes; Vice Chairman, John Crist; Trustee; Matt Heins, Trustee; Donna Lake, Trustee; Philip Hoffman, Secretary, Sheila Patterson and Trustee Dr. Ed Mathein.

Others Present: Dr. Daniel J. Phelan, Cindy Allen, Sara Perkin, Darrell Norris, Lee Hampton, Jeremy Frew, Jason Valente, Alana Tuckey, Kelly Crum, Ashley VanHeest, Monica Bouman, Stephen Young, Clevester Moten, Todd Butler, Kelly Chambers, Randy Bentley, Michael Masters.

ADOPTION OF MINUTES

The minutes of the regular Board meeting of September 14, 2020 were moved into the record, without change, by Chairman Barnes on behalf of the Trustees.

DECLARATION OF CONFLICT OF INTEREST

There were no conflicts of interest expressed by Trustees.

OWNERSHIP LINKAGE

There were no public comments.

BOARD-CEO DELEGATION ITEM

Policy Review: BCD-01 Unity of Control

Policy BCD-01 Unity of Control was presented for review. There were no suggested changes.

MOTION BY TRUSTEE HOFFMAN “To approve policy BCD-01 Unity of Control as presented. **ROLL CALL VOTE: TRUSTEES HOFFMAN, PATTERSON, HEINS, LAKE, CRIST, MATHIEN AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**

GOVERNANCE PROCESS ITEMS

Consideration of Fall Planning Session Agenda & Date

Discussion was held to determine a date for the fall planning session and the Board selected November 6, 2020. A draft agenda and topics were reviewed. The Board will continue Policy Governance training with Rose Mercier for part of the session.

MOTION BY TRUSTEE HOFFMAN “To approve November 6, 2020 as the fall planning session date. **ROLL CALL VOTE: TRUSTEES HEINS, LAKE, PATTERSON, CRIST, MATHEIN, BARNES AND HOFFMAN VOTING AYE. MOTION PASSED UNANIMOUSLY.**

Board Meeting Planning

Dr. Phelan reviewed implications for the upcoming board meeting format, given the recent overturn of the Governor's authority due to the Michigan Supreme Court ruling. With this new law, virtual meetings can be held through the end of the calendar year. The Board will hold its Fall Planning Session and Regular November Board Meeting virtually. Beginning January 1, 2021, all public meetings will be held in person. He noted that ample space will be provided for proper physical distancing, though it will not be held in the boardroom.

REQUIRED APPROVALS AGENDA

Consideration of Best Practices Resolution

President Phelan presented this year's Best Practices Resolution for the Boards consideration. The resolution is filed with the State and used for a small portion of the College's state aid allocation.

MOTION BY TRUSTEE CRIST "To approve the 2020 Best Practices Resolution."

ROLL CALL VOTE: TRUSTEES HEINS, LAKE, PATTERSON, CRIST, MATHEIN, BARNES AND HOFFMAN VOTING AYE. MOTION PASSED UNANIMOUSLY.

MONITORING CEO PERFORMANCE

President Phelan presented highlights from the EL-08 Treatment of Students monitoring report.

MOTION BY TRUSTEE PATTERSON "To accept the EL-08 Treatment of Students Monitoring Report." **ROLL CALL VOTE: TRUSTEES HEINS, LAKE, PATTERSON, CRIST, MATHEIN, BARNES AND HOFFMAN VOTING AYE. MOTION PASSED UNANIMOUSLY.**

INFORMATION REQUESTED BY THE BOARD

Q1 Financial Report

President Phelan provided an overview of the Q1 Financial Report to the Board.

MONITORING BOARD PERFORMANCE

Board Self-Monitoring Worksheet of BCD-01 Unity of Control

This item was carried over to the November meeting.

SELF-EVALUATION OF GOVERNANCE PROCESS & BOARD PERFORMANCE AT THIS MEETING

This agenda item provided an opportunity for the Board discussion to reflect on how well Policy Governance principles were incorporated into each meeting.

ADJOURN

MOTION BY TRUSTEE HOFFMAN "To adjourn." **ROLL CALL VOTE: TRUSTEES CRIST, HEINS, LAKE, HOFFMAN, PATTERSON, MATHIEN AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**

Meeting adjourned at 7:22PM.

The foregoing minutes of the regular meeting of the Board of Trustees held on Monday, October 12, 2020 were approved at the regular meeting of the Board held on November 9, 2020.

Sheila Patterson

Secretary

Samuel R. Barnes

Chairman

REGULAR MEETING OF THE BOARD OF TRUSTEES
Jackson College
Virtual/Electronic Meeting – Via Zoom Video Communications
November 6, 2020

The planning session of the Board of Trustees of Jackson College was held on Friday, November 6, 2020 electronically on the Zoom video platform.

Chairman Barnes called the meeting to order at 8:32am Eastern Standard Time.

Board Members Present: Chairman, Sam Barnes; Vice Chairman, John Crist; Trustee; Matt Heins, Trustee; Donna Lake, Trustee; Philip Hoffman, Secretary, Sheila Patterson and Trustee Dr. Ed Mathein.

Trustee Patterson left the meeting at 10:00am EST.

Others Present: Dr. Daniel J. Phelan, Sara Perkin, Dotty Karkheck and Rose Mercier.

TRUSTEE DECLARATIONS PER ACT NO 228 PA OF 2020

All Trustees declared that they are attending remotely for a purpose other than military duty.

- Chairman Barnes declared he is attending virtually, not because of military duty and he is at his residence in Jackson Michigan.
- Trustee Crist declared he is attending virtually, not because of military duty, and he is at his residence in Summit Township in Jackson, Michigan.
- Trustee Lake declared she is attending virtually, not because of military duty, and she is at her residence in Jackson Michigan.
- Trustee Mathein declared he is attending virtually, not because of military duty, and he is in Summit Township, Jackson Michigan.
- Trustee Hoffman declared he is attending virtually, not because of military duty, and he is at his residence in Liberty Township in Jackson County Michigan.
- Trustee Heins declared he is attending virtually, not because of military duty, and he is at his residence in Summit Township in Jackson Michigan.
- Trustee Patterson declared she is attending virtually, not because of military duty, and she is at her residence in the City of Jackson Michigan.

PUBLIC COMMENTS

There were no public comments.

POLICY GOVERNANCE DEVELOPMENT – CONTINUING WORK WITH ROSE MERCIER

Consultant Rose Mercier shared a summary of the feedback she gained when conducting interviews with the trustees, prior to the planning session. Additionally, she presented additional process information on monitoring, ownership linkage, future focus and Policy Governance sustainability.

Discussion was held regarding the addition of quarterly organizational presentations, held at the regular board meetings, not less than quarterly. Adjustment will be made to policy EL-08 Communication and Support to the Board.

FEDERAL AND STATE UPDATES

President Phelan provided some federal and state updates with the board, including the potential for stimulus 5 monies and possible congressional changes depending on Presidential election campaign. An update on Future for Frontliners was also shared.

PREDOMINATELY VIRTUAL COLLEGE OPERATIONS – REVIEW AND FUTURE PLANNING

President Phelan shared the current status of Covid cases in housing and the plans for determining operations for the winter and spring/summer semesters, as well as for FY '22.

LONG TERM OBJECTIVES

President Phelan provided a summary of the Strategic Agenda with the Board, including Strategic Assumptions which helped to drive the Agenda's formation. Discussion and questions followed with topics including a focus on online learning and efficacy of Student Success Navigators.

PLUS/DELTA

Feedback was provided by Trustees regarding the handling of the meeting. The shortened length of the meeting is appreciated and the time, with Rose also expressed as a plus. Appreciation was expressed for the Ownership Linkage information presented.


ADJOURN

MOTION BY TRUSTEE HOFFMAN "To adjourn." **MOTION PASSED UNANIMOUSLY.**
Meeting adjourned at 11:31AM.

The foregoing minutes of the regular meeting of the Board of Trustees held on Friday, November 6, 2020 were approved at the regular meeting of the Board held on November 9, 2020.



Secretary



Chairman

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

- 5.0 Ownership Linkage
 - 5.1 Public Comments (limit of 5 minutes per person)
 - 5.2 Board Comments

Description:

This item is placed on the agenda for members of the community to provide comments to the Board of Trustees. This is the only open forum period during each regularly scheduled board meeting. Comments are limited to five (5) minutes unless a significant number of people plan to speak; in that instance, the Chair may limit a person's comments to less than five (5) minutes.

When addressing the Board, speakers are asked to be respectful and civil, and are encouraged to address individual, personnel, or student matters directly with the appropriate College department, rather than the Board. As a standard practice, the Board does not respond in this setting when the matter presented concerns personnel, student issues, or matters that are being addressed through the established grievance or legal processes, or otherwise are a subject of review by the Board of Trustees.

Resource Impact:

None

Requested Board Action:

None

Action Taken:

None

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

6.1.1 Naming of the Central Campus Pond

Following the construction completion of the pond on the College's Central Campus, we conducted a naming competition for employees, the entries of which were reviewed by a committee, and then brought forward to the Leadership Council for consideration. The consensus opinion was for the name, 'Zenneth' Pond.' We have reached out to members of Zenneth Pond's family, and they indicated that it would be an honor to have the pond named after Zenneth.

As a reminder, the Colleges Soaring Young Alumni Award is named after Zenneth, who was an alumni of Jackson Junior College, and whom went missing after taking off for an air raid during WWII.

Resource Impact:

None

Requested Board Action:

Consideration and approval of naming the Central Campus Pond the Zenneth Pond.

Action Taken:

MOTION BY TRUSTEE CRIST "To approve Zenneth Pond as the name for the Central Campus pond." **ROLL CALL VOTE: TRUSTEES CRIST , PATTERSON, LAKE, HOFFMAN, HEINS AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**

<https://www.jccmi.edu/alumni/alumni-recognition/soaring-young-alumni-award/>

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

6.1.2 EL-04 Financial Conditions & Activities Policy

Enclosed for your consideration is a proposed change to policy EL-04 Financial Conditions & Activities.

The statements proposed for removal are duplicative and more properly belong in policy EL-13 Entrepreneurial Activity, thus the proposed change.

Resource Impact:

None

Requested Board Action:

Consideration of changes to policy EL-04 Financial Conditions & Activities Policy

Action Taken:

MOTION BY TRUSTEE MATHEIN "To approve policies EL-04 Financial Conditions & Activities and EL-08 Communication & Support to the Board." **ROLL CALL VOTE: TRUSTEES CRIST, HEINS, HOFFMAN, MATHEIN, PATTERSON, LAKE AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**



Governance Process	Ends
Board- President Delegation	Executive Limitations

BOARD OF TRUSTEES POLICY

Policy Type: Executive Limitations

Policy Title: Financial Conditions and Activities

Policy Number: EL-04

Date Adopted: 11/11/19

Version: 1.0

Date Last Reviewed: 11/11/19

Office Responsible: President's

Reviewing Committee: Board of Trustees

With respect to the actual, ongoing financial conditions and activities, the President shall not cause, or allow, the development of fiscal jeopardy, or actual expenditures, that are not aligned with achievement of the Board's Ends.

Further, without limiting the scope of the above statement by the following list, the President shall not:

1. Expend more funds than have been received in the fiscal year to-date unless the debt guideline below is met.
 - 1.1. Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within the current fiscal year or that can be repaid to accounts previously established by the Board for that purpose.
2. Use funds from restricted or designated accounts for purposes other than that for which the account was established.
3. Allow the College's cash position in any month to be less than is needed to satisfy obligations in that month.
 - 3.1. Allow a combined operating fund balance reserves to be less than the average of two months' operating expenses.
4. Allow the untimely payment of payroll and debts.
5. Write off receivables without having first aggressively pursued payment after a reasonable grace period.
6. Allow tax payments or other government ordered payments or reports to be overdue or inaccurately filed.
7. Acquire, encumber or dispose of land or buildings.
8. Engage in entrepreneurial activity inconsistent with contribution to the overall Ends of the College in order to generate income.
 - 8.1. Engage in entrepreneurial activities for which the full cost of the activity is not recognized.

Commented [PSA1]: These should be removed. They are repetitive and are in EL-13 Entrepreneurial Activity

Date Of Change	Version	Description of Change	Responsible Party
11.11.19	1.0	First release following Policy Governance consulting work.	Chief of Staff

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

6.1.3 EL-08 Communication & Support to the Board

Enclosed for your consideration are changes to policy EL-08 Communication & Support to the Board.

These changes more accurately reflect current college practices.

Resource Impact:

None

Requested Board Action:

Consideration of changes to policy EL-08 Communication & Support to the Board.

Action Taken:

MOTION BY TRUSTEE MATHEIN "To approve policies EL-04 Financial Conditions & Activities and EL-08 Communication & Support to the Board." **ROLL CALL VOTE: TRUSTEES CRIST, HEINS, HOFFMAN, MATHEIN, PATTERSON, LAKE AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**



Governance Process	Ends
Board-President Delegation	Executive Limitations

BOARD OF TRUSTEES POLICY

Policy Type: Executive Limitations

Policy Title: Communication & Support to the Board

Policy Number: EL-08

Date Adopted: 11/11/19

Version: 1.0

Date Last Reviewed: 11/11/19

Office Responsible: President's

Reviewing Committee: Board of Trustees

The President shall not permit the Board to be uninformed or unsupported in its work.

Further, without limiting the scope of the above statement by the following list, the President shall not:

1. Withhold, impede, or confound information relevant to the Board's informed accomplishment of its job.
 - 1.1. Allow the Board to be without timely decision information to support informed Board choices, including regular updates on the status of the Board's Policy Governance expenditures, relevant environmental scanning data, a representative range of staff and external points of view, a and risk assessment including probability and impact of risks, and alternative choices with their respective implications.
 - 1.2. Neglect to submit timely monitoring data including, i interpretations of Board policies that provide the observable metrics or conditions that would demonstrate compliance, rationale for why the interpretations are reasonable and evidence of compliance.
 - 1.3. Let the Board be unaware of any actual or anticipated non-compliance with any Ends or Executive Limitations policy, regardless of the Board's monitoring schedule.
 - 1.4. Let the Board be unaware of any incidental information it requires, including:
 - Anticipated media coverage;
 - Actual or anticipated legal actions;
 - Material or publicly visible internal changes or events, including changes in executive personnel;
 - Anticipated noncompliance with federal law, state law or local;
 - Quarterly financial statements;
 - Annual year-end financial report; or

- Names and titles of two executive administration members familiar with Board and presidential matters and processes.
 - At least every quarter a presentation from a designated area.
 - On a timely basis, an overview of new projects or initiatives.
- 1.5. Allow the Board to be unaware that, in the President's opinion, the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the President.
 - 1.6. Present information in unnecessarily complex or lengthy form, or in a form that does not clearly differentiate among monitoring, decision preparation, and general incidental or other information.
 2. Allow the Board to be without reasonable administrative support for Board activities.
 - 2.1. Allow the Board to be without a workable, user-friendly mechanism for official Board, officer or Board committee communications.
 - 2.2. Allow the Board to be without administrative support to assist the Secretary of the Board in achieving the Secretary's assigned results.
 3. Impede the Board's holism, misrepresent its processes and role, or impede its lawful obligations.
 - 3.1. Deal with the Board in a way that favors or privileges certain Board members over others, except when (a) fulfilling individual requests for information or (b) responding to officers, or committees duly charged by the Board.
 - 3.2. Neglect to supply for the Required Approvals agenda all items delegated to the President, yet required by law, regulation or contract to be Board-approved, along with the applicable monitoring information.

Date Of Change	Version	Description of Change	Responsible Party
11.11.19	1.0	First release following Policy Governance consulting work.	Chief of Staff

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

7.1 Monitoring CEO Performance: EL-04 Financial Conditions & Activities

Enclosed for your review is the Monitoring Report for EL-04 Financial Conditions & Activities. You will note that the report indicates Compliance” with the Board’s Ends.

I continue to be very pleased with this expanded Policy Governance approach. I hope find it your liking, and that it more accurately represents the focus areas for the Board.

I am happy to answer any questions you have about the report.

Resource Impact:

None

Requested Board Action:

Board consideration and discussion related to Presidents compliance of EL-04 Financial Conditions & Activities.

Action Taken:

MOTION BY TRUSTEE LAKE “To accept the EL-04 Financial Conditions & Monitoring Report.” **ROLL CALL VOTE: TRUSTEES LAKE, PATTERSON, MATHEIN, HOFFMAN, HEINS, CRIST AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**

**Jackson College
Board of Trustees**

**MONITORING REPORT FOR EL – 04 FINANCIAL CONDITIONS AND ACTIVITIES
DATE: 11/09/2020**

Board Policy is indicated in bold typeface throughout.

I present this monitoring report in response to the board policy: “Financial Conditions and Activities”, and according to the schedule previously defined. I certify that the information contained in herein is true and represents compliance, based upon a reasonable interpretation of the policy, unless specifically stated otherwise. Interpretations are unchanged from the previous report, unless otherwise noted.



11/5/2020

Daniel J. Phelan, Ph.D.
President and CEO

Date

POLICY STATEMENT: With respect to the actual, ongoing financial conditions and activities, the President shall not cause or allow the development of fiscal jeopardy or actual expenditures that are not aligned with achievement of the Board’s Ends.

The Board has interpreted “financial conditions and activities that would cause the development of fiscal jeopardy in policy items 1, 1.1, 2, 3, 3.1, 4, 5, 6 and 7. Evidence of compliance with this opening statement will be demonstrated by the evidence provided collectively for the enumerated statements and the following:

Compliance with the policy statement means that the CEO will not allow any expenditures not aligned with the achievement of the Board’s Ends.

The primary means of achieving the College’s Ends (for students and community) are through (a) the people who teach, provide student services, ensure efficient administration, maintain facilities and manage housing and are represented by approximately 2/3 of expenditures – education is a people-intensive process; and (b) programs, technology needs, materials, rent, utilities & insurance, other operating costs; which represent approximately 21% of expenditures.

Further, without limiting the scope of the above statement by the following list, the President shall not:

- 1. Expend more funds than have been received in the fiscal year to-date, unless the debt guideline below is met.**

INTERPRETATION:

The Board has partially interpreted this policy in policy item 1.1. Compliance will be demonstrated when, in addition to the evidence for 1.1,

- a) [Monthly financial statements](#), specifically the general fund income statement for the current monitoring period confirm that expenses did not exceed income.

EVIDENCE:

Month	Income	Expenses
November 2019	\$23,043,312	\$19,063,580
December 2019	\$24,270,243	\$22,975,694
January 2020	\$36,871,606	\$26,507,726
February 2020	\$38,279,343	\$30,189,139
March 2020	\$39,325,678	\$33,844,634
April 2020	\$40,408,215	\$37,042,434
May 2020	\$45,442,390	\$41,071,202
June 2020	\$46,969,791	\$46,969,006
July 2020	\$3,967,390	\$3,020,165
August 2020	\$14,591,255	\$6,144,714
September 2020	\$17,551,441	\$9,251,811

- 1.1. Incur debt in an amount greater than can be repaid by certain, otherwise unencumbered revenues within the current fiscal year, or that can be repaid to accounts previously established by the Board for that purpose.**

INTERPRETATION:

Compliance will be demonstrated when:

- a) No expenditures greater than \$100,000 are made that were not included in the initial financial plan, or the College's five-year master plan. This is reasonable as an expenditure greater than this amount could not be covered by unencumbered revenues
- b) Expenditures on debt do not exceed the Board approved budget.

EVIDENCE:

- a) On 11/4/2020 the Chief of Staff confirmed with the Controller that no expenditures over \$100,000 have been made without Board approval, that were not also included in the initial financial plans (i.e., budgets or five-year plans) approved by the Board.
- b) [Monthly financial statements](#) for this monitoring period (November 2019 thru September 2020) confirm that debt expenses are within budget.

Month	Debt Transfer Actual	Debt Transfer Budget
November 2019	\$2,020,006	\$4,848,013
December 2019	\$2,424,007	\$4,848,013
January 2020	\$2,828,007	\$4,848,013
February 2020	\$3,232,009	\$4,848,013
March 2020	\$3,636,010	\$4,848,013
April 2020	\$4,040,011	\$4,848,013
May 2020	\$4,444,012	\$4,848,013
June 2020	\$4,848,013	\$4,848,013
July 2020	\$346,735	\$4,160,813
August 2020	\$693,469	\$4,160,813
September 2020	\$1,040,203	\$4,160,813

2. Use funds from restricted or designated accounts for purposes other than that for which the account was established.

INTERPRETATION:

Compliance will be demonstrated when:

- a) A review of the monthly financial statements confirms that the month-end balance for the designated funds, which the board has set aside for future operations, have not changed (i.e., declined) month to month, during this monitoring period (i.e., November 2019 thru September 2020).
- b) An external review of restricted fund use is conducted and confirms use has been limited to intended use.

EVIDENCE:

a)

Month	Designated Funds (Future Operations)
November 2019	\$8,603,673
December 2019	\$8,603,673
January 2020	\$8,603,673
February 2020	\$8,603,673
March 2020	\$8,603,673
April 2020	\$8,603,673
May 2020	\$8,603,673
June 2020	\$8,603,673
July 2020	\$11,761,324
August 2020	\$11,761,324
September 2020	\$11,761,324

b) The [Annual Federal Awards Audit for 2019](#) listed no findings for restricted fund usage, was completed and is currently listed on the College's transparency website.

3. Allow the College's cash position in any month to be less than is needed to satisfy obligations in that month.

INTERPRETATION:

The Board has partially interpreted this policy in policy item #3.1. Compliance will be demonstrated when, in addition to the evidence for 3.1,

a) A review of the monthly financial statements for months of the monitoring period confirms that the cash position of the College continues to be positive.

EVIDENCE:

Month	Cash position
November 2019	\$21,355,425
December 2019	\$19,440,466
January 2020	\$18,878,986
February 2020	\$24,384,246

March 2020	\$23,097,475
April 2020	\$17,784,928
May 2020	\$16,373,664
June 2020	\$29,617,973
July 2020	\$19,904,937
August 2020	\$20,281,222
September 2020	\$19,533,536

3.1. Allow a combined operating fund balance reserves to be less than the average of two months' operating expenses.

INTERPRETATION:

Compliance will be demonstrated when:

- a) A review of monthly financial reports for the monitoring period confirm the amount prescribed in the policy statement.
- b) The requirement of the operating fund balance not being less than the average of two months operating expenses.

EVIDENCE:

- a) and b) On 11/4/2020, the Controller provided the dollar amounts for 2 months budgeted expenses and operating reserves for the months in the monitoring period.

Month	2 Months Budgeted Expenses	Actual Operating Reserves
November 2019	\$7,964,362	\$13,625,063
December 2019	\$7,964,362	\$10,967,020
January 2020	\$7,964,362	\$20,028,388
February 2020	\$7,964,362	\$17,817,602
March 2020	\$7,964,362	\$15,232,489
April 2020	\$7,964,362	\$13,141,449
May 2020	\$7,964,362	\$14,166,975
June 2020	\$7,964,362	\$11,318,665
July 2020	\$6,836,116	\$13,607,261

August 2020	\$6,836,116	\$21,121,826
September 2020	\$6,836,116	\$20,989,946

4. Allow the untimely payment of payroll and debts.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Employees are paid biweekly which is consistent with payment schedule required by employment contract /labor agreement and appointment letters received by administrators.
- b) Vendors are paid weekly consistent with vendor contracts and bond debt is paid semi-annually according to internal controls and processes reviewed by our external auditor.

EVIDENCE:

- a) The Chief of Staff confirmed with the Controller on 11/4/2020 that all employees have been paid biweekly in the monitoring period. Control Totals are compared to payroll reports to ensure all employees are being paid.
- b) The Chief of Staff confirmed with the Controller on 11/4/2020 that there are no outstanding payments to vendors or bond debt payments.

5. Write off receivables without having first aggressively pursued payment after a reasonable grace period.

INTERPRETATION:

Compliance will be demonstrated when

- a) There is a process in place reviewed by the Controller on 11/4/2020 which describes the College's process for past due payments from students. This process includes in-house calls made to students who have an outstanding balance at the end of the semester.
- b) After 45 days, delinquent accounts are turned over to contracted collections.
- c) Students who owe for a prior semester with a balance over \$100 are not able to register. For the subsequent semester This policy is up to date and accessible to students. Note: In full disclosure, during this pandemic, this requirement has been held in abeyance.

These steps are reasonable because they align with industry best practices.

EVIDENCE:

- a) On 11/4/2020 the Chief of Staff confirmed with the Controller that this process is still in place and is stored internally.
- b) The following number of accounts and respective dollar worth was submitted to collections for the monitoring period.

Term	Number of Accounts	Total
19/FL	161	\$231,589.07
20/WN	139	\$200,384.93
20/SP	176	\$215,988.84
Totals	476	\$647,962.84

- c) The College's [Financial Obligation Hold](#) policy was reviewed on 2/19/19 within the two year review period and is available online for students to view.

6. Allow tax payments or other government ordered payments or reports to be overdue or inaccurately filed.

I am reporting partial-compliance with this statement as explained below.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The year-end informational reports, required by the IRS, are submitted timely and with no penalties.
- b) Sales Use and Withholding Tax returns are submitted monthly by the required deadline.
- c) Quarterly 941 Reports have been submitted to the IRS.
- d) Payroll withholding taxes are submitted on a biweekly basis that aligns with the payroll schedule.

This interpretation is reasonable as it addresses all required federal and state reporting and submissions

EVIDENCE:

- a) We are currently appealing a civil penalty from the IRS that we have recently paid. The penalty came as a result of us filing the 1095C late in 2017. The 1095C

is the report that confirms an employee has health insurance. Also, in 2017, we filed some 1098T forms that had missing or incorrect social security numbers. Because we do not require social security numbers for enrolment, we are required to show due diligence to the IRS is collecting this information. While we have a process in place for soliciting missing student social security numbers, we have made improvements in timing and documentation as a result of this penalty.

- b) The Controller confirmed on 11/4/2020 that the monthly State of Michigan Sales Use and Withholding Tax Returns have been completed.
- c) The Controller confirmed on 11/4/2020 that the Quarterly 941 Reports have been submitted.
- d) The Controller confirmed on 11/4/2020 that the payroll withholding taxes have been submitted on a biweekly basis.

7. Acquire, encumber or dispose of land or buildings.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The Controller confirmed on 11/4/2020 there was no acquisition, encumbrance, or disposal of land or buildings outside of the five-year master plan the Board approved.

This is reasonable because it provides validation of compliance.

EVIDENCE:

- a) A review of Board agendas from the Monitoring period (November 2019 to present) shows that the following item was brought to the Board for their consideration and was approved.
 - a. Transfer of Wickwire House property to the Jackson College Foundation occurred on –June 8, 2020.

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

7.2 Monitoring CEO Performance: EL-08 Communication & Support to the Board

Enclosed for your review is the Monitoring Report for EL-08 Communication & Support to the Board. Again, you will note my designation of Compliance with the Board's Ends.

I am happy to answer any questions you have.

Resource Impact:

None

Requested Board Action:

Board consideration and discussion related to Presidents compliance of EL-08 Communication & Support to the Board.

Action Taken:

MOTION BY TRUSTEE MATHEIN "To accept the EL-08 Treatment of Students Monitoring Report." **ROLL CALL VOTE: TRUSTEES MATHEIN, LAKE, PATTERSON, HOFFMAN, HEINS AND BARNES VOTING AYE. MOTION PASSED UNANIMOUSLY.**

**Jackson College
Board of Trustees**

**MONITORING REPORT FOR EL – 08 Communication and Support to the Board
DATE: 11/12/2020**

Board Policy is indicated in bold typeface throughout.

I hereby present this monitoring report regarding your Executive Limitations Policy: "Communication and Support to the Board", according to the schedule previously defined and approved by the Board. I certify that the information contained in herein is true and represents compliance with a reasonable interpretation of the policy, unless specifically stated otherwise. Interpretations are unchanged from the previous report, unless otherwise noted.



11/4/2020

Daniel J. Phelan, Ph.D.
President and CEO

Date

POLICY STATEMENT: The President shall not permit the Board to be uninformed or unsupported in its work.

INTERPRETATION:

I declare full compliance with this policy statement unless specified within the following report.

Further, without limiting the scope of the above statement by the following list, the President shall not:

- 1. Withhold, impede, or confound information relevant to the Board's informed accomplishment of its job.**

The Board has fully interpreted what it means by withholding information, impeding information and confounding information.

- 1.1. Allow the Board to be without timely decision information to support informed Board choices, including regular updates on the status of the Board's governance expenditures, environmental scanning data, and risk assessment.**

INTERPRETATION:

Compliance will be demonstrated when:

- a) The annual budget includes allocations for the Boards expenses which are allocated as follows: Audit, Legal, Subscriptions, Professional Development, Telephones and Meeting Expenses.
- b) The Board will be made aware if there are over expenditures in their overall department fund.
- c) The Board is provided with relevant context (environmental scanning and risk assessment when appropriate) when being asked to make decisions.

EVIDENCE:

- a) On 10/20/20, the Chief of Staff confirmed there are budget allocations in the FY '21 budget for the Board's expenses. Specifically:
 - a. Audit: \$70,000
 - b. Legal: \$170,000
 - c. Subscriptions: \$21,500
 - d. Professional Development: Currently at \$0 due to the College's response to COVID-19. With the uncertainty associated with the pandemic the College eliminated the bulk of professional development across all departments, retaining a limited pool of funds for essential development. Any vital Board development will be covered using this funding pool.
 - e. Telephones (Wi-Fi plans for iPads): \$10,000
 - f. Meeting Expenses: \$7,000
- b) On 10/20/20, the Chief of Staff confirmed that the Boards actual expenses for FY 2020 did not exceed their budgeted expenses. The Board's budgeted expenses for FY 2020 were \$330,500. The actual expenses were \$322,088.07.
- c) This is a recent recommendation by consultant Rose Mercier as a way to ensure the Board is getting the quality of information needed and that it is clear. Consequently, beginning this month (November 2020), an agenda item has been added near the conclusion of the meeting such that the President can understand any feedback regarding provided environmental scanning and risk assessment (i.e., relevant context information) from the Board has, with said feedback recorded in the minutes.

1.2. Neglect to submit timely monitoring data including interpretations of Board policies that provide the observable metrics or conditions that would demonstrate compliance, rationale for why the interpretations are reasonable and evidence of compliance.

INTERPRETATION:

Compliance will be demonstrated when:

- a) When monitoring reports are submitted as scheduled.

- b) When the Board assessing the monitoring reports for having sufficient evidence of reasonable interpretation.

EVIDENCE:

- a) The President began presenting the new monitoring format in October of 2020, so this is the only month to evaluate. On 10/20/20, the Chief of Staff confirmed that the monitoring report for October 2020, EL 01 Treatment of Students was submitted as scheduled. Prior to the new format, 12 monitoring reports were provided, according to policy at that time, presenting one each month to the Board.
- b) At the October 12, 2020 meeting, the Board accepted (by vote) the EL 01 Treatment of Students monitoring report, which confirms they feel there was sufficient evidence of reasonable interpretation.

1.3. Let the Board be unaware of any actual or anticipated non-compliance with any Ends or Executive Limitations policy, regardless of the Board's monitoring schedule.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The President has informed the Board when there is anticipated and/or actual non-compliance.

EVIDENCE:

- a) Over the last year, the President has kept the Board informed that he, and the board, were in process of moving to the new monitoring report structure, therefore there was a gap between July 2019 and September 2020 that the Board did not receive any monitoring reports. Starting in October 2020, the President has begun submitting monitoring reports again.

1.4. Let the Board be unaware of any incidental information it requires, including:

- **Anticipated media coverage;**
- **Actual or anticipated legal actions;**
- **Material or publicly visible internal changes or events, including changes in executive personnel;**
- **Anticipated noncompliance with federal law, state law or local;**
- **Quarterly financial statement;**
- **Annual year-end financial report; or**

- **Names and titles of two executive administration members familiar with Board and presidential matters and processes.**

INTERPRETATION:

Compliance will be demonstrated when:

- a) The President provides *Trustee Briefings* to the Board that include above mentioned items, as needed. Additional email communications, and/or phone calls are deployed when necessary to inform Trustees of any urgent matters.
- b) Quarterly financial statements, year-end financial, and annual audit reports are available and accessible online.
- c) Quarterly financial statements are presented to the board by the President.

EVIDENCE:

- a) Trustee Briefings are stored in the resource center of Diligent Board Books. On 10/20/20 the Chief of Staff confirmed they are accessible.
- b) On 10/20/20, the Chief of Staff confirmed that the yearend financial report for [FY '19 is available online](#) and that [monthly reports are also available online](#) on the Board's meeting page.
- c) On 10/20/20 the Chief of Staff conformed that quarterly financial reports were presented to the Board in the monitoring period as follows:
 - a. January 13, 2020 - FY '20 Q2 Report
 - b. October 12, 2020 – FY '21 Q1 Report
 - c. No meetings were held in April 2020 (cancelled) or July 2020 (no regular meeting held).

- 1.5. Allow the Board to be unaware that, in the President's opinion, the Board is not in compliance with its own policies on Governance Process and Board-Management Delegation, particularly in the case of Board behavior which is detrimental to the work relationship between the Board and the President.**

INTERPRETATION:

Compliance will be demonstrated when:

- a) The Board is advised via email or verbally reminded at a meeting (and recorded in minutes) that they are out of compliance.
- b) During the Summer Board Retreat, time is provided to discuss Board/President interworking's and policy compliance.

EVIDENCE:

- a) There were no incidents of non-compliance over this monitoring period.
- b) Annual Summer Board Retreats are held for the express purpose of discussing the operations of the board and president. The minutes of these retreats are on file and were confirmed.

1.6. Present information in unnecessarily complex or lengthy form, or in a form that does not clearly differentiate among monitoring, decision preparation, and general incidental or other information.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Meeting content is labeled appropriately so Trustees know what items are for decision making or informational only.
- b) The President inquires about the quality of information presented at meetings.
- c) The President is evaluated annually which includes the President's performance during board meetings.

EVIDENCE:

- a) Board meeting packs include cover sheets that contain a section indicating if there is a "Requested Board Action." On 10/20/20 the Chief of Staff reviewed the meeting packets for the monitoring period to confirm this piece of information was being included.
- b) This is a new recommendation by consultant Rose Mercier as a way to ensure the Board is getting the quality of information needed and that it is clear. Beginning this month (i.e., November 2020), an agenda item has been added at the end so the President can hear any feedback the Board has and this feedback will be recorded in the minutes.
- c) Annual evaluations of the President's performance are on file in the College's Talent Office, and are recorded to have taken place during the September Board Meetings and are on file in the Chief of Staff's office.

2. Allow the Board to be without reasonable administrative support for Board activities.

INTERPRETATION:

The Board has partially interpreted this within 2.1 and 2.2. Compliance will be demonstrated when in addition to evidence to 2.1 and 2.2:

- a) An individual is identified to provide administrative support to the board for all requested items including but not limited to board meeting preparation, taking of meeting minutes, policy storage and professional development arrangements.

EVIDENCE:

- a) The President has assigned the Chief of Staff to provide all requested and assigned support to all Board members.

2.1. Allow the Board to be without a workable, user-friendly mechanism for official Board, officer or Board committee communications.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Board members are provided with a college owned device that they can utilize for board meetings and communication.
- b) Board members have access to a dedicated system to access their board meeting packs and other resources.

EVIDENCE:

- a) Board members are provided a college issued iPad that has the necessary software available to access board meeting materials and email. These iPads are equipped with a Wi-Fi plan that provide internet connection.
- b) Board members each have a login to Diligent Board Books, which is a Board Portal Software used for meetings materials.

2.2. Allow the Board to be without administrative support to assist the Secretary of the Board in achieving the Secretary's assigned results.

INTERPRETATION:

Compliance will be demonstrated when:

- a) An individual is identified to provide administrative support to the board for all requested items including but not limited to board meeting preparation, taking of meeting minutes, policy storage and professional development arrangements.

EVIDENCE:

- a) The President has assigned the Chief of Staff to provide all requested and assigned support to all Board members.

3. Impede the Board's holism, misrepresent its processes and role, or impede its lawful obligations.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The President does not interfere with the Board's "one voice", its policy governance processes, or its legal, fiduciary, and ownership linkage responsibilities.

EVIDENCE:

- a) The President and the Board have undertaken extensive professional development in Policy Governance. Indeed, the President has become certified in the use of Policy Governance, its construction, and operational practices.
- b) The Board is the direct contractor of the College's auditor and legal counsel, with contracts on file in the business office and the Talent office respectively. Both of the contractors annually present the nature of their work directly to the board.
- c) Representative members of the Board are directly engaged in Ownership-Linkage connections and communications, with meeting results on file, and discussions during board meetings recorded.

3.1. Deal with the Board in a way that favors or privileges certain Board members over others, except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.

INTERPRETATION:

Compliance will be demonstrated when:

- a) The President or Chief Operating Officer confirms that they have not been notified of any Trustees being favored over another.

EVIDENCE:

- a) No reported cases over this last monitoring report. On 10/20/20, The President and Chief Operating Officer confirmed they have not received, nor observed any cases of favoritism.

3.2. Neglect to supply for the Required Approvals agenda all items delegated to the President, yet required by law, regulation or contract to be Board-approved, along with the applicable monitoring information.

INTERPRETATION:

Compliance will be demonstrated when:

- a) Items for required approval from the Board Planning Cycle and Agenda policy appear on the meeting agendas.

EVIDENCE:

- a) As required, (for those organizations not acknowledging the structure of Policy Governance) items requiring Board Approval appear on the agenda, under the Required Approvals section, and these are noted in minutes.

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

8.1 Board Self-Monitoring of BCD-01 Unity of Control

As part of Policy Governance practice, the Board completes a Self-Evaluation Worksheet of Governance Process and Board CEO Delegation policies at the time they are reviewed.

The intention is effort is to assist members in assessing the Board's compliance with Governance Process and Board CEO Delegation policies. The Board discussion at the meeting will consider aggregate responses from members and insights obtained from the compilation, relative to amending the policy in question, as well as points for consideration in future policy development and review.

Enclosed is the aggregated worksheet to help guide the boards discussion.

This item was carried over from the October meeting.

Resource Impact:

None

Requested Board Action:

Review of the Worksheet to determine compliance with policy statements and any changes that might be needed.

Action Taken:

None

Worksheet for Jackson College Board Self-Monitoring of the Governance Process & Board-CEO Delegation Policies

This worksheet is intended to assist you in assessing the Board's own compliance with its Governance Process and Board-CEO Delegation policies to help advance relevant discussion at Board meetings. For each policy portion listed for consideration, please select your response (i.e., always, most of the time, etc.) and provide any relevant examples to support your answer. All board submissions will be compiled and presented at a subsequent board meeting. The board discussion at the meeting will consider not only the aggregate responses from members, but also, consideration of insights obtained from the compilation, relative to amending the policy in question, as well as points for consideration in future policy development and review.

Policy Number: BCD-1 Unity of Control **Time period being monitored:** November 2020 to present

Policy Portion for Consideration	Have we acted consistently with this item of policy?	Provide specific representative examples to support your response when applicable
Opening statement: Only officially passed motions of the Board are binding on the President.	<input checked="" type="checkbox"/> Always (x7) <input type="checkbox"/> Most of the time <input type="checkbox"/> Some of the time <input type="checkbox"/> Rarely <input type="checkbox"/> Never	Click or tap here to enter text.
1. Decisions or instructions of individual Trustees, officers or committees are not binding on the President	<input checked="" type="checkbox"/> Always (x7) <input type="checkbox"/> Most of the time <input type="checkbox"/> Some of the time <input type="checkbox"/> Rarely <input type="checkbox"/> Never	Click or tap here to enter text.
2. In the case of Board members or committees requesting information or assistance without Board authorization, the President can refuse such requests that require in the President's opinion, a material amount of staff time, other resources or is deemed disruptive.	<input checked="" type="checkbox"/> Always (x7) <input type="checkbox"/> Most of the time <input type="checkbox"/> Some of the time <input type="checkbox"/> Rarely <input type="checkbox"/> Never	Click or tap here to enter text. <ul style="list-style-type: none"> Has never not responded to as far as my requests. I assume that for the responses Dan gives to an individual trustee's question, he views them as easy to answer and do not require too much staff time. We will not know if Dan does not tell us.



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Worksheet for Jackson College Board Self-Monitoring of the Governance Process & Board-CEO Delegation Policies

<p>3. Only the Board acting as a body politic can employ, terminate, discipline, or change the conditions of employment of the President.</p>	<p> <input checked="" type="checkbox"/> Always (x7) <input type="checkbox"/> Most of the time <input type="checkbox"/> Some of the time <input type="checkbox"/> Rarely <input type="checkbox"/> Never </p>	<p>Click or tap here to enter text.</p>
<p>Other Board Comments: Click or tap here to enter text.</p> <ul style="list-style-type: none"> We draw our strength as a board not as individuals and policy governance confirms that. Dan always tries to provide us with answers to our questions as they arise. Without exception, the Jackson College Board of trustees follow the policies as set up by the board. 		



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BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

9.1 Audit Report

Rehmann Robson LLC has completed the annual audit process, with no significant findings. As in the past, we have also included an audit of the susceptibility of our IT operations, employee compliance with our IT and data security protocols, and also stress tested our security. RR provided a number of suggestions for areas of improvement, which we are currently working to address.

Committee Chairman, Trustee Crist may have some introductory comments before hearing from the Representatives from Rehmann, who will provide an overview of the complete audit and will respond to any questions you have.

Resource Impact:

None

Requested Board Action:

None

Action Taken:

None



Years Ended
June 30, 2020 and
2019

Annual Financial
Report

Rehmann

JACKSON COLLEGE

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JACKSON COLLEGE

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, 2020 and 2019 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 Governmental Accounting Standards Board ("GASB") does not require this information for a fair and complete presentation, supplemental schedules do provide additional information regarding the various funds and activities of the College that is not presented in the basic, entity-wide statements.

Financial Highlights

The audited financial statements for Jackson 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 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 and academic programming need to be considered to assess the overall health of the College.

JACKSON COLLEGE

Management's Discussion and Analysis - Unaudited

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,		
	2020	2019
Assets		
Current assets	\$ 15,798,155	\$ 14,999,469
Capital assets, net	70,654,296	71,636,809
Other noncurrent assets	18,379,867	10,260,520
Total assets	104,832,318	96,896,798
Deferred Outflows of Resources		
Deferred charge on refunding	413,946	441,221
Deferred pension amounts	7,822,795	8,747,735
Deferred OPEB amounts	1,793,736	1,228,821
Total deferred outflows of resources	10,030,477	10,417,777
Liabilities		
Current liabilities	11,836,923	12,401,565
Noncurrent liabilities	69,644,766	61,269,845
Total liabilities	81,481,689	73,671,410
Deferred Inflows of Resources		
Deferred pension amounts	4,150,243	6,333,450
Deferred OPEB amounts	3,155,963	2,224,515
Total deferred inflows of resources	7,306,206	8,557,965
Net position		
Net investment in capital assets	43,226,537	41,608,422
Restricted		
Nonexpendable	29,930	29,252
Expendable	380,898	379,184
Unrestricted deficit	(17,562,465)	(16,931,658)
Total net position	\$ 26,074,900	\$ 25,085,200

The College's net position increased \$989,700 for the June 30, 2020 fiscal year. Excluding the impacts of GASB 75 and GASB 68 contained in the pension and OPEB liability fund and the impact of the COVID-19 relief funds reported in the CARES fund, the College's net position increased by \$1,276,973. The increase was mainly attributable to the designated fund as the College invested in the future operations fund.

JACKSON COLLEGE

Management's Discussion and Analysis - Unaudited

	Condensed Statements of Revenues, Expenses and Changes in Net Position	
	Year Ended June 30,	
	2020	2019
Operating revenues		
Tuition and fees, net	\$ 14,063,788	\$ 13,174,836
Grants and contracts	3,132,463	2,970,121
Potter Center activities	296,380	416,083
Other operating revenues	3,768,667	3,058,797
Total operating revenues	21,261,298	19,619,837
Operating expenses		
Instruction	16,918,041	16,452,588
Information technology	2,893,653	2,657,939
Public service	962,647	1,147,721
Academic support	2,470,696	2,200,536
Student services	5,917,218	5,165,958
Administration	5,210,660	5,143,637
Operation and maintenance of plant	5,668,893	5,107,251
Depreciation and amortization	4,728,010	4,604,447
Total operating expenses	44,769,818	42,480,077
Operating loss	(23,508,520)	(22,860,240)
Nonoperating and other revenues		
State appropriations	11,830,467	12,975,062
Local property taxes	5,301,939	5,104,875
Federal Pell grant revenue	9,098,781	10,441,791
Private gifts and grants	201,387	108,746
Other	(1,934,354)	(705,450)
Net nonoperating and other revenues	24,498,220	27,925,024
Increase in net position	989,700	5,064,784
Net position, beginning of year	25,085,200	20,020,416
Net position, end of year	\$ 26,074,900	\$ 25,085,200

JACKSON COLLEGE

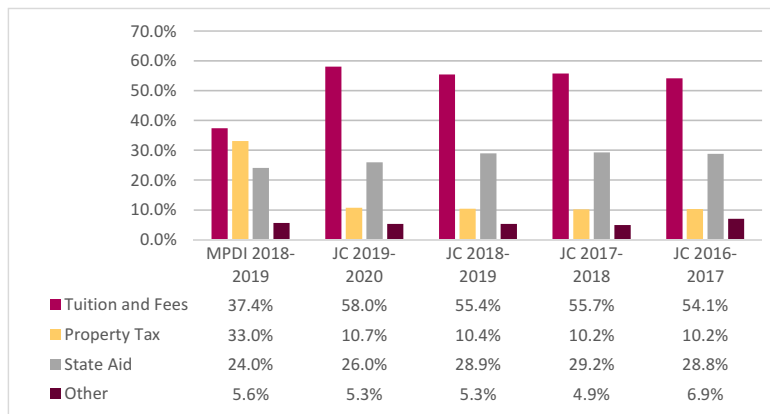
Management's Discussion and Analysis - Unaudited

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 Michigan Postsecondary Data Inventory (MPDI) 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 MPDI Data Book is used to derive comparisons among community colleges on a number of significant issues that relate to institutional concerns. The 2017-18 MPDI 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 MPDI 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 \$49,253,608 and \$48,801,134 in 2020 and 2019, respectively.

General Fund Revenue Sources: Comparison of JC and Statewide Averages



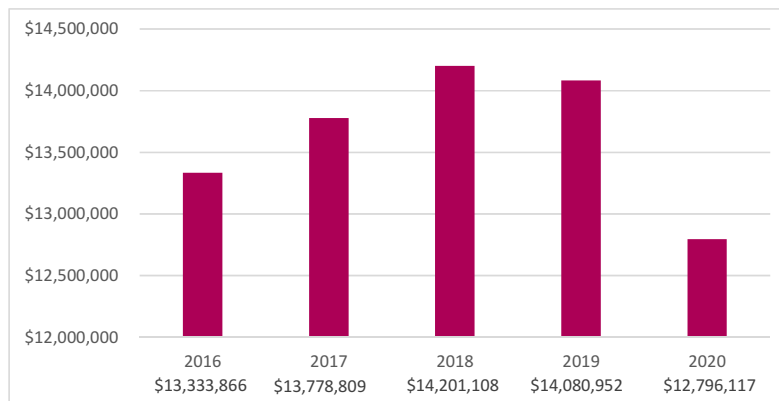
JACKSON COLLEGE

Management's Discussion and Analysis - Unaudited

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 \$12,796,117 in fiscal year 2020, of this total, \$965,650 was received and paid to the State of Michigan towards the unfunded actuarial accrued liability of the Michigan Public School Employees Retirement System and \$263,114 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. The decrease in State Appropriations of approximately \$1.3 million is a result of the 11% budget cut implemented by the State of Michigan, as a result of the Coronavirus pandemic in 2020.

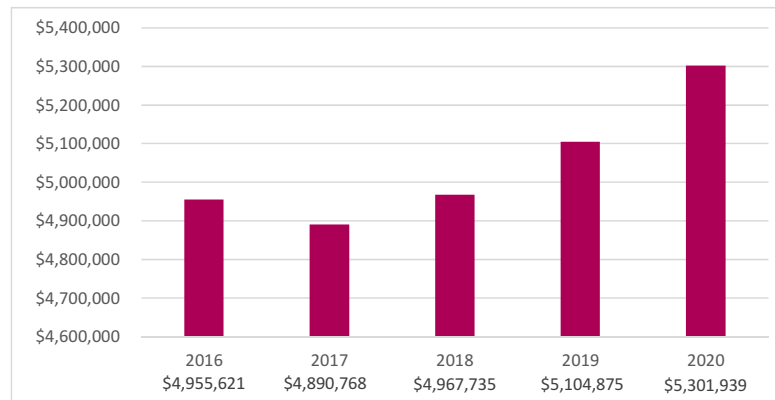
State Appropriations to Jackson College



Property Taxes

Only 10.7% of MPDI 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 33%. 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 2020, the overall property tax revenue increased slightly as property values increased.

Property Tax Revenues to Jackson College



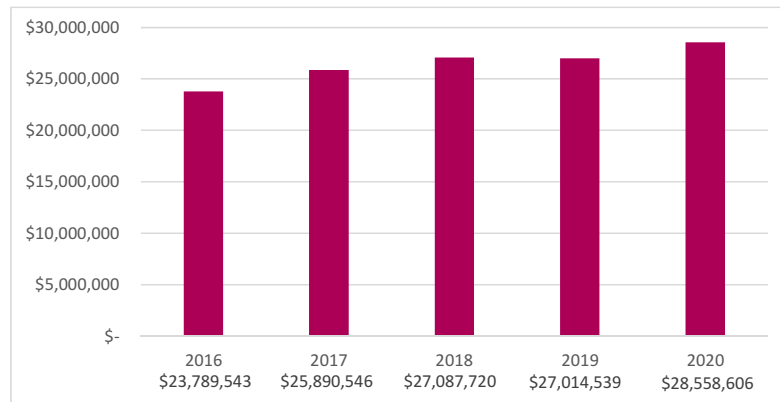
JACKSON COLLEGE

Management's Discussion and Analysis - Unaudited

Tuition and Fees

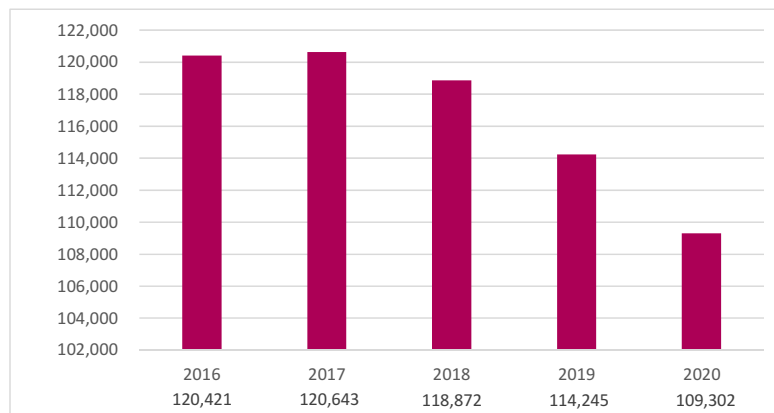
\$14,494,818 and \$13,839,703 of scholarship allowances against tuition and fees represent amounts paid by grants, resulting in a "discount rate" of 50.8% and 51.2% for fiscal 2020 and 2019, respectively. The bulk of the scholarship allowance is Federal Pell awards which were \$9,098,781 and \$10,441,791 for fiscal 2020 and 2019, 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 5.72% from this source of revenue in the current year as compared to fiscal 2019. The scholarship allowances increased by \$655,115 or 4.73%.

Gross Tuition and Fees Revenues



There was a 4.33% decrease in the amount of billing contact hours generated in 2020. 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 College's efforts in total commitment to student success and recent initiatives with Jackson County Early College and a new prisoner education pricing structure have helped the College realize only slight decreases in enrollment, while peer institutions have reported double digit decreases.

Total Billing Contact Hours by Fiscal Year



JACKSON COLLEGE**Management's Discussion and Analysis - Unaudited**

Jackson College Enrollment by Semester and Fiscal Year				
Billing Hours				
	Fall	Winter	Spring	Total
Fiscal Year				
2020	49,362	45,213	14,727	109,302
2019	49,168	46,014	19,063	114,245
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

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				
2020	\$ 160.25	\$ 240.38	\$ 320.50	
2019	\$ 152.80	\$ 229.20	\$ 305.60	
2018	\$ 145.00	\$ 217.00	\$ 290.00	
2017	\$ 135.00	\$ 195.00	\$ 270.00	
2016	\$ 125.00	\$ 172.00	\$ 250.00	

Other Operating Revenues

Potter Center activities, revenue and expenses, decreased significantly due to the cancellation of shows and events as a result of the pandemic. The income classification of seminars, workshops & other income increased significantly over the prior year as the private loans program initiated in 2019 to assist in paying for College grew in scope. Housing revenue was up a modest amount in 2020. The new marketing and operational strategies, implemented beginning in Fall 2018, have worked to attract and retain a greater number of housing students. This was offset by prorated refunds issued to students who moved out mid-semester in Winter 2020 due to the pandemic. Contract training revenue remained flat for 2020.

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.

JACKSON COLLEGE**Management's Discussion and Analysis - Unaudited**

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

Jackson College Expenses Compared to State-Wide MPDI Averages				
	MPDI	Jackson College		
	2018-2019	2019-2020	2018-2019	2017-2018
Instructional	40.9%	42.2%	41.5%	43.8%
Informational Technology	6.7%	7.3%	6.9%	6.7%
Public Service	1.5%	2.5%	2.8%	2.4%
Academic Support	11.7%	5.3%	5.9%	6.1%
Student Services	13.0%	17.3%	16.8%	16.6%
Administration	14.3%	12.7%	12.9%	12.6%
Plant	11.9%	12.7%	13.2%	11.8%
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 (\$13,434,380 in 2020 and \$12,515,879 in 2019), grants and contracts (\$2,804,685 in 2020 and \$3,146,213 in 2019), State appropriations (\$13,205,436 in 2020 and \$12,913,111 in 2019), local property taxes (\$5,301,939 in 2020 and \$5,104,875 in 2019), and Pell grant receipts (\$9,098,781 in 2020 and \$10,441,791 in 2019). The single, largest type of disbursement was compensation payments to or on behalf of the College's employees (\$27,886,004 in 2020 and \$27,532,876 in 2019).

Capital Assets

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

	2020	2019
Land	\$ 1,313,765	\$ 1,313,765
Infrastructure and land improvements	6,854,555	4,583,381
Buildings and improvements	107,400,338	106,924,603
Leasehold improvements	2,247,106	2,247,106
Artwork	6,366,227	6,366,227
Equipment	17,202,386	16,926,955
Construction in progress	691,740	254,119
Total capital assets	142,076,117	138,616,156
Less accumulated depreciation	71,421,821	66,979,347
Capital assets, net	<u>\$ 70,654,296</u>	<u>\$ 71,636,809</u>

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

JACKSON COLLEGE

Management's Discussion and Analysis - Unaudited

Long-Term Debt

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. The COVID-19 pandemic is having a significant effect on the State's finances, which could have a negative effect on State revenues appropriated to the College. Since COVID-19 and pursuant to a series of Executive Orders, the College ceased face-to-face instruction as of March 23, 2020. The College transitioned the remainder of Winter 2020 semester to virtual learning in response to the pandemic. The College continues to discuss reintegration plans for the future but has decided to remain virtual through the entirety of fiscal year 2021. The College will be bringing required onsite lab courses, clinical courses and resident students onto campus in a controlled fashion using common social distancing and personal protection protocols.

The College anticipates that it will be facing reductions in state appropriations and property tax collections and has planned for these in the fiscal year 2021 budget. Enrollment may also be substantially impacted, so the College is contemplating a reduction in tuition and fee income. The Board of Trustees approved a tuition increase of 2.0% for the upcoming fiscal year. The College was in a good cash position at the start of this pandemic but expects to continue to consider reductions of expenses to correlate with actual income until the future cash flow impacts caused by the pandemic are known. The COVID-19 pandemic is having a significant effect on the State's finances, which could have a negative effect on State revenues appropriated to the College.

The College continues to make investments in needed infrastructure and housing opportunities for families in our local community. The addition of family housing opening in 20/FL and the start of a multi-phase storm water management plan brought a pond to the north west corner of campus. These projects were originally funded with Board required major maintenance set-a-sides but due to the pandemic and a desire to conserve cash, the College elected to finance these projects. This financing was completed in May 2020 and included financing for the College to acquire the Campus View Housing 3 building in early fiscal 2021.

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.

College management is also closely tracking the shifting enrollment mix as initiatives such as prisoner education and the increasing dual enrollment through early college programs which currently make up 35% of the College's billing contact hours.

In an effort to meet local employer needs and demanding career fields, the College will continue to review academic programs to address those needs.



INDEPENDENT AUDITORS' REPORT

November 4, 2020

Board of Trustees
Jackson College
Jackson, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of **Jackson College** (the "College"), as of and for the years ended June 30, 2020 and 2019, 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.

Rehmann is an independent member of Nexia International.



675 Robinson Road, Jackson, MI 49203 517.787.6503

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, 2020 and 2019, 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.

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 and the related notes to the schedules 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 November 4, 2020, 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.

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

JACKSON COLLEGE

Statements of Net Position

	June 30,	
	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 7,907,353	\$ 8,973,512
Restricted cash and cash equivalents - unspent bond proceeds	2,100,397	-
Tuition and other receivables, net	2,477,749	1,924,022
State appropriations receivable	1,723,370	3,098,339
Federal and state grants receivable	629,960	302,182
Current portion of note receivable	33,888	33,888
Inventories	27,430	30,425
Prepaid expenses and other assets	898,008	637,101
Total current assets	15,798,155	14,999,469
Noncurrent assets		
Investments	10,429,261	10,260,043
Related party receivable (Note 6)	7,927,960	-
Note receivable, net of current portion	22,646	477
Campus property, plant and equipment, net	70,654,296	71,636,809
Total noncurrent assets	89,034,163	81,897,329
Total assets	104,832,318	96,896,798
Deferred outflows of resources		
Deferred charge on refunding	413,946	441,221
Deferred pension amounts	7,822,795	8,747,735
Deferred other postemployment benefits amounts	1,793,736	1,228,821
Total deferred outflows of resources	10,030,477	10,417,777
Liabilities		
Current liabilities		
Accounts payable	1,895,642	1,555,577
Accrued compensation and other benefits	2,713,399	2,245,491
Current portion of long-term liabilities	3,147,472	4,048,290
Accrued interest	151,599	153,002
Unearned revenue	3,928,811	4,399,205
Total current liabilities	11,836,923	12,401,565
Noncurrent liabilities		
Long-term liabilities, net of current portion	34,722,590	26,421,318
Net pension liability	28,816,038	27,750,921
Net other postemployment benefits liability	6,106,138	7,097,606
Total noncurrent liabilities	69,644,766	61,269,845
Total liabilities	81,481,689	73,671,410
Deferred inflows of resources		
Deferred pension amounts	4,150,243	6,333,450
Deferred other postemployment benefits amounts	3,155,963	2,224,515
Total deferred inflows of resources	7,306,206	8,557,965
Net position		
Net investment in capital assets	43,226,537	41,608,422
Restricted:		
Nonexpendable	29,930	29,252
Expendable	380,898	379,184
Unrestricted deficit (Note 9)	(17,562,465)	(16,931,658)
Total net position	\$ 26,074,900	\$ 25,085,200

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

JACKSON COLLEGE**Statements of Revenues, Expenses and Changes in Net Position**

	Year Ended June 30,	
	2020	2019
Operating revenues		
Tuition and fees (net of scholarship allowances of \$14,494,818 in 2020 and \$13,839,703 in 2019)	\$ 14,063,788	\$ 13,174,836
Federal grants and contracts	2,808,631	2,557,002
State grants and contracts	323,832	413,119
Housing revenue	967,194	905,144
Potter Center activities	296,380	416,083
Contract training	178,005	179,345
Seminars, workshops, and other	2,623,468	1,974,308
Total operating revenues	21,261,298	19,619,837
Operating expenses		
Instruction	16,918,041	16,452,588
Information technology	2,893,653	2,657,939
Public service	962,647	1,147,721
Academic support	2,470,696	2,200,536
Student services	5,917,218	5,165,958
Administration	5,210,660	5,143,637
Operation and maintenance of plant	5,668,893	5,107,251
Depreciation and amortization	4,728,010	4,604,447
Total operating expenses	44,769,818	42,480,077
Operating loss	(23,508,520)	(22,860,240)
Nonoperating revenues (expenses)		
State appropriations	11,830,467	12,975,062
Local property taxes	5,301,939	5,104,875
Federal Pell grant revenue	9,098,781	10,441,791
Federal Higher Education Emergency Relief Fund grant revenue	206,000	-
Private gifts and grants	201,387	108,746
Interest income	215,843	238,163
Loss on disposal of property and equipment	(100,214)	(17,304)
Interest expense	(1,127,909)	(936,693)
Transfer of assets to Jackson College Dormitories	(1,118,074)	-
Transfer of funds to Jackson College Foundation	(10,000)	(9,608)
Net nonoperating revenues	24,498,220	27,905,032
Other revenues		
Capital gifts and grants	-	19,992
Increase in net position	989,700	5,064,784
Net position, beginning of year	25,085,200	20,020,416
Net position, end of year	\$ 26,074,900	\$ 25,085,200

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

JACKSON COLLEGE

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities		
Tuition and fees	\$ 13,434,380	\$ 12,515,879
Housing	967,194	905,144
Grants and contracts	2,804,685	3,146,213
Contract training	131,037	186,950
Payments to vendors	(11,281,894)	(10,667,277)
Payment to or on behalf of employees	(27,886,004)	(27,532,876)
Payments to students	(2,396,000)	(1,711,702)
Potter Center activities	288,714	514,084
Seminars, workshops and other	2,753,957	1,733,216
Net cash used in operating activities	(21,183,931)	(20,910,369)
Cash flows from noncapital financing activities		
State appropriations	13,205,436	12,913,111
Local property taxes	5,301,939	5,104,875
Pell grant receipts	9,098,781	10,441,791
Federal Higher Education Emergency Relief Fund receipts	1,016,773	-
Gifts and contributions for other than capital purposes	201,387	108,746
Direct loan program receipts	10,716,253	9,646,674
Direct loan program disbursements	(10,716,253)	(9,646,674)
State scholarship and grant receipts	106,146	88,481
State scholarship and grant disbursements	(106,146)	(88,481)
Transfer to Jackson College Foundation	(10,000)	-
Net cash provided by noncapital financing activities	28,814,316	28,568,523
Cash flows from capital and related financing activities		
Capital gift and grant proceeds	-	19,992
Purchases and construction of campus property, plant and equipment, net	(3,854,203)	(1,804,974)
Proceeds from sale of property and equipment	8,492	2,033
(Issuance) collection of note receivable	(22,169)	13,555
Transfer of assets to Jackson College Dormitories	(1,118,073)	-
Proceeds from issuance of capital debt	3,520,782	-
Principal paid on capital debt	(4,048,289)	(3,708,290)
Interest paid on capital debt	(1,129,312)	(979,055)
Net cash used in capital and related financing activities	(6,642,772)	(6,456,739)
Cash flows from investing activities		
Interest and dividends on investments	46,625	6,087
Net increase in cash and cash equivalents	1,034,238	1,207,502
Cash and cash equivalents, beginning of year	8,973,512	7,766,010
Cash and cash equivalents, end of year	\$ 10,007,750	\$ 8,973,512
Reconciliation to statement of net position		
Cash and cash equivalents	\$ 7,907,353	\$ 8,973,512
Restricted cash and cash equivalents - unspent bond proceeds	2,100,397	-
	\$ 10,007,750	\$ 8,973,512

continued...

JACKSON COLLEGE**Statements of Cash Flows**

	Year Ended June 30,	
	2020	2019
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (23,508,520)	(22,860,240)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	4,728,010	4,604,447
Change in operating assets and liabilities that provided (used) cash:		
Tuition and other receivables, net	(553,727)	(865,339)
Federal and state grants receivable	(327,778)	176,092
Inventories	2,995	(2,629)
Prepaid expenses and other assets	(260,907)	142,560
Accounts payable	340,065	(364,455)
Accrued compensation and other benefits	467,908	(174,551)
Unearned revenue	(1,281,167)	303,291
Change in net pension and other postemployment benefits liabilities and deferred amounts	(790,810)	(1,869,545)
Net cash used in operating activities	\$ (21,183,931)	\$ (20,910,369)

concluded.

Noncash Transactions

During 2020, the College issued bonds to refund the debt for Jackson College Dormitories and recorded a receivable for the net book value of the building in the amount of \$7,927,960, which was transferred to the College in July 2020.

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

JACKSON COLLEGE**Foundation - Statements of Financial Position**

	June 30,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 829,585	\$ 910,528
Investments	15,276,050	14,762,527
Related party receivable	167,742	4,800
Accounts receivable	103,424	51,813
Beneficial interests in remainder trusts	912,884	928,200
Cash surrender value of life insurance	109,000	104,000
Prepaid expenses and other assets	600	600
Total assets	\$ 17,399,285	\$ 16,762,468
Liabilities		
Accounts payable	\$ 133,922	\$ 242,781
Annuities payable	107,909	110,900
Total liabilities	241,831	353,681
Net assets		
Without donor restrictions	3,333,711	2,763,632
With donor restrictions	13,823,743	13,645,155
Total net assets	17,157,454	16,408,787
Total liabilities and net assets	\$ 17,399,285	\$ 16,762,468

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

JACKSON COLLEGE**Foundation - Statements of Activities and Changes in Net Assets**

	Year Ended June 30,	
	2020	2019
Support and revenue		
Gifts	\$ 666,006	\$ 808,086
Net investment income	395,057	703,262
Other revenue	808,049	831,468
Total support and revenue	1,869,112	2,342,816
Grants and expenses		
Grant payments to Jackson College	397,992	304,813
Grant payments to Dahlem Conservancy	58,909	57,808
Management and general expenses	750,019	1,080,099
Total grants and expenses	1,206,920	1,442,720
Support and revenue in excess of grants and expenses	662,192	900,096
Changes in values of interests in remainder trusts and actuarial adjustment of annuities	(23,525)	29,570
Fund transfer from Jackson College	10,000	9,608
Change in carrying value of investment in real estate	100,000	100,000
Increase in net assets	748,667	1,039,274
Net assets, beginning of year	16,408,787	15,369,513
Net assets, end of year	\$ 17,157,454	\$ 16,408,787

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

JACKSON COLLEGE**Dormitories - Statements of Financial Position**

	June 30,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 319,739	\$ 336,137
Restricted cash	-	785,280
Accounts receivable	18,164	-
Property and equipment	7,927,960	8,154,473
Total assets	\$ 8,265,863	\$ 9,275,890
Liabilities		
Accounts payable	\$ 556,782	\$ 399,226
Related party payable	7,927,960	-
Accrued interest	-	106,479
Bond and note payable, net of deferred bond issuance costs	-	9,209,345
Total liabilities	8,484,742	9,715,050
Net deficit		
Without donor restrictions	(218,879)	(439,160)
Total liabilities and net deficit	\$ 8,265,863	\$ 9,275,890

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,	
	2020	2019
Revenue		
Housing rental	\$ 802,344	\$ 895,702
Interest income	1,254	1,359
Gain on disposition of note payable	-	100,000
Transfer of assets from Jackson College	1,118,073	-
Total revenue	1,921,671	997,061
Expenses		
Office	5,150	3,800
Occupancy	162,384	160,975
Interest and fees	671,158	690,250
Bond issuance amortization	636,185	-
Depreciation	226,513	226,513
Total expenses	1,701,390	1,081,538
Change in net deficit	220,281	(84,477)
Net deficit, beginning of year	(439,160)	(354,683)
Net deficit, end of year	\$ (218,879)	\$ (439,160)

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

JACKSON COLLEGE

Notes to Financial Statements

1. MISSION

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Jackson College Dormitories ("JCD") is a legally separate, tax-exempt not-for-profit organization that was formed at beginning of fiscal year 2015 to provide financing for the construction of Campus View 3 to provide 202 additional student housing beds for Jackson College. In July 2020, JCD was dissolved and assets transferred to the College. See note 6.

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

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

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when the related liabilities are incurred and certain measurement and matching criteria are met.

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

JACKSON COLLEGE

Notes to Financial Statements

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

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Due to the pandemic Michigan's Governor issued temporary Executive Orders that, among other stipulations, effectively prohibit certain in-person activities while requiring numerous safety measures and protocols to be met in order to resume in person learning, having the effect of suspending or severely curtailing certain operations including on-campus learning during the Winter and Summer 2020 semesters. The extent of the ultimate impact of the pandemic on the College's operational and financial performance will depend on various developments, including the duration and spread of the outbreak, and its impact on funders, students, employees, and vendors, all of which cannot be reasonably predicted at this time. As a result, the College was awarded approximately \$3.9 million from the Education Stabilization Fund through the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act for the Higher Education Emergency Relief Fund (HEERF), which was enacted into law on March 28, 2020. The College spent \$103,000 of the student portion and \$913,733 of the institution portion and recognized revenue of \$206,000 and unearned revenue of \$810,773 as of June 30, 2020. Additionally, the College transitioned its in-person instruction to an online format and closed its facilities in March 2020. Online instruction has continued into fiscal year 2021. In July 2020, the College received funding of approximately \$1.4 million from the State of Michigan. These restricted CARES Act federal funds were passed through the State as a supplement to help offset the reductions to State general appropriations. While management reasonably expects the COVID-19 outbreak to negatively impact the College's financial condition, operating results, and timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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. Significant estimates include but are not limited to the assumptions based on historical trends and industry standards used in the actuarial valuation of the MPSERS pension and OPEB plans, the accounts receivable allowance for bad debts, and the useful lives of depreciable capital assets.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, money market accounts, and any certificates of deposit with an original maturity of three months or less, except that such investments purchased with endowment assets are classified as investments.

JACKSON COLLEGE

Notes to Financial Statements

Investments

Investments are carried at fair value determined using quoted market prices. A portion of the investments at MILAF are invested in open market securities, such as commercial paper and US Treasury Notes which are managed by an investment advisor. All of these types of investments are recorded at the initial investment amount plus earned interest and are classified as short- or long-term investments based on the instrument's maturity date.

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, 2020 or 2019. 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 estimated acquisition cost 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

JACKSON COLLEGE

Notes to Financial Statements

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.

JACKSON COLLEGE

Notes to Financial Statements

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, unspent bond proceeds, 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.

JACKSON COLLEGE

Notes to Financial Statements

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:

	2020	2019
Cash and cash equivalents	\$ 7,907,353	\$ 8,973,512
Restricted cash and cash equivalents - unspent bond proceeds	2,100,397	-
Investments	10,429,261	10,260,043
	<u>\$ 20,437,011</u>	<u>\$ 19,233,555</u>

The above amounts are categorized as follows at June 30:

	2020	2019
Bank deposits (checking, savings, cash sweep accounts and certificates of deposit)	\$ 10,005,026	\$ 8,970,788
Michigan Liquid Asset Fund	10,412,535	10,242,370
Petty cash	2,724	2,724
Total deposits	20,420,285	19,215,882
Investments in equity securities	16,726	17,673
Total	<u>\$ 20,437,011</u>	<u>\$ 19,233,555</u>

JACKSON COLLEGE

Notes to Financial Statements

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, 2020, \$7,494,289 of the College's bank deposits balance of \$10,320,378 was exposed to custodial credit risk because it was uninsured and uncollateralized. As of June 30, 2019, \$8,894,439 of the College's bank deposits balance of \$9,586,924 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:

	2020	2019
Tuition and fees	\$ 2,948,725	\$ 2,318,561
Private grants	84,777	15,986
Reimbursements	131,465	283,463
Bookstore	3,094	4,058
Employees	9,688	1,954
	<hr/>	<hr/>
Total	3,177,749	2,624,022
Less allowances	700,000	700,000
	<hr/>	<hr/>
Tuition and other receivables, net	<u>\$ 2,477,749</u>	<u>\$ 1,924,022</u>

JACKSON COLLEGE**Notes to Financial Statements****5. CAMPUS PROPERTY, PLANT AND EQUIPMENT, NET**

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

2020	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	\$ 1,313,765	\$ -	\$ -	\$ -	\$ 1,313,765
Infrastructure and land improvements	4,583,381	2,228,304	-	42,870	6,854,555
Buildings and improvements	106,924,603	800,699	(352,118)	27,154	107,400,338
Leasehold improvements	2,247,106	-	-	-	2,247,106
Artwork	6,366,227	-	-	-	6,366,227
Furniture, fixtures and equipment	16,926,955	317,555	(42,124)	-	17,202,386
Construction in progress	254,119	507,645	-	(70,024)	691,740
Total property and equipment	138,616,156	3,854,203	(394,242)	-	142,076,117
Less accumulated depreciation	66,979,347	4,728,010	(285,536)	-	71,421,821
Campus property, plant and equipment, net	<u>\$ 71,636,809</u>	<u>\$ (873,807)</u>	<u>\$ (108,706)</u>	<u>\$ -</u>	<u>\$ 70,654,296</u>

JACKSON COLLEGE**Notes to Financial Statements**

2019	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets:					
Land	\$ 1,313,765	\$ -	\$ -	\$ -	\$ 1,313,765
Infrastructure and land improvements	4,483,981	99,400	-	-	4,583,381
Buildings and improvements	105,780,605	1,143,998	-	-	106,924,603
Leasehold improvements	2,247,106	-	-	-	2,247,106
Artwork	6,366,227	-	-	-	6,366,227
Furniture, fixtures and equipment	16,466,632	485,157	(24,834)	-	16,926,955
Construction in progress	160,397	93,722	-	-	254,119
Total property and equipment	136,818,713	1,822,277	(24,834)	-	138,616,156
Less accumulated depreciation	62,380,398	4,604,447	(5,498)	-	66,979,347
Campus property, plant and equipment, net	<u>\$ 74,438,315</u>	<u>\$ (2,782,170)</u>	<u>\$ (19,336)</u>	<u>\$ -</u>	<u>\$ 71,636,809</u>

Construction in progress consists of primarily construction costs for the CV4 housing and stormwater retention. The projects are expected to be completed during fiscal year 2021 at an additional cost of approximately \$1,937,119.

JACKSON COLLEGE**Notes to Financial Statements****6. LONG-TERM LIABILITIES AND RELATED PARTY TRANSACTION**

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

2020	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General Bonds - 2014	\$ 8,120,000	\$ -	\$ 535,000	\$ 7,585,000	\$ 525,000
General Bonds - 2015	8,885,000	-	400,000	8,485,000	415,000
General Bonds - 2016	7,280,000	-	980,000	6,300,000	995,000
General Bonds - 2017	5,410,000	-	2,015,000	3,395,000	1,090,000
General Bonds - 2020	-	11,340,000	-	11,340,000	-
Total bonds payable	29,695,000	11,340,000	3,930,000	37,105,000	3,025,000
Deferred amounts					
Bond premium	834,152	108,743	122,011	820,884	126,194
Bond discount	(59,544)	-	(3,722)	(55,822)	(3,722)
Total deferred amounts	774,608	108,743	118,289	765,062	122,472
	<u>\$ 30,469,608</u>	<u>\$ 11,448,743</u>	<u>\$ 4,048,289</u>	37,870,062	<u>\$ 3,147,472</u>
Less current portion				<u>3,147,472</u>	
Long-term liabilities, net of current portion				<u>\$ 34,722,590</u>	
2019	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General Bonds - 2014	\$ 8,660,000	\$ -	\$ 540,000	\$ 8,120,000	\$ 535,000
General Bonds - 2015	9,270,000	-	385,000	8,885,000	400,000
General Bonds - 2016	8,240,000	-	960,000	7,280,000	980,000
General Bonds - 2017	7,115,000	-	1,705,000	5,410,000	2,015,000
Total bonds payable	33,285,000	-	3,590,000	29,695,000	3,930,000
Deferred amounts					
Bond premium	956,164	-	122,012	834,152	122,012
Bond discount	(63,266)	-	(3,722)	(59,544)	(3,722)
Total deferred amounts	892,898	-	118,290	774,608	118,290
	<u>\$ 34,177,898</u>	<u>\$ -</u>	<u>\$ 3,708,290</u>	30,469,608	<u>\$ 4,048,290</u>
Less current portion				<u>4,048,290</u>	
Long-term liabilities, net of current portion				<u>\$ 26,421,318</u>	

JACKSON COLLEGE

Notes to Financial Statements

Bonded Debt

\$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.

\$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.

\$11,340,000 General and Refunding Bonds, Series 2020

The College issued \$9,210,000 in refunding bonds and \$2,130,000 of general bonds with an interest rate of 2.00% to 2.625% to refund \$9,725,000 of outstanding 2015 Series Housing Revenue Bonds held by Jackson College Dormitories with an interest rate of 5.00% to 6.75%, maturing in 2047. The bonds mature at varying amounts through 2046. Net proceeds of \$9,862,716 (after payment of \$269,868 in underwriting fees and other issuance costs) 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 and net proceeds of \$2,100,397 were deposited into a construction project account. The refunding resulted in an economic gain of \$6,490,401 and a net present value savings of \$5,706,164 due to the reduction of the interest rate. As of June 30, 2020, the Jackson College Dormitories Series 2015 Housing Revenue Bonds are considered defeased and the liability has been removed from the statement of financial position of JCD. The College has a receivable from Jackson College Dormitories in the amount of \$7,927,960 as of June 30, 2020 equal to the net book value of the Jackson College Dormitories building. In July 2020, title to the building was transferred to the College and Jackson College Dormitories was dissolved.

JACKSON COLLEGE**Notes to Financial Statements**

Scheduled principal and interest requirements of long-term debt for years succeeding June 30, 2020, are summarized below:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 3,025,000	\$ 1,036,312	\$ 4,061,312
2022	3,100,000	987,895	4,087,895
2023	3,555,000	905,045	4,460,045
2024	2,645,000	812,495	3,457,495
2025	2,685,000	747,494	3,432,494
2026-2030	10,500,000	2,588,958	13,088,958
2031-2035	5,690,000	1,239,741	6,929,741
2036-2040	2,500,000	609,830	3,109,830
2041-2045	2,810,000	295,908	3,105,908
2046	595,000	15,618	610,618
Totals	<u>\$ 37,105,000</u>	<u>\$ 9,239,296</u>	<u>\$ 46,344,296</u>

During fiscal 2004, the College entered into a lease agreement with the State of Michigan as part of the Capital Outlay program offered by the State Building Authority. The State appropriated approximately \$1,500,000 toward the construction of the College's Lenawee Center. During fiscal 2008, the College entered into a similar lease as part of the construction of the new Atkinson Hall building and the renovation of a section of Whiting Hall. The net State contribution amounted to \$7,318,398. Again, in fiscal year 2011, the College entered into another lease with the State of Michigan in connection with the renovation of Whiting Hall and the building of the Health Laboratory Center. The net state contribution amounted to \$10,016,314. 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.

JACKSON COLLEGE

Notes to Financial Statements

7. PENSION AND OTHER POSTEMPLOYMENT BENEFIT 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.

A DB member 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.

JACKSON COLLEGE

Notes to Financial Statements

Participants in the defined contribution plan consist of one of the following: (1) members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan; (2) members who elected to transfer from the defined benefit plan to the defined contribution plan under the reform (P.A. 300) of 2012; or (3) members who worked for a Michigan public school on or after February 1, 2018 and did not elect participation in the Pension Plus 2 plan. Members who worked for a Michigan public school on or after September 4, 2012 and elected to be enrolled in the defined contribution plan receive a 100% match of the member contribution rate up to a maximum of 3% based on the member's gross earnings. Additionally, there is a mandatory employer contribution of 4% of the member's gross earnings for MPSERS members who elected to convert from a Basic or MIP benefit plan to the defined contribution benefit plan. Members electing the Pension Plus or Pension Plus 2 benefit plan receive a 50% match of the member's contribution percent up to a maximum of 1% based on the member's gross earnings. Effective October 1, 2017, there is a mandatory employer contribution of 4% of the member's gross earnings for members who elect the Defined Contribution benefit plan. The employer must match 100% of the employee contribution for any member who elected the Personal Healthcare Fund up to a maximum of 2% of the member's gross earnings. For all members with a Personal Health Care Fund (PHF), the first 2% of DC contributions must go into the PHF and must be matched 100% by the employer.

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.

JACKSON COLLEGE

Notes to Financial Statements

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 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, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The table below summarizes pension contribution rates in effect for fiscal year 2020, which excludes supplemental MPSERS UAAL employer stabilization contributions that are passed through the College to MPSERS based on rates ranging from 12.21% - 12.41% on prior year covered payroll:

Benefit Structure	Member Rates	Employer Rates
Basic	0.00% - 4.00%	18.25% - 19.41%
Member Investment Plan (MIP)	3.00% - 7.00%	18.25% - 19.41%
Pension Plus	3.00% - 6.40%	16.46%
Pension Plus 2	6.20%	19.59%
Defined Contribution	0.00%	13.39%

Required contributions to the pension plan from the College were approximately \$2,239,000, \$2,356,000 and \$2,534,000 for the years ended June 30, 2020, 2019 and 2018.

The table below summarizes OPEB contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Premium Subsidy	3.00%	7.93% - 8.09%
Personal Healthcare Fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the College were \$557,211, \$560,732 and \$559,662 for the years ended June 30, 2020, 2019 and 2018, respectively.

The table below summarizes defined contribution rates in effect for fiscal year 2020:

Benefit Structure	Member Rates	Employer Rates
Defined Contribution	0.00% - 3.00%	0.00% - 7.00%
Personal Healthcare Fund (PHF)	0.00% - 2.00%	0.00% - 2.00%

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Notes to Financial Statements

For the years ended June 30, 2020, 2019, and 2018, required and actual contributions from the College for those members with a defined contribution benefit were \$95,806, \$84,065 and \$64,942, respectively.

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

At June 30, 2020 and 2019, the College reported a liability of \$28,816,038 and \$27,750,921, respectively, for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019 and 2018, respectively, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2018 and 2017, 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, 2019, the College's proportion was 0.08701%, which was a decrease of 0.00530% from its proportion measured as of September 30, 2018 of 0.09231%.

For the year ended June 30, 2020, the College recognized pension expense of \$2,136,652. At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ 129,163	\$ 120,160	\$ 9,003
Changes in assumptions	5,642,201	-	5,642,201
Net difference between projected and actual earnings on pension plan investments	-	923,505	(923,505)
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,421	2,140,928	(2,133,507)
	<u>5,778,785</u>	<u>3,184,593</u>	<u>2,594,192</u>
College contributions subsequent to the measurement date	2,044,010	-	2,044,010
Pension portion of Sec 147c state aid award subsequent to the measurement date	-	965,650	(965,650)
	<u>-</u>	<u>965,650</u>	<u>(965,650)</u>
Total	<u>\$ 7,822,795</u>	<u>\$ 4,150,243</u>	<u>\$ 3,672,552</u>

JACKSON COLLEGE

Notes to Financial Statements

The \$2,044,010 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, 2021. The \$965,650 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 appropriations revenue for the year ending June 30, 2021. 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
2021	\$ 1,009,150
2022	802,187
2023	542,403
2024	<u>240,452</u>
Total	<u>\$ 2,594,192</u>

For the year ended June 30, 2019, the College recognized pension expense of \$901,790. At June 30, 2019, 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
2019			
Differences between expected and actual experience	\$ 128,769	\$ 201,661	\$ (72,892)
Changes in assumptions	6,427,091	-	6,427,091
Net difference between projected and actual earnings on pension plan investments	-	1,897,458	(1,897,458)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>27,591</u>	<u>3,128,441</u>	<u>(3,100,850)</u>
	6,583,451	5,227,560	1,355,891
College contributions subsequent to the measurement date	2,164,284	-	2,164,284
Pension portion of Sec 147c state aid award subsequent to the measurement date	<u>-</u>	<u>1,105,890</u>	<u>(1,105,890)</u>
Total	<u>\$ 8,747,735</u>	<u>\$ 6,333,450</u>	<u>\$ 2,414,285</u>

JACKSON COLLEGE

Notes to Financial Statements

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

At June 30, 2020 and 2019, the College reported a liability of \$6,106,138 and \$7,097,606, respectively, for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018 and 2017, respectively. 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, 2019, the College's proportion was 0.08507%, which was a decrease of 0.00422% from its proportion measured as of September 30, 2018 of 0.08929%.

For the year ended June 30, 2020, the College recognized a reduction to OPEB expense of \$(47,725). At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2020	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Differences between expected and actual experience	\$ -	\$ 2,240,515	\$ (2,240,515)
Changes in assumptions	1,323,077	-	1,323,077
Net difference between projected and actual earnings on OPEB plan investments	-	106,189	(106,189)
Changes in proportion and differences between employer contributions and proportionate share of contributions	380	809,259	(808,879)
	<u>1,323,457</u>	<u>3,155,963</u>	<u>(1,832,506)</u>
College contributions subsequent to the measurement date	470,279	-	470,279
Total	<u><u>\$ 1,793,736</u></u>	<u><u>\$ 3,155,963</u></u>	<u><u>\$ (1,362,227)</u></u>

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Notes to Financial Statements

The \$470,279 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, 2021. 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
2021	\$ (488,176)
2022	(488,176)
2023	(435,214)
2024	(298,397)
2025	<u>(122,543)</u>
Total	<u><u>\$ (1,832,506)</u></u>

For the year ended June 30, 2019, the College recognized OPEB expense of \$209,564. At June 30, 2019, 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
2019			
Differences between expected and actual experience	\$ -	\$ 1,321,047	\$ (1,321,047)
Changes in assumptions	751,640	-	751,640
Net difference between projected and actual earnings on OPEB plan investments	-	272,778	(272,778)
Changes in proportion and differences between employer contributions and proportionate share of contributions	533	630,690	(630,157)
	<u>752,173</u>	<u>2,224,515</u>	<u>(1,472,342)</u>
College contributions subsequent to the measurement date	476,648	-	476,648
Total	<u><u>\$ 1,228,821</u></u>	<u><u>\$ 2,224,515</u></u>	<u><u>\$ (995,694)</u></u>

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.

JACKSON COLLEGE

Notes to Financial Statements

The total pension and OPEB liabilities in the September 30, 2018 and 2017 actuarial valuations (for the fiscal years ended June 30, 2020 and 2019) were determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age, normal
Wage inflation rate	2.75%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	6.80% (7.05% for 2017)
Pension Plus plan (hybrid)	6.80% (7.00% for 2017)
Pension Plus 2 plan (hybrid)	6.00%
OPEB plans	6.95% (7.15% for 2017)
Projected salary increases	2.75% - 11.55%, including wage inflation at 2.75%
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 (7.5% Year 1 graded to 3.0% Year 12 for 2017)
Mortality	2018 - RP-2014 Male and Female Employee Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and females. 2017 - RP-2014 Male and Female Healthy Annuitant Mortality Tables, adjusted for mortality improvements using projection scale MP-2017 from 2006. For retirees, the tables were scaled by 82% for males and 78% for females. For active members, 100% of the table rates were used for both males and 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 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2019, are based on the results of an actuarial valuation date of September 30, 2018, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.4977 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.7101 years which is the average of the expected remaining service lives of all employees. The recognition period for assets is 5 years.

JACKSON COLLEGE

Notes to Financial Statements

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension and OPEB valuations beginning with the September 30, 2017 valuation. The total pension and OPEB liabilities as of September 30, 2018, are based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study. The recognition period for pension liabilities is 4.5304 years which is the average of the expected remaining service lives of all employees. The recognition period for OPEB liabilities is 5.6018 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 Pension Plan Assets

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	28.00%	5.50%	1.54%
	Private equity pools	18.00%	8.60%	1.55%
	International equity pools	16.00%	7.30%	1.17%
	Fixed income pools	10.50%	1.20%	0.13%
	Real estate and infrastructure pools	10.00%	4.20%	0.42%
	Absolute return pools	15.50%	5.40%	0.84%
	Short-term investment pools	2.00%	0.08%	0.00%
		<u>100.00%</u>		5.65%
	Inflation			2.30%
	Risk adjustment			<u>-1.15%</u>
	Investment rate of return			<u>6.80%</u>

JACKSON COLLEGE

Notes to Financial Statements

2018	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	28.00%	5.70%	1.60%
	Alternative investment pools	18.00%	9.20%	1.66%
	International equity	16.00%	7.20%	1.15%
	Fixed income pools	10.50%	0.50%	0.05%
	Real estate and infrastructure pools	10.00%	3.90%	0.39%
	Absolute return pools	15.50%	5.20%	0.81%
	Short-term investment pools	2.00%	0.00%	0.00%
		<u>100.00%</u>		5.66%
	Inflation			2.30%
	Risk adjustment			<u>-0.91%</u>
	Investment rate of return			<u>7.05%</u>

Long-term Expected Return on OPEB Plan Assets

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan's target asset allocation as of September 30, 2019 and 2018, are summarized in the following tables:

2019	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	28.00%	5.50%	1.54%
	Private equity pools	18.00%	8.60%	1.55%
	International equity pools	16.00%	7.30%	1.17%
	Fixed income pools	10.50%	1.20%	0.13%
	Real estate and infrastructure pools	10.00%	4.20%	0.42%
	Absolute return pools	15.50%	5.40%	0.84%
	Short-term investment pools	2.00%	0.08%	0.00%
		<u>100.00%</u>		5.65%
	Inflation			2.30%
	Risk adjustment			<u>-1.00%</u>
	Investment rate of return			<u>6.95%</u>

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Notes to Financial Statements

2018	Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
	Domestic equity pools	28.00%	5.70%	1.60%
	Private equity pools	18.00%	9.20%	1.66%
	International equity	16.00%	7.20%	1.15%
	Fixed income pools	10.50%	0.50%	0.05%
	Real estate and infrastructure pools	10.00%	3.90%	0.39%
	Absolute return pools	15.50%	5.20%	0.81%
	Short-term investment pools	2.00%	0.00%	0.00%
		<u>100.00%</u>		5.66%
	Inflation			2.30%
	Risk adjustment			<u>-0.81%</u>
	Investment rate of return			<u>7.15%</u>

Rate of Return

For the fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37%, respectively. For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 11.11% and 10.75%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% (7.05% for 2019) was used to measure the total pension liability (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan, both of which are hybrid plans provided through non-university employers only) and a discount rate of 6.95% (7.15% for 2019) was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on pension and OPEB plan investments of 6.80% (7.05% for 2019) (6.80% for the Pension Plus plan (7.0% for 2019), 6.0% for the Pension Plus 2 plan) and 6.95% (7.15% for 2019), respectively. The projection of cash flows used to determine these discount rates 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.

JACKSON COLLEGE

Notes to Financial Statements

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 calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 as of June 30, 2020:

1% Decrease (5.80% / 5.80% / 5.00%)	Current Discount Rate (6.80% / 6.80% / 6.00%)	1% Increase (7.80% / 7.80% / 7.00%)
-------------------------------------------	--------------------------------------------------------	-------------------------------------------

College's proportionate share of the net pension liability	\$ 37,462,693	\$ 28,816,038	\$ 21,647,663
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The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 as of June 30, 2019:

1% Decrease (6.05% / 6.00% / 5.00%)	Current Discount Rate (7.05% / 7.00% / 6.00%)	1% Increase (8.05% / 8.00% / 7.00%)
-------------------------------------------	--------------------------------------------------------	-------------------------------------------

College's proportionate share of the net pension liability	\$ 36,434,816	\$ 27,750,921	\$ 20,536,016
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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 calculated using the discount rate of 6.95%, 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 as of June 30, 2020:

1% Decrease (5.95%)	Current Discount Rate (6.95%)	1% Increase (7.95%)
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College's proportionate share of the net OPEB liability	\$ 7,490,096	\$ 6,106,138	\$ 4,943,998
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JACKSON COLLEGE

Notes to Financial Statements

The following presents the College's proportionate share of the net OPEB liability calculated using the discount rate of 7.15%, 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 as of June 30, 2019:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
College's proportionate share of the net pension liability	\$ 8,520,531	\$ 7,097,606	\$ 5,900,751

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 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 as of June 30, 2020:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	\$ 4,894,728	\$ 6,106,138	\$ 7,489,932

The following presents the College's proportionate share of the net OPEB liability 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 as of June 30, 2019:

	1% Decrease (6.5%)	Current Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net OPEB liability	\$ 5,837,702	\$ 7,097,606	\$ 8,542,972

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.

JACKSON COLLEGE

Notes to Financial Statements

Payable to the Pension Plan

At June 30, 2020, the College reported a payable of \$279,253 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$292,983 for the outstanding amount of pension contributions to the Plan required for the year ended June 30, 2019.

Payable to the OPEB Plan

At June 30, 2020, the College reported a payable of \$46,538 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2020. At June 30, 2019, the College reported a payable of \$49,785 for the outstanding amount of OPEB contributions to the Plan required for the year ended June 30, 2019.

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, 2020 and 2019, the cost of this plan to the College was approximately \$1,302,000 and \$1,202,000 and participant contributions in the form of payroll deductions were approximately \$367,000 and \$338,000, respectively.

8. RELATED PARTIES

Jackson College Foundation

The College employs all Foundation staff and these amounts are considered an in-kind contribution by the Foundation. In addition, the College received payments from the Foundation for student scholarships and other support, including capital gifts, totaling \$397,992 and \$304,813 for the years ended June 30, 2020 and 2019, 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 \$200,000 in rent for fiscal 2020 and 2019. During fiscal year 2020, due to the COVID-19 pandemic, the Foundation transferred \$100,000 of this rent back to the College through scholarships and other support.

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.

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Notes to Financial Statements

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 2020 and 2019 fiscal years, the College paid JCD \$802,342 and \$895,702, 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 deficit for the following purposes at June 30:

	2020	2019
Major maintenance and equipment replacement	\$ 3,196,221	\$ 6,744,834
Future operations	12,255,258	9,050,974
Total designated	15,451,479	15,795,808
Pension and OPEB liability fund deficit	(32,611,851)	(33,429,936)
CARES Act fund deficit	(1,105,358)	-
Undesignated	703,265	702,470
Total unrestricted net deficit	<u>\$ (17,562,465)</u>	<u>\$ (16,931,658)</u>

10. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended June 30, 2020 and 2019, 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**

JACKSON COLLEGE

Required Supplementary Information

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

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
College's proportionate share of the net pension liability	\$ 28,816,038	\$ 27,750,921	\$ 25,076,508	\$ 25,492,530	\$ 25,348,337	\$ 31,557,371
College's proportion of the net pension liability	0.08701%	0.09231%	0.09677%	0.10218%	0.10378%	0.14327%
College's covered payroll	\$ 7,430,975	\$ 7,602,247	\$ 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	387.78%	365.04%	312.63%	301.67%	277.57%	332.94%
Plan fiduciary net position as a percentage of the total pension liability	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Schedule of College Pension Contributions

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 2,238,743	\$ 2,356,478	\$ 2,533,991	\$ 2,340,447	\$ 2,252,429	\$ 3,135,547
Contributions in relation to the statutorily required contribution	(2,238,743)	(2,356,478)	(2,533,991)	(2,340,447)	(2,252,429)	(3,135,547)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
College's covered payroll	\$ 7,224,684	\$ 7,536,546	\$ 7,902,364	\$ 9,003,990	\$ 8,950,325	\$ 12,526,015
Contributions as a percentage of covered employee payroll	30.99%	31.27%	32.07%	25.99%	25.17%	25.03%

See notes to the required supplementary information.

JACKSON COLLEGE**Required Supplementary Information****Schedule of the College's Proportionate Share of the Net Other Postemployment Benefits Liability**

	Year Ended June 30,		
	2020	2019	2018
College's proportionate share of the net OPEB liability	\$ 6,106,138	\$ 7,097,606	\$ 8,648,302
College's proportion of the net OPEB liability	0.08507%	0.08929%	0.09766%
College's covered payroll	\$ 7,430,975	\$ 7,602,247	\$ 8,021,049
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	82.17%	93.36%	107.82%
Plan fiduciary net position as a percentage of the total OPEB liability	48.46%	42.95%	36.39%

Schedule of College Other Postemployment Benefits Contributions

	Year Ended June 30,		
	2020	2019	2018
Statutorily required contribution	\$ 557,211	\$ 560,732	\$ 559,662
Contributions in relation to the statutorily required contribution	(557,211)	(560,732)	(559,662)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
College's covered payroll	\$ 7,224,684	\$ 7,536,546	\$ 7,902,364
Contributions as a percentage of covered payroll	7.71%	7.44%	7.08%

See notes to the required supplementary information.

JACKSON COLLEGE

Notes to Required Supplementary Information

Pension Information

GASB 68 was implemented in fiscal year 2015. The pension plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net Pension Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.80% for the MIP and Basic plans, 6.80% for the Pension Plus Plan, and 6.00% for the Pension Plus 2 Plan.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.05% for the MIP and Basic plans, 7.00% for the Pension Plus plan, and 6.00% for the Pension Plus 2 plan.
- 2018 - The discount rate used in the September 30, 2016 actuarial valuation decreased to 7.50% for the MIP and Basic plans and 7.00% for the Pension Plus plan.

OPEB Information

GASB 75 was implemented in fiscal year 2018. The OPEB plan schedules are being built prospectively. Ultimately, 10 years of data will be presented.

The amounts presented in the schedule of the College's Proportionate Share of the Net OPEB Liability were determined as of September 30 of the preceding year (the plan year).

The significant changes in assumptions for each of the fiscal years ended June 30 were as follows:

- 2020 - The discount rate used in the September 30, 2018 actuarial valuation decreased to 6.95%.
- 2019 - The discount rate used in the September 30, 2017 actuarial valuation decreased to 7.15%.

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SUPPLEMENTARY COMBINING INFORMATION

JACKSON COLLEGE

■ Combining Statement of Net Position (Unaudited)
June 30, 2020

	General Fund	Designated Fund	Restricted Funds	CARES Act Fund	Pension and OPEB Liability Fund	Endowment Funds	Plant Funds	Combined Total
Assets								
Current assets								
Cash and cash equivalents	\$ 525,934	\$ 3,804,381	\$ 565,082	\$ (294,585)	\$ -	\$ 13,204	\$ 3,293,337	\$ 7,907,353
Restricted cash and cash equivalents - unspent bond proceeds	-	-	-	-	-	-	2,100,397	2,100,397
Tuition and other receivables, net	2,355,239	27,733	84,777	-	-	-	10,000	2,477,749
State appropriations receivable	1,103,100	620,270	-	-	-	-	-	1,723,370
Federal and state grants receivable	-	-	629,960	-	-	-	-	629,960
Current portion of notes receivable	-	-	-	-	-	-	33,888	33,888
Inventories	27,430	-	-	-	-	-	-	27,430
Prepaid expenses and other assets	871,356	-	26,652	-	-	-	-	898,008
Total current assets	4,883,059	4,452,384	1,306,471	(294,585)	-	13,204	5,437,622	15,798,155
Noncurrent assets								
Investments	2,000,000	8,412,535	-	-	-	16,726	-	10,428,261
Related party receivable	-	-	-	-	-	-	7,927,960	7,927,960
Notes receivable, net of current portion	-	-	-	-	-	-	22,646	22,646
Campus property, plant and equipment, net	-	-	-	-	-	-	70,654,296	70,654,296
Total noncurrent assets	2,000,000	8,412,535	-	-	-	16,726	78,604,902	89,034,163
Total assets	6,883,059	12,864,919	1,306,471	(294,585)	-	29,930	84,042,524	104,832,318
Deferred outflows of resources								
Deferred charge on refunding	-	-	-	-	-	-	413,946	413,946
Deferred pension amounts	-	-	-	-	7,822,795	-	-	7,822,795
Deferred OPEB amounts	-	-	-	-	1,793,736	-	-	1,793,736
Total deferred outflows of resources	-	-	-	-	9,616,531	-	413,946	10,030,477
Liabilities								
Current liabilities								
Accounts payable	1,201,367	609,661	72,563	-	-	-	12,051	1,895,642
Accrued compensation and benefits	2,702,834	-	10,565	-	-	-	-	2,713,399
Current portion of long-term liabilities	-	-	-	-	-	-	3,147,472	3,147,472
Accrued interest	-	-	-	-	-	-	151,599	151,599
Unearned revenue	2,275,593	-	842,445	810,773	-	-	-	3,928,811
Total current liabilities	6,179,794	609,661	925,573	810,773	-	-	3,311,122	11,836,923
Noncurrent liabilities								
Long-term liabilities, net of current portion	-	-	-	-	-	-	34,722,590	34,722,590
Net pension liability	-	-	-	-	28,816,038	-	-	28,816,038
Net OPEB liability	-	-	-	-	6,106,138	-	-	6,106,138
Total noncurrent liabilities	-	-	-	-	34,922,176	-	34,722,590	69,644,766
Total liabilities	6,179,794	609,661	925,573	810,773	34,922,176	-	38,033,712	81,481,689
Deferred inflows of resources								
Deferred pension amounts	-	-	-	-	4,150,243	-	-	4,150,243
Deferred OPEB amounts	-	-	-	-	3,155,963	-	-	3,155,963
Total deferred inflows of resources	-	-	-	-	7,306,206	-	-	7,306,206
Net position								
Net investment in capital assets	-	-	-	-	-	-	43,226,537	43,226,537
Restricted:								
Nonexpendable	-	-	-	-	-	29,930	-	29,930
Expendable	-	-	380,898	-	-	-	-	380,898
Unrestricted (deficit)	703,265	12,255,258	-	(1,105,358)	(32,611,851)	-	3,196,221	(17,562,465)
Total net position (deficit)	703,265	12,255,258	380,898	(1,105,358)	(32,611,851)	29,930	46,422,758	26,074,900

JACKSON COLLEGE

■ Combining Statement of Net Position (Unaudited)
June 30, 2019

	General Fund	Designated Fund	Restricted Funds	Pension and OPEB Liability Fund	Endowment Funds	Plant Funds	Combined Total
Assets							
Current assets							
Cash and cash equivalents	\$ 135,453	\$ 800,948	\$ 1,135,165	\$ -	\$ 11,579	\$ 6,890,367	\$ 8,973,512
Tuition and other receivables, net	1,888,036	-	15,986	-	-	20,000	1,924,022
State appropriations receivable	2,508,816	589,523	-	-	-	-	3,098,339
Federal and state grants receivable	2,000	-	300,182	-	-	-	302,182
Current portion of notes receivable	-	-	-	-	-	33,888	33,888
Inventories	30,425	-	-	-	-	-	30,425
Prepaid expenses and other assets	537,720	581	98,500	-	-	300	637,101
Total current assets	5,102,450	1,391,052	1,549,833	-	11,579	6,944,555	14,999,469
Noncurrent assets							
Investments	2,000,000	8,242,370	-	-	17,673	-	10,260,043
Notes receivable, net of current portion	-	-	-	-	-	477	477
Campus property, plant and equipment, net	-	-	-	-	-	71,636,809	71,636,809
Total noncurrent assets	2,000,000	8,242,370	-	-	17,673	71,637,286	81,897,329
Total assets	7,102,450	9,633,422	1,549,833	-	29,252	78,581,841	96,896,798
Deferred outflows of resources							
Deferred charge on refunding	-	-	-	-	-	441,221	441,221
Deferred pension amounts	-	-	-	8,747,735	-	-	8,747,735
Deferred OPEB amounts	-	-	-	1,228,821	-	-	1,228,821
Total deferred outflows of resources	-	-	-	9,976,556	-	441,221	10,417,777
Liabilities							
Current liabilities							
Accounts payable	925,515	582,448	418	-	-	47,196	1,555,577
Accrued compensation and benefits	2,236,179	-	9,312	-	-	-	2,245,491
Current portion of long-term liabilities	-	-	-	-	-	4,048,290	4,048,290
Accrued interest	-	-	-	-	-	153,002	153,002
Unearned revenue	3,238,286	-	1,160,919	-	-	-	4,399,205
Total current liabilities	6,399,980	582,448	1,170,649	-	-	4,248,488	12,401,565
Noncurrent liabilities							
Long-term liabilities, net of current portion	-	-	-	-	-	26,421,318	26,421,318
Net pension liability	-	-	-	27,750,921	-	-	27,750,921
Net OPEB liability	-	-	-	7,097,606	-	-	7,097,606
Total noncurrent liabilities	-	-	-	34,848,527	-	26,421,318	61,269,845
Total liabilities	6,399,980	582,448	1,170,649	34,848,527	-	30,669,806	73,671,410
Deferred inflows of resources							
Deferred pension amounts	-	-	-	6,333,450	-	-	6,333,450
Deferred OPEB amounts	-	-	-	2,224,515	-	-	2,224,515
Total deferred inflows of resources	-	-	-	8,557,965	-	-	8,557,965
Net position							
Net investment in capital assets	-	-	-	-	-	41,608,422	41,608,422
Restricted:							
Nonexpendable	-	-	-	-	29,252	-	29,252
Expendable	-	-	379,184	-	-	-	379,184
Unrestricted (deficit)	702,470	9,050,974	-	(33,429,936)	-	6,744,834	(16,931,658)
Total net position (deficit)	\$ 702,470	\$ 9,050,974	\$ 379,184	\$ (33,429,936)	\$ 29,252	\$ 48,353,256	\$ 25,085,200

JACKSON COLLEGE

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

For the Year Ended June 30, 2020

	General Fund	Designated Fund	Restricted Funds	CARES Act Fund	Pension and OPEB Liability Fund	Endowment Funds	Plant Funds	Elimination Entries	Combined Total
Operating revenues									
Tuition and fees (net of scholarship allowances of \$14,494,818)	\$ 28,558,606	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,494,818)	\$ 14,063,788
Federal grants and contracts	9,200	-	2,799,431	-	-	-	-	-	2,808,631
State grants and contracts	-	-	323,832	-	-	-	-	-	323,832
Housing revenue	967,194	-	-	-	-	-	-	-	967,194
Potter Center activities	296,380	-	-	-	-	-	-	-	296,380
Contract training	178,005	-	-	-	-	-	-	-	178,005
Seminars, workshops, and other	995,379	345,157	1,273,273	-	-	-	9,659	-	2,623,468
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	-	3,854,204	(3,854,204)	-
Total operating revenues	31,004,764	345,157	4,396,536	-	-	-	3,863,863	(18,349,022)	21,261,298
Operating expenses									
Instruction	17,225,006	-	317,342	-	(624,307)	-	-	-	16,918,041
Information technology	2,978,315	-	-	4,525	(89,187)	-	-	-	2,893,653
Public service	1,016,159	-	-	-	(53,512)	-	-	-	962,647
Academic support	2,175,004	-	527,442	35,810	(267,560)	-	-	-	2,470,696
Student services	7,046,118	181,995	12,783,705	828,314	(428,096)	-	-	(14,494,818)	5,917,218
Administration	5,173,630	-	48,662	131,067	(142,699)	-	-	-	5,210,660
Operation and maintenance of plant	5,160,791	-	24,452	105,642	(178,374)	-	4,410,586	(3,854,204)	5,668,893
Depreciation and amortization	-	-	-	-	-	-	4,728,010	-	4,728,010
Total operating expenses	40,775,023	181,995	13,701,603	1,105,358	(1,783,735)	-	9,138,596	(18,349,022)	44,769,818
Operating (loss) income	(9,770,259)	163,162	(9,305,067)	(1,105,358)	1,783,735	-	(5,274,733)	-	(23,508,520)
Nonoperating revenues (expenses)									
State appropriations	12,796,117	-	-	-	(965,650)	-	-	-	11,830,467
Local property taxes	5,301,939	-	-	-	-	-	-	-	5,301,939
Federal Pell grant revenue	-	-	9,098,781	-	-	-	-	-	9,098,781
Federal Higher Education Emergency Relief Fund grant revenue	-	-	206,000	-	-	-	-	-	206,000
Private gifts and grants	150,766	48,621	2,000	-	-	-	-	-	201,387
Interest income	22	171,724	-	-	-	678	37,419	-	215,843
Loss on disposal of property and equipment	-	-	-	-	-	-	(100,214)	-	(100,214)
Interest expense	-	-	-	-	-	-	(1,127,909)	-	(1,127,909)
Transfer of assets to Jackson College Dormitories	-	-	-	-	-	-	(1,118,074)	-	(1,118,074)
Transfer of funds to Jackson College Foundation	-	(10,000)	-	-	-	-	-	-	(10,000)
Net nonoperating revenues (expenses)	18,248,844	216,345	9,306,781	-	(965,650)	678	(2,308,778)	-	24,498,220
Increase (decrease) in net position	8,478,585	379,507	1,714	(1,105,358)	818,085	678	(7,583,511)	-	989,700
Transfers in (out)	(8,477,790)	2,824,777	-	-	-	-	5,653,013	-	-
Net increase (decrease) in net position	795	3,204,284	1,714	(1,105,358)	818,085	678	(1,930,498)	-	989,700
Net position (deficit), beginning of year	702,470	9,050,974	379,184	-	(33,425,936)	29,252	48,353,256	-	25,085,200
Net position (deficit), end of year	\$ 703,265	\$ 12,255,258	\$ 380,898	\$ (1,105,358)	\$ (32,611,851)	\$ 29,930	\$ 46,422,758	\$ -	\$ 26,074,900

JACKSON COLLEGE**■ Combining Statement of Revenues, Expenses, Transfers and Changes in Net Position (Unaudited)**

For the Year Ended June 30, 2019

	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 \$13,839,703)	\$ 27,014,539	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13,839,703)	\$ 13,174,836
Federal grants and contracts	9,200	-	2,547,802	-	-	-	-	2,557,002
State grants and contracts	-	-	413,119	-	-	-	-	413,119
Housing revenue	905,144	-	-	-	-	-	-	905,144
Potter Center activities	416,083	-	-	-	-	-	-	416,083
Contract training	179,345	-	-	-	-	-	-	179,345
Seminars, workshops, and other	1,043,645	256,615	667,107	-	-	6,941	-	1,974,308
Current funds expenditures for capital equipment and improvements	-	-	-	-	-	1,822,278	(1,822,278)	-
Total operating revenues	29,567,956	256,615	3,628,028	-	-	1,829,219	(15,661,981)	19,619,837
Operating expenses								
Instruction	16,827,013	-	384,366	(758,791)	-	-	-	16,452,588
Information technology	2,809,696	-	-	(151,757)	-	-	-	2,657,939
Public Service	1,147,721	-	-	-	-	-	-	1,147,721
Academic support	2,408,337	-	550,988	(758,789)	-	-	-	2,200,536
Student services	6,808,659	210,239	13,049,067	(1,062,304)	-	-	(13,839,703)	5,165,958
Administration	5,246,293	-	49,101	(151,757)	-	-	-	5,143,637
Operation and maintenance of plant	5,327,108	-	20,278	(151,757)	-	1,733,900	(1,822,278)	5,107,251
Depreciation and amortization	-	-	-	-	-	4,604,447	-	4,604,447
Total operating expenses	40,574,827	210,239	14,053,800	(3,035,155)	-	6,338,347	(15,661,981)	42,480,077
Operating (loss) income	(11,006,871)	46,376	(10,425,772)	3,035,155	-	(4,509,128)	-	(22,860,240)
Nonoperating revenues (expenses)								
State appropriations	14,080,952	-	-	(1,105,890)	-	-	-	12,975,062
Local property taxes	5,104,875	-	-	-	-	-	-	5,104,875
Federal Pell grant revenue	-	-	10,441,791	-	-	-	-	10,441,791
Private gifts and grants	47,327	59,919	1,500	-	-	-	-	108,746
Interest income	24	236,620	-	-	1,519	-	-	238,163
Loss on disposal of property and equipment	-	-	-	-	-	(17,304)	-	(17,304)
Interest expense	-	-	-	-	-	(936,693)	-	(936,693)
Transfer of funds to Jackson College Foundation	-	(9,608)	-	-	-	-	-	(9,608)
Total nonoperating revenues (expenses)	19,233,178	286,931	10,443,291	(1,105,890)	1,519	(953,997)	-	27,905,032
Other revenues								
Capital gifts and grants	-	-	-	-	-	19,992	-	19,992
Increase (decrease) in net position	8,226,307	333,307	17,519	1,929,265	1,519	(5,443,133)	-	5,064,784
Transfers in (out)	(8,225,645)	(954,200)	1,140	-	-	9,178,705	-	-
Net increase (decrease) in net position	662	(620,893)	18,659	1,929,265	1,519	3,735,572	-	5,064,784
Net position (deficit), beginning of year	701,808	9,671,867	360,525	(35,359,201)	27,733	44,617,684	-	20,020,416
Net position (deficit), end of year	\$ 702,470	\$ 9,050,974	\$ 379,184	\$ (33,429,936)	\$ 29,252	\$ 48,353,256	\$ -	\$ 25,085,200



November 4, 2020

Audit Committee
Board of Trustees
Jackson College
Jackson, MI

We have audited the financial statements of the business-type activities and the discretely presented component units of *Jackson College* (the "College") as of and for the year ended June 30, 2020, and have issued our report thereon dated November 4, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 7, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the College solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We have provided our findings regarding internal control over financial reporting and compliance noted during our audit in a separate letter to you dated November 4, 2020.

We are also responsible for communication significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our professional services plan dated June 3, 2020.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Rehmann is an independent member of Nexia International.



Audit Committee Board of Trustees
Jackson College
November 4, 2020
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Qualitative Aspects of the College's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the College is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets and the resulting depreciation expense is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the allowance for uncollectable receivable balance is based on past experience and future expectation for collection of various account balance.

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole. In addition, the financial statements include net pension and other postemployment benefit liabilities and other related amounts, which are dependent on estimates made by the plan. These estimates are based on historical trends and industry standards but are not within the control of management.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Audit Committee Board of Trustees
Jackson College
November 4, 2020
Page 3

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no adjustments proposed to or passed by management. We did assist management in adjustments related to the bond issuance.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the College's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 4, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the College, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the College's auditors.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Audit Committee Board of Trustees
Jackson College
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Upcoming Changes in Accounting Standards

Generally accepted accounting principles (GAAP) are continually changing in order to promote the usability and enhance the applicability of information included in external financial reporting. While it would not be practical to include an in-depth discussion of every upcoming change in professional standards, *Attachment A* to this letter contains a brief overview of recent pronouncements of the Governmental Accounting Standards Board (GASB) and their related effective dates. Management is responsible for reviewing these standards, determining their applicability, and implementing them in future accounting periods.

This information is intended solely for the use of the governing body and management of the **Jackson College** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

JACKSON COLLEGE

Attachment A - Upcoming Changes in Standards

For the June 30, 2020 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the College in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the College. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2020 (your FY 2021)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2022)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the College.

GASB 90 ■ Majority Equity Interests

Effective 12/15/2020 (your FY 2021)

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the College.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is *more likely than not* that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the College.

JACKSON COLLEGE

■ Attachment A - Upcoming Changes in Standards

For the June 30, 2020 Audit

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the College.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the College.

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the College.

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.

■ ■ ■ ■ ■



2111 Emmons Road • Jackson, MI 49201-8399
www.jccmi.edu

November 4, 2020

Rehmann Robson
675 Robinson Rd.
Jackson, MI 49203

This representation letter is provided in connection with your audit of the financial statements of the business-type activities and discretely presented component units of **Jackson College** (the "College"), as of and for the year ended June 30, 2020 and 2019, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, in conformity with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 4, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated May 7, 2020, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. The financial statements referred to above have been fairly presented in accordance with U.S. GAAP, and include all properly classified funds, required supplementary information, and notes to the basic financial statements.
3. We have reviewed and approved the various adjusting journal entries that were proposed by you for recording in our books and records and reflected in the financial statements.
4. With respect to any assistance you provided in drafting the financial statements and related notes, we have performed the following:
 - a. Made all management decisions and performed all management functions;
 - b. Assigned a competent individual to oversee the services;
 - c. Evaluated the adequacy of the services performed;
 - d. Evaluated and accepted responsibility for the result of the service performed; and
 - e. Established and maintained internal controls, including monitoring ongoing activities.
5. We acknowledge our responsibility for 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.
6. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
7. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Rehmann Robson
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8. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. For the purposes of this letter, related parties mean members of the governing body; board members; administrative officials; immediate families of administrative officials, board members, and members of the governing body; and any companies affiliated with or owned by such individuals.
9. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
10. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements as a whole.
11. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
12. With regard to items reported at fair value:
 - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c. The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
 - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
13. All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
14. All funds and activities are properly classified.
15. All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
16. All components of net position and fund balance classifications have been properly reported.
17. All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
18. All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
19. All interfund and intra-entity transactions and balances have been properly classified and reported.
20. Special items and extraordinary items have been properly classified and reported.
21. Deposit and investment risks have been properly and fully disclosed.
22. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
23. All required supplementary information is measured and presented within the prescribed guidelines.
24. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefit liabilities and costs for financial accounting purposes are appropriate in the circumstances.
25. We are responsible for the fair presentation of the College's proportionate share of the net pension liability of the Michigan Public School Employees Retirement System (MPSERS) and related amounts. We provided MPSERS with complete and accurate information regarding the College's participation in the plan, and have reviewed the information provided by MPSERS for inclusion in the College's financial statements.

Rehmann Robson
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26. In response to the novel coronavirus outbreak (COVID-19), the Governor issued various temporary Executive Orders that, among other stipulations, effectively prohibited in-person work activities for most businesses and industries including non-essential government services, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the government's normal activities. The extent of the ultimate impact of the pandemic on the government's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the government for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to negatively impact the government's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

Information Provided

27. We have provided you with:
- Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
28. All transactions have been recorded in the accounting records and are reflected in the financial statements.
29. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
30. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
31. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors (contractors), regulators, or others.
32. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
33. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
34. We have a process to track the status of audit findings and recommendations.
35. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
36. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
37. *We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.*

Rehmann Robson
Page 4 of 5

38. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
39. *There have been no* communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
40. The government has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
41. We have disclosed to you all guarantees, whether written or oral, under which the government is contingently liable.
42. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
43. There are no:
 - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.
 - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB Statement No. 62.
44. The government has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
45. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
46. We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

Supplementary Information in Relation to the Financial Statements as a Whole

47. With respect to the supplementary information accompanying the financial statements:
 - a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
 - b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

Required Supplementary Information

48. With respect to the required supplementary information accompanying the financial statements:

Rehmann Robson
Page 5 of 5

- a. We acknowledge our responsibility for the presentation of the required supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted in the United States of America.
- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.



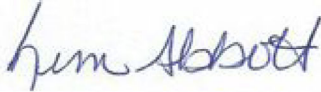
Dr. Daniel J. Phelan, President



Darrell Norris, Vice President of Finance



Teresa Choate, Controller



Kimberly S. Abbott, Internal Auditor

Jackson College Dormitories

Years Ended
June 30, 2020 and
2019

Financial
Statements

Rehmann

Jackson College Dormitories

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INDEPENDENT AUDITORS' REPORT

November 4, 2020

Board of Directors
Jackson College Dormitories
Jackson, Michigan

We have audited the accompanying financial statements of **Jackson College Dormitories** (the "Dormitories"), a Michigan nonprofit corporation and a discretely presented component unit of Jackson College, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Rehmann is an independent member of Nexia International.



675 Robinson Road, Jackson, MI 49203 517.787.6503

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ***Jackson College Dormitories*** as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rehmann Lohman LLC

Jackson College Dormitories

Statements of Financial Position

	June 30,	
	2020	2019
Assets		
Cash and cash equivalents	\$ 319,739	\$ 336,137
Restricted cash	-	785,280
Accounts receivable	18,164	-
Net property	7,927,960	8,154,473
Total assets	\$ 8,265,863	\$ 9,275,890
Liabilities		
Accounts payable	\$ 556,782	\$ 399,226
Related party payable (Note 4)	7,927,960	-
Accrued interest	-	106,479
Bonds and notes payable, net of deferred bond issuance costs	-	9,209,345
Total liabilities	8,484,742	9,715,050
Net deficit		
Without donor restrictions	(218,879)	(439,160)
Total liabilities and net deficit	\$ 8,265,863	\$ 9,275,890

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

Jackson College Dormitories

Statements of Activities

	Year Ended June 30,	
	2020	2019
Revenue		
Housing rental	\$ 802,342	\$ 895,702
Investment income	1,254	1,359
Gain on forgiveness of note payable (Note 4)	-	100,000
Transfer of assets from Jackson College (Note 4)	1,118,073	-
Total revenue	1,921,669	997,061
Expenses		
Program services - housing		
Occupancy	162,384	160,975
Interest and fees	671,156	690,250
Bond issuance amortization	636,185	-
Depreciation	226,513	226,513
Total program expenses	1,696,238	1,077,738
Management and general		
Office	5,150	3,800
Total expenses	1,701,388	1,081,538
Change in net deficit	220,281	(84,477)
Net deficit, beginning of year	(439,160)	(354,683)
Net deficit, end of year	\$ (218,879)	\$ (439,160)

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

Jackson College Dormitories

Statements of Cash Flows

	Year Ended June 30,	
	2020	2019
Cash flows from operating activities		
Change in net deficit	\$ 220,281	\$ (84,477)
Adjustments to reconcile change in net deficit to net cash provided by operating activities:		
Depreciation	226,513	226,513
Bond discount and issuance cost amortization	24,469	24,469
Gain on forgiveness of note payable	-	(100,000)
Transfer of assets from Jackson College	(1,118,073)	-
Net changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	(18,164)	7,405
Accounts payable	157,556	168,390
Accrued interest	(106,479)	(13,843)
Net cash provided by operating activities	(613,897)	228,457
Cash flows used in financing activities		
Principal paid on bonds and note payable	(187,781)	(471,032)
Net decrease in cash and cash equivalents	(801,678)	(242,575)
Cash and cash equivalents, beginning of year	1,121,417	1,363,992
Cash and cash equivalents, end of year	\$ 319,739	\$ 1,121,417
Reconciliation to statement of financial position		
Cash and cash equivalents	\$ 319,739	\$ 336,137
Restricted cash	-	785,280
	\$ 319,739	\$ 1,121,417

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

Jackson College Dormitories

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Jackson College Dormitories ("Dormitories") is a Michigan private, non-stock, not-for-profit corporation which was established by Jackson College (the "College" or "JC") exclusively for the purpose of soliciting funds for and constructing a new dormitory, Campus View 3, on the College's campus. Dormitories is governed by a five-member Board of Directors, four of whom must be employed by the College or a member of the Board of Trustees. All Board of Director members are appointed by the College Board of Trustees.

Dormitories expenses include depreciation on the building, interest payments on debt, direct utilities and other direct expenses covered by rental income.

Basis of Presentation

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes the accounts of Dormitories are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose.

The accompanying financial statements have been prepared to focus on Dormitories as a whole and to present transactions according to the existence or absence of restrictions. This has been accomplished by classification of fund balances and transactions into two classes of net assets - net assets without donor restrictions and net assets with donor restrictions. Net assets and revenues, expenses and gains or losses are classified based on the existence or absence of restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations that are not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Dormitories had no net assets with donor restrictions as of June 30, 2020 or June 30, 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of Dormitories to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Jackson College Dormitories

Notes to Financial Statements

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with a local financial institution, including interest-bearing demand deposit accounts. At June 30, 2020, no amounts of the \$319,739 cash balance was comprised of deposits restricted for future debt service. At June 30, 2019, \$785,280 of the \$1,121,417 cash balance was comprised of deposits restricted for future debt service.

In the normal course of conducting its activities, Dormitories maintains deposit accounts in a financial institution which, at times, may exceed federally insured limits. The amount of uninsured deposits was \$69,739 and \$871,417 at June 30, 2020 and 2019, respectively. Management does not believe Dormitories is exposed to any significant financial risk as a result of these deposits.

Deferred Bond Issuance Costs

Costs directly related to securing bond financing are deferred and amortized on a straight-line basis over the term of the bonds. The balance is directly netted against the outstanding bonds payable on the accompanying Statement of Financial Position at June 30, 2019. In 2020, the remaining bond issuance costs were fully expensed with the refunding of the bond. See Note 4.

Revenue Recognition

Dormitories only source of program revenue are rents collected and remitted by Jackson College and interest on bank deposits. Revenue is recognized when earned.

Net Property and Depreciation

Property is 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. Interest costs incurred during the period required to complete construction are capitalized. Expenses for routine maintenance and ordinary repairs are expensed as incurred. Depreciation is provided for campus property on a straight-line basis over an estimated useful life of 40 years. Management reviews these assets to determine whether carrying values have been impaired.

Functional Expenses

Expenses are presented by function (program and management and general) in the accompanying statements of activities. All expenses are direct expenses to either Dormitories' housing program or to management and general. Accordingly, there are not costs that were allocated between program and management and general.

Income Taxes

Dormitories is operating as a nonprofit organization while it is awaiting final ruling by the Internal Revenue Service that Dormitories is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (the "Code"). Dormitories is required to operate in conformity with the Code and related regulations to maintain its exemption. Only unrelated business income, if any, as defined by Section 512(a)(1) of the Code, is subject to Federal income tax.

Jackson College Dormitories

Notes to Financial Statements

Dormitories considers whether it has engaged in activities that jeopardize its current tax exempt status with the Internal Revenue Service. Furthermore, Dormitories determines whether it has any unrelated business income, which may be subject to federal and state income taxes. Dormitories treats interest and penalties attributable to income taxes, and reflects any charges for such, to the extent they arise, as a component of its other management and general expenses.

Dormitories has evaluated fiscal year 2017 through 2020, the open tax years as of June 30, 2020, for uncertain tax positions. Dormitories concluded that there are no significant uncertain tax positions requiring recognition in Dormitories' financial statements. Dormitories does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. Dormitories does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2020 or 2019, and it is not aware of any claims for such amounts by federal or state income tax authorities.

Subsequent Events

In preparing these financial statements, Dormitories management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2020, the most recent statement of financial position presented herein, through November 4, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified, other than the dissolution of Dormitories described in Note 4.

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, are comprised of Dormitories' cash and cash equivalents and accounts receivable totaling \$337,903 and \$336,137 at June 30, 2020 and 2019, respectively.

3. NET PROPERTY

Net property activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Disposals	Transfers	Balance June 30, 2020
Building	\$ 9,060,526	\$ -	\$ -	\$ -	\$ 9,060,526
Less accumulated depreciation	906,053	226,513	-	-	1,132,566
Net property	\$ 8,154,473	\$ 226,513	\$ -	\$ -	\$ 7,927,960

Jackson College Dormitories

Notes to Financial Statements

Net property activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Building	\$ 9,060,526	\$ -	\$ -	\$ -	\$ 9,060,526
Less accumulated depreciation	679,539	226,514	-	-	906,053
Net property	\$ 8,380,987	\$ 226,514	\$ -	\$ -	\$ 8,154,473

4. BONDS AND NOTE PAYABLE AND SUBSEQUENT EVENT

Bonds payable activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020
Campus View 3 - 2015	\$ 9,870,000	\$ -	\$ 9,870,000	\$ -
Bond discount	(288,269)	-	(288,269)	-
Bond issuance costs	(372,386)	-	(372,386)	-
	<u>\$ 9,209,345</u>	<u>\$ -</u>	<u>\$ 9,209,345</u>	<u>\$ -</u>

Bonds and note payable activity for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Campus View 3 - 2015	\$ 10,005,000	\$ -	\$ 135,000	\$ 9,870,000
Note payable	436,033	-	436,033	-
Total bonds and note	10,441,033	-	571,033	9,870,000
Bond discount	(298,946)	-	(10,677)	(288,269)
Bond issuance costs	(386,178)	-	(13,792)	(372,386)
	<u>\$ 9,755,909</u>	<u>\$ -</u>	<u>\$ 546,564</u>	<u>\$ 9,209,345</u>

\$10,260,000 General Bonds, Series 2015

Secured bonds mature in annual amounts ranging from \$125,000 to \$1,465,000 through 2046 with interest charges at rates ranging from 5.00% to 6.75% per annum. The bond is collateralized by the mortgage, housing rental revenue, and bond proceeds. The borrowing agreement contains restrictive covenants which require Dormitories to, among other things, maintain a debt coverage ratio of at least 120% of the maximum debt service requirement coming due in such year.

Jackson College Dormitories

Notes to Financial Statements

In May, 2020, Jackson College issued \$11,340,000 of 2020 College Facilities - General Obligation Bonds (the "Bonds"). Proceeds from the Bonds, together with certain debt service reserve funds, were used to acquire United States Treasury Obligations to establish a cash deposit to provide funds to advance refund serial bonds held by Dormitories. In July 2020, the College acquired Dormitories' student housing facilities as well as any remaining Dormitories assets such as excess cash that arose as a result of operations. Dormitories no longer manages these assets as the College has taken on that responsibility. As a result of the advance refunding of the Series 2015 bonds, Dormitories had a transfer of assets from Jackson College of approximately \$1,118,000 and corresponding payable of \$7,927,960 to Jackson College as of June 30, 2020. In July 2020, the building was transferred to the College and Dormitories was dissolved.

\$500,000 Note Payable

Unsecured note held by the building developer with annual payments of \$54,897 through 2029, including interest charged at 7%.

During the year ended June 30, 2019, the building developer offered Dormitories an early payoff on the outstanding note payable. On January 4, 2019, Dormitories paid \$364,010, which was the outstanding principal amount and accrued interest less a \$100,000 discount. The payoff discount has been recognized as a gain on the fiscal 2019 financial statements.

Interest paid amounted to \$637,667 and \$659,761 during fiscal 2020 and 2019, respectively. There were no interest costs capitalized in fiscal 2020 or 2019.

5. RELATED PARTY

Jackson College

Dormitories was created by the College as a separate tax exempt corporation following IRS code 501(c)(3). The College collects and distributes rents for/to Dormitories and provides management and cleaning of the building.

6. SUPPLEMENTAL CASH FLOWS INFORMATION

Non-Cash Investing and Financing Activities

During fiscal year 2019, Dormitories paid off the outstanding principal balance and accrued interest on the developer's note at a discount. This resulted in a \$100,000 gain on the forgiveness of a portion of the principal balance.

During fiscal year 2020, Jackson College issued bonds to refund the debt for Dormitories. Dormitories recorded a payable for the net book value of the building in the amount of \$7,927,960, which was transferred to the College in July 2020.

■ ■ ■ ■ ■



November 4, 2020

Board of Directors
Jackson Community College Dormitories
Jackson, MI

We have audited the financial statements of **Jackson College Dormitories** (the “Dormitories”) as of and for the year ended June 30, 2020, and have issued our report thereon dated November 4, 2020. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 30, 2020, our responsibility, as described by professional standards, is to form and express opinions about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Dormitories solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and in our professional services plan dated June 3, 2020.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm has complied with all relevant ethical requirements regarding independence.

Rehmann is an independent member of Nexia International.



📍 675 Robinson Road, Jackson, MI 49203 📞 517.787.6503

Qualitative Aspects of the Dormitories' Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Dormitories is included in Note 1 to the financial statements.

There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements was the carrying value and useful life of property

We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Dormitories' financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 4, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Dormitories, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Dormitories' auditors.

This information is intended solely for the use of the board of directors and management of the **Jackson College Dormitories** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

JACKSON COLLEGE DORMITORIES

Attachment A - Upcoming Changes in Standards

For the June 30, 2020 Audit

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the College in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the College. For the complete text of these and other GASB standards, visit www.gasb.org and click on the "Standards & Guidance" tab. If you have questions regarding the applicability, timing, or implementation approach for any of these standards, please contact your audit team.

GASB 84 ■ Fiduciary Activities

Effective 12/15/2020 (your FY 2021)

This standard establishes new criteria for determining how to report fiduciary activities in governmental financial statements. The focus is on whether the government is controlling the assets, and who the beneficiaries are. Under this revised standard, certain activities previously reported in agency funds may be reclassified in future periods.

GASB 87 ■ Leases

Effective 06/15/2022 (your FY 2022)

This standard establishes a single model for reporting all leases (including those previously classified as operating and capital). Lessees will now report offsetting intangible lease assets and lease liabilities equal to the present value of future lease payments. Lessors will report offsetting lease receivables and deferred inflows of resources.

GASB 89 ■ Accounting for Interest Cost Incurred before the End of a Construction Period

Effective 12/15/2021 (your FY 2022)

This standard eliminates the requirement for governments to capitalize interest during the construction period for business-type activities. As this simplifies the accounting for interest, early implementation is encouraged. We do not expect this standard to have any significant effect on the College.

GASB 90 ■ Majority Equity Interests

Effective 12/15/2020 (your FY 2021)

This standard addresses situations in which a government acquires a majority of the equity interest in a legally separate organization, and whether such holdings should be reported as an investment or a component unit. We do not expect this standard to have any significant effect on the College.

GASB 91 ■ Conduit Debt Obligations

Effective 12/15/2022 (your FY 2023)

This standard defines "conduit debt obligations", where a government issues debt whose proceeds are received and repaid by a third-party obligor without the issuer being primarily liable. The standard requires issuers to disclose conduit debt obligations, but not to record a liability unless it is *more likely than not* that a commitment made by the issuer will require it to support one or more debt payments for a conduit debt obligation. We do not expect this standard to have any significant effect on the College.

JACKSON COLLEGE DORMITORIES

■ Attachment A - Upcoming Changes in Standards

For the June 30, 2020 Audit

GASB 92 ■ Omnibus 2020

Effective 06/15/2022 (your FY 2022)

This standard includes a variety of small technical revisions to previously issued GASB statements. We do not expect this standard to have any significant effect on the College.

GASB 93 ■ Replacement of Interbank Offered Rates

Effective 06/15/2022 (your FY 2022)

This standard provides guidance to governments with agreements with variable payments tied to LIBOR, and how to transition them to a new reference rate. We do not expect this standard to have any significant effect on the College.

GASB 94 ■ Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Effective 06/15/2023 (your FY 2023)

This standard addresses accounting and financial reporting for arrangements in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. We do not expect this standard to have any significant effect on the College.

GASB 96 ■ Subscription-Based Information Technology Arrangements

Effective 06/15/2023 (your FY 2023)

This standard expands on the new guidance for leases and applies it to computer software contracts (subscriptions) with similar characteristics. Governments that subscribe to a vendor's IT software will now report offsetting intangible subscription assets and subscription liabilities equal to the present value of future subscription payments.

GASB 97 ■ Certain Component Unit Criteria and IRC Section 457 Deferred Compensation Plans

Effective 06/15/2022 (your FY 2022)

This standard amends the requirements for when to report defined contribution pension plans (such as 401k and 403b plans) as fiduciary component units, and how to account for Section 457 deferred compensation plans.

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Jackson College Dormitories, Inc.

2111 Emmons Road

Jackson, MI 49201

November 4, 2020

Rehmann Robson
675 Robinson Road
Jackson, Michigan 49203

This representation letter is provided in connection with your audits of the financial statements of **Jackson College Dormitories** (the "Dormitories"), which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 4, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2020 for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework we have chosen, which is accounting principles generally accepted in the United States of America.
2. The financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

Rehmann Robson
November 4, 2020
Page 2 of 3

For the purposes of this letter, related parties mean affiliated or financially interrelated organizations; entities for which investments are accounted for by the equity method by the Dormitories; trusts for the benefit of employees, such as pension trusts that are managed by or under the trusteeship of management or the governing board; members of the Dormitories' management and governing board and their immediate families; and other parties with which the Dormitories may deal if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the transacting parties might be prevented from fully pursuing its own separate interests, such as significant contributors. Another party also is a related party if it can significantly influence the management or operating policies of the transacting parties or if it has an ownership interest in one of the transacting parties and can significantly influence the other to an extent that one or more of the transacting parties might be prevented from fully pursuing its own separate interests. Additional related parties may include certain national and local affiliates and a separate entity with officers or directors also on the nonprofit Dormitories' governing board.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America requires adjustment or disclosure have been adjusted or disclosed.
8. We have complied with all contractual agreements, grants, and donor restrictions.
9. We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.
10. We have accurately presented the Dormitories' position regarding taxation and tax-exempt status.
11. The bases used for allocation of functional expenses are reasonable and appropriate.
12. We have included in the financial statements all assets and liabilities under the Dormitories' control.
13. Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

Information Provided

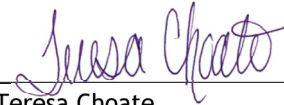
14. We have provided you with:
 - a. Access to all information that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit; and
 - c. Unrestricted access to persons within the Dormitories from whom you determined it necessary to obtain audit evidence.
15. All transactions have been recorded in the accounting records and are reflected in the financial statements.

Rehmann Robson
November 4, 2020
Page 3 of 3

16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
17. We have no knowledge of any fraud or suspected fraud that affects the Dormitories and involves:
 - a. Management;
 - b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
18. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Dormitories' financial statements communicated by employees, former employees, analysts, regulators or others.
19. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws, regulations contracts, and grant agreements whose effects should be considered when preparing financial statements.
20. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
21. We have disclosed to you the identity of the Dormitories' related parties and all the related party relationships and transactions of which we are aware.



Darrell Norris
Jackson College Vice President of Finance/CFO



Teresa Choate
Jackson College Controller

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed and Policy Reference:

9.2 CEO & CFO Audit Certifications

As you know, the Board requires that both the College's CEO and CFO comply with current executive limitation board policy. This will be the last time you will see this kind of certification, as it is inconsistent with Policy Governance Practice. Instead, you will see my compliance, partial compliance, or non-compliance notations in all Monitoring Reports going forward.

The required certification is enclosed for your review.

Resource Impact:

None

Requested Board Action:

None

Action Taken:

None



CEO & CFO Certification

- I have reviewed the annual audit report;
- Based on my knowledge, the annual audit report does not contain any untrue statement of a material fact or omission of a material fact necessary in order to make the statements misleading;
- Based on my knowledge, the financial statements present in all material respects the financial condition, results of operations and cash flows;
- I have established and maintained internal controls, have designed such internal controls to ensure that material information relating to the college is made known to officers and others within the college, have evaluated the effectiveness of internal controls, and have presented in the report my conclusions about the effectiveness of my internal controls based on my evaluation;
- I have disclosed to the auditors and the Board all significant deficiencies in the design or operation of internal controls that could adversely affect the College's ability to record, process, summarize and report financial data and have identified for the auditors any material weaknesses in internal controls;
- I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions.


Signature

11/09/2020
Date



CEO & CFO Certification

- I have reviewed the annual audit report;
- Based on my knowledge, the annual audit report does not contain any untrue statement of a material fact or omission of a material fact necessary in order to make the statements misleading;
- Based on my knowledge, the financial statements present in all material respects the financial condition, results of operations and cash flows;
- I have established and maintained internal controls, have designed such internal controls to ensure that material information relating to the college is made known to officers and others within the college, have evaluated the effectiveness of internal controls, and have presented in the report my conclusions about the effectiveness of my internal controls based on my evaluation;
- I have disclosed to the auditors and the Board all significant deficiencies in the design or operation of internal controls that could adversely affect the College's ability to record, process, summarize and report financial data and have identified for the auditors any material weaknesses in internal controls;
- I have indicated in the report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions.



Signature

11/09/2020

Date

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

10.1 Principles of Policy Governance

This time has been set aside for the Board, as part of our continuous improvement work, in order to assess the Board's work and commitment towards the ten Policy Governance principles, as well as its governance practice.

The URL link below will provide an overview of the principles that you can use for determining the effectiveness and efficacy of the Board's work both in terms of this meeting and in general governance practice.

<https://governforimpact.org/resources/principles-of-policy-governance.html>

Resource Impact:

None

Requested Board Action:

Evaluation of the effectiveness of the board meeting relative to Policy Governance practice.

Action Taken:

None

BOARD OF TRUSTEES MEETING
Action & Information Report
Board Meeting Date: November 9, 2020



TO: Jackson College Board of Trustees
FROM: Dr. Daniel J. Phelan, President

Subject to be Discussed:

11.0 Meeting Content Review

While working with consultant Rose Mercier, she recommended we add this agenda item for all board meetings going forward. Doing so will provide the Board the opportunity to give the Chair and me feedback on the quality of the content provided during this meeting.

Resource Impact:

None

Requested Board Action:

Provide feedback on quality of meeting content.

Action Taken:

None