

**Tennessee Board of Regents
Jackson State Community College**

**For the Years Ended
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

December 18, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and

Dr. Charlie D. Roberts, Jr., President
Jackson State Community College
2046 North Parkway
Jackson, Tennessee 38301

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Jackson State Community College, for the years ended June 30, 2000, and June 30, 1999. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Jackson State Community College
For the Years Ended June 30, 2000, and June 30, 1999

AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Tennessee Board of Regents
Jackson State Community College
For the Year Ended June 30, 2000, and June 30, 1999

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Audit Report
Tennessee Board of Regents
Jackson State Community College
For the Year Ended June 30, 2000, and June 30, 1999

INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Jackson State Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The idea for Tennessee’s community college system was conceived in 1957, when the state legislature ordered a study of community college programs, resulting in the Pierce-Albright Report. Acting on the recommendation of the Governor and the state’s Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. Jackson State Community College was established in 1965 and held its first classes in the fall of 1967. The General Assembly vested the governance of the college in the Tennessee Board of Regents on July 1, 1972.

The comprehensive higher education program at the college includes curricula to meet the needs of full-time students seeking to transfer to other colleges, students following an occupationally oriented program for immediate employment, and part-time students earning credits to apply at a later time toward an associate’s degree.

ORGANIZATION

The governance of Jackson State Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the

Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 1998, through June 30, 2000, and was conducted in accordance with government auditing standards generally accepted in the United States of America. Financial statements are presented for the years ended June 30, 2000, and June 30, 1999. Jackson State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 2000, and June 30, 1999, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by government auditing standards generally accepted in the United States of America. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the college's financial statements.



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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DIVISION OF STATE AUDIT
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**Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

July 12, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Jackson State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 2000, and June 30, 1999, and have issued our report thereon dated July 12, 2001. We conducted our audit in accordance with government auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan
July 12, 2001
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the college's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/nle



**STATE OF TENNESSEE
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Independent Auditor's Report

July 12, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Jackson State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 2000, and June 30, 1999, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with government 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Jackson State Community College, as of June 30, 2000, and June 30, 1999, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan
July 12, 2001
Page Two

As discussed in Note 10, the college changed the threshold for capitalizing equipment.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2001, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." in a cursive style.

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/nle

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

	<u>June 30, 2000</u>	<u>June 30, 1999</u>		<u>June 30, 2000</u>	<u>June 30, 1999</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash and cash equivalents (Notes 2 and 3)	\$ 1,944,169.32	\$ 1,570,424.02	Liabilities:		
Accounts receivable (net of allowance of \$16,739.41 at June 30, 2000, and \$11,557.18 at June 30, 1999)	157,713.63	105,173.86	Accounts payable	\$ 183,883.01	\$ 15,838.50
Due from restricted current funds	71,064.27	-	Accrued liabilities	513,636.37	516,471.33
Prepaid expenses	<u>3,067.38</u>	<u>4,085.97</u>	Taxes and benefits payable	-	124,171.29
			Deferred revenue	512,939.50	526,711.25
			Compensated absences	<u>563,962.22</u>	<u>641,090.80</u>
			Total liabilities	<u>1,774,421.10</u>	<u>1,824,283.17</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	69,970.04	42,502.79
			Allocation for encumbrances	205,408.99	91,162.89
			Allocation for desegregation	9,899.15	19,823.14
			Discretionary allocations:		
			Allocation for subsequent budget	348,700.00	273,800.00
			Allocation for athletics	-	2,380.00
			Allocation for compensated absences	(563,962.22)	(641,090.80)
			Unallocated	<u>331,577.54</u>	<u>66,822.66</u>
			Total fund balances	<u>401,593.50</u>	<u>(144,599.32)</u>
Total general	<u>2,176,014.60</u>	<u>1,679,683.85</u>	Total general	<u>2,176,014.60</u>	<u>1,679,683.85</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and cash equivalents (Notes 2 and 3)	31,883.56	62,314.00	Liabilities:		
Accounts receivable (net of allowance of \$1,443.23 at June 30, 2000, and \$2,171.88 at June 30, 1999)	27,943.56	29,186.97	Accounts payable	-	467.54
Inventories	<u>-</u>	<u>223,110.19</u>	Accrued salaries and benefits	-	1,017.46
			Compensated absences	<u>-</u>	<u>10,536.16</u>
			Total liabilities	<u>-</u>	<u>12,021.16</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	27,943.56	253,797.16
			Allocation for encumbrances	-	1,989.00
			Discretionary allocation:		
			Allocation for contingencies	-	57,340.00
			Allocation for compensated absences	-	(10,536.16)
			Unallocated	<u>31,883.56</u>	<u>-</u>
			Total fund balances	<u>59,827.12</u>	<u>302,590.00</u>
Total auxiliary enterprises	<u>59,827.12</u>	<u>314,611.16</u>	Total auxiliary enterprises	<u>59,827.12</u>	<u>314,611.16</u>
Total unrestricted	<u>2,235,841.72</u>	<u>1,994,295.01</u>	Total unrestricted	<u>2,235,841.72</u>	<u>1,994,295.01</u>
Restricted:			Restricted:		
Cash and cash equivalents (Notes 2 and 3)	42,270.32	171,780.06	Liabilities:		
Grants receivable	724,299.66	839,742.15	Accounts payable	64,284.61	166,340.43
Due from renewals and replacements	<u>-</u>	<u>307,067.63</u>	Accrued liabilities	13,071.99	288,258.09
			Due to unrestricted current funds	<u>71,064.27</u>	<u>-</u>
			Total liabilities	<u>148,420.87</u>	<u>454,598.52</u>
			Fund balance	<u>618,149.11</u>	<u>863,991.32</u>
Total restricted	<u>766,569.98</u>	<u>1,318,589.84</u>	Total restricted	<u>766,569.98</u>	<u>1,318,589.84</u>
Total current funds	<u>\$ 3,002,411.70</u>	<u>\$ 3,312,884.85</u>	Total current funds	<u>\$ 3,002,411.70</u>	<u>\$ 3,312,884.85</u>
Loan funds:			Loan funds:		
Cash and cash equivalents (Notes 2 and 3)	\$ 15,599.82	\$ 14,813.79	Fund balances:		
Notes receivable (net of allowance of \$49,439.87 at June 30, 2000, and \$48,674.43 at June 30, 1999)	66,008.35	58,783.72	U.S. government grants refundable	\$ 65,512.14	\$ 58,874.54
Accrued interest receivable	<u>5,741.35</u>	<u>4,901.88</u>	Institutional:		
			Restricted - matching	<u>21,837.38</u>	<u>19,624.85</u>
Total loan funds	<u>\$ 87,349.52</u>	<u>\$ 78,499.39</u>	Total loan funds	<u>\$ 87,349.52</u>	<u>\$ 78,499.39</u>

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

	June 30, 2000	June 30, 1999		June 30, 2000	June 30, 1999
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash and cash equivalents (Notes 2 and 3)	\$ 149,179.36	\$ 139,123.79	Fund balance:		
			Unrestricted	\$ 149,179.36	\$ 139,123.79
Total unexpended plant	<u>149,179.36</u>	<u>139,123.79</u>	Total unexpended plant	<u>149,179.36</u>	<u>139,123.79</u>
Renewals and replacements:			Renewals and replacements:		
Cash and cash equivalents (Notes 2 and 3)	458,798.66	709,460.29	Liabilities:		
			Due to restricted current funds	-	307,067.63
Total renewals and replacements	<u>458,798.66</u>	<u>709,460.29</u>	Fund balance:		
			Unrestricted (Note 5)	458,798.66	402,392.66
			Total renewals and replacements	<u>458,798.66</u>	<u>709,460.29</u>
Investment in plant:			Investment in plant:		
Land	128,645.20	128,645.20	Fund balance:		
Buildings	12,776,916.05	12,776,916.05	Net investment in plant	21,996,783.46	26,027,558.06
Improvements other than buildings	476,277.75	476,277.75			
Equipment	5,050,965.40	9,157,913.86			
Library holdings	3,548,080.00	3,472,748.00			
Construction in progress	15,899.06	15,057.20			
Total investment in plant	<u>21,996,783.46</u>	<u>26,027,558.06</u>	Total investment in plant	<u>21,996,783.46</u>	<u>26,027,558.06</u>
Total plant funds	<u>\$ 22,604,761.48</u>	<u>\$ 26,876,142.14</u>	Total plant funds	<u>\$ 22,604,761.48</u>	<u>\$ 26,876,142.14</u>
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash and cash equivalents (Notes 2 and 3)	\$ 1,610,292.57	\$ 1,105,183.81	Liabilities:		
			Deposits held in custody for others	\$ 1,610,292.57	\$ 1,105,183.81
Total nonfoundation funds	<u>1,610,292.57</u>	<u>1,105,183.81</u>	Total nonfoundation funds	<u>1,610,292.57</u>	<u>1,105,183.81</u>
Foundation funds:			Foundation funds:		
Cash and cash equivalents (Notes 2 and 3)	306,076.59	348,319.81	Liabilities:		
Investments (Note 4)	132,000.00	150,000.00	Deposits held in custody for foundation	438,076.59	498,319.81
Total foundation funds	<u>438,076.59</u>	<u>498,319.81</u>	Total foundation funds	<u>438,076.59</u>	<u>498,319.81</u>
Total agency funds	<u>\$ 2,048,369.16</u>	<u>\$ 1,603,503.62</u>	Total agency funds	<u>\$ 2,048,369.16</u>	<u>\$ 1,603,503.62</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2000

	Current Funds			Plant Funds		
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS						
Unrestricted current fund revenues	\$ 14,592,634.68	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	1,200,175.82	-	-	-	-	-
Tuition and fees	-	23,249.45	-	-	-	-
State appropriations	-	92,950.00	-	171,630.36	-	-
Federal grants and contracts	-	10,807,874.59	6,560.00	-	-	-
State grants and contracts	-	2,500.00	-	-	-	-
Local grants and contracts	-	148,487.74	-	-	-	-
Private gifts, grants, and contracts	-	-	-	-	-	9,000.00
Investment income	-	2,822.55	270.65	8,842.66	24,214.63	-
Interest on loans receivable	-	-	1,599.51	-	-	-
Equipment use charges	-	-	-	-	18,261.27	-
Expended for plant facilities (including \$216,466.69 charged to current fund expenditures)	-	-	-	-	-	251,879.55
Other	-	-	1,307.00	-	-	-
Total revenues and other additions	15,792,810.50	11,077,884.33	9,737.16	180,473.02	42,475.90	260,879.55
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	14,346,060.09	10,881,940.49	-	-	-	-
Auxiliary enterprise expenditures	1,071,133.47	-	-	-	-	-
Indirect costs recovered	-	259,903.28	-	-	-	-
Refunded to grantors	-	181,882.77	-	-	-	-
Administrative and collection costs	-	-	2,308.59	-	-	-
Provision for doubtful accounts	-	-	765.44	-	-	-
Expended for plant facilities	-	-	-	841.86	34,571.00	-
Expended for noncapital items	-	-	-	177,875.91	11,498.90	-
Disposal of plant facilities	-	-	-	-	-	465,707.84
Library holdings revaluation	-	-	-	-	-	11,813.16
Other	-	-	-	1,699.68	-	-
Total expenditures and other deductions	15,417,193.56	11,323,726.54	3,074.03	180,417.45	46,069.90	477,521.00
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)						
Mandatory:						
Loan fund matching grant	(2,187.00)	-	2,187.00	-	-	-
Nonmandatory:						
Unexpended plant	(10,000.00)	-	-	10,000.00	-	-
Renewals and replacements	(60,000.00)	-	-	-	60,000.00	-
Total transfers	(72,187.00)	-	2,187.00	10,000.00	60,000.00	-
Net increases (decreases) for the year	303,429.94	(245,842.21)	8,850.13	10,055.57	56,406.00	(216,641.45)
Fund balances at beginning of year	157,990.68	863,991.32	78,499.39	139,123.79	402,392.66	26,027,558.06
Cumulative effect of a change in accounting principle (Note 10)	-	-	-	-	-	(3,814,133.15)
Fund balances at beginning of year, as restated	157,990.68	863,991.32	78,499.39	139,123.79	402,392.66	22,213,424.91
Fund balances at end of year	\$ 461,420.62	\$ 618,149.11	\$ 87,349.52	\$ 149,179.36	\$ 458,798.66	\$ 21,996,783.46

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds			Plant Funds		
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS						
Unrestricted current fund revenues	\$ 13,689,300.25	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	1,146,779.70	-	-	-	-	-
Tuition and fees	-	22,935.75	-	-	-	-
State appropriations	-	92,625.00	-	91,354.90	-	-
Federal grants and contracts	-	11,248,752.03	8,057.00	-	-	-
State grants and contracts	-	2,078.93	-	-	-	-
Local grants and contracts	-	83,511.19	-	-	-	-
Investment income	-	2,860.66	404.08	7,909.54	43,901.11	-
Interest on loans receivable	-	-	1,795.05	-	-	-
Equipment use charges	-	-	-	-	19,470.54	-
Expended for plant facilities (including \$424,918.70 charged to current fund expenditures)	-	-	-	-	-	842,441.69
Other	-	-	-	-	-	24,500.00
Total revenues and other additions	14,836,079.95	11,452,763.56	10,256.13	99,264.44	63,371.65	866,941.69
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	14,281,259.38	10,544,333.30	-	-	-	-
Auxiliary enterprise expenditures	998,624.23	-	-	-	-	-
Indirect costs recovered	-	212,135.58	-	-	-	-
Refunded to grantors	-	3,805.44	-	-	-	-
Loan cancellations and write-offs	-	-	3,468.21	-	-	-
Administrative and collection costs	-	-	495.80	-	-	-
Provision for doubtful accounts	-	-	1,294.00	-	-	-
Expended for plant facilities	-	-	-	54,605.37	362,917.62	-
Expended for noncapital items	-	-	-	38,977.84	30,232.04	-
Disposal of plant facilities	-	-	-	-	-	598,921.23
Library holdings revaluation	-	-	-	-	-	5,988.88
Other	-	-	-	27,472.04	-	-
Total expenditures and other deductions	15,279,883.61	10,760,274.32	5,258.01	121,055.25	393,149.66	604,910.11
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)						
Mandatory:						
Loan fund matching grant	(2,686.00)	-	2,686.00	-	-	-
Nonmandatory:						
Unrestricted current funds	176,020.00	-	-	-	(176,020.00)	-
Unexpended plant	-	-	-	50,000.00	(50,000.00)	-
Total transfers	173,334.00	-	2,686.00	50,000.00	(226,020.00)	-
Net increases (decreases) for the year	(270,469.66)	692,489.24	7,684.12	28,209.19	(555,798.01)	262,031.58
Fund balances at beginning of year	428,460.34	171,502.08	70,815.27	110,914.60	958,190.67	25,765,526.48
Fund balances at end of year	\$ 157,990.68	\$ 863,991.32	\$ 78,499.39	\$ 139,123.79	\$ 402,392.66	\$ 26,027,558.06

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
 JACKSON STATE COMMUNITY COLLEGE
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
 FOR THE YEAR ENDED JUNE 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 4,347,729.25	\$ 23,533.73	\$ 4,371,262.98
State appropriations	9,416,500.00	92,950.00	9,509,450.00
Federal grants and contracts	259,903.28	10,550,237.87	10,810,141.15
State grants and contracts	-	2,500.00	2,500.00
Local grants and contracts	233,271.86	212,718.89	445,990.75
Private gifts, grants, and contracts	1,500.00	-	1,500.00
Investment income	128,230.06	-	128,230.06
Sales and services of educational activities	8,156.38	-	8,156.38
Sales and services of auxiliary enterprises	1,200,175.82	-	1,200,175.82
Other sources	197,343.85	-	197,343.85
Total current revenues	<u>15,792,810.50</u>	<u>10,881,940.49</u>	<u>26,674,750.99</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	8,048,552.90	417,502.58	8,466,055.48
Public service	28,096.15	8,560,655.00	8,588,751.15
Academic support	682,294.03	-	682,294.03
Student services	1,536,923.73	24,833.73	1,561,757.46
Institutional support	2,492,118.30	-	2,492,118.30
Operation and maintenance of plant	1,410,838.57	-	1,410,838.57
Scholarships and fellowships	147,236.41	1,878,949.18	2,026,185.59
Total educational and general expenditures	<u>14,346,060.09</u>	<u>10,881,940.49</u>	<u>25,228,000.58</u>
Mandatory transfer for:			
Loan fund matching grant	2,187.00	-	2,187.00
Nonmandatory transfers for:			
Unexpended plant	10,000.00	-	10,000.00
Renewals and replacements	60,000.00	-	60,000.00
Total educational and general	<u>14,418,247.09</u>	<u>10,881,940.49</u>	<u>25,300,187.58</u>
Auxiliary enterprises:			
Expenditures	1,071,133.47	-	1,071,133.47
Total auxiliary enterprises	<u>1,071,133.47</u>	<u>-</u>	<u>1,071,133.47</u>
Total expenditures and transfers	<u>15,489,380.56</u>	<u>10,881,940.49</u>	<u>26,371,321.05</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues	-	195,943.84	195,943.84
Indirect costs recovered	-	(259,903.28)	(259,903.28)
Refunded to grantors	-	(181,882.77)	(181,882.77)
Net increase (decrease) in fund balances	<u>\$ 303,429.94</u>	<u>\$ (245,842.21)</u>	<u>\$ 57,587.73</u>

The notes to the financial statements are an integral part of this statement.

TENNESSEE BOARD OF REGENTS
 JACKSON STATE COMMUNITY COLLEGE
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 3,972,025.55	\$ 23,148.02	\$ 3,995,173.57
State appropriations	9,028,000.00	92,625.00	9,120,625.00
Federal grants and contracts	212,135.58	10,317,434.11	10,529,569.69
State grants and contracts	-	2,078.93	2,078.93
Local grants and contracts	230,434.46	109,047.24	339,481.70
Private gifts, grants, and contracts	1,000.00	-	1,000.00
Investment income	97,433.27	-	97,433.27
Sales and services of educational activities	10,880.87	-	10,880.87
Sales and services of auxiliary enterprises	1,146,779.70	-	1,146,779.70
Other sources	137,390.52	-	137,390.52
Total current revenues	<u>14,836,079.95</u>	<u>10,544,333.30</u>	<u>25,380,413.25</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	8,111,273.70	305,539.69	8,416,813.39
Public service	39,454.35	8,436,305.64	8,475,759.99
Academic support	707,958.62	-	707,958.62
Student services	1,554,244.32	50,384.91	1,604,629.23
Institutional support	2,362,711.02	-	2,362,711.02
Operation and maintenance of plant	1,365,022.95	-	1,365,022.95
Scholarships and fellowships	140,594.42	1,752,103.06	1,892,697.48
Total educational and general expenditures	<u>14,281,259.38</u>	<u>10,544,333.30</u>	<u>24,825,592.68</u>
Mandatory transfer for:			
Loan fund matching grant	2,686.00	-	2,686.00
Nonmandatory transfer for:			
Renewals and replacements	(192,000.00)	-	(192,000.00)
Total educational and general	<u>14,091,945.38</u>	<u>10,544,333.30</u>	<u>24,636,278.68</u>
Auxiliary enterprises:			
Expenditures			
Expenditures	998,624.23	-	998,624.23
Nonmandatory transfer for:			
Renewals and replacements	15,980.00	-	15,980.00
Total auxiliary enterprises	<u>1,014,604.23</u>	<u>-</u>	<u>1,014,604.23</u>
Total expenditures and transfers	<u>15,106,549.61</u>	<u>10,544,333.30</u>	<u>25,650,882.91</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over			
transfers to revenues	-	908,430.26	908,430.26
Indirect costs recovered	-	(212,135.58)	(212,135.58)
Refunded to grantors	-	(3,805.44)	(3,805.44)
Net increase (decrease) in fund balances	<u>\$ (270,469.66)</u>	<u>\$ 692,489.24</u>	<u>\$ 422,019.58</u>

The notes to the financial statements are an integral part of this statement.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2000, and June 30, 1999**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The college is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The college uses the AICPA College Guide model for accounting and financial reporting.

Basis of Accounting

The financial statements have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund

Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and consist of the bookstore. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Loan Funds

Loan funds consist of resources made available for student loans.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

institutional properties; and (3) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

Inventories

Inventories are valued at the lower of cost or market. Textbooks included in the inventory are recorded on an average cost basis. All other items are maintained on an average cost or first-in, first-out basis.

Compensated Absences

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

Allocation for Working Capital

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

Plant Assets

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values, which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor and Workforce Development, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 12 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U.S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

Jackson State Community College Foundation

The college is the sole beneficiary of the Jackson State Community College Foundation (formerly the F.E. Wright Memorial Foundation). This private, nonprofit foundation is controlled by a board which includes the college's president, chief business officer, and chief development officer. The financial records, investments, and other financial transactions are handled by the college, and the assets and liabilities of the foundation are included in the agency funds on the college's balance sheet.

NOTE 2. CASH AND CASH EQUIVALENTS

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2000, cash and cash equivalents consisted of \$861,227.42 in bank accounts, \$5,470.00 of petty cash on hand, \$3,511,572.78 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$180,000.00 in an annuity. At June 30, 1999, cash and cash equivalents consisted of \$1,102,369.81 in bank accounts, \$6,970.00 of petty cash on hand, \$2,832,079.76 in the State of Tennessee Local Government Investment Pool, and \$180,000.00 in an annuity.

NOTE 3. DEPOSITS

Some of the college's deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these

Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the college. Category 1 consists of deposits that are insured or collateralized with securities held by the college or by its agent in the college's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the college's name.

At June 30, 2000, the carrying amount of the college's deposits was \$993,227.42, and the bank balance including accrued interest was \$1,877,985.96. The bank balance was insured.

At June 30, 1999, the carrying amount of the college's deposits was \$1,252,369.81, and the bank balance including accrued interest was \$2,584,462.18. Of the bank balance, \$2,579,074.59 was category 1, and \$5,387.59 was category 3. One depository account had uncollateralized deposits of \$5,042.09 from June 23 through June 28, 1999, and \$5,387.59 on June 29, 1999, and June 30, 1999.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 100% of the uninsured deposits at financial institutions participating in the collateral pool and 105% of the uninsured deposits at all other financial institutions.

The college also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

NOTE 4. INVESTMENTS

The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The Jackson State Community College Foundation is authorized to invest funds in accordance with its board of directors' policies.

The foundation's investments at June 30, 2000, and June 30, 1999, consisted of certificates of deposit with original maturities greater than three months. These have been included with other deposits in Note 3 to determine the adequacy of collateral security pledged.

NOTE 5. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 1999, amounted to \$36,934.00 for renewals and replacements.

NOTE 6. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

Plan Description – The college contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy – Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 2000, 1999, and 1998, were \$373,240.06, \$377,109.15, and \$230,868.51. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

Plan Description – The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy – Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans was \$302,847.17 for the year ended June 30, 2000, and \$276,137.17 for the year ended June 30, 1999. Contributions met the requirements for each year.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 8. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson due to damage from tornadoes. Final settlement has not been made, but the state is expected to receive approximately \$6 million. Of this amount, \$2.5 million has been received to date. No additional claims have been filed with the commercial insurer during the year ended June 30, 2000. In the prior two fiscal years, the state had not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$7.256 million at June 30, 2000, and \$8.219 million at June 30, 1999, was established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 2000, the scheduled coverage for the college was \$32,125,434 for buildings and \$13,208,400 for contents. At June 30, 1999, the scheduled coverage was \$23,787,000 for buildings and \$3,281,400 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automobile liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the center participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims

Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Sick Leave – The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$2,612,153.74 at June 30, 2000, and \$2,727,592.53 at June 30, 1999.

Operating Leases – The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$227,233.41 and for personal property were \$81,864.15 for the year ended June 30, 2000. The amounts for the year ended June 30, 1999, were \$137,243.44 and \$65,495.40. All operating leases are cancelable at the lessee's option.

Construction in Progress – At June 30, 2000, outstanding commitments under construction contracts totaled \$35,983.68 for the Science Building renovation, gym roof repairs, and Americans with Disabilities Act improvements.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

NOTE 10. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2000, the threshold for capitalizing equipment increased from \$1,000 to \$5,000. As a result of the change, equipment decreased by \$3,814,133.15.