AUDIT REPORT

Tennessee Board of Regents
Jackson State Community College

For the Years Ended
June 30, 2008, and June 30, 2007

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

Tennessee Comptroller of the Treasury

Arthur A. Hayes, Jr., CPA, JD, CFE
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Assistant Director

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Derek D. Martin, CPA, CFE
Audit Managers

Jeffrey G. Lafever, CFE
In-Charge Auditor

Justin Daniel
Jeffrey Patterson, CFE
Erica Pettway, CFE
Michael Wilbanks, CFE
Staff Auditors

Gerry Boaz, CPA
Technical Manager

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-1402
(615) 401-7897

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

September 29, 2009

The Honorable Phil Bredesen, 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. Bruce Blanding, 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, 2008, and June 30, 2007. You will note from the independent auditor's report that unqualified opinions were 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,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah
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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, 2008, and June 30, 2007

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 grant agreements; 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.

OPINIONS ON THE FINANCIAL STATEMENTS

The opinions on the financial statements are unqualified.

Audit Report
Tennessee Board of Regents
Jackson State Community College
For the Years Ended June 30, 2008, and June 30, 2007

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Tennessee Board of Regents
Jackson State Community College
For the Years Ended June 30, 2008, and June 30, 2007

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 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, a study which resulted in the Pierce-Albright Report. Acting on the recommendation of the Governor and the 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 class 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 Executive 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, 2006, through June 30, 2008, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 2008, and June 30, 2007. 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*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

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 opinions on the financial statements;

2. to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements;

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.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the institution. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the institution is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the institution.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the institution. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic.

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit,* promulgated by the American Institute of Certified Public Accountants, requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

TECHNOLOGY CENTERS

Jackson State Community College serves as the lead institution under agreements with the Tennessee Technology Center at Covington, the Tennessee Technology Center at Crump, the Tennessee Technology Center at Jackson, the Tennessee Technology Center at McKenzie, the Tennessee Technology Center at Newbern, the Tennessee Technology at Paris, the Tennessee Technology Center at Ripley, and the Tennessee Technology Center at Whiteville. Under these agreements, Jackson State Community College performs the accounting and reporting functions for the centers. The chief administrative officer of each center is the director, who is assisted and advised by members of the faculty and administrative staff. Each director is responsible to the Chancellor of the Tennessee Board of Regents.

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, 2008, and June 30, 2007, we considered internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. 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 generally accepted government auditing standards.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered unqualified opinions on the college’s financial statements.

STATE OF TENNESSEE
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DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

September 15, 2009

The Honorable Phil Bredesen, 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. Bruce Blanding, President
Jackson State Community College
2046 North Parkway
Jackson, Tennessee 38301

Ladies and Gentlemen:

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, and its discretely presented component unit as of and for the years ended June 30, 2008, and June 30, 2007, and have issued our report thereon dated September 15, 2009. During the year ended June 30, 2008, the college implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under generally accepted government auditing standards.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, the Tennessee Board of Regents, 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,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

September 15, 2009

The Honorable Phil Bredesen, 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. Bruce Blanding, President
Jackson State Community College
2046 North Parkway
Jackson, Tennessee 38301

Ladies and Gentlemen:

We have audited the accompanying basic 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, and its discretely presented component unit as of and for the years ended June 30, 2008, and June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the college's management. Our responsibility is to express opinions on these financial statements, based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. 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 opinions.

As discussed in Note 1, the financial statements of Jackson State Community College, an institution of the Tennessee Board of Regents, are intended to present the financial position, the changes in financial position, and the cash flows of only Jackson State Community College. They do not purport to, and do not, present fairly the financial position of the Tennessee Board of Regents, as of June 30, 2008, and June 30, 2007, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tennessee Board of Regents, Jackson State Community College, and its discretely presented component unit as of June 30, 2008, and June 30, 2007, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 13, during the year ended June 30, 2008, the college implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The management's discussion and analysis on pages 12 through 42 and the schedule of funding progress on page 65 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information on page 43 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued our report dated September 15, 2009, 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 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 generally accepted government auditing standards and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah

Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis
For the Years Ended June 30, 2008, and June 30, 2007

This section of Jackson State Community College's report presents a discussion and analysis of the financial performance of the college during the fiscal years ended June 30, 2008, and June 30, 2007, with comparative information presented for the fiscal year ended June 30, 2006. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the accompanying notes. The financial statements, notes, and this discussion are the responsibility of management.

The college has a discretely presented component unit, the Jackson State Community College Foundation (JSCCF). More detailed information about the college's component unit is included in Note 15 of the financial statements. Information and analysis regarding the component unit are also included in this section.

The college implemented the Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2008. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense and related liabilities, note disclosures, and required supplementary information. The statement was implemented prospectively with a zero net OPEB obligation at transition.

Using This Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Jackson State Community College as a whole and present a long-term view of the college's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the college at the end of the fiscal year and includes all assets and liabilities of the college. The difference between total assets and total liabilities—net assets—is an indicator of the current financial condition of the college. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the college's equity in property, plant, and equipment owned by the college. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the college but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

College
Condensed Statement of Net Assets
(in thousands of dollars)

	2008	2007	2006
Assets:			
Current assets	12,637	7,075	5,996
Capital assets, net	10,096	10,671	9,828
Other assets	2,201	2,830	3,292
Total assets	**24,934**	**20,576**	**19,116**
Liabilities:			
Current liabilities	9,316	4,925	4,401
Noncurrent liabilities	1,454	1,071	1,087
Total liabilities	**10,770**	**5,996**	**5,488**
Net assets:			
Invested in capital assets, net of related debt	9,783	10,210	9,222
Restricted - expendable	640	424	295
Unrestricted	3,741	3,946	4,111
Total net assets	**14,164**	**14,580**	**13,628**

Comparison of FY 2008 to FY 2007

- Current assets increased by $5,562,612.80 due primarily to an increase in cash of $5,707,377.85. Cash held for the eight Tennessee Technology Centers (TTC), for which Jackson State is the host institution, increased by $4,299,110.29 from FY 2007. Of this TTC cash increase, $1,210,651.63 resulted from the addition of three technology centers to the five retained from last year. The remaining TTC cash increase is due to the carry forward of equipment replacement appropriations to the next fiscal year. The increase in cash for the college results from unrestricted revenues higher than expenses.

- Net capital assets decreased by $575,219.21 from FY 2007. Capital purchases of $319,781.41 were offset by $838,337.03 in depreciation.

- Other assets declined in FY 2008 because expenses on the Banner software project reduced noncurrent cash in the renewals and replacements fund.

- Current liabilities increased due to a $4,299,110.29 increase in the liability for TTC cash held by the college.

- The college established a liability for other post employment benefits of $462,361.53 to comply with the Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This increased noncurrent liabilities from FY 2007.

<u>Comparison of FY 2007 to FY 2006</u>

- Current assets increased by $1,078,897.48 from FY 2006 due to a $404,385.08 increase in TTC cash balances held by JSCC resulting from the technology centers setting aside funds for renewal of the centers' physical facilities, a $458,046.31 increase in unrestricted cash balances, a $181,328.36 increase in receivables from the CISCO Networking grant, a $74,031.89 increase in gross student receivables, and other decreases of $38,894.16.

- Net capital assets increased by $842,872.11 from FY 2006. Capital purchases of $1,665,877.24 and $500.00 in other increases were offset by $823,505.13 in depreciation. Major expenses in FY 2007 included $740,535.90 for the McWherter Center renovation, $81,596.00 for ERP software, and $75,243.00 for a marquee.

- Other assets decreased by $461,469.20 because noncurrent cash held for plant purchases decreased by $435,741.26 for capital purchases.

- Current liabilities rose by $523,981.24 primarily as a result of the $404,385.08 increase in the liability for TTC cash deposits held by JSCC and an increase in payables to the Tennessee Consolidated Retirement System of $103,744.48.

- Noncurrent liabilities were impacted by a $147,381.00 shift of bond principal due next year to current liabilities offset by a $123,564.32 increase in the noncurrent compensated absences liability.

**Component Unit
Condensed Statement of Net Assets
(in thousands of dollars)**

	2008	2007	2006
Assets:			
Current assets	2,552	2,223	1,736
Other assets	202	209	222
Total assets	**2,754**	**2,432**	**1,958**
Liabilities:			
Current liabilities	-	-	25
Total liabilities	**-**	**-**	**25**
Net assets:			
Restricted - nonexpendable	787	717	708
Restricted - expendable	1,932	1,674	1,176
Unrestricted	35	41	49
Total net assets	**2,754**	**2,432**	**1,933**

Comparison of FY 2008 to FY 2007

- Component unit current assets increased due to an increase in cash held from donations to the project to create a new satellite center in Humboldt amounting to $27,256.34 and pledges receivable for the same project of $176,100.00.

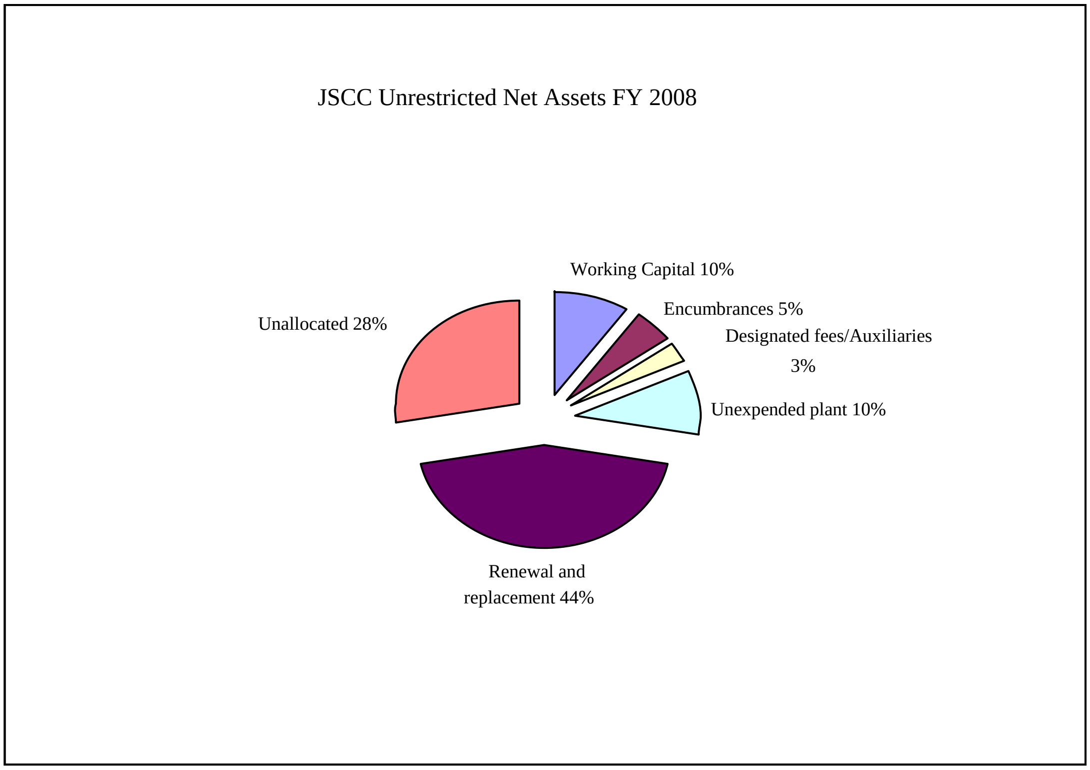
Comparison of FY 2007 to FY 2006

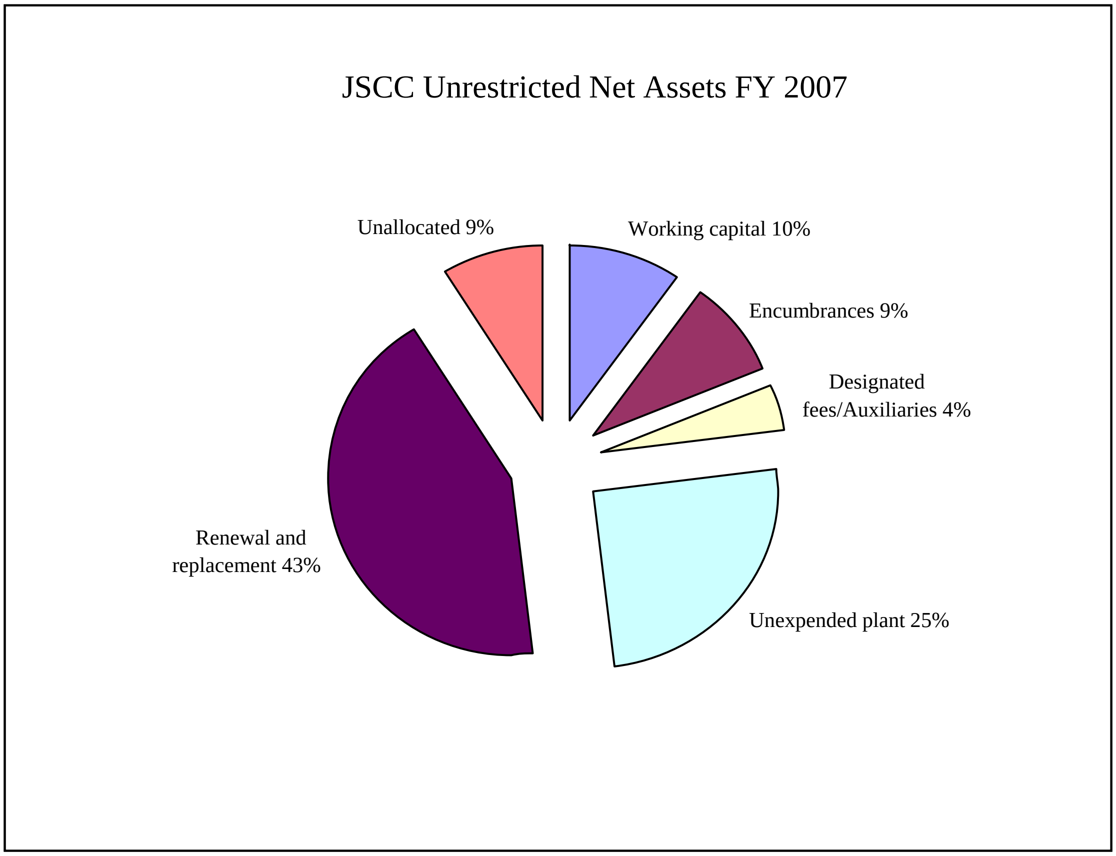
- Component unit current assets increased due to an increase in cash held from donations to the project to create a new satellite center in Humboldt amounting to $295,643.61 and pledges receivable for the same project of $100,983.54.

- Current liabilities decreased due to payment of a payable for the Physical Therapy program.

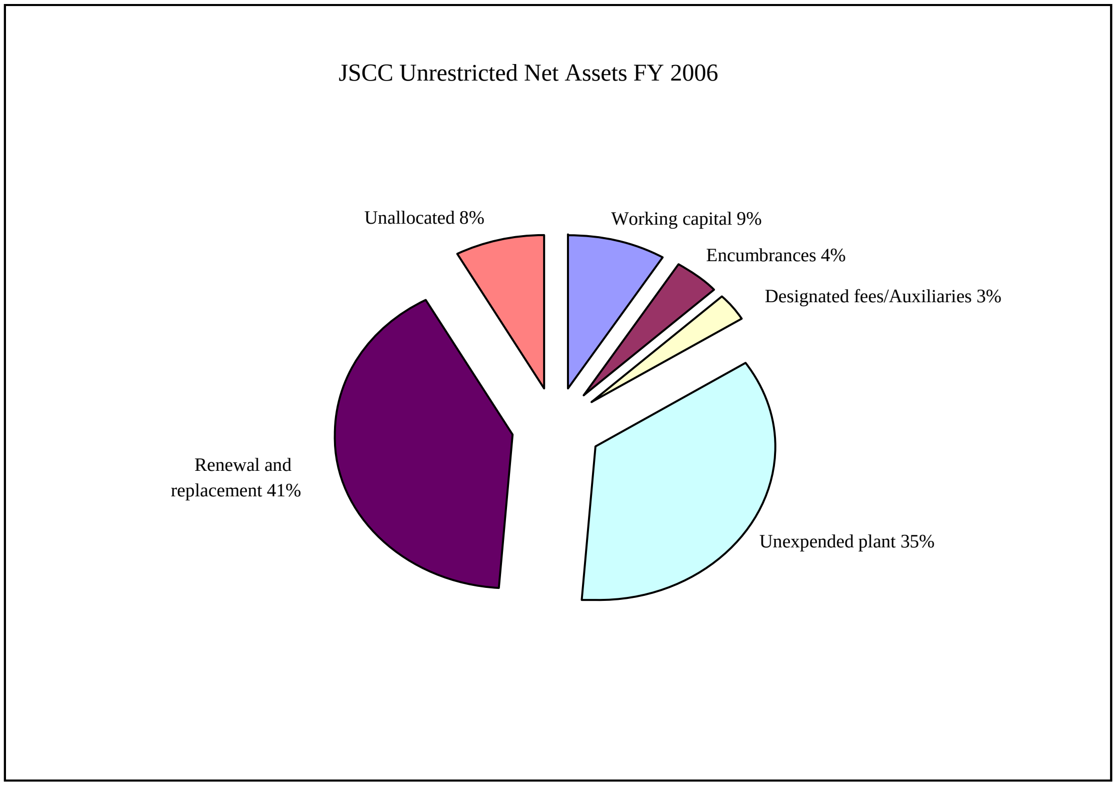
Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)
For the Years Ended June 30, 2008, and June 30, 2007

Many of the college's unrestricted net assets have been designated or reserved for specific purposes such as: encumbrances, designated fees, repairs and replacement of equipment, and capital projects. The following graphs show the allocations:





JSCC Unrestricted Net Assets FY 2007
Unallocated 9%
Working capital 10%
Encumbrances 9%
Designated fees/Auxiliaries 4%
Unexpended plant 25%
Renewal and replacement 43%



Comparison of FY 2008 to FY 2007

- The allocation for unexpended plant decreased from 25% in FY 2007 to 10% in FY 2008 due to an increase of $710,782.23 in spending on local campus projects which lowered the fund balance.

- The unallocated unrestricted net assets increased from 9% to 28% to increase reserves in the event of an economic downturn impacting revenues and appropriations.

Comparison of FY 2007 to FY 2006

- The allocation for unexpended plant decreased from 35% in FY 2006 to 25% in FY 2007 due to an increase of $463,192.53 in spending on local campus projects.

The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the college, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

College
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2008	2007	2006
Operating revenues:			
Net tuition and fees	6,342	5,673	5,349
Grants and contracts	1,558	2,387	1,325
Auxiliary	209	259	106
Other	540	310	301
Total operating revenues	**8,649**	**8,629**	**7,081**
Operating expenses	29,156	26,693	24,566
Operating loss	**(20,507)**	**(18,064)**	**(17,485)**
Nonoperating revenues and expenses:			
State appropriations	13,254	12,553	11,645
Gifts	60	66	83
Grants and contracts	6,622	5,741	4,731
Investment income	301	405	303
Other nonoperating revenues and expenses	(140)	(133)	(16)
Total nonoperating revenues and expenses	**20,097**	**18,632**	**16,746**
Income (loss) before other revenues, expenses, gains, or losses	**(410)**	**568**	**(739)**
Other revenues, expenses, gains, or losses:			
Capital appropriations	38	383	450
Capital grants and gifts	-	-	450
Other	(44)	1	(9)
Total other revenues, expenses, gains, or losses	**(6)**	**384**	**891**

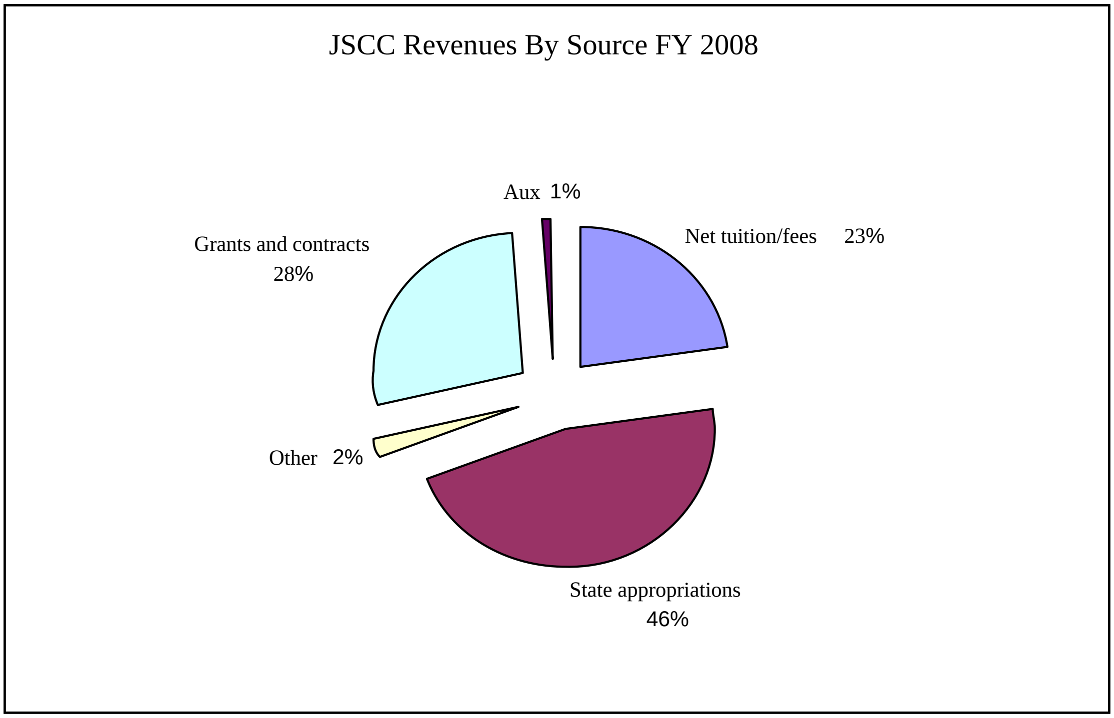
Increase (decrease) in net assets	**(416)**	**952**	**152**
Net assets at beginning of year	**14,580**	**13,628**	**13,476**
Net assets at end of year	**14,164**	**14,580**	**13,628**

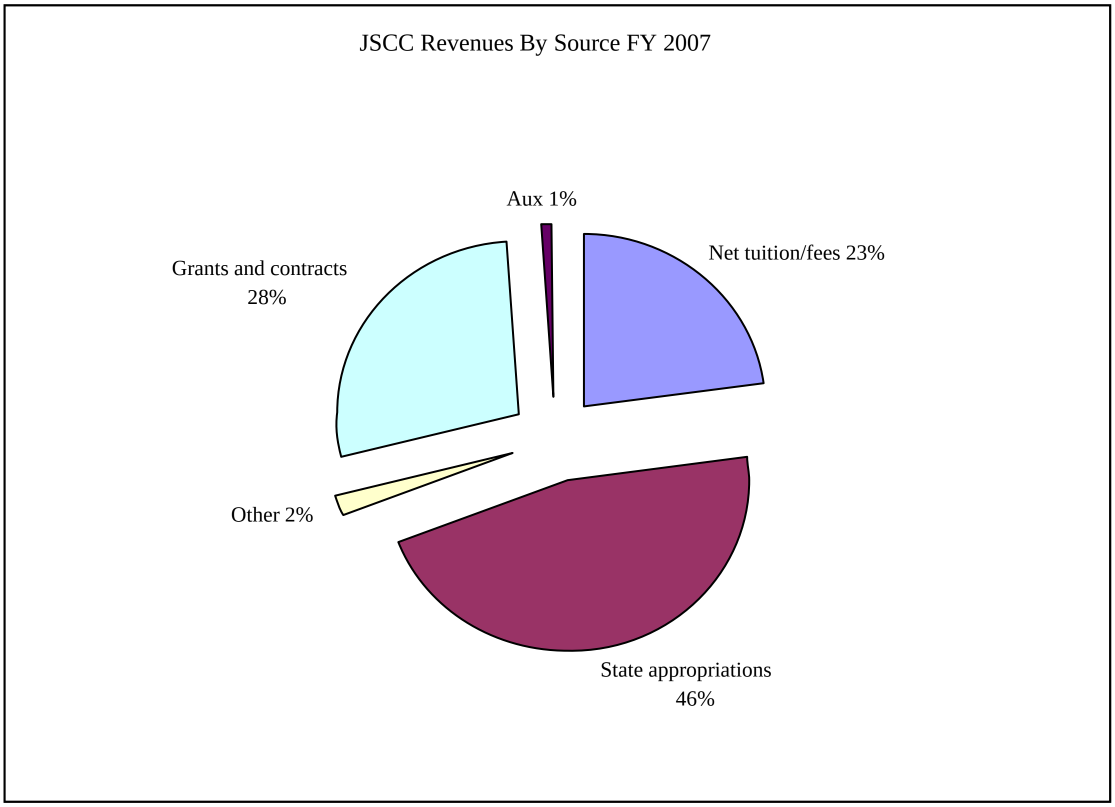
Component Unit
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

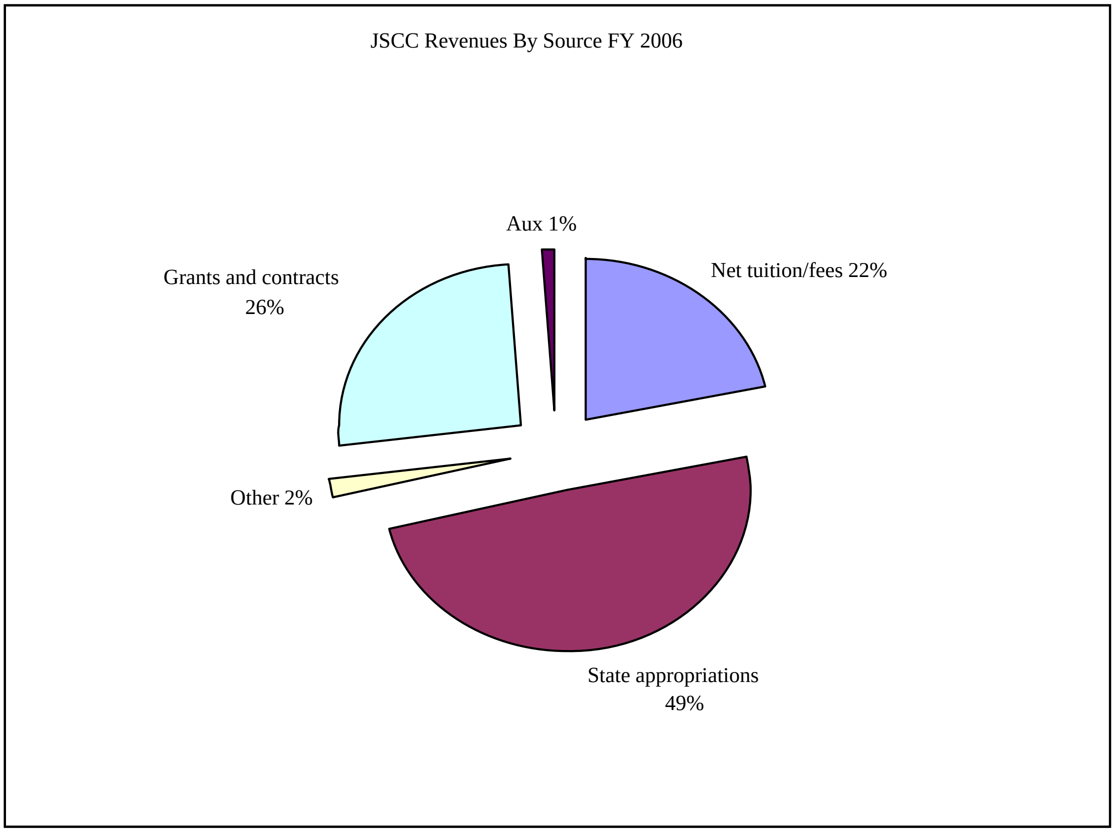
	2008	2007	2006
Operating revenues:			
Gifts and contributions	402	545	213
Total operating revenues	**402**	**545**	**213**
Operating expenses	236	170	615
Operating income (loss)	**166**	**375**	**(402)**
Nonoperating revenues and expenses:			
Investment income	89	122	87
Other nonoperating revenues and expenses	-	-	8
Total nonoperating revenues and expenses	**89**	**122**	**95**
Income (loss) before other revenues, expenses, gains, or losses	**255**	**497**	**(307)**
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	67	2	30
Total other revenues, expenses, gains, or losses	**67**	**2**	**30**
Increase (decrease) in net assets	**322**	**499**	**(277)**
Net assets at beginning of year	**2,432**	**1,933**	**2,210**
Net assets at end of year	**2,754**	**2,432**	**1,933**

Revenues

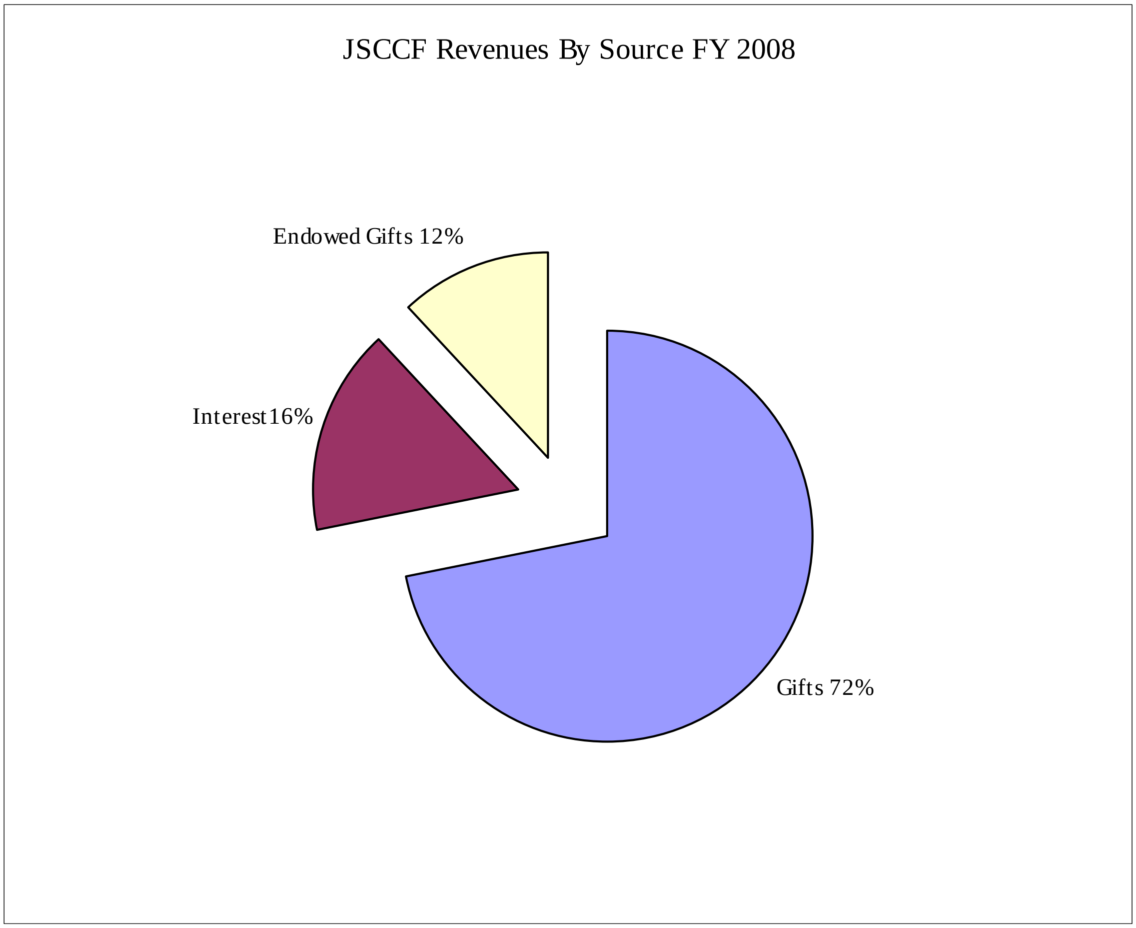
The following are graphic illustrations of revenues by source (both operating and nonoperating), which were used to fund the college's and its component unit's operating activities for the years ended June 30, 2008; June 30, 2007; and June 30, 2006.

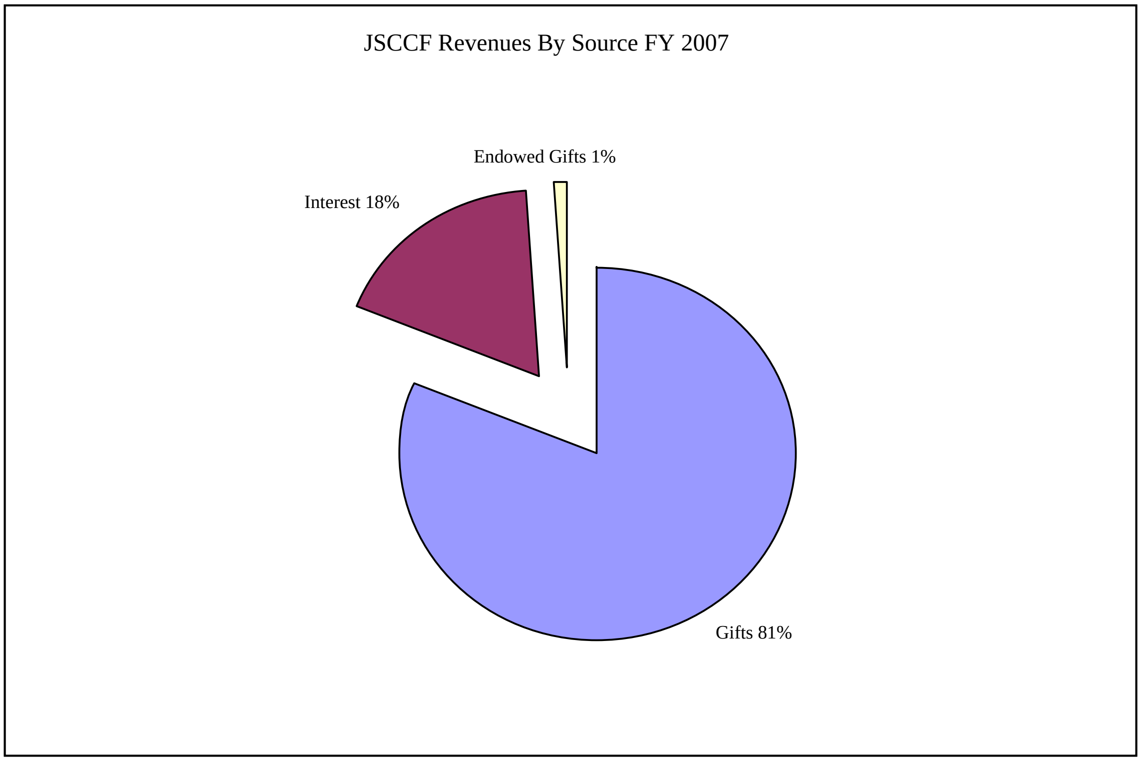


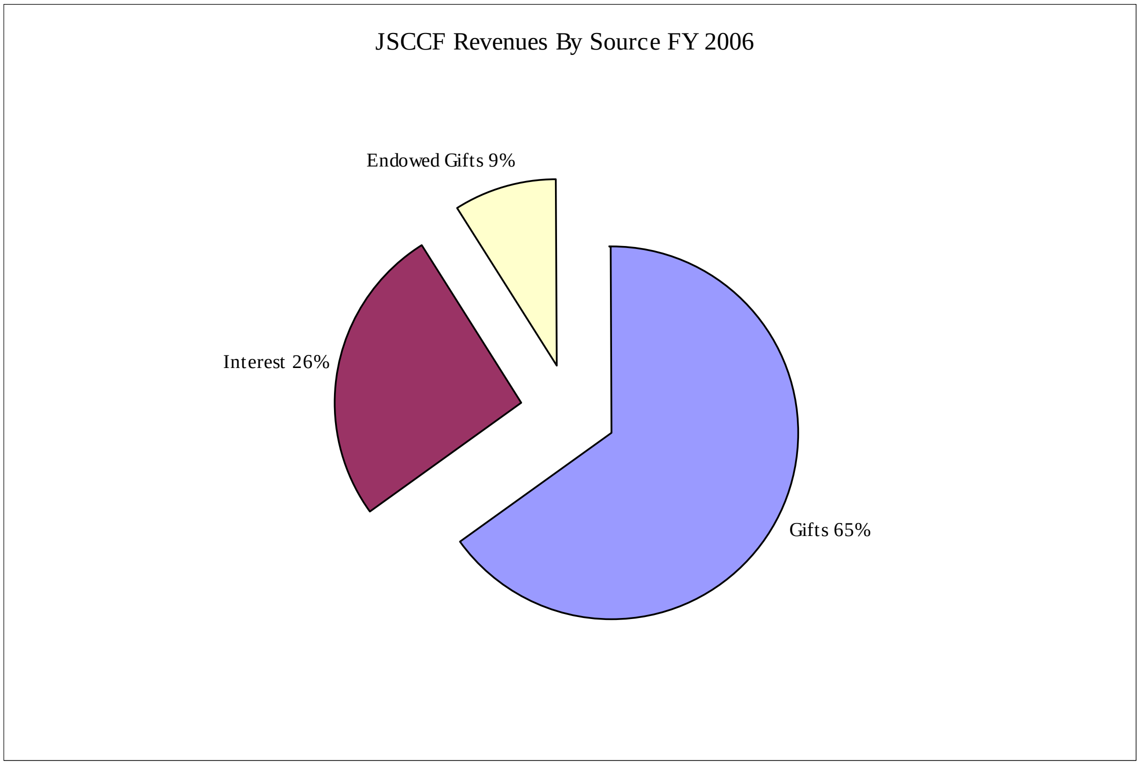

JSCC Revenues By Source FY 2007
Aux 1%
Net tuition/fees 23%
Grants and contracts 28%
Other 2%
State appropriations 46%



JSCC Revenues By Source FY 2006
Aux 1%
Net tuition/fees 22%
Grants and contracts 26%
Other 2%
State appropriations 49%


JSCCF Revenues By Source FY 2008
Endowed Gifts 12%
Interest16%
Gifts 72%


JSCCF Revenues By Source FY 2007
Endowed Gifts 1%
Interest 18%
Gifts 81%



Comparison of FY 2008 to FY 2007

JSCC

- Student tuition and fees net of scholarship allowances increased by $669,405.72 as a result of a 6% tuition rate increase and an increase in enrollment.

- Operating grants and contracts decreased by $829,863.97 from FY 2007. The Department of Labor's Community Based Job Training Grant to provide a fast track for an LPN to become an RN decreased by $300,331.01. The Families First program ended with a loss of $498,370.45 in grant revenue.

- Auxiliary revenue declined by $50,386.59 because a one-time payment of $50,000.00 was received from Nebraska Books in the prior year.

- Other revenue increased because $83,379.00 in testing revenues was shifted from tuition and fees to sales and services of educational activities.

- Nonoperating grants and contracts revenue increased by $880,488.86. Pell grants from the Department of Education were up by $487,729.08 because more students qualified. The Tennessee Lottery grants increased by $207,127.78, and the Tennessee Student Assistance grants rose by $206,422.00.

- Investment income declined as interest rates were lower on LGIP and cash held by the college.

JSCCF

- Operating gifts for the component unit decreased by $143,049.01 from FY 2007 to FY 2008 due to a decrease in gifts received to create a new center for JSCC in Humboldt; fundraising for that project ended.

- Additions to permanent endowments rose from an endowed gift of $50,000.00 for nursing scholarships.

<u>Comparison of FY 2007 to FY 2006</u>

JSCC

- Student tuition and fees net of scholarship allowances increased by $323,468.45 as a result of a 4.1% tuition rate increase and an 8.4% increase in fall semester FTE enrollment.

- Operating grants and contracts increased by $1,062,478.66 from FY 2006. The Department of Labor's Community Based Job Training grant to provide a fast track for an LPN to become an RN increased by $784,308.86. A new grant for technical networking instruction amounted to $181,328.36.

- Auxiliary revenue increased by $153,815.71 as a result of a change in the bookstore vendor from Barnes & Noble to Nebraska Books. The new contract resulted in higher commissions and a $50,000.00 one-time payment.

- Nonoperating grants and contracts increased by $1,010,058.02. Pell grants from the Department of Education were up by $558,999.67. The new Academic Competitiveness grant amounted to $77,629.00. The Tennessee Lottery grants increased by $280,550.35, and the Tennessee Student Assistance grants rose by $103,574.00.

- Capital gifts and grants declined $450,000.00 because a single gift for that amount was received from the JSCC Foundation in FY 2006 for the McWherter Center renovation. No capital gifts were received in FY 2007.

JSCCF

- Operating gifts for the component unit increased $332,224.41 from FY 2006 to FY 2007 due to an increase of $397,066.05 in gifts received to create a new center for JSCC in Humboldt, a decrease of $20,000.00 because Maytag Scholarship donations ended, reductions in the Sherry Vickers fund donations of $14,648.49, a decrease of $15,633.04 because contributions for the Henderson County Rising Seniors Scholarship ended, and a decrease of $14,560.11 due to the end of the Commercial South Bank Rising Senior Scholarship.

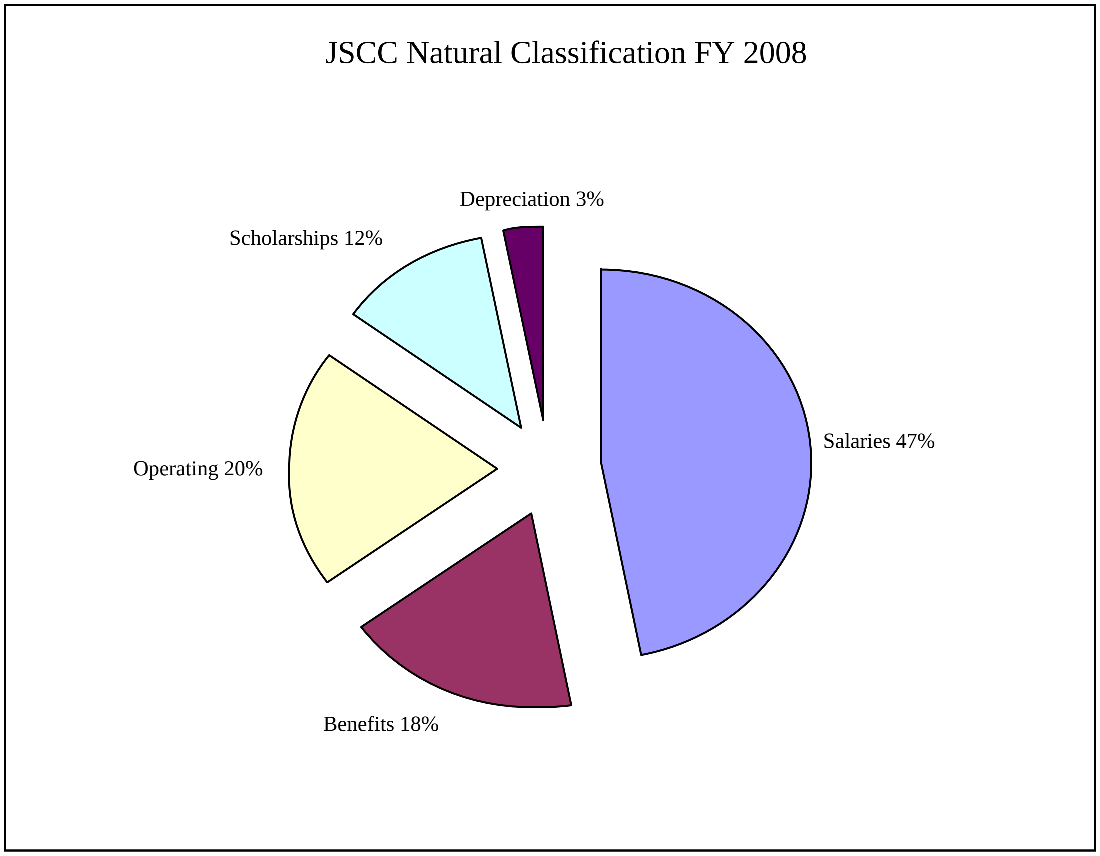
- Component unit additions to permanent endowments decreased in FY 2007 because FY 2006 gifts of $12,000.00 to the McIntosh Radiology Endowment and $10,000.00 to the John J. Ross Scholarship were not received in FY 2007.

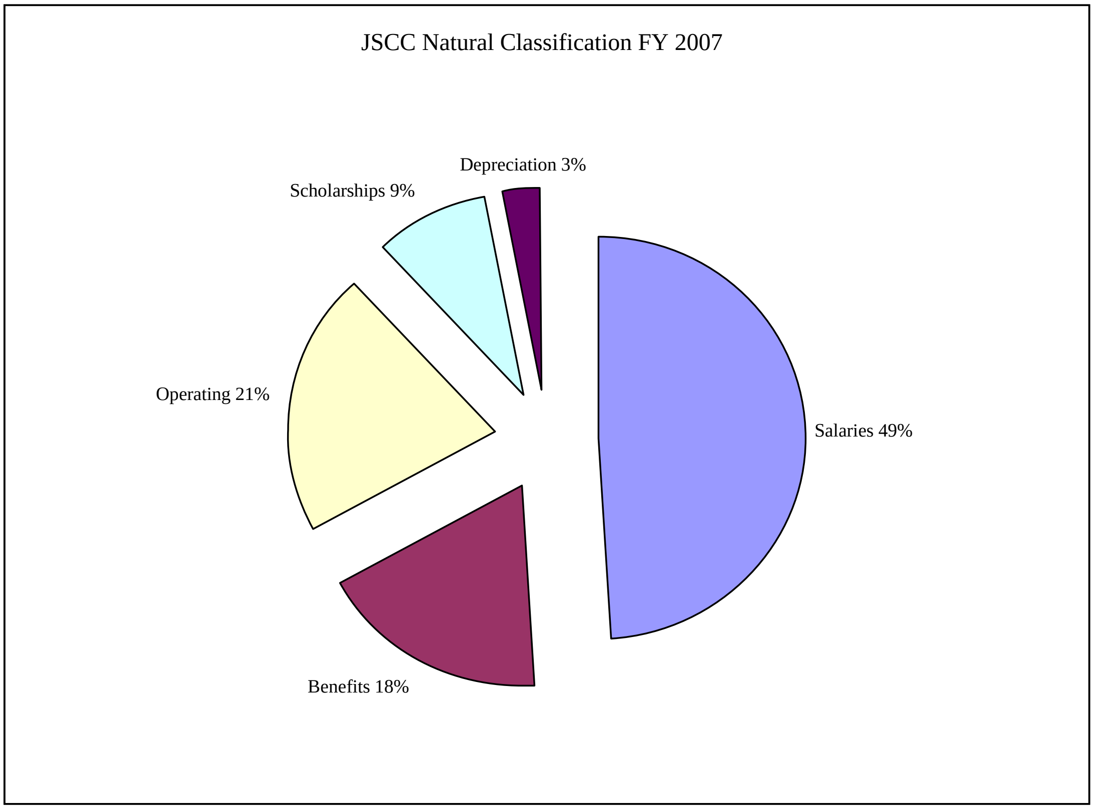
<u>Expenses</u>

Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below (in thousands of dollars).

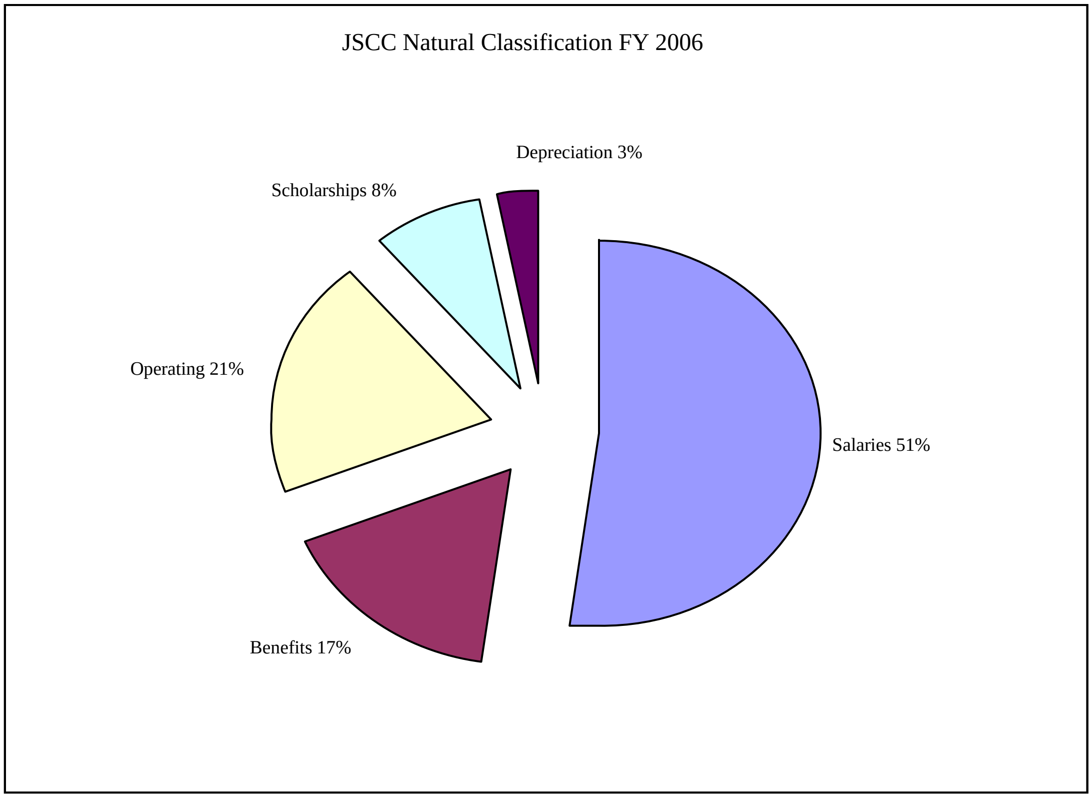
Natural Classification (in thousands)

JSCC	**2008**	**2007**	**2006**
Salaries	13,712	13,072	12,683
Benefits	5,461	4,769	4,259
Operating	5,765	5,732	5,082
Scholarships	3,380	2,297	1,909
Depreciation	838	823	633
Total	**29,156**	**26,693**	**24,566**


JSCC Natural Classification FY 2008
Depreciation 3%
Scholarships 12%
Salaries 47%
Operating 20%
Benefits 18%

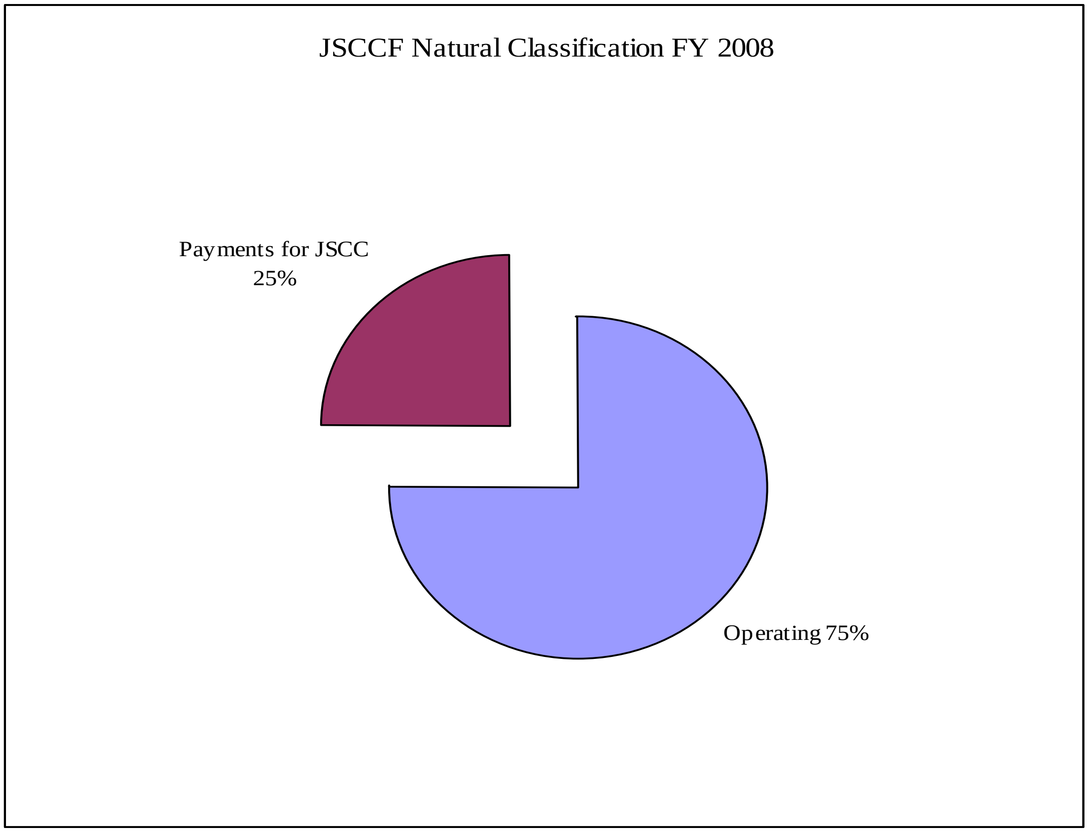


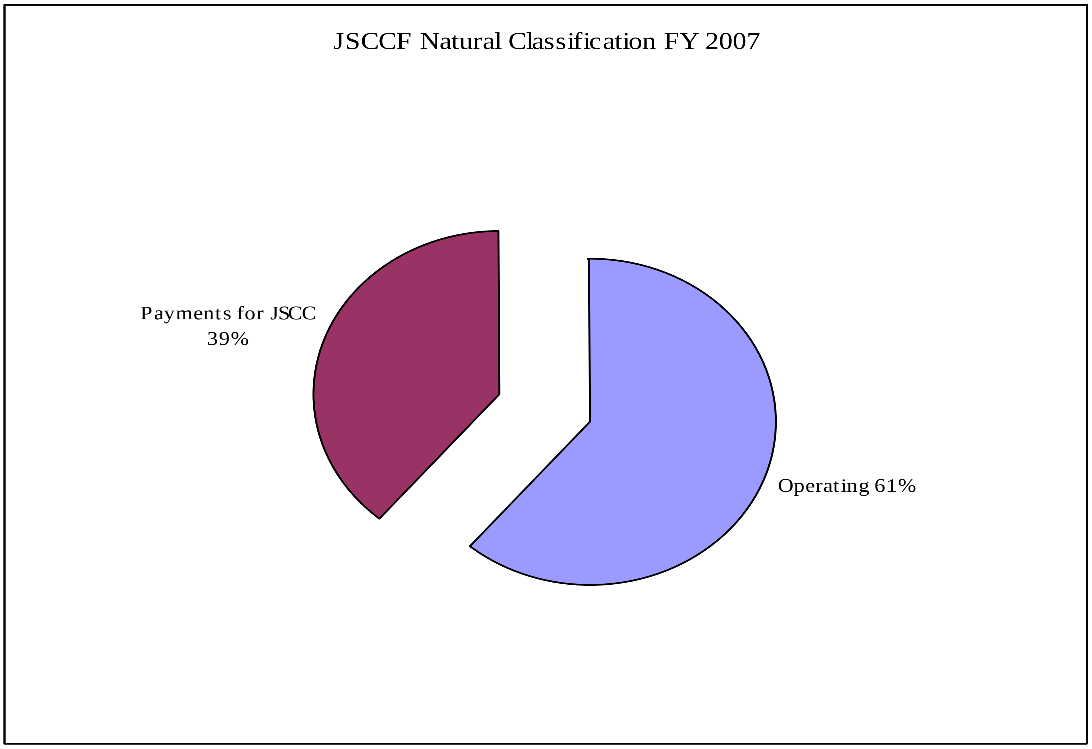
JSCC Natural Classification FY 2007
Depreciation 3%
Scholarships 9%
Operating 21%
Salaries 49%
Benefits 18%

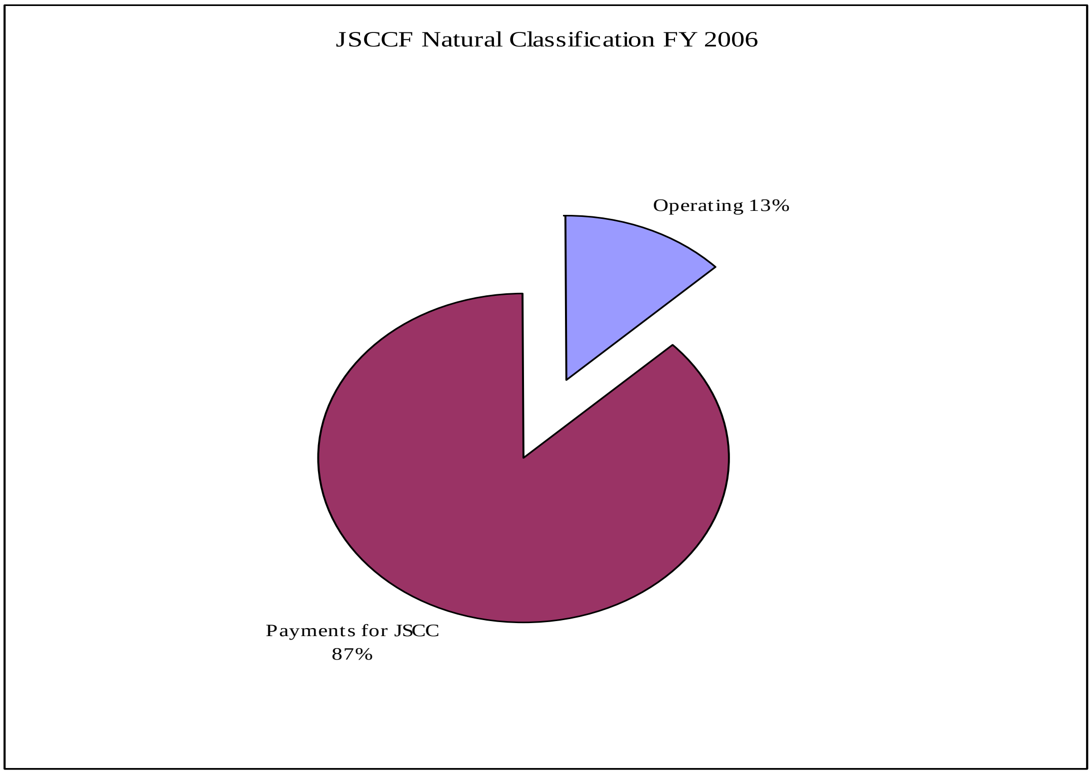


Natural Classification (in thousands)

JSCCF	**2008**	**2007**	**2006**
Operating	176	104	82
Payments for JSCC	60	66	533
Total	**236**	**170**	**615**


JSCCF Natural Classification FY 2008
Payments for JSCC 25%
Operating 75%


JSCCF Natural Classification FY 2007
Payments for JSCC 39%
Operating 61%



Comparison of FY 2008 to FY 2007

JSCC

- Salaries were higher in FY 2008 from position rate increases on a 3% across-the-board raise and various equity plan salary adjustments.

- Benefits rose as a result of the liability established for other post employment benefits of $462,361.53 and the state retiree Medicare supplement payments of $16,561.98.

- Scholarship expenses increased due to a $487,729.08 increase in Pell awards, a $207,127.78 increase in Tennessee Lottery awards, and a $206,422.00 increase in Tennessee Student Assistance awards as more students qualified for these awards.

JSCCF

- Component unit operating expenses increased from a payment of $125,000.00 to the city of Humboldt for expenses on the new Humboldt campus center and decreased because $35,000.00 of physical therapy program expenses made in 2007 were not made in 2008 and $17,457.94 of TBR meeting expenses made in 2007 were not made in 2008.

Comparison of FY 2007 to FY 2006

JSCC

- Benefits increased from FY 2006 as a result of an increase in the TCRS retirement rate from 10.31% in FY 2006 to 13.58% in the first half of FY 2007 and 13.66% in the second half.

- Operating expenses increased by $649,963.75 from FY 2006. The institution is converting from its existing SCT PLUS software system to the SunGard Banner software system. The operating implementation costs for this project increased by $367,665.35 from FY 2006. Operating costs also increased for the new CISCO Networking grant by $120,810.02 and the Department of Labor Community Based Job Training Grant by $228,259.54.

- Scholarship expenses increased due to a $556,809.67 increase in Pell awards.

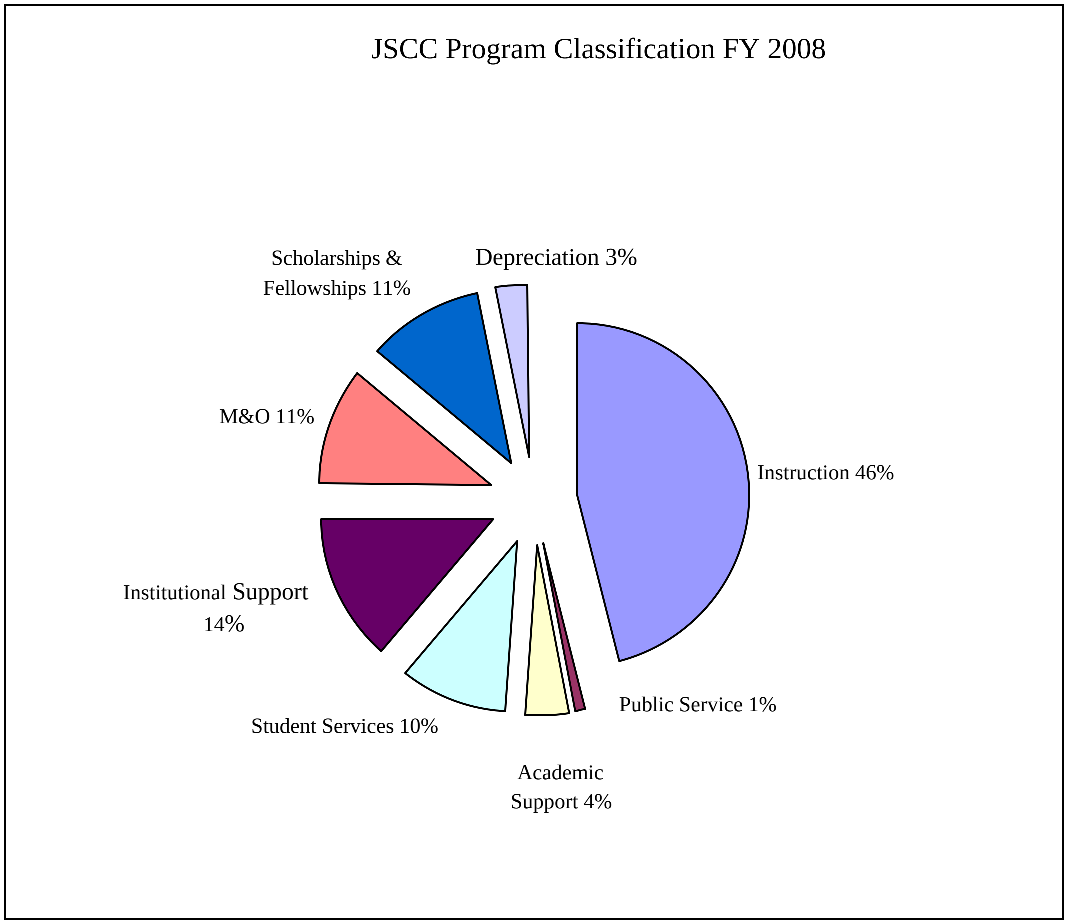
JSCCF

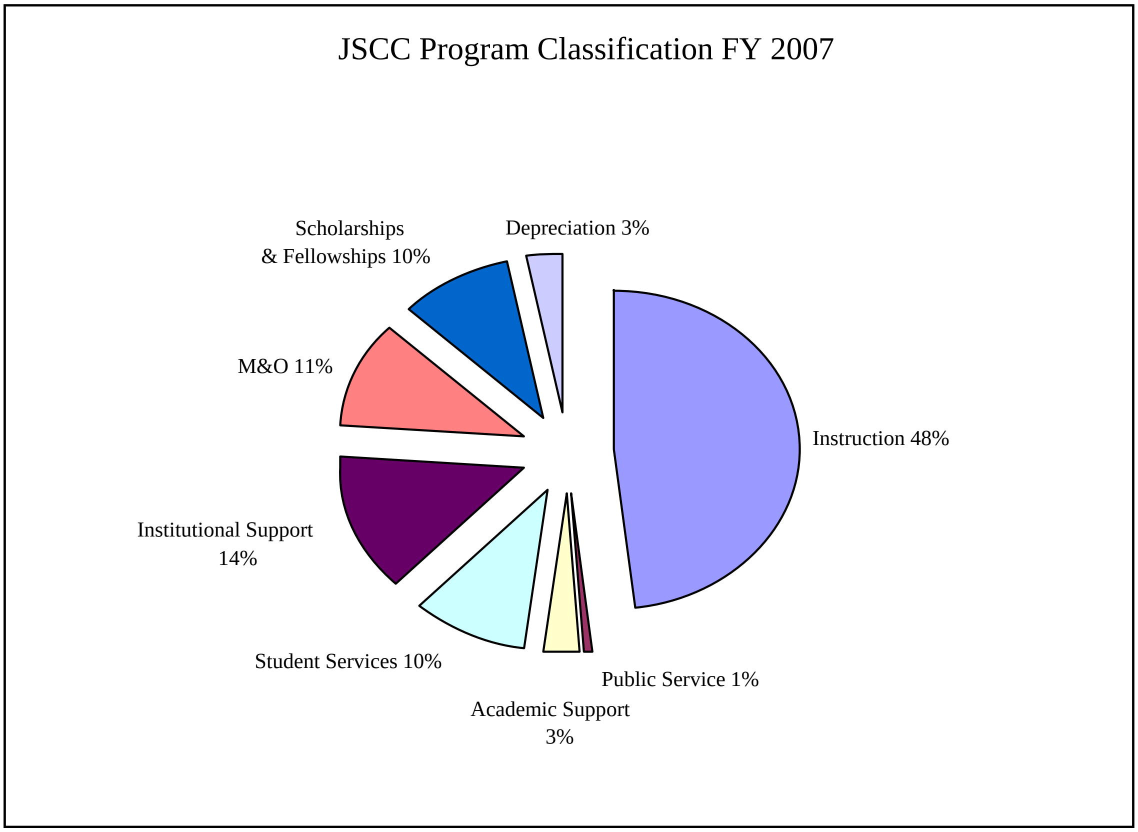
- Component unit operating expenses increased because awards to the Physical Therapy program increased by $10,123.36.

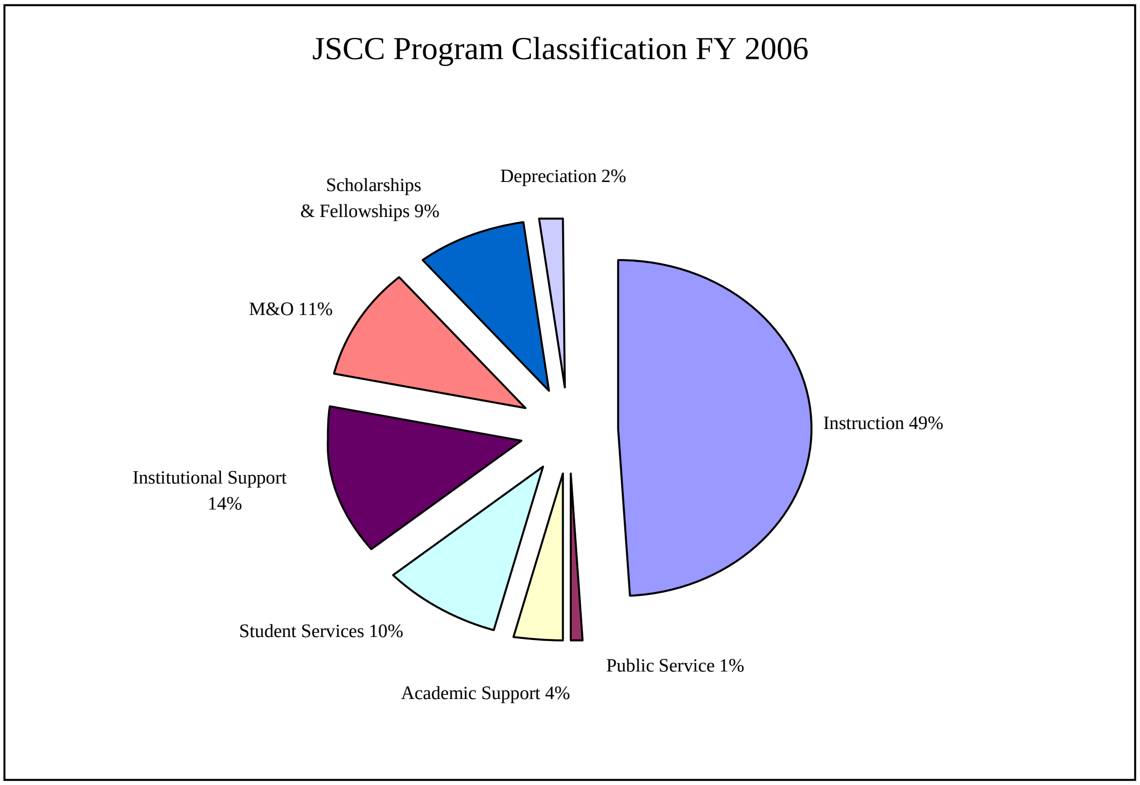
- Component unit payments to JSCC declined because capital gifts to the McWherter renovation project decreased from $450,000.00 in FY 2006 to nothing in FY 2007 as the project neared completion.

Program Classification (in thousands of dollars)

JSCC	**2008**	**2007**	**2006**
Instruction	13,549	12,853	12,136
Public service	95	100	109
Academic support	1,136	927	887
Student services	2,799	2,598	2,445
Institutional support	4,097	3,693	3,407
Maintenance and operation	3,262	3,092	2,698
Scholarships and fellowships	3,380	2,607	2,251
Depreciation	838	823	633
Total	**29,156**	**26,693**	**24,566**




JSCC Program Classification FY 2007
Scholarships & Fellowships 10%
Depreciation 3%
M&O 11%
Instruction 48%
Institutional Support 14%
Student Services 10%
Public Service 1%
Academic Support 3%



Comparison of FY 2008 to FY 2007

- Instructional expenses increased in FY 2008 as expenses using the technology access fee rose by $417,563.32 and other post employment benefits were $242,126.72.

- Other post employment benefit expenses also increased academic support by $44,835.14, student services by $43,007.03, institutional support by $83,709.08, and maintenance and operation (M&O) by $45,796.43.

- M&O also increased due to an increase in spending on building maintenance of $184,398.41 to improve the campus.

Comparison of FY 2007 to FY 2006

- Instructional expenses increased by $717,405.80 due to $757,594.29 in additional expenses for the Department of Labor's grant for an accelerated Licensed Practical Nurse to Registered Nurse program, a decrease of $87,037.02 in the Families First grant program expenses, and other increases of $46,848.53.

- M&O expenses increased by $393,394.91 as a result of $367,665.35 of expenses from the Banner implementation project.

- Scholarship expenses increased due to a $556,809.67 increase in Pell awards.

- Depreciation expense increased by $190,160.00 from FY 2006 because $2,871,142.95 in fixed assets were placed in service in FY 2007.

The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the college's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

College
Condensed Statement of Cash Flows
(in thousands of dollars)

	2008	**2007**	**2006**
Cash provided (used) by:			
Operating activities	(19,036)	(17,294)	(16,839)
Noncapital financing activities	24,240	18,766	16,837
Capital and related financing activities	(435)	(1,448)	150
Investing activities	302	408	301
Net increase in cash	**5,071**	**432**	**449**
Cash, beginning of year	**8,893**	**8,461**	**8,012**
Cash, end of year	**13,964**	**8,893**	**8,461**

Comparison of FY 2008 to FY 2007

- Cash used by operating activities increased by $1,741,582.88 as payments for scholarships increased by $1,083,006.99 from additional Pell, Tennessee Lottery, and Tennessee Student Assistance payments and receipts from operating grants decreased due to the elimination of the Families First program and a reduction in the Department of Labor's Community Based Job Training Grant.

- Noncapital financing activities improved cash flow as a result of higher state appropriations, higher scholarship grants, and an increase in the TTC cash held by the host institution.

- Cash used by capital and related financing activities decreased by $1,013,598.68 due to a reduction in capital purchases of $1,358,595.83 as the McWherter Center renovation was essentially complete last year. This was partially offset by a $344,355.12 decline in state capital appropriations.

- Cash from investing activities declined due to reduced interest rates on cash and LGIP.

- The college's liquidity improved in 2008.

Comparison of FY 2007 to FY 2006

- Cash used by operating activities increased by $455,492.47 from FY 2006 as increases from tuition and grants were more than offset by increased payments to employees, vendors, and scholarships.

- Noncapital financing activities increased cash flow by $1,930,203.10 because state appropriations increased by $904,800.00 and cash from grants increased by $964,245.38.

- Cash from capital and related financing activities declined by $1,597,660.94 due to $988,834.56 in additional cash used for the purchase of capital assets and a decrease of $450,000.00 in capital gifts.

- The college's liquidity in 2007 increased by 5.1%.

Capital Assets and Debt Administration

Capital Assets

Jackson State Community College had $10,095,926.13 invested in capital assets, net of accumulated depreciation of $10,399,761.07 at June 30, 2008; $10,671,145.34 invested in capital assets, net of accumulated depreciation of $9,986,065.22 at June 30, 2007; and $9,828,273.23 invested in capital assets, net of accumulated depreciation of $9,493,345.63 at June 30, 2006. Depreciation charges totaled $838,337.03, $823,505.13, and $633,345.13 for the years ended June 30, 2008; June 30, 2007; and June 30, 2006, respectively. Details of these assets are shown below.

College
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2008	**2007**	**2006**
Land	129	129	129
Land improvements & infrastructure	294	235	250
Buildings	7,465	7,052	7,001
Equipment	1,127	1,210	837
Library holdings	330	345	360
Software	750	838	-
Projects in progress	-	862	1,251
Total	**10,095**	**10,671**	**9,828**

- The marquee was added to improvements and infrastructure for $78,179.95 and was funded from college funds set aside for plant purchases.

- The McWherter Center renovation was added to buildings for $793,851.61 and was also funded from college funds set aside for plant purchases.

- Both the marquee and McWherter Center renovation were transferred out of construction in progress in FY 2008.

- No significant capital expenses are planned for FY 2009.

- The Banner ERP project for $931,173.46 was placed in service in FY 2007. It was funded with Tennessee State School Bond Authority (TSSBA) bonds and funds set aside in the renewal and replacement fund.

More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

Debt

The college had $313,592.00, $460,973.00, and $606,351.00 in debt outstanding at June 30, 2008; June 30, 2007; and June 30, 2006, respectively. All of the debt was TSSBA bonds payable.

The Tennessee State School Bond Authority had authorized the issuance of commercial paper to finance costs of various capital projects. In FY 2005, $754,757.35 in commercial paper was issued for projects at Jackson State Community College. No debt existed prior to 2005. In FY 2006, the Tennessee State School Bond Authority replaced the remaining $603,806.35 in commercial paper with $606,351.00 from the issuance of bonds. The college paid a principal payment of $147,381.00 in 2008 and $145,378.00 in 2007. The Tennessee State School Bond Authority's long-term debt is rated Aa3 by Moody's and AA- by Standard and Poor. More detailed information about the college's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors That Will Affect the Future

Tuition increased by 6% for the 2008-2009 fiscal year. Prior years have indicated that the increase has not deterred the majority of students from continuing to attend the college. Students are paying more for their education as tuition increases and state appropriations decrease.

Requests for Information

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the college's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Horace Chase, Vice President for Financial & Administrative Affairs, Jackson State Community College, 2046 North Parkway, Jackson, Tennessee, 38301.

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2008, AND JUNE 30, 2007

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
ASSETS				
Current assets:				
Cash (Notes 2 and 15)	$ 11,889,903.94	$ 6,182,526.09	$ 2,267,023.45	$ 2,090,953.30
Accounts, notes, and grants receivable (net) (Note 4)	728,652.65	875,150.12	100.00	100.00
Pledges receivable (net) (Note 15)	-	-	284,608.53	132,085.69
Prepaid expenses and deferred charges	5,978.31	4,207.19	-	-
Accrued interest receivable	12,909.16	12,947.86	-	-
Total current assets	12,637,444.06	7,074,831.26	2,551,731.98	2,223,138.99
Noncurrent assets:				
Cash (Note 2)	2,075,389.69	2,710,997.19	-	-
Investments (Note 15)	-	-	202,251.22	204,221.16
Accounts, notes, and grants receivable (net) (Note 4)	125,105.90	119,340.88	-	-
Pledges receivable (net) (Note 15)	-	-	-	4,290.25
Capital assets (net) (Note 5)	10,095,926.13	10,671,145.34	-	-
Total noncurrent assets	12,296,421.72	13,501,483.41	202,251.22	208,511.41
Total assets	24,933,865.78	20,576,314.67	2,753,983.20	2,431,650.40
LIABILITIES				
Current liabilities:				
Accounts payable	160,585.57	226,830.13	-	-
Accrued liabilities	655,015.91	618,041.50	-	-
Deferred revenue	713,803.05	607,907.11	-	-
Compensated absences (Note 6)	131,806.07	115,612.53	-	-
Accrued interest payable	2,090.61	3,073.15	-	-
Long-term liabilities, current portion (Note 6)	153,571.00	147,381.00	-	-
Deposits held in custody for others	7,498,804.59	3,206,069.45	-	-
Total current liabilities	9,315,676.80	4,924,914.87	-	-
Noncurrent liabilities:				
Compensated absences (Note 6)	698,070.77	637,452.94	-	-
Long-term liabilities (Note 6)	160,021.00	313,592.00	-	-
Net OPEB obligation (Notes 6 and 9)	462,361.53	-	-	-
Due to grantors (Note 6)	134,021.57	120,355.57	-	-
Total noncurrent liabilities	1,454,474.87	1,071,400.51	-	-
Total liabilities	10,770,151.67	5,996,315.38	-	-
NET ASSETS				
Invested in capital assets, net of related debt	9,782,334.13	10,210,172.34	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	677,373.84	611,399.16
Other	-	-	109,204.29	105,698.57
Expendable:				
Scholarships and fellowships (Note 15)	101,116.02	62,505.85	420,851.26	409,493.77
Instructional department uses (Note 15)	423,129.10	292,266.03	32,707.03	27,532.35
Loans (Note 15)	44,673.85	40,118.52	15,831.67	15,614.83
Capital projects (Note 15)	-	-	815,185.53	783,383.70
Other (Note 15)	71,158.43	29,307.31	647,997.34	438,143.19
Unrestricted (Notes 7 and 15)	3,741,302.58	3,945,629.24	34,832.24	40,384.83
Total net assets	$ 14,163,714.11	$ 14,579,999.29	$ 2,753,983.20	$ 2,431,650.40

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

Exhibit B

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2007
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $4,025,959.87 for the year ended June 30, 2008, and $3,729,576.17 for the year ended June 30, 2007)	$ 6,342,087.96	$ 5,672,682.24	$ -	$ -
Gifts and contributions	-	-	402,015.11	545,064.12
Governmental grants and contracts	1,278,474.80	2,105,030.43	-	-
Nongovernmental grants and contracts	279,160.00	282,468.34	-	-
Sales and services of educational departments	106,275.52	18,550.90	-	-
Auxiliary enterprises:				
Bookstore	209,077.98	259,464.57	-	-
Interest earned on loans to students	5,281.84	4,236.99	-	-
Other operating revenues	427,781.48	287,459.99	181.50	-
Total operating revenues	8,648,139.58	8,629,893.46	402,196.61	545,064.12
EXPENSES				
Operating expenses (Note 12):				
Salaries and wages	13,711,534.36	13,071,683.44	-	-
Benefits	5,460,550.54	4,768,717.62	-	-
Utilities, supplies, and other services	5,764,949.38	5,732,206.58	174,916.39	101,810.14
Scholarships and fellowships	3,380,299.13	2,297,292.14	993.00	2,640.02
Depreciation expense	838,337.03	823,505.13	-	-
Payments to or on behalf of Jackson State Community College (Note 15)	-	-	60,327.83	65,811.56
Total operating expenses	29,155,670.44	26,693,404.91	236,237.22	170,261.72
Operating income (loss)	(20,507,530.86)	(18,063,511.45)	165,959.39	374,802.40
NONOPERATING REVENUES (EXPENSES)				
State appropriations	13,254,400.00	12,552,800.00	-	-
Gifts from component unit (Note 15)	60,327.83	65,811.56	-	-
Grants and contracts	6,621,645.79	5,741,156.93	-	-
Investment income	300,856.63	405,496.48	89,375.23	121,306.59
Interest on capital asset-related debt	(17,456.38)	(21,600.54)	-	-
Bond issuance costs	260.00	-	-	-
Other nonoperating revenues (expenses)	(122,920.32)	(111,130.62)	-	-
Net nonoperating revenues	20,097,113.55	18,632,533.81	89,375.23	121,306.59
Income (loss) before other revenues, expenses, gains, or losses	(410,417.31)	569,022.36	255,334.62	496,108.99
Capital appropriations	38,295.72	382,650.84	-	-
Additions to permanent endowments	-	-	66,998.18	2,285.44
Other capital	(44,163.59)	500.00	-	-
Total other revenues	(5,867.87)	383,150.84	66,998.18	2,285.44
Increase (decrease) in net assets	(416,285.18)	952,173.20	322,332.80	498,394.43
NET ASSETS				
Net assets - beginning of year	14,579,999.29	13,627,826.09	2,431,650.40	1,933,255.97
Net assets - end of year	$ 14,163,714.11	$ 14,579,999.29	$ 2,753,983.20	$ 2,431,650.40

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

Exhibit C

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

	Year Ended June 30, 2008	Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 6,345,151.03	$ 5,566,089.24
Grants and contracts	1,693,660.99	2,283,796.86
Sales and services of educational activities	110,892.75	18,667.08
Payments to suppliers and vendors	(5,713,323.87)	(5,750,722.85)
Payments to employees	(13,618,275.60)	(13,043,411.49)
Payments for benefits	(5,106,962.73)	(4,619,320.67)
Payments for scholarships and fellowships	(3,380,299.13)	(2,297,292.14)
Loans issued to students and employees	(5,765.02)	(9,537.55)
Interest earned on loans to students	3,697.82	3,686.83
Auxiliary enterprise charges:		
Bookstore	209,077.98	259,464.57
Other receipts (payments)	426,445.45	294,462.67
Net cash used by operating activities	(19,035,700.33)	(17,294,117.45)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	13,249,800.00	12,551,000.00
Gifts and grants received for other than capital purposes, including $60,327.83 from Jackson State Community College Foundation for the year ended June 30, 2008, and $65,811.56 for the year ended June 30, 2007	6,697,001.80	5,789,101.38
Changes in deposits held for others	4,292,735.14	426,857.26
Net cash provided by noncapital financing activities	24,239,536.94	18,766,958.64
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	38,295.72	382,650.84
Purchases of capital assets and construction	(307,281.41)	(1,665,877.24)
Principal paid on capital debt	(147,381.00)	(145,378.00)
Interest paid on capital debt	(18,438.92)	(19,539.89)
Bond issue costs paid on new debt issue	260.00	-
Net cash used by capital and related financing activities	(434,545.61)	(1,448,144.29)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	302,479.35	408,000.96
Net cash provided by investing activities	302,479.35	408,000.96
Net increase in cash	5,071,770.35	432,697.86
Cash at beginning of year	8,893,523.28	8,460,825.42
Cash at end of year	$ 13,965,293.63	$ 8,893,523.28
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (20,507,530.86)	$ (18,063,511.45)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	838,337.03	823,505.13
Change in assets and liabilities:		
Receivables, net	23,471.21	(152,398.33)
Prepaid/deferred items	(1,771.12)	(790.36)
Accounts payable	(76,566.80)	(75,723.28)
Accrued liabilities	499,335.94	172,770.81
Deferred revenue	105,895.94	53,647.27
Compensated absences	76,811.37	61,638.46
Due to grantors	13,666.00	7,962.63
Loans to students and employees	(7,349.04)	(10,087.71)
Other	-	(111,130.62)
Net cash used by operating activities	$ (19,035,700.33)	$ (17,294,117.45)

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, 2008, and June 30, 2007

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*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html. The financial statements present only that portion of the Tennessee Board of Regents' activities that is attributable to the transactions of Jackson State Community College.

The Jackson State Community College Foundation is considered a component unit of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements. See Note 15 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

For financial statement purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The college has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. The college has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include (1) tuition and fees, net of waivers and discounts; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises; and (4) other sources of revenue. Operating expenses for the college include (1) salaries and wages; (2) employee benefits; (3) utilities, supplies, and other services; (4) scholarships and fellowships; and (5) depreciation.

All other activity is nonoperating in nature and includes (1) state appropriations for operations; (2) investment income; (3) bond issuance costs; (4) interest on capital asset-related debt; (5) certain grants and contracts; and (6) gifts and nonexchange transactions.

When both restricted and unrestricted resources are available for use, generally it is the college's policy to use the restricted resources first.

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 reported in the statement of net assets.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, and software, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of $100,000 is used for buildings, and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for software is set at $100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives, which range from 5 to 40 years.

Net Assets

The college's net assets are classified as follows:

Invested in capital assets, net of related debt - This represents the college's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Nonexpendable restricted net assets - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable restricted net assets - Expendable restricted net assets include resources which the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college, and may be used at the discretion of the college to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the college and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the college's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the college has recorded a scholarship discount and allowance.

NOTE 2. CASH

At June 30, 2008, cash consisted of $5,725,615.64 in bank accounts, $5,538.90 of petty cash on hand, $8,144,948.45 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and $89,190.64 in LGIP deposits for capital projects. At June 30, 2007, cash consisted of $2,718,598.36 in bank accounts, $5,338.90 of petty cash on hand, $6,069,541.94 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $100,044.08 in LGIP deposits for capital projects.

LGIP deposits for capital projects - Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate Local Government Investment Pool account. As expenses are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

NOTE 3. INVESTMENTS

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 which are 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, banker's acceptances, commercial paper, money market mutual funds, and the State of Tennessee Local Government Investment Pool (LGIP). Securities are rated using Standard and Poor's, Moody's, and/or Fitch. Tennessee Board of Regents policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. The policy further requires that commercial paper must be issued by corporations with a minimum rating of A1 or equivalent as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt must be rated A1 by all rating services (minimum of two). Commercial paper of a banking institution must not be purchased. As of June 30, 2008, and June 30, 2007, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $8,234,139.09 at June 30, 2008, and $6,169,586.02 at June 30, 2007. LGIP investments are not rated by nationally recognized statistical ratings organizations.

NOTE 4. RECEIVABLES

Receivables included the following:

	June 30, 2008	June 30, 2007
Student accounts receivable	$564,875.79	$ 590,076.40
Grants receivable	241,682.28	376,728.64
State appropriation receivable	30,000.00	25,400.00
Other receivables	36,359.41	22,350.03
Subtotal	872,917.48	1,014,555.07
Less allowance for doubtful accounts	(144,264.83)	(139,404.95)
Total receivables	$728,652.65	$ 875,150.12

Federal Perkins Loan Program funds included the following:

	June 30, 2008	June 30, 2007
Perkins loans receivable	$ 184,557.78	$ 179,223.44
Less allowance for doubtful accounts	(59,451.88)	(59,882.56)
Total	$ 125,105.90	$ 119,340.88

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 128,645.20	$ -	$ -	$ -	$ 128,645.20
Land improvements and infrastructure	299,211.74	2,936.95	75,243.00	-	377,391.69
Buildings	13,836,573.28	6,997.52	786,854.09	-	14,630,424.89
Equipment	3,863,388.67	238,832.15	-	391,949.89	3,710,270.93
Library holdings	736,121.12	65,014.79	-	89,354.88	711,781.03
Software	931,173.46	6,000.00	-	-	937,173.46
Projects in progress	862,097.09	-	(862,097.09)	-	-
Total	20,657,210.56	319,781.41	-	481,304.77	20,495,687.20
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	64,287.68	18,869.58	-	-	83,157.26
Buildings	6,784,242.73	381,195.39	-	-	7,165,438.12
Equipment	2,653,734.81	264,374.45	-	335,286.30	2,582,822.96
Library holdings	390,682.65	80,113.60	-	89,354.88	381,441.37
Software	93,117.35	93,784.01	-	-	186,901.36
Total	9,986,065.22	838,337.03	-	424,641.18	10,399,761.07
Capital assets, net	$10,671,145.34	$ (518,555.62)	$ -	$ 56,663.59	$10,095,926.13

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 128,645.20	$ -	$ -	$ -	$ 128,645.20
Land improvements and infrastructure	299,211.74	-	-	-	299,211.74
Buildings	13,443,725.01	37,660.15	355,188.25	0.13	13,836,573.28
Equipment	3,444,483.13	663,978.26	-	245,072.72	3,863,388.67
Library holdings	754,469.96	67,363.85	-	85,712.69	736,121.12
Software	-	81,596.00	849,577.46	-	931,173.46
Projects in progress	1,251,083.82	815,778.98	(1,204,765.71)	-	862,097.09

Total	19,321,618.86	1,666,377.24	-	330,785.54	20,657,210.56
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	49,327.09	14,960.59	-	-	64,287.68
Buildings	6,442,740.04	341,502.82	-	0.13	6,784,242.73
Equipment	2,607,066.55	291,740.98	-	245,072.72	2,653,734.81
Library holdings	394,211.95	82,183.39	-	85,712.69	390,682.65
Software	-	93,117.35	-	-	93,117.35
Total accum. depreciation	9,493,345.63	823.505.13	-	330,785.54	9,986,065.22
Capital assets, net	$ 9,828,273.23	$ 842,872.11	$ -	$ -	$10,671,145.34

NOTE 6. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 460,973.00	$ -	$147,381.00	$ 313,592.00	$153,571.00
Other liabilities:					
Compensated absences	753,065.47	682,477.52	605,666.15	829,876.84	131,806.07
Due to grantors	120,355.57	18,743.88	5,077.88	134,021.57	-
Net OPEB obligation	-	462,361.53	-	462,361.53	-
Subtotal	873,421.04	1,163,582.93	610,744.03	1,426,259.94	131,806.07
Total long-term liabilities	$1,334,394.04	$1,163,582.93	$758,125.03	$ 1,739,851.94	$285,377.07

Long-term liabilities activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 606,351.00	$ -	$ 145,378.00	$ 460,973.00	$ 147,381.00
Other liabilities:					
Compensated absences	691,427.01	657,608.74	595,970.28	753,065.47	115,612.53
Due to grantors	112,392.94	17,440.50	9,477.87	120,355.57	-
Subtotal	803,819.95	675,049.24	605,448.15	873,421.04	115,612.53
Total long-term liabilities	$ 1,410,170.95	$ 675,049.24	$ 750,826.15	$ 1,334,394.04	$ 262,993.53

TSSBA Debt - Bonds

Bonds, with an interest rate of 4% were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to May 1, 2010, and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the college, including state appropriations.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$153,571.00	$12,543.68	$166,114.68
2010	160,021.00	6,400.84	166,421.84
	$313,592.00	$18,944.52	$332,536.52

NOTE 7. UNRESTRICTED NET ASSETS

Unrestricted net assets include funds that have been designated for specific purposes. The unrestricted net assets are composed of the following:

	June 30, 2008	June 30, 2007
Working capital	$ 378,078.01	$ 383,213.93
Encumbrances	180,888.27	361,747.51
Designated fees	88,845.03	139,291.57
Auxiliaries	10,453.90	12,973.23
Plant construction	356,390.51	990,992.67
Renewal and replacement of equipment	1,676,942.94	1,688,820.57
Undesignated	1,049,703.92	368,589.76
Total	$3,741,302.58	$3,945,629.24

NOTE 8. 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.

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 13.62% 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, 2008, 2007, and 2006 were

$1,105,002.73, $1,085,458.29, and $794,202.27. 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 $415,298.48 for the year ended June 30, 2008, and $401,652.62 for the year ended June 30, 2007. Contributions met the requirements for each year.

NOTE 9. OTHER POST-EMPLOYMENT BENEFITS

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This program includes two plans available to higher education employees—the State Employee Group Plan and the Medicare Supplement Plan. Both plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 101, *Tennessee Code Annotated*. Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. The state makes on-behalf payments to the Medicare supplement plan for the college's eligible retirees; see Note 14. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

Funding Policy - The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. In accordance with Section 8-27-205 (b), *Tennessee Code Annotated*, retirees not eligible for Medicare pay a percentage of the total state premium under the State Employee Group Plan based on years of service, leaving a portion of retiree premiums effectively subsidized by contributions to the State Employee Group Plan for active employees. Retirees with 30 years of service pay 20% of the total premium under the State Employee Group Plan. Retirees with 20 but less than 30 years of service pay 30% of the total premium under the State Employee Group Plan. Retirees 55 and older with less than 20 but more than 10 years of service pay 40% of the total premium under the State Employee Group Plan. Contributions for the State Employee Group Plan for the year ended June 30, 2008, were $2,608,125.66, which consisted of $2,144,020.51 from the college and $464,105.15 from the employees.

Annual OPEB Cost and Net OPEB Obligation

	State Employee Group Plan
Annual required contribution (ARC)	$696,000.00
Interest on the net OPEB obligation	-
Adjustment to the ARC	-
Annual OPEB cost	696,000.00
Amount of contribution	(233,638.47)
Increase (decrease) in net OPEB obligation	462,361.53
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$462,361.53

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2008	State Employee Group Plan	$696,000.00	33.6%	$462,361.53

Funded Status and Funding Progress - The funded status of the plan as of June 30, 2008, was as follows:

	State Employee Group Plan
Actuarial valuation date	July 1, 2007
Actuarial accrued liability (AAL)	$ 6,309,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 6,309,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$10,387,357.09
UAAL as percentage of covered payroll	60.7%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 percent initially, increased to 11 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent after 12 years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 10. INSURANCE-RELATED ACTIVITIES

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The Risk Management Fund is also responsible for claims for damages to state-owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence, depending on the type of coverage, to an aggregate of $5 million.

The college participates in the Risk Management 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. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2008, and June 30, 2007, are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and

Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102, or by calling (615) 741-2140. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims 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 Risk Management Fund. At June 30, 2008, the Risk Management Fund held $123.9 million in cash and cash equivalents designated for payment of claims. At June 30, 2007, the Risk Management fund held $116.7 million in cash and cash equivalents designated for payment of claims.

At June 30, 2008, the scheduled coverage for the college was $46,861,000 for buildings and $23,778,200 for contents. At June 30, 2007, the scheduled coverage for the college was $34,839,100 for buildings and $22,591,100 for contents.

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 11. 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 $3,946,154.80 at June 30, 2008, and $3,540,802.43 at June 30, 2007.

Operating Leases - The college has entered into various operating leases for equipment. Such leases will probably continue to be required. Expenses under operating leases for personal property were $66,207.05 for the year ended June 30, 2008, and $66,265.75 for the year ended June 30, 2007. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2008, outstanding commitments under construction contracts totaled $40,767.90 for roofing repairs and exterior cleaning, which will be funded by future state capital outlay appropriations.

Contracts - In December 2004, the Tennessee Board of Regents system entered into a contract with SundgardSCT for the purchase of a comprehensive enterprise resource planning system. The contract includes a multi-year phase-in of administrative software for financial, human resource, and student systems. The college's outstanding liability for this contract is estimated as $136,079.76 at June 30, 2007.

NOTE 12. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses by functional classification for the year ended June 30, 2008, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,243,537.98	$3,011,789.28	$2,293,374.71	$ -	$ -	$13,548,701.97
Public service	47,127.19	28,145.80	19,115.90	-	-	94,388.89
Academic support	1,175,222.40	509,608.31	(548,870.71)	-	-	1,135,960.00
Student services	1,283,231.28	506,980.10	1,008,997.11	-	-	2,799,208.49
Institutional support	2,219,394.63	986,923.15	890,236.05	-	-	4,096,553.83
Operation & maintenance	743,020.88	417,103.90	2,102,096.32	-	-	3,262,221.10
Scholarships & fellowships	-	-	-	3,380,299.13	-	3,380,299.13
Depreciation	-	-	-	-	838,337.03	838,337.03
Total	$13,711,534.36	$5,460,550.54	$5,764,949.38	$3,380,299.13	$838,337.03	$29,155,670.44

The college's operating expenses by functional classification for the year ended June 30, 2007, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 7,912,562.81	$2,709,326.45	$2,231,595.73	$ -	$ -	$12,853,484.99
Public service	83,257.32	(5,246.81)	21,888.10	-	-	99,898.61
Academic support	1,057,040.09	410,968.51	(540,527.58)	-	-	927,481.02
Student services	1,156,633.71	444,963.26	995,923.35	-	-	2,597,520.32
Institutional support	2,072,637.14	841,084.05	778,998.89	-	-	3,692,720.08
Operation & maintenance	712,042.26	367,622.16	2,011,835.73	-	-	3,091,500.15
Scholarships & fellowships	77,510.11	-	232,492.36	2,297,292.14	-	2,607,294.61
Depreciation	-	-	-	-	823,505.13	823,505.13
Total	$13,071,683.44	$4,768,717.62	$5,732,206.58	$2,297,292.14	$ 823,505.13	$26,693,404.91

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2008, the college implemented Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, note disclosures, and required supplementary information. The statement was implemented prospectively with a zero net OPEB obligation at transition.

NOTE 14. ON-BEHALF PAYMENTS

During the year ended June 30, 2008, the State of Tennessee made payments of $16,561.98 on behalf of the college for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

NOTE 15. COMPONENT UNIT

The Jackson State Community College Foundation is a legally separate, tax-exempt organization supporting Jackson State Community College. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 26-member board of the foundation is self-perpetuating and consists of graduates and friends of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

The foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation reformatting, no modifications have been made to the foundation's financial information in the college's financial statements for these differences.

During the year ended June 30, 2008, the foundation made distributions of $60,327.83 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2007, the foundation made distributions of $65,811.56 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Mr. Horace Chase at 2046 North Parkway, Jackson, Tennessee 38301.

<u>Cash</u> - At June 30, 2008, cash consists of demand deposit accounts. At June 30, 2007, cash consists of demand deposit accounts and a brokerage cash account. At June 30, 2007, $98.95 in the brokerage cash account was uninsured.

<u>Investments</u> - Investments are recorded on the date of contribution and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year.

Investments held at June 30, 2008, were as follows:

	Cost	Market Value
Annuity	$180,000.00	$202,251.22

Investments held at June 30, 2007, were as follows:

	Cost	Market Value
Annuity	$180,000.00	$204,221.16

Pledges Receivable - Pledges receivable are summarized below net of the allowance for doubtful accounts.

	June 30, 2008	June 30, 2007
Current pledges	$284,608.53	$132,085.69
Pledges due in one to five years	-	4,600.00
Subtotal	284,608.53	136,685.69
Less discount to net present value	-	(309.75)
Total pledges receivable, net	$284,608.53	$136,375.94

Endowments - If a donor has not provided specific instructions to the foundation, the foundation's policies and procedures permit it to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the foundation is required to consider the foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation spent is required to be spent for the purposes for which the endowment was established.

The foundation chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, all realized income is available to spend in accordance with instructions from the donors. No unrealized income has been recorded to date. The remaining amount, if any, is retained to be used in future years. At June 30, 2008, net appreciation of $1,967,405.07 is available to be spent, of which $420,851.26 is included in restricted net assets expendable for scholarships and fellowships, $32,707.03 is included in restricted net assets expendable for instructional departmental uses, $15,831.67 is included in restricted net assets expendable for loans, $815,185.53 is included in restricted net assets expendable for capital projects, $647,997.34 is included in restricted net assets expendable for other, and $34,832.24 is included in unrestricted net assets. At June 30, 2007, net appreciation of $1,714,552.67 is available to be spent, of which $409,493.77 is included in restricted net assets expendable for scholarships and fellowships, $27,532.35 is included in restricted net assets expendable for instructional departmental uses, $15,614.83 is included in restricted net assets expendable for loans, $783,383.70 is included in restricted net assets expendable for capital projects, $438,143.19 is included in restricted net assets expendable for other, and $40,384.83 is included in unrestricted net assets.

Tennessee Board of Regents
Jackson State Community College
Required Supplementary Information
OPEB Schedule of Funding Progress
Unaudited

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
7/1/07	State Employee Group Plan	$ -	$6,309,000.00	$6,309,000.00	0%	$10,387,357.09	60.7%

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
SCHEDULES OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

	Year Ended June 30, 2008	Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$ 243,947.36	$ 461,923.53
Grants and contracts	(993.00)	(2,640.02)
Payments to suppliers and vendors	(169,516.39)	(123,387.95)
Payments to Jackson State Community College	(60,327.83)	(65,811.56)
Loans issued to students and employees	(3,877.65)	(10,682.74)
Collection of loans from students and employees	8,312.81	6,944.38
Other receipts	181.50	-
Net cash provided by operating activities	17,726.80	266,345.64
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	66,998.18	2,285.44
Net cash provided by noncapital financing activities	66,998.18	2,285.44
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	91,345.17	123,267.57
Net cash provided by investing activities	91,345.17	123,267.57
Net increase in cash	176,070.15	391,898.65
Cash at beginning of year	2,090,953.30	1,699,054.65
Cash at end of year	$ 2,267,023.45	$ 2,090,953.30
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 165,959.39	$ 374,802.40
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Receivables, net	(152,667.75)	(82,240.64)
Accounts payable	-	(24,876.64)
Loans to students and employees	4,435.16	(1,339.48)
Net cash provided by operating activities	$ 17,726.80	$ 266,345.64
Noncash transactions		
Gifts in-kind	$ 5,400.00	$ 339.95