AUDIT REPORT

Tennessee Board of Regents
Jackson State Community College

For the Years Ended
June 30, 2010, and June 30, 2009

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

Tennessee Comptroller of the Treasury

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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January 24, 2013

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 340
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, 2010, and June 30, 2009. 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,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

DVL/cd
11/041

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, 2010, and June 30, 2009

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, 2010, and June 30, 2009

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Tennessee Board of Regents
Jackson State Community College
For the Years Ended June 30, 2010, and June 30, 2009

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, 2008, through June 30, 2010, 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, 2010, and June 30, 2009. Jackson State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report.*

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing 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 Center at Paris, the Tennessee Technology Cernter 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, 2010, and June 30, 2009, 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 and Other Matters

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.

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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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 10, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 340
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, 2010, and June 30, 2009, and have issued our report thereon dated September 10, 2012. 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

Management of the college is responsible for establishing and maintaining effective 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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 its 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.

We noted certain matters that we reported to the management of Jackson State Community College in a separate letter.

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/cd

STATE OF TENNESSEE
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Independent Auditor's Report

September 10, 2012

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 340
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, 2010, and June 30, 2009, 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, 2010, and June 30, 2009, 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 Jackson State Community College, and its discretely presented component unit as of June 30, 2010, and June 30, 2009, 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.

The management's discussion and analysis on pages 12 through 40 and the schedule of funding progress on page 66 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 67 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 10, 2012, 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 considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/cd

Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis

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, 2010, and June 30, 2009, with comparative information presented for the fiscal year ended June 30, 2008. 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.

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)

	2010	2009	2008
Assets:			
Current assets	$ 11,672	$ 10,996	$ 12,637
Capital assets, net	9,187	9,550	10,096
Other assets	8,681	4,948	2,201
Total assets	**29,540**	**25,494**	**24,934**
Liabilities:			
Current liabilities	9,148	8,372	9,316
Noncurrent liabilities	2,004	1,708	1,454
Total liabilities	**11,152**	**10,080**	**10,770**
Net assets:			
Invested in capital assets, net of related debt	9,187	9,390	9,783
Restricted – expendable	761	700	640
Unrestricted	8,440	5,324	3,741
Total net assets	**$ 18,388**	**$ 15,414**	**$ 14,164**

Comparison of FY 2010 to FY 2009

- Current assets increased by 6% due mainly to an increase in cash of $597,398.95.

- Net capital assets decreased by $363,326.40. The change is a result of purchases of equipment of $545,653.60 and depreciation of $904,617.38.

- Other assets increased by $3,732,190.68 due to an increase in enrollment of 14% and more students qualifying for financial aid thus generating $4,821,953.24 more revenue, less a slight increase in operating expenses of $1,556,550.37.

- Current liabilities increased by $775,817.57 because the increase in enrollment generated more deferred revenue by $216,215.25 and deposits for the Technology Centers increasing by $538,331.20.

- Noncurrent liabilities increased due to the $306,819.68 increase in accrued other post-employment benefits. The other post-employment benefits liability increased because these benefits are funded on a pay-as-you-go basis rather than on an actuarial basis.

Comparison of FY 2009 to FY 2008

- Current assets decreased $1,641,323.59 due primarily to a decrease in cash held for the eight Tennessee Technology Centers, for whom Jackson State is the host institution. The cash was held for expenses for the equipment replacement appropriation for the Technology Centers expended in FY 2009.

- Net capital assets decreased $545,564.85 from FY 2008. Capital purchases of $322,349.29 were offset by $862,663.56 in depreciation.

- Other assets were higher as cash held for various future facilities projects increased by $2,266,646.34 and cash held for future repair and replacement expenditures increased by $470,935.28.

- Current liabilities decreased due to a decrease of $1,304,069.57 in funds on deposit for the eight Tennessee Technology Centers for which the college provides accounting services. This decrease was partially offset by an increase in accrued salaries of $176,863.15.

- Noncurrent liabilities increased due to the $438,384.12 increase in accrued other post-employment benefits. The other post-employment benefits liability increased because these benefits are funded on a pay-as-you-go basis rather than on an actuarial basis.

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

	2010	2009	2008
Assets:			
Current assets	$ 699	$ 1,861	$ 2,552
Other assets	2,515	1,338	202
Total assets	**3,214**	**3,199**	**2,754**
Net assets:			
Restricted – nonexpendable	761	749	736
Restricted – expendable	2,419	2,425	1,983
Unrestricted	34	25	35
Total net assets	**$ 3,214**	**$ 3,199**	**$ 2,754**

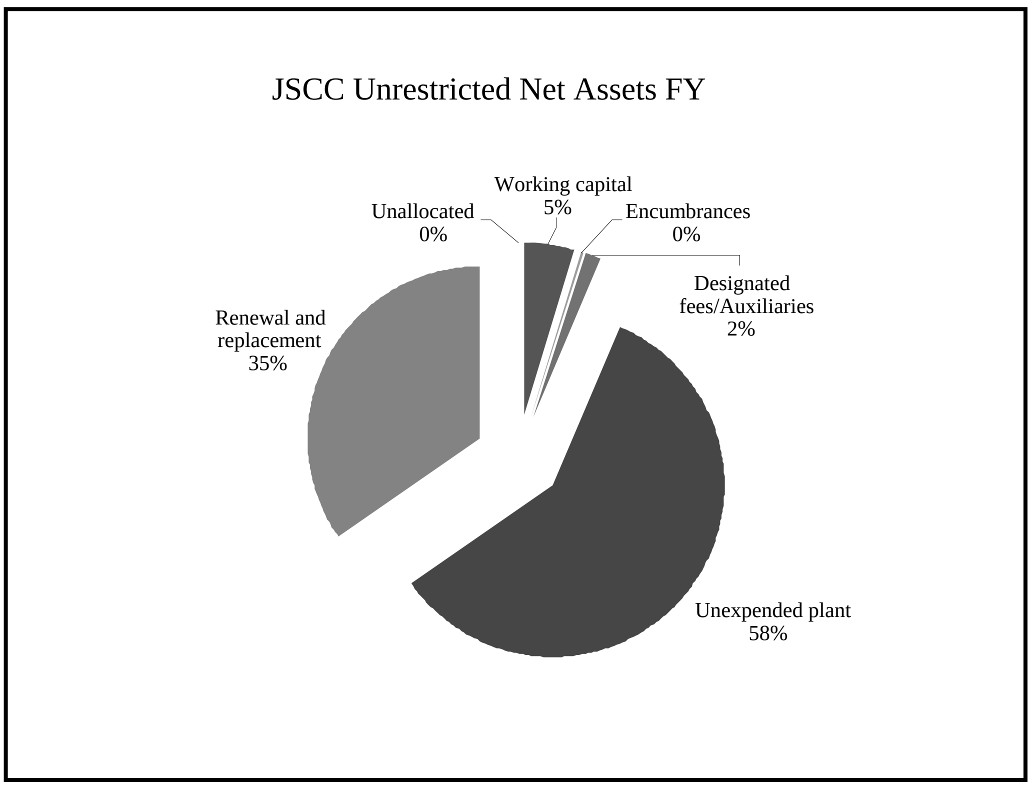
Comparison of FY 2010 to FY 2009

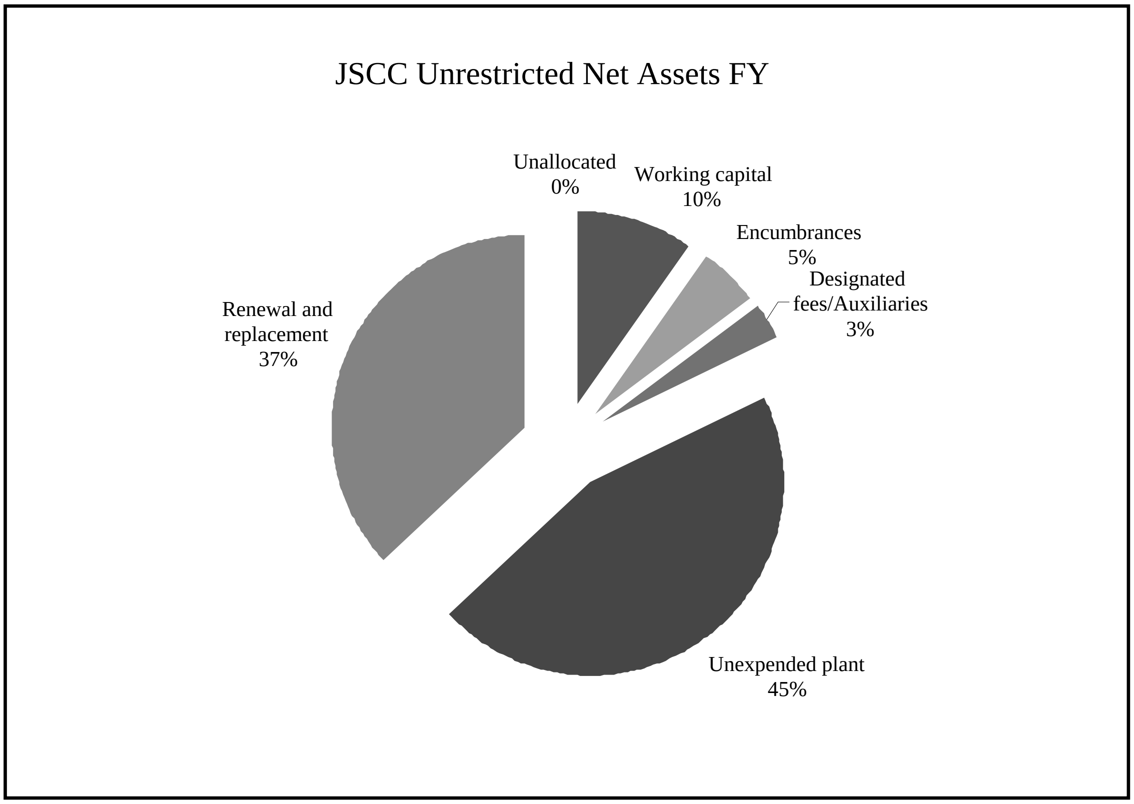
- Component unit current assets decreased by $1,161,835.78 and other assets increased by $1,176,590.11 because two $1 million certificates of deposit were converted to equities, bonds and fixed income investments, thus changing the classification.

Comparison of FY 2009 to FY 2008

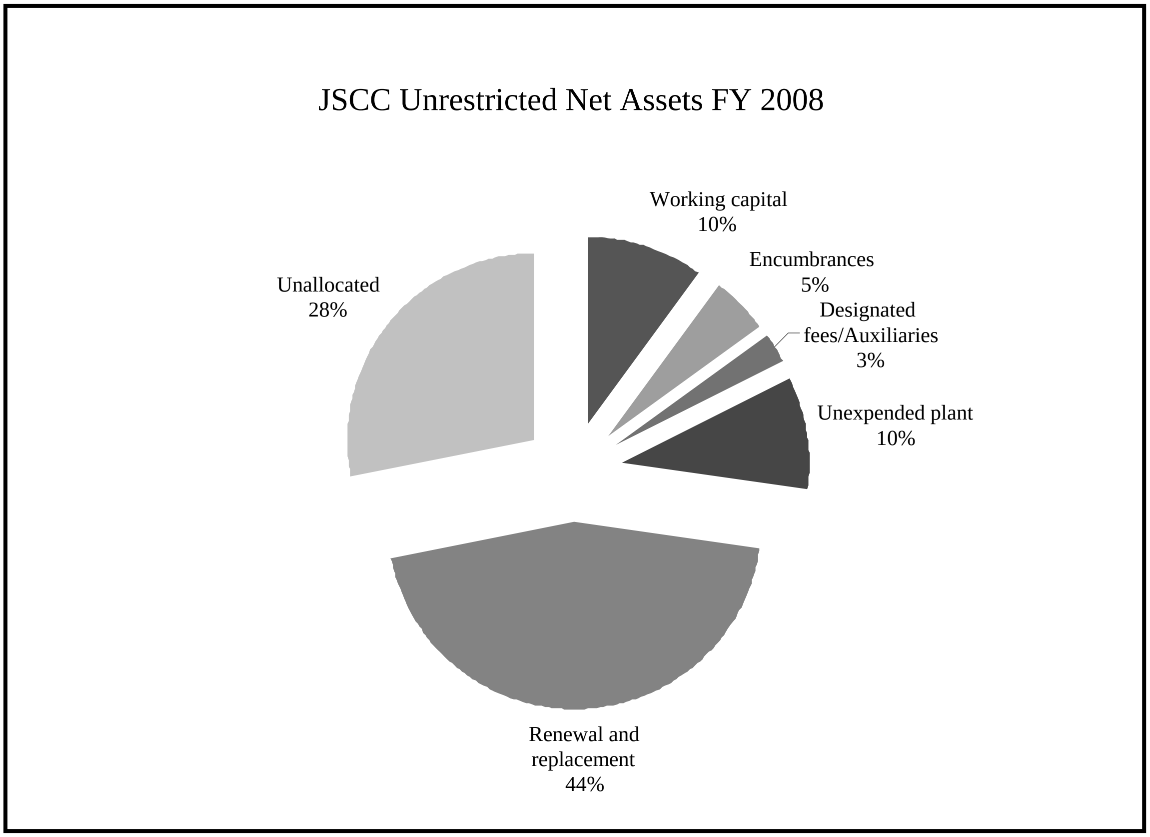
- Component unit other assets increased due to the $463,509.75 in net pledges due over one year for the building of the Humboldt and Crockett County satellite campuses and an increase in noncurrent investments.

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





JSCC Unrestricted Net Assets FY
Unallocated 0%
Working capital 10%
Encumbrances 5%
Designated fees/Auxiliaries 3%
Renewal and replacement 37%
Unexpended plant 45%



Comparison of FY 2010 to FY 2009

- Unexpended plant increased by $2,731,955.06 primarily due to funds transferred to fund local construction projects.

Comparison of FY 2009 to FY 2008

- The allocation for unexpended plant increased due to $2,452,500.00 in transfers from the unrestricted fund for future facility expenditures.

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)

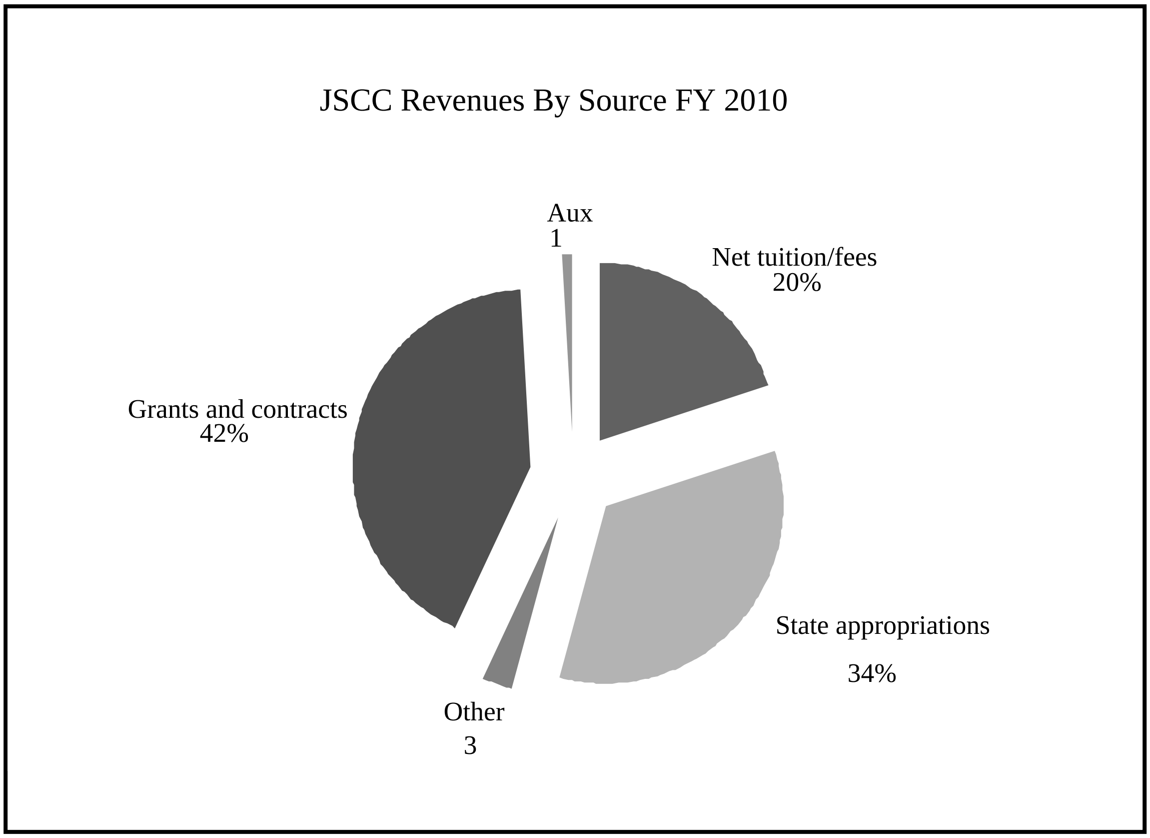
	2010	2009	2008
Operating revenues:			
Net tuition and fees	$ 6,945	$ 6,965	$ 6,342
Grants and contracts	1,233	1,411	1,558
Auxiliary	244	246	209
Other	579	541	540
Total operating revenues	**9,001**	**9,163**	**8,649**
Operating expenses	**31,453**	**29,897**	**29,156**
Operating loss	**(22,452)**	**(20,734)**	**(20,507)**
Nonoperating revenues and expenses:			
State appropriations	11,713	12,657	13,254
Gifts	344	66	60
Grants and contracts	13,496	8,674	6,622
Investment income	47	132	301
Other nonoperating expenses	(332)	(116)	(140)
Total nonoperating revenues and expenses	**25,268**	**21,413**	**20,097**
Income (loss) before other revenues, expenses, gains, or losses	**2,816**	**679**	**(410)**
Other revenues, expenses, gains, or losses:			
Capital appropriations	158	571	38
Capital grants and gifts	-	-	(44)
Total other revenues, expenses, gains, or losses	**158**	**571**	**(6)**
Increase (decrease) in net assets	**2,974**	**1,250**	**(416)**
Net assets at beginning of year	**15,414**	**14,164**	**14,580**
Net assets at end of year	**$ 18,388**	**$ 15,414**	**$ 14,164**

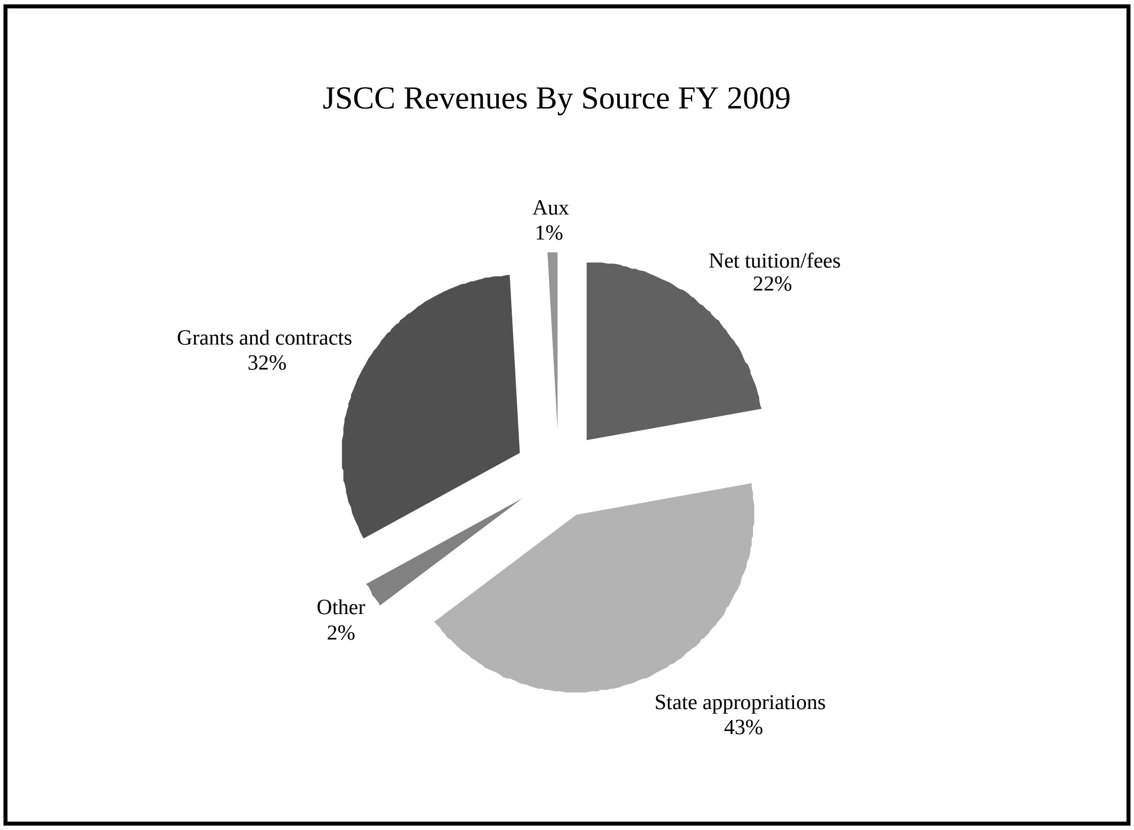
Component Unit
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2010	2009	2008
Operating revenues:			
Gifts	$ 139	$ 643	$ 402
Total operating revenues	**139**	**643**	**402**
Operating expenses	**200**	**239**	**236**
Operating income (loss)	**(61)**	**404**	**166**
Nonoperating revenues and expenses:			
Investment income	65	28	89
Total nonoperating revenues and expenses	**65**	**28**	**89**
Income (loss) before other revenues, expenses, gains, or losses	**4**	**432**	**255**
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	11	13	67
Total other revenues, expenses, gains, or losses	**11**	**13**	**67**
Increase in net assets	**15**	**445**	**322**
Net assets at beginning of year	**3,199**	**2,754**	**2,432**
Net assets at end of year	**$ 3,214**	**$ 3,199**	**$ 2,754**

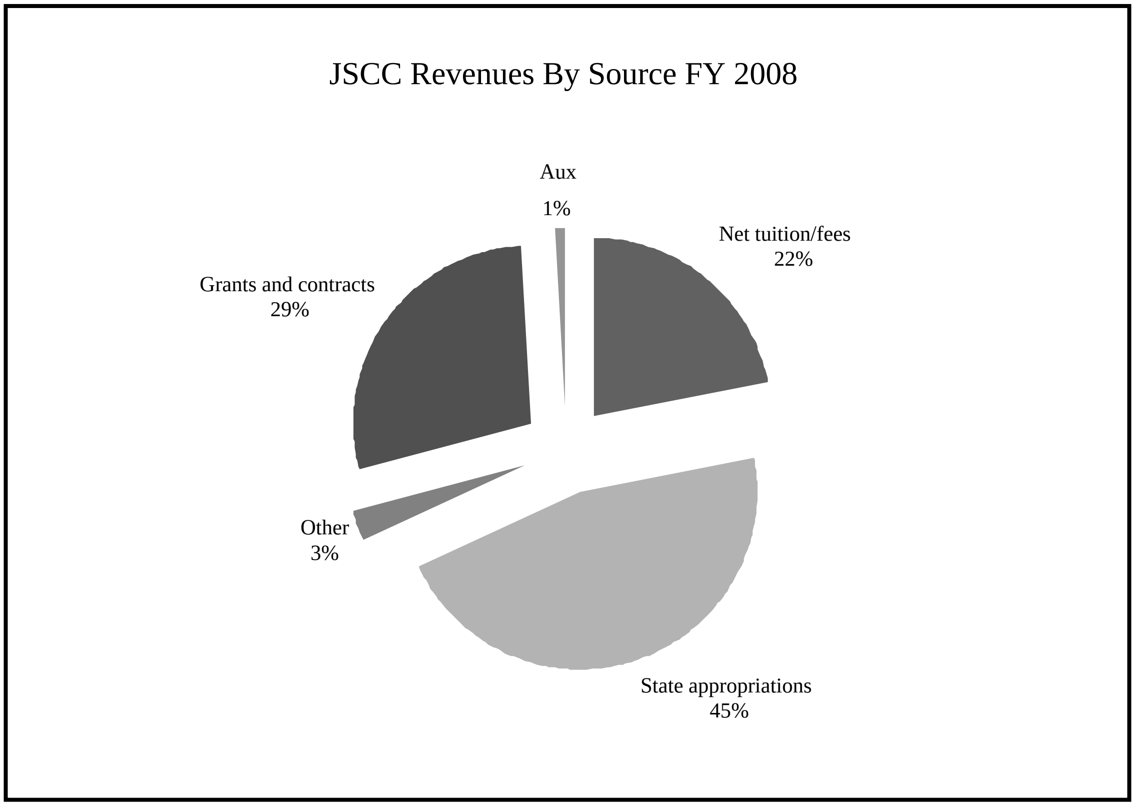
Revenues

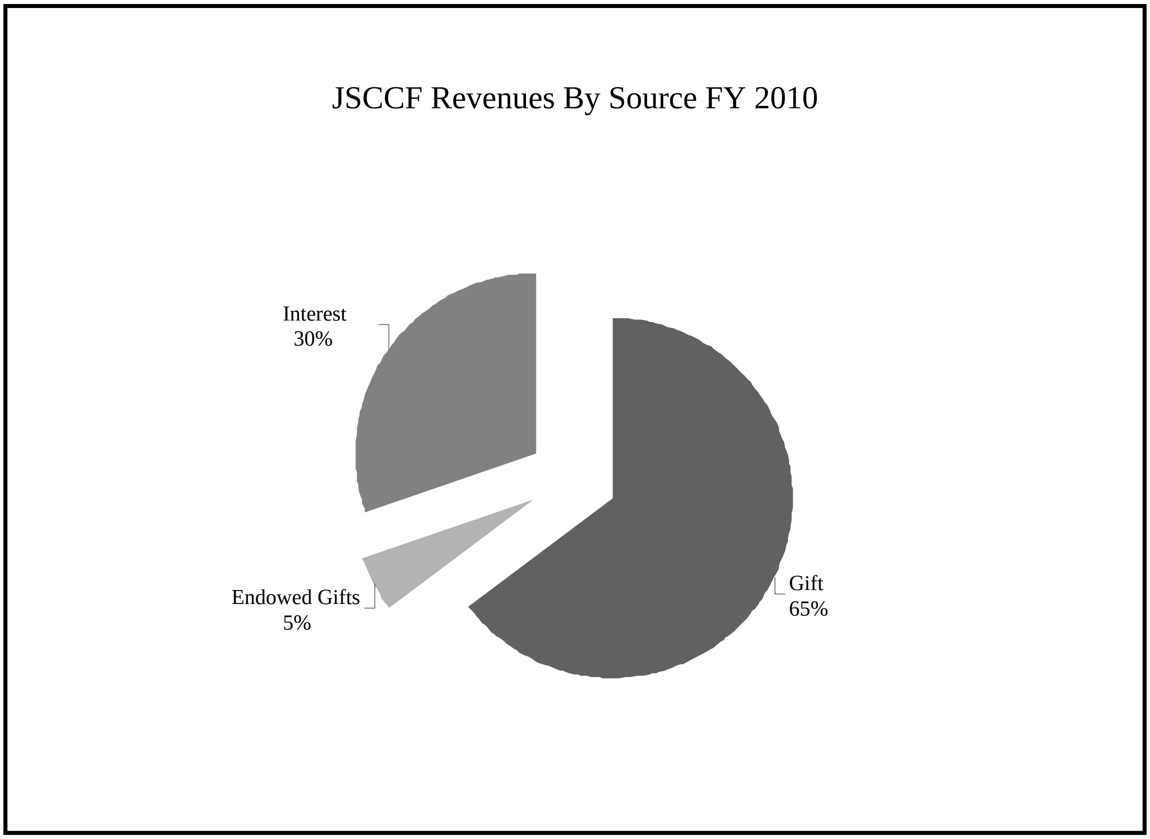
The following are graphic illustrations of revenues by source (both operating and nonoperating), which were used to fund the college's and its component unit's operating activities for the years ended June 30, 2010; June 30, 2009; and June 30, 2008.


JSCC Revenues By Source FY 2010
Aux
1
Net tuition/fees
20%
Grants and contracts
42%
State appropriations
34%
Other
3

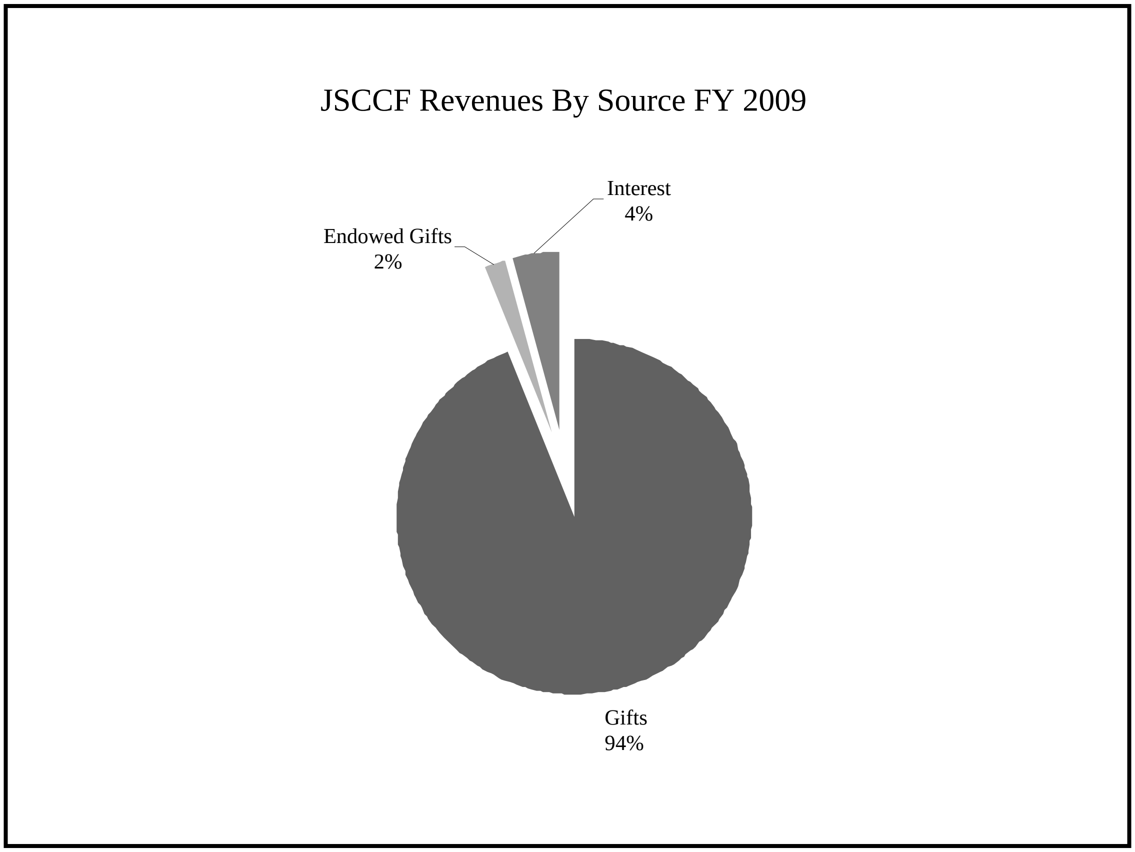


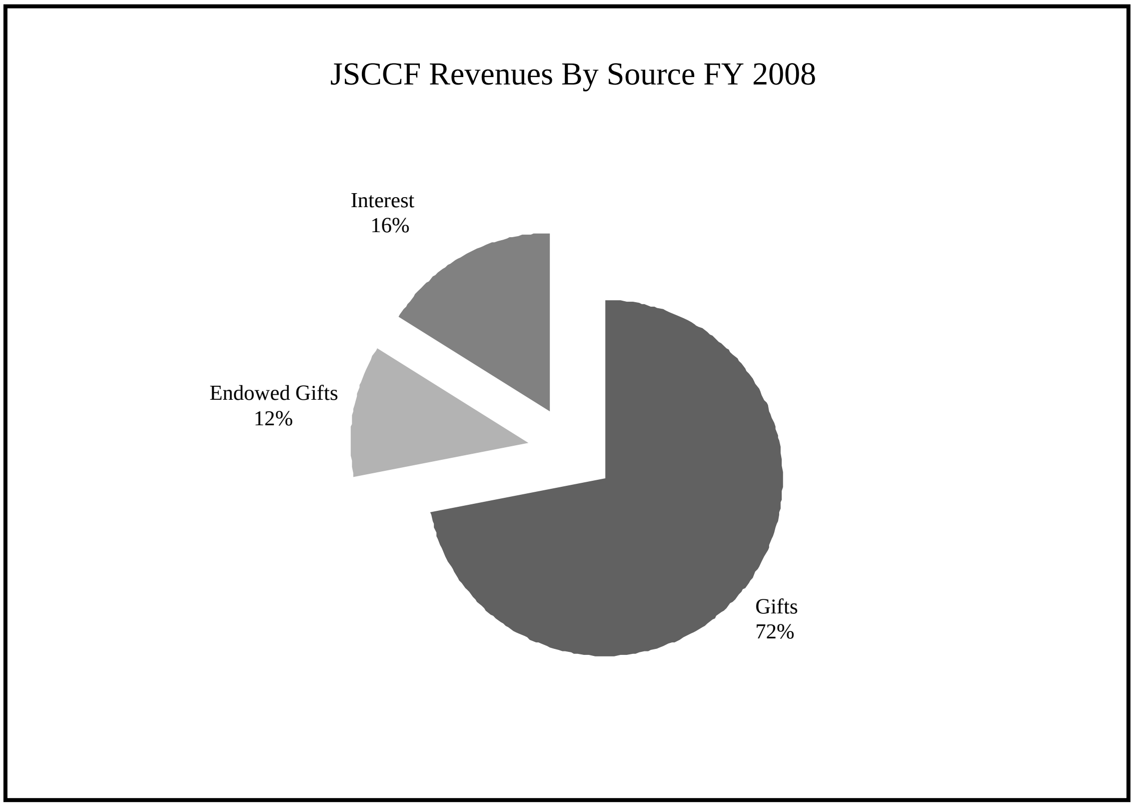
JSCC Revenues By Source FY 2009
Aux 1%
Net tuition/fees 22%
Grants and contracts 32%
Other 2%
State appropriations 43%


JSCC Revenues By Source FY 2008
Aux
1%
Net tuition/fees
22%
Grants and contracts
29%
Other
3%
State appropriations
45%


JSCCF Revenues By Source FY 2010
Interest
30%
Endowed Gifts
5%
Gift
65%

Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)





<u>Comparison of FY 2010 to FY 2009</u>

JSCC

- Student tuition and fees net of scholarship allowances made a slight decrease despite an increase in the tuition rate and an increase in enrollment. Maintenance fees and technology fees increased by $2,457,928.19, but scholarship allowances also increased by $2,482,483.94, yielding a minimal change.

- Nonoperating grants and contracts increased by $4,821,953.24 largely due to an increase in Pell of $4,778,192.94. More students were Pell eligible due to federal incentives and individuals being out of work and coming back to school.

- State appropriations decreased by $943,800.00 due to low sales tax collections and the poor economy.

JSCCF

- Component unit gifts decreased by $504,047.11 due to a large portion (i.e., $250,000) of funds that were donated for the Crockett County project in 2009 not received in 2010, and a weak economy resulted in fewer donations to other funds in the foundation.

- Interest income increased for the component unit from $28,234.74 to $65,291.72 because of the change in investment strategies into equities, bonds and fixed income. Previously, the foundation received most of its interest income from interest bearing checking accounts.

Comparison of FY 2009 to FY 2008

JSCC

- Student tuition and fees net of scholarship allowances increased as a result of a 6% tuition rate increase.

- Operating grants decreased due to the elimination of the Fund for the Improvement of Postsecondary Education ($40,000.00) and Families First ($54,400) grants and a reduction in Access and Diversity grants of $60,044.00.

- Auxiliary revenue increased $36,799.97 from higher receipts from Nebraska Bookstore.

- Nonoperating grants and contracts revenue was higher by $2,052,902.20. JSCC received $708,300.00 in State Fiscal Stabilization Funds used for a voluntary employee buyout program. Pell grants from the Department of Education were up by $985,717.97 because more students qualified. Federal Academic Competitiveness grants were $89,132.00 higher for the same reason. The Tennessee Lottery grants increased by $204,602.23, and the Tennessee Student Assistance grants rose by $51,261.00.

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

- Capital appropriations increased $532,835.78 for external building repairs to all main campus buildings.

JSCCF

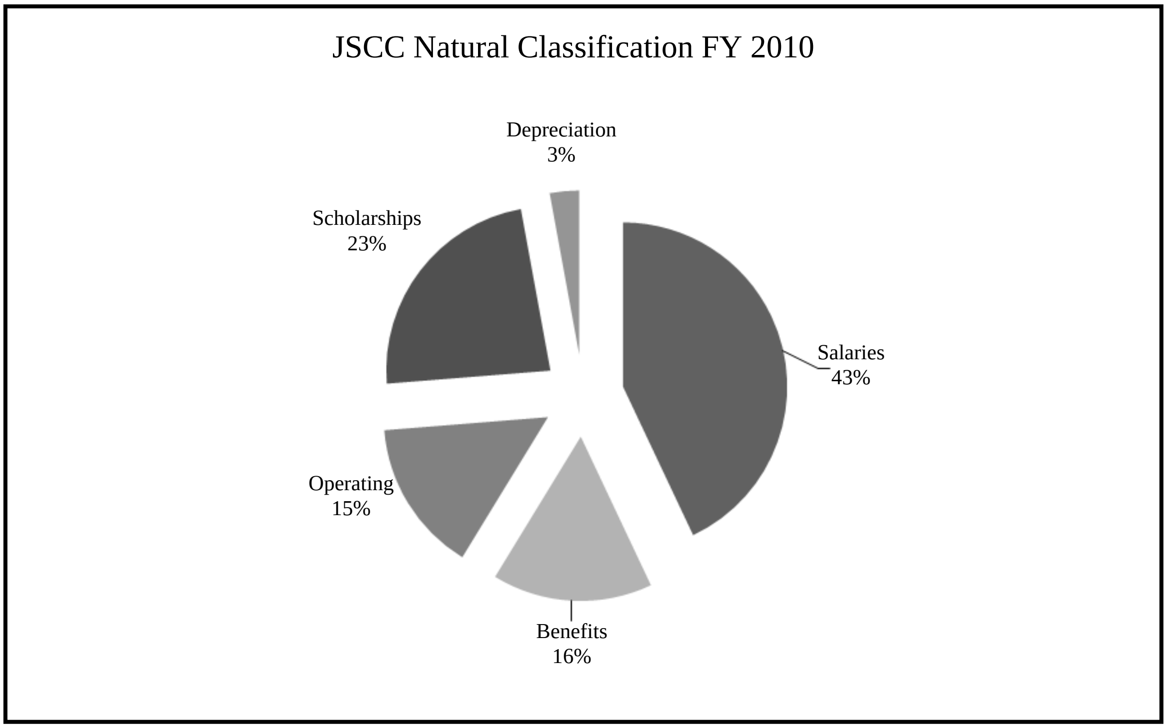
- Operating gifts for the component unit increased $241,094.50 from FY 2008 to FY 2009 due to an increase in gifts received to create a new center for JSCC in Crockett County.

Expenses

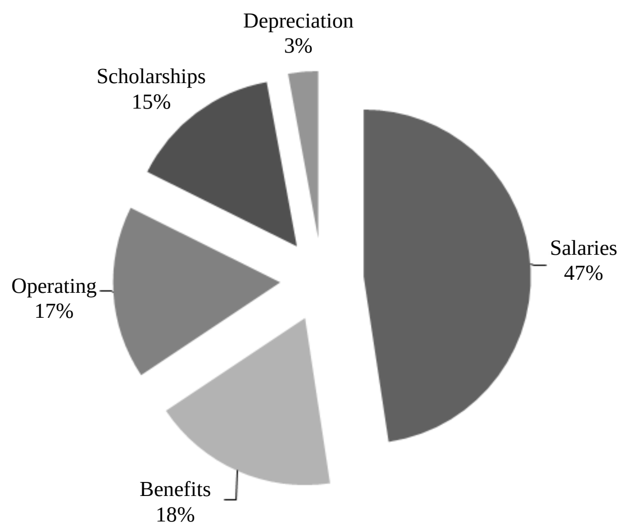
Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below.

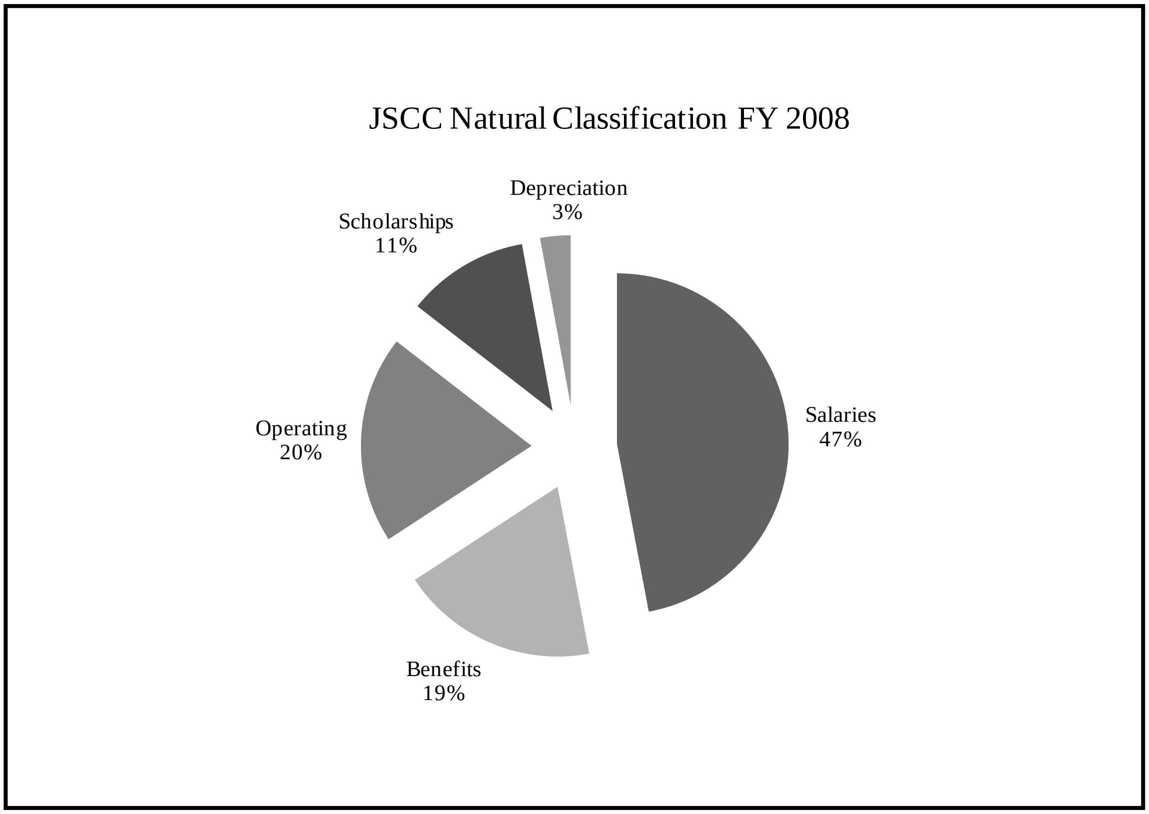
Natural Classification (in thousands of dollars)

JSCC	2010	2009	2008
Salaries	$ 13,490	$ 14,235	$ 13,712
Benefits	4,949	5,389	5,461
Operating	4,708	4,999	5,765
Scholarships	7,401	4,411	3,380
Depreciation	905	863	838
Total	**$ 31,453**	**$ 29,897**	**$ 29,156**


JSCC Natural Classification FY 2010
Depreciation
3%
Scholarships
23%
Salaries
43%
Operating
15%
Benefits
16%

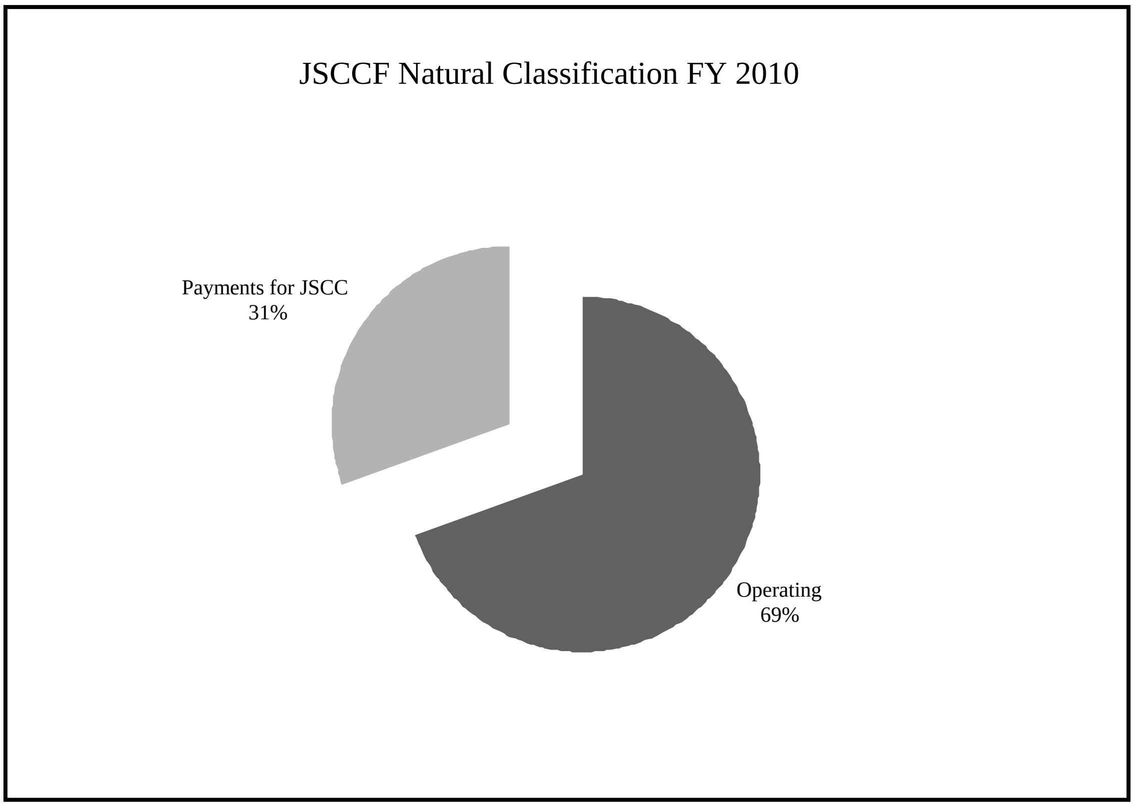
JSCC Natural Classification FY 2009

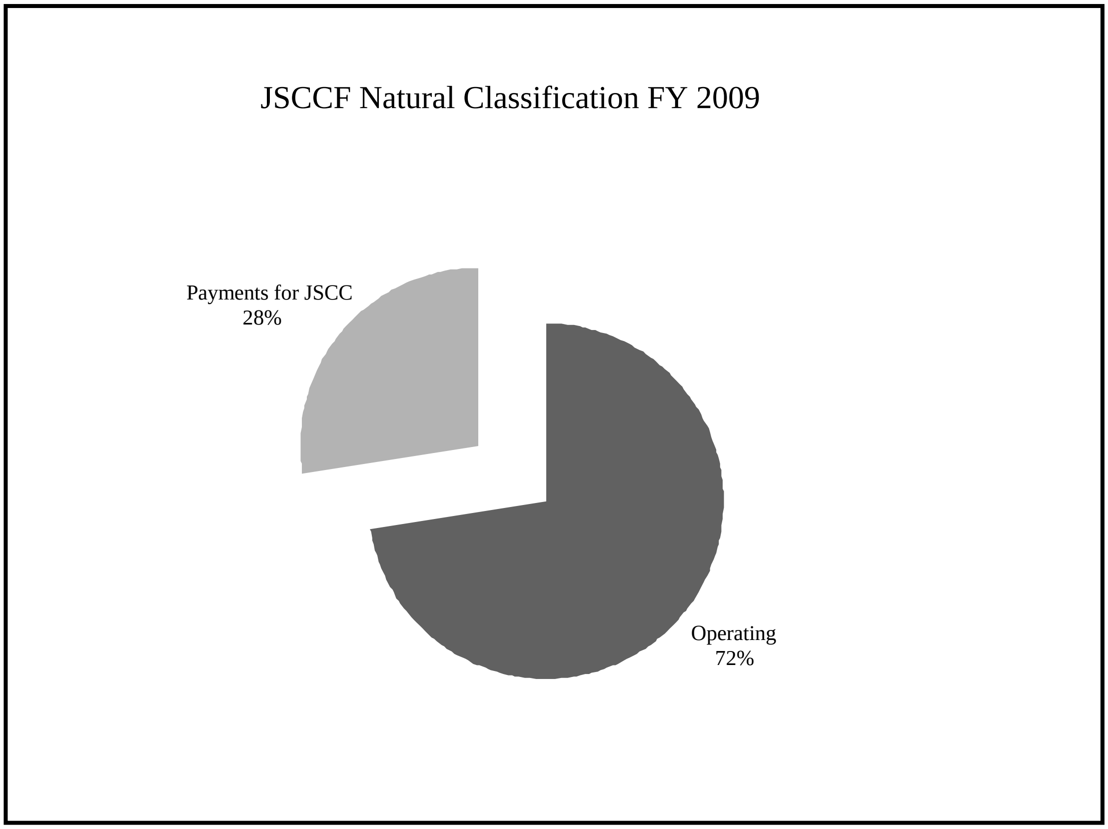


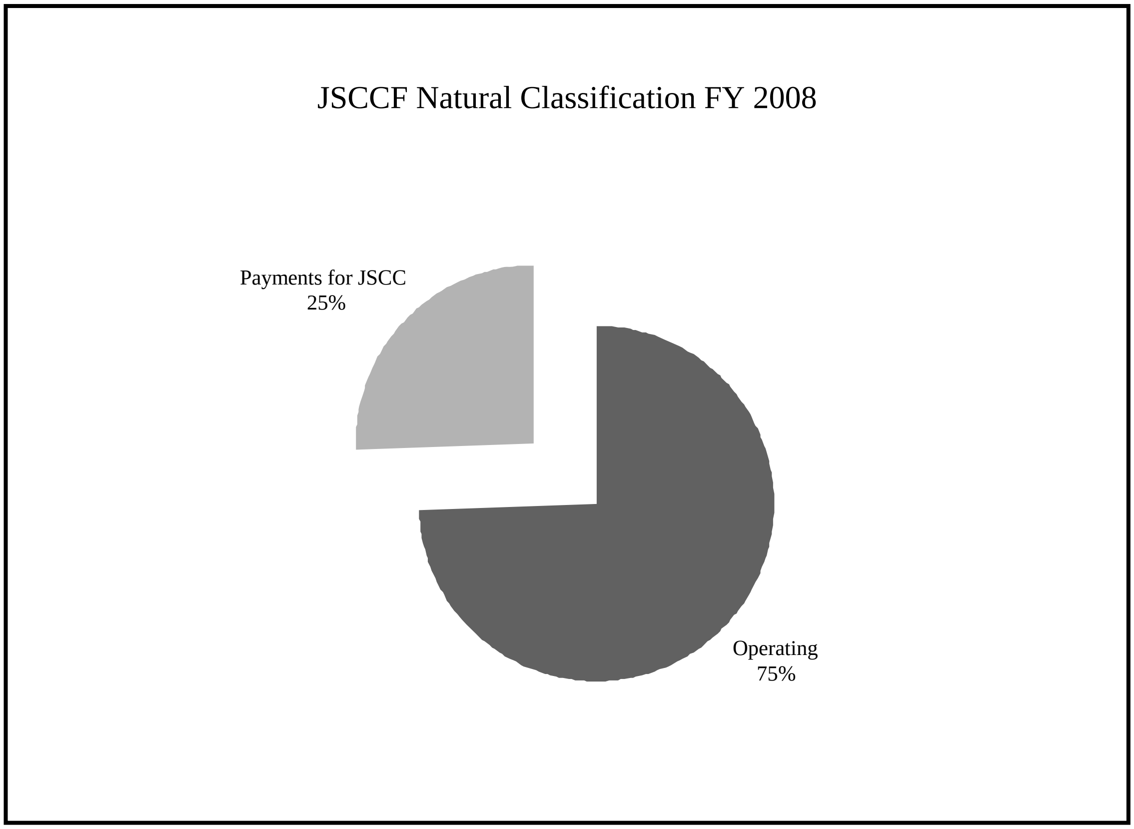

JSCC Natural Classification FY 2008
Depreciation
3%
Scholarships
11%
Operating
20%
Salaries
47%
Benefits
19%

Natural Classification (in thousands of dollars)

JSCCF	2010	2009	2008
Operating	$ 139	$ 173	$ 176
Payments for JSCC	61	66	60
Total	**$ 200**	**$ 239**	**$ 236**




JSCCF Natural Classification FY 2009
Payments for JSCC
28%
Operating
72%



<u>Comparison of FY 2010 to FY 2009</u>

JSCC

- Salaries and benefits decreased by $1,184,830.99 due to the Voluntary Buy Out plan and not replacing a significant number of those employees. Due to the increase in enrollment, some additional staff and adjunct employees were hired, but there was still an overall reduction in salaries and benefits.

- Operating expenses held steady with a slight decline of $290,901.14 due to the college making an effort to try and maintain expenses at a level comparable to the expected decline in appropriations.

- Scholarships increased by $2,990,328.68 or 68%. The increase is the aggregate of Pell funding increases of $4,778,172.94, the lottery scholarship funding increase of $455,802.45, TSAC increase of $89,423.00, SEOG increase of $16,273.00, and Academic Competitiveness increase of $95,722.00. The cumulative increase equates to $5,435,393.39. However, $2,482,483.94 of this increase was used to fund tuition and fee charges of students and was reported as a scholarship allowance which offset tuition and fee revenues. The remaining $2,952,909.45 exceeded the students' tuition and fee charges and was paid to the students and reported as scholarship expense.

Comparison of FY 2009 to FY 2008

JSCC

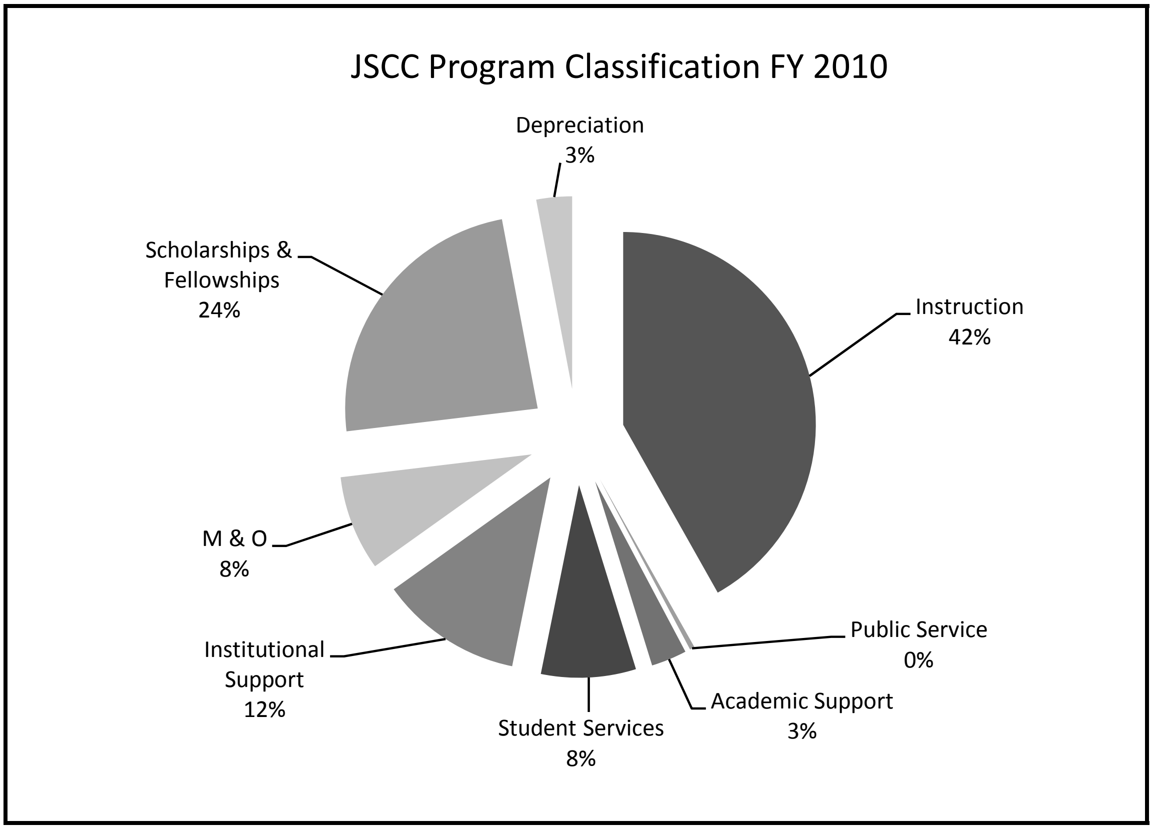
- Salary expenses increased due to $657,965.49 in voluntary buyout costs funded by State Fiscal Stabilization Funds.

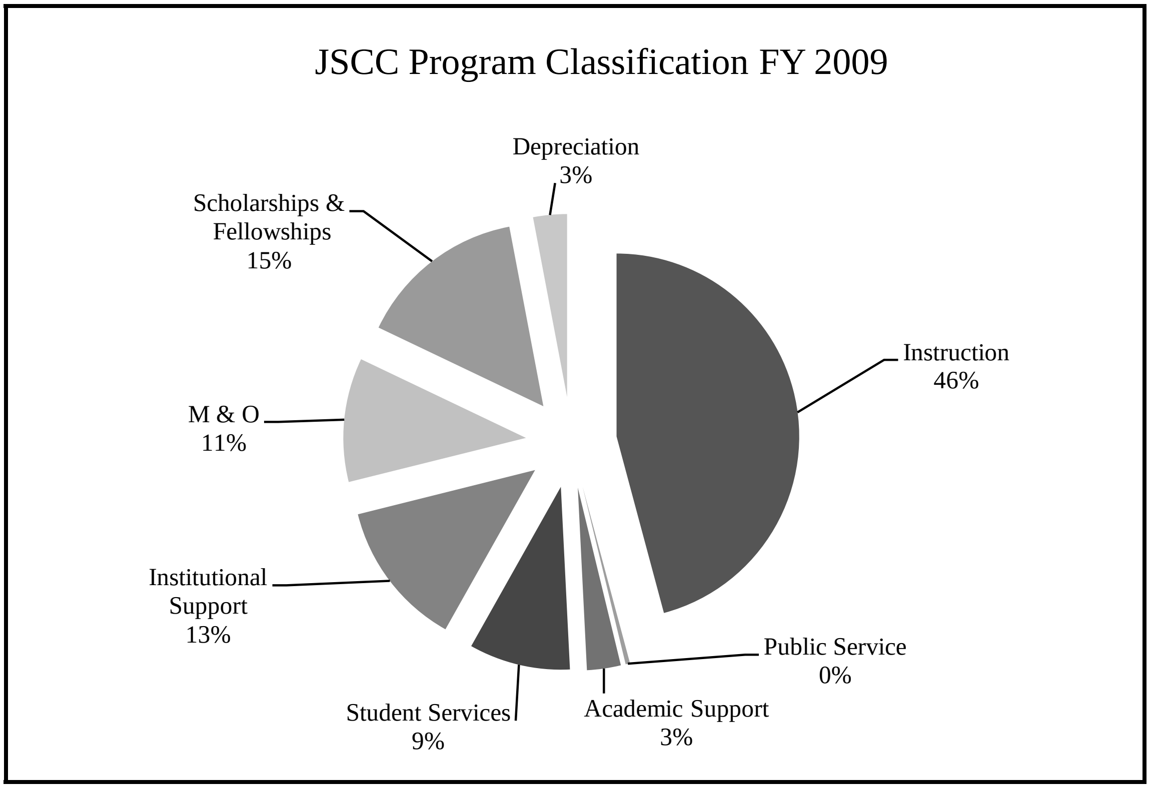
- Operating expenses declined $765,856.20 from an across-the-board effort to reduce expenditures in the face of declining appropriations.

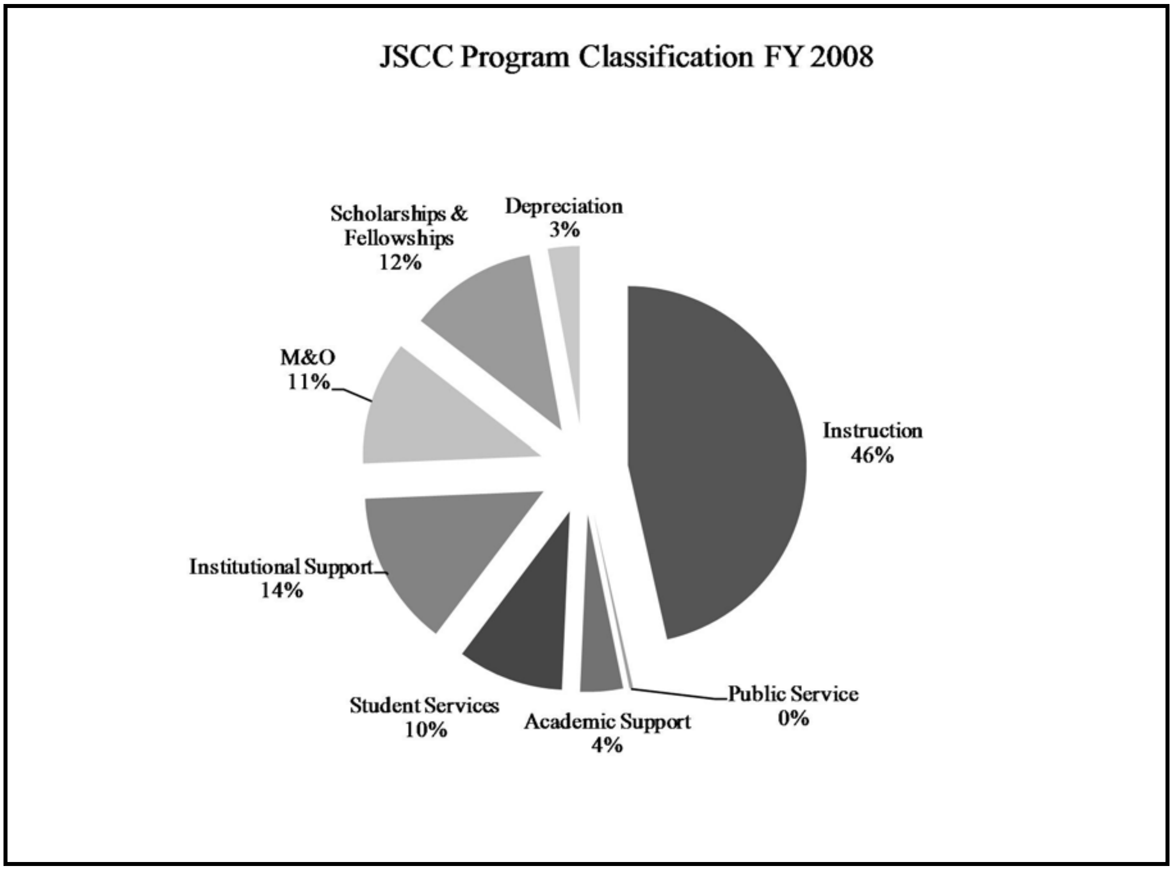
- Scholarship expense increased primarily due to a $984,972.97 increase in Pell awards.

Program Classification (in thousands of dollars)

JSCC	**2010**	**2009**	**2008**
Instruction	$ 13,095	$ 13,635	$ 13,549
Public service	126	77	95
Academic support	987	983	1,136
Student services	2,612	2,807	2,799
Institutional support	3,823	3,909	4,097
Maintenance and operation	2,504	3,212	3,262
Scholarships & fellowships	7,401	4,411	3,380
Depreciation	905	863	838
Total	**$ 31,453**	**$ 29,897**	**$ 29,156**


JSCC Program Classification FY 2010
Depreciation 3%
Scholarships & Fellowships 24%
Instruction 42%
M & O 8%
Public Service 0%
Institutional Support 12%
Academic Support 3%
Student Services 8%


JSCC Program Classification FY 2009
Depreciation 3%
Scholarships & Fellowships 15%
Instruction 46%
M & O 11%
Institutional Support 13%
Public Service 0%
Student Services 9%
Academic Support 3%


JSCC Program Classification FY 2008
Scholarships & Fellowships 12%
Depreciation 3%
M&O 11%
Instruction 46%
Institutional Support 14%
Student Services 10%
Academic Support 4%
Public Service 0%

Comparison of FY 2010 to FY 2009

- Most program expenses remained constant with minor changes because of the college's approach to holding to base budgets due to economic uncertainty.

- Maintenance and operation decreased $707,635.26 or 22% year over year from 2009 to 2010. This decrease is primarily due to three non-recurring events. JSCC had a roof repair project in 2009 totaling approximately $420,000. Additionally, the college had $150,000 in administrative software expenditures in 2009 for Banner Implementation. Finally, JSCC funded voluntary buyouts of staff in 2009 totaling $91,000. These cumulative expenditures were non-recurring and therefore, directly responsible for the category reduction.

- Scholarships increased by $2,990,328.68 or 68%. The increase is the aggregate of Pell funding increases of $4,778,172.94, the lottery scholarship funding increase of $455,802.45, TSAC increase of $89,423.00, SEOG increase of $16,273.00, and Academic Competitiveness increase of $95,722.00. The cumulative increase equates to $5,435,393.39. However, $2,482,483.94 of this increase was used to fund tuition and fee charges of students and was reported as a scholarship allowance which offset tuition and fee revenues. The remaining $2,952,909.45 exceeded the students' tuition and fee charges and was paid to the students and reported as scholarship expense.

Comparison of FY 2009 to FY 2008

- Academic support expenses declined primarily as a result of a $87,439.29 drop in supplies purchased as part of the across-the-board expenditure reduction.

- Scholarship expense increased primarily due to a $984,972.97 increase in Pell awards.

Capital Assets and Debt Administration

Capital Assets

Jackson State Community College had $9,187,034.88 invested in capital assets, net of accumulated depreciation of $11,361,780.44 at June 30, 2010; $9,550,361.28 invested in capital assets, net of accumulated depreciation of $11,032,408.97 at June 30, 2009; and $10,095,926.13 invested in capital assets, net of accumulated depreciation of $10,399,761.07 at June 30, 2008. Depreciation charges totaled $904,617.38, $862,663.56, and $838,337.03 for the years ended

June 30, 2010; June 30, 2009; and June 30, 2008, respectively. Details of these assets are shown below.

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

	2010	**2009**	**2008**
Land	$ 129	$ 129	$ 129
Land improvements & infrastructure	256	275	294
Buildings	6,703	7,084	7,465
Equipment	1,245	1,092	1,127
Library holdings	291	314	330
Software	563	656	750
Total	**$ 9,187**	**$ 9,550**	**$ 10,095**

- The major capital equipment purchases in FY 2010 included $377,663.63 of computer equipment, two cars totaling $53,595.00 and a bucket truck at $16,500.00, and two duplicators for $26,000.00. These purchases were offset by $904,617.38 in depreciation.

- Equipment purchases in FY 2009 were $260,826.62—the largest items were a document system for $48,823.96 and a collator for $23,000.00. Library holdings purchases were $61,552.67. Purchases were offset by $862,663.56 in depreciation.

- Planned major capital purchases for FY 2011 include the replacement of two vehicles for approximately $44,000, computer servers at approximately $137,000, and two copiers for a total of approximately $30,000. More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

Debt

The college had $0; $160,021.00; and $313,592.00 in debt outstanding at June 30, 2010; June 30, 2009; and June 30, 2008, respectively. All of the debt was Tennessee State School Bond Authority bonds payable.

The Tennessee State School Bond Authority had authorized the issuance of commercial paper to finance costs of various capital projects. In 2005, $754,757.35 in commercial paper was issued for administrative software projects at Jackson State Community College. No debt existed prior to 2005. In 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 $153,571.00 in 2009 and $147,381.00 in 2008. The college paid its final principal payment of $160,021.00 in 2010.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2010, were as follows:

Fitch	AA
Moody's Investor Service	Aa2
Standard & Poor's	AA

Additional 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 6.3% for the 2010-2011 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 and Administrative Affairs, 2046 North Parkway, Jackson, Tennessee 38301.

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2010, AND JUNE 30, 2009

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 15)	$ 10,747,261.57	$ 10,149,862.62	$ 507,785.58	$ 1,345,131.39
Investments (Notes 3 and 15)	-	-	-	328,266.07
Accounts, notes, and grants receivable (net) (Note 4)	886,414.96	831,728.11	748.50	8,253.49
Due from primary government	26,108.00	-	-	-
Pledges receivable (net) (Note 15)	-	-	187,006.21	179,171.11
Prepaid expenses and deferred charges	2,200.00	1,386.63	-	-
Accrued interest receivable	10,070.93	13,143.11	3,445.99	-
Total current assets	11,672,055.46	10,996,120.47	698,986.28	1,860,822.06
Noncurrent assets:				
Cash (Notes 2 and 3)	8,539,951.64	4,810,230.32	-	-
Investments (Note 15)	-	-	2,215,115.31	874,514.80
Accounts, notes, and grants receivable (net) (Note 4)	140,588.97	138,119.61	-	-
Pledges receivable (net) (Note 15)	-	-	299,499.35	463,509.75
Capital assets (net) (Note 5)	9,187,034.88	9,550,361.28	-	-
Total noncurrent assets	17,867,575.49	14,498,711.21	2,514,614.66	1,338,024.55
Total assets	29,539,630.95	25,494,831.68	3,213,600.94	3,198,846.61
LIABILITIES				
Current liabilities:				
Accounts payable	218,816.26	204,440.59	-	46.50
Accrued liabilities	1,043,709.14	907,416.34	-	-
Deferred revenue	990,466.25	774,251.00	-	-
Compensated absences (Note 6)	186,088.75	139,674.05	-	-
Long-term liabilities, current portion (Note 6)	-	160,021.00	-	-
Deposits held in custody for others	6,709,197.98	6,186,657.83	-	-
Total current liabilities	9,148,278.38	8,372,460.81	-	46.50
Noncurrent liabilities:				
Compensated absences (Note 6)	652,222.92	664,657.21	-	-
Net OPEB obligation (Note 9)	1,207,565.33	900,745.65	-	-
Due to grantors (Note 6)	143,593.79	142,933.48	-	-
Total noncurrent liabilities	2,003,382.04	1,708,336.34	-	-
Total liabilities	11,151,660.42	10,080,797.15	-	46.50
NET ASSETS				
Invested in capital assets, net of related debt	9,187,034.88	9,390,340.28	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	643,183.24	636,927.11
Other	-	-	117,742.57	112,339.92
Expendable:				
Scholarships and fellowships	89,603.38	93,838.20	532,782.37	493,512.59
Instructional department uses	567,425.90	513,280.01	38,417.28	35,138.38
Loans	47,864.60	47,644.49	19,322.72	17,300.68
Capital projects	-	-	849,703.68	826,472.36
Other	55,951.19	44,952.29	978,818.75	1,051,820.48
Unrestricted (Note 7)	8,440,090.58	5,323,979.26	33,630.33	25,288.59
Total net assets	$ 18,387,970.53	$ 15,414,034.53	$ 3,213,600.94	$ 3,198,800.11

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

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2009
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $6,897,889.99 for the year ended June 30, 2010, and $4,415,406.05 for the year ended June 30, 2009)	$ 6,945,283.64	$ 6,964,613.39	$ -	$ -
Gifts and contributions	-	-	139,062.50	643,109.61
Governmental grants and contracts	1,227,580.54	1,119,843.67	-	-
Nongovernmental grants and contracts	4,824.00	291,250.35	-	-
Sales and services of educational departments	123,838.34	109,592.98	-	-
Auxiliary enterprises:				
Bookstore	244,327.91	245,877.55	-	-
Interest earned on loans to students	1,281.73	4,805.31	-	-
Other operating revenues	453,906.87	427,148.94	-	-
Total operating revenues	9,001,043.03	9,163,132.19	139,062.50	643,109.61
EXPENSES				
Operating expenses (Note 12):				
Salaries and wages	13,490,068.23	14,234,766.28	-	-
Benefits	4,949,003.24	5,389,136.18	-	-
Utilities, supplies, and other services	4,708,192.05	4,999,093.19	139,118.22	171,983.12
Scholarships and fellowships	7,401,352.29	4,411,023.61	270.00	1,501.99
Depreciation expense	904,617.38	862,663.56	-	-
Payments to or on behalf of Jackson State Community College (Note 15)	-	-	60,713.66	65,981.88
Total operating expenses	31,453,233.19	29,896,682.82	200,101.88	239,466.99
Operating income (loss)	(22,452,190.16)	(20,733,550.63)	(61,039.38)	403,642.62
NONOPERATING REVENUES (EXPENSES)				
State appropriations	11,713,377.50	12,657,177.50	-	-
Gifts (college gifts include $60,713.66 from component unit in 2010 and $65,981.88 in 2009)	344,364.66	65,981.88	-	-
Grants and contracts	13,495,756.23	8,673,802.99	-	-
Investment income (for component unit, net of investment expense of $8,031.24 in 2010 and $0 in 2009)	47,048.95	131,296.74	65,291.72	28,234.74
Interest on capital asset-related debt	(5,334.03)	(11,519.88)	-	-
Other nonoperating expenses	(327,027.42)	(103,999.68)	-	-
Net nonoperating revenues	25,268,185.89	21,412,739.55	65,291.72	28,234.74
Income before other revenues, expenses, gains, or losses	2,815,995.73	679,188.92	4,252.34	431,877.36
Capital appropriations	157,940.27	571,131.50	-	-
Additions to permanent endowments	-	-	10,548.49	12,939.55
Total other revenues	157,940.27	571,131.50	10,548.49	12,939.55
Increase in net assets	2,973,936.00	1,250,320.42	14,800.83	444,816.91
NET ASSETS				
Net assets - beginning of year	15,414,034.53	14,163,714.11	3,198,800.11	2,753,983.20
Net assets - end of year	$ 18,387,970.53	$ 15,414,034.53	$ 3,213,600.94	$ 3,198,800.11

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

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

	Year Ended June 30, 2010	Year Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 6,983,602.85	$ 6,664,205.13
Grants and contracts	1,130,538.21	1,530,136.23
Sales and services of educational activities	123,838.34	109,592.98
Payments to suppliers and vendors	(4,771,274.52)	(4,944,946.94)
Payments to employees	(13,384,114.65)	(14,084,359.25)
Payments for benefits	(4,534,897.55)	(4,883,822.48)
Payments for scholarships and fellowships	(7,401,352.29)	(4,411,023.61)
Loans issued to students	(2,469.36)	(13,013.71)
Interest earned on loans to students	4,353.91	3,195.48
Auxiliary enterprise charges:		
Bookstore	244,327.91	245,877.55
Other receipts	454,567.18	436,060.85
Net cash used by operating activities	(21,152,879.97)	(19,348,097.77)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	11,697,100.00	12,646,200.00
Gifts and grants received for other than capital or endowment purposes, including $60,713.66 from Jackson State Community College Foundation for the year ended June 30, 2010, and $65,981.88 for the year ended June 30, 2009	13,767,446.31	8,793,503.69
Changes in deposits held for others	522,540.15	(1,312,146.76)
Net cash provided by noncapital financing activities	25,987,086.46	20,127,556.93
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital - state appropriation	157,940.27	571,131.50
Purchase of capital assets and construction	(545,653.60)	(322,349.29)
Principal paid on capital debt	(160,021.00)	(153,571.00)
Interest paid on capital debt	(6,400.84)	(12,543.68)
Net cash provided (used) by capital and related financing activities	(554,135.17)	82,667.53
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	47,048.95	132,672.62
Net cash provided by investing activities	47,048.95	132,672.62
Net increase in cash	4,327,120.27	994,799.31
Cash - beginning of year	14,960,092.94	13,965,293.63
Cash - end of year	$ 19,287,213.21	$ 14,960,092.94

Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (22,452,190.16)	$ (20,733,550.63)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	904,617.38	862,663.56
Other adjustments	14,977.50	14,977.50
Change in assets and liabilities:		
Receivables, net	(321,388.81)	(276,961.62)
Prepaid/deferred items	(813.37)	4,591.68
Accounts payable	6,279.41	61,273.26
Accrued liabilities	444,179.29	689,717.74
Deferred revenue	216,215.25	60,447.95
Compensated absences	33,980.41	(25,545.58)
Due to grantors	660.31	8,911.91
Loans to students	602.82	(14,623.54)
Net cash used by operating activities	$ (21,152,879.97)	$ (19,348,097.77)

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

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 significant financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

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 college's 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 intangible assets, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation/amortization. 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 intangible assets 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

This classification includes demand deposits and petty cash on hand. At June 30, 2010, cash consisted of $3,678,486.15 in bank accounts, $5,468.90 of petty cash on hand, $15,514,214.60 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and $89,043.56 in LGIP deposits for capital projects. At June 30, 2009, cash consisted of $2,111,910.13 in bank accounts, $5,518.90 of petty cash on hand, $12,753,588.89 in LGIP, and $89,075.02 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 LGIP 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).

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. Prime banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

Tennessee Board of Regents policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have 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 rating must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guaranteed by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2010, and June 30, 2009, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $15,603,258.16 at June 30, 2010, and $12,842,663.91 at June 30, 2009. LGIP investments are not rated by nationally recognized statistical ratings organizations. The LGIP is part of the State Pooled Investment Fund. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

NOTE 4. RECEIVABLES

Receivables included the following:

	June 30, 2010	June 30, 2009
Student accounts receivable	$ 1,102,568.61	$ 870,054.17
Grants receivable	214,490.39	125,313.11
State appropriation receivable	27,300.00	26,000.00
Other receivables	117,882.38	63,566.89
Subtotal	1,462,241.38	1,084,934.17
Less allowance for doubtful accounts	(575,826.42)	(253,206.06)
Total receivables	$ 886,414.96	$ 831,728.11

Federal Perkins Loan Program funds included the following:

	June 30, 2010	June 30, 2009
Perkins loans receivable	$ 202,902.49	$ 199,081.13
Less allowance for doubtful accounts	(62,313.52)	(60,961.52)
Total	$ 140,588.97	$ 138,119.61

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 128,645.20	$ -	$ -	$ -	$ 128,645.20
Land improvements and infrastructure	377,391.69	-	-	-	377,391.69
Buildings	14,630,424.89	-	-	-	14,630,424.89
Equipment	3,822,976.47	495,629.18	-	485,323.60	3,833,282.05
Library holdings	686,158.54	50,024.42	-	94,284.93	641,898.03
Intangible assets	937,173.46	-	-	-	937,173.46
Total	20,582,770.25	545,653.60	-	579,608.53	20,548,815.32

Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	102,026.84	18,869.58	-	-	120,896.42
Buildings	7,546,633.51	381,195.39	-	-	7,927,828.90
Equipment	2,731,436.66	337,150.10	-	480,960.98	2,587,625.78
Library holdings	371,626.59	73,618.30	-	94,284.93	350,959.96
Intangible assets	280,685.37	93,784.01	-	-	374,469.38
Total	11,032,408.97	904,617.38	-	575,245.91	11,361,780.44
Capital assets, net	$ 9,550,361.28	$ (358,963.78)	$ -	$ 4,362.62	$ 9,187,034.88

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 128,645.20	$ -	$ -	$ -	$ 128,645.20
Land improvements and infrastructure	377,391.69	-	-	-	377,391.69
Buildings	14,630,424.89	-	-	-	14,630,424.89
Equipment	3,710,270.93	260,826.62	-	148,121.08	3,822,976.47
Library holdings	711,781.03	61,522.67	-	87,145.16	686,158.54
Intangible assets	937,173.46	-	-	-	937,173.46
Total	20,495,687.20	322,349.29	-	235,266.24	20,582,770.25
Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	83,157.26	18,869.58	-	-	102,026.84
Buildings	7,165,438.12	381,195.39	-	-	7,546,633.51
Equipment	2,582,822.96	291,484.20	-	142,870.50	2,731,436.66
Library holdings	381,441.37	77,330.38	-	87,145.16	371,626.59
Intangible assets	186,901.36	93,784.01	-	-	280,685.37
Total	10,399,761.07	862,663.56	-	230,015.66	11,032,408.97
Capital assets, net	$10,095,926.13	$ (540,314.27)	$ -	$ 5,250.58	$ 9,550,361.28

NOTE 6. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 160,021.00	$ -	$ 160,021.00	$ -	$ -
Other liabilities:					
Compensated absences	804,331.26	642,170.22	608,189.81	838,311.67	186,088.75
Due to grantors	142,933.48	12,361.30	11,700.99	143,593.79	-
Subtotal	947,264.74	654,531.52	619,890.80	981,905.46	186,088.75
Total long-term liabilities	$ 1,107,285.74	$ 654,531.52	$ 779,911.80	$ 981,905.46	$ 186,088.75

Long-term liabilities activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 313,592.00	$ -	$ 153,571.00	$ 160,021.00	$ 160,021.00
Other liabilities:					
Compensated absences	829,876.84	655,888.61	681,434.19	804,331.26	139,674.05
Due to grantors	134,021.57	17,649.23	8,737.32	142,933.48	-
Subtotal	963,898.41	673,537.84	690,171.51	947,264.74	139,674.05
Total long-term liabilities	$ 1,277,490.41	$ 673,537.84	$ 843,742.51	$ 1,107,285.74	$ 299,695.05

TSSBA Debt - Bonds

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

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, 2010	June 30, 2009
Working capital	$ 430,639.42	$ 556,164.70
Encumbrances	11,527.45	290,023.57
Designated fees	134,978.68	165,009.83
Auxiliaries	12,216.39	12,293.88
Plant construction	5,354,991.91	2,623,036.85
Renewal and replacement of equipment	3,144,161.24	2,147,878.22
Undesignated	(648,424.51)	(470,427.79)
Total	$ 8,440,090.58	$ 5,323,979.26

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 is available on the state's website at www.treasury.tn.gov.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 13.02% 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, 2010, 2009, and 2008 were $993,398.63, $1,044,553.04, and $1,105,002.73. 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), ING 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 $393,052.50 for the year ended June 30, 2010, and $382,018.09 for the year ended June 30, 2009. 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 postemployment 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. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-101, *Tennessee Code Annotated.* Prior to reaching age 65, retirees may participate in the

State Employee Group Plan. Members of this plan have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. The POS and HMO options will no longer be available to members after January 1, 2011. Subsequent to age 65, retirees 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 13. The plans are reported in the State of Tennessee's *Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Funding Policy

The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is 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. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 years but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium. Retirees who are 65 years of age or older have flat-rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25.

College's Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan

	2010	2009
Annual required contribution (ARC)	$535,000.00	$704,000.00
Interest on the net OPEB obligation	40,533.55	20,806.27
Adjustment to the ARC	(38,393.32)	(20,250.59)
Annual OPEB cost	537,140.23	704,555.68
Amount of contribution	(230,320.55)	(266,171.56)
Increase in net OPEB obligation	306,819.68	438,384.12

Net OPEB obligation – beginning of year	900,745.65	462,361.53
Net OPEB obligation – end of year	$1,207,565.33	$900,745.65

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2010	State Employee Group Plan	$537,140.23	42.9%	$1,207,565.33
June 30, 2009	State Employee Group Plan	$704,555.68	37.8%	$900,745.65
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 college's portion of the State Employee Group Plan was as follows:

State Employee Group Plan

Actuarial valuation date	July 1, 2009	July 1, 2007
Actuarial accrued liability (AAL)	$5,642,000.00	$6,309,000.00
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$5,642,000.00	$6,309,000.00
Actuarial value of assets as a percentage of the AAL	0%	0%
Covered payroll (active plan members)	$10,431,332.81	$10,387,357.09
UAAL as percentage of covered payroll	54.1%	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, 2009, 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 6 percent initially, increased to 10 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent in fiscal year 2021. All 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. The amounts of settlements have not exceeded insurance coverage for each 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, 2010, and June 30, 2009, are presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. 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, 2010, the Risk Management Fund held $114.5 million in cash and cash equivalents designated for payment of claims. At June 30, 2009, the Risk Management fund held $127.0 million in cash and cash equivalents designated for payment of claims.

At June 30, 2010, the scheduled coverage for the college was $63,694,000 for buildings and $24,377,000 for contents. At June 30, 2009, the scheduled coverage for the college was $63,934,400 for buildings and $23,747,200 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 $3,823,144.52 at June 30, 2010, and $3,617,360.89 at June 30, 2009.

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 $60,875.05 for the year ended June 30, 2010. The amount for the year ended June 30, 2009, was $66,397.20. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2010, outstanding commitments under construction contracts totaled $113,273.40 for Student Center repairs, exterior cleaning, and HVAC repairs, of which $46,291.40 will be funded by future state capital outlay appropriations.

NOTE 12. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses for the year ended June 30, 2010, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,306,016.41	$ 2,728,942.26	$ 2,059,773.26	$ -	$ -	$ 13,094,731.93
Public service	45,222.80	20,830.18	60,131.79	-	-	126,184.74
Academic support	1,145,312.79	467,655.53	(625,409.23)	-	-	987,559.09
Student services	1,160,446.20	487,617.95	693,913.01	-	-	2,611,977.16
Institutional support	2,181,237.11	894,354.17	747,352.70	-	-	3,822,943.98
Operation & maintenance	651,823.92	349,603.18	1,502,430.52	-	-	2,503,866.62
Scholarships & fellowships	-	-	-	7,401,352.29	-	7,401,352.29
Depreciation	-	-	-	-	-	904,617.38
Total	$ 13,490,068.23	$ 4,949,003.24	$ 4,708,192.05	$ 7,401,352.29	$ 904,617.38	$ 31,453,233.19

The college's operating expenses for the year ended June 30, 2009, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,653,142.32	$ 2,965,214.11	$ 2,016,879.36	$ -	$ -	$ 13,635,235.79
Public service	45,708.40	26,492.40	4,882.40	-	-	77,083.20
Academic support	1,203,624.89	512,336.32	(733,329.70)	-	-	982,631.51
Student services	1,347,260.57	508,763.63	951,233.29	-	-	2,807,257.49
Institutional support	2,168,134.28	986,276.55	754,874.95	-	-	3,909,285.78
Operation & maintenance	816,895.82	390,053.17	2,004,552.89	-	-	3,211,501.88
Scholarships & fellowships	-	-	-	4,411,023.61	-	4,411,023.61
Depreciation	-	-	-	-	862,663.56	862,663.56
Total	$ 14,234,766.28	$ 5,389,136.18	$ 4,999,093.19	$ 4,411,023.61	$ 862,663.56	$ 29,896,682.82

NOTE 13. ON-BEHALF PAYMENTS

During the year ended June 30, 2010, the State of Tennessee made payments of $14,977.50 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2009, was $14,977.50. 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 www.tn.gov/finance/act/cafr.shtml.

NOTE 14. VOLUNTARY BUYOUT PROGRAM

The college implemented a Voluntary Buyout Plan in fiscal year 2009 as a strategy to assist the college in addressing budgetary constraints due to several years of state appropriation reductions and potential budget reductions in the forthcoming fiscal years. The college had 18 employees participate in the Voluntary Buyout Plan with 17 terminating by June 30, 2009, and one terminating by September 28, 2009.

Severance pay was payable the month following the employee separation date, between July and October 2009. Severance pay included:

- Base severance payment equal to four times the employee's monthly rate of pay in effect on April 1, 2009.
- Service payment of $500 for each full or partial year of college service as of June 30, 2009, or the separation date.
- Amount equivalent to the employee's next longevity payment based on his or her years of creditable state service.
- Amount equivalent to six months of the college's portion of the monthly health insurance premium.

Severance benefits included:

- Tuition assistance for the schools, institutions, and entities governed by the Tennessee Board of Regents and the University of Tennessee Board of Trustees, including but not limited to technology centers, community colleges, and state universities in Tennessee. The maximum amount of tuition assistance will be $5,400.00 per year for a total of up to $10,800.00 per participant for courses between June 1, 2009, and May 31, 2011.

Expenditures for the Voluntary Buyout Plan were $45,834.85 for the year ended June 30, 2010, and $708,300.00 for the year ended June 30, 2009.

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 23-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. 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 adjustments, 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, 2010, the foundation made distributions of $60,713.66 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2009, the foundation made distributions of $65,981.88 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, 2046 North Parkway, Jackson, Tennessee 38301.

Fair Value Measurements

The foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset (Level 2), or significant unobservable inputs (Level 3). The following tables categorize the recurring fair value measurements for assets at June 30, 2010, and June 30, 2009.

	Total Fair Value at June 30, 2010	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Investments	$ 2,215,115.31	$ 2,017,137.09	$ 197,978.22	$ -
Pledges receivable	486,505.56	-	-	486,505.56
Total assets	$ 2,701,620.87	$ 2,017,137.09	$ 197,978.22	$ 486,505.56

	Total Fair Value at June 30, 2009	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash equivalents	$ 1,002,369.88	$ -	$ 1,002,369.88	$ -
Investments	1,202,780.87	-	1,202,780.87	-
Pledges receivable	642,680.86	-	-	642,680.86
Total assets	$ 2,847,831.61	$ -	$ 2,205,150.75	$ 642,680.86

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, money market funds, and certificates of deposit.

Investments

Investments are recorded on the date of contribution and are stated at fair value. Unrealized gains and losses are determined by the difference between fair values at the beginning and end of the year.

Investments held at June 30, 2010, were as follows:

	Cost	Fair Value
Mutual bond funds	$ 1,486,607.82	$ 1,513,300.31
Mutual equity funds	514,690.08	503,836.78
Annuities	180,000.00	197,978.22
Total investments	$ 2,181,297.90	$ 2,215,115.31

Investments held at June 30, 2009, were as follows:

	Cost	Fair Value
Certificates of deposit	$ 1,000,000.00	$ 1,002,659.87
Annuities	180,000.00	200,121.00
Total investments	$ 1,180,000.00	$ 1,202,780.87

Pledges Receivable

Pledges receivable are summarized below.

	June 30, 2010	June 30, 2009
Current pledges	$ 187,006.21	$179,171.11
Pledges due in one to five years	299,650.00	469,650.00
Pledges due after five years	3,300.00	4,400.00
Subtotal	489,956.21	653,221.11
Less discount to net present value	(3,450.65)	(10,540.25)
Total pledges receivable, net	$486,505.56	$ 642,680.86

Endowments

The Jackson State Community College Foundation's endowment consists of approximately 25 individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law - The Board of Trustees of the Jackson State Community College Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Jackson State Community College Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the foundation and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the foundation; and (7) the investment policies of the foundation.

Changes in Endowment Net Assets
For the Year Ended June 30, 2010

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment net assets, beginning of year	$ 749,267.03	$ 125,329.63	$ (81.86)	$ 874,514.80
Investment return:				
Investment income	1,110.29	9,760.21	-	10,870.50
Net appreciation (realized and unrealized)	-	4,179.68	-	4,179.68
Total investment return	1,110.29	13,939.89	-	15,050.18
Contributions	10,548.49	13,447.29	-	23,995.78
Appropriations of endowment assets for expenditure	-	(25,730.51)	-	(25,730.51)
Transfers	-	(3,981.86)	81.86	(3,900.00)
Donor-restricted endowment net assets, end of year	$ 760,925.81	$ 123,004.44	$ -	$ 883,930.25

Changes in Endowment Net Assets
For the Year Ended June 30, 2009

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment net assets, beginning of year	$ 786,578.13	$ -	$ -	$ 786,578.13
Prior period restatement	(50,824.66)	130,031.95	(356.04)	78,851.25
Investment income	574.01	4,784.22	147.58	5,505.81
Contributions	12,939.55	18,736.72	-	31,676.27
Appropriations of endowment assets for expenditure	-	(28,000.74)	(667.86)	(28,668.60)
Transfers	-	(222.52)	794.46	571.94
Donor-restricted endowment net assets, end of year	$ 749,267.03	$ 125,329.63	$ (81.86)	$ 874,514.80

The foundation has no board-designated endowment funds.

Return objectives and risk parameters - The foundation has adopted investment and spending policies for endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that place a primary emphasis on preserving the principal of the endowment funds. The foundation expects its endowment funds, over time, to provide an average rate of return of approximately two percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that allows funds to be invested up to a maximum of 40% in equity-based investments and up to 75% in fixed income investments to achieve its long-term return objectives within prudent risk restraints.

Spending policy and how the investment objectives relate - The foundation has a policy of appropriating for distribution each year the funds above the permanently restricted endowments in a manner that is consistent with the wishes of the donor. The foundation chooses to spend only a portion of the endowment investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, 50% of unrealized gains and 100% of realized gains and current year earnings on endowments have been authorized for expenditures. In establishing this policy, the foundation considered the long-term expected return on its endowment. The current spending policy allows for the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds.

Prior Period Restatement

The endowment net assets at June 30, 2008, were misclassified. As a result, the July 1, 2008, permanently restricted, temporarily restricted, and unrestricted net assets have been restated.

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)]
July 1, 2009	State Employee Group Plan	$ -	$5,642,000	$5,642,000	0%	$10,431,333	54.1%
July 1, 2007	State Employee Group Plan	$ -	$6,309,000	$6,309,000	0%	$10,387,357	60.7%

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
SCHEDULES OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

	Year Ended June 30, 2010	Year Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$ 293,072.04	$ 274,884.26
Payments to suppliers and vendors	(131,190.33)	(167,222.74)
Payments for scholarships and fellowships	(270.00)	(1,501.99)
Payments to Jackson State Community College	(60,713.66)	(65,981.88)
Loans issued to students and employees	(4,839.24)	(13,361.99)
Collection of loans from students and employees	6,535.60	10,647.64
Net cash provided by operating activities	102,594.41	37,463.30
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	10,548.49	12,939.55
Net cash provided by noncapital financing activities	10,548.49	12,939.55
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,010,122.86	-
Income on investments	40,686.33	27,705.09
Purchase of investments	(2,001,297.90)	(1,000,000.00)
Net cash used by investing activities	(950,488.71)	(972,294.91)
Net decrease in cash and cash equivalents	(837,345.81)	(921,892.06)
Cash and cash equivalents at beginning of year	1,345,131.39	2,267,023.45
Cash and cash equivalents at end of year	$ 507,785.58	$ 1,345,131.39
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	$ (61,039.38)	$ 403,642.62
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Change in assets and liabilities:		
Receivables, net	162,014.53	(364,178.84)
Accounts payable	(46.50)	46.50
Loans to students and employees	1,665.76	(2,046.98)
Net cash provided by operating activities	$ 102,594.41	$ 37,463.30
Noncash investing activities		
Unrealized gains on investments	$ 13,696.41	$ 529.65