

AUDIT REPORT

Tennessee Board of Regents
Jackson State Community College

For the Years Ended
June 30, 2012, and June 30, 2011



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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STATE OF TENNESSEE
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February 27, 2014

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, 2012, and June 30, 2011. 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, CPA
Director

DVL/ddm
13/038

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Jackson State Community College
For the Years Ended June 30, 2012, and June 30, 2011

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, 2012, and June 30, 2011

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**Tennessee Board of Regents
Jackson State Community College
For the Years Ended June 30, 2012, and June 30, 2011**

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, 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, 2010, through June 30, 2012, 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, 2012, and June 30, 2011. 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 discretely presented 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 that considers 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 controls 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 Center at Ripley, and the Tennessee Technology Center at Whiteville. Under these agreements, Jackson State Community College performs the accounting and reporting functions for the centers. The chief administrative officer of each center is the director, who is assisted and advised by members of the faculty and administrative staff. Each director is responsible to the Chancellor of the Tennessee Board of Regents.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 2012, and June 30, 2011, 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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DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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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***

January 14, 2014

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, 2012, and June 30, 2011, and have issued our report thereon dated January 14, 2014. 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

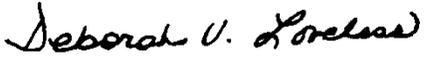
As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

January 14, 2014
Page Three

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,

A handwritten signature in black ink that reads "Deborah V. Loveless". The signature is written in a cursive style with a large initial 'D'.

Deborah V. Loveless, CPA
Director

DVL/ddm



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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Independent Auditor's Report

January 14, 2014

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, 2012, and June 30, 2011, 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, 2012, and June 30, 2011, 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, 2012, and June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 12 through 38 and the schedule of funding progress on page 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

January 14, 2014
Page Three

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying financial information on page 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the college's management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 January 14, 2014, 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, 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,



Deborah V. Loveless, CPA
Director

DVL/ddm

**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, 2012, and June 30, 2011, with comparative information presented for the fiscal year ended June 30, 2010. This discussion, along with the financial statements and related note disclosures, has been prepared by management 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 (JSCC) 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, 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.

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 16,650	\$ 14,317	\$ 11,672
Capital assets, net	12,736	9,831	9,187
Other assets	12,161	12,410	8,681
Total assets	41,547	36,558	29,540
Liabilities:			
Current liabilities	11,170	11,180	9,148
Noncurrent liabilities	2,340	2,165	2,004
Total liabilities	13,510	13,345	11,152
Net assets:			
Invested in capital assets	12,736	9,831	9,187
Restricted – expendable	1,163	1,109	761
Unrestricted	14,137	12,273	8,440
Total net assets	\$ 28,036	\$ 23,213	\$ 18,388

Comparison of FY 2012 to FY 2011

- Current assets increased by \$2,333,213.37 (16.3%) due, in majority, to an increase in cash of \$2,506,228.81. The cash increase reflects JSCC's cash, as well as Tennessee Technology Centers' (TTC) cash on hand.
- Net capital assets increased by \$2,906,015.98. This increase is a result of improvements other than buildings in the amount of \$24,500.00, as well as the purchase of equipment of \$1,186,272.85, library holdings of \$25,915.14, and projects in progress of \$2,733,987.82. These additions totaling \$3,970,675.81 were offset by depreciation of \$909,956.04 and an adjustment for accounting change in periodicals of \$154,703.79.
- Other assets decreased by \$249,280.39 due, in majority, to a decrease of \$390,509.76 in funds held in Renewal & Replacement of equipment. This decrease was partially offset by an increase of \$128,537.23 in unexpended plant funds held for various projects.

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

- Current liabilities decreased by \$9,450.01 due to reductions in accounts payable of \$517,901.29 and deferred revenue of \$167,677.91, offset by an increase in accrued liabilities of \$274,561.87, compensated absences of \$13,829.52, and deposits for TTC increasing by \$387,737.80.
- Noncurrent liabilities increased by \$175,561.99 due, in majority, to an expanding accrued Other Post-Employment Benefits of \$144,359.65 and increased compensated absences of \$21,632.30.

Comparison of FY 2011 to FY 2010

- Current assets increased by \$2,644,685.30, or 22.7%, due, in majority, to an increase in the cash of \$2,573,544.78. This cash increase reflects JSCC's cash, as well as TTC's cash on hand.
- Net capital assets increased by \$643,739.03. This increase is a result of the purchase of equipment of \$538,524.55, library holdings of \$41,268.22, and projects in progress of \$965,031.45. These additions, totaling \$1,544,824.22, were offset by depreciation of \$897,931.34 and a loss of sale of asset of \$3,153.85.
- Other assets increased by \$3,729,482.38 due, in majority, to an increase in unexpended plant funds for various campus projects of \$3,730,523.01.
- Current liabilities increased by \$2,031,415.54 due to deposits for TTC increasing by \$2,070,151.61.
- Noncurrent liabilities increased by \$161,473.06 due to an expanding accrued Other Post-Employment Benefits of \$204,942.37, which was partially offset by a reduction in compensated absences of \$51,563.99.

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets:			
Current assets	\$ 170	\$ 2,171	\$ 699
Other assets	2,924	2,797	2,515
Total assets	3,094	4,968	3,214
Net assets:			
Restricted – nonexpendable	809	802	761
Restricted – expendable	2,241	4,124	2,419
Unrestricted	44	42	34
Total net assets	\$ 3,094	\$ 4,968	\$ 3,214

Comparison of FY 2012 to FY 2011

- Component unit current assets decreased by \$2,001,088.79 due to a transfer to JSCC of a \$1,588,895.91 contribution that was reflected in cash and cash equivalents at the end of 2011. The transfer was for the Allied Health Building project.
- Restricted expendable assets decreased by \$1,823,014.77. This is due, in majority, to the \$1,588,895.91 contribution for the Allied Health Building. The additional reduction is comprised of two additional components: \$287,041.22 paid for supplies and other services, and \$197,505.28 paid to JSCC for scholarship/grant related expenses for students.

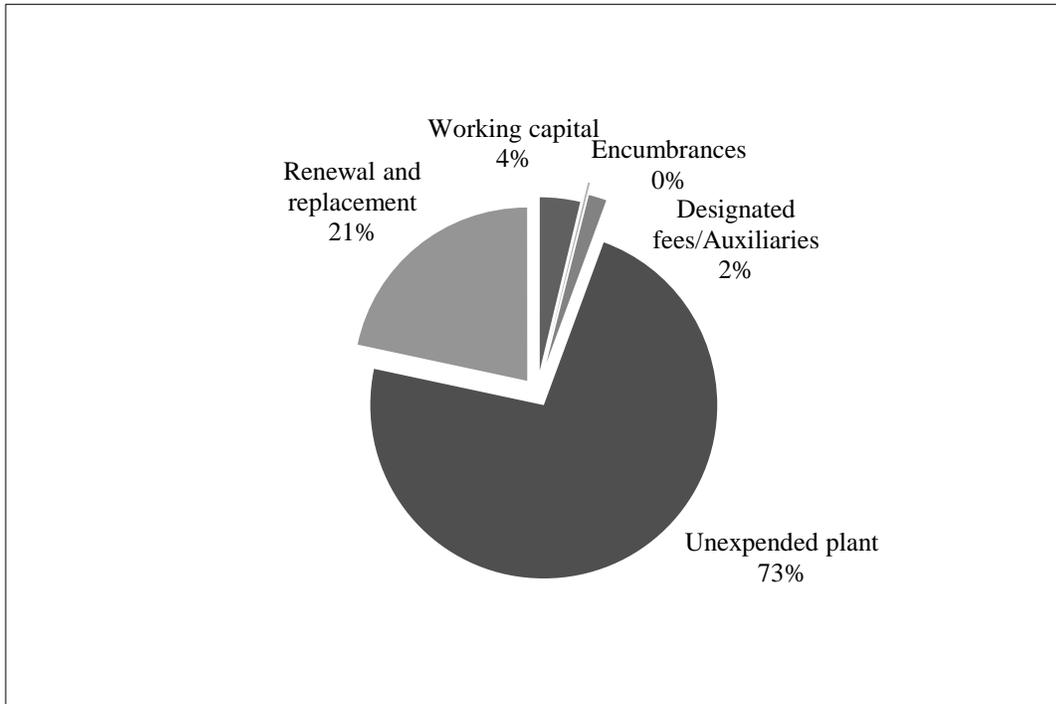
Comparison of FY 2011 to FY 2010

- Component unit other assets increased by \$1,472,676.17 due to a \$1,588,895.91 contribution that was reflected in cash and cash equivalents.
- Restricted expendable assets increased by \$1,704,270.06. This is due, in majority, to the \$1,588,895.91 contribution for Allied Health Building.

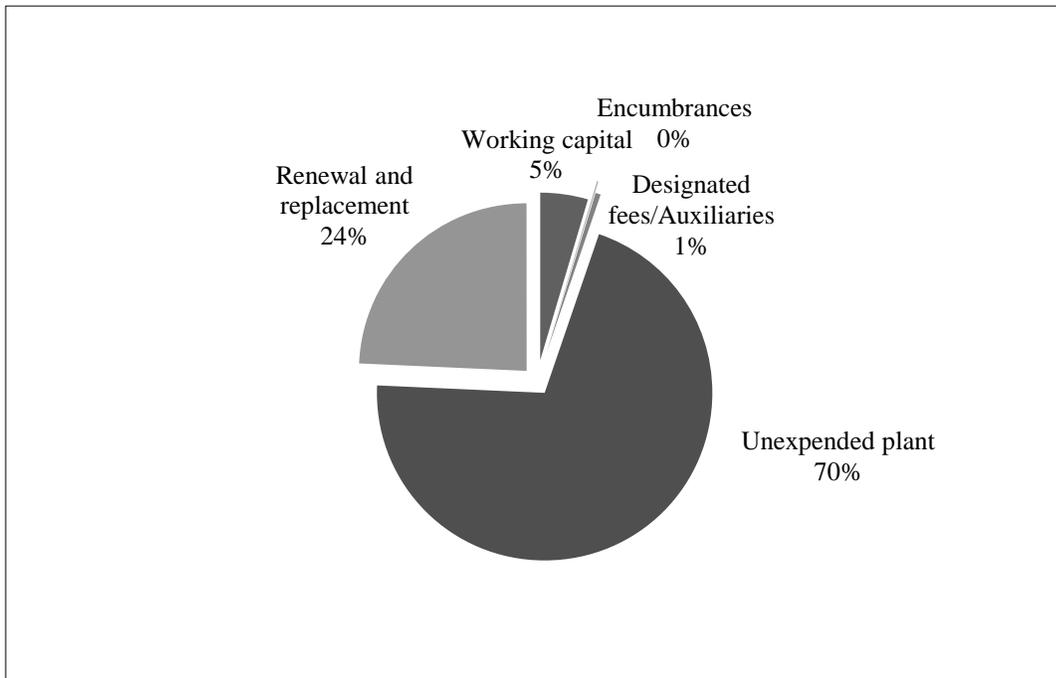
Many of the college's unrestricted net assets have been designated for specific purposes such as repairs and replacement of equipment, capital projects, designated fees, and encumbrances. The following graphs show the allocations:

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

JSCC Unrestricted Net Assets FY 2012

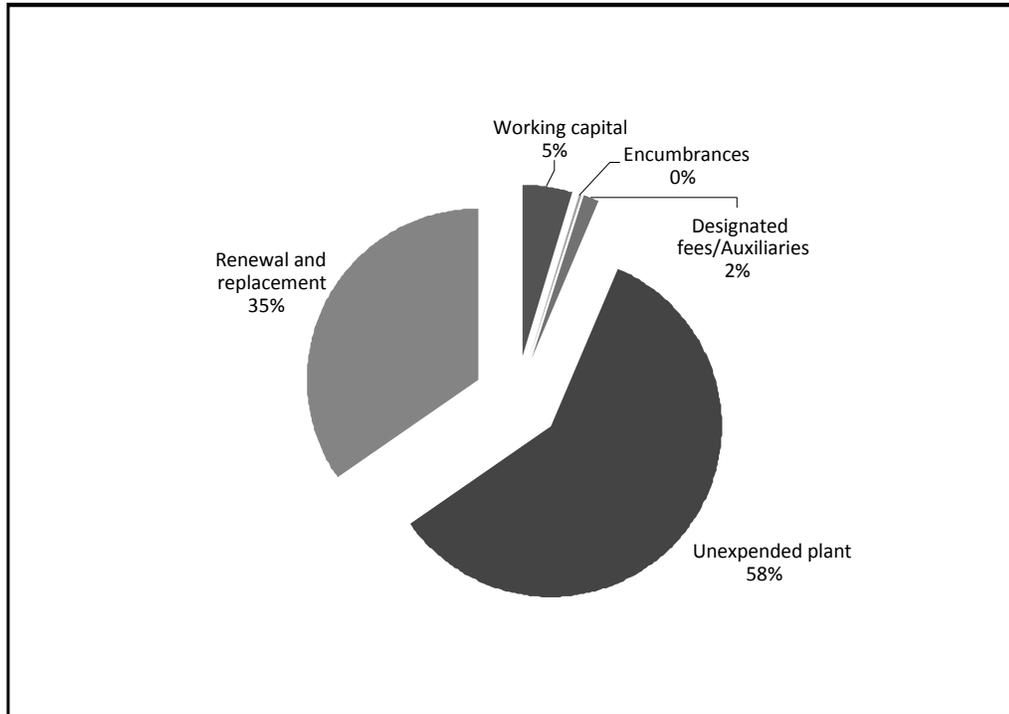


JSCC Unrestricted Net Assets FY 2011



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

JSCC Unrestricted Net Assets FY 2010



Comparison of FY 2012 to FY 2011

- Unexpended plant increased by \$749,497.62 due to revenues generated over and above the current year expenditures. These funds are set aside to improve the campus facilities and infrastructure.

Comparison of FY 2011 to FY 2010

- Unexpended plant increased by \$3,109,562.62 due to revenues generated over and above the current year expenditures. These funds are set aside to improve the campus facilities and infrastructure.

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.

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

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues:			
Net tuition and fees	\$ 8,256	\$ 7,444	\$ 6,945
Grants and contracts	1,433	1,154	1,233
Auxiliary	229	327	244
Other	448	708	579
Total operating revenues	10,366	9,633	9,001
Operating expenses	35,523	34,246	31,453
Operating loss	(25,157)	(24,613)	(22,452)
Nonoperating revenues and expenses:			
State appropriations	10,745	13,294	11,713
Gifts	2,135	366	344
Grants and contracts	14,402	14,960	13,496
Investment income	26	32	47
Other nonoperating revenues and expenses	-	18	(332)
Total nonoperating revenues and expenses	27,308	28,670	25,268
Income before other revenues, expenses, gains, or losses	2,151	4,057	2,816
Other revenues, expenses, gains, or losses:			
Capital appropriations	2,673	768	158
Total other revenues, expenses, gains, or losses	2,673	768	158
Increase in net assets	4,824	4,825	2,974
Net assets at beginning of year	23,213	18,388	15,414
Net assets at end of year	\$ 28,037	\$ 23,213	\$ 18,388

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

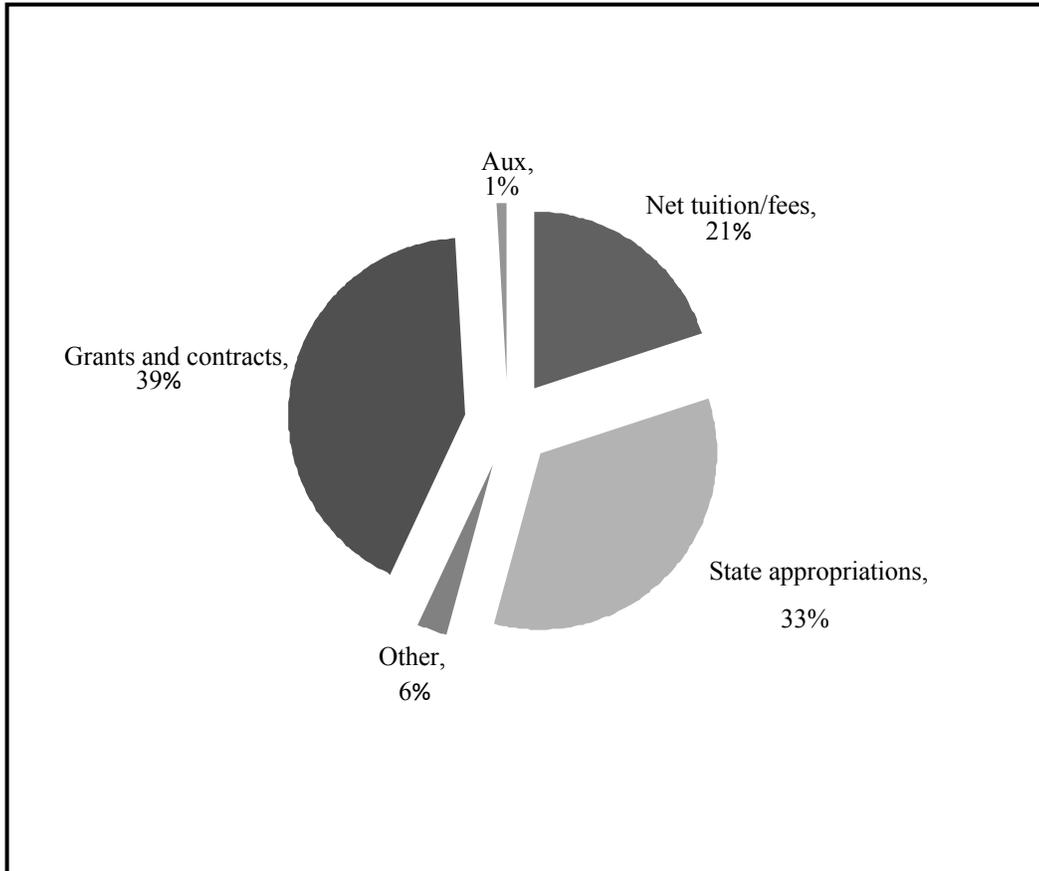
Component Unit	<u>2012</u>	<u>2011</u>	<u>2010</u>
Condensed Statement of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)			
Operating revenues:			
Gifts	\$ 108	\$ 1,728	\$ 139
Total operating revenues	108	1,728	139
Operating expenses	2,074	225	200
Operating income (loss)	(1,966)	1,503	(61)
Nonoperating revenues and expenses:			
Investment income	92	223	65
Total nonoperating revenues and expenses	92	223	65
Income (loss) before other revenues, expenses, gains, or losses	(1,874)	1,726	4
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	-	28	11
Total other revenues, expenses, gains, or losses	-	28	11
Increase (decrease) in net assets	(1,874)	1,754	15
Net assets at beginning of year	4,968	3,214	3,199
Net assets at end of year	\$ 3,094	\$ 4,968	\$ 3,214

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, 2012; June 30, 2011; and June 30, 2010.

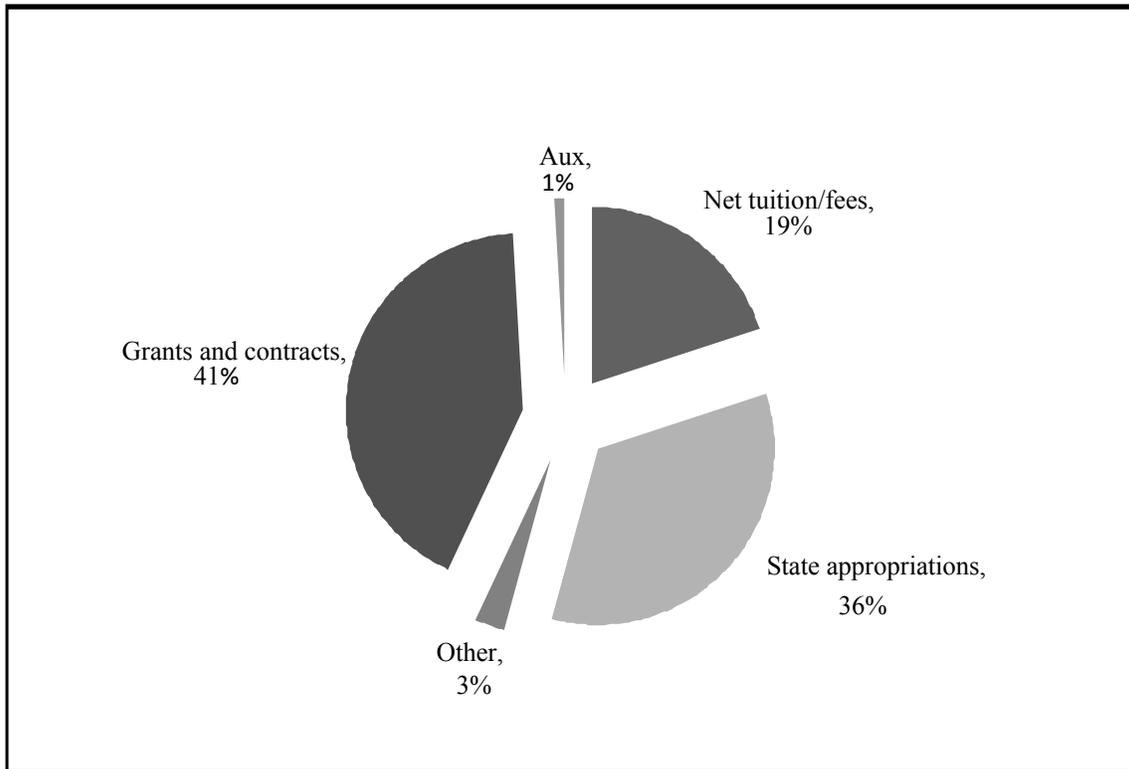
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCC Revenues By Source FY 2012



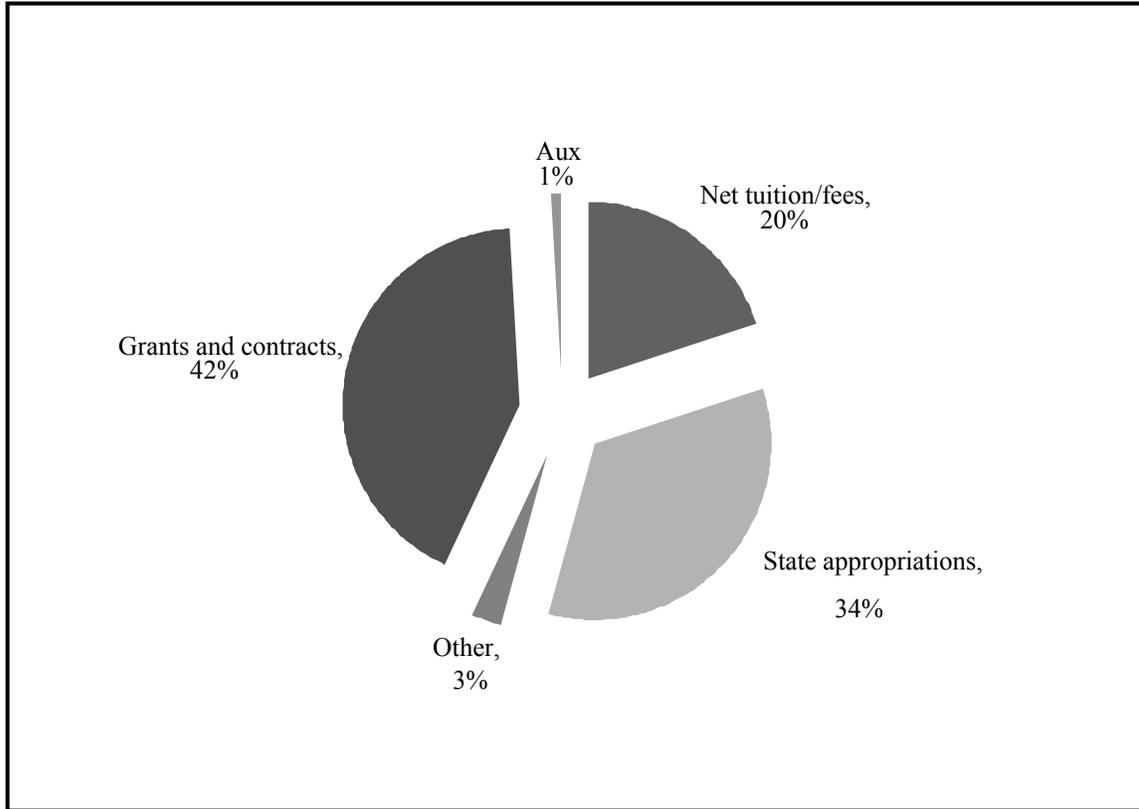
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCC Revenues By Source FY 2011



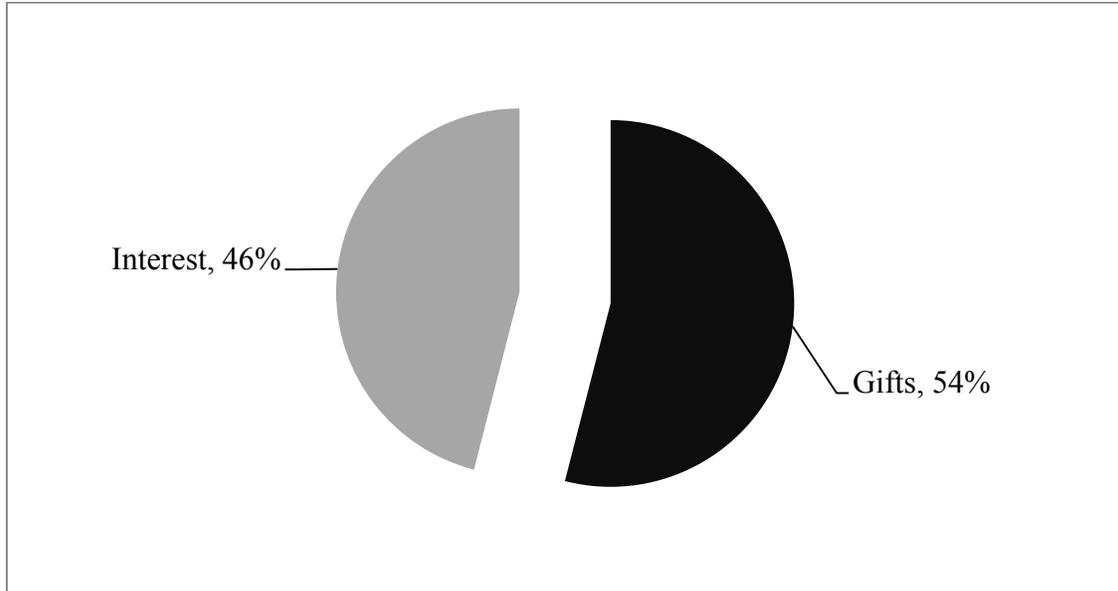
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCC Revenues By Source FY 2010

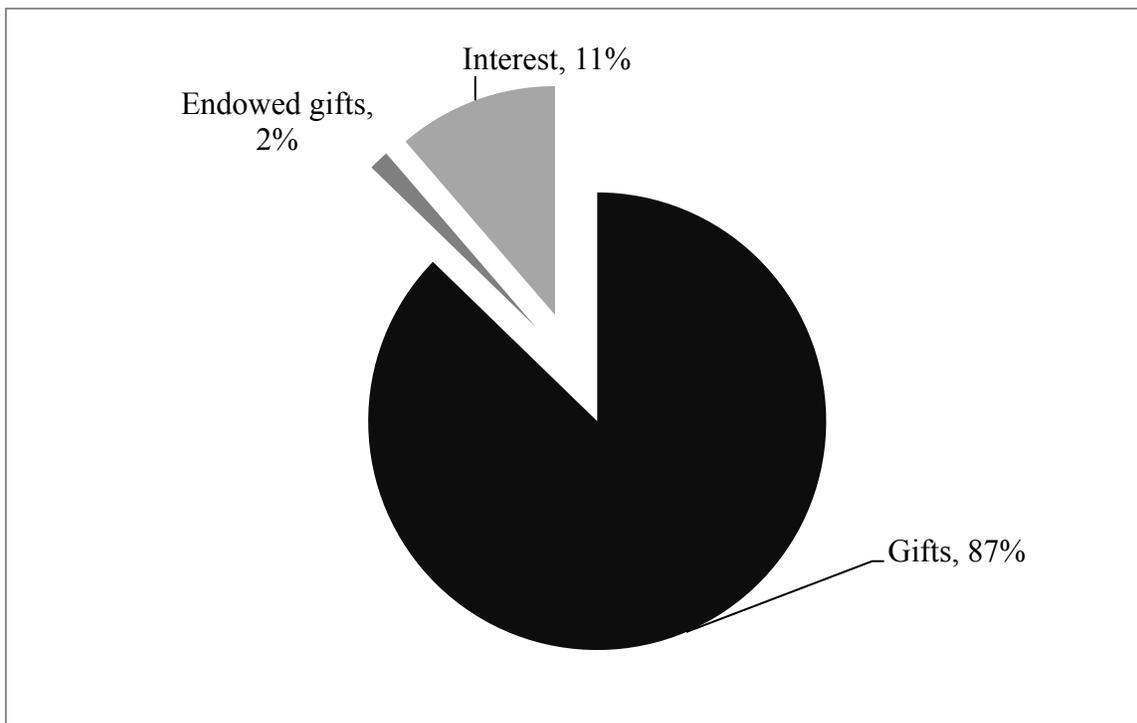


**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCCF Revenues By Source FY 2012

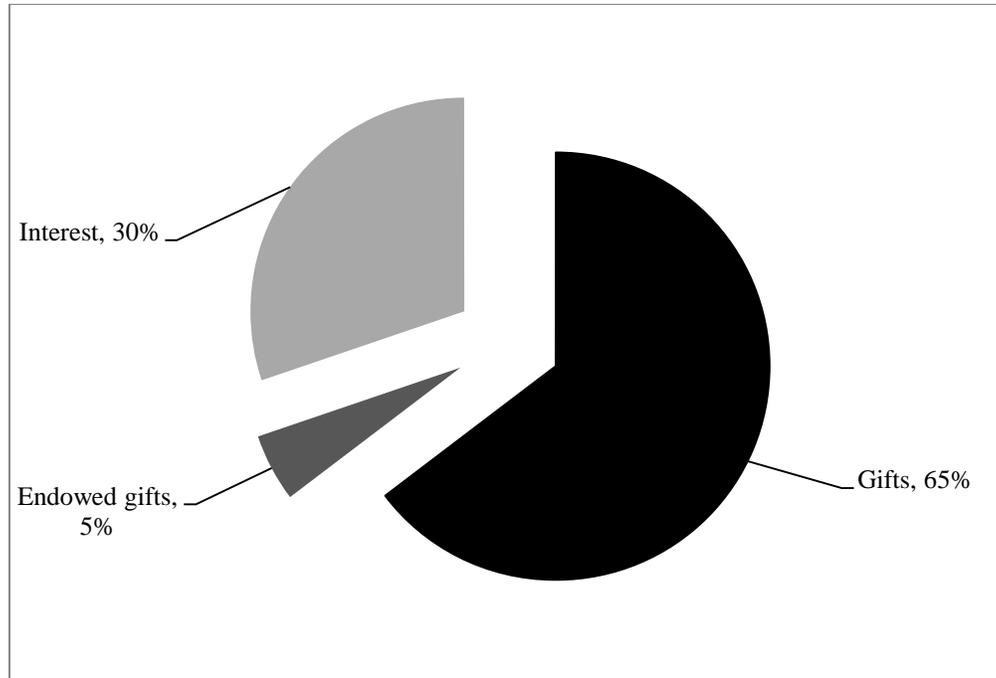


JSCCF Revenues By Source FY 2011



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

JSCCF Revenues By Source FY 2010



Comparison of FY 2012 to FY 2011

- Student tuition and fees, net of scholarship allowances, increased by \$811,239.99, or 10.9%. Tuition and fee revenue increased by \$639,224.82. This increase in tuition and fee collection was coupled with a decrease in the scholarship allowance of \$172,015.17. When taken together, these two factors produced the overall increase.
- Nonoperating grants and contracts decreased by \$558,622.10 due, in majority, to a decrease in Pell grant awards of \$1,285,963.20, a decrease in the CBJTG Alternative Track grant of \$271,837.88, and a decrease in the Academic Competitive grant of \$345,939.50, offset by the addition of a new USDA RUS Grant of \$477,372.87.
- State appropriations decreased by \$2,549,292.54 due a 2011 appropriation of \$1,605,100, which represents a conversion of ARRA/SFSF funds to appropriations that was non-recurring in 2012. The additional reduction is based on the non-recurring \$382,400 appropriation for bonus replacement and \$626,400 maintenance of effort that were reflected in the FY 2010-11 appropriations.
- Capital appropriations increased by \$1,905,105.79. Total projects included are the exterior cleaning project for \$76,860.00, the ADA adaptations project for \$43,829.00, the HVAC repairs project for \$1,469,661.18, the plumbing corrections project for

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

\$13,903.20, the gymnasium repair project for \$463,185.89, the Allied Health Building project for \$89,381.25, the student center repairs project for \$271,979.30, the student parking pavement project for \$214,122.36, the softball field project for \$14,710.70, and a state cost allocation of \$15,212.05.

- The college's gifts increased by \$1,770,001.40. This increase was due, in majority, to a transfer of \$1,588,895.91 from the Foundation for the Allied Health Building, which was contributed by a donor specifically for the project. This transfer, coupled with an increase of \$126,079.40 from the foundation to the college for student scholarship/grants, precipitated the overall increase.
- Other operating revenue for the foundation decreased by \$1,620,459.98, primarily due to the one-time contribution of \$1,588,895.91 for the Allied Health Building project in FY 2010-11.

Comparison of FY 2011 to FY 2010

- Student tuition and fees, net of scholarship allowances, increased by \$499,089.77, or 7.2%. Tuition and fee revenue increased by \$822,067.37 but was partially offset by an increase in the scholarship allowance of \$322,977.60.
- State appropriations increased by \$1,580,679.50 due to a non-recurring appropriation of \$1,605,100, which represents a conversion of ARRA/SFSF funds to appropriations.
- Nonoperating grants and contracts increased by \$1,464,758.67 due to an increase in Pell grant awards of \$1,461,522.26. More students were Pell-eligible due to federal incentives and individuals being out of work and coming back to school.
- Capital appropriations increased by \$609,798.87. This increase is the result of funding of JSCC's HVAC project.
- The foundation's gifts increased by \$1,588,908.46. This increase was due to a donation of \$1,588,895.91 for the Allied Health Building.
- Other nonoperating revenue for the foundation increased by \$175,762.15 due to a \$130,115.48 increase in unrecognized gains on investments.

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

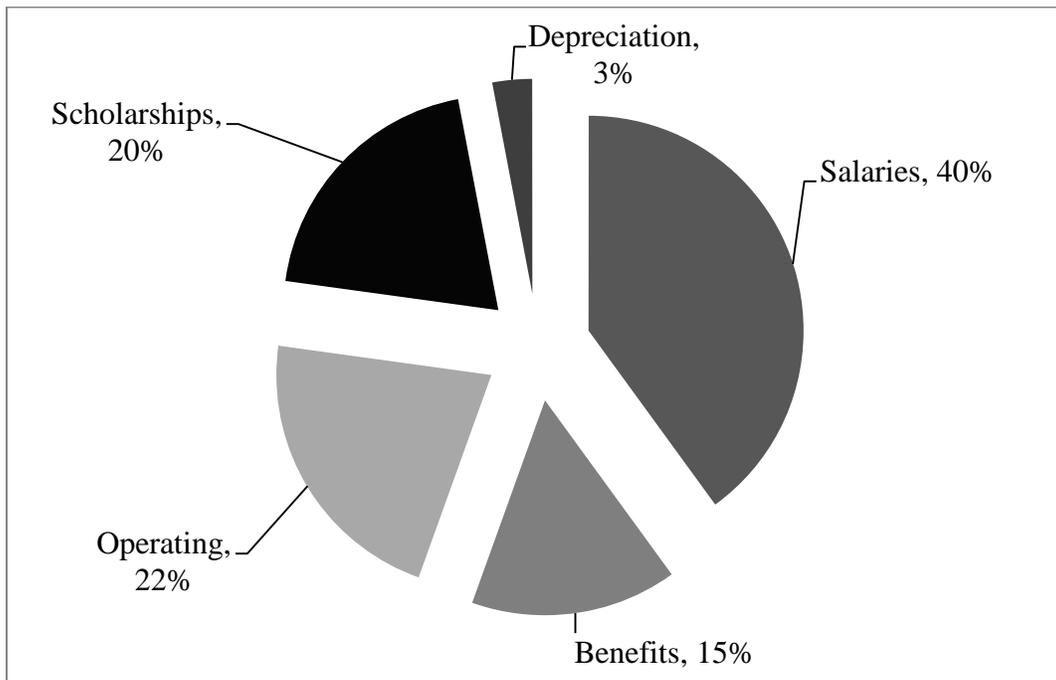
Expenses

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

**Natural Classification
(in thousands of dollars)**

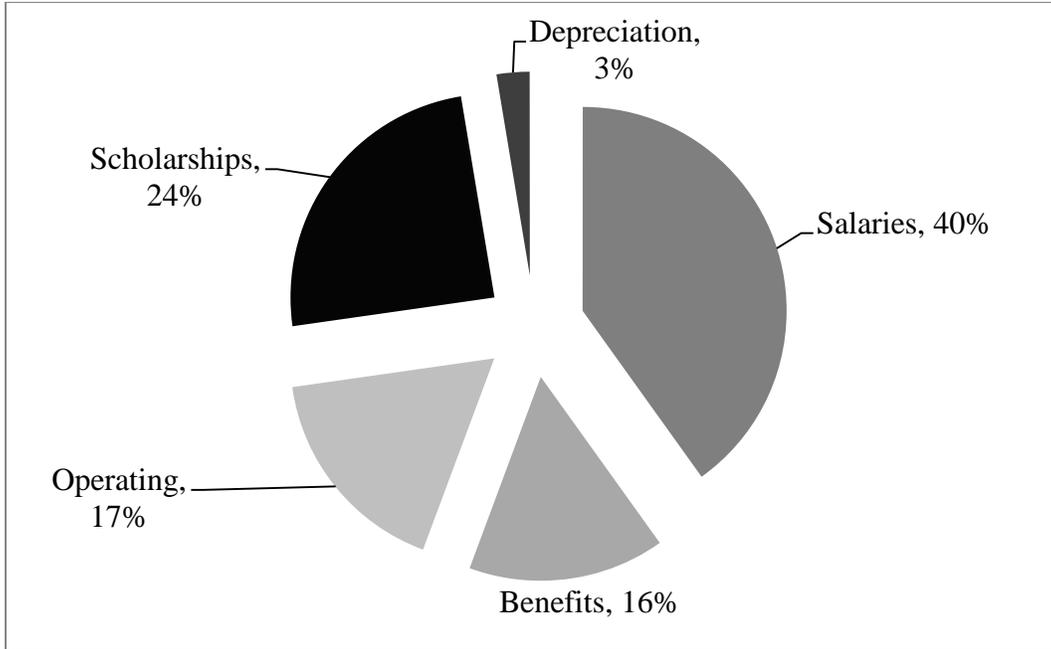
JSCC	<u>2012</u>	<u>2011</u>	<u>2010</u>
Salaries	\$ 14,205	\$ 13,735	\$ 13,490
Benefits	5,512	5,328	4,949
Operating	7,699	5,846	4,708
Scholarships	7,043	8,439	7,401
Depreciation	1,065	898	905
Total	\$ 35,524	\$ 34,246	\$ 31,453

JSCC Natural Classification FY 2012



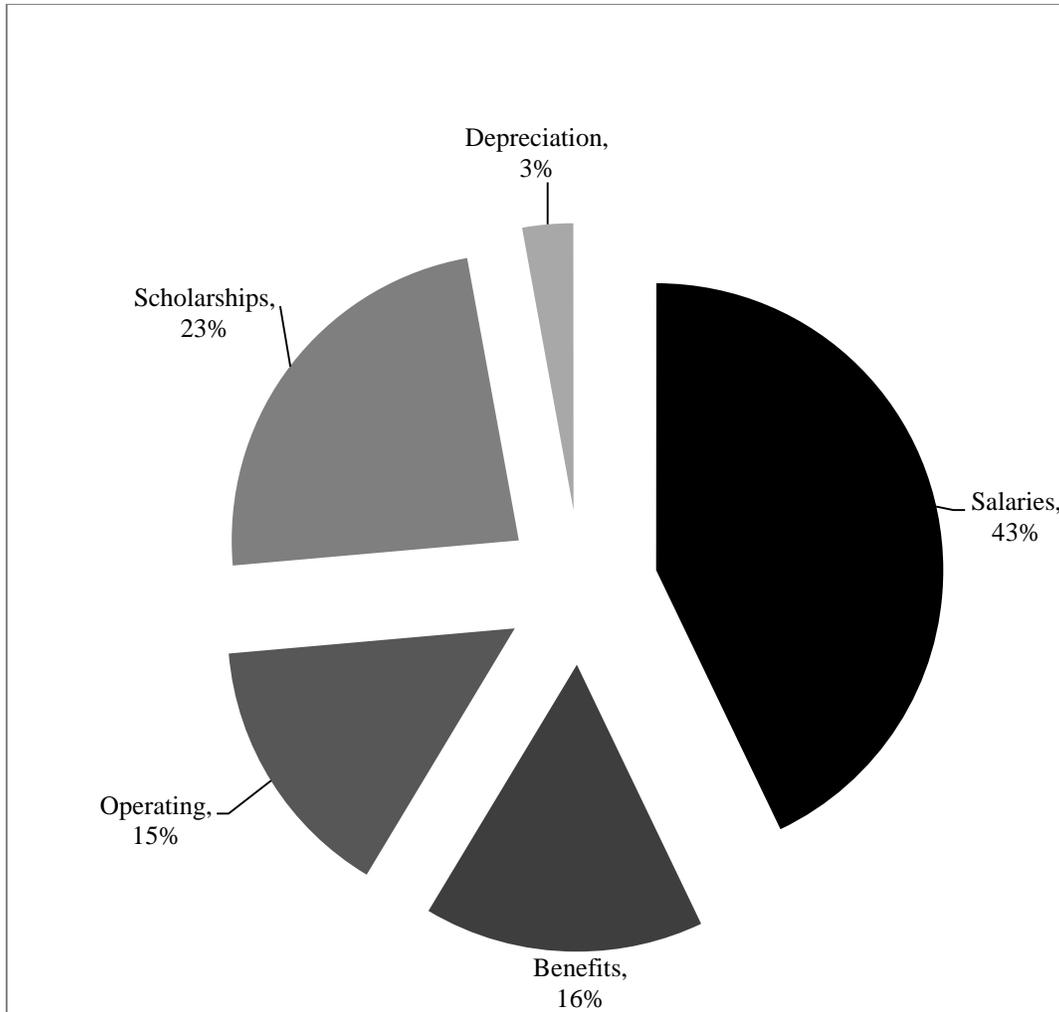
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCC Natural Classification FY 2011



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

JSCC Natural Classification FY 2010

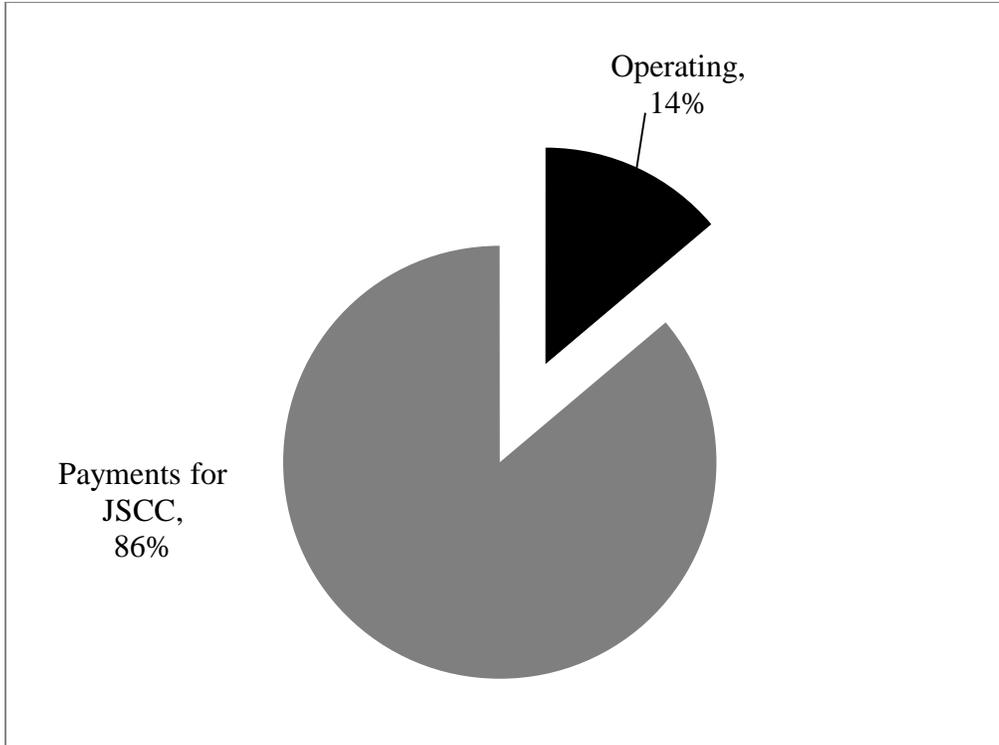


**Natural Classification
(in thousands of dollars)**

JSCCF	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating	\$ 287	\$ 153	\$ 139
Scholarship	1	1	-
Payments for JSCC	1,786	71	61
Total	\$ 2,074	\$ 225	\$ 200

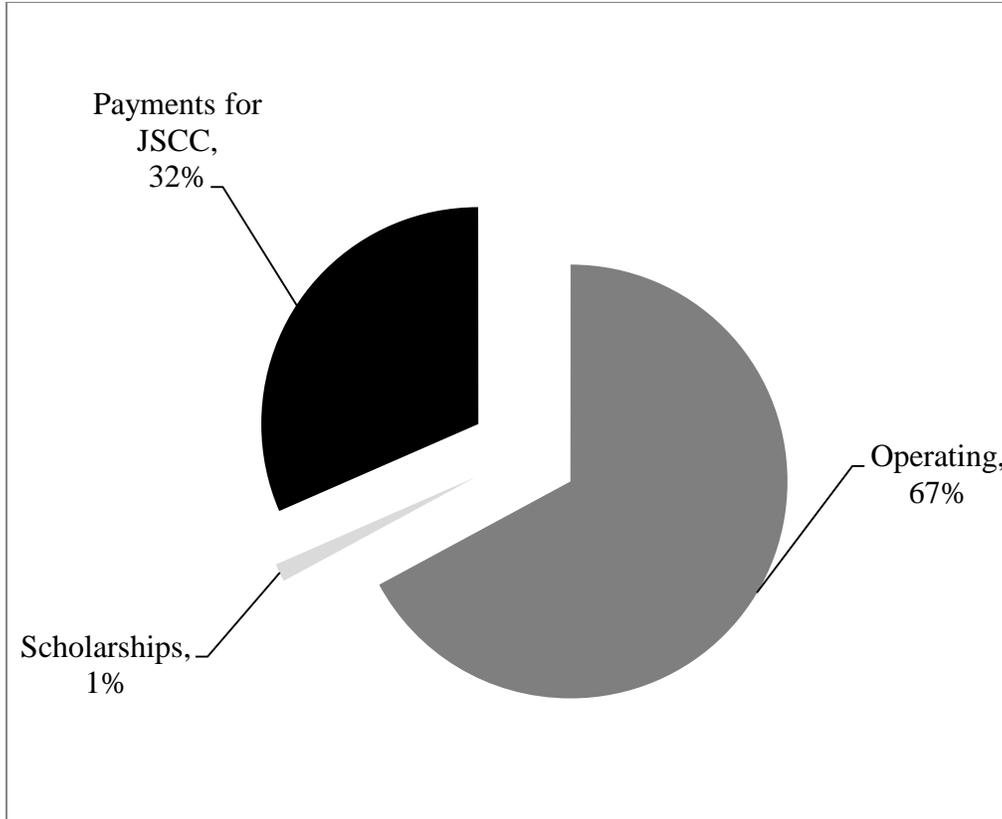
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCCF Natural Classification FY 2012



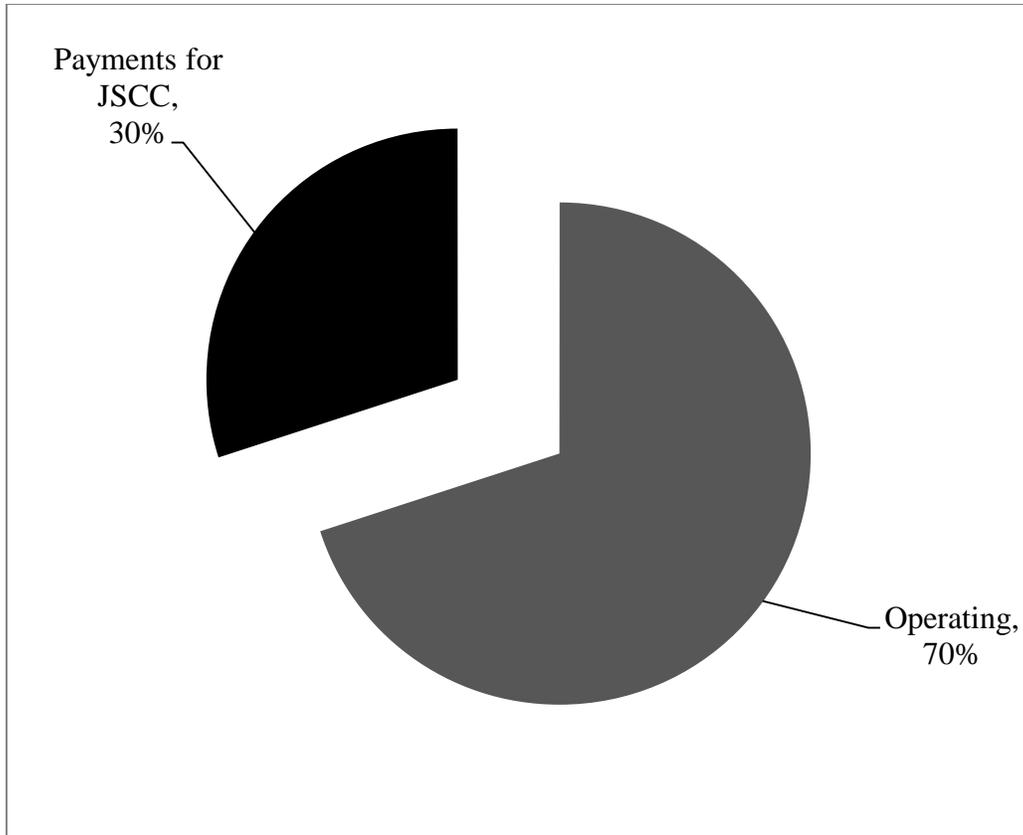
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCCF Natural Classification FY 2011



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

JSCCF Natural Classification FY 2010



Comparison of FY 2012 to FY 2011

JSCC

- Salaries and benefits increased slightly by \$654,376.68, or 3%. The increase is reflective of the cost-of-living wage increase provided by the State of Tennessee, as well as the equity wage adjustment provided to employees by the school.
- Operating expenses increased by \$1,853,385.81, or 31.7%. This increase was produced, in majority, by the ARRA-funded HVAC project. \$1,360,533.15 of this project was funded through ARRA funds, and \$591,270.76 was funded with local funds.
- Scholarships decreased by \$1,396,726.39, or 16.5%. The decrease is the aggregate of Pell funding decreases of \$1,285,963 and an Academic Competitiveness decrease of \$345,939.50 and was partially offset by a \$172,015.17 decrease in the scholarship allowance. The residual balance is offsetting increases in various other programs. Increased funding in a financial aid category would facilitate increased scholarship expense

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

as this money is distributed to recipients, while an increase in the scholarship allowance is credited against expenses.

- Payments to JSCC increased by \$1,714,314.40. This increase is due primarily to the transfer of \$1,588,895.91 to JSCC for construction of an Allied Health Building.

Comparison of FY 2011 to FY 2010

JSCC

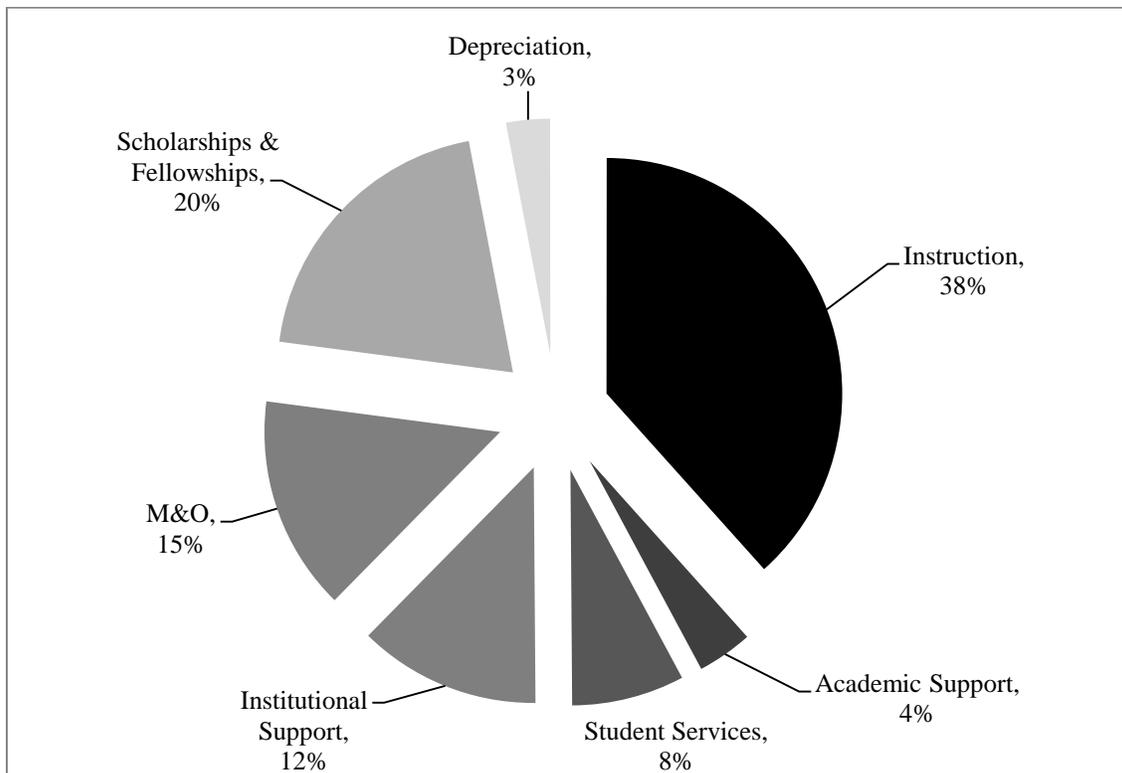
- Salaries and benefits increased slightly by \$623,094.07, or 3.4%. Due to the increase in enrollment, some additional staff and adjunct employees were hired. Increasing benefit costs produced this increase in salaries and benefits.
- Operating expenses increased by \$1,138,337.37, or 24.2%. This increase was produced, in majority, by three campus projects: the ARRA-funded HVAC project generated \$147,437.00 in expenses, the campus lighting project increased expenses by \$802,082.63, and the security camera project elevated expenses by \$50,499.16. These three projects in aggregate equate to \$1,000,018.79, or 87.8%, of the increase.
- Scholarships and fellowships increased by \$1,038,104.32, or 14%. The increase is the aggregate of Pell funding increases of \$1,464,758.67, partially offset by a \$322,977.69 increase in the scholarship allowance. Increased funding in a financial aid category would facilitate increased scholarship expense as this money is distributed to recipients, while an increase in the scholarship allowance is credited against expenses.

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

**Program Classification
(in thousands of dollars)**

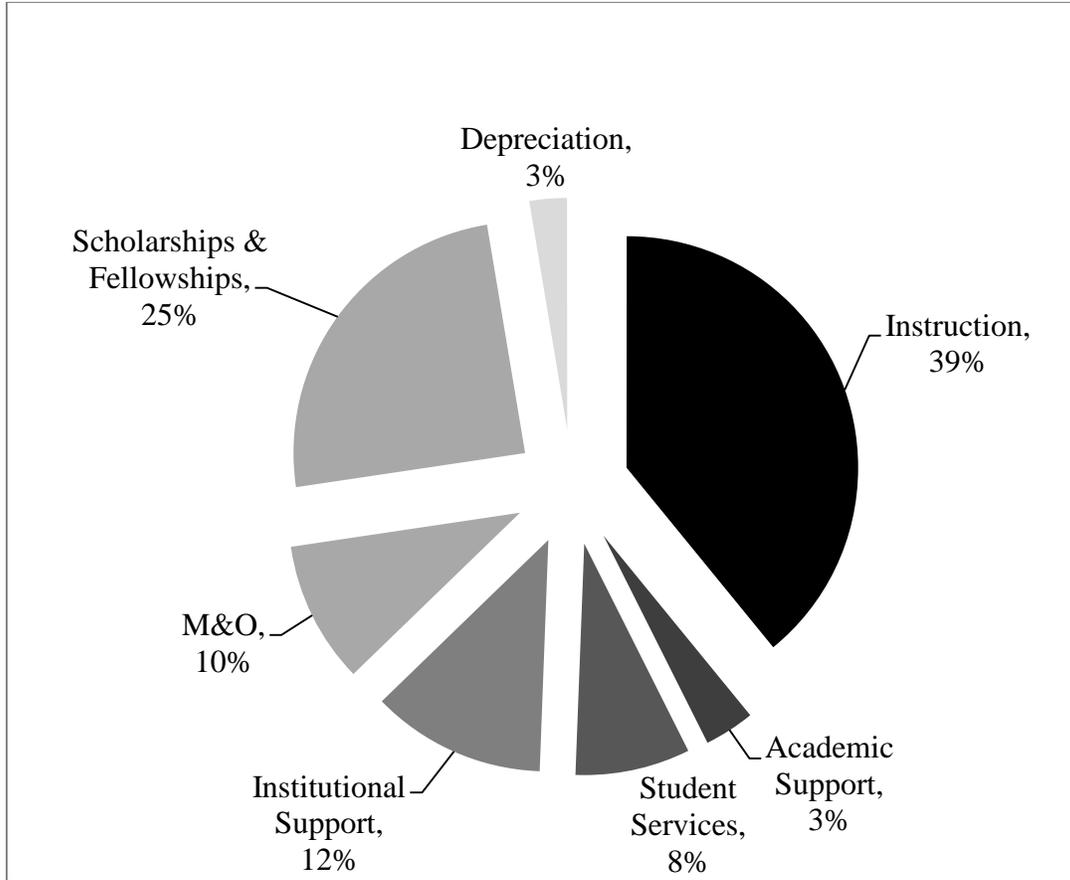
JSCC	<u>2012</u>	<u>2011</u>	<u>2010</u>
Instruction	\$ 13,580	\$ 13,348	\$ 13,095
Public service	133	105	126
Academic support	1,344	1,195	987
Student services	2,729	2,732	2,612
Institutional support	4,418	4,149	3,823
Maintenance & operation	5,212	3,380	2,504
Scholarships & fellowships	7,043	8,439	7,401
Depreciation	1,065	898	905
Total	\$ 35,524	\$ 34,246	\$ 31,453

JSCC Program Classification FY 2012



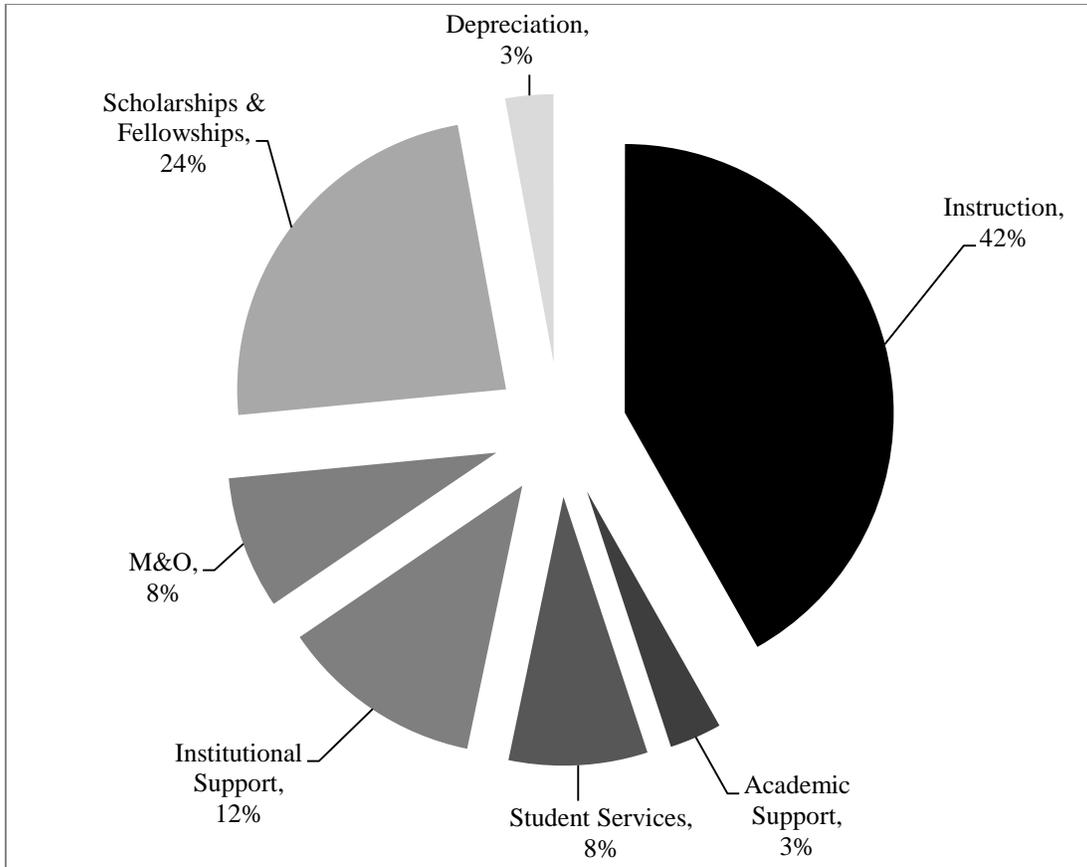
**Tennessee Board of Regents
Jackson State Community College
Management's Discussion and Analysis (Cont.)**

JSCC Program Classification FY 2011



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

JSCC Program Classification FY 2010



Comparison of FY 2012 to FY 2011

- Academic support increased by \$149,012.77, or 12%. This increase is reflective of the overall increase in salary and benefits related to academic support of \$154,932.59.
- Institutional support increased by \$269,012.61, or 6%. This increase was due to the overall increase of \$276,147.69 in salary and benefits associated with institutional support. The majority of the increase is directly related to the cost-of-living increase provided by the State of Tennessee, as well as the equity adjustment provided by local funds and the associated benefits increases.
- Maintenance and operation (M&O) increased \$1,831,823.97, or 54%, year over year from 2011 to 2012. This increase was facilitated primarily by the HVAC replacement project. While \$1,360,533.15 of this project was funded through ARRA funds, \$591,270.76 was funded with local funds.

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

Comparison of FY 2011 to FY 2010

- Academic support increased by \$207,361.49, or 21%. Of the increase, \$97,560.10 was in the area of salaries to include administrative; faculty and academic; student; and support. A total of \$42,674.60 of the increase was generated by software maintenance expenses, and \$38,895.10 was due to increased telephone charge allocations. Finally, travel expense increases accounted for \$27,228.14 of the overall increase. In aggregate, these increases total \$206,357.94.
- Institutional support increased by \$326,302.11, or 8.5%. This increase was due, in majority, to the recognition of \$237,134.37 for an increase in the allowance for bad debt. The residual balance of the increase was salary and benefit related, primarily group insurance expense, which increased by \$62,194.28.
- M&O increased by \$876,664.51, or 35%, year over year from 2010 to 2011. This increase was facilitated by two campus projects. The ARRA-funded HVAC project generated \$147,437 in expenses, while the campus lighting project increased expenses by \$802,082.63.
- Scholarships increased by \$1,038,104.32, or 14%. The increase is the aggregate of Pell funding increases of \$1,464,758.67, partially offset by a \$322,977.69 increase in the scholarship allowance. Increased funding in a financial aid category would facilitate increased scholarship expense as this money is distributed to recipients, while an increase in the scholarship allowance is credited against expenses.

Capital Assets and Debt Administration

Capital Assets

Jackson State Community College had \$12,736,789.89 invested in capital assets, net of accumulated depreciation of \$12,898,885.65, at June 30, 2012; \$9,830,773.91 invested in capital assets, net of accumulated depreciation of \$11,961,475.68, at June 30, 2011; and \$9,187,034.88 invested in capital assets, net of accumulated depreciation of \$11,361,780.44, at June 30, 2010. Depreciation charges totaled \$1,064,659.83; \$897,931.34; and \$904,617.38 for the years ended June 30, 2012; June 30, 2011; and June 30, 2010, respectively. Details of these assets are shown below.

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

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

	2012	2011	2010
Land	\$ 129	\$ 129	\$ 129
Land improvements & infrastructure	242	238	256
Buildings	5,940	6,321	6,703
Equipment	2,278	1,445	1,245
Library holdings	74	264	291
Software	375	469	563
Projects in progress	3,699	965	-
Total	\$ 12,737	\$ 9,831	\$ 9,187

- Equipment investment increased by \$1,164,234.97 in FY 2012. This increase is due, in majority, to the following factors: distance education equipment rose by \$514,457.07 funded by the RUS Grant; telephone equipment purchases increased by \$252,597.95; JSCC purchased tractors totaling \$65,666.25; Allied Health equipment purchases increased by \$159,003.50; and network computer hardware, software, and server purchases increased by \$76,833.10.
- Projects in progress recognized an approximate \$2,734,000 increase in FY 2012. This increase was due, primarily, to the following factors: the classroom HVAC project increased by \$1,973,833.77, student parking area paving increased by \$214,122.36, and the gym repair project increased by \$463,185.89.
- The major capital equipment purchases in FY 2011 included approximately \$296,041.70 of distance learning equipment, two cars totaling \$57,298.50, a tractor for \$31,525.29, a floor scrubber for \$17,928, medical equipment for \$127,161, and an irrigation system for \$8,570. These purchases in aggregate equate to \$538,524.49.

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

Debt

The college had \$0.00 in debt outstanding at June 30, 2012; June 30, 2011; and June 30, 2010, respectively. More information about the college's long-term liabilities is presented in Note 7 to the financial statements.

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

Economic Factors That Will Affect the Future

Tuition increased by 7% for the 2011-2012 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. Further, as access to financial aid resources becomes scarcer due to federal and state budgetary issues, it will become more critical that community colleges operate at continually higher levels of efficiency in order to maintain a lower-cost structure. This will help ensure accessibility to those students who will be outside the constricted financial aid boundaries.

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, 2012, AND JUNE 30, 2011**

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 15)	\$ 15,827,035.16	\$ 13,320,806.35	\$ 50,592.00	\$ 2,010,260.19
Accounts, notes, and grants receivable (net) (Notes 4 and 15)	785,080.59	858,841.76	15,472.13	8,507.46
Due from primary government	25,900.00	122,318.60	-	-
Pledges receivable (net) (Note 15)	-	-	99,906.42	148,850.00
Prepaid expenses and deferred charges	2,160.04	4,995.71	-	-
Accrued interest receivable	9,778.34	9,778.34	4,603.11	4,044.80
Total current assets	<u>16,649,954.13</u>	<u>14,316,740.76</u>	<u>170,573.66</u>	<u>2,171,662.45</u>
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 15)	11,990,572.72	12,250,147.36	140,426.16	-
Investments (Note 15)	-	-	2,713,058.99	2,629,222.55
Accounts, notes, and grants receivable (net) (Notes 4 and 15)	170,169.88	159,875.63	-	-
Pledges receivable (net) (Note 15)	-	-	70,100.00	167,394.61
Capital assets (net) (Note 5)	12,736,789.89	9,830,773.91	-	-
Total noncurrent assets	<u>24,897,532.49</u>	<u>22,240,796.90</u>	<u>2,923,585.15</u>	<u>2,796,617.16</u>
Total assets	<u>41,547,486.62</u>	<u>36,557,537.66</u>	<u>3,094,158.81</u>	<u>4,968,279.61</u>
LIABILITIES				
Current liabilities:				
Accounts payable (Note 6)	303,110.37	821,011.66	-	282.75
Accrued liabilities	678,082.94	403,521.07	-	-
Deferred revenue	816,459.59	984,137.50	-	-
Compensated absences (Note 7)	205,503.62	191,674.10	-	-
Deposits held in custody for others	9,167,087.39	8,779,349.59	-	-
Total current liabilities	<u>11,170,243.91</u>	<u>11,179,693.92</u>	<u>-</u>	<u>282.75</u>
Noncurrent liabilities:				
Compensated absences (Note 7)	622,291.23	600,658.93	-	-
Net OPEB obligation (Note 10)	1,556,867.35	1,412,507.70	-	-
Due to grantors (Note 7)	161,258.51	151,688.47	-	-
Total noncurrent liabilities	<u>2,340,417.09</u>	<u>2,164,855.10</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>13,510,661.00</u>	<u>13,344,549.02</u>	<u>-</u>	<u>282.75</u>
Invested in capital assets	12,736,789.89	9,830,773.91	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	684,613.16	679,787.53
Other	-	-	124,677.63	122,507.79
Expendable:				
Scholarships and fellowships	77,382.43	89,817.51	523,325.67	619,856.45
Instructional department uses	936,172.11	860,791.92	46,256.95	41,567.91
Loans	53,752.84	50,562.82	26,569.85	21,570.51
Capital projects	-	-	974,799.92	938,072.26
Other	96,090.72	108,248.87	669,747.43	2,502,247.73
Unrestricted (Note 8)	14,136,637.63	12,272,793.61	44,168.20	42,386.68
Total net assets	<u>\$ 28,036,825.62</u>	<u>\$ 23,212,988.64</u>	<u>\$ 3,094,158.81</u>	<u>\$ 4,967,996.86</u>

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, 2012, AND JUNE 30, 2011**

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2011
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of \$7,048,852.42 for the year ended June 30, 2012, and \$7,220,867.59 for the year ended June 30, 2011)	\$ 8,255,613.40	\$ 7,444,373.41	\$ -	\$ -
Gifts and contributions	-	-	107,510.98	1,727,970.96
Governmental grants and contracts	1,433,042.13	1,151,527.89	-	-
Nongovernmental grants and contracts	100.00	2,000.00	-	-
Sales and services of educational departments	144,117.01	125,616.55	-	-
Sales and services of other activities	256,702.62	-	-	-
Auxiliary enterprises:				
Bookstore	228,600.00	327,365.95	-	-
Interest earned on loans to students	2,793.20	3,760.99	-	-
Other operating revenues	45,484.03	578,593.87	-	-
Total operating revenues	<u>10,366,452.39</u>	<u>9,633,238.66</u>	<u>107,510.98</u>	<u>1,727,970.96</u>
EXPENSES				
Operating expenses (Note 13):				
Salaries and wages	14,204,878.44	13,734,606.61	-	-
Benefits	5,511,663.78	5,327,558.93	-	-
Utilities, supplies, and other services	7,699,915.23	5,846,529.42	287,041.22	153,551.52
Scholarships and fellowships	7,042,730.22	8,439,456.61	1,000.00	200.00
Depreciation expense	1,064,659.83	897,931.34	-	-
Payments to or on behalf of Jackson State Community College	-	-	1,785,740.28	71,425.88
Total operating expenses	<u>35,523,847.50</u>	<u>34,246,082.91</u>	<u>2,073,781.50</u>	<u>225,177.40</u>
Operating income (loss)	<u>(25,157,395.11)</u>	<u>(24,612,844.25)</u>	<u>(1,966,270.52)</u>	<u>1,502,793.56</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	10,744,764.46	13,294,057.00	-	-
Gifts (college gifts include \$1,785,740.28 from component unit in 2012 and \$71,425.88 in 2011)	2,135,640.28	365,638.88	-	-
Grants and contracts	14,401,892.80	14,960,514.90	-	-
Investment income (for component unit, net of investment expense of \$13,724.70 in 2012 and \$13,299.85 in 2011)	26,089.62	32,278.44	92,432.47	223,606.49
Other nonoperating expenses	-	17,634.00	-	-
Net nonoperating revenues	<u>27,308,387.16</u>	<u>28,670,123.22</u>	<u>92,432.47</u>	<u>223,606.49</u>
Income before other revenues, expenses, gains, or losses	<u>2,150,992.05</u>	<u>4,057,278.97</u>	<u>(1,873,838.05)</u>	<u>1,726,400.05</u>
Capital appropriations	2,672,844.93	767,739.14	-	-
Additions to permanent endowments	-	-	-	27,995.87
Total other revenues	<u>2,672,844.93</u>	<u>767,739.14</u>	<u>-</u>	<u>27,995.87</u>
Increase (decrease) in net assets	<u>4,823,836.98</u>	<u>4,825,018.11</u>	<u>(1,873,838.05)</u>	<u>1,754,395.92</u>
NET ASSETS				
Net assets - beginning of year	23,212,988.64	18,387,970.53	4,967,996.86	3,213,600.94
Net assets - end of year	<u>\$ 28,036,825.62</u>	<u>\$ 23,212,988.64</u>	<u>\$ 3,094,158.81</u>	<u>\$ 4,967,996.86</u>

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, 2012, AND JUNE 30, 2011**

	Year Ended June 30, 2012	Year Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 8,125,514.65	\$ 7,163,254.08
Grants and contracts	1,425,400.54	1,212,804.80
Sales and services of educational activities	144,117.01	125,616.55
Sales and services of other	13,102.62	-
Payments to suppliers and vendors	(8,267,220.15)	(5,216,925.31)
Payments to employees	(14,151,110.94)	(14,048,842.28)
Payments for benefits	(5,040,126.39)	(5,477,134.04)
Payments for scholarships and fellowships	(7,042,730.22)	(8,439,456.61)
Loans issued to students	(10,294.25)	(19,286.66)
Interest earned on loans to students	2,793.20	4,053.58
Auxiliary enterprise charges:		
Bookstore	228,600.00	327,365.95
Other receipts	298,817.93	586,524.69
Net cash used by operating activities	<u>(24,273,136.00)</u>	<u>(23,782,025.25)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	10,719,300.00	13,279,800.00
Gifts and grants received for other than capital or endowment purposes, including \$1,785,740.28 from Jackson State Community College Foundation for the year ended June 30, 2012, and \$71,425.88 for the year ended June 30, 2011	16,684,493.63	15,439,832.93
Changes in deposits held for others	387,737.80	2,070,151.61
Other non-capital receipts	-	20,787.85
Net cash provided by noncapital financing activities	<u>27,791,531.43</u>	<u>30,810,572.39</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital - state appropriation	2,672,844.93	767,739.14
Purchase of capital assets and construction	(3,970,675.81)	(1,544,824.22)
Net cash used by capital and related financing activities	<u>(1,297,830.88)</u>	<u>(777,085.08)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	26,089.62	32,278.44
Net cash provided by investing activities	<u>26,089.62</u>	<u>32,278.44</u>
Net increase in cash	2,246,654.17	6,283,740.50
Cash - beginning of year	25,570,953.71	19,287,213.21
Cash - end of year	<u>\$ 27,817,607.88</u>	<u>\$ 25,570,953.71</u>
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (25,157,395.11)	\$ (24,612,844.25)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,064,659.83	897,931.34
Other adjustments	19,864.46	21,257.00
Change in assets and liabilities:		
Receivables, net	47,107.67	(179,257.76)
Prepaid/deferred items	2,835.67	(2,795.71)
Accounts payable	(536,189.74)	592,136.61
Accrued liabilities	418,921.52	(435,245.70)
Deferred revenue	(167,677.91)	(6,328.75)
Compensated absences	35,461.82	(45,978.64)
Due to grantors	9,570.04	8,094.68
Loans to students	(10,294.25)	(18,994.07)
Net cash used by operating activities	<u>\$ (24,273,136.00)</u>	<u>\$ (23,782,025.25)</u>

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

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011**

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

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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.

Cash Equivalents

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Compensated Absences

The college's employees accrue annual and sick leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the statement of net assets. There is no liability for unpaid accumulated sick leave since the university's policy is to pay this only if the employee dies or is absent because of illness, injury, or related family death.

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

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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 - This represents the college's total investment in capital assets.

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; sales and services of educational departments and other activities; 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, as well as 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.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 2. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 2012, cash consisted of \$3,598,854.34 in bank accounts, \$5,518.90 of petty cash on hand, \$21,047,959.19 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and \$3,165,275.45 in LGIP deposits for capital projects. At June 30, 2011, cash consisted of \$3,868,983.12 in bank accounts, \$5,468.90 of petty cash on hand, \$20,791,305.35 in LGIP, and \$905,196.34 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 that 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; bankers' 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 bankers' acceptances and commercial paper. The policy requires that prime bankers' 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 bankers' 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 of trade within a reasonable time and that are

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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, 2012, and June 30, 2011, the college's investments consisted entirely of investments in the LGIP. The fair value of these investments was \$24,213,234.64 at June 30, 2012, and \$21,696,501.69 at June 30, 2011. 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 risk 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.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 4. RECEIVABLES

Receivables included the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Student accounts receivable	\$ 1,618,016.55	\$1,422,619.25
Grants receivable	173,893.59	157,515.26
State appropriation receivable	-	20,300.00
Other receivables	<u>53,669.80</u>	<u>79,324.69</u>
Subtotal	1,845,579.94	1,679,759.20
Less allowance for doubtful accounts	<u>(1,060,499.35)</u>	<u>(820,917.44)</u>
Total receivables	<u>\$ 785,080.59</u>	<u>\$ 858,841.76</u>

Federal Perkins Loan Program funds included the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Perkins loans receivable	\$ 232,483.40	\$ 223,799.15
Less allowance for doubtful accounts	<u>(62,313.52)</u>	<u>(63,923.52)</u>
Total	<u>\$ 170,169.88</u>	<u>\$ 159,875.63</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 128,645.20	\$ -	\$ -	\$ -	\$ 128,645.20
Land improvements and infrastructure	377,391.69	24,500.00	-	-	401,891.69
Buildings	14,630,424.89	-	-	-	14,630,424.89
Equipment	4,164,460.28	1,186,272.85	-	(22,037.88)	5,328,695.25
Library holdings	589,122.62	25,915.14	-	(105,211.98)	509,825.78
Intangible assets	937,173.46	-	-	-	937,173.46
Projects in progress	<u>965,031.45</u>	<u>2,733,987.82</u>	<u>-</u>	<u>-</u>	<u>3,699,019.27</u>
Total	<u>21,792,249.59</u>	<u>3,970,675.81</u>	<u>-</u>	<u>(127,249.86)</u>	<u>25,635,675.54</u>

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	139,766.00	19,686.25	-	-	159,452.25
Buildings	8,309,024.29	381,195.39	-	-	8,690,219.68
Equipment	2,719,199.04	353,786.61	-	(22,037.88)	3,050,947.77
Library holdings	325,232.96	216,207.57	-	(105,211.98)	436,228.55
Intangible assets	<u>468,253.39</u>	<u>93,784.01</u>	<u>-</u>	<u>-</u>	<u>562,037.40</u>
Total	<u>11,961,475.68</u>	<u>1,064,659.83</u>	<u>-</u>	<u>(127,249.86)</u>	<u>12,898,885.65</u>
Capital assets, net	<u>\$ 9,830,773.91</u>	<u>\$ 2,906,015.98</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,736,789.89</u>

Capital asset activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
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	3,833,282.05	551,594.05	-	(220,415.82)	4,164,460.28
Library holdings	641,898.03	41,268.22	-	(94,043.63)	589,122.62
Intangible assets	937,173.46	-	-	-	937,173.46
Projects in progress	<u>-</u>	<u>965,031.45</u>	<u>-</u>	<u>-</u>	<u>965,031.45</u>
Total	<u>20,548,815.32</u>	<u>1,557,893.72</u>	<u>-</u>	<u>(314,459.45)</u>	<u>21,792,249.59</u>
Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	120,896.42	18,869.58	-	-	139,766.00
Buildings	7,927,828.90	381,195.39	-	-	8,309,024.29
Equipment	2,587,625.78	335,765.73	-	(204,192.47)	2,719,199.04
Library holdings	350,959.96	68,316.63	-	(94,043.63)	325,232.96
Intangible assets	<u>374,469.38</u>	<u>93,784.01</u>	<u>-</u>	<u>-</u>	<u>468,253.39</u>
Total	<u>11,361,780.44</u>	<u>897,931.34</u>	<u>-</u>	<u>(298,236.10)</u>	<u>11,961,475.68</u>
Capital assets, net	<u>\$ 9,187,034.88</u>	<u>\$ 659,962.38</u>	<u>\$ -</u>	<u>\$ (16,223.35)</u>	<u>\$ 9,830,773.91</u>

The increase in accumulated depreciation for library holdings is due to a change in accounting estimate. During fiscal year 2012, it was determined that periodicals are more appropriately expensed. The estimated useful life of periodicals was decreased from 10 years to 0 years, resulting in a current-year adjustment of \$154,703.79.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 6. ACCOUNTS PAYABLE

Accounts payable included the following:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Vendors payable	\$217,336.24	\$679,878.51
Unapplied student payments	37,103.00	-
Other payables	<u>48,671.13</u>	<u>141,133.15</u>
 Total accounts payable	 <u>\$303,110.37</u>	 <u>\$821,011.66</u>

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$792,333.03	\$705,456.60	\$(669,994.78)	\$827,794.85	\$205,503.62
Due to grantors	<u>151,688.47</u>	<u>15,684.90</u>	<u>(6,114.86)</u>	<u>161,258.51</u>	<u>-</u>
 Total long-term liabilities	 <u>\$944,021.50</u>	 <u>\$721,141.50</u>	 <u>\$(676,109.64)</u>	 <u>\$989,053.36</u>	 <u>\$205,503.62</u>

Long-term liabilities activity for the year ended June 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 838,311.67	\$ 638,427.53	\$ (684,406.17)	\$ 792,333.03	\$ 191,674.10
Due to grantors	<u>143,593.79</u>	<u>16,165.19</u>	<u>(8,070.51)</u>	<u>151,688.47</u>	<u>-</u>
 Total long-term liabilities	 <u>\$981,905.46</u>	 <u>\$654,592.72</u>	 <u>\$(692,476.68)</u>	 <u>\$944,021.50</u>	 <u>\$191,674.10</u>

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 8. UNRESTRICTED NET ASSETS

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

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Working capital	\$ 475,840.77	\$ 592,619.84
Encumbrances	23,400.00	18,788.11
Designated fees	211,841.95	48,495.63
Auxiliaries	11,430.00	16,368.30
Plant construction	9,214,052.15	8,464,554.53
Renewal and replacement of equipment	2,741,457.44	3,131,967.20
Undesignated	<u>1,458,615.32</u>	<u>-</u>
Total	<u>\$14,136,637.63</u>	<u>\$12,272,793.61</u>

NOTE 9. 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/tcrs.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 14.91% 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 fiscal years 2012, 2011, and 2010 were \$1,233,329.22, \$1,190,924.47, and \$993,398.63, respectively. Contributions met the requirements for each year.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

B. Defined Contribution Plans

Optional Retirement Plans

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association–College Retirement Equities Fund, ING Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company. 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 contributions made by the college to the plans were \$382,739.89 for the year ended June 30, 2012, and \$389,778.24 for the year ended June 30, 2011. Contributions met the requirements for each year.

NOTE 10. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only “other postemployment benefit” (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that 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, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. The state makes on-behalf payments to the Medicare Supplement Plan for the college’s eligible retirees; see Note 14. The plans are reported in the 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.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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 are subsidized 80%; retirees with 20 years of service but less than 30 years of service, 70%; and retirees with less than 20 years of service, 60%. Retirees in the Medicare Supplement Plan have flat-rate premium subsidies based on years of service. Retirees with 30 years of service receive \$50 per month; retirees with 20 years of service but less than 30 years of service, \$37.50; and retirees with 15 years of service but less than 20 years of service, \$25.

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

	<u>2012</u>	<u>2011</u>
Annual required contribution (ARC)	\$ 471,000.00	\$ 485,000.00
Interest on the net OPEB obligation	56,500.31	54,340.44
Adjustment to the ARC	<u>(59,974.00)</u>	<u>(51,471.19)</u>
Annual OPEB cost	467,526.31	487,869.25
Amount of contribution	<u>(323,166.66)</u>	<u>(282,926.88)</u>
Increase (decrease) in net OPEB obligation	144,359.65	204,942.37
Net OPEB obligation – beginning of year	<u>1,412,507.70</u>	<u>1,207,565.33</u>
Net OPEB obligation – end of year	\$1,556,867.35	\$1,412,507.70

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

<u>Year-end</u>	<u>Plan</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation at Year-end</u>
June 30, 2012	State Employee Group Plan	\$467,526.31	69.1%	\$1,556,867.35
June 30, 2011	State Employee Group Plan	\$487,869.25	58.0%	\$1,412,507.70
June 30, 2010	State Employee Group Plan	\$537,140.23	42.9%	\$1,207,565.33

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

	July 1, 2011	July 1, 2010
Actuarial valuation date	July 1, 2011	July 1, 2010
Actuarial accrued liability (AAL)	\$4,656,000.00	\$4,983,000.00
Actuarial value of plan assets	0	0
Unfunded actuarial accrued liability (UAAL)	\$4,656,000.00	\$4,983,000.00
Actuarial value of assets as a percentage of the AAL	0%	0%
Covered payroll (active plan members)	\$10,679,796.29	\$10,117,719.99
UAAL as percentage of covered payroll	43.6%	49.3%

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 required supplementary information 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.

**Tennessee Board of Regents
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Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% in fiscal year 2012. The rate decreases to 8.75% in fiscal year 2013, and then reduces by decrements to an ultimate rate of 5% in fiscal year 2021. All rates include a 2.5% 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 11. INSURANCE-RELATED ACTIVITIES

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical 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, builder's risk (for construction projects starting prior to July 1, 2012) and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012, thus builder's risk is no longer covered by the Risk Management Fund. For property coverage, the deductible for an individual state agency is the first \$25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of \$10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the \$10 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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, 2012, and June 30, 2011, 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, Section 9-8-101 et.seq., *Tennessee Code Annotated*. 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 Section 50-6-101 et seq., *Tennessee Code Annotated*. Claims are paid through the state's Risk Management Fund. At June 30, 2012, the Risk Management Fund held \$97.2 million in cash and cash equivalents designated for payment of claims. At June 30, 2011, the Risk Management Fund held \$107.6 million in cash and cash equivalents designated for payment of claims.

At June 30, 2012, the scheduled coverage for the college was \$67,619,300.00 for buildings and \$25,497,600.00 for contents. At June 30, 2011, the scheduled coverage for the college was \$64,556,500.00 for buildings and \$24,754,128.00 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, including the 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.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 12. 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 \$3,924,934.93 at June 30, 2012, and \$3,769,949.02 at June 30, 2011.

Operating Leases

The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for personal property were \$37,995.12 for the year ended June 30, 2012. The amounts for the year ended June 30, 2011, were \$44,373.61. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2012, outstanding commitments under construction contracts totaled \$2,312,961.51 for student center repairs, Nursing and Allied Health Building, exterior cleaning, HVAC and plumbing repairs and updates, ADA adaptations, master plan, and new women's softball field, of which \$837,859.74 will be funded by future state capital outlay appropriations.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 13. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses for the year ended June 30, 2012, are as follows:

<u>Functional Classification</u>	<u>Natural Classification</u>					<u>Total</u>
	<u>Salaries</u>	<u>Benefits</u>	<u>Other Operating</u>	<u>Scholarships</u>	<u>Depreciation</u>	
Instruction	\$8,676,184.48	\$2,939,680.64	\$1,963,703.43	\$ -	\$ -	\$13,579,568.55
Public service	54,177.17	24,301.88	55,070.74	-	-	133,549.79
Academic support	1,362,822.14	546,854.29	(565,743.08)	-	-	1,343,933.35
Student services	1,243,819.40	495,302.53	989,670.03	-	-	2,728,791.96
Institutional support	2,204,332.78	1,154,846.59	1,059,079.33	-	-	4,418,258.70
Maintenance & operation	663,542.47	350,677.85	4,198,134.78	-	-	5,212,355.10
Scholarships & fellowships	-	-	-	7,042,730.22	-	7,042,730.22
Depreciation	-	-	-	-	1,064,659.83	1,064,659.83
Total	<u>\$14,204,878.44</u>	<u>\$5,511,663.78</u>	<u>\$7,699,915.23</u>	<u>\$7,042,730.22</u>	<u>\$1,064,659.83</u>	<u>\$35,523,847.50</u>

The college's operating expenses for the year ended June 30, 2011, are as follows:

<u>Functional Classification</u>	<u>Natural Classification</u>					<u>Total</u>
	<u>Salaries</u>	<u>Benefits</u>	<u>Other Operating</u>	<u>Scholarships</u>	<u>Depreciation</u>	
Instruction	\$ 8,486,914.39	\$ 2,896,632.55	\$ 1,964,080.13	\$ -	\$ -	\$ 13,347,627.07
Public service	45,230.00	21,615.90	37,883.31	-	-	104,729.21
Academic support	1,245,198.33	509,545.51	(559,823.26)	-	-	1,194,920.58
Student services	1,249,306.15	532,115.34	950,219.39	-	-	2,731,640.88
Institutional support	2,056,841.04	1,026,190.64	1,066,214.41	-	-	4,149,246.09
Maintenance & operation	651,116.70	341,458.99	2,387,955.44	-	-	3,380,531.13
Scholarships & fellowships	-	-	-	8,439,456.61	-	8,439,456.61
Depreciation	-	-	-	-	897,931.34	897,931.34
Total	<u>\$13,734,606.61</u>	<u>\$5,327,558.93</u>	<u>\$5,846,529.42</u>	<u>\$8,439,456.61</u>	<u>\$897,931.34</u>	<u>\$34,246,082.91</u>

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

NOTE 14. ON-BEHALF PAYMENTS

During the year ended June 30, 2012, the State of Tennessee made payments of \$19,864.46 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2011, was \$21,257.00. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 10. 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 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 24-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 incomes thereon, which 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 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, 2012, the foundation made distributions of \$1,785,740.28 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2011, the foundation made distributions of \$71,425.88 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 at 2046 North Parkway, Jackson, TN 38301.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

Fair Value Measurements

The foundation reports certain assets and liabilities at fair value. Fair value has been determined using quoted prices in active markets for identical assets and liabilities 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 or liability (Level 2), or significant unobservable inputs (Level 3). The following tables categorize the recurring fair value measurements for assets and liabilities at June 30, 2012, and at June 30, 2011.

	Total Fair Value at <u>June 30, 2012</u>	Quoted Prices <u>Level 1</u>	Significant Other Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Assets:				
Cash equivalents	\$ 53,367.25	\$ 53,367.25	\$ -	\$ -
Investments	2,713,058.99	2,512,361.00	200,697.99	-
Pledges receivable	<u>170,006.42</u>	<u>-</u>	<u>-</u>	<u>170,006.42</u>
Total assets	<u>\$2,936,432.66</u>	<u>\$2,565,728.25</u>	<u>\$200,697.99</u>	<u>\$170,006.42</u>

	Total Fair Value at <u>June 30, 2011</u>	Quoted Prices <u>Level 1</u>	Significant Other Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Assets:				
Money markets	\$ 48,956.64	\$ 48,956.64	\$ -	\$ -
Investments	2,233,727.84	2,233,727.84	-	-
Pledges receivable	316,244.61	-	-	316,244.61
Annuities	195,771.10	195,771.10	-	-
Certificate of deposit	<u>199,723.61</u>	<u>-</u>	<u>199,723.61</u>	<u>-</u>
Total assets	<u>\$2,994,423.80</u>	<u>\$2,478,455.58</u>	<u>\$199,723.61</u>	<u>\$316,244.61</u>

The following table reconciles beginning and ending balances of all assets and liabilities valued using Level 3 inputs.

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

At June 30, 2012	Beginning Balance	Total Gains/(Losses), Realized and Unrealized	Purchases, Issuances, and Settlements	Transfers In/(Out) of Level 3	Ending Balance
Assets:					
Pledges receivable	\$316,244.61	\$ -	\$(146,238.19)	\$ -	\$170,006.42
Total assets	<u>\$316,244.61</u>	<u>\$ -</u>	<u>\$(146,238.19)</u>	<u>\$ -</u>	<u>\$170,006.42</u>
At June 30, 2011	Beginning Balance	Total Gains/(Losses), Realized and Unrealized	Purchases, Issuances, and Settlements	Transfers In/(Out) of Level 3	Ending Balance
Assets:					
Pledges receivable	\$486,505.56	\$ -	\$(170,260.95)	\$ -	\$316,244.61
Total assets	<u>\$486,505.56</u>	<u>\$ -</u>	<u>\$(170,260.95)</u>	<u>\$ -</u>	<u>\$316,244.61</u>

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, certificates of deposit, and money market funds. Uninsured bank balances at June 30, 2012, totaled \$53,367.25. Uninsured bank balances at June 30, 2011, totaled \$1,772,444.88.

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, 2012, were as follows:

	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit	\$ 197,000.00	\$ 200,697.99
Mutual bond funds	1,666,710.54	1,715,327.78
Mutual equity funds	528,833.27	603,535.38
Annuity	180,000.00	193,497.84
Total investments	<u>\$2,572,543.81</u>	<u>\$2,713,058.99</u>

Investments held at June 30, 2011, were as follows:

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

	<u>Cost</u>	<u>Market Value</u>
Certificates of deposit	\$ 197,000.00	\$ 199,723.61
Mutual bond funds	1,638,391.79	1,667,379.48
Mutual equity funds	449,381.38	566,348.36
Annuity	180,000.00	195,771.10
Total investments	<u>\$ 2,464,773.17</u>	<u>\$ 2,629,222.55</u>

Pledges Receivable

Pledges receivable are summarized below, net of the estimated uncollectible allowance of \$170,006.42 at June 30, 2012, and \$316,244.61 at June 30, 2011.

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current pledges	\$100,150.00	\$148,850.00
Pledges due in one to five years	70,100.00	167,550.00
Pledges due after five years	<u>-</u>	<u>1,100.00</u>
Subtotal	170,250.00	317,500.00
Less discount to net present value	<u>(243.58)</u>	<u>(1,255.39)</u>
Total pledges receivable, net	<u>\$170,006.42</u>	<u>\$316,244.61</u>

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

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

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.

Composition of Endowment by Net Asset Class
As of June 30, 2012

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$809,290.79	\$141,708.62	\$ -	\$950,999.41
Total funds	<u>\$809,290.79</u>	<u>\$141,708.62</u>	<u>\$ -</u>	<u>\$950,999.41</u>

Composition of Endowment by Net Asset Class
As of June 30, 2011

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$806,033.35	\$163,636.65	\$ -	\$969,670.00
Total funds	<u>\$806,033.35</u>	<u>\$163,636.65</u>	<u>\$ -</u>	<u>\$969,670.00</u>

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2012

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$806,033.35	\$163,636.65	\$ -	\$969,670.00
Investment return:				
Investment income	1,092.88	9,770.98	-	10,863.86
Net appreciation/depreciation (realized and unrealized)	<u>775.66</u>	<u>8,383.38</u>	<u>-</u>	<u>9,159.04</u>
Total investment return	1,868.54	18,154.36	-	20,022.90
Contributions	1,388.90	11,330.25	-	12,719.15

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

Appropriations of endowment assets for expenditure	-	(52,194.63)	-	(52,194.63)
Transfers	<u>-</u>	<u>781.99</u>	<u>-</u>	<u>781.99</u>
Endowment net assets, end of year	<u>\$809,290.79</u>	<u>\$141,708.62</u>	<u>\$ -</u>	<u>\$950,999.41</u>

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2011

	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$760,925.81	\$123,004.44	\$ -	\$883,930.25
Investment return:				
Investment income	856.97	10,084.17	-	10,941.14
Net appreciation/depreciation (realized and unrealized)	<u>2,562.70</u>	<u>36,587.58</u>	<u>-</u>	<u>39,150.28</u>
Total investment return	3,419.67	46,671.75	-	50,091.42
Contributions	27,995.87	32,421.45	-	60,417.32
Appropriations of endowment assets for expenditure	-	(24,768.99)	-	(24,768.99)
Transfers	<u>13,692.00</u>	<u>(13,692.00)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$806,033.35</u>	<u>\$163,636.65</u>	<u>\$ -</u>	<u>\$969,670.00</u>

Return objectives and risk parameters - The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period, as well as board-designated funds. 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 annual rate of return of approximately 2%. 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

**Tennessee Board of Regents
Jackson State Community College
Notes to the Financial Statements
June 30, 2012, and June 30, 2011 (Cont.)**

yield (interest and dividends). The foundation targets a diversified asset allocation that allows funds to be invested up to a maximum of 65% 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 that are 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. Accordingly, over the long-term, the foundation expects the current spending policy to allow for the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds.

**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, 2011	State Employee Group Plan	\$ -	\$4,656,000	\$4,656,000	0%	\$10,679,796	43.6%
July 1, 2010	State Employee Group Plan	\$ -	\$4,983,000	\$4,983,000	0%	\$10,117,720	49.3%
July 1, 2009	State Employee Group Plan	\$ -	\$5,642,000	\$5,642,000	0%	\$10,431,333	54.1%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed.

**TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
SCHEDULES OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2012, AND JUNE 30, 2011**

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	\$ 253,580.92	\$ 1,882,580.90
Payments to suppliers and vendors	(287,041.22)	(140,262.94)
Payments for scholarships and fellowships	(1,000.00)	(3,127.03)
Payments to Jackson State Community College	(1,785,740.28)	(71,425.88)
Loans issued to students and employees	(7,891.42)	(9,279.75)
Collection of loans from students and employees	812.25	7,093.00
Net cash provided (used) by operating activities	<u>(1,827,279.75)</u>	<u>1,665,578.30</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	-	27,995.87
Net cash provided by noncapital financing activities	<u>-</u>	<u>27,995.87</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	91,874.16	5,900.44
Purchase of investments	(83,836.44)	(197,000.00)
Net cash provided (used) by investing activities	<u>8,037.72</u>	<u>(191,099.56)</u>
Net increase (decrease) in cash and cash equivalents	(1,819,242.03)	1,502,474.61
Cash and cash equivalents at beginning of year	2,010,260.19	507,785.58
Cash and cash equivalents at end of year	<u>\$ 191,018.16</u>	<u>\$ 2,010,260.19</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ (1,966,270.52)	\$ 1,502,793.56
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Change in assets and liabilities:		
Receivables, net	146,352.69	164,688.74
Accounts payable	(282.75)	282.75
Loans to students and employees	(7,891.42)	(2,186.75)
Collections of loans from students and employees	812.25	-
Net cash provided (used) by operating activities	<u>\$ (1,827,279.75)</u>	<u>\$ 1,665,578.30</u>
Noncash investing activities		
Unrealized gains (losses) on investments	\$ (22,635.32)	\$ 130,115.48
Gifts in-kind	-	5,400.00