STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

TENNESSEE BOARD OF REGENTS
JACKSON STATE COMMUNITY COLLEGE

Financial and Compliance Audit Report

For the Years Ended June 30, 2014, and June 30, 2013

Justin P. Wilson, Comptroller

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March 24, 2015

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable John G. Morgan, Chancellor
Dr. Bruce Blanding, President

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, 2014, and June 30, 2013. You will note from the independent auditor's report that unmodified opinions were given on the fairness of the presentation of the financial statements.

Consideration of the internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Finding and Recommendation section of this report. The college's management has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

14/094

Audit Report
Tennessee Board of Regents
Jackson State Community College
For the Years Ended June 30, 2014, and June 30, 2013

TABLE OF CONTENTS

State of Tennessee

Audit Highlights

Comptroller of the Treasury — Division of State Audit

Financial and Compliance Audit

Tennessee Board of Regents

Jackson State Community College

For the Years Ended June 30, 2014, and June 30, 2013

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

The college did not provide adequate internal controls in one specific area

The college did not design and monitor internal controls in one specific area. We observed a condition in violation of college policies and/or industry-accepted best practices. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 50).

STATE OF TENNESSEE
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable John G. Morgan, Chancellor
Dr. Bruce Blanding, President

Report on the Financial Statements

We have audited the accompanying 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, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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, 2014, and June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, 2014, and June 30, 2013, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the college implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20 and the schedule of funding progress on page 46 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, which 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the college's basic financial statements. The schedules of cash flows – component unit on page 47 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of cash flows – component unit are the responsibility of the college's management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of cash flows – component unit are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2015, on our consideration of the college's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the college's internal control over financial reporting and compliance.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
March 3, 2015

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, 2014, and June 30, 2013, with comparative information presented for the fiscal year ended June 30, 2012. 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. More detailed information about the college's component unit is included in Note 14 of the financial statements. This discussion and analysis focuses on Jackson State Community College and does not include the component unit.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on Jackson State Community College as a whole. The full scope of Jackson State Community College's activities is considered to be a single business-type activity, and accordingly, is reported within a single column in the basic financial statements.

Jackson State Community College's financial report includes the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of Jackson State Community College at the end of the fiscal year. To aid the reader in determining the Jackson State Community College's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows of resources, and net position of Jackson State Community College and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received, despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of Jackson State Community College. They are also able to determine how much Jackson State Community College owes vendors, lenders, and others. Net position represents the difference between Jackson State Community College's assets and liabilities, along with the difference between deferred outflows and deferred inflows of resources, and is one indicator of Jackson State Community College's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by Jackson State Community College. Net position is divided into three major categories. The first category, net investment in capital assets, represents Jackson State Community College's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is sub-divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by Jackson State Community 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 resources. The final category is unrestricted net position. Unrestricted net position is available to Jackson State Community College for any lawful purpose of Jackson State Community College.

The following table summarizes Jackson State Community College's assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2014; June 30, 2013; and June 30, 2012.

Statements of Net Position Summary (in thousands)			
	2014	2013	2012
Assets:			
Current assets	$18,098	$16,408	$16,650
Capital assets, net	14,972	14,267	12,736
Other assets	10,111	10,931	12,161
Total Assets	43,181	41,606	41,547
Liabilities			
Current liabilities	10,652	10,826	11,170
Noncurrent liabilities	2,807	2,539	2,340
Total Liabilities	13,459	13,365	13,510
Net Position			
Net investment in capital assets	14,972	14,267	12,736
Restricted - expendable	1,575	1,376	1,163
Unrestricted	13,174	12,599	14,137
Total Net Position	$29,721	$28,242	$28,036

<u>Comparison of FY 2014 to FY 2013</u>

- Current assets increased by $1,690,126.33 or 10.3% due, in majority, to an increase in cash derived from lapsed salaries and operating and travel savings in relation to unrestricted revenue. Additionally, restricted cash increased by $190,206.37 due to funds held for the non-recurring state equipment grant of $232,337.14.

- Net capital assets increased by $704,811.74. This increase is a result of land purchases in the amount of $170,471.50, as well as the purchase of equipment of $461,899.44 and projects in progress of $1,296,570.25. These additions totaling $1,942,298.62 were offset by depreciation of $1,230,971.66.

- Other assets decreased by $820,747.91 or 7.51% due, in majority, to a decrease of $419,523.53 in funds held in unexpended plant funds. This decrease was coupled with a reduction of $394,326.81 in renewal and replacement funds held for various projects.

- Restricted expendable net position for instructional department uses increased by $196,474.81 due, in majority, to a $195,000 contribution from West Tennessee Healthcare to the nursing program.

- Current liabilities decreased by $173,515.73 due to a reduction in unearned revenue of $115,867.06 related to falling FTEs enrolled in summer courses coupled with a diminution of the current portion of compensated absences of $109,871.67.

- Noncurrent liabilities increased by $268,019.68 due in majority to an expanding accrued other post-employment benefits of $103,273.84 and increased compensated absences of $169,919.02.

<u>Comparison of FY 2013 to FY 2012</u>

- Current assets decreased by $241,994.57 or 1.5% due, in majority, to a decrease in cash held for the eight Colleges of Applied Technology of $284,974.37.

- Net capital assets increased by $1,530,724.55. This increase is a result of improvements other than buildings in the amount of $425,720.29, as well as the purchase of equipment of $448,785.01, library holdings of $23,883.98, and projects in progress of $1,178,668.48, which was primarily a reflection of the One Stop Shop phase I and II. These additions totaling $2,611,186.26 were offset by depreciation of $1,080,461.71.

- Other assets decreased by $1,229,858.04 or 10.3% due, in majority, to a decrease of $1,196,794.98 in funds held in unexpended plant funds. The funds usage was directly attributable to construction within the One Stop Shop project. This decrease was coupled with by a reduction of $46,991.48 in renewal and replacement funds held for various projects.

- Current liabilities decreased by $344,324.22 due to accounts payable decreasing by $36,184.90, deferred revenue decreasing by $50,195.96, and deposits for the Colleges of Applied Technology decreasing by $285,005.74, partially offset by an increase in accrued liabilities of $2,447.58 and compensated absences of $24,614.80.

- Noncurrent liabilities increased by $198,345.72 due in majority to an expanding accrued other post-employment benefits of $176,278.82 and increased compensated absences of $11,620.58.

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

The statement of revenues, expenses, and changes in net position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether Jackson State Community College’s financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by Jackson State Community College, both operating and nonoperating; the expenses paid by Jackson State Community College, operating and nonoperating; and any other revenues, expenses, gains, or losses received or spent by Jackson State Community College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of Jackson State Community College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of Jackson State Community College. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Jackson State Community College is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, Jackson State Community College has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

A summary of the Jackson State Community College's revenues, expenses, and changes in net position for the year ended June 30, 2014; June 30, 2013; and June 30, 2012, follows:

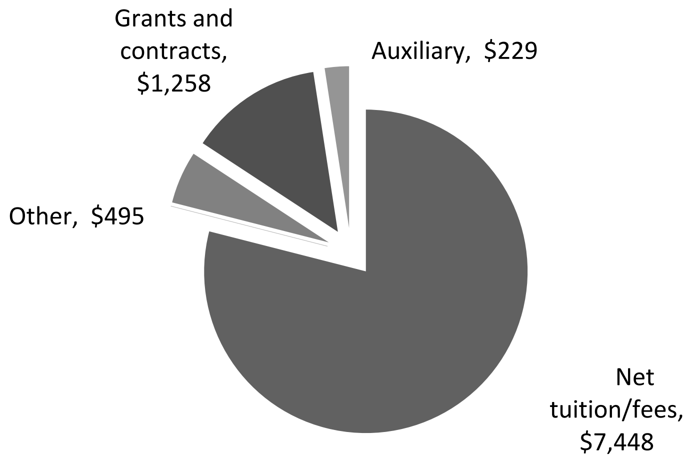
Statements of Revenues, Expenses, and Changes in Net Position Summary
(in thousands)

	2014	2013	2012
Operating revenues	$ 9,430	$ 9,251	$ 10,366
Operating expenses	32,601	34,466	35,523
Operating loss	(23,171)	(25,215)	(25,157)
Nonoperating revenues and expenses	22,623	23,117	27,308
Income (loss) before other revenues, expenses, gains, or lossses	(548)	(2,098)	2,151
Other revenues, expenses, gains, or losses	2,027	2,303	2,673
Increase in net position	1,479	205	4,824
Net position, July 1	28,242	28,037	23,213
Net position, June 30	$ 29,721	$ 28,242	$ 28,037

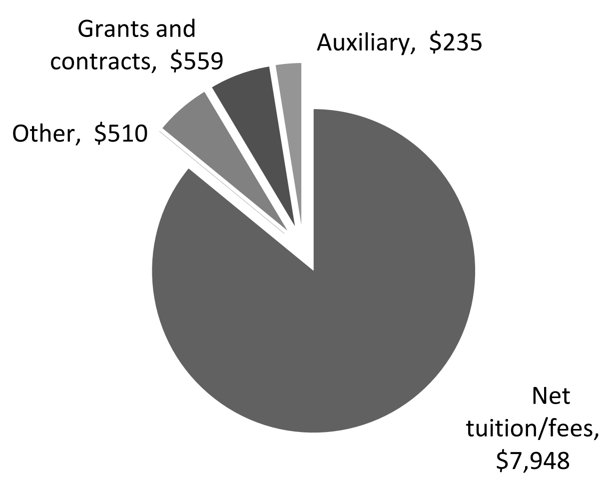
Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last three fiscal years:

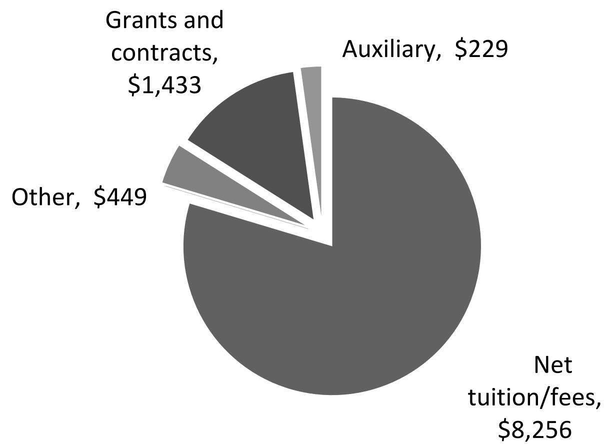
JSCC Operating Revenues By Source
FY 2014
(in thousands of dollars)



JSCC Operating Revenues By Source
FY 2013
(in thousands of dollars)



JSCC Operating Revenues By Source
FY 2012
(in thousands of dollars)



Comparison of FY 2014 to FY 2013

- Student tuition and fees net of scholarship allowances decreased by $499,882.92 or 6.29%. Tuition and fee revenue collection decreased by $601,415.07. The reduced collection was a direct result of an overall fall in FTE enrollment. This decrease in tuition and fee collection was partially offset with a decrease in the scholarship allowance of $101,532.15. When taken together, these two factors produced the net decrease.

- Operating grants and contracts increased by $699,635.94 or 125.26%. The majority of this increase is attributable to the aggregation of two major grants: a state equipment grant provided $405,443.38 in revenue coupled with an increase of $134,878.34 in the TAACCCT RX TN grant. Additional smaller increases were recognized. Among these were the Next Step WIA with an increase of $12,848.78; NSF WiCyS for $10,008.35; USDA RUS Grant for $11,798.00; and NSF Manufacturing Partnership for $16,541.07.

- Sales and services of education departments category fell by $19,107.23. This decrease was due to a decrease in nursing exam revenue of $20,430.50.

Comparison of FY 2013 to FY 2012

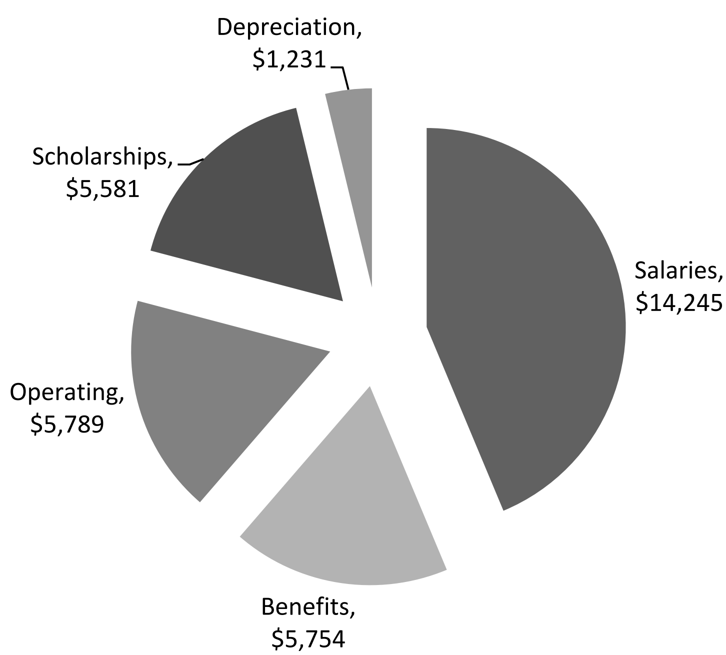
- Student tuition and fees net of scholarship allowances decreased by $307,713.95 or 3.7%. Tuition and fee revenue collection decreased by $1,167,321.32. The reduced collection was a direct result of an overall fall in FTE enrollment. This decrease in tuition and fee collection was partially offset with a decrease in the scholarship allowance of $859,607.37. When taken together, these two factors produced the net decrease.

- Operating grants and contracts decreased by $874,610.57 or 61.03%. The majority of this decrease is attributable to the culmination of two major grants: the Community Based Jobs Training Grant that resulted in $284,166.47 less revenue and the USDA RUS Grant that produced $477,372.87 less funding. Additionally, JSCC recognized $52,318.30 less in CSEC receipts and Perkins-related funding diminished $69,983.13.

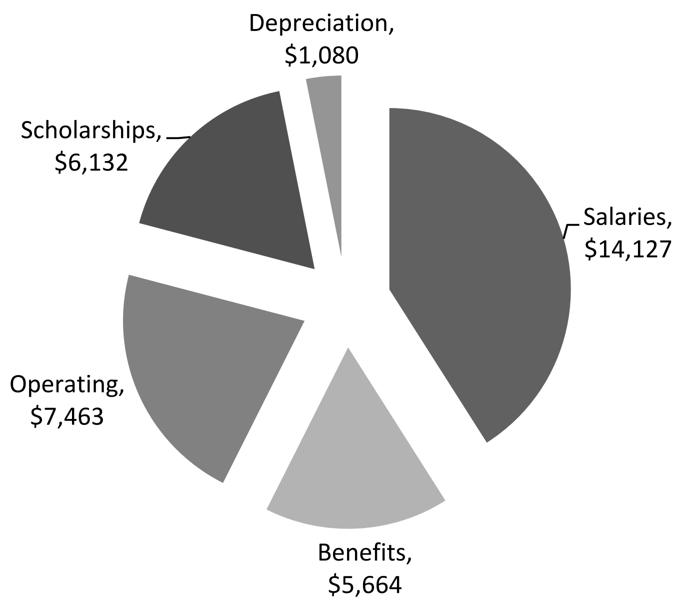
Operating Expenses

Operating expenses may be reported by nature or function. Jackson State Community College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last three fiscal years:

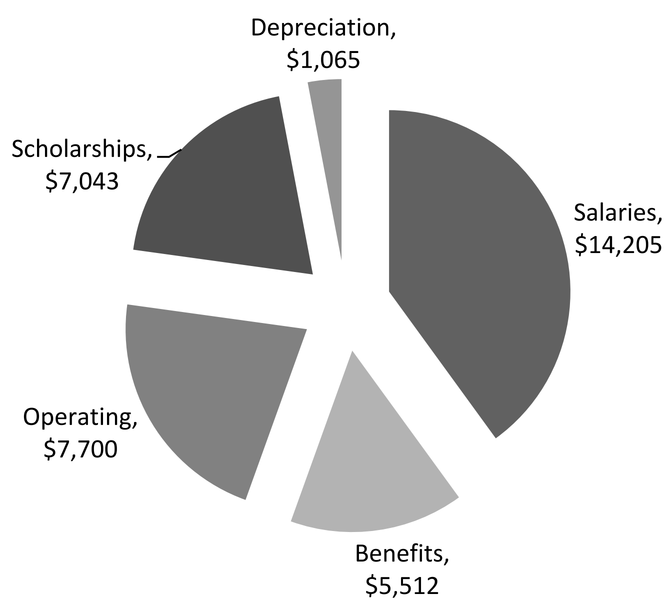
JSCC Natural Classification
FY 2014
(in thousands of dollars)



JSCC Natural Classification
FY 2013
(in thousands of dollars)



JSCC Natural Classification
FY 2012
(in thousands of dollars)



Comparison of FY 2014 to FY 2013

- Salaries and benefits remained stable with a slight increase of $209,103.51, which represented a 1.06% increase. This rise was a result of the 1.5% cost-of-living increase.

- Utilities, supplies, and other services had a decrease of $1,674,088.55 or 22.4%. The decrease is attributable to, primarily, a decrease in unexpended plant expenditures primarily focused on the One Stop Shop project, which required $1,240,934.04 less in expense recognition, and the women's softball field reduction of $363,951.39.

- Scholarships decreased by $550,731.47 or 8.98%. The decrease is due primarily to Pell funding decreases of $741,451.56 partially offset by a $101,532.15 decrease in the scholarship allowance.

Comparison of FY 2013 to FY 2012

- Salaries and benefits remained stable with a slight increase of $73,940.99, which represented a 0.38% increase.

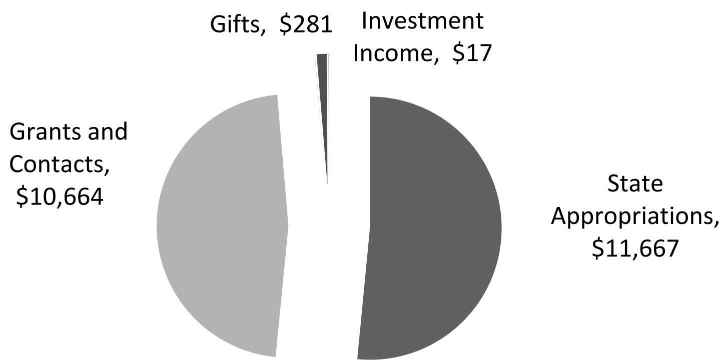
- Utilities, supplies, and other services had a decrease of $236,790.94 or 3.08%. The decrease is attributable to, primarily, a decrease in renewal and replacement purchases of $320,822.36 coupled with a reduction in unexpended plant fund expenditures of $201,741.23 partially offset with increased software maintenance charges of $172,347.17 related to the transition to the OIR, a $38,729.00 increase in operational equipment related to Ayers Auditorium improvements, and a rise in instructional supply expense of $115,457.93.

- Scholarships decreased by $911,063.61 or 12.9%. The decrease is the aggregate of Pell funding decreases of $1,387,437.44 coupled with unrestricted scholarship decreases of $252,045.39 and partially offset by an $859,607.37 decrease in the scholarship allowance. The residual balance is offsetting decreases in various other programs. Decreased funding in a financial aid category would facilitate decreased scholarship expense as this money is distributed to recipients, while an increase in the scholarship allowance is less that is credited against expenses.

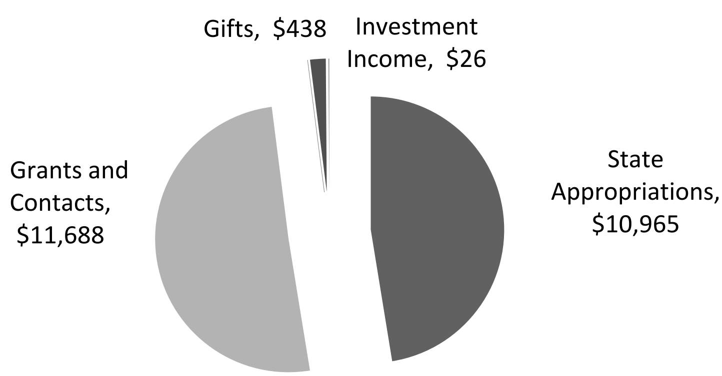
Nonoperating Revenues and Expenses

Certain revenue sources that Jackson State Community College relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes Jackson State Community College's nonoperating revenues and expenses for the last three fiscal years:

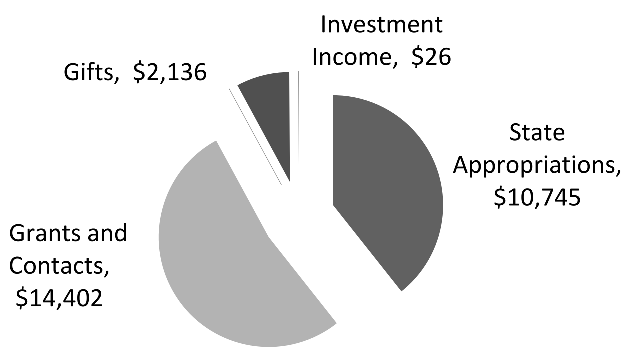
JSCC Nonoperating Revenues and Expenses
FY 2014
(in thousands of dollars)



JSCC Nonoperating Revenues and Expenses
FY 2013
(in thousands of dollars)



JSCC Nonoperating Revenues and Expenses
FY 2012
(in thousands of dollars)



Comparison of FY 2014 to FY 2013

- State appropriations increased by $702,506.50 or 6.416%. This is due, in majority, to appropriated salary increases of $173,800, formula outcome increases of $505,000, and group insurance increases of $23,700.

- Nonoperating grants and contracts decreased by $1,023,633.31 in majority due to a decrease in Pell of $741,451.56 coupled with a reduction in Lottery funding of a grant of $149,239.75 and TSAC funding of $117,001.

- Noncapital gifts decreased by $156,454.48 due, primarily, to the reduction of a West Tennessee Healthcare gift to the nursing program of $131,250.

Comparison of FY 2013 to FY 2012

- State appropriations increased by $220,022.54 or 2% due to a 2013 salary increase appropriation of $287,200.

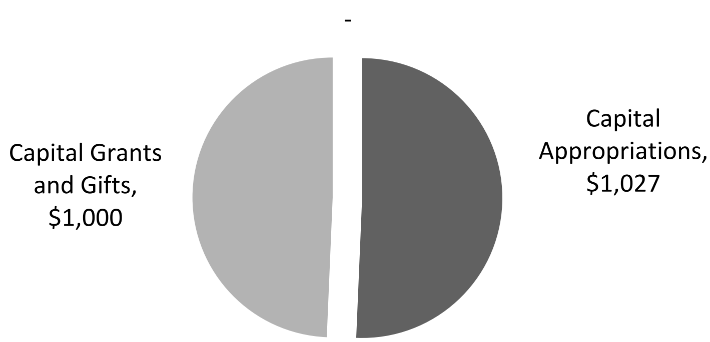
- Nonoperating grants and contracts decreased by $2,714,126.74 in majority due to a decrease in Pell of $1,385,202.44 coupled with a cessation in the ARRA-related grant funding of $1,371,650.30.

- The college’s gifts decreased by $1,697,809.15. This decrease was due, in majority, to a non-recurring transfer of $1,588,235.00 from the foundation for the Allied Health Building contributed by a donor specifically for the project. Additionally, a decrease of $86,874.15 from the foundation to the college for student scholarship/grants precipitated the overall decrease.

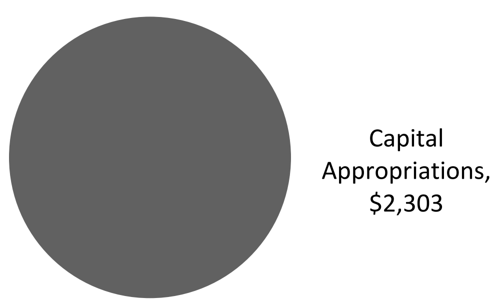
Other Revenues

This category is composed of state appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last three fiscal years:

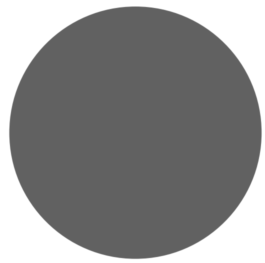
JSCC Other Revenues by Source
FY 2014
(in thousands of dollars)



JSCC Other Revenues by Source
FY 2013
(in thousands of dollars)



JSCC Other Revenues by Source
FY 2012
(in thousands of dollars)



Comparison of FY 2014 to FY 2013

- Capital appropriations for the fiscal year were $1,027,166.20, which reflected a decrease of $1,275,770.58. Total projects included are plumbing repairs for $283,777.19, the nursing building for $705,936.47, McWherter roofing for $34,848.00, and state cost allocation for $2,604.54.

- The college's capital gifts increased by $1,000,000. This increase was due to a non-recurring transfer of $1,000,000 from the foundation for the Health Science Building contributed by a donor specifically for the project.

Comparison of FY 2013 to FY 2012

- Capital appropriations for the fiscal year were $2,302,936.78, which reflected a decrease of $369,908.15. Total projects included are the women's softball field project for $346,817.74, the ADA adaptations project for $5,976.29, the HVAC repairs project for $1,833.24, the plumbing corrections project for $481,803.08, the student center project for $1,426,998, the Allied Health Building project for $32,863.50, and a state cost allocation of $6,644.44.

Capital Assets and Debt Administration

Capital Assets

Jackson State Community College had $14,972,326.18 invested in capital assets, net of accumulated depreciation of $14,247,308.90 at June 30, 2014; and $14,267,514.44 invested in capital assets, net of accumulated depreciation of $13,487,616.13 at June 30, 2013. The college had $12,736,789.89 invested in capital assets, net of accumulated depreciation of $12,891,885.65

at June 30, 2012. Depreciation charges totaled $1,230,971.66; $1,080,461.71; and $1,064,659.83 for the years ended June 30, 2014; June 30, 2013; and June 30, 2012, respectively.

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

	2014	2013	2012
Land	$ 827	$ 657	$ 129
Land improvements and infrastructure	2,012	2,134	242
Buildings	5,248	5,565	5,940
Equipment	2,191	2,296	2,278
Library holdings	9	44	74
Intangible assets	188	281	375
Projects in progress	4,497	3,290	3,699
Total	$14,972	$14,267	$12,737

Comparison of FY 2014 to FY 2013

- Significant additions to capital assets occurred in fiscal year 2014. These additions were primarily in the projects in progress category. The nursing building was the major outlay in this area with $705,936.47 in expenditures. Secondly, the One Stop phase II grew by $452,898.53 and the Health Science Building grew by $121,884.00. Finally, land investments grew by $170,471.50.

- At June 30, 2014, outstanding commitments under construction contracts totaled $8,884,178.33 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $8,169,665.78 of these costs.

- More detailed information about Jackson State Community College's capital assets is presented in Note 5 to the financial statements.

Comparison of FY 2013 to FY 2012

- Major additions to capital assets occurred in fiscal year 2013. These additions were from purchase of property totaling $527,933.50, student parking paving totaling $232,189.18, gymnasium repairs totaling $463,185.89, energy efficient lighting project totaling $887,917.68, and a new women's softball field totaling $361,528.44.

- At June 30, 2013, outstanding commitments under construction contracts totaled $856,167.44 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $832,622.59 of these costs.

- More detailed information about Jackson State Community College’s capital assets is presented in Note 5 to the financial statements.

Debt

The college had no debt outstanding at June 30, 2014, June 30, 2013, and June 30, 2012, respectively. More information about the college’s long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors That Will Affect the Future

Tuition increased by 3% for the 2013-2014 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. Further, as access to financial aid resources become 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. The new Tennessee Promise Program, which offers two years of community or technical college tuition-free, may have an impact on the number of students enrolling in the future.

Tennessee Board of Regents
JACKSON STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2014, and June 30, 2013

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Assets				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 14)	$17,320,042.11	$15,764,365.28	$ 310,861.95	$ 13,654.94
Accounts, notes, and grants receivable (net) (Notes 4 and 14)	530,258.41	633,603.50	24,495.97	20,251.10
Pledges receivable (net) (Note 14)	-	-	17,642.75	75,232.94
Due from primary government	234,977.07	-	-	-
Prepaid expenses	3,029.96	212.44	-	-
Accrued interest receivable	9,778.34	9,778.34	1,415.89	4,614.91
Total current assets	18,098,085.89	16,407,959.56	354,416.56	113,753.89
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 14)	9,944,154.48	10,750,475.69	171,160.23	106,866.64
Investments (Note 14)	-	-	1,897,260.64	3,233,601.63
Accounts, notes, and grants receivable (net) (Notes 4 and 14)	165,982.17	180,408.87	-	-
Pledges receivable (net) (Note 14)	-	-	3,300.00	4,800.00
Capital assets (net) (Note 5)	14,972,326.18	14,267,514.44	-	-
Total noncurrent assets	25,082,462.83	25,198,399.00	2,071,720.87	3,345,268.27
Total assets	43,180,548.72	41,606,358.56	2,426,137.43	3,459,022.16
Liabilities				
Current liabilities:				
Accounts payable (Note 6)	554,690.49	266,925.47	143.29	-
Accrued liabilities	710,957.59	680,530.52	-	-
Unearned revenue	650,396.57	766,263.63	-	-
Compensated absences (Note 7)	120,246.75	230,118.42	-	-
Deposits held in custody for others	8,616,112.56	8,882,081.65	-	-
Total current liabilities	10,652,403.96	10,825,919.69	143.29	-
Noncurrent liabilities:				
Net OPEB obligation (Note 9)	1,836,420.01	1,733,146.17	-	-
Compensated absences (Note 7)	803,830.83	633,911.81	-	-
Due to grantors (Note 7)	166,531.65	171,704.83	-	-
Total noncurrent liabilities	2,806,782.49	2,538,762.81	-	-
Total liabilities	13,459,186.45	13,364,682.50	143.29	-
Net Position				
Net investment in capital assets	14,972,326.18	14,267,514.44	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	1,223,384.91	1,223,208.57
Other	-	-	130,775.28	126,670.25
Expendable:				
Scholarships and fellowships	76,826.27	79,703.04	632,191.96	536,033.63
Instructional department uses	1,313,207.68	1,116,732.87	45,564.88	46,421.58
Loans	-	57,234.94	38,257.24	32,071.62
Capital projects	-	-	77,371.75	1,015,205.87
Other	184,865.05	121,953.85	225,351.81	430,509.69
Unrestricted	13,174,137.09	12,598,536.92	53,096.31	48,900.95
Total net position	$29,721,362.27	$28,241,676.06	$2,425,994.14	$3,459,022.16

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

Tennessee Board of Regents
JACKSON STATE COMMUNITY COLLEGE
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014, and June 30, 2013

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013
Revenues				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $6,087,712.90 for the year ended June 30, 2014, and $6,189,245.05 for the year ended June 30, 2013)	$ 7,448,016.53	$ 7,947,899.45	$ -	$ -
Gifts and contributions	-	-	112,825.55	122,864.07
Governmental grants and contracts	1,250,667.50	543,531.56	-	-
Nongovernmental grants and contracts	7,500.00	15,000.00	-	-
Sales and services of educational activities	179,570.20	198,677.43	-	-
Sales and services of other activities	297,829.87	295,836.33	-	-
Auxiliary enterprises:				
Bookstore	228,600.00	234,843.96	-	-
Interest earned on loans to students	4,525.55	3,203.89	-	-
Other operating revenues	13,424.50	11,894.84	-	-
Total operating revenues	9,430,134.15	9,250,887.46	112,825.55	122,864.07
Expenses				
Operating expenses (Note 12):				
Salaries and wages	14,245,108.92	14,126,929.27	84,958.87	95,903.56
Benefits	5,754,477.80	5,663,553.94	56,639.25	63,935.71
Utilities, supplies, and other services	5,789,035.74	7,463,124.29	280,856.73	287,019.52
Scholarships and fellowships	5,580,935.14	6,131,666.61	6,175.22	-
Depreciation expense	1,230,971.66	1,080,461.71	-	-
Payments to or on behalf of Jackson State Community College (Note 14)	-	-	1,086,286.65	110,631.13
Total operating expenses	32,600,529.26	34,465,735.82	1,514,916.72	557,489.92
Operating loss	(23,170,395.11)	(25,214,848.36)	(1,402,091.17)	(434,625.85)
Nonoperating Revenues (Expenses)				
State appropriations	11,667,293.50	10,964,787.00	-	-
Gifts (including $86,286.65 from component unit for the year ended June 30, 2014, and $110,631.13 for the year ended June 30, 2013)	281,376.65	437,831.13	-	-
Grants and contracts	10,664,132.75	11,687,766.06	-	-
Investment income (expense) (net of investment expense of $16,301.28 for the component unit for the year ended June 30, 2014, and $14,539.40 for the year ended June 30, 2013)	16,627.44	26,377.83	227,465.03	101,144.54
College support	-	-	141,598.12	159,839.27
Other nonoperating revenues (expenses)	(6,515.22)	-	-	-
Net nonoperating revenues (expenses)	22,622,915.12	23,116,762.02	369,063.15	260,983.81
Loss before other revenues, expenses, gains, or losses	(547,479.99)	(2,098,086.34)	(1,033,028.02)	(173,642.04)
Capital appropriations	1,027,166.20	2,302,936.78	-	-
Other capital	1,000,000.00	-	-	-
Additions to permanent endowments	-	-	-	538,505.39
Total other revenues	2,027,166.20	2,302,936.78	-	538,505.39
Increase (decrease) in net position	1,479,686.21	204,850.44	(1,033,028.02)	364,863.35
Net position - beginning of year	28,241,676.06	28,036,825.62	3,459,022.16	3,094,158.81
Net position - end of year	$ 29,721,362.27	$ 28,241,676.06	$ 2,425,994.14	$3,459,022.16

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, 2014, and June 30, 2013

	Year Ended June 30, 2014	Year Ended June 30, 2013
Cash Flows From Operating Activities		
Tuition and fees	$ 7,441,361.41	$ 7,989,720.63
Grants and contracts	1,231,299.74	629,111.53
Sales and services of educational activities	179,570.20	198,677.43
Sales and services of other activities	297,829.87	295,836.33
Payments to suppliers and vendors	(5,610,783.88)	(7,455,128.82)
Payments to employees	(14,174,903.33)	(14,128,535.93)
Payments for benefits	(5,495,113.58)	(5,473,029.29)
Payments for scholarships and fellowships	(5,580,935.14)	(6,131,666.61)
Loans issued to students	14,426.70	(10,238.99)
Interest earned on loans to students	4,525.55	3,203.89
Auxiliary enterprise charges:		
Bookstore	228,600.00	234,843.96
Other receipts	8,251.32	22,341.16
Net cash used by operating activities	(21,455,871.14)	(23,824,864.71)
Cash Flows From Noncapital Financing Activities		
State appropriations	11,410,822.93	10,978,000.00
Gifts and grants received for other than capital or endowment purposes, including $86,286.65 from Jackson State Community College Foundation for the year ended June 30, 2014, and $110,631.13 for the year ended June 30, 2013	10,958,877.90	12,110,975.19
Changes in deposits held for others	(265,969.09)	(285,005.74)
Net cash provided by noncapital financing activities	22,103,731.74	22,803,969.45
Cash Flows From Capital and Related Financing Activities		
Capital - state appropriation	1,027,166.20	2,302,936.78
Capital grants and gifts received, from Jackson State Community College Foundation	1,000,000.00	-
Purchase of capital assets and construction	(1,942,298.62)	(2,611,186.26)
Net cash provided (used) by capital and related financing activities	84,867.58	(308,249.48)
Cash Flows From Investing Activities		
Income on investments	16,627.44	26,377.83
Net cash provided by investing activities	16,627.44	26,377.83
Net increase (decrease) in cash and cash equivalents	749,355.62	(1,302,766.91)
Cash and cash equivalents - beginning of year	26,514,840.97	27,817,607.88
Cash and cash equivalents - end of year	$ 27,264,196.59	$ 26,514,840.97

Tennessee Board of Regents
JACKSON STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2014, and June 30, 2013

	Year Ended June 30, 2014	Year Ended June 30, 2013
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (23,170,395.11)	$ (25,214,848.36)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,230,971.66	1,080,461.71
Other adjustments	21,493.50	12,687.00
Change in assets and liabilities:		
Receivables, net	103,034.59	151,313.09
Prepaid expenses	(2,817.52)	1,947.60
Accounts payable	274,707.02	(21,398.90)
Accrued liabilities	133,700.91	178,726.40
Unearned revenue	(115,867.06)	(50,195.96)
Compensated absences	60,047.35	36,235.38
Due to grantors	(5,173.18)	10,446.32
Loans to students	14,426.70	(10,238.99)
Net cash used by operating activities	$ (21,455,871.14)	$ (23,824,864.71)

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

Note 1. Summary of Significant Accounting Policies

Reporting Entity

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

The financial statements present only that portion of the Tennessee Board of Regents' activities that is attributable to the transactions of Jackson State Community College.

The Jackson State Community College Foundation is considered a component unit of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by its 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 14 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 accordance with accounting principles generally accepted in the United States of America 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 of the provider's eligibility requirements have been met. All significant interfund transactions have been eliminated.

The college has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) utilities, supplies, and other services; (4) scholarships and fellowships; and (5) depreciation.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the college's policy to determine which to use first, depending upon existing facts and circumstances.

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 position. There is no liability for unpaid accumulated sick leave since the college'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, works of art, historical treasures/collections, and intangible assets, are reported in the statement of net position at historical cost or at fair value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of $100,000 is used for buildings, and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000. The capitalization threshold for art, historical treasures/collections, and similar assets is set at $5,000.

These assets, with the exception of works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over the estimated useful lives, which range from 5 to 40 years.

Net Position

The college's net position is classified as follows:

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

Nonexpendable restricted net position – Nonexpendable restricted net position consists 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 position – Expendable restricted net position includes resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents 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 college's discretion 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 position. 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.

Accounting Change

The college implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended June 30, 2013. The effect on the college was the renaming of the residual of all other elements in the statement of financial position as net position, rather than net assets.

Early Implementation of Accounting Pronouncement

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities; it also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. However, the college has elected to implement the provisions of this statement for fiscal year 2013.

Note 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2014, cash consisted of $3,733,746.04 in bank accounts, $5,618.90 of petty cash on hand, $20,895,693.74 in the Local Government Investment Pool (LGIP) administered by the State Treasurer, and $2,629,137.91 in LGIP deposits for capital projects. At June 30, 2013, cash consisted of $3,680,782.49 in bank accounts, $5,618.90 of petty cash on hand, $20,626,564.74 in LGIP, and $2,201,874.84 in LGIP deposits for capital projects.

The LGIP is part of the State Pooled Investment Fund. The fund's required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

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, the Tennessee Board of Regents withdraws funds from the LGIP account and transfers them to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

Note 3. Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool.

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 that are under contract of sale or are expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

Tennessee Board of Regents policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guarantee 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, 2014, and June 30, 2013, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $23,524,831.65 at June 30, 2014, and $22,828,439.58 at June 30, 2013. 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 Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

Note 4. Receivables

Receivables included the following:

	June 30, 2014	June 30, 2013
Student accounts receivable	$1,483,018.82	$1,785,029.92
Grants receivable	134,679.04	108,121.78
Other receivables	38,524.75	60,204.21
Subtotal	1,656,222.61	1,953,355.91
Less allowance for doubtful accounts	(1,125,964.20)	(1,319,752.41)
Total receivables	$ 530,258.41	$ 633,603.50

Federal Perkins Loan Program funds included the following:

	June 30, 2014	June 30, 2013
Perkins loans receivable	$228,295.69	$242,722.39
Less allowance for doubtful accounts	(62,313.52)	(62,313.52)
Total	$165,982.17	$180,408.87

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 656,578.70	$ 170,471.50	$ -	$ -	$ 827,050.20
Land improvements and infrastructure	2,415,549.88	-	-	-	2,415,549.88
Buildings	14,636,619.89	-	-	(6,195.00)	14,630,424.89
Equipment	5,348,310.73	461,899.44	-	(317,559.75)	5,492,650.42
Library holdings	471,148.06	13,357.43	-	(65,234.36)	419,271.13
Intangible assets	937,173.46	-	-	-	937,173.46
Projects in progress	3,289,749.85	1,207,765.25	-	-	4,497,515.10
Total	27,755,130.57	1,853,493.62	-	(388,989.11)	29,219,635.08
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	281,454.75	217,002.49	-	(95,000.00)	403,457.24
Buildings	9,071,415.08	311,032.46	-	-	9,382,447.54
Equipment	3,051,887.05	560,702.15	-	(311,044.53)	3,301,544.67
Library holdings	427,037.83	48,450.55	-	(65,234.36)	410,254.02
Intangible assets	655,821.42	93,784.01	-	-	749,605.43
Total	13,487,616.13	1,230,971.66	-	(471,278.89)	14,247,308.90
Capital assets, net	$14,267,514.44	$ 622,521.96	$ -	$ 82,289.78	$14,972,326.18

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 128,645.20	$ 527,933.50	$ -	$ -	$ 656,578.70
Land improvements and infrastructure	401,891.69	425,720.29	1,587,937.90	-	2,415,549.88
Buildings	14,630,424.89	6,195.00	-	-	14,636,619.89
Equipment	5,321,695.25	448,785.01	-	(422,169.53)	5,348,310.73
Library holdings	509,825.78	23,883.98	-	(62,561.70)	471,148.06
Intangible	937,173.46	-	-	-	937,173.46
Projects in progress	3,699,019.27	1,178,668.48	(1,587,937.90)	-	3,289,749.85
Total	25,628,675.54	2,611,186.26	-	(484,731.23)	27,755,130.57
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	159,452.25	122,002.50	-	-	281,454.75
Buildings	8,690,219.68	381,195.40	-	-	9,071,415.08
Equipment	3,043,947.77	430,108.81	-	(422,169.53)	3,051,887.05
Library holdings	436,228.55	53,370.98	-	(62,561.70)	427,037.83
Intangible assets	562,037.40	93,784.02	-	-	655,821.42
Total	12,891,885.65	1,080,461.71	-	(484,731.23)	13,487,616.13
Capital assets, net	$12,736,789.89	$1,530,724.55	$ -	$ -	$14,267,514.44

Note 6. Accounts Payable

Accounts payable included the following:

	June 30, 2014	June 30, 2013
Vendors payable	$510,050.53	$236,205.61
Unapplied student payments	36,364.05	22,317.00
Other payables	8,275.91	8,402.86
Total accounts payable	$554,690.49	$266,925.47

Note 7. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
Compensated absences	$ 864,030.23	$737,686.33	$(677,638.98)	$ 924,077.58	$120,246.75
Due to grantors	171,704.83	1,958.66	(7,131.84)	166,531.65	-
Total long-term liabilities	$1,035,735.06	$739,644.99	$(684,770.82)	$1,090,609.23	$120,246.75

Long-term liabilities activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
Compensated absences	$827,794.85	$747,657.69	$(711,422.31)	$ 864,030.23	$230,118.42
Due to grantors	161,258.51	15,527.92	(5,081.60)	171,704.83	-
Total long-term liabilities	$989,053.36	$763,185.61	$(716,503.91)	$1,035,735.06	$230,118.42

Note 8. Pension Plans

Defined Benefit Plans

Tennessee Consolidated Retirement System

Plan description – The State of Tennessee provides a pension plan that covers state and higher education employees. That plan is a part of the Public Employee Retirement Plan, an agent 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.

TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employee Retirement Plan. 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 15.03% of annual covered payroll. Contribution requirements for the college are established and may be amended by TCRS' Board of Trustees.

Annual pension cost – For the years ended June 30, 2014, and June 30, 2013, the college's contributions equaled the annual pension cost of $1,278,189.18 and $1,249,874.76, respectively.

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$1,278,189.18	100%	$0
June 30, 2013	$1,249,874.76	100%	$0
June 30, 2012	$1,233,329.22	100%	$0

Additional information - Information about the funded status of the plan as of the most recent valuation date, information about the actuarial methods and assumptions used in the valuations, and required supplementary information are available in the *Tennessee Comprehensive Annual Financial Report*. A copy of that report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

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 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 $380,280.42 for the year ended June 30, 2014, and $384,140.99 for the year ended June 30, 2013. Contributions met the requirements for each year.

Note 9. 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*, for the State Employee Group Plan and Section 8-27-701, *Tennessee Code Annotated,* for the Medicare Supplement Plan. Prior to reaching age 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care 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 13. The plans are reported in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation

The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan, which covers the retirees of other governmental entities, including Jackson State Community College. The state is the sole contributor for the college retirees who participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

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. The plan's claims liabilities are periodically computed using actuarial and statistical techniques to establish premium rates. The plan's administrative costs are allocated to plan participants. Retirees in the State Employee Group Plan pay the same base premium, adjusted for years of service, as active employees. 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

	2014	2013
Annual required contribution (ARC)	$ 402,000.00	$ 477,000.00
Interest on the net OPEB obligation	69,325.85	62,274.69
Adjustment to the ARC	(67,540.09)	(66,103.40)
Annual OPEB cost	403,785.76	473,171.29
Amount of contribution	(300,511.92)	(296,892.47)
Increase in net OPEB obligation	103,273.84	176,278.82
Net OPEB obligation – beginning of year	1,733,146.17	1,556,867.35
Net OPEB obligation – end of year	$1,836,420.01	$1,733,146.17

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2014	State Employee Group Plan	$403,785.76	74.4%	$1,836,420.01
June 30, 2013	State Employee Group Plan	$473,171.29	62.7%	$1,733,146.17
June 30, 2012	State Employee Group Plan	$467,526.31	69.1%	$1,556,867.35

Funded Status and Funding Progress

The funded status of the college's portion of the State Employee Group Plan was as follows:

State Employee Group Plan	
Actuarial valuation date	July 1, 2013
Actuarial accrued liability (AAL)	$3,740,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,740,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$11,048,542.89
UAAL as percentage of covered payroll	33.9%

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.

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, 2013, 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 7.5% initially. The rate decreased to 7.0% in fiscal year 2015 and then reduces by decrements to an ultimate rate of 4.19% in fiscal year 2044. 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. Payroll is assumed to grow at a rate of 3.0%.

Note 10. 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.

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 year ended June 30, 2014, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Section 50-6-101 et seq, *Tennessee Code Annotated*. Claims are paid through the state's Risk Management Fund.

At June 30, 2014, the Risk Management Fund held $116.3 million in cash designated for payment of claims. At June 30, 2013, the Risk Management Fund held $108.5 million in cash designated for payment of claims.

At June 30, 2014, the scheduled coverage for the college was $67,881,000 for buildings and $25,868,929 for contents. At June 30, 2013, the scheduled coverage for the college was $67,881,000 for buildings and $25,868,929 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.

Note 11. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $4,328,047.72 at June 30, 2014, and $4,152,692.85 at June 30, 2013.

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 real property were $36,244.64 for the year ended June 30, 2014. The amount for the year ended June 30, 2013, was $37,936.81. All operating leases are cancelable at the lessee’s option.

Construction in Progress

At June 30, 2014, outstanding commitments under construction contracts totaled $8,884,178.33 for new nursing and health science buildings, McWherter Building roof repair, and student center repairs, of which $8,169,665.78 will be funded by future state capital outlay appropriations.

Note 12. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2014, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 7,554,713.66	$2,590,924.16	$1,962,666.97	$ -	$ -	$12,108,304.79
Public service	71,025.98	26,835.69	80,685.23	-	-	178,546.90
Academic support	2,253,833.89	943,433.03	(513,478.43)	-	-	2,683,788.49
Student services	1,254,223.35	656,843.25	1,067,719.52	-	-	2,978,786.12
Institutional support	2,390,702.71	1,155,349.35	1,286,376.66	-	-	4,832,428.72
Maintenance & operation	720,609.33	381,092.32	1,905,065.79	-	-	3,006,767.44
Scholarships & fellowships	-	-	-	5,580,935.14	-	5,580,935.14
Depreciation	-	-	-	-	1,230,971.66	1,230,971.66
Total	$14,245,108.92	$5,754,477.80	$5,789,035.74	$5,580,935.14	$1,230,971.66	$32,600,529.26

The college's operating expenses for the year ended June 30, 2013, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,303,335.22	$2,842,156.07	$1,996,067.82	$ -	$ -	$13,141,559.11
Public service	55,457.72	23,641.45	58,371.54	-	-	137,470.71
Academic support	1,380,411.99	579,420.95	(564,269.12)	-	-	1,395,563.82
Student services	1,323,293.66	679,828.88	1,014,272.07	-	-	3,017,394.61
Institutional support	2,345,113.23	1,179,524.43	1,264,355.34	-	-	4,788,993.00
Maintenance & operation	719,317.45	358,982.16	3,694,326.64	-	-	4,772,626.25
Scholarships & fellowships	-	-	-	6,131,666.61	-	6,131,666.61
Depreciation	-	-	-	-	1,080,461.71	1,080,461.71
Total	$14,126,929.27	$5,663,553.94	$7,463,124.29	$6,131,666.61	$1,080,461.71	$34,465,735.82

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $1,615,776.58 for the year ended June 30, 2014, and $1,564,942.15 for the year ended June 30, 2013, were reallocated from academic support to the other functional areas and caused academic support operating expenses to appear as a negative amount in the schedule above.

Note 13. On-behalf Payments

During the year ended June 30, 2014, the State of Tennessee made payments of $21,493.50 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2013, was $12,687.00. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. The plan is reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Note 14. 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 21-member board of the foundation is self-perpetuating and consists of graduates and friends of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

The foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the college's financial statements for these differences.

During the year ended June 30, 2014, the foundation made distributions of $1,086,286.65 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2013, the foundation made distributions of $110,631.13 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.

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 table categorizes the recurring fair-value measurements for assets and liabilities at June 30, 2014, and at June 30, 2013.

	Total Fair Value at June 30, 2014	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash equivalents	$ 26,677.46	$ 26,677.46	$ -	$ -
Investments	1,897,260.64	1,640,779.03	256,481.61	
Pledges receivable	20,942.75	-	-	20,942.75
Total assets	$1,944,880.85	$ 1,667,456.49	$256,481.61	$ 20,942.75
Liabilities:				
Other payables	$ 143.29	$ 143.29	$ -	$ -
Total liabilities	$ 143.29	$ 143.29	$ -	$ -

	Total Fair Value at June 30, 2013	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Cash equivalents	$ 33,505.80	$ 33,505.80	$ -	$ -
Investments	3,233,601.63	2,976,533.59	257,068.04	
Pledges receivable	80,032.94	-	-	80,032.94
Total assets	$ 3,347,140.37	$ 3,010,039.39	$ 257,068.04	$ 80,032.94

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

At June 30, 2014	Beginning Balance	Total Gains/ (Losses), Realized and Unrealized	Purchases	Issuances	Settlements	Transfers In/(Out) of Level 3	Ending Balance
Assets:							
Pledges receivable	$80,032.94	$ -	$ -	$ -	$(59,090.19)	$ -	$20,942.75
Total assets	$80,032.94	$ -	$ -	$ -	$(59,090.19)	$ -	$20,942.75

At June 30, 2013	Beginning Balance	Total Gains/ (Losses), Realized and Unrealized	Purchases	Issuances	Settlements	Transfers In/(Out) of Level 3	Ending Balance
Assets:							
Pledges receivable	$170,006.42	$ -	$ -	$ -	$(89,973.48)	$ -	$80,032.94
Total assets	$170,006.42	$ -	$ -	$ -	$(89,973.48)	$ -	$80,032.94

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and money market funds. Uninsured bank balances at June 30, 2014, totaled $233,609.18. Uninsured bank balances at June 30, 2013, totaled $33,505.80.

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, 2014, were as follows*:*

	Cost	Fair Value
Certificates of deposit	$ 67,736.99	$ 67,736.99
Mutual bond funds	1,219,971.88	1,223,025.92
Mutual equity funds	349,632.86	417,753.11
Annuity	180,000.00	188,744.62
Total investments	$1,817,341.73	$1,897,260.64

Investments held at June 30, 2013, were as follows:

	Cost	Fair Value
Certificates of deposit	$ 65,911.72	$ 65,911.72
Mutual bond funds	2,285,158.76	2,274,923.78
Mutual equity funds	602,093.03	701,609.81
Annuity	180,000.00	191,156.32
Total investments	$3,133,163.51	$3,233,601.63

Pledges Receivable

Pledges receivable are summarized below net of the allowance for doubtful accounts:

	June 30, 2014	June 30, 2013
Current pledges	$17,650.00	$75,250.00
Pledges due in one to five years	3,300.00	4,800.00
Subtotal	20,950.00	80,050.00
Less discount to net present value	(7.25)	(17.06)
Total pledges receivable, net	$20,942.75	$80,032.94

Endowments

The Jackson State Community College Foundation's endowments consist of 25 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, is 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 position (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until the foundation appropriates those amounts for expenditure 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 Position Class
as of June 30, 2014

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$1,354,160.19	$203,903.27	$ -	$1,558,063.46
Total funds	$1,354,160.19	$203,903.27	$ -	$1,558,063.46

Composition of Endowment by Net Position Class
as of June 30, 2013

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$1,349,878.82	$132,100.86	$ -	$1,481,979.68
Total funds	$1,349,878.82	$132,100.86	$ -	$1,481,979.68

Changes in Endowment Net Position for the Year Ended June 30, 2014

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$1,349,878.82	$132,100.86	$ -	$ 1,481,979.68
Investment return:				
Investment income	945.81	17,434.11	-	18,379.92
Net appreciation (realized and unrealized)	3,335.56	70,432.96	-	73,768.52
Total investment return	4,281.37	87,867.07	-	92,148.44
Contributions	-	13,190.84	-	13,190.84
Appropriations of endowment assets for expenditure	-	(29,255.50)	-	(29,255.50)
Endowment net position, end of year	$1,354,160.19	$203,903.27	$ -	$1,558,063.46

Changes in Endowment Net Position for the Year Ended June 30, 2013

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$ 809,290.79	$141,708.62	$ -	$ 950,999.41
Investment return:				
Investment income	942.75	8,782.49	-	9,725.24
Net appreciation (realized and unrealized)	1,139.89	10,139.21	-	11,279.10
Total investment return	2,082.64	18,921.70	-	21,004.34
Contributions	538,505.39	11,611.02	-	550,116.41
Appropriations of endowment assets for expenditure	-	(40,140.48)	-	(40,140.48)
Endowment net position, end of year	$1,349,878.82	$132,100.86	$ -	$1,481,979.68

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 rate of return of approximately 4.4% annually. Actual returns in any given year may vary from this amount.

<u>Strategies employed for achieving objectives</u> – To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that allows funds to be invested up to a maximum of 65% in equity-based investments and up to 75% in fixed income investments to achieve its long-term return objectives within prudent risk restraints.

<u>Spending policy and how the investment objectives relate</u> – 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 75% 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.

Support From Jackson State Community College

The college paid certain payroll costs for college personnel who also performed services supporting the foundation amounting to $141,598.12 in fiscal year 2014 and $159,839.27 in fiscal year 2013. These supporting costs paid by the college are reflected in the statement of revenues, expenses, and changes in net position as College Support, with a like amount included in expenses. The college provides office space and the use of certain common facilities and services to the foundation at no cost. These costs have not been recorded as College Support because they are not considered to be significant to the operations of the foundation.

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

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, 2013	State Employee Group Plan	$ -	$3,740,000	$3,740,000	0%	$11,048,543	33.9%
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%

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

Supplementary Information
JACKSON STATE COMMUNITY COLLEGE FOUNDATION
Supplementary Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2014, and June 30, 2013

	June 30, 2014	June 30, 2013
Cash Flows From Operating Activities		
Gifts and contributions	$ 171,915.74	$ 212,837.55
Payments to suppliers and vendors	(280,713.44)	(287,019.52)
Payments for scholarships and fellowships	(6,175.22)	-
Payments to Jackson State Community College	(1,086,286.65)	(110,631.13)
Loans issued to students and employees	(4,332.10)	(5,397.40)
Collection of loans from students and employees	87.23	618.43
Net cash used by operating activities	(1,205,504.44)	(189,592.07)
Cash Flows From Noncapital Financing Activities		
Private gifts for endowment purposes	-	538,505.39
Net cash provided by noncapital financing activities	-	538,505.39
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	-	-
Income on investments	230,664.05	101,132.74
Purchases of investments	1,336,340.99	(520,542.64)
Net cash provided (used) by investing activities	1,567,005.04	(419,409.90)
Net increase (decrease) in cash and cash equivalents	361,500.60	(70,496.58)
Cash and cash equivalents - beginning of year	120,521.58	191,018.16
Cash and cash equivalents - end of year	$ 482,022.18	$ 120,521.58
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (1,402,091.17)	$ (274,786.58)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Gifts in-kind	141,598.12	-
Change in assets and liabilities:		
Receivables, net	59,090.19	89,973.48
Accounts payable	143.29	-
Loan to students and employees	(4,244.87)	(4,778.97)
Net cash used by operating activities	$ (1,205,504.44)	$ (189,592.07)
Noncash investing activities		
Wash sale adjustment	$ 979.73	$ -

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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Independent Auditor's 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*

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable John G. Morgan, Chancellor
Dr. Bruce Blanding, President

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, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the college's basic financial statements, and have issued our report thereon dated March 3, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the college's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the college's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies that we consider to be material weaknesses. We did identify a deficiency in internal control, as described below, that we consider to be a significant deficiency:

- The college did not provide adequate internal controls in one specific area.

This deficiency is described in the Finding and Recommendation section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the college's financial statements are free from 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 *Government Auditing Standards*.

Jackson State Community College's Response to the Finding

The college's response to the finding identified in our audit is included in the Finding and Recommendation section of this report. The college's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
March 3, 2015

Finding and Recommendation

The college did not provide adequate internal controls in one specific area

Finding

The college did not design and monitor internal controls in one specific area. We observed a condition in violation of college policies and/or industry-accepted best practices. Inconsistent implementation of internal controls increases the risk of fraudulent activity.

The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the college with detailed information regarding the specific condition we identified, as well as our recommendations for improvement.

Recommendation

Management should ensure that this condition is remedied by the prompt development and consistent implementation of internal controls in one specific area. In addition, management should ensure that these controls include ongoing monitoring of their effectiveness and should take all steps available to establish or improve any compensating controls until these conditions are remedied. Finally, management should ensure the conditions associated with this finding are adequately identified and assessed in the college's documented risk assessment.

Management's Comment

Management concurs with the finding and recommendation. Management will modify policies, procedures, and controls to ensure proper internal controls are in place for this specific area. Risk assessment will be modified to specifically include this area to be monitored on an on-going basis. All modifications will be made and implemented within 30 days.

Observation and Comment

Colleges of Applied Technology

Jackson State Community College serves as the lead institution under agreements with the Tennessee College of Applied Technology at Covington, the Tennessee College of Applied Technology at Crump, the Tennessee College of Applied Technology at Jackson, the Tennessee College of Applied Technology at McKenzie, the Tennessee College of Applied Technology at Newborn, the Tennessee College of Applied Technology at Paris, the Tennessee College of Applied Technology at Ripley, and the Tennessee College of Applied Technology at Whiteville. Under these agreements, Jackson State Community College performs the accounting and reporting functions for the colleges. The chief administrative officer of each college 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. Prior to July 1, 2013, these workforce training schools were named Tennessee Technology Centers.