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, 2016, and June 30, 2015

Justin P. Wilson, Comptroller

Division of State Audit
Financial and Compliance Section

Deborah V. Loveless, CPA, CGFM, CGMA
Director

FINANCIAL AND COMPLIANCE

Edward Burr, CPA, CGFM
Assistant Director

Derek Martin, CPA, CFE, CGFM
Audit Manager

Jeff Lafever, CFE
In-Charge Auditor

Amy Brown
Jacklyn Milam
Tyler Winfree, CPA
Staff Auditors

Gerry Boaz, CPA, CGFM, CGMA
Technical Manager

Amy Brack
Editor

Amanda Adams
Assistant Editor

INFORMATION SYSTEMS

Daniel V. Willis, CPA, CISA, CGFM
Assistant Director

Brent L. Rumbley, CPA, CISA, CFE
Audit Manager

Sam Osborn, CISA
In-Charge Auditor

Malik M. Moughrabi
Chase Tramel, CISA
Staff Auditors

Comptroller of the Treasury, Division of State Audit
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243-3400
(615) 401-7897

Reports are available at
www.comptroller.tn.gov/sa/AuditReportCategories.asp

Mission Statement
The mission of the Comptroller's Office is
to make government work better.

Comptroller Website
www.comptroller.tn.gov

April 30, 2018

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Allana Hamilton, 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, 2016, and June 30, 2015. 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 certain deficiencies, which are detailed in the Findings and Recommendations section of this report. The college's management has responded to the audit findings; the responses are included following each finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit findings.

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit

16/251

Audit Report
Tennessee Board of Regents
Jackson State Community College
For the Years Ended June 30, 2016, and June 30, 2015

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

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, 2016, and June 30, 2015

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Findings

The college has not properly reported the costs associated with construction projects
Jackson State Community College does not have procedures for recording costs related to construction projects in accordance with generally accepted accounting principles. The college did not transfer capitalized expenditures from projects in progress to depreciable capital asset categories when the assets were placed in service. The college also omitted capitalizable expenditures from projects in progress (page 61).

Jackson State Community College did not provide adequate internal controls in one area
We found multiple internal control deficiencies in this area related to three of the college's systems because management did not implement sufficient controls. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 62).

Tennessee Comptroller of the Treasury

Justin P. Wilson
Comptroller

Jason E. Mumpower
Chief of Staff

Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Allana Hamilton, President

Report on the Financial Statements

We have audited the accompanying financial statements of Jackson State Community College, an institution of the State University and Community College System of Tennessee, 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, 2016, and June 30, 2015, 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 college'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

Cordell Hull Building | 425 Fifth Avenue North | Nashville, Tennessee 37243

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, 2016, and June 30, 2015; 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 State University and Community College System of Tennessee, 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 State University and Community College System of Tennessee as of June 30, 2016, and June 30, 2015, 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 15, the college implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended June 30, 2015. 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 19; the schedule of Jackson State Community College's proportionate share of the net pension liability – Closed State and Higher Education Employee Pension Plan within TCRS on page 53; the schedule of Jackson State Community College's proportionate share of the net pension asset for the State and Higher Education Employee Retirement Plan within TCRS on page 54; the schedule of Jackson State Community College's contributions – Closed State and Higher Education Employee Pension Plan within TCRS on page 55; the schedule of Jackson State Community College's contributions – State and Higher Education Employee Retirement Plan within TCRS on page 56; and the other postemployment benefits schedule of funding progress on page 57 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 supplementary schedules of cash flows – component unit on page 58 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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 supplementary 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 January 11, 2018, 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
Division of State Audit
January 11, 2018

Tennessee Board of Regents
JACKSON STATE COMMUNITY COLLEGE
Management's Discussion and Analysis

This section of Jackson State Community College's annual financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2016, with comparative information presented for the fiscal years ended June 30, 2015, and June 30, 2014. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, financial statements, and notes. The financial statements, notes, and this discussion are the responsibility of management.

Jackson State Community College has one discretely presented component unit, the Jackson State Community College Foundation. More detailed information about the foundation is presented in Note 16 to the financial statements. This discussion and analysis focuses on Jackson State Community College and does not include the foundation.

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 the college as a whole. The full scope of the 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.

The 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 the college at the end of the fiscal year. To aid the reader in determining the college's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows of resources, and net position of the 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 the college. They are also able to determine how much the college owes vendors, lenders, and others. Net position represents the difference between the college's assets and liabilities, along with the difference between deferred outflows and deferred inflows of resources, and is one indicator of the college's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by the college. Net position is divided into three major categories. The first category, net investment in capital assets, represents the 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 have 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 the college but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the college for any lawful purpose of Jackson State Community College.

The following table summarizes the college's assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2016; June 30, 2015; and June 30, 2014.

Statements of Net Position Summary
(in thousands of dollars)

	2016	2015	2014
Assets:			
Current assets	$18,865	$17,402	$18,098
Capital assets, net	26,306	21,888	14,972
Other assets	9,475	10,555	10,110
Total Assets	54,646	49,844	43,180
Deferred Outflows of Resources:			
Deferred outflows related to pensions	1,850	1,271	-
Total Deferred Outflows	1,850	1,271	-
Liabilities:			
Current liabilities	11,018	10,019	10,652
Noncurrent liabilities	6,989	5,108	2,807
Total Liabilities	18,007	15,127	13,459
Deferred Inflows of Resources:			
Deferred inflows related to pensions	893	3,095	-
Total Deferred Inflows	893	3,095	-
Net Position:			
Net investment in capital assets	26,306	21,888	14,972

Restricted – expendable	687	1,090	1,575
Unrestricted	10,603	9,916	13,174
Total Net Position	$37,596	$32,894	$29,721

Comparison of Fiscal Year 2016 to Fiscal Year 2015

- Current assets increased by $1,462,951.48, or 8.41%, due, in majority, to an increase in cash held for budget reserves of $2,970,100 netted against a reduction in unrestricted cash on hand of $907,112.03 resulting from an additional transfer to unexpended plant and R&R funds of $1,350,910.00.
- Net capital assets increased by $4,417,555.26. This increase is a result of capital appropriations invested in the construction of the Health Science Building. Current fiscal year capital construction dollars total $4,484,531.33.
- Other assets decreased by $1,078,926.74, or 11%, due, in majority, to a decrease of $2,064,965.95 in funds held in unexpended plant funds primarily for Nursing Building equipment, matching funds for the Nursing Building, and Health Science Building Match. The reduction in these three funds equated to $1,567,406.58. Additional projects such as the Fiber project, Student Success Collaborative, and miscellaneous other projects constitute the additional decline in plant funds. The decrease was partially offset by a transfer from unrestricted of $740,000.00.
- Investment in capital assets increased by $4,417,555.26. This increase is a result of capital appropriations invested in the construction of the Health Science Building. Current fiscal year capital construction dollars total $4,484,531.33.
- Restricted expendable funds decreased by $402,012.32. This decrease is due to the reduction of funds in LEAP Regional partnership funds of $250,764.08 coupled with a reduction in Occupational Therapy funds of $69,455.33.
- Deferred outflows of resources increased by $579,729.54 due to differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability, as well as changes in the school's proportion of the plan's net pension liability.
- Current liabilities increased by $998,722.55 due to a rise in accrued liabilities from pending state-funded projects and increases in deposits held in custody for others for the Tennessee Colleges of Applied Technology.
- Noncurrent liabilities increased by $1,881,654.41 due to the increased pension liability of $1,992,528.00 as required by GASB 68.
- Deferred inflows of resources decreased by $2,201,189.00 primarily because of the difference between projected and actual earnings on pension plan investments.
- Net position increased by $4,702,121.58 due, in majority, to the increase in capital assets arising from the Health Science Building.

Comparison of Fiscal Year 2015 to Fiscal Year 2014

- Current assets decreased by $695,825.21, or 3.84%, due, in majority, to a decrease in cash held for the TCATs in the amount of $392,320.41 coupled with a decrease in restricted cash of $582,502.08 from various restricted accounts including the non-recurring state equipment grant. These decreases were partially offset with an increase in current unrestricted cash.
- Net capital assets increased by $6,915,968.60. This increase is a result of capital appropriations invested in the construction of the Nursing Building. Current fiscal year capital appropriation construction dollars total $7,654,758.58.
- Other assets increased by $443,878.35, or 4.4%, due, in majority, to an increase of $694,013.54 in funds held in unexpended plant funds primarily for Nursing Building equipment and matching funds for the Health Science Building. This increase was netted against a reduction of $249,643.91 in renewal and replacement funds, which was used in conjunction with the renewal and replacement schedule.
- Deferred outflows of resources increased by $1,271,088.82 due to the implementation of GASB 68, which required recording the college's contributions subsequent to the measurement date of June 30, 2014, as deferred outflows.
- Current liabilities decreased by $633,098.81 due to a reduction in unearned revenue of $95,013.68 related to falling full-time equivalent enrollments in summer courses coupled with a diminution of the current portion of compensated absences of $95,103.68 and reduced agency account liabilities through decreased TCAT cash of $392,320.41.
- Noncurrent liabilities increased by $2,300,885.95 due in majority to the pension liability of $2,147,757.00 as required by GASB 68. Additionally, an expanding accrued other post-employment benefits of $97,707.17 and increased compensated absences of $55,805.24 generated the residual balance.
- Deferred inflows of resources increased by $3,094,583.00 because of differences between projected and actual earnings on pension plan investments, as well as differences between expected and actual experience with regard to economic or demographic factors in the measurement of total pension liability.
- Jackson State also recognized a restatement of net position of $4,922,352.00 due to a cumulative change in accounting principle associated with the recognized pension liability required by GASB 68.

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 the college, both operating and nonoperating; the expenses paid by the college, operating and nonoperating; and any other revenues, expenses, gains, or losses received or spent by the college.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the 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 the college. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although the 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, the 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 college's revenues, expenses, and changes in net position for the year ended June 30, 2016; June 30, 2015; and June 30, 2014, follows:

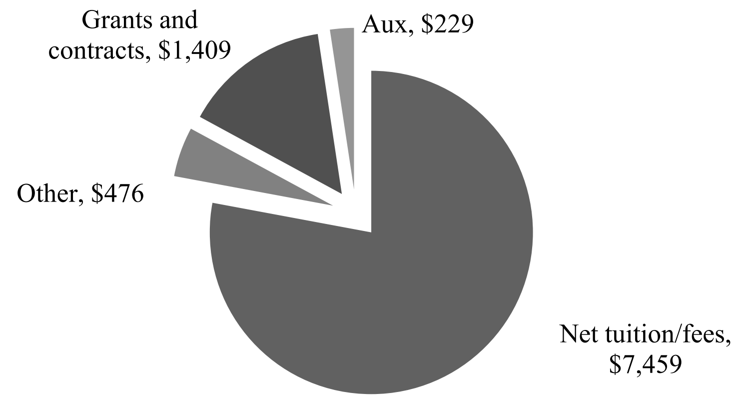
Statements of Revenues, Expenses, and Changes in Net Position Summary
(in thousands of dollars)

	2016	2015	2014
Operating revenues	$ 9,573	$ 10,089	$ 9,430
Operating expenses	33,111	31,982	32,601
Operating loss	(23,538)	(21,893)	(23,171)
Nonoperating revenues and expenses	23,374	22,153	22,623
Income (loss) before other revenues, expenses, gains, or losses	(164)	260	(548)
Other revenues, expenses, gains, or losses	4,866	8,159	2,027
Increase in net position	4,702	8,419	1,479
Net position at beginning of year	32,894	29,721	28,242
Cumulative effect of change in accounting principle	-	(4,922)	-
Prior period adjustment	-	(324)	-
Net position at beginning of year restated	32,894	24,475	28,242
Net position at end of year	$37,596	$32,894	$29,721

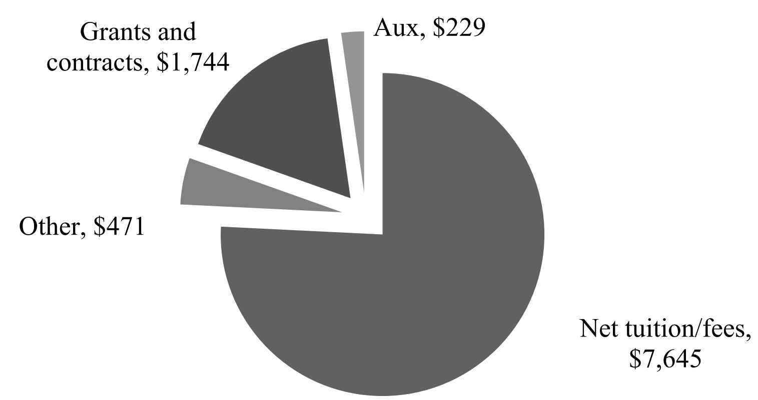
Operating Revenues

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

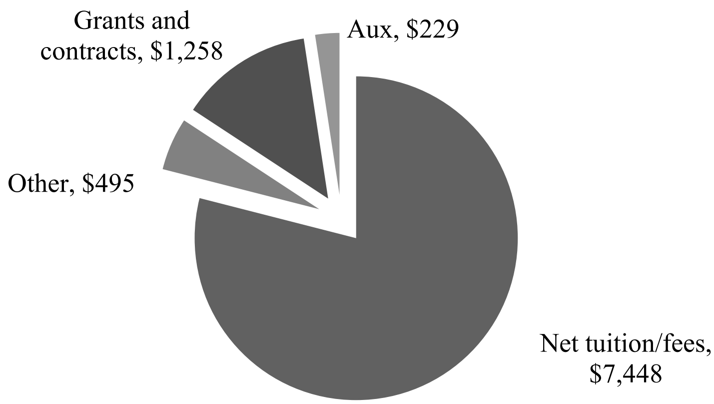
Jackson State Community College
Operating Revenues by Source, Fiscal Year 2016
(in thousands of dollars)



Jackson State Community College
Operating Revenues by Source, Fiscal Year 2015
(in thousands of dollars)



Jackson State Community College
Operating Revenues by Source, Fiscal Year 2014
(in thousands of dollars)



Comparison of Fiscal Year 2016 to Fiscal Year 2015

- Student tuition and fees net of scholarship allowances decreased by $185,441.90, or 2%. Tuition and fee revenue collection increased by $646,864.69 year over year. The increased collection was a direct result of a slight increase in full-time equivalent enrollment coupled with a tuition increase. This rise in tuition and fee collection was offset with an increase in the scholarship allowance of $832,306.59. When taken together, these two factors produced the net reduction.
- Operating grants and contracts decreased by $335,398.34, or 19%. This decrease is attributable to the reduction in the non-recurring LEAP Jackson Regional Partnership funds.

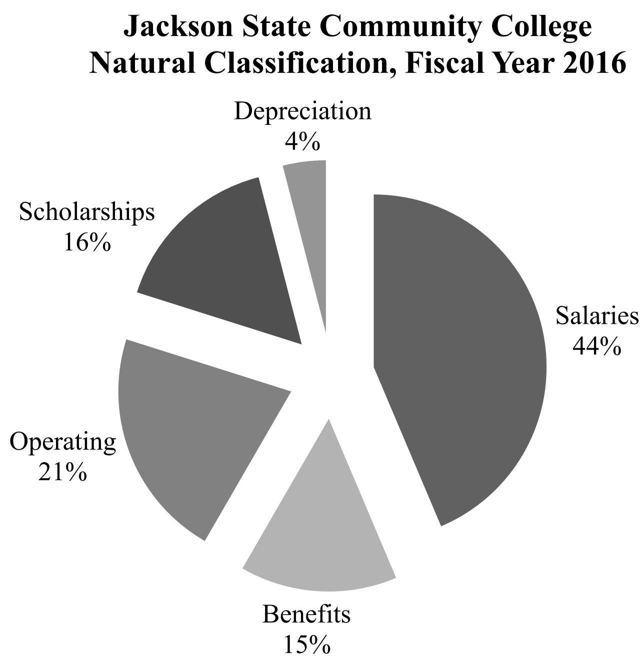
Comparison of Fiscal Year 2015 to Fiscal Year 2014

- Student tuition and fees net of scholarship allowances increased by $196,615.57, or 2.64%. Tuition and fee revenue collection increased by $715,882.68 year over year. The increased collection was a direct result of a slight increase in full-time equivalent enrollment coupled with a tuition increase. This rise in tuition and fee collection was partially offset with an increase in the scholarship allowance of $519,267.11. When taken together, these two factors produced the net growth.
- Operating grants and contracts increased by $485,935.44, or 38.62%. This increase is attributable to the LEAP Jackson Regional Partnership. The non-recurring grant provided $709,976.61 in fiscal year 2015.

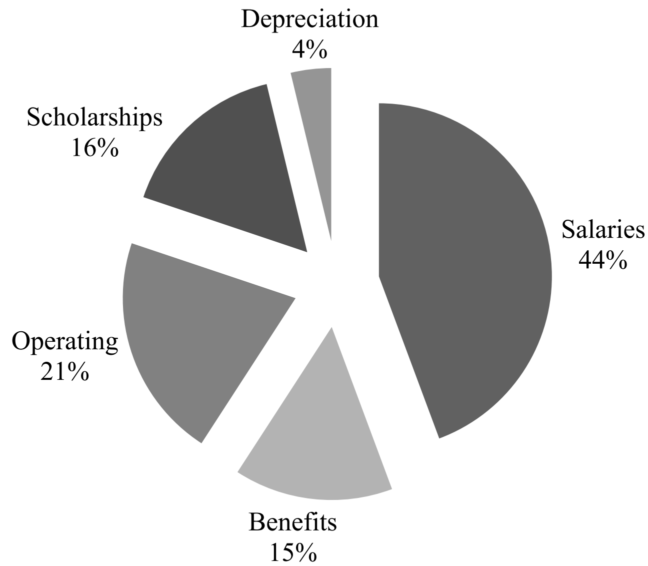
- The sales and services of education departments category fell by $18,492.69. This decrease was due to a decrease in printing sales revenue of $11,470.13 and a $2,055 decline in ACT exam revenue. The residual balance was comprised of small declines in various accounts.

Operating Expenses

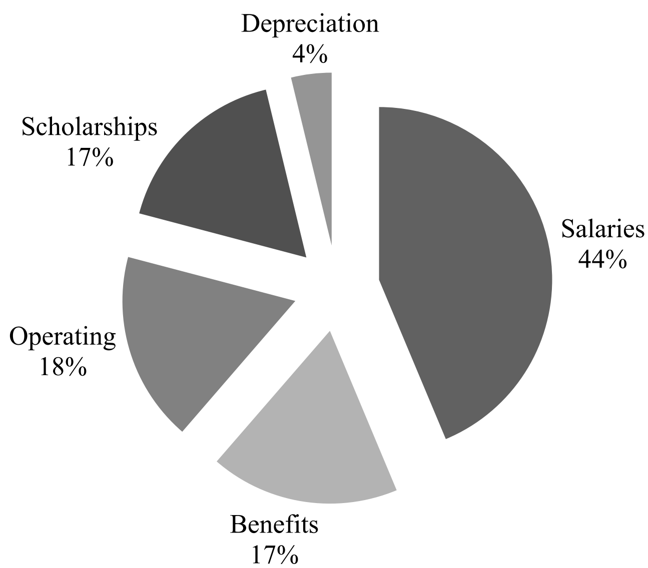
Operating expenses may be reported by nature or function. Jackson State Community College has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial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



Jackson State Community College
Natural Classification, Fiscal Year 2015



Jackson State Community College
Natural Classification, Fiscal Year 2014



Comparison of Fiscal Year 2016 to Fiscal Year 2015

- Utilities, supplies, and other services had an increase of $452,860.42, or 7%. The increase is attributable to, primarily, expenses associated with non-capitalized equipment and supplies for the Nursing Building of $702,034.76.
- Scholarship expenses increased slightly by $189,404.43, or 4%. The rise is due primarily to the increase in expenses associated with additional lottery funding of $1,140,430.24 offset with an increased scholarship allowance of $832,306.59. Additionally, the college recognized reduced expenses associated with declining Pell revenue of $157,097.25.

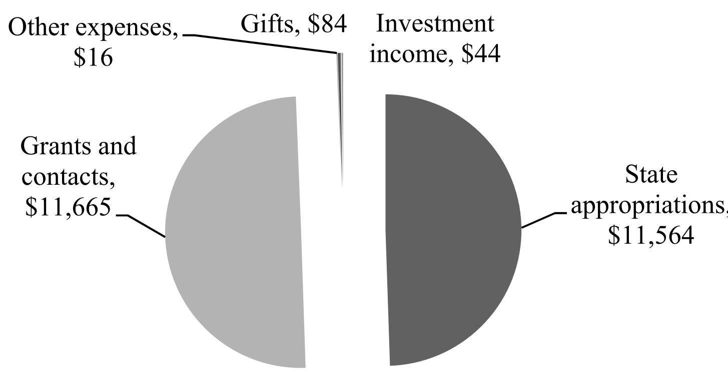
Comparison of Fiscal Year 2015 to Fiscal Year 2014

- Salaries and benefits had a significant decrease of $1,069,768.24. This decrease was the result of a change in the recording of current year contributions to the pension plan (payments after the measurement date) as a deferred outflow instead of as an expense totaling $1,271,088.82, which was partially offset by the recorded pension expense as defined by GASB 68 of $319,988.
- Utilities, supplies, and other services had an increase of $917,197.03, or 15.84%. The increase is attributable to, primarily, expenses associated with non-capitalized equipment and supplies for the Nursing Building of $385,686.69 and McWherther Roofing project expenses of $485,861 funded through capital maintenance.
- Scholarships decreased by $444,425.43, or 7.96%. The decrease is due primarily to the increase in the scholarship allowance of $519,267.11. The scholarship allowance acts as a contra revenue rather than an expense.

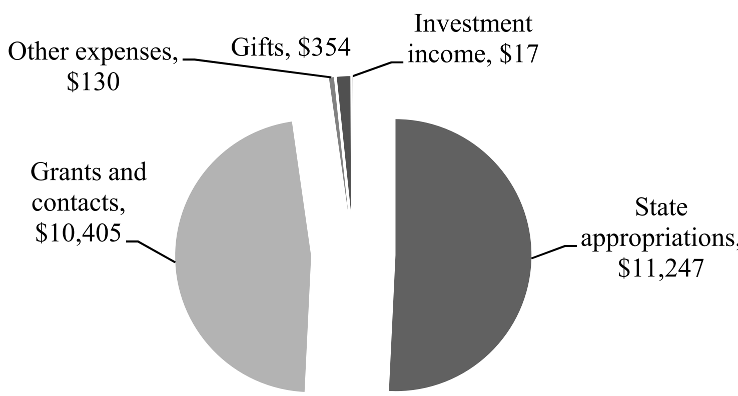
Nonoperating Revenues and Expenses

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 the college's nonoperating revenues and expenses for the last three fiscal years:

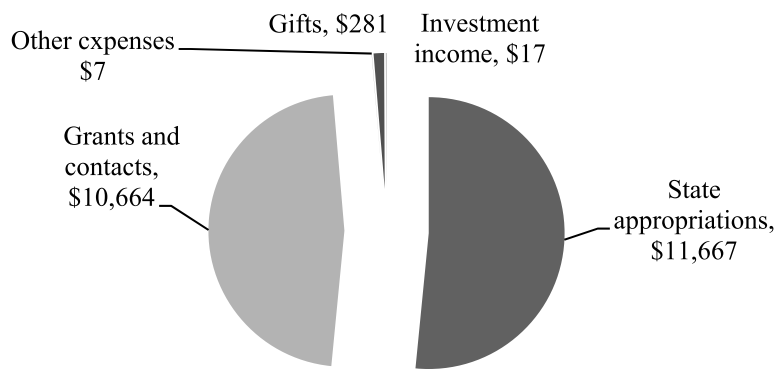
**Jackson State Community College
Nonoperating Revenues and Expenses, Fiscal Year 2016
(in thousands of dollars)**



**Jackson State Community College
Nonoperating Revenues and Expenses, Fiscal Year 2015
(in thousands of dollars)**



Jackson State Community College
Nonoperating Revenues and Expenses, Fiscal Year 2014
(in thousands of dollars)



Comparison of Fiscal Year 2016 to Fiscal Year 2015

- State appropriations increased by $316,887.50, or 2.82%. This is due to formula outcome increases of $89,500; salary increase appropriation of $170,000; and health insurance increases appropriation of $43,800.
- Nonoperating grants and contracts increased by $1,260,087.99 due, primarily, to an increase in Lottery funding of $1,140,430.
- Nonoperating gifts decreased by $270,533.00. This decrease is due, in majority, to a non-recurring gift to occupational therapy of $199,500 and a non-recurring $76,052.13 gift from foundation for the Nursing Building.

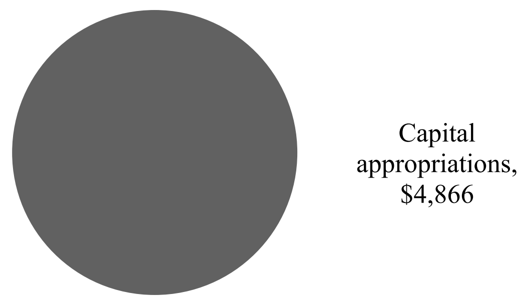
Comparison of Fiscal Year 2015 to Fiscal Year 2014

- State appropriations decreased by $420,418.50, or 3.6%. This is due to formula outcome decreases of $467,500.
- Nonoperating grants and contracts decreased by $259,334.12 due to a decrease in Pell of $571,935.50 partially offset with an increase in Lottery and Tennessee Student Assistance Corporation funding of $236,520.38 and $75,828.00, respectively.

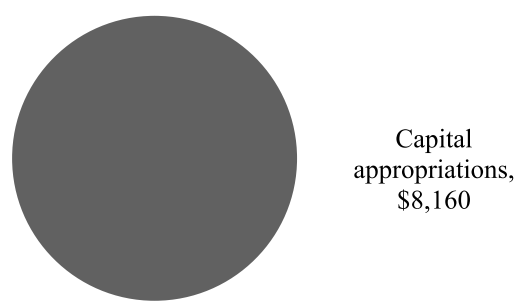
Other Revenues

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

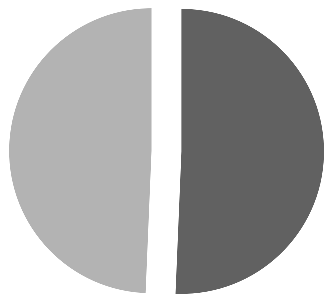
Jackson State Community College
Other Revenues by Source, Fiscal Year 2016
(in thousands of dollars)



Jackson State Community College
Other Revenues by Source, Fiscal Year 2015
(in thousands of dollars)



Jackson State Community College
Other Revenues by Source, Fiscal Year 2014
(in thousands of dollars)



Comparison of Fiscal Year 2016 to Fiscal Year 2015

- Capital appropriations for the fiscal year were $4,866,455.66, which reflected a decrease of $3,293,204.80. The decrease is due to the near completion of the Nursing Building project.

Comparison of Fiscal Year 2015 to Fiscal Year 2014

- Capital appropriations for the fiscal year were $8,159,660.46, which reflected an increase of $7,132,494.26. Construction on the Nursing Building construction project totaled $7,654,758.00, which was a $6,948,821.53 increase. The McWherter roofing project represented the residual increase.

Capital Assets and Debt Administration

Capital Assets

Jackson State Community College had $26,305,850.04 invested in capital assets, net of accumulated depreciation of $16,652,044.14 at June 30, 2016; and $21,888,294.78 invested in capital assets, net of accumulated depreciation of $15,467,718.93 at June 30, 2015. The college had $14,972,326.18 invested in capital assets, net of accumulated depreciation of $14,247,308.90 at June 30, 2014. Depreciation charges totaled $1,332,800.80; $1,208,860.15; and $1,230,971.66 for the years ended June 30, 2016; June 30, 2015; and June 30, 2014, respectively.

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

	2016	2015	2014
Land	$ 294	$ 294	$ 827
Land improvements & infrastructure	4,616	4,921	2,012
Buildings	14,350	5,626	5,248
Equipment	2,211	2,241	2,191
Library holdings	87	94	9
Intangible assets	-	94	188
Projects in progress	4,748	8,618	4,497
Total	$26,306	$21,888	$14,972

Comparison of Fiscal Year 2016 to Fiscal Year 2015

- Significant additions to capital assets occurred in fiscal year 2016. The additions were primarily in the projects in progress category. The health science building was the major outlay in this area with $4,484,531.33 in expenditures.
- More detailed information about Jackson State Community College's capital assets is presented in Note 5 to the financial statements.

Comparison of Fiscal Year 2015 to Fiscal Year 2014

- Significant additions to capital assets occurred in fiscal year 2015. The additions were primarily in the projects in progress category. The Nursing Building was the major outlay in this area with $7,654,758.00 in expenditures.
- 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, 2016; June 30, 2015; and June 30, 2014, respectively.

Economic Factors That Will Affect the Future

Tuition increased by 2.4% for the 2015-2016 fiscal year. Prior years have indicated that the increase has not deterred the majority of students from continuing to attend the college. Students are paying more for their education as tuition increases and state appropriations decrease. Further, as access to financial aid resources becomes scarcer due to federal and state budgetary issues, it will become more critical that community colleges operate at continually higher levels of efficiency in order to maintain a lower cost structure. This will help ensure accessibility to those students who will be outside the constricted financial aid boundaries. Further, the state's Drive to 55 program, which includes initiatives such as Tennessee Promise and Tennessee Reconnect, may further increase enrollment at the community college. Finally, GASB 68 continues to significantly impact the financial statements within community colleges with a negative overall impact.

Tennessee Board of Regents
JACKSON STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2016, and June 30, 2015

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Assets				
Current assets:				
Cash and cash equivalents (Notes 2 and 16)	$ 18,052,055.90	$ 16,629,700.19	$ 245,213.45	$ 199,706.56
Accounts, notes, and grants receivable (net) (Note 4)	727,175.14	591,492.14	29,753.88	27,142.75
Due from State of Tennessee	80,341.14	165,922.00	-	-
Pledges receivable (net) (Note 16)	-	-	16,050.00	14,950.00
Prepaid expenses	5,639.98	5,368.01	-	-
Accrued interest	-	9,778.34	658.73	1,020.90
Total current assets	18,865,212.16	17,402,260.68	291,676.06	242,820.21
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 16)	9,467,296.26	10,392,052.18	113,281.12	150,138.08
Investments (Notes 3 and 16)	-	-	1,862,113.87	1,843,664.27
Accounts, notes, and grants receivable (net) (Note 4)	621.00	161,962.82	-	-
Net pension asset (Note 8)	7,171.00	-	-	-
Pledges receivable (net) (Note 16)	-	-	1,095.07	2,190.79
Capital assets (net) (Notes 5 and 14)	26,305,850.04	21,888,294.78	-	-
Total noncurrent assets	35,780,938.30	32,442,309.78	1,976,490.06	1,995,993.14
Total assets	54,646,150.46	49,844,570.46	2,268,166.12	2,238,813.35
Deferred outflows of resources				
Deferred outflows related to pensions (Note 8)	1,850,818.36	1,271,088.82	-	-
Total deferred outflows of resources	1,850,818.36	1,271,088.82	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 6)	373,444.53	369,788.98	-	293.63
Accrued liabilities	547,818.98	499,959.96	-	-
Due to grantor (Note 7)	6,453.95	-	-	-
Due to State of Tennessee	394,393.30	267,908.18	-	-
Unearned revenue	557,780.07	555,382.89	-	-
Compensated absences (Note 7)	108,030.67	102,472.99	-	-
Deposits held in custody for others	9,030,106.20	8,223,792.15	-	-
Total current liabilities	11,018,027.70	10,019,305.15	-	293.63
Noncurrent liabilities:				
Net OPEB obligation (Note 9)	2,029,567.35	1,934,127.18	-	-
Net pension liability (Note 8)	4,140,285.00	2,147,757.00	-	-
Compensated absences (Note 7)	819,470.50	859,636.07	-	-
Due to grantors (Note 7)	-	166,148.19	-	-
Total noncurrent liabilities	6,989,322.85	5,107,668.44	-	-
Total liabilities	18,007,350.55	15,126,973.59	-	293.63
Deferred inflows of resources				
Deferred inflows related to pensions (Note 8)	893,394.00	3,094,583.00	-	-
Total deferred inflows of resources	893,394.00	3,094,583.00	-	-
Net position				
Net investment in capital assets	26,305,850.04	21,888,294.78	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	1,230,426.17	1,228,408.30
Other	-	-	131,874.18	131,362.16
Expendable:				
Scholarships and fellowships	78,869.72	77,488.43	618,706.85	616,821.71
Instructional department uses	255,245.80	364,586.57	49,893.91	48,860.04
Loans	-	-	44,790.44	41,319.35
Capital projects	-	-	2,036.87	1,033.82
Other	353,462.25	647,515.09	85,762.54	92,416.77
Unrestricted	10,602,796.46	9,916,217.82	104,675.16	78,297.57
Total net position	$ 37,596,224.27	$ 32,894,102.69	$ 2,268,166.12	$ 2,238,519.72

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, 2016, and June 30, 2015

	Jackson State Community College		Component Unit - Jackson State Community College Foundation	
	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2016	Year Ended June 30, 2015
Revenues				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $7,439,286.60 for the year ended June 30, 2016, and $6,606,980.01 for the year ended June 30, 2015)	$ 7,459,190.20	$ 7,644,632.10	$ -	$ -
Gifts and contributions	-	-	250,896.66	113,650.44
Governmental grants and contracts	1,414,049.28	1,736,660.41	-	-
Nongovernmental grants and contracts	(5,344.68)	7,442.53	-	-
Sales and services of educational activities	173,988.86	176,362.51	-	-
Sales and services of other activities	284,804.61	282,544.87	-	-
Auxiliary enterprises:				
Bookstore	228,600.00	228,600.00	-	-
Interest earned on loans to students	5,363.37	3,992.12	-	-
Other operating revenues	12,589.11	8,230.23	-	-
Total operating revenues	9,573,240.75	10,088,464.77	250,896.66	113,650.44
Expenses				
Operating expenses (Note 12):				
Salaries and wages	14,430,412.06	14,168,844.44	79,174.92	62,977.30
Benefits	4,862,673.11	4,760,974.04	29,283.88	23,292.97
Utilities, supplies, and other services	7,159,268.19	6,706,407.77	152,883.34	155,486.82
Scholarships and fellowships	5,325,914.14	5,136,509.71	5,150.51	7,487.80
Depreciation expense	1,332,800.80	1,208,860.15	-	-
Payments to or on behalf of Jackson State Community College (Note 16)	-	-	75,244.72	154,817.72
Total operating expenses	33,111,068.30	31,981,596.11	341,737.37	404,062.61
Operating loss	(23,537,827.55)	(21,893,131.34)	(90,840.71)	(290,412.17)
Nonoperating revenues				
State appropriations	11,563,762.50	11,246,875.00	-	-
Gifts (including $75,244.72 from component unit for the year ended June 30, 2016, and $154,817.72 for the year ended June 30, 2015)	83,784.72	354,317.72	-	-
Grants and contracts	11,664,886.62	10,404,798.63	-	-
Investment income (net of investment expense of $10,870.48 for the component unit for the year ended June 30, 2016, and $10,961.22 for the year ended June 30, 2015)	44,409.63	16,592.28	12,028.31	16,667.48
College support	-	-	108,458.80	86,270.27
Other nonoperating revenues	16,650.00	130,300.76	-	-
Total nonoperating revenues	23,373,493.47	22,152,884.39	120,487.11	102,937.75
Income (loss) before other revenues, expenses, gains, or losses	(164,334.08)	259,753.05	29,646.40	(187,474.42)
Capital appropriations	4,866,455.66	8,159,660.46	-	-
Total other revenues	4,866,455.66	8,159,660.46	-	-
Increase (decrease) in net position	4,702,121.58	8,419,413.51	29,646.40	(187,474.42)
Net position - beginning of year, as originally reported	32,894,102.69	29,721,362.27	2,238,519.72	2,425,994.14
Cumulative effect of change in accounting principle (Note 15)	-	(4,922,352.00)	-	-
Net position - beginning of year restated	32,894,102.69	24,799,010.27	2,238,519.72	2,425,994.14
Prior period adjustment (Note 13)	-	(324,321.09)	-	-
Net position - end of year	$ 37,596,224.27	$ 32,894,102.69	$ 2,268,166.12	$ 2,238,519.72

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, 2016, and June 30, 2015

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash flows from operating activities		
Tuition and fees	$ 7,357,305.68	$ 7,609,543.56
Grants and contracts	1,456,368.60	1,616,705.88
Sales and services of educational activities	173,988.86	176,362.51
Sales and services of other activities	284,804.61	282,544.87
Payments to suppliers and vendors	(6,734,850.30)	(6,263,525.33)
Payments to employees	(14,459,763.54)	(14,057,305.67)
Payments for benefits	(5,369,354.56)	(5,722,849.25)
Payments for scholarships and fellowships	(5,325,914.14)	(5,157,409.71)
Loans issued to students	223,655.34	-
Collection of loans from students	-	4,019.35
Interest earned on loans to students	15,141.71	3,992.12
Auxiliary enterprise charges:		
Bookstore	228,600.00	228,600.00
Other receipts (payments)	(147,105.13)	7,846.77
Net cash used for operating activities	(22,297,122.87)	(21,271,474.90)
Cash flows from noncapital financing activities		
State appropriations	11,539,100.00	11,243,900.00
Gifts and grants received for other than capital or endowment purposes, including $75,244.72 from Jackson State Community College Foundation for the year ended June 30, 2016, and $154,817.72 for the year ended June 30, 2015	11,765,073.34	10,755,894.35
Changes in deposits held for others	806,314.05	(392,320.41)
Other noncapital financing receipts	-	11,500.00
Net cash provided by noncapital financing activities	24,110,487.39	21,618,973.94
Cash flows from capital and related financing activities		
Purchase of capital assets and construction	(1,360,174.36)	(606,535.54)
Net cash used for capital and related financing activities	(1,360,174.36)	(606,535.54)
Cash flows from investing activities		
Income on investments	44,409.63	16,592.28
Net cash provided by investing activities	44,409.63	16,592.28
Net increase (decrease) in cash and cash equivalents	497,599.79	(242,444.22)
Cash and cash equivalents - beginning of year	27,021,752.37	27,264,196.59
Cash and cash equivalents - end of year	$ 27,519,352.16	$ 27,021,752.37

Tennessee Board of Regents
JACKSON STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2016, and June 30, 2015

	Year Ended June 30, 2016	Year Ended June 30, 2015
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (23,537,827.55)	$ (21,893,131.34)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating expenses	1,967,323.56	1,737,637.14
Change in assets and liabilities:		
Receivables, net	(167,038.44)	(82,133.73)
Prepaid items	(271.97)	(2,338.05)
Net pension asset	(7,171.00)	-
Deferred outflows of resources - pensions	(579,729.54)	(1,271,088.82)
Net pension liability	1,992,528.00	(2,774,595.00)
Deferred inflows of resources - pensions	(2,201,189.00)	3,094,583.00
Accounts payable	(73,935.47)	(181,679.51)
Accrued liabilities	268,659.81	154,617.72
Unearned revenue	2,397.18	(95,013.68)
Compensated absences	(34,607.89)	38,031.48
Due to grantors	(159,694.24)	(383.46)
Loans to students	233,433.68	4,019.35
Net cash used by operating activities	$ (22,297,122.87)	$ (21,271,474.90)
Noncash investing, capital, or financing transactions		
Capital appropriations	$ 4,983,391.96	$ 8,228,715.53

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. 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 State University and Community College System of Tennessee's 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 16 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 internal activity has 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 acquisition 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 their estimated useful lives, which range from 5 to 60 years.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Net Position

The college's net position is classified as follows:

<u>Net investment in capital assets</u> – This represents the college's total investment in capital assets, net of accumulated depreciation and net of outstanding debt 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.

<u>Nonexpendable restricted net position</u> – 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.

<u>Expendable restricted net position</u> – 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.

<u>Unrestricted net position</u> – Unrestricted net position represents resources derived from student tuition and fees; state appropriations; sales and services of educational departments; sales and services of 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.

Note 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2016, cash consisted of $4,145,725.07 in bank accounts, $5,618.90 of petty cash on hand, $21,070,845.78 in the Local Government Investment Pool (LGIP) administered by the State Treasurer, and $2,297,162.41 in LGIP deposits for capital projects. At June 30, 2015, cash consisted of $3,446,538.54 in bank accounts, $5,618.90 of petty cash on hand, $20,247,260.34 in the LGIP, and $3,322,334.59 in LGIP deposits for capital projects.

The LGIP is part of the State Pooled Investment Fund and is measured at amortized cost. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of $5 million or more. 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 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, 2016, and June 30, 2015, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $23,368,008.19 at June 30, 2016, and $23,569,594.93 at June 30, 2015. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Receivables

Receivables included the following:

	June 30, 2016	June 30, 2015
Student accounts receivable	$452,076.11	$767,477.16
Grants receivable	214,412.10	262,076.10
Other receivables	143,696.35	33,265.61
Subtotal	810,184.56	1,062,818.87
Less allowance for doubtful accounts	(83,009.42)	(471,326.73)
Total receivables	$727,175.14	$591,492.14

Federal Perkins Loan Program funds included the following:

	June 30, 2016	June 30, 2015
Perkins loans receivable	$621.00	$224,276.34
Less allowance for doubtful accounts	-	(62,313.52)
Total	$621.00	$161,962.82

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 293,846.70	$ -	$ -	$ -	$ 293,846.70
Land improvements and infrastructure	6,075,741.99	-	-	-	6,075,741.99
Buildings	15,174,823.39	-	9,041,334.89	-	24,216,158.28
Equipment	6,077,543.19	548,180.71	-	(64,461.74)	6,561,262.16
Library holdings	177,814.77	15,470.43	-	(67,363.85)	125,921.35
Intangible assets	937,173.46	-	-	-	937,173.46
Projects in progress	8,619,070.21	5,170,054.92	(9,041,334.89)	-	4,747,790.24
Total	37,356,013.71	5,733,706.06	-	(131,825.59)	42,957,894.18
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	1,155,035.18	305,012.15	-	-	1,460,047.33
Buildings	9,548,938.88	317,180.27	-	-	9,866,119.15
Equipment	3,836,919.32	594,348.27	-	(81,111.74)	4,350,155.85
Library holdings	83,436.10	22,476.10	-	(67,363.85)	38,548.35
Intangible assets	843,389.45	93,784.01	-	-	937,173.46
Total	15,467,718.93	1,332,800.80	-	(148,475.59)	16,652,044.14
Capital assets, net	$ 21,888,294.78	$ 4,400,905.26	$ -	$ 16,650.00	$ 26,305,850.04

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 827,050.20	$ -	$ -	$ (533,203.50)	$ 293,846.70
Land improvements and infrastructure	6,074,049.51	1,692.48	-	-	6,075,741.99
Buildings	14,630,424.89	533,203.50	11,195.00	-	15,174,823.39
Equipment	5,492,650.42	679,837.35	-	(94,944.58)	6,077,543.19
Library holdings	419,271.13	16,814.26	-	(258,270.62)	177,814.77
Intangible assets	937,173.46	-	-	-	937,173.46
Projects in progress	961,260.22	7,669,004.99	(11,195.00)	-	8,619,070.21
Total	29,341,879.83	8,900,552.58	-	(886,418.70)	37,356,013.71
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	850,023.08	305,012.10	-	-	1,155,035.18
Buildings	9,382,447.54	166,491.34	-	-	9,548,938.88
Equipment	3,301,544.67	618,699.13	-	(83,324.48)	3,836,919.32
Library holdings	410,254.02	24,873.56	-	(351,691.48)	83,436.10

Intangible assets	749,605.43	93,784.02	-	-	843,389.45
Total	14,693,874.74	1,208,860.15	-	(435,015.96)	15,467,718.93
Capital assets, net	$ 14,648,005.09	$ 7,691,692.43	$ -	$ (451,402.74)	$ 21,888,294.78

The decrease in building depreciation expense for the current period is due to a change in accounting estimate. During fiscal year 2015, it was determined that buildings were more appropriately depreciated over a period of 60 years, instead of the 40 years previously used. This change resulted in a reduction of depreciation expense of $153,614.43.

Note 6. Accounts Payable

Accounts payable included the following:

	June 30, 2016	June 30, 2015
Vendors payable	$ 225,915.23	$ 330,654.89
Unapplied student payments	48,555.00	32,153.00
Other payables	68,974.30	6,981.09
Total accounts payable	$ 373,444.53	$ 369,788.98

Note 7. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other liabilities:					
Compensated absences	$ 962,109.06	$776,415.67	$(811,023.56)	$927,501.17	$108,030.67
Due to grantors	166,148.19	4,022.53	(163,716.77)	6,453.95	6,453.95
Total long-term liabilities	$1,128,257.25	$780,438.20	$(974,740.33)	$933,955.12	$114,484.62

Long-term liabilities activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other liabilities:					
Compensated absences	$ 924,077.58	$735,847.44	$(697,815.96)	$962,109.06	$102,472.99
Due to grantors	166,531.65	2,994.09	(3,377.55)	166,148.19	-
Total long-term liabilities	$1,090,609.23	$738,841.53	$(701,193.51)	$1,128,257.25	$102,472.99

Note 8. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of member's highest compensation for 5 consecutive years (up to Social Security integration level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of member's highest compensation for 5 consecutive years (over the Social Security integration level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The college's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the college for the years ended June 30, 2016, and June 30, 2015, to the Closed State and Higher Education Employee Pension Plan were $1,253,298.77 and $1,260,222.09, respectively, which is 15.03% of covered payroll. The employer rate is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2016, the college reported a liability of $4,140,285.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the net pension liability was based on a projection of the college's contributions during the year ended June 30, 2015, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2015, measurement date, the college's proportion was 0.321131%.

At June 30, 2015, the college reported a liability of $2,147,757.00 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the net pension liability was based on a projection of the college's contributions during the year ended June 30, 2014, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2014, measurement date, the college's proportion was 0.311292%, representing the first-time presentation of this proportion.

Pension expense – For the years ended June 30, 2016, and June 30, 2015, the college recognized pension expense of $478,341.00 and 319,988.00, respectively. For the year ended June 30, 2016, allocated pension expense of $445,203.00 was increased $33,138.00 due to a change in proportionate share.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2016, and June 30, 2015, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 438,110.00	$ 358,481.00
Net difference between projected and actual earnings on pension plan investments	-	532,245.00
Changes in proportion of net pension liability	132,552.00	-
Jackson State Community College's contributions subsequent to the measurement date of June 30, 2015	1,253,298.77	-
Total	$ 1,823,960.77	$ 890,726.00

Fiscal Year 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 463,330.00
Net difference between projected and actual earnings on pension plan investments	-	2,631,253.00
Jackson State Community College's contributions subsequent to the measurement date of June 30, 2014	1,260,222.09	-
Total	$ 1,260,222.09	$ 3,094,583.00

Deferred outflows of resources, resulting from the college's employer contributions of $1,253,298.77 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	$ (279,541)
2018	(279,541)
2019	(279,541)
2020	518,559

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension liability was determined by actuarial valuations using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: 1) the 25-year historical return of the TCRS at June 30, 2012; 2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation; and 3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%

Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate – The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate – The following presents the college's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5%, as well as what the college's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's net pension liability (asset)	$9,701,318	$4,140,285	$(546,596)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2016, the college reported a payable of $105,908.47 for the outstanding amount of legally required contributions to the pension plan required for the year then ended.

State and Higher Education Employee Retirement Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated,* establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credit. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLAs, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4% for all aggregate employee groups, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the college for the years ended June 30, 2016, and June 30, 2015, to the State and Higher Education Employee Retirement Plan were $26,441.59 and $10,866.73, respectively, which is 3.87% of covered payroll. The employer rate is 3.87% of covered payroll except for any salaries derived from federal funds where the employer rate is 2%. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2016, the college reported an asset of $7,171 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The college's proportion of the net pension asset was based on a projection of the college's contributions during the year ended June 30, 2015, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2015, measurement date, the college's proportion was 0.257854%, representing the first-time presentation of this proportion.

Pension expense – For the year ended June 30, 2016, the college recognized a pension expense of $5,948.00. Since the measurement date for the year ended June 30, 2015, was June 30, 2014, the college did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2016, and June 30, 2015, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 2,668.00
Net difference between projected and actual earnings on pension plan investments	416.00	-
Jackson State Community College's contributions subsequent to the measurement date of June 30, 2015	26,441.59	-
Total	$ 26,857.59	$ 2,668.00

Fiscal Year 2015	Deferred Outflows of Resources	Deferred Inflows of Resources
Jackson State Community College's contributions subsequent to the measurement date of June 30, 2014	$ 10,866.73	$ -

Deferred outflows of resources, resulting from the college's employer contributions of $26,441.59 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2017	$ (229)
2018	(229)
2019	(229)
2020	(229)
2021	(333)
Thereafter	(1,003)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions – The total pension asset as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: 1) the 25-year historical return of the TCRS at June 30, 2012; 2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation; and 3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5% based on a blending of the three factors described above.

Discount rate – The discount rate used to measure the total pension liability (asset) was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of the net pension asset to changes in the discount rate – The following presents the college's proportionate share of the net pension asset calculated using the discount rate of 7.5%, as well as what the college's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's net pension asset	$2,817	$7,171	$10,249

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

Payable to the Pension Plan

At June 30, 2016, the college reported a payable of $7,694.26 for the outstanding amount of legally required contributions to the pension plan required for the year then ended.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2016, for all state and local government defined benefit pension plans was $484,289. The total pension expense for the year ended June 30, 2015, for all state and local government defined benefit pension plans was $319,988.

Defined Contribution Plans

Optional Retirement Plans

Plan description – The college contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding policy – For employees employed prior to July 1, 2014, 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. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP and the college will contribute 9% of the employee's base salary. Pension expense equaled the required contributions made to the ORP and were $336,225.96 for the year ended June 30, 2016; $324,024.94 for the year ended June 30, 2015; and $380,280.42 for the year ended June 30, 2014. Contributions met the requirements for each year.

Members are immediately 100% vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products, and members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity, nor does it have a fiduciary responsibility for the funds held by the investment vendors.

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The college, through the State of Tennessee, provides two plans, one established pursuant to the Internal Revenue Code (IRC), Section 457, and the other pursuant to IRC, Section 401(k). The third plan is administered by the college and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k), Section 403(b), and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Sections 401(k), 403(b), and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 403(b) and the 457 plans are voluntary for employees. The college provides up to a $50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary, with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in all plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for all three plans.

During the year ended June 30, 2016, contributions totaling $264,888.89 were made by employees participating in the 401(k) plan, and the college recognized pension expense of $142,414.45 for employer contributions. During the year ended June 30, 2015, contributions totaling $296,922.31 were made by employees participating in the 401(k) plan, with contributions of $119,552.09 made by the college. During the year ended June 30, 2014, contributions totaling $307,711.00 were made by employees participating in the 401(k) plan, with contributions of $104,030.00 made by the college.

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 8-27-201, *Tennessee Code Annotated,* for the State Employee Group Plan and for the Medicare Supplement Plan. The State Employee Group Plan covers retirees until they reach the age of 65. Members have the option of choosing between the standard or partnership preferred provider organization plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. Employees hired on or after July 1, 2015, are not eligible to continue insurance coverage at retirement in either the State Employee Group Plan or the Medicare Supplement Plan. The state makes on-behalf payments to the Medicare Supplement Plan for the college's eligible retirees; see Note 14. The plans are reported in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/article/fa-accfin-cafr.

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 plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. 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. Retired members 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

	2016	2015
Annual required contribution (ARC)	$ 405,000.00	$ 416,000.00
Interest on the net OPEB obligation	72,529.77	73,456.80
Adjustment to the ARC	(72,821.72)	(71,564.63)
Annual OPEB cost	404,708.72	417,892.17
Amount of contribution	(309,268.55)	(320,185.00)
Increase in net OPEB obligation	95,440.17	97,707.17
Net OPEB obligation – beginning of year	1,934,127.18	1,836,420.01
Net OPEB obligation – end of year	$ 2,029,567.35	$ 1,934,127.18

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2016	State Employee Group Plan	$404,708.72	76.4%	$2,029,567.35
June 30, 2015	State Employee Group Plan	$417,892.17	76.6%	$1,934,127.18

June 30, 2014	State Employee Group Plan	$403,785.76	74.4%	$1,836,420.01

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, 2015
Actuarial accrued liability (AAL)	$ 3,729,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 3,729,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$ 10,625,143.13
UAAL as percentage of covered payroll	35.1%

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, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially. The rate decreased to 6% in fiscal year 2016 and then reduces by decrements to an ultimate rate of 4.7% in fiscal year 2050. All rates include a 2.5% inflation assumption. Premium subsidies in the Medicare Supplement Plan are projected to remain unchanged, and, consequently, trend rates are not applicable. 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%.

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 (RMF). The state purchases commercial insurance for real property; crime and fidelity coverage on the state's officials and employees; and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 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 RMF. 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, 2016, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/article/fa-accfin-cafr. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Section 9-8-101 et seq., *Tennessee Code Annotated*. Liability for negligence of the college for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. At June 30, 2016, the Risk Management Fund held $142.9 million in cash designated for payment of claims. At June 30, 2015, the Risk Management Fund held $127.9 million in cash designated for payment of claims.

At June 30, 2016, the scheduled coverage for the college was $99,051,800.00 for buildings and $30,307,000.00 for contents. At June 30, 2015, the scheduled coverage for the college was $73,386,800.00 for buildings and $26,384,700.00 for contents.

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

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 $4,397,041.67 at June 30, 2016, and $4,309,441.96 at June 30, 2015.

Operating Leases

The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for personal property were $52,619.77 for the year ended June 30, 2016. The amount for the year ended June 30, 2015, was $39,565.00. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2016, outstanding commitments under construction contracts totaled $11,008,780.07 for restroom renovations, roof repair, ADA adaptions, elevator modernizations, and Health Science building, of which $3,305,314.21 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, 2016, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 7,713,639.28	$ 2,271,478.87	$ 2,352,273.36	$ -	$ -	$ 12,337,391.51
Public service	56,312.09	24,484.22	39,431.76	-	-	120,228.07
Academic support	2,192,675.77	699,315.52	(538,577.38)	-	-	2,353,413.91
Student services	1,319,851.79	550,748.22	1,100,186.91	-	-	2,970,786.92
Institutional support	2,178,125.74	878,977.31	1,399,993.95	-	-	4,457,097.00
Maintenance & operation	969,807.39	437,668.97	2,805,959.59	-	-	4,213,435.95
Scholarships & fellowships	-	-	-	5,325,914.14	-	5,325,914.14
Depreciation	-	-	-	-	1,332,800.80	1,332,800.80
Total	$ 14,430,412.06	$ 4,862,673.11	$ 7,159,268.19	$ 5,325,914.14	$ 1,332,800.80	$ 33,111,068.30

The college's operating expenses for the year ended June 30, 2015, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 7,538,447.52	$ 2,220,094.51	$ 2,287,003.44	$ -	$ -	$ 12,045,545.47
Public service	61,516.55	27,234.49	46,039.60	-	-	134,790.64

Academic support	2,215,327.81	693,086.95	(511,708.07)	-	-	2,396,706.69
Student services	1,317,948.62	597,699.25	1,098,222.90	-	-	3,013,870.77
Institutional support	2,335,734.07	920,502.60	1,248,367.56	-	-	4,504,604.23
Maintenance & operation	699,869.87	302,356.24	2,538,482.34	-	-	3,540,708.45
Scholarships & fellowships	-	-	-	5,136,509.71	-	5,136,509.71
Depreciation	-	-	-	-	1,208,860.15	1,208,860.15
Total	$ 14,168,844.44	$ 4,760,974.04	$ 6,706,407.77	$ 5,136,509.71	$ 1,208,860.15	$ 31,981,596.11

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 $1,646,194.93 for the year ended June 30, 2016, and $1,696,787.40 for the year ended June 30, 2015, 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. Prior-year Adjustment

During the year ended June 30, 2015, three projects, totaling $3,660,192.11, were transferred from projects in progress, at which time the college began depreciating the buildings in the accounting system; however, one of the projects (Classroom HVAC) was completed and placed into service in fiscal year 2012, one (Student Center Repairs Phase I) in fiscal year 2013, and one (Student Center Repairs Phase II) in fiscal year 2014. The errors resulted in an understatement of accumulated depreciation of $446,565.84 at June 30, 2015. In addition, $122,244.75 of expenditures related to the new Nursing Building was discovered to have been erroneously expensed in prior fiscal years and not capitalized, which understated capital assets. These errors, in the aggregate, resulted in a prior period adjustment of $324,321.09 for the fiscal year ended June 30, 2015.

Note 14. On-behalf Payments

During the year ended June 30, 2016, the State of Tennessee made payments of $24,662.50 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2015, was $23,875.00. 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/article/fa-accfin-cafr.

Note 15. Cumulative Effect of a Change in Accounting Principle

During fiscal year 2015, the college implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for the measurement, recognition, and display of the net pension liability and related expenses, deferred outflows of resources, deferred inflows of resources, note disclosures, and required supplementary information. The implementation of these statements resulted in a cumulative adjustment to beginning net position of $(4,922,352.00). This cumulative adjustment does not include related deferred outflows and deferred inflows of resources.

Note 16. Component Unit

The Jackson State Community College Foundation is a legally separate, tax-exempt organization supporting Jackson State Community College. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 24-member board of the foundation is self-perpetuating and consists of graduates and friends of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or 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 standards. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board 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, 2016, the foundation made distributions of $75,244.72 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2015, the foundation made distributions of $154,817.72 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 at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair-value measurements for assets at June 30, 2016, and at June 30, 2015.

Assets:	Total Fair Value at June 30, 2016	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Cash equivalents	$ 21,491.87	$ 21,491.87	$ -	$ -
Investments	1,862,113.87	1,678,411.95	183,701.92	-
Pledges receivable	17,145.07	-	-	17,145.07
Total assets	$ 1,900,750.81	$ 1,699,903.82	$ 183,701.92	$ 17,145.07

Assets:	Total Fair Value at June 30, 2015	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Cash equivalents	$ 28,385.52	$ 28,385.52	$ -	$ -
Investments	1,843,664.27	1,657,403.74	186,260.53	-
Pledges receivable	17,140.79	-	-	17,140.79
Total assets	$ 1,889,190.58	$ 1,685,789.26	$ 186,260.53	$ 17,140.79

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

At June 30, 2016	Beginning Balance	Settlements	Ending Balance
Assets:			
Pledges receivable	$17,140.79	$4.28	$17,145.07
Total assets	$17,140.79	$4.28	$17,145.07

At June 30, 2015	Beginning Balance	Settlements	Ending Balance
Assets:			
Pledges Receivable	$20,942.75	$3,801.96	$17,140.79
Total assets	$20,942.75	$3,801.96	$17,140.79

All gains and losses, both realized and unrealized, have been reported on the statement of revenues, expenses, and changes in net position as interest/investment income. Of this total, $0.00 is attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at June 30, 2016, and $43.87 is attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at June 30, 2015.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, certificates of deposit, and money market funds. Uninsured bank balances at June 30, 2016, totaled $108,494.57. Uninsured bank balances at June 30, 2015, totaled $99,800.37.

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, 2016, were as follows:

	Cost	Fair Value
Mutual bond funds	$ 805,561.91	$ 793,937.44
Mutual equity funds	885,607.63	884,474.51
Annuity	180,000.00	183,701.92
Total investments	$ 1,871,169.54	$ 1,862,113.87

Investments held at June 30, 2015, were as follows:

	Cost	Fair Value
Mutual bond funds	$ 1,185,800.85	$ 1,164,282.63
Mutual equity funds	453,479.65	493,121.11
Annuity	180,000.00	186,260.53
Total investments	$ 1,819,280.50	$ 1,843,664.27

Pledges Receivable

Pledges receivable are summarized below.

	June 30, 2016	June 30, 2015
Current pledges	$ 16,050.00	$ 14,950.00
Pledges due in one to five years	1,100.00	2,200.00
Pledges due after five years	-	-
Subtotal	17,150.00	17,150.00
Less discount to net present value	(4.93)	(9.21)
Total pledges receivable, net	$ 17,145.07	$ 17,140.79

Endowments

The Jackson State Community College Foundation's endowments consist of approximately 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) the general economic conditions; 4) the possible effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) the other resources of the foundation; and 7) the investment policies of the foundation.

Composition of Endowment by Net Position Class
As of June 30, 2016

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 1,362,300.35	$ 191,499.39	$ -	$ 1,553,799.74
Board-designated endowment funds	-	100,000.00	-	100,000.00
Total funds	$ 1,362,300.35	$ 291,499.39	$ -	$ 1,653,799.74

Composition of Endowment by Net Position Class
As of June 30, 2015

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 1,359,770.46	$ 198,929.16	$ -	$ 1,558,699.62
Total funds	$ 1,359,770.46	$ 198,929.16	$ -	$ 1,558,699.62

Changes in Endowment Net Position
For the Fiscal Year Ended June 30, 2016

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$ 1,359,770.46	$ 198,929.16	$ -	$ 1,558,699.62

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Investment return:				
Investment income	778.04	13,036.27	-	13,814.31
Net appreciation (realized and unrealized)	(248.15)	(5,879.37)	-	(6,127.52)
Total investment return	529.89	7,156.90	-	7,686.79
Contributions	2,000.00	8,719.36	-	10,719.36
Appropriations of endowment assets for expenditure	-	(23,306.03)	-	(23,306.03)
Transfers	-	100,000.00	-	100,000.00
Endowment net position, end of year	$ 1,362,300.35	$ 291,499.39	$ -	$ 1,653,799.74

Changes in Endowment Net Position
For the Fiscal Year Ended June 30, 2015

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$ 1,354,160.19	$ 203,903.27	$ -	$ 1,588,063.46
Investment return:				
Investment income	894.54	15,475.68	-	16,370.22
Net appreciation (realized and unrealized)	(284.27)	(5,376.03)	-	(5,660.30)
Total investment return	610.27	10,099.65	-	10,709.92
Contributions	5,000.00	8,671.24	-	13,671.24
Appropriations of endowment assets for expenditure	-	(23,445.00)	-	(23,445.00)
Transfers	-	(300.00)	-	(300.00)
Endowment net position, end of year	$ 1,359,770.46	$ 198,929.16	$ -	$ 1,558,699.62

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 historical dollar value 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(s) 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 places 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 2% annually. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate – The foundation has a policy of appropriating for distribution each year the funds that are above the permanently restricted endowments in a manner that is consistent with the wishes of the donor. The foundation chooses to spend only a portion of the endowment investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, 50% of unrealized gains and 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 $108,458.80 in fiscal year 2016 and $86,270.27 in fiscal year 2015. 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
Schedule of Jackson State Community College's Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan Within TCRS

	2016	2015
College's proportion of the net pension liability	0.321131%	0.311292%
College's proportionate share of the net pension liability	$ 4,140,285.00	$2,147,757.00
College's covered payroll	$ 8,385,442.00	$8,504,252.00
College's proportionate share of the net pension liability as a percentage of its covered payroll	49.37%	25.26%
Plan fiduciary net position as a percentage of the total pension liability	91.26%	95.11%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information are available.

Tennessee Board of Regents
Jackson State Community College
Required Supplementary Information
Schedule of Jackson State Community College's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

		2016
College's proportion of the net pension asset		0.257854%
College's proportionate share of the net pension asset	$	7,171.00
College's covered payroll	$	280,796.00
College's proportionate share of the net pension asset as a percentage of its covered payroll		2.55%
Plan fiduciary net position as a percentage of the total pension liability		142.55%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information are available.

Tennessee Board of Regents
Jackson State Community College
Required Supplementary Information
Schedule of Jackson State Community College's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	$ 1,253,298.77	$ 1,253,298.77	$ -	$ 8,338,647.84	15.03%
2015	1,260,222.09	1,260,222.09	-	8,385,442.00	15.03%
2014	1,278,189.18	1,278,189.18	-	8,504,252.00	15.03%
2013	1,249,874.76	1,249,874.76	-	8,315,866.67	15.03%
2012	1,233,329.22	1,233,329.22	-	8,271,825.75	14.91%
2011	1,190,924.47	1,190,924.47	-	7,987,420.99	14.91%
2010	993,398.63	993,398.63	-	7,629,789.78	13.02%
2009	1,044,553.04	1,044,553.04	-	8,022,680.80	13.02%
2008	1,105,002.73	1,105,002.73	-	8,113,089.06	13.62%
2007	1,085,458.29	1,085,458.29	-	7,969,590.97	13.62%

Tennessee Board of Regents
Jackson State Community College
Required Supplementary Information
Schedule of Jackson State Community College's Contributions
State and Higher Education Employee Retirement Plan Within TCRS

	2016	2015
Contractually determined contribution	$ 26,441.59	$ 10,866.73
Contributions in relation to the contractually determined contribution	26,441.59	10,866.73
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$ 683,245.22	$ 280,796.00
Contributions as a percentage of covered payroll	3.87%	3.87%

This is a 10-year schedule; however, contributions to this plan began in 2015. Years will be added to this schedule in future years until 10 years of information are available.

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, 2015	State Employee Group Plan	$ -	$3,729,000.00	$3,729,000.00	0%	$10,625,143.13	35.10%
July 1, 2013	State Employee Group Plan	$ -	$3,740,000.00	$3,740,000.00	0%	$11,048,542.89	33.85%
July 1, 2011	State Employee Group Plan	$ -	$4,656,000.00	$4,656,000.00	0%	$10,679,796.00	43.60%

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
Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2016, and June 30, 2015

	Year Ended June 30, 2016	Year Ended June 30, 2015
Cash flows from operating activities		
Gifts and contributions	$ 248,892.38	$ 112,452.40
Payments to suppliers and vendors	(153,176.97)	(155,336.48)
Payments for scholarships and fellowships	(5,150.51)	(7,487.80)
Payments to Jackson State Community College	(75,244.72)	(154,817.72)
Loans issued to students	(2,611.13)	(2,928.03)
Collection of loans from students	-	281.25
Net cash provided by (used for) operating activities	12,709.05	(207,836.38)
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	2,000.00	5,000.00
Net cash provided by noncapital financing activities	2,000.00	5,000.00
Cash flows from investing activities		
Proceeds from sales and maturities of investments	-	53,596.37
Income on investments	12,390.48	17,062.47
Purchases of investments	(18,449.60)	-
Net cash provided by (used for) investing activities	(6,059.12)	70,658.84
Net increase (decrease) in cash and cash equivalents	8,649.93	(132,177.54)
Cash and cash equivalents - beginning of year	349,844.64	482,022.18
Cash and cash equivalents - end of year	$ 358,494.57	$ 349,844.64
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	$ (90,840.71)	$ (290,412.17)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Gifts in-kind	108,458.80	86,270.27
Change in assets and liabilities:		
Receivables	(4.28)	3,801.96
Accounts payable	(293.63)	150.34
Loans to students	(2,611.13)	(2,646.78)
Other adjustments	(2,000.00)	(5,000.00)
Net cash provided by (used for) operating activities	$ 12,709.05	$ (207,836.38)

Justin P. Wilson
Comptroller

Jason E. Mumpower
Chief of Staff

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 Flora W. Tydings, Chancellor
Dr. Allana Hamilton, President

We have audited the financial statements of Jackson State Community College, an institution of the State University and Community College System of Tennessee, 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, 2016, and June 30, 2015, and the related notes to the financial statements, which collectively comprise the college's basic financial statements, and have issued our report thereon dated January 11, 2018. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

Cordell Hull Building | 425 Fifth Avenue North | Nashville, Tennessee 37243

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. We consider the following deficiency to be a material weakness:

- The college has not properly reported the costs associated with construction projects.

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. We consider the following deficiency to be a significant deficiency:

- Jackson State Community College did not provide adequate internal controls in one area.

These deficiencies are described in the Findings and Recommendations 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 Responses to Findings

The college's responses to the findings identified in our audit are included in the Findings and Recommendations section of this report. The college's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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
Division of State Audit
January 11, 2018

Findings and Recommendations

1. <u>The college has not properly reported the costs associated with construction projects</u>

<u>Condition</u>

Jackson State Community College does not have procedures for recording costs related to construction projects in accordance with generally accepted accounting principles. The college did not transfer capitalized expenditures from projects in progress to depreciable capital asset categories when the assets were placed in service. The college also omitted capitalizable expenditures from projects in progress.

<u>Criteria</u>

Governmental Accounting Standards Board Codification 1400.104 states, "Capital assets should be depreciated over their estimated useful lives." The estimated useful life begins when the asset is substantially complete and ready for its intended use.

<u>Cause</u>

Management at Jackson State Community College shifted duties regarding capital projects from the Director of Purchasing to the Accounting Department. This employee stated that management informed her during training that she should only move costs of completed projects from projects in progress (which is not depreciated) to the appropriate capital asset category and subsequently depreciate the costs after the Assistant Director of Capital Outlay at the Tennessee Board of Regents (TBR) archives projects in the Project Information Tracking System (PITS). PITS tracks all projects at TBR institutions, including construction, billing, and payments. Because TBR may not archive projects in PITS until months or years after completion, reliance on TBR's archival to trigger the transfer of costs from projects in progress to depreciable asset categories sometimes results in errors in the financial statements.

<u>Effect</u>

Because the college was waiting for TBR to archive projects in PITS rather than transferring the projects from projects in progress upon substantial completion, accounting staff made errors in reporting capital assets in the financial statements. Expensing certain capitalizable costs in prior years also contributed to the misstatements. For the year ended June 30, 2015, the historical cost of projects in progress was understated by $122,244.75, transfers to land improvements and infrastructure from projects in progress were overstated by $3,658,499.63, and accumulated depreciation was understated by $446,565.84. At June 30, 2016, buildings were understated by $9,041,334.89, projects in progress were overstated by $8,919,090.14, and depreciation expense was understated by $150,668.91.

<u>Recommendation</u>

Management should develop procedures to ensure accounting staff transfer capital assets in the appropriate period from projects in progress to the proper capital asset category, and should begin recognizing depreciation when the asset is placed into service. Management should also ensure that accounting staff review all capital project expenditures and properly determine which costs are capitalizable and which costs should be expensed in the period the cost is incurred.

Management's Comment

Management concurs with the finding. The college has changed procedures and implemented a new process on June 22, 2017. The new procedures require the Director of Physical Plant to notify accounting when projects have been either placed in service or a certificate of occupancy has been obtained. Accounting will then move the projects out of the in-progress status and begin depreciation. Projects in progress will be reviewed prior to year-end by accounting and the director of business services to ensure appropriate categorization.

2. Jackson State Community College did not provide adequate internal controls in one area

Jackson State Community College did not design and monitor effective internal controls in one area. We found multiple internal control deficiencies in this area related to three of the college's systems because management did not implement controls that were sufficient. Management stated that they have either corrected these internal control deficiencies or have implemented a corrective action plan to address them.

Ineffective implementation of internal controls increases the likelihood of errors, data loss, and unauthorized access to college information. 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 conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

Recommendation

Management should ensure that these conditions are remedied by promptly developing and consistently implementing internal controls in these areas. Management should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

Management's Comment

Management concurs with the finding. Management is developing procedures to assure effective internal controls are in place.

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 Newbern, 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.