

**Tennessee Board of Regents  
Pellissippi State Technical Community College**

**For the Years Ended  
June 30, 1999, and June 30, 1998**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**

State Capitol  
Nashville, Tennessee 37243-0260  
(615) 741-2501

**John G. Morgan**  
Comptroller

September 12, 2000

The Honorable Don Sundquist, Governor  
and

Members of the General Assembly  
State Capitol  
Nashville, Tennessee 37243

and

The Honorable Charles Manning, Chancellor  
Tennessee Board of Regents  
1415 Murfreesboro Road, Suite 350  
Nashville, Tennessee 37217

and

Dr. Allen G. Edwards, President  
Pellissippi State Technical Community College  
10915 Hardin Valley Road  
P.O. Box 22990  
Knoxville, Tennessee 37933-0990

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Pellissippi State Technical Community College, for the years ended June 30, 1999, and June 30, 1998. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

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

Sincerely,

John G. Morgan  
Comptroller of the Treasury

JGM/sdr  
00/065

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Pellissippi State Technical Community College**  
For the Years Ended June 30, 1999, and June 30, 1998

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## AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grants; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

## COMPLIANCE FINDING

### **Refunds Are Not Always Calculated for Students Who Unofficially Withdraw**

The college does not always perform necessary refund calculations for students who unofficially withdraw from school because faculty members do not consistently report the students' last date of attendance. The failure to perform refund calculations for students who unofficially withdraw could result in an overaward to some recipients (page 6).

## OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

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"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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**Audit Report**  
**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**For the Years Ended June 30, 1999, and June 30, 1998**

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**Tennessee Board of Regents  
Pellissippi State Technical Community College  
For the Years Ended June 30, 1999, and June 30, 1998**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Pellissippi State Technical Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any state governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

**BACKGROUND**

Pellissippi State Technical Community College began operation as State Technical Institute at Knoxville. The institute was established by the General Assembly in 1963. In 1988, the General Assembly combined the campuses of State Technical Institute at Knoxville and the Oak Ridge branch of Roane State Community College in Knoxville to form Pellissippi State Technical Community College.

The college awards the Associate of Applied Science, the Associate of Arts, and the Associate of Science degrees and certain certificates.

**ORGANIZATION**

The governance of Pellissippi State Technical Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

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## **AUDIT SCOPE**

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The audit was limited to the period July 1, 1997, through June 30, 1999, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1999, and June 30, 1998. Pellissippi State Technical Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## **OBJECTIVES OF THE AUDIT**

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The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
  2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
  3. to determine the fairness of the presentation of the financial statements; and
  4. to recommend appropriate actions to correct any deficiencies.
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## **PRIOR AUDIT FINDINGS**

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There were no findings in the prior audit report.

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## OBSERVATIONS AND COMMENTS

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### TITLE IX OF THE EDUCATION AMENDMENTS OF 1972

*Tennessee Code Annotated*, Section 4-4-123, requires each state governmental entity subject to the requirements of Title IX of the Education Amendments of 1972 to submit an annual Title IX compliance report and implementation plan to the Department of Audit by June 30, 1999, and each June 30 thereafter. The college did not file its compliance report and implementation plan by June 30, 1999, in violation of this statutory requirement.

Title IX of the Education Amendments of 1972 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no one receiving benefits under a federally funded education program and activity is discriminated against on the basis of gender. The untimely filing of the compliance report and implementation plan required by state law does not necessarily mean that the college is not in compliance with the federal law.

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## RESULTS OF THE AUDIT

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### AUDIT CONCLUSIONS

#### Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 1999, and June 30, 1998, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. An immaterial instance of noncompliance, along with the recommendation and management's response, is included in the finding and recommendation.

#### Fairness of Financial Statement Presentation

The Division of State Audit has rendered an unqualified opinion on the college's financial statements.



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

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

June 28, 2000

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Pellissippi State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1999, and June 30, 1998, and have issued our report thereon dated June 28, 2000. We conducted our audit in accordance with generally accepted government auditing standards.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

The Honorable John G. Morgan  
June 28, 2000  
Page Two

We did, however, note one immaterial instance of noncompliance that we have included in the Finding and Recommendation section of this report. We also noted another less significant instance of noncompliance, which we have reported to the college's management in a separate letter.

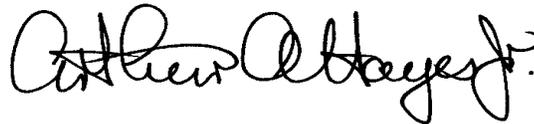
#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the college's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/sdr

## FINDING AND RECOMMENDATION

### **Refunds are not always calculated for students who unofficially withdraw**

#### **Finding**

The college does not always perform necessary refund calculations for students who have unofficially withdrawn from school. At the end of each academic term, the Student Financial Aid Office obtains a report which lists all financial aid students who have, in each class, either: (1) received a failing grade, or (2) withdrawn. The report is also supposed to indicate the last date of attendance in each class, and, therefore, should contain information which would allow the Student Financial Aid Office to compile a list of students who stopped attending classes during the term. Refunds have not been calculated on a consistent basis, however, because some of the faculty members have not been reporting the last date of attendance for each class in which a failing grade was earned.

The *Federal Student Financial Aid Handbook* indicates that the student financial assistance refund requirements apply when a student withdraws or drops out. Chapter 3, page 84, states:

A key component needed in order to determine if a refund of institutional charges is required is the date the student stopped attending classes and, therefore, was no longer receiving the instruction for which he or she was charged. This date is generally referred to as the withdrawal date. The withdrawal date is also critical in determining the amount of a student's refund...the withdrawal date is the earlier of the date that the student notifies an institution of the student's withdrawal, or...if the student drops out of the institution without notifying the institution (does not withdraw officially), the last recorded date of class attendance by the student, as documented by the institution.

The failure to perform calculations for students who unofficially withdraw could result in an overaward to some recipients.

#### **Recommendation**

The college should institute procedures to ensure that faculty members report the last date of attendance for all failing grades submitted. This information would enable the Student

Financial Aid Office to determine those students who have unofficially withdrawn; required refund calculations should then be performed.

### **Management's Comment**

Management concurs with the finding and recommendation. The federal regulations affecting refund calculations have been modified since the time frame of the audit. Effective Fall Semester 2000, the college will institute attendance reporting requirements that will ensure compliance with the new "Return of Title IV Funds" regulations.



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
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**Independent Auditor's Report**

June 28, 2000

The Honorable John G. Morgan  
Comptroller of the Treasury  
State Capitol  
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Pellissippi State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1999, and June 30, 1998, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Pellissippi State Technical Community College, as of June 30, 1999, and June 30, 1998, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan  
June 28, 2000  
Page Two

As discussed in Notes 11 and 12 to the financial statements, the college implemented GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB 16, *Accounting for Compensated Absences*, in conformity with generally accepted accounting principles. Also, as discussed in Note 11, the college changed the threshold for capitalizing equipment.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2000, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA, Director  
Division of State Audit

AAH/sdr

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 BALANCE SHEETS  
 JUNE 30, 1999, AND JUNE 30, 1998

<u>ASSETS</u>	<u>June 30, 1999</u>	<u>June 30, 1998</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Note 2)	\$ 1,801,068.54	\$ 2,209,637.65	Liabilities:		
Accounts receivable (net of allowance of \$58,910.00 at June 30, 1999, and \$51,904.00 at June 30, 1998)	340,599.51	373,899.22	Accounts payable	\$ 167,123.59	\$ 189,101.40
Inventories	8,510.07	11,208.76	Accrued liabilities	843,634.45	817,635.50
Prepaid expenses	246,896.03	244,577.40	Deferred revenue	923,908.07	801,949.69
Due from restricted current funds	<u>355,604.27</u>	<u>246,741.60</u>	Compensated absences	641,516.22	591,461.42
			Other liabilities	<u>11,098.96</u>	<u>10,442.65</u>
			Total liabilities	<u>2,587,281.29</u>	<u>2,410,590.66</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	156,421.99	193,571.78
			Allocation for encumbrances	102,396.83	563,605.71
			Allocation for compensated absences	(641,516.22)	(591,461.42)
			Unallocated	<u>548,094.53</u>	<u>509,757.90</u>
			Total fund balances	<u>165,397.13</u>	<u>675,473.97</u>
Total general	<u>2,752,678.42</u>	<u>3,086,064.63</u>	Total general	<u>2,752,678.42</u>	<u>3,086,064.63</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Note 2)	230,206.89	507,487.94	Liabilities:		
Accounts receivable	<u>33,005.16</u>	<u>106,678.05</u>	Accounts payable	-	234.90
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	33,005.16	106,678.05
			Allocation for encumbrances	523.80	-
			Discretionary allocation:		
			Allocation for contingencies	17,139.90	15,065.67
			Unallocated	<u>212,543.19</u>	<u>492,187.37</u>
			Total fund balances	<u>263,212.05</u>	<u>613,931.09</u>
Total auxiliary enterprises	<u>263,212.05</u>	<u>614,165.99</u>	Total auxiliary enterprises	<u>263,212.05</u>	<u>614,165.99</u>
Total unrestricted	<u>3,015,890.47</u>	<u>3,700,230.62</u>	Total unrestricted	<u>3,015,890.47</u>	<u>3,700,230.62</u>
Restricted:			Restricted:		
Accounts and grants receivable	<u>438,517.62</u>	<u>335,252.09</u>	Liabilities:		
			Accounts payable	3,477.63	18,602.07
			Accrued liabilities	6,144.64	19,294.20
			Due to unrestricted current funds	355,604.27	246,741.60
			Compensated absences	<u>21,114.28</u>	<u>21,114.28</u>
			Total liabilities	<u>386,340.82</u>	<u>305,752.15</u>
			Fund balance	<u>52,176.80</u>	<u>29,499.94</u>
Total restricted	<u>438,517.62</u>	<u>335,252.09</u>	Total restricted	<u>438,517.62</u>	<u>335,252.09</u>
Total current funds	<u>\$ 3,454,408.09</u>	<u>\$ 4,035,482.71</u>	Total current funds	<u>\$ 3,454,408.09</u>	<u>\$ 4,035,482.71</u>
Loan funds:			Loan funds:		
Cash (Note 2)	<u>\$ 1,005.61</u>	<u>\$ 1,005.61</u>	Fund balance:		
			Institutional funds:		
			Restricted	\$ 1,005.61	\$ 1,005.61
Total loan funds	<u>\$ 1,005.61</u>	<u>\$ 1,005.61</u>	Total loan funds	<u>\$ 1,005.61</u>	<u>\$ 1,005.61</u>

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 BALANCE SHEETS  
 JUNE 30, 1999, AND JUNE 30, 1998

<u>ASSETS</u>	<u>June 30, 1999</u>	<u>June 30, 1998</u>	<u>LIABILITIES AND FUND BALANCES</u>	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Note 2)	\$ 2,019,103.26	\$ 1,945,315.21	Liabilities:		
LGIP deposit - capital projects	<u>816,575.51</u>	<u>292,106.05</u>	Accounts payable	\$ 248,008.80	\$ 45,458.28
			Fund balance:		
			Unrestricted (Note 4)	<u>2,587,669.97</u>	<u>2,191,962.98</u>
Total unexpended plant	<u>2,835,678.77</u>	<u>2,237,421.26</u>	Total unexpended plant	<u>2,835,678.77</u>	<u>2,237,421.26</u>
Renewals and replacements:			Renewals and replacements:		
Cash (Note 2)	<u>1,386,244.85</u>	<u>1,732,325.51</u>	Liabilities:		
			Accounts payable	<u>13,489.33</u>	<u>27,499.21</u>
			Fund balance:		
Total renewals and replacements	<u>1,386,244.85</u>	<u>1,732,325.51</u>	Unrestricted (Note 4)	<u>1,372,755.52</u>	<u>1,704,826.30</u>
Retirement of indebtedness:			Total renewals and replacements	<u>1,386,244.85</u>	<u>1,732,325.51</u>
Cash (Note 2)	<u>5,511.18</u>	<u>5,511.18</u>	Retirement of indebtedness:		
			Liabilities:		
			Accrued interest payable	<u>3,071.18</u>	<u>5,511.18</u>
Total retirement of indebtedness	<u>5,511.18</u>	<u>5,511.18</u>	Fund balance:		
Investment in plant:			Unrestricted	<u>2,440.00</u>	<u>-</u>
Land	1,939,880.46	1,943,164.46	Total retirement of indebtedness	<u>5,511.18</u>	<u>5,511.18</u>
Buildings	37,543,118.48	37,541,678.48	Investment in plant:		
Improvements other than buildings	1,420,703.77	1,374,873.77	Liabilities:		
Equipment	15,551,554.67	14,557,995.69	Notes payable (Note 5)	<u>125,000.00</u>	<u>225,000.00</u>
Library books	2,248,800.00	2,190,912.00	Fund balance:		
Other library holdings	649,956.00	701,784.00	Net investment in plant	<u>59,589,505.89</u>	<u>58,131,842.98</u>
Construction in progress	<u>360,492.51</u>	<u>46,434.58</u>	Total investment in plant	<u>59,714,505.89</u>	<u>58,356,842.98</u>
Total investment in plant	<u>59,714,505.89</u>	<u>58,356,842.98</u>	Total plant funds	<u>\$ 63,941,940.69</u>	<u>\$ 62,332,100.93</u>
Total plant funds	<u>\$ 63,941,940.69</u>	<u>\$ 62,332,100.93</u>	Agency funds:		
Agency funds:			Foundation:		
Foundation:			Cash (Note 2)	\$ 453,337.46	\$ 242,409.21
Cash (Note 2)	\$ 453,337.46	\$ 242,409.21	Investments (Note 3)	2,713,847.18	2,456,512.63
Investments (Note 3)	2,713,847.18	2,456,512.63	Accounts receivable (net of allowance of \$1,525.00 at June 30, 1999, and \$2,183.00 at June 30, 1998)	6,807.30	4,448.25
Accounts receivable (net of allowance of \$1,525.00 at June 30, 1999, and \$2,183.00 at June 30, 1998)	6,807.30	4,448.25	Real estate option (Note 5)	<u>2,150,000.00</u>	<u>500,000.00</u>
Real estate option (Note 5)	<u>2,150,000.00</u>	<u>500,000.00</u>	Total foundation	<u>5,323,991.94</u>	<u>3,203,370.09</u>
Total foundation	<u>5,323,991.94</u>	<u>3,203,370.09</u>	Nonfoundation:		
Nonfoundation:			Cash (Note 2)	339,874.68	605,236.12
Cash (Note 2)	339,874.68	605,236.12	Accounts receivable	<u>1,060.05</u>	<u>1,556.90</u>
Accounts receivable	<u>1,060.05</u>	<u>1,556.90</u>	Total nonfoundation	<u>340,934.73</u>	<u>606,793.02</u>
Total nonfoundation	<u>340,934.73</u>	<u>606,793.02</u>	Total agency funds	<u>\$ 5,664,926.67</u>	<u>\$ 3,810,163.11</u>
Total agency funds	<u>\$ 5,664,926.67</u>	<u>\$ 3,810,163.11</u>			

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 1999

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>							
Unrestricted current fund revenues	\$ 27,032,554.66	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	342,798.05	-	-	-	-	-	-
State appropriations	-	81,325.00	-	125,731.83	-	-	-
Federal grants and contracts	-	4,841,986.76	-	-	-	-	-
State grants and contracts	-	2,043.39	-	-	-	-	-
Private gifts, grants, and contracts	-	723,363.90	-	-	-	-	-
Tuition and fees	-	51,621.90	-	-	-	-	-
Investment income	-	-	-	111,776.75	69,242.04	-	-
Equipment use charges	-	-	-	-	121,000.00	-	-
Expended for plant facilities (including \$1,767,130.12 charged to current fund expenditures)	-	-	-	-	-	-	2,887,028.80
Retirement of indebtedness	-	-	-	-	-	-	100,000.00
<b>Total revenues and other additions</b>	<b>27,375,352.71</b>	<b>5,700,340.95</b>	<b>-</b>	<b>237,508.58</b>	<b>190,242.04</b>	<b>-</b>	<b>2,987,028.80</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>							
Educational and general expenditures	26,970,914.51	5,417,259.69	-	-	-	-	-
Auxiliary enterprise expenditures	126,377.19	-	-	-	-	-	-
Indirect costs recovered	-	234,324.40	-	-	-	-	-
Refunded to grantors	-	26,080.00	-	-	-	-	-
Expended for plant facilities	-	-	-	593,533.46	526,365.22	-	-
Expended for noncapital items	-	-	-	253,722.62	13,087.50	-	-
Retirement of indebtedness	-	-	-	-	-	100,000.00	-
Interest on indebtedness	-	-	-	-	-	13,822.50	-
Disposal of plant facilities	-	-	-	-	-	-	1,410,256.46
Library holdings revaluation	-	-	-	-	-	-	119,109.43
<b>Total expenditures and other deductions</b>	<b>27,097,291.70</b>	<b>5,677,664.09</b>	<b>-</b>	<b>847,256.08</b>	<b>539,452.72</b>	<b>113,822.50</b>	<b>1,529,365.89</b>
<b>TRANSFERS BETWEEN FUNDS-ADDITIONS (DEDUCTIONS)</b>							
Mandatory:							
Principal and interest	(116,262.50)	-	-	-	-	116,262.50	-
Nonmandatory:							
Unexpended plant	(1,005,454.49)	-	-	1,005,454.49	-	-	-
Renewals and replacements	(17,139.90)	-	-	-	17,139.90	-	-
<b>Total transfers</b>	<b>(1,138,856.89)</b>	<b>-</b>	<b>-</b>	<b>1,005,454.49</b>	<b>17,139.90</b>	<b>116,262.50</b>	<b>-</b>
Net increases (decreases) for the year	(860,795.88)	22,676.86	-	395,706.99	(332,070.78)	2,440.00	1,457,662.91
Fund balances at beginning of year	1,289,405.06	29,499.94	1,005.61	2,191,962.98	1,704,826.30	-	58,131,842.98
Fund balances at end of year	\$ 428,609.18	\$ 52,176.80	\$ 1,005.61	\$ 2,587,669.97	\$ 1,372,755.52	\$ 2,440.00	\$ 59,589,505.89

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<u>REVENUES AND OTHER ADDITIONS</u>							
Unrestricted current fund revenues	\$ 24,789,183.90	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	301,313.32	-	-	-	-	-	-
State appropriations	-	79,300.00	-	90,157.31	-	-	-
Federal grants and contracts	-	4,356,225.34	-	-	-	-	-
State grants and contracts	-	1,499.94	-	-	-	-	-
Private gifts, grants, and contracts	-	728,805.02	-	-	-	-	-
Tuition and fees	-	51,939.75	-	-	-	-	-
Investment income	-	-	-	123,005.95	90,852.43	-	-
Equipment use charges	-	-	-	-	121,000.00	-	-
Expended for plant facilities (including \$1,463,260.29 charged to current fund expenditures)	-	-	-	-	-	-	1,779,549.09
Retirement of indebtedness	-	-	-	-	-	-	100,000.00
Library holdings revaluation	-	-	-	-	-	-	94,635.18
Other additions	-	-	-	-	-	-	1,024.50
<b>Total revenues and other additions</b>	<b>25,090,497.22</b>	<b>5,217,770.05</b>	<b>-</b>	<b>213,163.26</b>	<b>211,852.43</b>	<b>-</b>	<b>1,975,208.77</b>
<u>EXPENDITURES AND OTHER DEDUCTIONS</u>							
Educational and general expenditures	24,424,042.64	4,982,078.68	-	-	-	-	-
Auxiliary enterprise expenditures	107,422.08	-	-	-	-	-	-
Indirect costs recovered	-	228,411.47	-	-	-	-	-
Expended for plant facilities	-	-	-	158,670.47	157,618.33	-	-
Expended for noncapital items	-	-	-	155,055.12	19,979.60	-	-
Retirement of indebtedness	-	-	-	-	-	100,000.00	-
Interest on indebtedness	-	-	-	-	-	20,956.39	-
Disposal of plant facilities	-	-	-	-	-	-	427,434.17
<b>Total expenditures and other deductions</b>	<b>24,531,464.72</b>	<b>5,210,490.15</b>	<b>-</b>	<b>313,725.59</b>	<b>177,597.93</b>	<b>120,956.39</b>	<b>427,434.17</b>
<u>TRANSFERS BETWEEN FUNDS-ADDITIONS (DEDUCTIONS)</u>							
Mandatory:							
Principal and interest	(120,956.39)	-	-	-	-	120,956.39	-
Nonmandatory:							
Unexpended plant	(181,842.81)	-	-	181,842.81	-	-	-
Renewals and replacements	(89,865.67)	-	-	-	89,865.67	-	-
<b>Total transfers</b>	<b>(392,664.87)</b>	<b>-</b>	<b>-</b>	<b>181,842.81</b>	<b>89,865.67</b>	<b>120,956.39</b>	<b>-</b>
<b>Net increases for the year</b>	<b>166,367.63</b>	<b>7,279.90</b>	<b>-</b>	<b>81,280.48</b>	<b>124,120.17</b>	<b>-</b>	<b>1,547,774.60</b>
Fund balances at beginning of year (Note 12)	1,123,037.43	22,220.04	1,005.61	2,110,682.50	1,580,706.13	-	57,676,240.73
Cumulative effect of change in accounting principle (Note 11)	-	-	-	-	-	-	(1,092,172.35)
Fund balances at beginning of year, as restated	1,123,037.43	22,220.04	1,005.61	2,110,682.50	1,580,706.13	-	56,584,068.38
<b>Fund balances at end of year</b>	<b>\$ 1,289,405.06</b>	<b>\$ 29,499.94</b>	<b>\$ 1,005.61</b>	<b>\$ 2,191,962.98</b>	<b>\$ 1,704,826.30</b>	<b>\$ -</b>	<b>\$ 58,131,842.98</b>

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 1999

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 9,783,127.16	\$ 49,797.63	\$ 9,832,924.79
State appropriations	16,548,800.00	81,325.00	16,630,125.00
Federal grants and contracts	71,760.61	4,744,146.15	4,815,906.76
State grants and contracts	5,500.00	2,043.39	7,543.39
Private gifts, grants, and contracts	224,355.50	539,947.52	764,303.02
Sales and services of auxiliary enterprises	342,798.05	-	342,798.05
Investment income	164,409.33	-	164,409.33
Other sources	234,602.06	-	234,602.06
Total current revenues	<u>27,375,352.71</u>	<u>5,417,259.69</u>	<u>32,792,612.40</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	15,429,529.67	703,581.42	16,133,111.09
Public service	165,977.84	673,598.19	839,576.03
Academic support	2,601,921.84	269,069.13	2,870,990.97
Student services	3,185,028.15	213,334.48	3,398,362.63
Institutional support	3,088,041.58	-	3,088,041.58
Operation and maintenance of plant	2,245,333.94	-	2,245,333.94
Scholarships and fellowships	255,081.49	3,557,676.47	3,812,757.96
Total educational and general expenditures	<u>26,970,914.51</u>	<u>5,417,259.69</u>	<u>32,388,174.20</u>
Mandatory transfer for:			
Principal and interest	116,262.50	-	116,262.50
Nonmandatory transfer for:			
Unexpended plant	1,005,454.49	-	1,005,454.49
Total educational and general	<u>28,092,631.50</u>	<u>5,417,259.69</u>	<u>33,509,891.19</u>
Auxiliary enterprises:			
Expenditures			
Nonmandatory transfer for:			
Renewals and replacements	17,139.90	-	17,139.90
Total auxiliary enterprises	<u>143,517.09</u>	<u>-</u>	<u>143,517.09</u>
Total expenditures and transfers	<u>28,236,148.59</u>	<u>5,417,259.69</u>	<u>33,653,408.28</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over			
transfers to revenues	-	283,081.26	283,081.26
Refunded to grantors	-	(26,080.00)	(26,080.00)
Indirect costs recovered	-	(234,324.40)	(234,324.40)
Net increase (decrease) in fund balances	<u>\$ (860,795.88)</u>	<u>\$ 22,676.86</u>	<u>\$ (838,119.02)</u>

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 1998

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Tuition and fees	\$ 8,856,035.87	\$ 44,499.03	\$ 8,900,534.90
State appropriations	15,363,800.00	80,382.05	15,444,182.05
Federal grants and contracts	72,486.54	4,285,088.80	4,357,575.34
State grants and contracts	-	1,499.94	1,499.94
Private gifts, grants, and contracts	221,015.34	570,608.86	791,624.20
Sales and services of auxiliary enterprises	301,313.32	-	301,313.32
Investment income	143,386.66	-	143,386.66
Other sources	132,459.49	-	132,459.49
Total current revenues	<u>25,090,497.22</u>	<u>4,982,078.68</u>	<u>30,072,575.90</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general:			
Expenditures:			
Instruction	14,330,107.55	800,358.97	15,130,466.52
Public service	172,759.97	597,011.83	769,771.80
Academic support	2,040,583.48	213,653.90	2,254,237.38
Student services	2,738,329.84	242,137.03	2,980,466.87
Institutional support	2,673,256.01	551.56	2,673,807.57
Operation and maintenance of plant	2,211,281.75	22,509.75	2,233,791.50
Scholarships and fellowships	257,724.04	3,105,855.64	3,363,579.68
Total educational and general expenditures	<u>24,424,042.64</u>	<u>4,982,078.68</u>	<u>29,406,121.32</u>
Mandatory transfer for:			
Principal and interest	120,956.39	-	120,956.39
Nonmandatory transfers for:			
Unexpended plant	181,842.81	-	181,842.81
Renewals and replacements	74,800.00	-	74,800.00
Total educational and general	<u>24,801,641.84</u>	<u>4,982,078.68</u>	<u>29,783,720.52</u>
Auxiliary enterprises:			
Expenditures	107,422.08	-	107,422.08
Nonmandatory transfer for:			
Renewals and replacements	15,065.67	-	15,065.67
Total auxiliary enterprises	<u>122,487.75</u>	<u>-</u>	<u>122,487.75</u>
Total expenditures and transfers	<u>24,924,129.59</u>	<u>4,982,078.68</u>	<u>29,906,208.27</u>
<b>OTHER ADDITION (DEDUCTION)</b>			
Excess of restricted receipts over transfers to revenues	-	235,691.37	235,691.37
Indirect costs recovered	-	(228,411.47)	(228,411.47)
Net increases in fund balances	<u>\$ 166,367.63</u>	<u>\$ 7,279.90</u>	<u>\$ 173,647.53</u>

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

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements  
June 30, 1999, and June 30, 1998**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

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

**Basis of Presentation**

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The college uses the AICPA College Guide model for accounting and financial reporting.

**Basis of Accounting**

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as (1) expenditures, for normal replacement of movable equipment and library holdings; (2) mandatory transfers, for required debt amortization and interest; and (3) nonmandatory transfers, for all other cases.

**Fund Accounting**

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include food services and the bookstore. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Loan Funds

Loan funds consist of resources made available for student loans.

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes; (2) funds set aside for the renewal and replacement of institutional properties; (3) funds set aside for debt service charges and for the retirement of the indebtedness on institutional properties; and (4) funds expended for, and thus invested in, institutional properties.

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

**LGIP Deposit – Capital Projects**

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

**Inventories**

Inventories are valued at the lower of cost or market on a first-in, first-out basis.

**Compensated Absences**

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted and restricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

**Allocation for Working Capital**

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

**Plant Assets**

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. The college has adopted a policy of capitalizing all interest costs funded by Tennessee State School Bond Authority indebtedness. All

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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other interest costs are expensed. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

**Pellissippi State Technical Community College Foundation**

The college is the sole beneficiary of the Pellissippi State Technical Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are handled by the college, and the assets and liabilities of the foundation are included in the agency funds on the college's balance sheet.

**NOTE 2. DEPOSITS**

The college's deposits are in a financial institution which participates in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

The college also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 3. INVESTMENTS**

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 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;

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified. The Pellissippi State Technical Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

The college's investments at June 30, 1999, and June 30, 1998, consisted solely of funds in the State of Tennessee Local Government Investment Pool which have been reported as cash.

The investments of the Pellissippi State Technical Community College Foundation are included in the agency funds on the institution's balance sheet. The foundation's investments in mutual funds at June 30, 1999, and June 30, 1998, are listed below and are not susceptible to credit risk categorization.

<u>June 30, 1999</u>	<u>Fair Value</u>
Common Fund, Inc.:	
Intermediate fund – unendowed	\$ 86,494.77
Equity fund	1,666,401.75
Bond fund	960,336.34
Short term fund	<u>614.32</u>
 Total investments on the balance sheet	 <u><u>\$2,713,847.18</u></u>

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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<u>June 30, 1998</u>	<u>Fair Value</u>
Common Fund, Inc.:	
Intermediate fund – unendowed	\$ 93,009.88
Equity fund	1,301,248.83
International equity fund	162,276.86
Bond fund	899,392.48
Short term fund	<u>584.58</u>
 Total investments on the balance sheet	 <u><u>\$2,456,512.63</u></u>

**NOTE 4. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 1999, amounted to \$105,987.12 for unexpended plant. Plant fund encumbrances outstanding at June 30, 1998, amounted to \$61,710.00 for unexpended plant and \$285,743.84 for renewals and replacements.

**NOTE 5. NOTES PAYABLE**

The Tennessee Board of Regents, on behalf of the college, borrowed funds to provide financing for a student recreation center. The notes bear interest at rates ranging from 7.1% to 7.25%, have face amounts ranging from \$100,000 to \$125,000, and mature from March 1, 1998, through March 1, 2000. The balance owed by the college was \$125,000 at June 30, 1999, and \$225,000 at June 30, 1998.

The Pellissippi State Technical Community College Foundation purchased an option to buy the Knoxville Catholic High School property at 1610 East Magnolia Avenue for \$2,150,000. As of June 30, 1998, \$500,000 of the option had been paid. As of June 30, 1999, \$2,150,000 of the option had been paid. The foundation borrowed funds to make payment on the option. The related note bears an annual interest rate of 7.75%, a face amount of \$1,632,000, and due dates of July 8, 1999, and January 9, 2000, for equal payments of \$816,000. The balance owed by the foundation, as reported in agency funds, was \$1,632,000 at June 30, 1999.

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1999, and June 30, 1998**

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The debt service requirements to maturity for all notes payable at June 30, 1999, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	<u>\$1,757,000.00</u>	<u>\$196,323.17</u>	<u>\$1,953,323.17</u>

**NOTE 6. PENSION PLANS**

**A. Defined Benefit Plan**

**Tennessee Consolidated Retirement System**

Plan Description - The college contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 5.43% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS Board of Trustees. The college's contributions to TCRS for the years ended June 30, 1999, 1998, and 1997, were \$313,771.04, \$196,147.45, and \$417,432.65. Contributions met the requirements for each year.

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1999, and June 30, 1998**

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**B. Defined Contribution Plans**

**Optional Retirement Plans (ORP)**

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans for the year ended June 30, 1999, was \$754,542.15, and for the year ended June 30, 1998, was \$719,756.88. Contributions met the requirements for each year.

**NOTE 7. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

**NOTE 8. INSURANCE-RELATED ACTIVITIES**

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state's officials and employees. During the year ended June 30, 1999, the state incurred losses in Clarksville and Jackson

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due to damage from tornadoes. Final settlement has not been made but is expected to be approximately \$6 million. In the prior two fiscal years, the state had not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$8.219 million has been established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1999, the scheduled coverage for the college was \$47,416,700 for buildings and \$15,316,300 for contents. At June 30, 1998, the scheduled coverage was \$44,963,100 for buildings and \$14,057,800 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

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

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**NOTE 9. COMMITMENTS AND CONTINGENCIES**

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$3,988,742.20 at June 30, 1999, and \$3,728,438.16 at June 30, 1998.

Construction in Progress - At June 30, 1999, outstanding commitments under construction contracts totaled \$464,933.23 for the Goins Building, McWherter Building, Blount County portable building, Visitor Information Center, Student Recreation Center, and retention basin rehabilitation projects, of which \$59,205.36 will be funded by future state capital outlay appropriations.

**NOTE 10. PLEDGES**

At June 30, 1999, unrecorded pledges of the Pellissippi State Technical Community College Foundation totaled \$125,343.43. Of the pledges, \$934.20 were unrestricted as to use. The remainder of the pledges were to be used for professional development, scholarships, student loans, and equipment. These pledges are due to be collected over the next nine fiscal years in the amounts of \$63,134.07, \$21,572.16, \$13,900.00, \$12,000.00, \$5,000.00, \$4,000.00, \$2,747.00, \$2,500.00, and \$490.20. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

**NOTE 11. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

During the year ended June 30, 1998, the college implemented GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires reporting at fair value certain investments with a remaining maturity of more than one year at the time of purchase. The cumulative effect of this change in accounting principle is reported in the accompanying balance sheets as a restatement of the June 30, 1998, balance of deposits held in custody for the foundation.

During the year ended June 30, 1998, the threshold for capitalizing equipment increased from \$500 to \$1,000. As a result of the change, equipment decreased by

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\$1,092,172.35. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance.

**NOTE 12. PRIOR-YEAR RESTATEMENT**

The college implemented GASB Statement 16, *Accounting for Compensated Absences*. As a result, the beginning fund balance for unrestricted current funds on Exhibit C was decreased by \$621,757.32.