

**Tennessee Board of Regents
Cleveland State Community College**

**For the Years Ended
June 30, 2000, and June 30, 1999**

Arthur A. Hayes, Jr., CPA, JD, CFE

Director

Charles K. Bridges, CPA

Assistant Director

Robert D. Hunter, Jr., CPA

Audit Manager

Robert Harrill, CPA

In-Charge Auditor

Sam Alzoubi

Roshena May

Barbara Ragan

Staff Auditors

Gerry Boaz, CPA

Technical Analyst

Amy Brack

Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

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

John G. Morgan
Comptroller

July 31, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

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

Dr. Carl M. Hite, President
Cleveland State Community College
3535 Adkisson Drive
P. O. Box 3570
Cleveland, Tennessee 37320

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Cleveland State Community College, for the years ended June 30, 2000, and June 30, 1999. 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 resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

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State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Cleveland State Community College
For the Years Ended June 30, 2000, and June 30, 1999

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.

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, please contact

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Audit Report
Tennessee Board of Regents
Cleveland State Community College
For the Years Ended June 30, 2000, and June 30, 1999

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**Tennessee Board of Regents
Cleveland State Community College
For the Years Ended June 30, 2000, and June 30, 1999**

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

The idea for Tennessee’s community college system was conceived in 1957 when the state legislature ordered a study of community college programs, a study which resulted in the Pierce-Albright Report. Acting on the recommendation of the Governor and the State Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. Cleveland State Community College was established as a two-year college by the 1965 Tennessee General Assembly. The first class graduated in June 1969. The General Assembly vested the governance of Cleveland State Community College in the Tennessee Board of Regents on July 1, 1972.

ORGANIZATION

The governance of Cleveland State 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.

AUDIT SCOPE

The audit was limited to the period July 1, 1998, through June 30, 2000, and was conducted in accordance with government auditing standards generally accepted in the United States of America. Financial statements are presented for the years ended June 30, 2000, and June 30, 1999. Cleveland State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing 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.
-

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 2000, and June 30, 1999, 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 government auditing standards generally accepted in the United States of America. 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*.

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**

**SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697
FAX (615) 532-2765**

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

March 8, 2001

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

Dear Mr. Morgan:

We have audited the financial statements of Cleveland State 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, 2000, and June 30, 1999, and have issued our report thereon dated March 8, 2001. We conducted our audit in accordance with government auditing standards generally accepted in the United States of America.

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*.

We did, however, note an immaterial instance of noncompliance, which we have reported to the college's management in a separate letter.

The Honorable John G. Morgan
March 8, 2001
Page Two

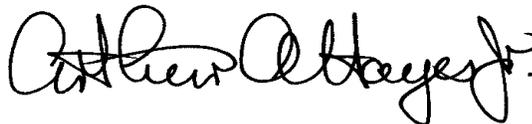
Internal Control Over Financial Reporting

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." in a cursive style.

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

AAH/sds



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 741-3697
FAX (615) 532-2765**

Independent Auditor's Report

March 8, 2001

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 Cleveland State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 2000, and June 30, 1999, 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 government auditing standards generally accepted in the United States of America. 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, Cleveland State Community College, as of June 30, 2000, and June 30, 1999, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan
March 8, 2001
Page Two

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 March 8, 2001, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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/sds

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

	<u>June 30, 2000</u>	<u>June 30, 1999</u>		<u>June 30, 2000</u>	<u>June 30, 1999</u>
ASSETS			LIABILITIES AND FUND BALANCES		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Notes 2 and 3)	\$ 1,233,533.85	\$ 664,145.69	Liabilities:		
Accounts receivable (net of allowance of \$9,409.78 at June 30, 2000, and \$16,092.31 at June 30, 1999)	68,681.50	60,562.31	Accounts payable	\$ 89,554.65	\$ 99,651.26
Inventories	19,088.62	17,589.46	Accrued liabilities	265,778.01	297,128.96
Due from restricted current funds	546,472.64	627,890.77	Deferred revenue	277,964.75	272,162.00
Prepaid expenses and deferred charges	<u>112,632.23</u>	<u>101,471.98</u>	Compensated absences	442,763.82	467,558.57
			Other liabilities	<u>5,000.00</u>	<u>-</u>
			Total liabilities	<u>1,081,061.23</u>	<u>1,136,500.79</u>
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	17,256.19	-
			Allocation for encumbrances	62,140.15	215,574.20
			Allocation for designated appropriations	1,977.42	1,494.20
			Allocation for student activity fees	1,858.72	-
			Allocation for technology fees	1,505.28	-
			Discretionary allocations:		
			Allocation for subsequent budget	402,400.00	504,500.00
			Allocation for student activity fees	-	774.85
			Allocation for technology fees	-	33,327.73
			Allocation for athletics	-	2,503.04
			Allocation for compensated absences	(442,763.82)	(467,558.57)
			Unallocated	<u>854,973.67</u>	<u>44,543.97</u>
			Total fund balances	<u>899,347.61</u>	<u>335,159.42</u>
Total general	<u>1,980,408.84</u>	<u>1,471,660.21</u>	Total general	<u>1,980,408.84</u>	<u>1,471,660.21</u>
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Notes 2 and 3)	406,345.06	409,785.85	Liabilities:		
Accounts receivable	-	1,219.86	Accounts payable	<u>6,758.79</u>	<u>70.59</u>
Inventories	<u>812.28</u>	<u>1,120.12</u>	Fund balances:		
			Nondiscretionary allocation:		
			Allocation for working capital	812.28	2,339.98
			Discretionary allocations:		
			Allocation for contingencies	172.65	5,608.16
			Allocation for repurchase of bookstore inventory	325,000.00	325,000.00
			Unallocated	<u>74,413.62</u>	<u>79,107.10</u>
			Total fund balances	<u>400,398.55</u>	<u>412,055.24</u>
Total auxiliary enterprises	<u>407,157.34</u>	<u>412,125.83</u>	Total auxiliary enterprises	<u>407,157.34</u>	<u>412,125.83</u>
Total unrestricted	<u>2,387,566.18</u>	<u>1,883,786.04</u>	Total unrestricted	<u>2,387,566.18</u>	<u>1,883,786.04</u>
Restricted:			Restricted:		
Cash (Notes 2 and 3)	144,065.85	70,628.41	Liabilities:		
Accounts and grants receivable	<u>640,101.63</u>	<u>726,458.66</u>	Accounts payable	69,733.71	111,516.58
			Accrued liabilities	98,266.24	87.08
			Due to unrestricted current funds	<u>546,472.64</u>	<u>627,890.77</u>
			Total liabilities	<u>714,472.59</u>	<u>739,494.43</u>
			Fund balance	<u>69,694.89</u>	<u>57,592.64</u>
Total restricted	<u>784,167.48</u>	<u>797,087.07</u>	Total restricted	<u>784,167.48</u>	<u>797,087.07</u>
Total current funds	<u>\$ 3,171,733.66</u>	<u>\$ 2,680,873.11</u>	Total current funds	<u>\$ 3,171,733.66</u>	<u>\$ 2,680,873.11</u>
Loan funds:			Loan funds:		
Cash (Notes 2 and 3)	\$ 49.33	\$ 1,068.72	Fund balances:		
Notes receivable (net of allowance of \$1,976.75 at June 30, 2000, and \$3,085.34 at June 30, 1999)	486.64	1,828.69	U.S. government grants refundable	\$ 2,062.18	\$ 4,292.22
Accrued interest receivable	<u>1,755.34</u>	<u>1,871.72</u>	Institutional:		
			Restricted - matching	<u>229.13</u>	<u>476.91</u>
Total loan funds	<u>\$ 2,291.31</u>	<u>\$ 4,769.13</u>	Total loan funds	<u>\$ 2,291.31</u>	<u>\$ 4,769.13</u>

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 2000, AND JUNE 30, 1999

	June 30, 2000	June 30, 1999		June 30, 2000	June 30, 1999
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 2 and 3)	\$ 944,000.91	\$ 877,116.52	Liabilities:		
LGIP deposit - capital projects	1,254.44	71,998.41	Accounts payable	\$ 17,825.49	\$ 28,036.40
Accounts receivable	<u>45,865.42</u>	<u>15,442.25</u>			
			Fund balance:		
			Unrestricted (Note 4)	<u>973,295.28</u>	<u>936,520.78</u>
Total unexpended plant	<u>991,120.77</u>	<u>964,557.18</u>	Total unexpended plant	<u>991,120.77</u>	<u>964,557.18</u>
Renewals and replacements:			Renewals and replacements:		
Cash (Notes 2 and 3)	<u>1,315,222.21</u>	<u>1,241,265.97</u>	Liabilities:		
			Accounts payable	<u>16,552.44</u>	<u>-</u>
			Fund balance:		
			Unrestricted (Note 4)	<u>1,298,669.77</u>	<u>1,241,265.97</u>
Total renewals and replacements	<u>1,315,222.21</u>	<u>1,241,265.97</u>	Total renewals and replacements	<u>1,315,222.21</u>	<u>1,241,265.97</u>
Investment in plant:			Investment in plant:		
Land	135,130.50	135,130.50	Liabilities:		
Buildings	8,705,219.50	8,699,398.48	Loan payable (Note 5)	88,950.23	108,605.00
Improvements other than buildings	1,146,985.96	1,146,985.96	Accrued interest payable	<u>1,725.54</u>	<u>2,097.71</u>
Equipment	2,596,340.87	4,751,072.10			
Library books	3,155,088.00	3,128,880.00	Total liabilities	<u>90,675.77</u>	<u>110,702.71</u>
Other library holdings	3,665,399.00	3,636,844.00	Fund balance:		
Construction in progress	<u>694,169.49</u>	<u>28,036.40</u>	Net investment in plant	<u>20,007,657.55</u>	<u>21,415,644.73</u>
Total investment in plant	<u>20,098,333.32</u>	<u>21,526,347.44</u>	Total investment in plant	<u>20,098,333.32</u>	<u>21,526,347.44</u>
Total plant funds	<u>\$ 22,404,676.30</u>	<u>\$ 23,732,170.59</u>	Total plant funds	<u>\$ 22,404,676.30</u>	<u>\$ 23,732,170.59</u>
Agency funds:			Agency funds:		
Cash (Notes 2 and 3)	<u>\$ 321,964.07</u>	<u>\$ 209,528.89</u>	Liabilities:		
			Deposits held in custody for others	\$ 321,964.07	\$ 209,528.89
Total agency funds	<u>\$ 321,964.07</u>	<u>\$ 209,528.89</u>	Total agency funds	<u>\$ 321,964.07</u>	<u>\$ 209,528.89</u>

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

TENNESSEE BOARD OF REGENTS
 CLEVELAND STATE COMMUNITY COLLEGE
 STATEMENT OF CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2000

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current funds revenues	\$ 12,597,489.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	106,558.00	-	-	-	-	-	-
State appropriations	-	92,850.00	-	44,656.15	-	-	-
Federal grants and contracts	-	4,721,545.55	-	-	-	-	-
State grants and contracts	-	258,661.21	-	-	-	-	-
Private grants and contracts	-	-	-	646,105.99	-	-	-
Private gifts	-	17,253.55	-	-	-	-	-
Investment income	-	-	48.84	56,801.60	69,486.50	-	-
Interest on loans receivable	-	-	106.15	-	-	-	-
Reduction in doubtful accounts	-	-	1,108.59	-	-	-	-
Expended for plant facilities (including \$156,241.25 charged to current fund expenditures)	-	-	-	-	-	-	822,374.34
Retirement of indebtedness	-	-	-	-	-	-	19,654.77
Library holdings revaluation	-	-	-	-	-	-	17,388.21
Interest on indebtedness	-	-	-	-	-	-	372.17
Other	-	-	22.00	-	-	-	-
Total revenues and other additions	12,704,047.60	5,090,310.31	1,285.58	747,563.74	69,486.50	-	859,789.49
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	12,094,525.87	4,958,414.60	-	-	-	-	-
Auxiliary enterprise expenditures	26,816.49	-	-	-	-	-	-
Indirect costs recovered	-	112,989.01	-	-	-	-	-
Refunded to grantors	-	6,804.45	1,674.00	-	-	-	-
Loan cancellations and write-offs	-	-	1,903.40	-	-	-	-
Expended for plant facilities	-	-	-	666,133.09	-	-	-
Expended for noncapital items	-	-	-	44,656.15	17,357.44	-	-
Retirement of indebtedness	-	-	-	-	-	19,654.77	-
Interest on indebtedness	-	-	-	-	-	5,430.23	-
Disposal of plant facilities	-	-	-	-	-	-	79,435.20
Total expenditures and other deductions	12,121,342.36	5,078,208.06	3,577.40	710,789.24	17,357.44	25,085.00	79,435.20
TRANSFERS BETWEEN FUNDS - ADDITIONS (DEDUCTIONS)							
Mandatory:							
Principal and interest	(25,085.00)	-	-	-	-	25,085.00	-
Nonmandatory:							
Unrestricted current	186.00	-	(186.00)	-	-	-	-
Renewals and replacements	(5,274.74)	-	-	-	5,274.74	-	-
Total transfers	(30,173.74)	-	(186.00)	-	5,274.74	25,085.00	-
Net increases (decrease) for the year	552,531.50	12,102.25	(2,477.82)	36,774.50	57,403.80	-	780,354.29
Fund balances at beginning of year	747,214.66	57,592.64	4,769.13	936,520.78	1,241,265.97	-	21,415,644.73
Cumulative effect of change in accounting principle (Note 11)	-	-	-	-	-	-	(2,188,341.47)
Fund balances at beginning of year, as restated	747,214.66	57,592.64	4,769.13	936,520.78	1,241,265.97	-	19,227,303.26
Fund balances at end of year	\$ 1,299,746.16	\$ 69,694.89	\$ 2,291.31	\$ 973,295.28	\$ 1,298,669.77	\$ -	\$ 20,007,657.55

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

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE 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	Investment In Plant
REVENUES AND OTHER ADDITIONS						
Unrestricted current funds revenues	\$ 12,001,306.59	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	112,163.17	-	-	-	-	-
State appropriations	-	92,525.00	-	489,860.28	-	-
Federal grants and contracts	-	4,387,077.65	-	-	-	-
State grants and contracts	-	305,357.41	-	-	-	-
Private grants and contracts	-	-	-	71,250.00	-	-
Private gifts	-	46,869.76	-	-	-	-
Investment income	-	-	34.68	42,200.82	57,403.02	-
Interest on loans receivable	-	-	193.65	-	-	-
Reduction in doubtful accounts	-	-	95.51	-	-	-
Loan proceeds	-	-	-	108,605.00	-	-
Expended for plant facilities (including \$360,909.41 charged to current fund expenditures)	-	-	-	-	-	388,945.81
Library holdings revaluation	-	-	-	-	-	121,354.79
Other	-	2,692.87	18.00	-	-	-
Total revenues and other additions	12,113,469.76	4,834,522.69	341.84	711,916.10	57,403.02	510,300.60
EXPENDITURES AND OTHER DEDUCTIONS						
Educational and general expenditures	11,838,637.62	4,742,453.05	-	-	-	-
Auxiliary enterprise expenditures	26,802.29	-	-	-	-	-
Indirect costs recovered	-	105,547.23	-	-	-	-
Refunded to grantors	-	1,824.00	-	-	-	-
Expended for plant facilities	-	-	-	28,036.40	-	-
Expended for noncapital items	-	-	-	598,465.28	12,750.00	-
Disposal of plant facilities	-	-	-	-	-	339,789.35
Increase in indebtedness	-	-	-	-	-	108,605.00
Other	-	21.49	-	-	-	2,097.71
Total expenditures and other deductions	11,865,439.91	4,849,845.77	-	626,501.68	12,750.00	450,492.06
TRANSFERS BETWEEN FUNDS - ADDITIONS (DEDUCTIONS)						
Nonmandatory:						
Unexpended plant	(45,000.00)	-	-	45,000.00	-	-
Renewals and replacements	(55,473.81)	-	-	-	55,473.81	-
Total transfers	(100,473.81)	-	-	45,000.00	55,473.81	-
Net increases (decrease) for the year	147,556.04	(15,323.08)	341.84	130,414.42	100,126.83	59,808.54
Fund balances at beginning of year	599,658.62	72,915.72	4,427.29	806,106.36	1,141,139.14	21,355,836.19
Fund balances at end of year	\$ 747,214.66	\$ 57,592.64	\$ 4,769.13	\$ 936,520.78	\$ 1,241,265.97	\$ 21,415,644.73

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

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2000

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 3,332,079.22	\$ -	\$ 3,332,079.22
State appropriations	8,842,700.00	90,903.94	8,933,603.94
Federal grants and contracts	135,820.58	4,560,424.28	4,696,244.86
State grants and contracts	-	290,076.85	290,076.85
Private gifts	780.00	17,009.53	17,789.53
Sales and services of educational activities	5,390.01	-	5,390.01
Sales and services of auxiliary enterprises	106,558.00	-	106,558.00
Investment income	120,972.60	-	120,972.60
Other sources	159,747.19	-	159,747.19
Total current revenues	<u>12,704,047.60</u>	<u>4,958,414.60</u>	<u>17,662,462.20</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	6,509,276.22	228,518.43	6,737,794.65
Public service	70,203.40	3,245,842.20	3,316,045.60
Academic support	844,563.76	10,712.00	855,275.76
Student services	1,511,612.87	13,882.72	1,525,495.59
Institutional support	1,639,151.50	7,611.00	1,646,762.50
Operation and maintenance of plant	1,424,182.62	-	1,424,182.62
Scholarships and fellowships	95,535.50	1,451,848.25	1,547,383.75
Total educational and general expenditure:	<u>12,094,525.87</u>	<u>4,958,414.60</u>	<u>17,052,940.47</u>
Mandatory transfer for:			
Principal and interest	25,085.00	-	25,085.00
Nonmandatory transfer:			
Loan funds	(186.00)	-	(186.00)
Total educational and general	<u>12,119,424.87</u>	<u>4,958,414.60</u>	<u>17,077,839.47</u>
Auxiliary enterprises:			
Expenditures	26,816.49	-	26,816.49
Nonmandatory transfer for:			
Renewals and replacements	5,274.74	-	5,274.74
Total auxiliary enterprises	<u>32,091.23</u>	<u>-</u>	<u>32,091.23</u>
Total expenditures and transfers	<u>12,151,516.10</u>	<u>4,958,414.60</u>	<u>17,109,930.70</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenue	-	131,895.71	131,895.71
Indirect costs recovered	-	(112,989.01)	(112,989.01)
Refunded to grantors	-	(6,804.45)	(6,804.45)
Net increases in fund balances	<u>\$ 552,531.50</u>	<u>\$ 12,102.25</u>	<u>\$ 564,633.75</u>

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

TENNESSEE BOARD OF REGENTS
CLEVELAND STATE 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	\$ 3,106,296.99	\$ -	\$ 3,106,296.99
State appropriations	8,519,300.00	87,999.66	8,607,299.66
Federal grants and contracts	110,088.48	4,287,091.43	4,397,179.91
State grants and contracts	-	314,611.90	314,611.90
Private gifts	2,120.00	52,750.06	54,870.06
Sales and services of educational activities	23,119.86	-	23,119.86
Sales and services of auxiliary enterprises	112,163.17	-	112,163.17
Investment income	75,959.54	-	75,959.54
Other sources	164,421.72	-	164,421.72
Total current revenues	<u>12,113,469.76</u>	<u>4,742,453.05</u>	<u>16,855,922.81</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	6,332,878.24	229,406.12	6,562,284.36
Public service	62,423.44	2,936,723.89	2,999,147.33
Academic support	816,590.81	11,435.66	828,026.47
Student services	1,466,066.33	63,799.88	1,529,866.21
Institutional support	1,634,151.76	3,619.50	1,637,771.26
Operation and maintenance of plant	1,427,629.79	-	1,427,629.79
Scholarships and fellowships	98,897.25	1,497,468.00	1,596,365.25
Total educational and general expenditures	<u>11,838,637.62</u>	<u>4,742,453.05</u>	<u>16,581,090.67</u>
Nonmandatory transfers for:			
Unexpended plant	45,000.00	-	45,000.00
Renewals and replacements	50,000.00	-	50,000.00
Total educational and general	<u>11,933,637.62</u>	<u>4,742,453.05</u>	<u>16,676,090.67</u>
Auxiliary enterprises:			
Expenditures	26,802.29	-	26,802.29
Nonmandatory transfer for:			
Renewals and replacements	5,473.81	-	5,473.81
Total auxiliary enterprises	<u>32,276.10</u>	<u>-</u>	<u>32,276.10</u>
Total expenditures and transfers	<u>11,965,913.72</u>	<u>4,742,453.05</u>	<u>16,708,366.77</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenue	-	92,069.64	92,069.64
Indirect costs recovered	-	(105,547.23)	(105,547.23)
Refunded to grantors	-	(1,824.00)	(1,824.00)
Other deduction	-	(21.49)	(21.49)
Net increase (decrease) in fund balances	<u>\$ 147,556.04</u>	<u>\$ (15,323.08)</u>	<u>\$ 132,232.96</u>

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

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements
June 30, 2000, and June 30, 1999**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

The financial statements 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

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or 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 its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the bookstore, food services, and vending services. 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.

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

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.

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. All items are maintained on the first-in, first-out basis.

Compensated Absences

The college's employees accrue annual leave at varying rates, depending on length of service or classification. The amount of this liability and the related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted 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,

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

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. 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.

Under a contract with the Tennessee Department of Labor and Workforce Development, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area five of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U.S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

Interest Costs

The college has adopted a policy of capitalizing all interest costs for capital projects funded by Tennessee State School Bond Authority indebtedness. All other interest costs are expensed.

NOTE 2. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 2000, cash consisted of \$753,038.01 in bank accounts, \$1,960.00 of petty cash on hand, and \$3,610,183.27 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1999, cash consisted of \$635,737.56 in bank accounts, \$1,960.00 of petty cash on hand, and \$2,835,842.49 in the State of Tennessee Local Government Investment Pool.

NOTE 3. DEPOSITS

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

value of collateral pledged equal 100% of the uninsured deposits at financial institutions participating in the collateral pool and 105% of the uninsured deposits at all other financial institutions.

The college's deposits are in financial institutions which participate 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 4. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 2000, amounted to \$79,324.31 for unexpended plant and \$132,535.20 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1999, amounted to \$37,797.60 for unexpended plant.

NOTE 5. LOAN PAYABLE

The Tennessee Board of Regents, on behalf of the college, borrowed funds from the state's Energy Management Loan Fund to replace a chiller. The loan has an interest rate of 5%, a face amount of \$108,605.00, a minimum annual debt service of \$25,085.02, and a due date of February 9, 2004. The balance owed by the college was \$88,950.23 at June 30, 2000, and was \$108,605.00 at June 30, 1999.

The debt service requirements to maturity at June 30, 2000, for the loan payable are as follows:

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 20,637.51	\$ 4,447.51	\$ 25,085.02
2002	21,669.38	3,415.64	25,085.02
2003	22,752.85	2,332.17	25,085.02
2004	<u>23,890.49</u>	<u>1,194.53</u>	<u>25,085.02</u>
	<u>\$ 88,950.23</u>	<u>\$11,389.85</u>	<u>\$100,340.08</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, 2000, 1999, and 1998, were \$273,673.48, \$286,271.28, and \$191,063.94. Contributions met the requirements for each year.

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

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 was \$223,162.35 for the year ended June 30, 2000, and \$193,852.58 for the year ended June 30, 1999. 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 due to

Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999

damage from tornadoes. Final settlement has not been made, but the state is expected to receive approximately \$6 million. Of this amount, \$2.5 million has been received to date. No additional claims have been filed with the commercial insurer during the year ended June 30, 2000. 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 \$7.256 million at June 30, 2000, and \$8.219 million at June 30, 1999, was established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 2000, the scheduled coverage for the college was \$22,945,700 for buildings and \$15,313,400 for contents. At June 30, 1999, the scheduled coverage was \$22,800,700 for buildings and \$5,159,190 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, automobile 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.

**Tennessee Board of Regents
Cleveland State Community College
Notes to the Financial Statements (Cont.)
June 30, 2000, and June 30, 1999**

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 \$3,601,329.38 at June 30, 2000, and \$3,790,206.08 at June 30, 1999.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$43,932.00 and for personal property were \$39,124.91 for the year ended June 30, 2000. The amounts for the year ended June 30, 1999, were \$24,743.00 and \$46,538.18, respectively. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 2000, outstanding commitments under construction contracts totaled \$79,324.31 for the Small Business Incubator Project. This is a locally funded project.

NOTE 10. AFFILIATED ENTITY NOT INCLUDED

The college is the sole beneficiary of the Cleveland State 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 not handled by the college, and these amounts are not included in the college's financial statements. As reported in the foundation's most recently audited financial report, at June 30, 2000, the foundation's assets totaled \$4,097,889. The foundation had no liabilities at June 30, 2000, and reported net assets were therefore \$4,097,889.

NOTE 11. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2000, the threshold for capitalizing equipment increased from \$1,000 to \$5,000. As a result of the change, equipment decreased by \$2,188,341.47.