Tennessee Technological University
Dormitory Corporation

For the Year Ended
June 30, 2002

Arthur A. Hayes, Jr., CPA, JD, CFE
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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

March 27, 2003

The Honorable Phil Bredesen, 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
Mr. Leon Delozier, President
Tennessee Technological University Dormitory Corporation
1511 Doris Drive
Cookeville, Tennessee 38501

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Technological University Dormitory Corporation for the year ended June 30, 2002. 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

JGM/th
03/015

State of Tennessee

Audit Highlights

Comptroller of the Treasury — Division of State Audit

Financial and Compliance Audit
Tennessee Technological University Dormitory Corporation
For the Year Ended June 30, 2002

AUDIT OBJECTIVES

The objectives of the audit were to consider the corporation's internal control over financial reporting; to determine compliance with certain provisions of laws and regulations; 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, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Tennessee Technological University Dormitory Corporation
For the Year Ended June 30, 2002

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Tennessee Technological University Dormitory Corporation
For the Year Ended June 30, 2002

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND AND ORGANIZATION

The Tennessee Technological University Dormitory Corporation was chartered as a general welfare, nonprofit corporation on February 23, 1966. The purpose of the corporation is to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university. Upon dissolution of the corporation, all the corporation's assets remaining after the payment of all its liabilities are to be transferred to the university without further consideration.

A meeting of the five-member board of directors of the Tennessee Technological University Dormitory Corporation was held on July 14, 1966, to adopt a bond resolution authorizing the issuance of dormitory revenue bonds of $3,425,000. First Tennessee Bank was named as trustee. At a similar meeting on May 12, 1967, the board of directors adopted a resolution authorizing the issuance of $2,900,000 in dormitory revenue bonds and named Union Planters National Bank of Memphis as trustee. In May 1999, the accounts with Union Planters were transferred to Bank of New York Trust of Missouri. In October 2000, Chase Manhattan Trust Company, N.A., acquired the corporate and municipal trust business of First Tennessee Bank, and the accounts were transferred from First Tennessee Bank to Chase Manhattan Trust Company, N.A.

AUDIT SCOPE

The audit was limited to the period July 1, 2001, through June 30, 2002, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the year ended June 30, 2002. The Tennessee Technological University Dormitory Corporation is a blended component unit of Tennessee Technological University.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the corporation'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 and regulations;
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 corporation's financial statements for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 corporation's financial statements.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
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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*

November 20, 2002

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

Dear Mr. Morgan:

We have audited the financial statements of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of and for the year ended June 30, 2002, and have issued our report thereon dated November 20, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. As discussed in Note 7, the corporation implemented GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The corporation also implemented GASB Statement 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement 38, *Certain Financial Statement Note Disclosures*.

Compliance

As part of obtaining reasonable assurance about whether the corporation's financial statements are free of material misstatement, we performed tests of the corporation's compliance with certain provisions of laws and regulations, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the corporation'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 corporation'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,

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

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

November 20, 2002

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

Dear Mr. Morgan:

We have audited the accompanying statement of net assets of the Tennessee Technological University Dormitory Corporation, a blended component unit of Tennessee Technological University, as of June 30, 2002, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 Technological University Dormitory Corporation as of June 30, 2002, and the revenues, expenses, and changes in net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 7, the corporation implemented GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The corporation also implemented GASB Statement 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement 38, *Certain Financial Statement Note Disclosures*.

The management's discussion and analysis on pages 8 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information on pages 23 through 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2002, on our consideration of the corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations. 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,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA,
Director

AAH/th

Tennessee Technological University
Dormitory Corporation
Management's Discussion and Analysis

This section of Tennessee Technological University Dormitory Corporation's annual financial report presents a discussion and analysis of the financial performance of the corporation during the fiscal year ended June 30, 2002. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

Since this is a transition year for the new financial reporting format required by the Governmental Accounting Standards Board's Statements No. 34, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments" and No. 35, "Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities," only one year of information is presented in the financial statements and this discussion. Comparative information will be presented in future years.

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Tennessee Technological University Dormitory Corporation as a whole and present a long-term view of the corporation's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the corporation at the end of the fiscal year and includes all assets and liabilities of the corporation. The difference between total assets and total liabilities—net assets—is an indicator of the current financial condition of the corporation. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the corporation's equity in property, plant, and equipment owned by the corporation. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. The corporation had no nonexpendable restricted net assets. Expendable restricted net assets are available for expenditure by the corporation but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the corporation for any lawful purpose of the corporation.

Statement of Net Assets

	2002	
	TTDC 1966	TTDC 1967
Assets:		
Noncurrent assets	$251,487.50	$169,997.14
Capital assets, net	332,925.23	251,598.93
Total assets	**584,412.73**	**421,596.07**
Liabilities:		
Current liabilities	166,221.00	153,807.00
Noncurrent liabilities	-	236,000.00
Total liabilities	**166,221.00**	**389,807.00**
Net assets*:*		
Invested in capital assets, net of related debt	167,925.23	(134,401.07)
Restricted – expendable	194,300.00	160,000.00
Unrestricted	55,966.50	6,190.14
Total net assets	**$418,191.73**	**$ 31,789.07**

- Material assets of the corporation include capital assets and deposits with trustees. Material liabilities of the corporation consist of bonds payable.

All of the corporation's unrestricted net assets have been designated or reserved for specific purposes such as renewal and replacement of equipment and future debt service.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the corporation, as well as the nonoperating revenues and expenses.

Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2002

	TTDC 1966	TTDC 1967
REVENUES		
Operating revenues:		
Residence halls	$ 1,405,665.99	$ 524,852.02
Other operating revenues	11,696.47	4,553.30
Total operating revenues	1,417,362.46	529,405.32
EXPENSES		
Operating expenses	1,236,700.54	457,636.09
Operating income	180,661.92	71,769.23
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,606.35	4,198.02
Interest on capital asset-related debt	(10,144.00)	(28,159.00)
Other nonoperating revenues (expenses)	(207,583.98)	(202,229.02)
Net nonoperating expenses	(213,121.63)	(226,190.00)
Transfer (to) from reserve	(189,827.02)	60,778.83
Decrease in net assets	(222,286.73)	(93,641.94)
NET ASSETS		
Net assets - beginning of year, as originally reported	3,895,555.85	1,509,225.10
Cumulative effects of change in accounting principle		
Adoption of depreciation for capital assets	(3,255,077.39)	(1,383,794.09)
Net assets - beginning of year, as restated	640,478.46	125,431.01
Net assets - end of year	$ 418,191.73	$ 31,789.07

Revenues

- Operating revenues from the residence halls generated 99% of the corporation's revenue.

Expenses

- Utilities, supplies, and other services represent 92% using the natural classification of expenses with depreciation making up the remaining 8%. The following chart details the operating expenses for the corporation:

	TTDC 1966	TTDC 1967
Administrative	$ 92,955.86	$ 23,068.46
Maintenance	351,161.00	138,593.34
Telephone	123,884.71	48,330.60
Depreciation	91,571.59	41,933.15
Counselor fees	45,668.35	23,113.44
Plant costs	253,974.20	84,129.74
General	85,325.62	40,336.00
Conferences	5,415.90	826.62
Insurance	1,151.84	538.60
Engineering	4,541.11	2,298.32
Unexpended plant	-	20,316.21
Renewals and replacements	178,733.51	32,979.02
Maintenance fee discounts	1,812.28	917.22
Maintenance fee for employees	504.57	255.37
Total operating expenses	$ 1,236,700.54	$ 457,636.09

The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the corporation's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

Statement of Cash Flows
For the Year Ended June 30, 2002

	TTDC 1966	TTDC 1967
Net cash provided by operating activities	$ 272,233.51	$113,702.38
Net cash provided (used) by noncapital financing activities	(189,827.02)	60,778.83
Net cash used by capital and related financing activities	(87,012.84)	(178,679.23)
Net cash provided by investing activities	4,606.35	4,198.02
Net change in cash	-	-
Cash - beginning of year	-	-
Cash - end of year	$ -	$ -

- Material sources of cash include residence hall income. Material uses of cash are payments to suppliers and debt retirement.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2002, the Tennessee Technological University Dormitory Corporation had $584,524.16 invested in capital assets, net of accumulated depreciation of $4,772,376.22. Depreciation charges totaled $133,504.74 for the current fiscal year. Details of these assets are shown below.

Schedule of Capital Assets, Net of Depreciation

	TTDC 1966	TTDC 1967
Land improvements and infrastructure	$ 16,710.82	$ -
Buildings	316,214.41	251,598.93
Total	$332,925.23	$251,598.93

The corporation did not have any major capital additions in 2001-02. There are no major capital expenditures planned for 2002-03. More detailed information about the corporation's capital assets is presented in Note 3 to the financial statements.

Debt

At June 30, 2002, the corporation had $551,000 in debt outstanding as shown below.

Debt Instrument	**Amount**	
	TTDC 1966	TTDC 1967
Bonds payable	$165,000	$386,000

The corporation did not acquire any new debt during the year. Debt of $321,000 was retired during the year. More detailed information about the corporation's long-term liabilities is presented in Note 4 to the financial statements.

Economic Factors That Will Affect the Future

The corporation's 2002-03 budget will be improved by a small increase in residence hall fees.

Exhibit A

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2002

ASSETS	**TTDC 1966**	**TTDC 1967**
Noncurrent assets:		
Deposits with trustees (Note 2)	$ 251,487.50	$ 169,997.14
Capital assets (net) (Note 3)	332,925.23	251,598.93
Total noncurrent assets	584,412.73	421,596.07
Total assets	584,412.73	421,596.07
LIABILITIES		
Current liabilities:		
Accrued interest payable	1,221.00	3,807.00
Long-term liabilities, current portion (Note 4)	165,000.00	150,000.00
Total current liabilities	166,221.00	153,807.00
Noncurrent liabilities:		
Long-term liabilities (Note 4)	-	236,000.00
Total noncurrent liabilities	-	236,000.00
Total liabilities	166,221.00	389,807.00
NET ASSETS		
Invested in capital assets, net of related debt	167,925.23	(134,401.07)
Restricted for:		
Expendable:		
Debt service	194,300.00	160,000.00
Unrestricted	55,966.50	6,190.14
Total net assets	$ 418,191.73	$ 31,789.07

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

Exhibit B

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002

	TTDC 1966	TTDC 1967
REVENUES		
Operating revenues:		
Auxiliary enterprises:		
Residence halls	$ 1,405,665.99	$ 524,852.02
Other operating revenues	11,696.47	4,553.30
Total operating revenues	1,417,362.46	529,405.32
EXPENSES		
Operating expenses:		
Utilities, supplies, and other services	1,145,128.95	415,702.94
Depreciation expense	91,571.59	41,933.15
Total operating expenses	1,236,700.54	457,636.09
Operating income	180,661.92	71,769.23
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,606.35	4,198.02
Interest on capital asset-related debt	(10,144.00)	(28,159.00)
Other nonoperating revenues (expenses)	(207,583.98)	(202,229.02)
Net nonoperating expenses	(213,121.63)	(226,190.00)
Loss before transfers	(32,459.71)	(154,420.77)
Transfer (to) from reserve	(189,827.02)	60,778.83
Decrease in net assets	(222,286.73)	(93,641.94)
NET ASSETS		
Net assets - beginning of year, as originally reported	3,895,555.85	1,509,225.10
Cumulative effects of change in accounting principle (Note 7)		
Adoption of depreciation for capital assets	(3,255,077.39)	(1,383,794.09)
Net assets - beginning of year, as restated	640,478.46	125,431.01
Net assets - end of year	$ 418,191.73	$ 31,789.07

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

Exhibit C

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

	TTDC 1966	TTDC 1967
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and vendors	$ (1,145,128.95)	$ (415,702.94)
Auxiliary enterprise charges:		
Residence halls	1,405,665.99	524,852.02
Other receipts	11,696.47	4,553.30
Net cash provided by operating activities	272,233.51	113,702.38
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Other noncapital financing receipts (payments)	(189,827.02)	60,778.83
Net cash provided (used) by noncapital financing activities	(189,827.02)	60,778.83
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets and construction	(279.49)	-
Principal paid on capital debt	(180,000.00)	(141,000.00)
Interest paid on capital debt	(11,475.00)	(29,550.00)
Deposits with trustees	114,714.52	(3,511.32)
Other	(9,972.87)	(4,617.91)
Net cash used by capital and related financing activities	(87,012.84)	(178,679.23)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	4,606.35	4,198.02
Net cash provided by investing activities	4,606.35	4,198.02
Net change in cash	-	-
Cash - beginning of the year	-	-
Cash - end of year	$ -	$ -
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 180,661.92	$ 71,769.23
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	91,571.59	41,933.15
Net cash provided by operating activities	$ 272,233.51	$ 113,702.38

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

Tennessee Technological University Dormitory Corporation
Notes to the Financial Satements
June 30, 2002

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tennessee Technological University Dormitory Corporation was chartered as a body corporate and politic; it is a general welfare, nonprofit corporation whose purpose is to borrow the necessary funds to finance the construction of, and to maintain and operate, student apartment and dormitory housing for the university.

The corporation is a blended component unit of Tennessee Technological University. Although it is legally separate from the university, in the university's financial statements the corporation is reported as if it were part of the university. Because of the nature and significance of its relationship with the university, the exclusion of the corporation from the university's reporting entity would render the university's financial statements incomplete. The assets and liabilities of the corporation are included on the university's statement of net assets. Revenues and expenses of the corporation are also included in the university's financial statements. Upon dissolution of the corporation, all the corporation's assets remaining after payment of all its liabilities are to be transferred to the university without further consideration.

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). In June 1999, the GASB issued Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This was followed in November 1999 by GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. The financial presentation required by those statements provides a comprehensive, entity-wide perspective of the corporation's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows, and replaces the fund-group perspective previously required.

Significant accounting changes made in order to comply with the new requirements include adoption of depreciation on capital assets.

Basis of Accounting

For financial statement purposes, the corporation is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The corporation has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. The corporation has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include sales and services of auxiliary enterprises and other sources of revenue. Operating expenses for the corporation include depreciation, utilities, supplies, and other services.

All other activity is nonoperating in nature and includes (1) investment income; (2) bond issuance costs; and (3) interest on capital asset-related debt.

When both restricted and unrestricted resources are available for use, generally it is the corporation’s policy to use the restricted resources first.

Capital Assets

Capital assets, which include property and plant, are reported in the statement of net assets at historical cost less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s useful life are not capitalized.

A capitalization threshold of $100,000 is used for buildings and $50,000 for additions and improvements to land, buildings, or infrastructure.

These assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives, which range from 5 to 40 years.

Net Assets

The corporation’s net assets are classified as follows:

Invested in capital assets, net of related debt – This represents the corporation's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Expendable restricted net assets – Expendable restricted net assets include resources which the corporation is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets – Unrestricted net assets represent resources derived from student fees and auxiliary enterprises. These resources are used for transactions relating to the general operations of the corporation, and may be used at the discretion of the corporation to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Comparative Data

Comparative financial statements are not presented as the corporation implemented GASB Statements 34, 35, 37, and 38, and comparative statements are not required. Certain amounts presented in prior years' data have been reclassified to be consistent with the current year's presentation.

NOTE 2. DEPOSITS WITH TRUSTEES

Reserves at Chase Manhattan Bank and Bank of New York Trust of Missouri have been maintained at a level equal to or higher than that required by the various bond resolutions. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value. At June 30, 2002, the reserves consisted of mutual funds with a fair value of $251,487.50 for the 1966 bond issue and $169,997.14 for the 1967 bond issue. Mutual funds are not subject to credit risk categorization.

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2002, was as follows:

1966 Bonds	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land improvements and infrastructure	$ 16,431.33	$ 279.49	$ -	$ -	$ 16,710.82
Buildings	3,662,863.39	-	-	-	3,662,863.39
Total	3,679,294.72	279.49	-	-	3,679,574.21
Less accum. depreciation:					
Buildings	3,255,077.39	91,571.59	-	-	3,346,648.98
Capital assets, net	$ 424,217.33	$ (91,292.10)	$ -	$ -	$ 332,925.23

1967 Bonds	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Buildings	$1,677,326.17	$ -	$ -	$ -	$1,677,326.17
Less accum. depreciation:					
Buildings	1,383,794.09	41,933.15	-	-	1,425,727.24
Capital assets, net	$ 293,532.08	$ (41,933.15)	$ -	$ -	$ 251,598.93

NOTE 4. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2002, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
1966 Bonds	$ 345,000.00	$ -	$ 180,000.00	$ 165,000.00	$165,000.00
1967 Bonds	$ 527,000.00	$ -	$ 141,000.00	$ 386,000.00	$150,000.00

Bonds Payable

Bond issues, with interest rates ranging from 4.5% to 5.0%, are due serially to 2005 and are secured by pledges of the facilities’ revenues to which they relate.

Debt service requirements to maturity for the 1966 bonds payable at June 30, 2002, are as follows:

Year Ending June 30	Principal	Interest	Total
2003	$165,000.00	$ 3,712.50	$168,712.50

Debt service requirements to maturity for the 1967 bonds payable at June 30, 2002, are as follows:

Year Ending June 30	Principal	Interest	Total
2003	$150,000.00	$20,940.00	$170,940.00
2004	156,000.00	11,880.00	167,880.00
2005	80,000.00	2,400.00	82,400.00
Total	$386,000.00	$35,220.00	$421,220.00

NOTE 5. TRANSMITTAL OF REVENUE

Revenue has been transmitted to the proper trust officer of each bond issue in accordance with the applicable bond resolution and memorandum of agreement between the university, the corporation, and the various trust officers involved with the bond issues.

NOTE 6. EXPENSES

The maintenance of the married student apartments and residence halls is in keeping with the stipulations in the various bond resolutions.

NOTE 7. CUMULATIVE EFFECTS OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2002, the corporation implemented GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*. As a result of this implementation, the corporation was required to make changes in certain accounting principles, specifically the (1) adoption of capitalization criteria of $100,000 and $50,000 for buildings and additions, respectively; and (2) adoption of depreciation on capital assets. The cumulative effects on net assets of the adoption of depreciation on capital assets is shown below:

Adoption of depreciation on capital assets – 1966 bonds	$(3,255,077.39)
Adoption of depreciation on capital assets – 1967 bonds	$(1,383,794.09)

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. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. Designations for casualty losses in the amount of $5 million for deductibles and $1.356 million for incurred losses at June 30, 2002, were established in the state's general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 2002, the scheduled coverage for the corporation was $20,544,000 for buildings and $1,106,000 for contents.

The corporation has a business interruption insurance policy issued by the Continental National American Group, which provides $530,000 of coverage. In the past three fiscal years, the corporation has not had any claims filed with the commercial insurer.

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 corporation participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the corporation based on a percentage of the corporation'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 corporation 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 corporation 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.

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
SCHEDULE OF CHANGES IN RESERVE BALANCE
FOR THE YEAR ENDED JUNE 30, 2002

	TTDC 1966	TTDC 1967
Balance July 1, 2001	$ 366,202.02	$ 166,485.82
Additions:		
Principal and interest transfers	82,127.00	174,481.21
Investment income	4,606.35	4,198.02
Total available	452,935.37	345,165.05
Deductions:		
Retirement of indebtedness	180,000.00	141,000.00
Interest payments	11,475.00	29,550.00
Debt service agent fees	9,972.87	4,617.91
Total deductions	201,447.87	175,167.91
Balance June 30, 2002	$ 251,487.50	$ 169,997.14

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
SCHEDULE OF REVENUES AND EXPENSES BY BOND ISSUE
FOR THE YEAR ENDED JUNE 30, 2002

	TTDC 1966	TTDC 1967
University building name	Browning, Cooper, Dunn, Evins, and Married Student Apartments	Murphy and Jobe
Rated capacity (fall semester)	733	321
Occupancy - academic year	1107.66	487
Percent occupied	75.56%	76%
Trustee	Chase Manhattan Bank	Bank of New York Trust of Missouri
REVENUES		
Operating revenues:		
Dormitory rentals	$ 989,469.69	$ 517,224.45
Apartment rentals	366,221.33	-
Special and clinic revenues	49,974.97	7,627.57
Other operating revenues	11,696.47	4,553.30
Total operating revenues	1,417,362.46	529,405.32
EXPENSES		
Operating expenses:		
Administrative	92,955.86	23,068.46
Maintenance	351,161.00	138,593.34
Telephone	123,884.71	48,330.60
Depreciation	91,571.59	41,933.15
Counselor fees	45,668.35	23,113.44
Plant costs	253,974.20	84,129.74
General	85,325.62	40,336.00
Conferences	5,415.90	826.62
Unexpended plant	-	20,316.21
Renewals and replacements	178,733.51	32,979.02
Engineering	4,541.11	2,298.32
Insurance	1,151.84	538.60
Maintenance fee discount for employees' spouses and dependents	1,812.28	917.22
Maintenance fee for employees	504.57	255.37
Total operating expenses	1,236,700.54	457,636.09
NONOPERATING REVENUES (EXPENSES)		
Investment income	4,606.35	4,198.02
Interest on capital asset-related debt	(10,144.00)	(28,159.00)
Debt service agent fees	(9,972.87)	(4,617.91)
Write-off of loan receivable from the university	(197,611.11)	(197,611.11)
Net nonoperating expenses	(213,121.63)	(226,190.00)
Transfer (to) from reserve	(189,827.02)	60,778.83
Decrease in net assets	$ (222,286.73)	$ (93,641.94)

TENNESSEE TECHNOLOGICAL UNIVERSITY DORMITORY CORPORATION
SCHEDULE OF DEBT SERVICE STATISTICS
FOR THE YEAR ENDED JUNE 30, 2002

Name	Date of Issue	Interest Rate	Amount	Total Paid On Principal	Principal Outstanding June 30, 2002	Reserve Account	During the Year Ended June 30, 2002 Principal, Interest, and Agent's Fee Paid	During the Year Ended June 30, 2003 Principal, Interest, and Agent's Fee Payable
Tennessee Technological University Dormitory Corporation (Chase Manhattan Bank Trustee)	5/1/66	4.5%	$ 3,425,000.00	$ 3,260,000.00	$ 165,000.00	$ 251,487.50	$ 201,447.87	$ 173,792.50
Tennessee Technological University Dormitory Corporation (Series B) (Bank of New York Trust of Missouri Trustee)	11/1/67	5.0%	$ 1,439,000.00	$ 1,053,000.00	$ 386,000.00	$ 169,997.14	$ 175,167.91	$ 174,340.00