TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE

FOR THE YEARS ENDED
JUNE 30, 1995, AND JUNE 30, 1994

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October 28, 1996

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles E. Smith, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Sherry L. Hoppe, President
Roane State Community College
276 Patton Lane
Harriman, Tennessee 37748

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Roane State Community College, for the years ended June 30, 1995, and June 30, 1994. You will note from the independent auditor's report that a qualified opinion was given on the fairness of the presentation of the financial statements. The college has elected not to record the liability for accrued compensated absences in its financial statements. In our opinion, accrued compensated absences should be recorded to conform with generally accepted accounting principles.

Consideration of the internal control structure 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.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/cr
96/061

State of Tennessee

Audit Highlights

Comptroller of the Treasury — Division of State Audit

Financial and Compliance Audit
Roane State Community College
For the Years Ended June 30, 1995, and June 30, 1994

AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control structure; to determine compliance with 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.

INTERNAL CONTROL FINDING

Accounts Receivable Collection Procedures Were Not Followed
Collection letters were not sent within the prescribed time frame, and past-due accounts were not submitted to the collection agency in a timely manner. In addition, one student filed for bankruptcy, and the college failed to file a claim for its account receivable (page 7).

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is qualified because of the omission of the liability for accrued compensated absences from the financial statements.

"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

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

AUDIT REPORT
TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

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INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Roane 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.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements;

2. to determine compliance with 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.

SCOPE OF THE AUDIT

The audit was limited to the period July 1, 1993, through June 30, 1995, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1995, and June 30, 1994. Roane 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*.

BACKGROUND AND ORGANIZATION

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. Roane State Community College was established as a two-year college by the 1969 Tennessee General Assembly. The first student was admitted in the fall of 1971. The General Assembly vested the governance of Roane State Community College in the Tennessee Board of Regents on July 1, 1972.

ORGANIZATION

The Tennessee Board of Regents governs Roane State Community College. 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.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The college filed its report with the Department of Audit on February 15, 1995. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the college has corrected previous audit findings concerning the formalization of the food service contract and the audit and timely submission of sales reports, controls over annual and compensatory leave, and procedures to meet exit interview requirements.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control Structure

As part of the audit of the college's financial statements for the years ended June 30, 1995, and June 30, 1994, we considered the internal control structure to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. The report on the internal control structure is on the following pages. A reportable condition, along with the recommendation and management's response, is detailed in the finding and recommendation, which follow the report on the internal control structure. Consideration of the internal control structure disclosed no material weaknesses.

Compliance with Laws and Regulations

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards. The compliance report follows the finding and recommendation.

Fairness of Financial Statement Presentation

The college has elected not to accrue the liability for compensated absences. Since this accounting practice is contrary to generally accepted accounting principles, the Division of State Audit has rendered a qualified opinion on the college's financial statements. The independent auditor's report follows the compliance report.

Report on the Internal Control Structure
Based on an Audit of the Financial Statements
Performed in Accordance With
Government Auditing Standards

June 7, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Roane 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, 1995, and June 30, 1994, and have issued our report thereon dated June 7, 1996. Our report was qualified because the college excluded the liability for accrued compensated absences from the balance sheets.

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.

The college's management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the college's financial statements for the years ended June 30, 1995, and June 30, 1994, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted one matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the college's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The following reportable condition was noted: accounts receivable collection procedures were not followed. This condition is described in the Finding and Recommendation section of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we do not believe the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the college's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

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

AAH/cr

FINDING AND RECOMMENDATION

ACCOUNTS RECEIVABLE COLLECTION PROCEDURES WERE NOT FOLLOWED

FINDING:

Business Office personnel did not follow the collection procedures for accounts receivable. The following discrepancies were noted:

a. For fiscal year 1995, the third collection letter was not sent to the debtor within the prescribed time frame for three of 24 accounts (12.5%). These letters were mailed from 89 to 102 days late.

b. For fiscal year 1995, four of 24 accounts (16.7%) were not submitted to the collection agency within 15 days of the date specified in the final letter. These accounts were submitted from 23 to 535 days late.

c. For fiscal year 1994, three of 21 accounts (14.3%) were not submitted to the collection agency within 15 days of the date specified in the final letter. These accounts were submitted from 143 to 342 days late.

d. One student filed for bankruptcy, and management failed to file a claim for the college's account receivable even though they received notification of the filing.

The Business Office Accounting Procedure AR-001, "Accounts Receivable Collection Procedures," states that when no payment has been received on an account, a letter is to be mailed by the 15th day of each month stating that payment is due within 15 days. If payment is not received within 15 days, a second letter should be mailed requesting payment within 10 days. Finally, "if payment has not been received, no contact has been received explaining the delay in payment and the account is $100 or greater," a third letter should be prepared. The third letter is sent by certified mail and "allows 10 days from receipt of the letter for the debtor to remit payment or make contact to discuss a repayment schedule." If the third letter is returned unclaimed, it is remailed with a request for payment within 10 days of the date of the letter. When no payment or response is received, "the account is placed with the collection agency within 15 days of the final date."

If accounts receivable collection procedures are not followed, uncollectible accounts are not written off, and the amount reported on the financial statements is misstated. Also, greater delays between collection attempts make it less likely the accounts will be collected.

RECOMMENDATION:

The Vice President of Financial Services and the Director of Fiscal and Auxiliary Services need to ensure that the appropriate letters are sent at the specified times, the accounts are sent to a collection agency after proper collection attempts, and the status of accounts receivable is closely monitored to determine that all collection steps have been taken.

MANAGEMENT'S COMMENT:

The college concurs with the finding. The college's time frame for completion of collection activities is more stringent than required by TBR Guideline No. B-010. The Director of Fiscal and Auxiliary Services and the accountant responsible for accounts receivable and collections will review Business Office Accounting Procedure AR-001 and make revisions to ensure that the procedure complies with TBR Policy but allows sufficient time for completion of the activities. In addition, a team has been formed consisting of all persons responsible for duties associated with accounts receivable invoicing, collections, or receipting of payments. The team will look at current office procedures regarding accounts receivable collections and make recommendations regarding revision of those procedures to allow coordination of invoicing, collections, and receipting of payments. Changes will be implemented by December 15, 1996.

In addition, the Director of Fiscal and Auxiliary Services and the accountant responsible for accounts receivable collections will review options regarding automation of collections to allow timely collection follow-up with increased efficiency.

The Director of Fiscal and Auxiliary Services will randomly select a sample of accounts receivable for review to determine that all collection steps have been taken on a timely basis. This review will be completed monthly in conjunction with the approval of the accounts receivable subsidiary reconciliation. Documentation of the review will be maintained on file with the Director of Fiscal and Auxiliary Services. This review will begin with the approval of the October accounts receivable subsidiary reconciliation.

Compliance Report Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

June 7, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the financial statements of Roane 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, 1995, and June 30, 1994, and have issued our report thereon dated June 7, 1996. Our report was qualified because the college excluded the liability for accrued compensated absences from the balance sheets.

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.

Compliance with laws, regulations, contracts, and grants applicable to the college is the responsibility of the college's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

We did, however, note certain immaterial instances of noncompliance that we have reported to the college's management in a separate letter.

This report is intended for the information of the General Assembly of the State of Tennessee and management. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

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

AAH/cr

Independent Auditor's Report

June 7, 1996

The Honorable W. R. Snodgrass
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Snodgrass:

We have audited the accompanying balance sheets of Roane 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, 1995, and June 30, 1994, 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 responsibil-ity 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 signifi-cant estimates made by management, as well as evaluating the overall financial statement pres-entation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 2 to the financial statements, the college has excluded the liability for accrued compensated absences from the accompanying balance sheets. In our opinion, ac-crued compensated absences should be included to conform with generally accepted accounting principles.

In our opinion, except for the effects of not including the liability for accrued compensated absences in the accompanying balance sheets, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Roane State Community College, as of June 30, 1995, and June 30, 1994, 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.

In accordance with generally accepted government auditing standards, we have also issued reports dated June 7, 1996, on our consideration of the college's internal control structure and on its compliance with laws and regulations.

Sincerely,

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

AAH/cr

Exhibit A

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1995, AND JUNE 30, 1994

ASSETS	June 30, 1995	June 30, 1994
Current funds:		
Unrestricted:		
General:		
Cash (Notes 3 and 4)	$ 2,108,710.12	$ 1,996,865.65
Accounts receivable (net of allowance of $31,670.86 at June 30, 1995, and $26,275.08 at June 30, 1994)	157,635.89	266,894.69
Inventories (Note 7)	36,990.79	16,798.37
Prepaid expenses and deferred charges	41,492.28	56,996.93
Due from restricted current funds	-	11,280.70
Other assets	500.00	500.00
Total general	2,345,329.08	2,349,336.34
Auxiliary enterprises:		
Cash (Notes 3 and 4)	289,641.31	204,257.49
Accounts receivable	26,183.35	32,422.34
Total auxiliary enterprises	315,824.66	236,679.83
Total unrestricted	2,661,153.74	2,586,016.17
Restricted:		
Cash (Notes 3 and 4)	56,491.75	-
Accrued interest receivable	146.85	110.42
Accounts and grants receivable	721,896.98	726,995.11
Prepaid expenses and deferred charges	2,400.00	-
Total restricted	780,935.58	727,105.53
Total current funds	$ 3,442,089.32	$ 3,313,121.70
Loan funds:		
Cash (Notes 3 and 4)	$ 8,231.76	$ 6,848.53
Notes receivable (net of allowance of $16,132.35 at June 30, 1994)	-	535.00
Total loan funds	$ 8,231.76	$ 7,383.53

LIABILITIES AND FUND BALANCES	June 30, 1995	June 30, 1994
Current funds:		
Unrestricted:		
General:		
Liabilities:		
Accounts payable	$ 230,632.66	$ 247,391.67
Accrued liabilities	664,972.66	620,823.37
Deferred revenue	316,598.25	325,232.95
Other liabilities	181,492.78	160,063.30
Total liabilities	1,393,696.35	1,353,511.29
Fund balances:		
Nondiscretionary allocations:		
Allocation for working capital (Note 8)	132,690.99	242,082.36
Allocation for encumbrances	261,253.47	311,990.63
Allocation for designated appropriations	-	178.16
Discretionary allocations:		
Allocation for subsequent budget	500,000.00	417,400.00
Allocation for athletic revenues	2,398.73	1,964.07
Unallocated	55,289.54	22,209.83
Total fund balances	951,632.73	995,825.05
Total general	2,345,329.08	2,349,336.34
Auxiliary enterprises:		
Liabilities:		
Accounts payable	18,291.82	17,193.08
Student deposits	75.00	65.00
Total liabilities	18,366.82	17,258.08
Fund balances:		
Nondiscretionary allocation:		
Allocation for working capital (Note 8)	26,183.35	32,422.34
Discretionary allocation:		
Allocation for auxiliary cash reserve	4,919.40	4,620.11
Unallocated	266,355.09	182,379.30
Total fund balances	297,457.84	219,421.75
Total auxiliary enterprises	315,824.66	236,679.83
Total unrestricted	2,661,153.74	2,586,016.17
Restricted:		
Liabilities:		
Accounts payable	74,308.19	87,119.84
Accrued liabilities	271,402.02	259,457.40
Due to grantors	14,256.06	240,322.20
Due to unrestricted current funds	-	11,280.70
Total liabilities	359,966.27	598,180.14
Fund balance	420,969.31	128,925.39
Total restricted	780,935.58	727,105.53
Total current funds	$ 3,442,089.32	$ 3,313,121.70
Loan funds:		
Fund balances:		
U.S. government grants refundable	$ 562.27	$ 358.67
Institutional:		
Restricted - matching	62.48	39.85
Restricted - other	7,607.01	6,985.01
Total loan funds	$ 8,231.76	$ 7,383.53

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1995, AND JUNE 30, 1994

ASSETS	June 30, 1995	June 30, 1994	LIABILITIES AND FUND BALANCES	June 30, 1995	June 30, 1994
Endowment and similar funds:			Endowment and similar funds:		
Cash (Notes 3 and 4)	$ 2,322.55	$ 2,322.55	Fund balance:		
Investments (Notes 4 and 5)	15,800.00	15,800.00	Quasi-endowment - restricted	$ 18,122.55	$ 18,122.55
Total endowment and similar funds	$ 18,122.55	$ 18,122.55	Total endowment and similar funds	$ 18,122.55	$ 18,122.55
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 3 and 4)	$ 998,287.20	$ 1,082,121.31	Liabilities:		
LGIP deposit - capital projects (Note 6)	321,919.64	321,458.35	Accounts payable	$ 826.70	$ 15,433.20
Other assets	6,988.44	12,760.31			
			Fund balances:		
			Restricted	322,872.24	320,338.74
			Unrestricted (Note 10)	1,003,496.34	1,080,568.03
			Total fund balances	1,326,368.58	1,400,906.77
Total unexpended plant	1,327,195.28	1,416,339.97	Total unexpended plant	1,327,195.28	1,416,339.97
Renewals and replacements:			Renewals and replacements:		
Cash (Notes 3 and 4)	1,061,576.83	1,158,562.54	Fund balance:		
			Unrestricted (Note 10)	1,061,576.83	1,158,562.54
Total renewals and replacements	1,061,576.83	1,158,562.54	Total renewals and replacements	1,061,576.83	1,158,562.54
Retirement of indebtedness:			Retirement of indebtedness:		
Cash (Notes 3 and 4)	37,808.93	27,204.23	Liabilities:		
Accrued interest receivable	-	3,902.91	Accrued interest payable	1,508.16	1,001.38
			Fund balance:		
			Restricted	36,300.77	30,105.76
Total retirement of indebtedness	37,808.93	31,107.14	Total retirement of indebtedness	37,808.93	31,107.14
Investment in plant (Note 9):			Investment in plant:		
Land	402,350.00	402,350.00	Liabilities:		
Buildings	15,630,738.53	15,597,282.22	Notes payable (Note 11)	475,000.00	500,000.00
Improvements other than buildings	798,530.45	660,818.60			
Equipment	8,689,005.18	7,684,272.27	Fund balance:		
Library books	1,113,960.00	1,133,460.00	Net investment in plant	27,558,213.70	26,120,549.49
Other library holdings	933,302.00	883,311.00			
Construction in progress	465,327.54	259,055.40			
Total investment in plant	28,033,213.70	26,620,549.49	Total investment in plant	28,033,213.70	26,620,549.49
Total plant funds	$ 30,459,794.74	$ 29,226,559.14	Total plant funds	$ 30,459,794.74	$ 29,226,559.14
Agency funds:			Agency funds:		
Cash (Notes 3 and 4)	$ 564,383.50	$ 519,611.21	Liabilities:		
			Accounts payable	$ 167.90	$ 10,806.41
			Deposits held in custody for others	564,215.60	508,804.80
Total agency funds	$ 564,383.50	$ 519,611.21	Total agency funds	$ 564,383.50	$ 519,611.21

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

Exhibit B

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS								
Unrestricted current fund revenues	$ 18,963,198.26	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Auxiliary enterprise revenues	98,388.02	-	-	-	-	-	-	-
Tuition and fees	-	46,014.70	-	-	-	-	-	-
State appropriations	-	95,600.00	-	-	225,100.63	-	-	-
Federal grants and contracts	-	8,511,334.92	-	-	-	-	-	-
State grants and contracts	-	36,196.51	-	-	-	-	-	-
Local grants and contracts	-	22,000.00	-	-	87,165.10	-	-	-
Private gifts, grants, and contracts	-	100,264.87	600.00	-	5,000.00	-	50,000.00	-
Endowment income	-	408.23	-	-	-	-	-	-
Investment income	-	-	26.23	-	17,279.92	-	-	-
Interest on loans receivable	-	-	196.51	-	-	-	-	-
Reduction in doubtful accounts	-	-	943.82	-	-	-	-	-
Equipment use charges (Note 9)	-	-	-	-	-	104,766.47	-	-
Expended for plant facilities (including $668,861.22 charged to current fund expenditures)	-	-	-	-	-	-	-	1,626,831.43
Retirement of indebtedness	-	-	-	-	-	-	-	25,000.00
Other	-	-	-	-	-	75.00	-	-
Total revenues and other additions	19,061,586.28	8,811,819.23	1,766.56	-	334,545.65	104,841.47	50,000.00	1,651,831.43
EXPENDITURES AND OTHER DEDUCTIONS								
Educational and general expenditures	18,541,590.58	8,133,681.47	-	-	-	-	-	-
Auxiliary enterprise expenditures	15,497.54	2,459.19	-	-	-	-	-	-
Indirect costs recovered	-	275,302.89	-	-	-	-	-	-
Refunded to grantors	-	108,331.76	-	-	-	-	-	-
Loan cancellations and write-offs	-	-	918.33	-	-	-	-	-
Expended for plant facilities	-	-	-	-	528,105.93	429,864.28	-	-
Expended for noncapital items	-	-	-	-	61,877.91	61,717.29	-	-
Administrative and collection costs	-	-	-	-	-	-	1,988.60	-
Retirement of indebtedness	-	-	-	-	-	-	25,000.00	-
Interest on indebtedness	-	-	-	-	-	-	16,816.39	-
Disposal of plant facilities	-	-	-	-	-	-	-	106,538.00
Equipment inventory adjustments	-	-	-	-	-	-	-	66,256.72
Library holdings revaluation (Note 9)	-	-	-	-	-	-	-	41,372.50
Total expenditures and other deductions	18,557,088.12	8,519,775.31	918.33	-	589,983.84	491,581.57	43,804.99	214,167.22

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1995

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)								
Nonmandatory:								
Unexpended plant	(180,900.00)	-	-	-	180,900.00	-	-	-
Renewals and replacements	(289,754.39)	-	-	-	-	289,754.39	-	-
Total transfers	(470,654.39)	-	-	-	180,900.00	289,754.39	-	-
Net increases (decreases) for the year	33,843.77	292,043.92	848.23	-	(74,538.19)	(96,985.71)	6,195.01	1,437,664.21
Fund balances at beginning of year	1,215,246.80	128,925.39	7,383.53	18,122.55	1,400,906.77	1,158,562.54	30,105.76	26,120,549.49
Fund balances at end of year	$ 1,249,090.57	$ 420,969.31	$ 8,231.76	$ 18,122.55	$ 1,326,368.58	$ 1,061,576.83	$ 36,300.77	$ 27,558,213.70

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

Exhibit C

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1994

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS								
Unrestricted current fund revenues	$ 17,880,793.41	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Auxiliary enterprise revenues	92,402.11	-	-	-	-	-	-	-
Tuition and fees	-	48,606.65	-	-	-	-	-	-
State appropriations	-	95,000.00	-	-	608,030.02	-	-	-
Federal grants and contracts	-	8,276,233.06	-	-	-	-	-	-
State grants and contracts	-	4,886.39	-	-	-	-	-	-
Local grants and contracts	-	-	-	-	15,000.00	-	-	-
Private gifts, grants, and contracts	-	140,756.79	-	-	166,594.81	-	40,000.00	-
Endowment income	-	575.63	-	-	-	-	-	-
Investment income	-	-	18.98	-	12,519.36	-	3,902.91	-
Interest on loans receivable	-	-	387.27	-	-	-	-	-
Note proceeds	-	-	-	-	500,000.00	-	-	-
Equipment use charges (Note 9)	-	-	-	-	-	119,131.46	-	-
Expended for plant facilities (including $678,308.45 charged to current fund expenditures)	-	-	-	-	-	-	-	2,334,039.40
Total revenues and other additions	17,973,195.52	8,566,058.52	406.25	-	1,302,144.19	119,131.46	43,902.91	2,334,039.40
EXPENDITURES AND OTHER DEDUCTIONS								
Educational and general expenditures	17,534,583.58	7,915,282.81	-	-	-	-	-	-
Auxiliary enterprise expenditures	13,826.32	-	-	-	-	-	-	-
Indirect costs recovered	-	315,918.53	-	-	-	-	-	-
Refunded to grantors	-	380,637.00	-	-	-	-	-	-
Provision for doubtful accounts	-	-	278.77	-	-	-	-	-
Expended for plant facilities	-	-	-	-	1,560,654.78	95,076.17	-	-
Expended for noncapital items	-	-	-	-	179,765.01	47,717.43	-	-
Administrative and collection costs	-	-	-	-	-	-	5,180.70	-
Interest on indebtedness	-	-	-	-	-	-	8,616.45	-
Increase in indebtedness	-	-	-	-	-	-	-	500,000.00
Disposal of plant facilities	-	-	-	-	-	-	-	111,670.41
Library holdings revaluation (Note 9)	-	-	-	-	-	-	-	33,849.55
Total expenditures and other deductions	17,548,409.90	8,611,838.34	278.77	-	1,740,419.79	142,793.60	13,797.15	645,519.96

Exhibit C (Cont.)

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1994

	Current Funds				Plant Funds			
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)								
Nonmandatory:								
Unexpended plant	(463,688.38)	-	-	-	463,688.38	-	-	-
Renewals and replacements	(31,367.26)	-	-	-	-	31,367.26	-	-
Total transfers	(495,055.64)	-	-	-	463,688.38	31,367.26	-	-
Net increases (decreases) for the year	(70,270.02)	(45,779.82)	127.48	-	25,412.78	7,705.12	30,105.76	1,688,519.44
Fund balances at beginning of year	1,285,516.82	174,705.21	7,256.05	18,122.55	1,375,493.99	1,150,857.42	-	24,432,030.05
Fund balances at end of year	$ 1,215,246.80	$ 128,925.39	$ 7,383.53	$ 18,122.55	$ 1,400,906.77	$ 1,158,562.54	$ 30,105.76	$ 26,120,549.49

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

Exhibit D

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1995

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	$ 4,780,433.72	$ 48,373.76	$ 4,828,807.48
State appropriations	13,176,700.00	109,129.22	13,285,829.22
Federal grants and contracts	360,966.23	7,817,586.19	8,178,552.42
State grants and contracts	2,200.00	36,196.51	38,396.51
Local grants and contracts	31,840.00	20,868.84	52,708.84
Private gifts, grants, and contracts	72,154.30	101,526.95	173,681.25
Sales and services of educational activities	120,482.44	-	120,482.44
Sales and services of auxiliary enterprises	98,388.02	2,459.19	100,847.21
Other sources	418,421.57	-	418,421.57
Total current revenues	19,061,586.28	8,136,140.66	27,197,726.94
EXPENDITURES AND TRANSFERS			
Educational and general expenditures:			
Instruction	10,316,890.87	246,074.05	10,562,964.92
Public service	296,916.55	4,706,070.74	5,002,987.29
Academic support	1,980,431.41	126,720.69	2,107,152.10
Student services	1,900,388.03	116,264.35	2,016,652.38
Institutional support	2,072,212.89	-	2,072,212.89
Operation and maintenance of plant	1,793,635.25	-	1,793,635.25
Scholarships and fellowships	181,115.58	2,938,551.64	3,119,667.22
Total educational and general expenditures	18,541,590.58	8,133,681.47	26,675,272.05
Nonmandatory transfers for:			
Unexpended plant	180,900.00	-	180,900.00
Renewals and replacements	284,900.00	-	284,900.00
Total educational and general expenditures and transfers	19,007,390.58	8,133,681.47	27,141,072.05
Auxiliary enterprises:			
Expenditures	15,497.54	2,459.19	17,956.73
Nonmandatory transfer for:			
Renewals and replacements	4,854.39	-	4,854.39
Total auxiliary enterprises	20,351.93	2,459.19	22,811.12
Total expenditures and transfers	19,027,742.51	8,136,140.66	27,163,883.17

Exhibit D (Cont.)

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1995

	Unrestricted	Restricted	Total
OTHER ADDITION (DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	675,678.57	675,678.57
Indirect costs recovered	-	(275,302.89)	(275,302.89)
Refunded to grantors	-	(108,331.76)	(108,331.76)
Net increases in fund balances	$ 33,843.77	$ 292,043.92	$ 325,887.69

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

Exhibit E

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1994

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	$ 4,651,119.83	$ 44,781.14	$ 4,695,900.97
State appropriations	12,075,500.00	93,589.64	12,169,089.64
Federal grants and contracts	616,319.25	7,636,148.34	8,252,467.59
State grants and contracts	88.00	4,980.58	5,068.58
Local grants and contracts	26,679.04	-	26,679.04
Private gifts, grants, and contracts	59,847.00	133,783.11	193,630.11
Endowment income	-	2,000.00	2,000.00
Sales and services of educational activities	98,921.44	-	98,921.44
Sales and services of auxiliary enterprises	92,402.11	-	92,402.11
Other sources	352,318.85	-	352,318.85
Total current revenues	17,973,195.52	7,915,282.81	25,888,478.33
EXPENDITURES AND TRANSFERS			
Educational and general expenditures:			
Instruction	10,163,231.29	226,586.76	10,389,818.05
Public service	252,648.45	4,604,426.65	4,857,075.10
Academic support	1,629,552.41	117,169.54	1,746,721.95
Student services	1,637,997.20	80,124.90	1,718,122.10
Institutional support	2,012,882.74	-	2,012,882.74
Operation and maintenance of plant	1,605,392.67	-	1,605,392.67
Scholarships and fellowships	232,878.82	2,886,974.96	3,119,853.78
Total educational and general expenditures	17,534,583.58	7,915,282.81	25,449,866.39
Nonmandatory transfers for:			
Unexpended plant	463,688.38	-	463,688.38
Renewals and replacements	26,823.00	-	26,823.00
Total educational and general expenditures and transfers	18,025,094.96	7,915,282.81	25,940,377.77
Auxiliary enterprises:			
Expenditures	13,826.32	-	13,826.32
Nonmandatory transfer for:			
Renewals and replacements	4,544.26	-	4,544.26
Total auxiliary enterprises	18,370.58	-	18,370.58
Total expenditures and transfers	18,043,465.54	7,915,282.81	25,958,748.35

Exhibit E (Cont.)

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1994

	Unrestricted	Restricted	Total
OTHER ADDITION (DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	650,775.71	650,775.71
Indirect costs recovered	-	(315,918.53)	(315,918.53)
Refunded to grantors	-	(380,637.00)	(380,637.00)
Net decreases in fund balances	$ (70,270.02)	$ (45,779.82)	$ (116,049.84)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

The college is 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 its 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. 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 expenditures, for normal replacement of movable equipment and library holdings, and 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 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.

Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, 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 the bookstore, food services, and vending. 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.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments requiring in perpetuity that the principal be invested and only the income be used. Although quasi-endowment funds have been established by the governing board for the same purposes as endowment funds, any portion of quasi-endowment funds may be expended.

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.

NOTE 2. 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. Generally accepted accounting principles require that certain accrued compensated absences, the effects of which are material to the financial statements, be recorded as earned. The college's policy is to record such benefits as paid. The recognition of this liability for accrued compensated absences and related benefits would have increased the liabilities of the unrestricted current fund by $714,835.74 at June 30, 1995, and $741,048.39 at June 30, 1994; decreased the unrestricted current fund expenditures by $26,212.65 for the year ended June 30, 1995; and increased the unrestricted current fund expenditures by $78,633.30 for the year ended June 30, 1994.

NOTE 3. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 1995, cash consisted of $628,743.10 in bank accounts, $4,720.43 of petty cash on hand, and $4,493,990.42 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1994, cash consisted of $297,340.28 in bank accounts, $4,470.43 of petty cash on hand, and $4,695,982.80 in the State of Tennessee Local Government Investment Pool.

NOTE 4. DEPOSITS

Deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the college. Category 1 consists of deposits that are insured or collateralized with securities held by the college or by its agent in the college's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the college's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the college's name.

At June 30, 1995, the carrying amount of the college's deposits was $644,543.10, and the bank balance including accrued interest was $1,388,050.54. The bank balance was category 1. During the year ended June 30, 1995, the college had uncollateralized amounts as high as $184,204.61. The uncollateralized amounts were related to a court decision by the U. S. Court of Appeals for the Eighth Circuit which raised a question about the enforceability of security interests in collateral pledged to secure deposits held in financial institutions. The court decision was based on Section 1823(e) of the Financial Institutions Reform, Recovery and En-forcement Act of 1989 (FIRREA). Because the college's security agreement did not meet the requirements outlined in Section 1823(e) of the act, it is uncertain whether the college had any priority claim to the collateral pledged to secure deposits in excess of FDIC insurance coverage.

At June 30, 1994, the carrying amount of the college's deposits was $313,140.28, and the bank balance including accrued interest was $1,137,060.22. The bank balance was category 1. From July 1, 1993, through June 1, 1994, the college had uncollateralized amounts as high as $1,888,018.03 at one bank. As discussed in the preceding paragraph, the college's security agreement did not meet the FIRREA requirements. The college's security agreement with that bank was revised as of June 2, 1994, to meet these new requirements. During the year ended June 30, 1994, the college had uncollateralized amounts as high as $45,150.18 at another bank due to failure to meet the FIRREA requirements.

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 value of collateral pledged equal 105% of the uninsured deposits.

NOTE 5. 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; 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. Investments are valued at cost, or in the case of gifts, at fair value on the date of receipt.

The college's investments at June 30, 1995, and June 30, 1994, consisted of certificates of deposit with original maturities greater than three months. These have been included with other deposits in Note 4 to determine the adequacy of collateral security pledged.

NOTE 6. LGIP DEPOSIT–CAPITAL PROJECTS

The college's capital projects are administered by the State of Tennessee's Department of Finance and Administration. The college's estimated share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. Funds are withdrawn by the Department of Finance and Administration to cover the expenditures as they are incurred. 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 Department of Finance and Administration.

NOTE 7. INVENTORIES

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

NOTE 8. 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.

NOTE 9. 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 $20 per volume, and other library holdings are valued at various standardized values. 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.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 4 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.

NOTE 10. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 1995, amounted to $183,706.04 for unexpended plant and $90,761.38 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1994, amounted to $13,496.00 for unexpended plant and $175,105.31 for renewals and replacements.

NOTE 11. NOTES PAYABLE

Short-term financing for various projects has been secured through the Tennessee State School Bond Authority under the Bond Anticipation Notes (BANs) Program established February 24, 1993, with Prudential Securities, Incorporated, to fund projects under construction. Under the BANs Program, the notes may bear interest at a variable rate (daily, weekly, monthly, quarterly, semiannually, annually, or long-term) determined by the remarketing agent, Prudential Securities, Incorpo-rated, for periods selected by the authority. Currently, interest is determined on a weekly basis and payable monthly. The notes are subject to purchase by the remarketing agent on the demand of the holder on any business day pursuant to the conditions set forth in the Official Statement. The remarketing agent is authorized to use its best efforts to sell the repurchased notes. If it is unable to resell any notes that are "put," Swiss Bank Corporation, New York Branch, under a standby note purchase agreement, is required, subject to certain conditions, to purchase the notes. The standby note purchase agreement will expire February 23, 1996, unless it is terminated earlier. It is expected that a portion of these notes will be redeemed with the proceeds of the sale of bonds at the end of the construction period for the projects being financed. The authority has contracted with Swiss Bank Corporation at a rate of .125% per $1,000 prior to February 25, 1994, and .15% per $1,000 thereafter of the principal and interest commitment of $75,961,644; the fee is pay-able quarterly in arrears. The balance owed by the college was $475,000 at June 30, 1995, and $500,000 at June 30, 1994.

NOTE 12. PENSION PLANS

Defined Benefit Plan

All the college's regular employees may participate in a cost-sharing multiple-employer pension plan administered by the Tennessee Consolidated Retirement System (TCRS). The payroll for employees covered by the TCRS plan was $8,420,040.60 for the year ended June 30, 1995, and $7,883,785.21 for the year ended June 30, 1994. The college's total payroll was $14,448,044.96 for the year ended June 30, 1995, and $13,776,292.02 for the year ended June 30, 1994.

TCRS members may retire at age 60 with five years of service or at any age with 30 years' service. Early retirement with reduced benefits is available to vested members who are at least age 55 or have 25 years of service. TCRS benefits are based on the number of years of creditable service and highest average salary for five consecutive years. Members attain vesting rights after five years of service. The TCRS also provides death and disability benefits. Benefits are established by state statute.

The college is required by state statute, effective July 1, 1981, to contribute the amounts necessary to pay benefits when due. Prior to that date, the employee bore a portion of the contribution. Members with contributory service who leave the college are eligible for a refund of their contributions, along with contributions made after July 1, 1981, on the employees' behalf by the college. The actuarially required contribution made for the year ended June 30, 1995, was $532,988.57, which represented 6.33% of the covered payroll, and for the year ended June 30, 1994, was $526,235.71, which represented 6.67% of the covered payroll.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the funding status of the TCRS on a going-concern basis, assess progress in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and among employers. The TCRS does not make separate measurements of assets and pension benefit obligation for individual state employers. Therefore, the following information is provided for the entire state employee portion of the TCRS. The pension benefit obligation at June 30, 1995, and at June 30, 1994, determined through an actuarial valuation performed as of June 30, 1995, was $10,697.4 million and through an actuarial update performed as of June 30, 1994, was $9,344.5 million. The net assets, at cost or amortized cost, available for benefits were $11,566.8 million at June 30, 1995, and $10,772.4 million at June 30, 1994, leaving assets in excess of pension benefit obligation of $869.4 million at June 30, 1995, and $1,427.9 million at June 30, 1994. The market value of the net assets available for benefits was $12,552.1 million at June 30, 1995, and $11,106.5 million at June 30, 1994. The college's 1995 and 1994 contributions represented .19% and .20% of total contributions required of all participating entities.

Ten-year historical trend information showing the progress of the TCRS in accumulating sufficient assets to pay benefits when due is presented in the June 30, 1995, *Tennessee Consolidated Retirement System Comprehensive Annual Financial Report.*

Defined Contribution Plans

The college has three defined contribution plans offered through the 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 available only to eligible faculty and staff exempt from the overtime provision of the Fair Labor Standards Act. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. State statute requires the college to contribute an amount equal to 10% of the employee's base salary below the social security wage base and 11% above the social security wage base. Members are fully vested upon entry into the plans.

The payroll for employees covered by the defined contribution plans was $3,624,568.50 for the year ended June 30, 1995, and $3,286,174.00 for the year ended June 30, 1994. The college's total payroll was $14,448,044.96 for the year ended June 30, 1995, and $13,776,292.02 for the year ended June 30, 1994. The required contribution made by the college was $362,456.85 for the year ended June 30, 1995, and $328,617.40 for the year ended June 30, 1994, which both represented 10% of the covered payroll.

NOTE 13. 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 14. 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. A designation for casualty losses in the amount of $5 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, 1995, the scheduled coverage for the college was $30,977,200 for buildings and $15,040,000 for contents. At June 30, 1994, the scheduled coverage was $24,239,100 for buildings and $13,551,600 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 malprac-tice, 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 con-siders 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.

NOTE 15. 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 $3,937,871.00 at June 30, 1995, and $3,648,465.30 at June 30, 1994.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Ex-penditures under operating leases for real property were $571,300.25 and for personal property were $45,557.33 for the year ended June 30, 1995. The amounts for the year ended June 30, 1994, were $544,229.53 and $46,334.08. The following is a schedule by years of future minimum rental payments required under noncan-celable operating leases that have initial or remaining lease terms of more than one year at June 30, 1995:

Year Ending June 30	
1996	$ 85,000.00
1997	21,250.03
Total minimum payments required	$106,250.03

Construction in Progress - At June 30, 1995, outstanding commitments under construction contracts totaled $5,946,389.05 for the Humanities Building and Oak

Ridge Campus planning projects, of which $5,629,452.95 will be funded by future state capital outlay appropriations.

Litigation - The college is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

Questioned Costs - As of June 30, 1995, the college had not resolved $1,590.00 of questioned costs resulting from prior audits. Final resolution of these questioned costs will be determined by the grantor.

NOTE 16. AFFILIATED ENTITY NOT INCLUDED

The college is the sole beneficiary of the Roane 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, 1995, the foundation's assets totaled $5,848,588.65, liabilities were $14,849.60, and the fund balance amounted to $5,833,739.05.