

**TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE**

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

**Arthur A. Hayes, Jr., CPA**  
Director

**Charles K. Bridges, CPA**  
Assistant Director

**Shirley A. Henry, CPA**  
Audit Manager

**Sandra McSeveney, CPA**  
In-Charge Auditor

**Roman Bekker**  
**Michael S. Edwards, CPA**  
**Vicki B. Holland**  
**Dean Smithwick**  
**Christa L. Whitley**  
Staff Auditors

**Dianne Mitchell, CPA**  
Technical Manager

**Fawn W. Ellis, CPA**  
Technical Reviewer

**Leslie Bethea**  
Editor

October 30, 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. George H. Van Allen, President  
Nashville State Technical Institute  
120 White Bridge Road  
Nashville, Tennessee 37209

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Nashville State Technical Institute, 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 institute 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 institute'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  
96/109

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Nashville State Technical Institute**  
For the Years Ended June 30, 1995, and June 30, 1994

---

## AUDIT OBJECTIVES

The objectives of the audit were to consider the institute'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

### **Conference Proceeds Spent Without Written Approval**

The Office of Continuing Education at Nashville State Technical Institute spent proceeds from cosponsored conferences without the written approval of the U.S. Small Business Administration (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  
NASHVILLE STATE TECHNICAL INSTITUTE  
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

---

TABLE OF CONTENTS

---

	<u>Exhibit</u>	<u>Page</u>
<u>INTRODUCTION</u>		1
Post-Audit Authority		1
Objectives of the Audit		1
Scope of the Audit		1
<u>BACKGROUND AND ORGANIZATION</u>		2
Background		2
Organization		2
<u>PRIOR AUDIT FINDINGS</u>		2
Resolved Audit Findings		3
<u>RESULTS OF THE AUDIT</u>		3
Audit Conclusions		3
Report on the Internal Control Structure Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		4
Finding and Recommendation		7
<ul style="list-style-type: none"><li>• The Office of Continuing Education spent conference proceeds without written approval</li></ul>		7

---

TABLE OF CONTENTS (CONT.)

---

	<u>Exhibit</u>	<u>Page</u>
Compliance Report Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		9
<u>FINANCIAL STATEMENTS</u>		
Independent Auditor's Report		11
Balance Sheets	A	13
Statement of Changes in Fund Balances for the Year Ended June 30, 1995	B	15
Statement of Changes in Fund Balances for the Year Ended June 30, 1994	C	16
Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 1995	D	18
Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 1994	E	19
Notes to the Financial Statements		20

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
FOR THE YEARS ENDED JUNE 30, 1995, AND JUNE 30, 1994

---

INTRODUCTION

---

**POST-AUDIT AUTHORITY**

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Nashville State Technical Institute. 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 institute’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. Nashville State Technical Institute 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

In March 1963, the Tennessee General Assembly passed House Bill 633, authorizing the establishment of a statewide system of area vocational-technical schools and regional technical schools. Nashville State Technical Institute opened on White Bridge Road in the fall of 1970. Until 1983, the institute operated under the Tennessee State Board of Vocational Education through the Tennessee Department of Education, Division of Vocational-Technical Education. The 93rd General Assembly transferred the institute to the Tennessee Board of Regents July 1, 1983.

The institute offers two-year, college-level programs to prepare adults for employment as technicians in engineering, physical science, and computer science. The programs lead to an Associate of Engineering Technology degree or an Associate of Science degree. Also, the institute offers special programs and courses to meet the needs of industry, business, and government.

### ORGANIZATION

The governance of Nashville State Technical Institute is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the institute 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 institute filed its report with the Department of Audit on June 28, 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 institute has corrected previous audit findings concerning procedures in the financial aid office, reporting of plant fund transactions, an annual library holdings inventory, control over cash change funds, and calculation of terminated employees' final pay.

---

## **RESULTS OF THE AUDIT**

---

### **AUDIT CONCLUSIONS**

#### Internal Control Structure

As part of the audit of the institute'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 institute 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 institute'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***

August 30, 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 Nashville State Technical Institute, 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 August 30, 1996. Our report was qualified because the institute 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 institute'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.

The Honorable W. R. Snodgrass  
August 30, 1996  
Page Two

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 institute'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 institute'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: The Office of Continuing Education spent conference proceeds without written approval. 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 institute's management in a separate letter.

The Honorable W. R. Snodgrass  
August 30, 1996  
Page Three

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

### THE OFFICE OF CONTINUING EDUCATION SPENT CONFERENCE PROCEEDS WITHOUT WRITTEN APPROVAL

#### FINDING:

The Office of Continuing Education at Nashville State Technical Institute spent proceeds from cosponsored conferences without the written approval of the U.S. Small Business Administration. For several years, the institute entered into memorandums of understanding with the Small Business Administration to cosponsor various conferences for the benefit of small businesses. Excess funds generated by the conferences were accumulated in an agency account which had a balance of \$16,791.38 as of July 1, 1993.

The last memorandum of understanding between the institute and the Small Business Administration (March 1993) stated:

Any funds resulting from the proceeds of the Cosponsored activity, remaining upon completion of the Cosponsored activity or termination of this MOU [memorandum of understanding], will be used in a project or manner to benefit small businesses that is mutually agreed upon in writing by and between the parties. If Cosponsor and SBA cannot agree on a project, such funds shall be returned pro-rata to the paid attendees.

In fiscal year 1994, \$3,229.00 from the agency account was spent to purchase a computer for the Office of Continuing Education, \$553.00 was spent to pay the fees for two institute employees and five Small Business Administration employees to attend a seminar, and \$487.88 was used to purchase supplies. In fiscal year 1995, \$2,168.69 was spent on office furniture and equipment for the Office of Continuing Education, and \$96.60 was used to purchase supplies. There was no evidence of a written agreement between the parties pertaining to these expenditures. Although earlier memorandums of understanding did not include the words "in writing," it appears that none of the accumulated funds from prior years were spent until after the March 1993 memorandum of understanding was in effect.

The excess funds generated from these conferences were accounted for in agency funds; however, it would have been more appropriate to classify them as restricted current funds since there was an external restriction on them in the memorandum of understanding. Also, there is no oversight of agency funds by the institute, and if the funds had been accounted for in restricted current funds, these expenditures would have been subject to authorization and approval at several levels.

RECOMMENDATION:

The Business Manager should consult with the Small Business Administration to determine the propriety of these expenditures, and the remaining funds should be retained in re-restricted current funds and spent only with the approval of the Small Business Administration.

In addition, the Business Manager should review all agency fund accounts to determine if there are other accounts improperly classified as agency funds.

MANAGEMENT'S COMMENT:

Management concurs with the finding and the recommendation. Responsibility for implementation of the recommendation has been assigned to the Business Manager. A letter approving the expenditures has been obtained from the Small Business Administration. The re-view of agency accounts will be scheduled for fiscal year 1996-97. Any account found to be misclassified will be reclassified to the proper fund group. The review and any associated reclassifications will be completed no later than June 30, 1997.

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

August 30, 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 Nashville State Technical Institute, 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 August 30, 1996. Our report was qualified because the institute 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 institute is the responsibility of the institute's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the institute'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 Honorable W. R. Snodgrass  
August 30, 1996  
Page Two

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 one immaterial instance of noncompliance that we have reported to the institute'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**

August 30, 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 Nashville State Technical Institute, 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 institute's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

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

As described in Note 2 to the financial statements, the institute has excluded the liability for accrued compensated absences from the accompanying balance sheets. In our opinion, accrued 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

The Honorable W. R. Snodgrass  
August 30, 1996  
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Nashville State Technical Institute, 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 August 30, 1996, on our consideration of the institute'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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
BALANCE SHEETS  
JUNE 30, 1995, AND JUNE 30, 1994

	June 30, 1995	June 30, 1994		June 30, 1995	June 30, 1994
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Notes 3 and 4)	\$ 1,911,998.85	\$ 1,981,786.19	Liabilities:		
Accrued interest receivable	-	621.09	Accounts payable	\$ 146,833.14	\$ 207,167.34
Accounts receivable (net of allowance of \$14,629.53 at June 30, 1995, and \$8,875.71 at June 30, 1994)	162,823.51	155,150.99	Accrued liabilities	641,066.73	621,002.79
Inventories (Note 5)	753.20	652.39	Deferred revenue	409,112.50	360,483.65
Prepaid expenses	18,659.62	22,758.06	Total liabilities	1,197,012.37	1,188,653.78
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital (Note 6)	70,078.18	102,600.96
			Allocation for encumbrances	179,699.70	224,023.78
			Allocation for designated appropriations	227.73	306.62
			Discretionary allocations:		
			Allocation for subsequent budget	142,910.00	162,000.00
			Allocation for student activity fees	9,111.76	5,637.81
			Allocation for fund raising	49,190.30	48,812.02
			Allocation for remedial/developmental programs	327,020.00	93,953.35
			Unallocated	118,985.14	334,980.40
			Total fund balances	897,222.81	972,314.94
Total general	2,094,235.18	2,160,968.72	Total general	2,094,235.18	2,160,968.72
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Notes 3 and 4)	136,500.00	41,328.19	Fund balances:		
Due from agency funds	-	222,281.51	Discretionary allocation:		
			Allocation for contingencies	36,500.00	36,500.00
			Unallocated	100,000.00	227,109.70
Total auxiliary enterprises	136,500.00	263,609.70	Total auxiliary enterprises	136,500.00	263,609.70
Total unrestricted	2,230,735.18	2,424,578.42	Total unrestricted	2,230,735.18	2,424,578.42
Restricted:			Restricted:		
Cash (Notes 3 and 4)	57,818.43	138,171.39	Liabilities:		
Accounts and grants receivable	429,836.39	347,359.02	Accounts payable	8,864.86	56,539.35
Due from endowment and similar funds	23.53	22.57	Accrued liabilities	10,263.54	8,587.31
Due from agency funds	157,005.19	97,789.85	Total liabilities	19,128.40	65,126.66
			Fund balance	625,555.14	518,216.17
Total restricted	644,683.54	583,342.83	Total restricted	644,683.54	583,342.83
Total current funds	\$ 2,875,418.72	\$ 3,007,921.25	Total current funds	\$ 2,875,418.72	\$ 3,007,921.25
Loan funds:			Loan funds:		
Cash (Notes 3 and 4)	\$ 796.90	\$ 736.90	Fund balance:		
			Unrestricted	\$ 796.90	\$ 736.90
Total loan funds	\$ 796.90	\$ 736.90	Total loan funds	\$ 796.90	\$ 736.90
Endowment and similar funds:			Endowment and similar funds:		
Cash (Notes 3 and 4)	\$ 4,763.20	\$ 4,762.24	Liabilities:		
			Due to restricted current funds	\$ 23.53	\$ 22.57
			Fund balance:		
			Endowment	4,739.67	4,739.67
Total endowment and similar funds	\$ 4,763.20	\$ 4,762.24	Total endowment and similar funds	\$ 4,763.20	\$ 4,762.24
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 3 and 4)	\$ 155,568.65	\$ 146,024.34	Fund balance:		
			Unrestricted	\$ 155,568.65	\$ 146,024.34
Total unexpended plant	155,568.65	146,024.34	Total unexpended plant	155,568.65	146,024.34

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
BALANCE SHEETS  
JUNE 30, 1995, AND JUNE 30, 1994

	June 30, 1995	June 30, 1994		June 30, 1995	June 30, 1994
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Renewals and replacements:			Renewals and replacements:		
Cash (Notes 3 and 4)	<u>2,364,536.73</u>	<u>2,025,509.81</u>	Liabilities:		
			Accounts payable	<u>23,372.19</u>	-
			Fund balance:		
			Unrestricted (Note 8)	<u>2,341,164.54</u>	<u>2,025,509.81</u>
Total renewals and replacements	<u>2,364,536.73</u>	<u>2,025,509.81</u>	Total renewals and replacements	<u>2,364,536.73</u>	<u>2,025,509.81</u>
Investment in plant (Note 7):			Investment in plant:		
Land	402,740.00	402,740.00	Fund balance:		
Buildings	12,994,168.75	12,994,168.75	Net investment in plant	<u>24,138,606.89</u>	<u>23,411,466.61</u>
Improvements other than buildings	779,523.95	779,523.95			
Equipment	8,213,331.81	7,575,490.91			
Library books	794,780.00	752,040.00			
Other library holdings	947,312.00	907,503.00			
Construction in progress	<u>6,750.38</u>	<u>-</u>			
Total investment in plant	<u>24,138,606.89</u>	<u>23,411,466.61</u>	Total investment in plant	<u>24,138,606.89</u>	<u>23,411,466.61</u>
Total plant funds	<u>\$ 26,658,712.27</u>	<u>\$ 25,583,000.76</u>	Total plant funds	<u>\$ 26,658,712.27</u>	<u>\$ 25,583,000.76</u>
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash (Notes 3 and 4)	\$ 1,031,751.26	\$ 1,036,848.59	Liabilities:		
Accounts receivable	<u>2,523.00</u>	<u>1,599.00</u>	Accounts payable	\$ -	\$ 222.31
			Due to unrestricted current funds	-	222,281.51
			Due to restricted current funds	157,005.19	97,789.85
			Deposits held in custody for others	<u>877,269.07</u>	<u>718,153.92</u>
Total nonfoundation funds	<u>1,034,274.26</u>	<u>1,038,447.59</u>	Total nonfoundation funds	<u>1,034,274.26</u>	<u>1,038,447.59</u>
Foundation funds (Note 9):			Foundation funds:		
Cash (Notes 3 and 4)	<u>21,335.34</u>	<u>1,320.00</u>	Deposits held in custody for foundation	<u>21,335.34</u>	<u>1,320.00</u>
Total foundation funds	<u>21,335.34</u>	<u>1,320.00</u>	Total foundation funds	<u>21,335.34</u>	<u>1,320.00</u>
Total agency funds	<u>\$ 1,055,609.60</u>	<u>\$ 1,039,767.59</u>	Total agency funds	<u>\$ 1,055,609.60</u>	<u>\$ 1,039,767.59</u>

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

TENNESSEE BOARD OF REGENTS  
 NASHVILLE STATE TECHNICAL INSTITUTE  
 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	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>							
Unrestricted current fund revenues	\$ 13,853,023.62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	92,583.86	-	-	-	-	-	-
State appropriations	-	101,500.00	-	-	41,276.51	-	-
Federal grants and contracts	-	2,282,643.53	-	-	-	-	-
State grants and contracts	-	230,119.80	-	-	-	-	-
Private gifts, grants, and contracts	-	441,253.86	60.00	-	-	-	-
Endowment income	-	211.21	-	-	-	-	-
Investment income	-	-	-	-	9,544.31	123,695.52	-
Equipment use charges (Note 7)	-	-	-	-	-	211,990.00	-
Expended for plant facilities (including \$815,156.52 charged to current fund expenditures)	-	-	-	-	-	-	1,074,394.90
Library holdings revaluation (Note 7)	-	-	-	-	-	-	4,413.32
Other	-	3,375.07	-	-	-	-	9,910.00
<b>Total revenues and other additions</b>	<b>13,945,607.48</b>	<b>3,059,103.47</b>	<b>60.00</b>	<b>-</b>	<b>50,820.82</b>	<b>335,685.52</b>	<b>1,088,718.22</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>							
Educational and general expenditures	13,869,430.80	2,903,167.84	-	-	-	-	-
Auxiliary enterprise expenditures	3,458.51	-	-	-	-	-	-
Indirect costs recovered	-	43,400.15	-	-	-	-	-
Refunded to grantors	-	2,321.44	-	-	-	-	-
Expended for plant facilities	-	-	-	-	6,750.38	252,488.00	-
Expended for noncapital items	-	-	-	-	34,526.13	42,462.79	-
Disposal of plant facilities	-	-	-	-	-	-	361,577.94
Other	-	2,875.07	-	-	-	-	-
<b>Total expenditures and other deductions</b>	<b>13,872,889.31</b>	<b>2,951,764.50</b>	<b>-</b>	<b>-</b>	<b>41,276.51</b>	<b>294,950.79</b>	<b>361,577.94</b>
<b>TRANSFER BETWEEN FUNDS - ADDITION (DEDUCTION)</b>							
Nonmandatory:							
Renewals and replacements	(274,920.00)	-	-	-	-	274,920.00	-
<b>Net increases (decrease) for the year</b>	<b>(202,201.83)</b>	<b>107,338.97</b>	<b>60.00</b>	<b>-</b>	<b>9,544.31</b>	<b>315,654.73</b>	<b>727,140.28</b>
<b>Fund balances at beginning of year</b>	<b>1,235,924.64</b>	<b>518,216.17</b>	<b>736.90</b>	<b>4,739.67</b>	<b>146,024.34</b>	<b>2,025,509.81</b>	<b>23,411,466.61</b>
<b>Fund balances at end of year</b>	<b>\$ 1,033,722.81</b>	<b>\$ 625,555.14</b>	<b>\$ 796.90</b>	<b>\$ 4,739.67</b>	<b>\$ 155,568.65</b>	<b>\$ 2,341,164.54</b>	<b>\$ 24,138,606.89</b>

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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
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	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>							
Unrestricted current fund revenues	\$ 12,916,490.95	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	79,435.34	-	-	-	-	-	-
State appropriations	-	100,000.00	-	-	3,727.06	-	-
Federal grants and contracts	-	2,164,081.27	-	-	-	-	-
State grants and contracts	-	80,775.81	-	-	-	-	-
Private gifts, grants, and contracts	-	486,144.67	-	-	-	-	-
Endowment income	-	234.13	-	-	-	-	-
Reduction in doubtful accounts	-	-	690.20	-	-	-	-
Investment income	-	-	-	-	5,419.66	48,860.89	-
Equipment use charges (Note 7)	-	-	-	-	-	123,860.00	-
Expended for plant facilities (including \$558,415.13 charged to current fund expenditures)	-	-	-	-	-	-	858,631.93
Library holdings revaluation (Note 7)	-	-	-	-	-	-	4,394.12
Other	-	3,268.90	-	-	-	-	7,200.00
<b>Total revenues and other additions</b>	<b>12,995,926.29</b>	<b>2,834,504.78</b>	<b>690.20</b>	<b>-</b>	<b>9,146.72</b>	<b>172,720.89</b>	<b>870,226.05</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>							
Educational and general expenditures	12,517,759.66	2,770,723.75	-	-	-	-	-
Auxiliary enterprise expenditures	3,748.09	-	-	-	-	-	-
Indirect costs recovered	-	42,358.42	-	-	-	-	-
Refunded to grantors	-	3,859.57	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-	300,216.80	-
Expended for noncapital items	-	-	-	-	3,727.06	22,388.23	-
Disposal of plant facilities	-	-	-	-	-	-	1,252,942.82
Equipment inventory adjustments	-	-	-	-	-	-	3,200.00
Other	-	8,513.89	-	-	-	-	-
<b>Total expenditures and other deductions</b>	<b>12,521,507.75</b>	<b>2,825,455.63</b>	<b>-</b>	<b>-</b>	<b>3,727.06</b>	<b>322,605.03</b>	<b>1,256,142.82</b>

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
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	Investment In Plant
<u>TRANSFER BETWEEN FUNDS - ADDITION (DEDUCTION)</u>							
Nonmandatory:							
Renewals and replacements	(653,700.00)	-	-	-	-	653,700.00	-
Net increases (decreases) for the year	(179,281.46)	9,049.15	690.20	-	5,419.66	503,815.86	(385,916.77)
Fund balances at beginning of year	1,415,206.10	509,167.02	46.70	4,739.67	140,604.68	1,521,693.95	23,797,383.38
Fund balances at end of year	\$ <u>1,235,924.64</u>	\$ <u>518,216.17</u>	\$ <u>736.90</u>	\$ <u>4,739.67</u>	\$ <u>146,024.34</u>	\$ <u>2,025,509.81</u>	\$ <u>23,411,466.61</u>

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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1995

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Tuition and fees	\$ 4,019,072.77	\$ -	\$ 4,019,072.77
State appropriations	9,482,100.00	103,178.32	9,585,278.32
Federal grants and contracts	19,111.33	2,185,644.52	2,204,755.85
State grants and contracts	26,315.75	216,152.89	242,468.64
Private gifts, grants, and contracts	133,432.90	398,192.11	531,625.01
Sales and services of educational activities	185.20	-	185.20
Sales and services of auxiliary enterprises	92,583.86	-	92,583.86
Other sources	172,805.67	-	172,805.67
Total current revenues	<u>13,945,607.48</u>	<u>2,903,167.84</u>	<u>16,848,775.32</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general:			
Expenditures:			
Instruction	8,349,475.61	1,246,947.74	9,596,423.35
Public service	5,994.42	100,577.46	106,571.88
Academic support	809,841.21	127,048.18	936,889.39
Student services	1,640,939.93	26,816.62	1,667,756.55
Institutional support	1,590,119.08	4,098.36	1,594,217.44
Operation and maintenance of plant	1,020,022.28	-	1,020,022.28
Scholarships and fellowships	453,038.27	1,397,679.48	1,850,717.75
Total educational and general expenditures	<u>13,869,430.80</u>	<u>2,903,167.84</u>	<u>16,772,598.64</u>
Nonmandatory transfer for:			
Renewals and replacements	<u>270,990.00</u>	<u>-</u>	<u>270,990.00</u>
Total educational and general	<u>14,140,420.80</u>	<u>2,903,167.84</u>	<u>17,043,588.64</u>
Auxiliary enterprises:			
Expenditures	3,458.51	-	3,458.51
Nonmandatory transfer for:			
Renewals and replacements	<u>3,930.00</u>	<u>-</u>	<u>3,930.00</u>
Total auxiliary enterprises	<u>7,388.51</u>	<u>-</u>	<u>7,388.51</u>
Total expenditures and transfers	<u>14,147,809.31</u>	<u>2,903,167.84</u>	<u>17,050,977.15</u>
<b>OTHER ADDITION (DEDUCTIONS)</b>			
Excess of restricted receipts over transfers to revenues	-	155,935.63	155,935.63
Indirect costs recovered	-	(43,400.15)	(43,400.15)
Refunded to grantors	-	(2,321.44)	(2,321.44)
Other deductions	-	(2,875.07)	(2,875.07)
Net increase (decrease) in fund balances	<u>\$ (202,201.83)</u>	<u>\$ 107,338.97</u>	<u>\$ (94,862.86)</u>

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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
FOR THE YEAR ENDED JUNE 30, 1994

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Tuition and fees	\$ 3,456,404.60	\$ -	\$ 3,456,404.60
State appropriations	9,010,400.00	98,321.68	9,108,721.68
Federal grants and contracts	25,530.86	2,232,055.40	2,257,586.26
State grants and contracts	121,160.76	67,302.18	188,462.94
Local grants and contracts	17,130.00	-	17,130.00
Private gifts, grants, and contracts	171,729.38	373,044.49	544,773.87
Sales and services of educational activities	703.42	-	703.42
Sales and services of auxiliary enterprises	79,435.34	-	79,435.34
Other sources	113,431.93	-	113,431.93
Total current revenues	<u>12,995,926.29</u>	<u>2,770,723.75</u>	<u>15,766,650.04</u>
<b><u>EXPENDITURES AND TRANSFERS</u></b>			
Educational and general:			
Expenditures:			
Instruction	7,380,942.87	1,174,164.32	8,555,107.19
Public service	414.05	154,682.25	155,096.30
Academic support	823,453.29	160,739.54	984,192.83
Student services	1,457,319.26	59,447.22	1,516,766.48
Institutional support	1,448,692.11	16,945.26	1,465,637.37
Operation and maintenance of plant	1,025,743.23	1,714.60	1,027,457.83
Scholarships and fellowships	381,194.85	1,203,030.56	1,584,225.41
Total educational and general expenditures	<u>12,517,759.66</u>	<u>2,770,723.75</u>	<u>15,288,483.41</u>
Nonmandatory transfer for:			
Renewals and replacements	650,000.00	-	650,000.00
Total educational and general	<u>13,167,759.66</u>	<u>2,770,723.75</u>	<u>15,938,483.41</u>
Auxiliary enterprises:			
Expenditures			
Nonmandatory transfer for:			
Renewals and replacements	3,748.09	-	3,748.09
Total auxiliary enterprises	<u>3,700.00</u>	<u>-</u>	<u>3,700.00</u>
Total expenditures and transfers	<u>13,175,207.75</u>	<u>2,770,723.75</u>	<u>15,945,931.50</u>
<b><u>OTHER ADDITION (DEDUCTIONS)</u></b>			
Excess of restricted receipts over transfers to revenues	-	63,781.03	63,781.03
Indirect costs recovered	-	(42,358.42)	(42,358.42)
Refunded to grantors	-	(3,859.57)	(3,859.57)
Other deductions	-	(8,513.89)	(8,513.89)
Net increase (decrease) in fund balances	<u>\$ (179,281.46)</u>	<u>\$ 9,049.15</u>	<u>\$ (170,232.31)</u>

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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

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

REPORTING ENTITY

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

BASIS OF ACCOUNTING

The financial statements of the institute 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 as nonmandatory transfers, for all other cases.

FUND ACCOUNTING

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

To ensure observance of limitations and restrictions placed on the use of the resources available, the institute 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 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 institute 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 and pay phones. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

#### Loan Funds

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

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.

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, and (3) funds expended for, and thus invested in, institutional properties.

Agency Funds

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

**NOTE 2. COMPENSATED ABSENCES**

The institute'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 institute'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 \$455,911.37 at June 30, 1995, and \$486,916.19 at June 30, 1994; decreased the unrestricted current fund expenditures by \$31,004.82 for the year ended June 30, 1995; and increased the unrestricted current fund expenditures by \$47,810.80 for the year ended June 30, 1994.

**NOTE 3. CASH**

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

This classification includes demand deposits and petty cash on hand. At June 30, 1995, cash consisted of \$422,041.65 in bank accounts, \$1,000.00 of petty cash on hand, and \$5,262,027.71 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1994, cash consisted of \$76,708.84 in bank accounts, \$1,550.00 of petty cash on hand, and \$5,298,228.81 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 institute. Category 1 consists of deposits that are insured or collateralized with securities held by the institute or by its agent in the institute's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the institute'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 institute's name.

At June 30, 1995, the carrying amount of the institute's deposits was \$422,041.65, and the bank balance including accrued interest was \$836,784.81. The bank balance was category 1. On February 10, 1995, the institute had uncollateralized deposits of \$84,249.49.

At June 30, 1994, the carrying amount of the institute's deposits was \$76,708.84, and the bank balance including accrued interest was \$627,978.11. The bank balance was category 1. From July 1, 1993, through October 25, 1993, the institute had uncollateralized amounts as high as \$777,967.52. 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 Enforcement Act of 1989 (FIRREA). Because the institute's security agreement did not meet the requirements outlined in Section 1823(e) of the act, it is uncertain whether the institute had any priority claim to the collateral pledged to secure deposits in excess of FDIC insurance coverage. The institute's security agreement was revised as of

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

October 25, 1993, to meet these new requirements. On March 8, 1994, the institute had uncollateralized deposits of \$5,871.67.

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. INVENTORIES**

The institute maintains only gasoline inventory, which is valued at cost.

**NOTE 6. 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 7. 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 institute 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 institute is the lead institution and grant recipient for the Job Training Partnership Act in service delivery areas 8 and 9 of the State of Tennessee. The title to all the equipment purchased by

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

the institute under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the institute's plant fund assets.

**NOTE 8. PLANT FUND ENCUMBRANCES**

There were no plant fund encumbrances outstanding at June 30, 1995. Plant fund encumbrances outstanding at June 30, 1994, amounted to \$13,870.00 for renewals and replacements.

**NOTE 9. NASHVILLE TECH FOUNDATION**

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

**NOTE 10. PENSION PLANS**

Defined Benefit Plan

All the institute'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 \$5,991,918.04 for the year ended June 30, 1995, and \$5,652,108.17 for the year ended June 30, 1994. The institute's total payroll was \$9,339,040.00 for the year ended June 30, 1995, and \$8,732,121.90 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.

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

The institute 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 institute are eligible for a refund of their contributions, along with contributions made after July 1, 1981, on the employees' behalf by the institute. The actuarially required contribution made for the year ended June 30, 1995, was \$379,288.45, which represented 6.33% of the covered payroll, and for the year ended June 30, 1994, was \$378,126.03, which represented 6.69% 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 institute's 1995 and 1994 contributions represented .13% and .14% 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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

The institute 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 institute 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 \$1,890,093.07 for the year ended June 30, 1995, and \$1,835,241.74 for the year ended June 30, 1994. The institute’s total payroll was \$9,339,040.00 for the year ended June 30, 1995, and \$8,732,121.90 for the year ended June 30, 1994. The required contribution made by the institute for the year ended June 30, 1995, was \$189,378.86, which represented 10.02% of the covered payroll, and for the year ended June 30, 1994, was \$185,469.53, which represented 10.11% of the covered payroll.

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

**NOTE 11. OTHER POST-EMPLOYMENT BENEFITS**

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible institute retirees. This benefit is provided and administered by the State of Tennessee. The institute 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 12. 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 institute was \$21,871,700 for buildings and \$11,779,500 for contents. At June 30, 1994, the scheduled coverage was \$21,813,700 for buildings and \$11,736,500 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The institute participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the institute based on a percentage of the institute'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 institute 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 institute 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 BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

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 institute 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 institute 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 13. COMMITMENTS AND CONTINGENCIES**

Sick Leave - The institute 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 \$4,193,814.16 at June 30, 1995, and \$3,032,485.66 at June 30, 1994.

Operating Leases - The institute has entered into various operating leases for equipment. Such leases will probably continue to be required. Expenditures under operating leases were \$26,420.46 for the year ended June 30, 1995, and \$36,707.06 for the year ended June 30, 1994. Future minimum rental payments required under noncancelable operating leases that have initial or remaining lease terms of more than one year at June 30, 1995, total \$29,732.00 for the year ending June 30, 1996.

Computer System Maintenance - The Tennessee Board of Regents has contracted with Systems and Computer Technology Corporation for maintenance of the financial records system, the human resource system, and the student information system. The next year's commitment for the institute under this contract is \$36,100.00.

Construction in Progress - At June 30, 1995, outstanding commitments under construction contracts totaled \$129,212.00 for the Cookeville Center, which will be funded by future state capital outlay appropriations.

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

TENNESSEE BOARD OF REGENTS  
NASHVILLE STATE TECHNICAL INSTITUTE  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 1995, AND JUNE 30, 1994

---

Questioned Costs - As of June 30, 1995, the institute had not resolved \$2,290.00 of questioned costs resulting from prior audits. Final resolution of these questioned costs will be determined by the grantor.

**NOTE 14. PLEDGES**

At June 30, 1995, unrecorded pledges totaled \$9,873.00 and were restricted to the foundation, scholarships, and other institutional uses. These pledges are due to be collected during the next fiscal year. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.