

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

**For the Years Ended  
June 30, 1997, and June 30, 1996**

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May 14, 1998

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. Allen G. Edwards, President

Pellissippi State Technical Community College

10915 Hardin Valley Road

P. O. Box 22990

Knoxville, Tennessee 37933-0990

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Pellissippi State Technical Community College, for the years ended June 30, 1997, and June 30, 1996. 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 internal control over financial reporting and tests of compliance resulted in no audit findings.

Very truly yours,

W. R. Snodgrass  
Comptroller of the Treasury

WRS/sdr  
98/029

State of Tennessee

# Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit  
**Pellissippi State Technical Community College**  
For the Years Ended June 30, 1997, and June 30, 1996

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## AUDIT OBJECTIVES

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

## AUDIT FINDINGS

The audit report contains no findings.

## 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.

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

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

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**Audit Report**  
**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**For the Years Ended June 30, 1997, and June 30, 1996**

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**Tennessee Board of Regents  
Pellissippi State Technical Community College  
For the Years Ended June 30, 1997, and June 30, 1996**

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**INTRODUCTION**

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**POST-AUDIT AUTHORITY**

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

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

**BACKGROUND**

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

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

**ORGANIZATION**

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

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## AUDIT SCOPE

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The audit was limited to the period July 1, 1995, through June 30, 1997, and was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the years ended June 30, 1997, and June 30, 1996. Pellissippi State Technical Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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## OBJECTIVES OF THE AUDIT

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The objectives of the audit were

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

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## PRIOR AUDIT FINDINGS

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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 January 21, 1997. A follow-up of the prior audit findings was conducted as part of the current audit.

## RESOLVED AUDIT FINDINGS

The follow-up disclosed that the college has corrected the previous audit findings concerning inadequate controls over cash receipts and the failure to follow proper procedures when acquiring public relations services.

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## RESULTS OF THE AUDIT

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### AUDIT CONCLUSIONS

#### Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 1997, and June 30, 1996, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control over financial reporting disclosed no material weaknesses.

#### Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Fairness of Financial Statement Presentation

The 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.

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

February 20, 1998

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

Dear Mr. Snodgrass:

We have audited the financial statements of Pellissippi State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1997, and June 30, 1996, and have issued our report thereon dated February 20, 1998. Our report was qualified because the college omitted the liability for accrued compensated absences from the balance sheets. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Honorable W. R. Snodgrass  
February 20, 1998  
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We did, however, note certain less significant instances of noncompliance that we have reported to the college's management in a separate letter.

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

However, we noted certain matters involving the internal control over financial reporting 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/sdr

## **Independent Auditor's Report**

February 20, 1998

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 Pellissippi State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1997, and June 30, 1996, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

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

As described in Note 2 to the financial statements, the college has omitted the liability for accrued compensated absences from the accompanying balance sheets which 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  
February 20, 1998  
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Pellissippi State Technical Community College, as of June 30, 1997, and June 30, 1996, 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 *Government Auditing Standards*, we have also issued our report dated February 20, 1998, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

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

AAH/sdr

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 BALANCE SHEETS  
 JUNE 30, 1997, AND JUNE 30, 1996

	June 30, 1997	June 30, 1996		June 30, 1997	June 30, 1996
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Notes 3 and 4)	\$ 2,214,959.85	\$ 2,481,228.83	Liabilities:		
Accounts receivable (net of allowance of \$16,190.00 at June 30, 1997, and \$14,073.00 at June 30, 1996)	232,290.27	150,938.23	Accounts payable	\$ 199,896.88	\$ 246,461.00
Inventories	10,857.67	12,816.10	Accrued liabilities	769,138.48	721,286.65
Due from restricted current funds	229,097.75	294,618.45	Deferred revenue	701,262.00	693,524.93
Prepaid expenses and deferred charges	204,943.71	206,697.99	Other liabilities	12,162.66	31,834.06
			Total liabilities	1,682,460.02	1,693,106.64
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	91,853.43	15,210.11
			Allocation for encumbrances	628,785.91	640,396.64
			Unallocated	489,049.89	797,586.21
			Total fund balances	1,209,689.23	1,453,192.96
Total general	2,892,149.25	3,146,299.60	Total general	2,892,149.25	3,146,299.60
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Notes 3 and 4)	454,761.53	868,011.21	Liabilities:		
Accounts receivable	81,631.89	14,633.93	Accounts payable	1,287.90	-
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	81,631.89	14,633.93
			Discretionary allocation:		
			Allocation for subsequent budget	14,529.31	12,493.74
			Unallocated	438,944.32	855,517.47
			Total fund balances	535,105.52	882,645.14
Total auxiliary enterprises	536,393.42	882,645.14	Total auxiliary enterprises	536,393.42	882,645.14
Total unrestricted	3,428,542.67	4,028,944.74	Total unrestricted	3,428,542.67	4,028,944.74
Restricted:			Restricted:		
Accounts and grants receivable	314,776.81	516,412.46	Liabilities:		
			Accounts payable	36,015.18	44,265.09
			Accrued liabilities	4,113.65	10,964.39
			Due to unrestricted current funds	229,097.75	294,618.45
			Other liabilities	23,330.19	88,131.85
			Total liabilities	292,556.77	437,979.78
			Fund balances	22,220.04	78,432.68
Total restricted	314,776.81	516,412.46	Total restricted	314,776.81	516,412.46
Total current funds	\$ 3,743,319.48	\$ 4,545,357.20	Total current funds	\$ 3,743,319.48	\$ 4,545,357.20
Loan funds:			Loan funds:		
Cash (Notes 3 and 4)	\$ 1,005.61	\$ 1,005.61	Fund balance:		
			Institutional funds:		
			Restricted	\$ 1,005.61	\$ 1,005.61
Total loan funds	\$ 1,005.61	\$ 1,005.61	Total loan funds	\$ 1,005.61	\$ 1,005.61

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 BALANCE SHEETS  
 JUNE 30, 1997, AND JUNE 30, 1996

	<u>June 30, 1997</u>	<u>June 30, 1996</u>		<u>June 30, 1997</u>	<u>June 30, 1996</u>
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Notes 3 and 4)	\$ 1,828,595.04	\$ 1,763,476.56	Liabilities:		
LGIP deposit - capital projects	<u>285,356.56</u>	<u>-</u>	Accounts payable	\$ <u>3,269.10</u>	\$ <u>3,227.06</u>
			Fund balance:		
			Unrestricted (Note 6)	<u>2,110,682.50</u>	<u>1,760,249.50</u>
Total unexpended plant	<u>2,113,951.60</u>	<u>1,763,476.56</u>	Total unexpended plant	<u>2,113,951.60</u>	<u>1,763,476.56</u>
Renewals and replacements:			Renewals and replacements:		
Cash (Notes 3 and 4)	<u>1,622,215.22</u>	<u>1,504,053.14</u>	Liabilities:		
			Accounts payable	<u>41,509.09</u>	<u>56,747.58</u>
			Fund balance:		
			Unrestricted (Note 6)	<u>1,580,706.13</u>	<u>1,447,305.56</u>
Total renewals and replacements	<u>1,622,215.22</u>	<u>1,504,053.14</u>	Total renewals and replacements	<u>1,622,215.22</u>	<u>1,504,053.14</u>
Retirement of indebtedness:			Retirement of indebtedness:		
Cash (Notes 3 and 4)	<u>7,917.29</u>	<u>10,289.51</u>	Liabilities:		
			Accrued interest payable	<u>7,917.29</u>	<u>10,289.51</u>
Total retirement of indebtedness	<u>7,917.29</u>	<u>10,289.51</u>	Total retirement of indebtedness	<u>7,917.29</u>	<u>10,289.51</u>
Investment in plant:			Investment in plant:		
Land	1,943,164.46	1,943,164.46	Liabilities:		
Buildings	37,454,163.48	37,431,646.70	Notes payable (Note 7)	<u>325,000.00</u>	<u>425,000.00</u>
Improvements other than buildings	1,283,064.77	1,265,564.77			
Equipment	14,671,815.37	13,953,557.44	Total liabilities	<u>325,000.00</u>	<u>425,000.00</u>
Library holdings (Note 14)	2,628,226.00	1,393,682.00	Fund balance:		
Construction in progress	<u>20,806.65</u>	<u>8,605.00</u>	Net investment in plant	<u>57,676,240.73</u>	<u>55,571,220.37</u>
Total investment in plant	<u>58,001,240.73</u>	<u>55,996,220.37</u>	Total investment in plant	<u>58,001,240.73</u>	<u>55,996,220.37</u>
Total plant funds	\$ <u>61,745,324.84</u>	\$ <u>59,274,039.58</u>	Total plant funds	\$ <u>61,745,324.84</u>	\$ <u>59,274,039.58</u>
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash (Notes 3 and 4)	\$ 844,908.22	\$ 545,048.94	Accounts payable	\$ 577.45	\$ 599.90
Accounts receivable	<u>547.60</u>	<u>719.98</u>	Deposits held in custody for others	<u>844,878.37</u>	<u>545,169.02</u>
Total nonfoundation funds	<u>845,455.82</u>	<u>545,768.92</u>	Total nonfoundation funds	<u>845,455.82</u>	<u>545,768.92</u>
Foundation funds (Note 12):			Foundation funds:		
Cash (Notes 3 and 4)	218,630.36	204,258.09	Accounts payable	275.00	-
Investments (Note 5)	1,622,830.64	1,000,948.35	Deposits held in custody for foundation	<u>1,846,427.25</u>	<u>1,209,454.28</u>
Accounts receivable (net of allowance of \$1,163.00 at June 30, 1997, and \$1,500.00 at June 30, 1996)	<u>5,241.25</u>	<u>4,247.84</u>			
Total foundation funds	<u>1,846,702.25</u>	<u>1,209,454.28</u>	Total foundation funds	<u>1,846,702.25</u>	<u>1,209,454.28</u>
Total agency funds	\$ <u>2,692,158.07</u>	\$ <u>1,755,223.20</u>	Total agency funds	\$ <u>2,692,158.07</u>	\$ <u>1,755,223.20</u>

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 1997

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>							
Current fund revenues	\$ 23,990,149.83	\$ 49,728.30	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	290,586.06	-	-	-	-	-	-
State appropriations	-	81,126.00	-	129,936.90	-	-	-
Federal grants and contracts	-	3,893,051.44	-	-	-	-	-
State grants and contracts	-	34,645.92	-	-	-	-	-
Private gifts, grants, and contracts	-	1,018,479.28	-	-	-	-	1,804.00
Expended for plant facilities (including \$1,487,296.44 charged to current fund expenditures)	-	-	-	-	-	-	1,944,286.30
Student debt service fees	-	-	-	91,786.17	-	127,990.28	-
Investment income	-	-	-	98,178.31	79,290.33	-	-
Equipment use charges	-	-	-	-	121,000.00	-	-
Retirement of indebtedness	-	-	-	-	-	-	100,000.00
Library holdings revaluation (Note 14)	-	-	-	-	-	-	1,102,679.20
Other	-	-	-	-	-	-	2,861.79
Total revenues and other additions	<u>24,280,735.89</u>	<u>5,077,030.94</u>	<u>-</u>	<u>319,901.38</u>	<u>200,290.33</u>	<u>127,990.28</u>	<u>3,151,631.29</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>							
Educational and general expenditures	24,274,053.56	4,905,779.42	-	-	-	-	-
Auxiliary enterprise expenditures	106,496.37	-	-	-	-	-	-
Indirect costs recovered	-	227,464.16	-	-	-	-	-
Expended for plant facilities	-	-	-	249,709.32	207,280.54	-	-
Expended for noncapital items	-	-	-	46,659.06	23,938.53	-	-
Disposal of plant facilities	-	-	-	-	-	-	1,046,610.93
Retirement of indebtedness	-	-	-	-	-	100,000.00	-
Interest on indebtedness	-	-	-	-	-	27,990.28	-
Total expenditures and other deductions	<u>24,380,549.93</u>	<u>5,133,243.58</u>	<u>-</u>	<u>296,368.38</u>	<u>231,219.07</u>	<u>127,990.28</u>	<u>1,046,610.93</u>
<b>TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS)</b>							
Nonmandatory:							
Unexpended plant	(326,900.00)	-	-	326,900.00	-	-	-
Renewals and replacements	(164,329.31)	-	-	-	164,329.31	-	-
Total transfers	<u>(491,229.31)</u>	<u>-</u>	<u>-</u>	<u>326,900.00</u>	<u>164,329.31</u>	<u>-</u>	<u>-</u>
Net increase (decrease) for the year	<u>(591,043.35)</u>	<u>(56,212.64)</u>	<u>-</u>	<u>350,433.00</u>	<u>133,400.57</u>	<u>-</u>	<u>2,105,020.36</u>
Fund balances at beginning of year	2,335,838.10	78,432.68	1,005.61	1,760,249.50	1,447,305.56	-	55,571,220.37
Fund balances at end of year	\$ <u>1,744,794.75</u>	\$ <u>22,220.04</u>	\$ <u>1,005.61</u>	\$ <u>2,110,682.50</u>	\$ <u>1,580,706.13</u>	\$ <u>-</u>	\$ <u>57,676,240.73</u>

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CHANGES IN FUND BALANCES  
 FOR THE YEAR ENDED JUNE 30, 1996

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
<b>REVENUES AND OTHER ADDITIONS</b>							
Current fund revenues	\$ 22,911,243.11	\$ 47,708.70	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	249,874.67	-	-	-	-	-	-
State appropriations	-	82,800.00	-	2,959,226.37	-	-	-
Federal grants and contracts	-	3,515,673.62	-	-	-	-	-
State grants and contracts	-	81,486.92	-	-	-	-	-
Private gifts, grants, and contracts	-	1,503,200.50	-	-	-	-	-
Expended for plant facilities (including \$1,425,219.59 charged to current fund expenditures)	-	-	-	-	-	-	4,501,832.95
Student debt service fees	-	-	-	74,091.18	-	134,924.17	-
Investment income	-	-	-	97,659.55	73,722.47	-	-
Equipment use charges	-	-	-	-	121,000.00	-	-
Retirement of indebtedness	-	-	-	-	-	-	100,000.00
Total revenues and other additions	<u>23,161,117.78</u>	<u>5,230,869.74</u>	<u>-</u>	<u>3,130,977.10</u>	<u>194,722.47</u>	<u>134,924.17</u>	<u>4,601,832.95</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>							
Educational and general expenditures	22,866,876.66	4,932,226.09	-	-	-	-	-
Auxiliary enterprise expenditures	60,668.66	-	-	-	-	-	-
Indirect costs recovered	-	251,217.61	-	-	-	-	-
Expended for plant facilities	-	-	-	2,927,182.66	149,430.70	-	-
Expended for noncapital items	-	-	-	236,350.00	16,246.00	-	-
Disposal of plant facilities	-	-	-	-	-	-	785,160.06
Library holdings revaluation	-	-	-	-	-	-	81,569.76
Retirement of indebtedness	-	-	-	-	-	100,000.00	-
Interest on indebtedness	-	-	-	-	-	34,924.17	-
Total expenditures and other deductions	<u>22,927,545.32</u>	<u>5,183,443.70</u>	<u>-</u>	<u>3,163,532.66</u>	<u>165,676.70</u>	<u>134,924.17</u>	<u>866,729.82</u>
<b>TRANSFERS AMONG FUNDS-ADDITIONS (DEDUCTIONS)</b>							
Nonmandatory:							
Unexpended plant	(37,500.00)	-	-	37,500.00	-	-	-
Renewals and replacements	(162,293.74)	-	-	-	162,293.74	-	-
Total transfers	<u>(199,793.74)</u>	<u>-</u>	<u>-</u>	<u>37,500.00</u>	<u>162,293.74</u>	<u>-</u>	<u>-</u>
Net increase for the year	<u>33,778.72</u>	<u>47,426.04</u>	<u>-</u>	<u>4,944.44</u>	<u>191,339.51</u>	<u>-</u>	<u>3,735,103.13</u>
Fund balances at beginning of year	<u>2,302,059.38</u>	<u>31,006.64</u>	<u>1,005.61</u>	<u>1,755,305.06</u>	<u>1,255,966.05</u>	<u>-</u>	<u>51,836,117.24</u>
Fund balances at end of year	<u>\$ 2,335,838.10</u>	<u>\$ 78,432.68</u>	<u>\$ 1,005.61</u>	<u>\$ 1,760,249.50</u>	<u>\$ 1,447,305.56</u>	<u>\$ -</u>	<u>\$ 55,571,220.37</u>

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 1997

	Unrestricted	Restricted	Total
<b>REVENUES</b>			
Tuition and fees	\$ 8,013,325.69	\$ 52,596.95	\$ 8,065,922.64
State appropriations	15,347,500.00	117,987.97	15,465,487.97
Federal grants and contracts	48,740.58	3,864,977.86	3,913,718.44
State grants and contracts	12,149.58	33,128.94	45,278.52
Private gifts, grants, and contracts	268,742.29	837,087.70	1,105,829.99
Sales and services of auxiliary enterprises	290,586.06	-	290,586.06
Interest income	184,207.69	-	184,207.69
Other sources	115,484.00	-	115,484.00
Total current revenues	<u>24,280,735.89</u>	<u>4,905,779.42</u>	<u>29,186,515.31</u>
<b>EXPENDITURES AND TRANSFERS</b>			
Educational and general expenditures:			-
Instruction	13,929,216.53	969,847.35	14,899,063.88
Public service	198,399.40	568,248.07	766,647.47
Academic support	2,300,759.13	272,624.62	2,573,383.75
Student services	2,887,314.44	235,396.06	3,122,710.50
Institutional support	2,733,019.61	288.56	2,733,308.17
Operation and maintenance of plant	1,978,133.31	512.25	1,978,645.56
Scholarships and fellowships	247,211.14	2,858,862.51	3,106,073.65
Total educational and general expenditures	<u>24,274,053.56</u>	<u>4,905,779.42</u>	<u>29,179,832.98</u>
Nonmandatory transfers:			-
Unexpended plant	326,900.00	-	326,900.00
Renewals and replacements	74,800.00	-	74,800.00
Total educational and general expenditures and transfers	<u>24,675,753.56</u>	<u>4,905,779.42</u>	<u>29,581,532.98</u>
Auxiliary enterprises:			
Expenditures	106,496.37	-	106,496.37
Nonmandatory transfers:			
Renewals and replacements	89,529.31	-	89,529.31
Total auxiliary enterprises	<u>196,025.68</u>	<u>ERR</u>	<u>196,025.68</u>
Total expenditures and transfers	<u>24,871,779.24</u>	<u>4,905,779.42</u>	<u>29,777,558.66</u>
<b>OTHER ADDITION (DEDUCTION)</b>			
Excess of restricted receipts over transfers to revenues	-	171,251.52	171,251.52
Indirect costs recovered	-	(227,464.16)	(227,464.16)
Net decrease in fund balances	<u>\$ (591,043.35)</u>	<u>\$ (56,212.64)</u>	<u>\$ (647,255.99)</u>

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

TENNESSEE BOARD OF REGENTS  
 PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE  
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES  
 FOR THE YEAR ENDED JUNE 30, 1996

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<b><u>REVENUES</u></b>			
Tuition and fees	\$ 7,215,025.49	\$ 48,475.78	\$ 7,263,501.27
State appropriations	15,109,700.00	50,720.04	15,160,420.04
Federal grants and contracts	28,752.18	3,474,656.55	3,503,408.73
State grants and contracts	13,364.07	68,697.85	82,061.92
Private gifts, grants, and contracts	288,826.43	1,289,675.87	1,578,502.30
Sales and services of auxiliary enterprises	249,874.67	-	249,874.67
Interest income	185,279.59	-	185,279.59
Other sources	70,295.35	-	70,295.35
Total current revenues	<u>23,161,117.78</u>	<u>4,932,226.09</u>	<u>28,093,343.87</u>
<b><u>EXPENDITURES AND TRANSFERS</u></b>			
Educational and general expenditures:			
Instruction	12,751,105.02	1,508,650.08	14,259,755.10
Public service	208,984.89	215,885.68	424,870.57
Academic support	2,406,846.15	264,126.84	2,670,972.99
Student services	2,797,123.93	262,880.71	3,060,004.64
Institutional support	2,563,766.61	-	2,563,766.61
Operation and maintenance of plant	1,907,975.40	-	1,907,975.40
Scholarships and fellowships	231,074.66	2,680,682.78	2,911,757.44
Total educational and general expenditures	<u>22,866,876.66</u>	<u>4,932,226.09</u>	<u>27,799,102.75</u>
Nonmandatory transfers:			
Unexpended plant	37,500.00	-	37,500.00
Renewals and replacements	74,800.00	-	74,800.00
Total educational and general expenditures and transfers	<u>22,979,176.66</u>	<u>4,932,226.09</u>	<u>27,911,402.75</u>
Auxiliary enterprises:			
Expenditures	60,668.66	-	60,668.66
Nonmandatory transfers:			
Renewals and replacements	87,493.74	-	87,493.74
Total auxiliary enterprises	<u>148,162.40</u>	<u>-</u>	<u>148,162.40</u>
Total expenditures and transfers	<u>23,127,339.06</u>	<u>4,932,226.09</u>	<u>28,059,565.15</u>
<b><u>OTHER ADDITION (DEDUCTION)</u></b>			
Excess of restricted receipts over transfers to revenues	-	298,643.65	298,643.65
Indirect costs recovered	-	(251,217.61)	(251,217.61)
Net increase in fund balances	<u>\$ 33,778.72</u>	<u>\$ 47,426.04</u>	<u>\$ 81,204.76</u>

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

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements**  
**June 30, 1997, and June 30, 1996**

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

REPORTING ENTITY

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

BASIS OF PRESENTATION

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

BASIS OF ACCOUNTING

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

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

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**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.

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

Current Funds

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

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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Loan Funds

Loan funds consist of resources made available for student loans.

Plant Funds

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

Agency Funds

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

**LGIP DEPOSIT-CAPITAL PROJECTS**

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

**INVENTORIES**

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

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**ALLOCATION FOR WORKING CAPITAL**

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

**PLANT ASSETS**

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Library books and other library holdings are valued at various standardized values which approximate current costs. Library books are valued at \$48 per volume at June 30, 1997, and \$20 per volume at June 30, 1996. 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.

**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 and related benefits, 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 \$621,757.32 at June 30, 1997, and \$620,517.76 at June 30, 1996, increased the unrestricted current fund expenditures by \$1,239.56 for the year ended June 30, 1997, and increased the unrestricted current fund expenditures by \$15,031.42 for the year ended June 30, 1996.

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**NOTE 3. CASH**

This classification includes demand deposits and petty cash on hand. At June 30, 1997, cash consisted of \$1,983,129.22 in bank accounts, \$2,800.00 of petty cash on hand, and \$5,207,063.90 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1996, cash consisted of \$1,886,915.78 in bank accounts, \$2,800.00 of petty cash on hand, and \$5,487,656.11 in the State of Tennessee Local Government Investment Pool.

**NOTE 4. DEPOSITS**

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

**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. The Pellissippi State Technical Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. Investments are valued at cost, or in the case of gifts, at fair value on the date of receipt.

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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The college's investments at June 30, 1997, and June 30, 1996, consisted solely of funds in the State of Tennessee Local Government Investment Pool which have been recorded as cash in Note 3.

The investments of the Pellissippi State Technical Community College Foundation are included in the agency funds on the institution's balance sheet. The foundation's investments at June 30, 1997, are listed below and are not susceptible to credit risk categorization.

June 30, 1997

	<u>Carrying Amount</u>	<u>Market Value</u>
Common Fund, Inc.:		
Domestic corporate stocks	\$836,936.21	\$1,076,647.48
International corporate stocks	76,085.31	99,655.74
Bond fund	456,511.10	579,497.59
Intermediate cash fund-endowed	152,170.43	191,812.15
Intermediate cash fund-unendowed	97,633.68	87,218.33
Short term fund	552.79	552.79
Oakmark Fund:		
Corporate stock	<u>2,941.12</u>	<u>3,694.25</u>
Total investments on the balance sheet	<u>\$1,622,830.64</u>	<u>\$2,039,078.33</u>

At June 30, 1996, the foundation had a \$3,000.00 investment in common stock with a \$2,812.50 market value. The stock was held by the college's agent in the college's name and therefore had a category 1 credit risk categorization. Category 1 consists of insured or registered investments for which the securities are held by the foundation or its agent in the foundation's name. The foundation's other investments are not susceptible to credit risk categorization.

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1997, and June 30, 1996**

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<u>June 30, 1996</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Common Fund, Inc.:		
Domestic corporate stocks	\$491,711.16	\$580,471.16
International corporate stocks	44,701.02	53,581.85
Bond fund	268,206.12	323,844.34
Intermediate cash fund-endowed	89,402.00	107,424.40
Intermediate cash fund-unendowed	103,407.72	92,492.63
Short term fund	<u>520.33</u>	<u>520.33</u>
 Total investments not susceptible to credit risk categorization	 <u>\$997,948.35</u>	 <u>\$1,158,334.71</u>

Total investments on the balance sheet at June 30, 1996, were \$1,000,948.35.

**NOTE 6. PLANT FUND ENCUMBRANCES**

Plant fund encumbrances outstanding at June 30, 1997, amounted to \$105,935.00 for unexpended plant and \$426.15 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1996, amounted to \$24,896.31 for unexpended plant and \$6,923.00 for renewals and replacements.

**NOTE 7. NOTES PAYABLE**

The Tennessee Board of Regents, on behalf of the college, borrowed funds to provide financing for a student recreation center. The notes bear interest at rates ranging from 7.0% to 7.25%, have face amounts ranging from \$100,000 to \$125,000, and mature from March 1, 1997, through March 1, 2000. The balance owed by the college was \$325,000 at June 30, 1997, and \$425,000 at June 30, 1996.

The college's debt service requirements to maturity for all notes payable at June 30, 1997, are as follows:

**Tennessee Board of Regents  
Pellissippi State Technical Community College  
Notes to the Financial Statements (Cont.)  
June 30, 1997, and June 30, 1996**

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Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1998	\$100,000.00	\$23,362.50	\$123,362.50
1999	100,000.00	16,262.50	116,262.50
2000	<u>125,000.00</u>	<u>9,062.50</u>	<u>134,062.50</u>
	<u>\$325,000.00</u>	<u>\$48,687.50</u>	<u>\$373,687.50</u>

**NOTE 8. PENSION PLANS**

**A. Defined Benefit Plan**

During the year ended June 30, 1997, the college implemented GASB Statement 27, "Accounting for Pensions by State and Local Government Employers." In accordance with that statement, at transition it was determined that a pension liability or asset does not exist for this plan.

**Tennessee Consolidated Retirement System**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee, 37243-0230, or by calling (615) 741-8202, extension 139.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 7.36% of annual covered payroll. Contribution requirements for the college are established and

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 1997, 1996, and 1995, were \$417,432.65, \$337,057.77, and \$341,157.57. Contributions met the requirements for each year.

**B. Defined Contribution Plans**

**Optional Retirement Plans (ORP)**

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

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans for the year ended June 30, 1997, was \$738,427.87, which represented 10.01% of the covered payroll, and for the year ended June 30, 1996, was \$712,024.29, which represented 10.01% of the covered payroll. Contributions met the requirements for each year.

**NOTE 9. 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*.

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**NOTE 10. 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, 1997, the scheduled coverage for the college was \$44,963,100 for buildings and \$13,929,400 for contents. At June 30, 1996, the scheduled coverage was \$44,963,100 for buildings and \$12,715,600 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 malpractice, and workers' compensation. The college participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

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

**Tennessee Board of Regents**  
**Pellissippi State Technical Community College**  
**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**NOTE 11. 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 \$3,524,053.06 at June 30, 1997, and \$3,184,861.06 at June 30, 1996.

Construction in Progress - At June 30, 1997, outstanding commitments under construction contracts totaled \$175,002.24 for the Alexander Building, the Educational Resource Center, the Goins Building, the Visitor Information Center, and the Student Recreation Center projects, of which \$161,211.14 will be funded by future state capital outlay appropriations.

Litigation - The college was not involved in any lawsuits at June 30, 1997.

**NOTE 12. PELLISSIPPI STATE TECHNICAL COMMUNITY COLLEGE FOUNDATION**

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

**NOTE 13. PLEDGES**

At June 30, 1997, unrecorded pledges of the Pellissippi State Technical Community College Foundation totaled \$213,434.30. Of the pledges, \$3,323.90 was unrestricted as to use. The remainder of the pledges were to be used for professional development, scholarships, student loans, and equipment. These pledges are due to be collected over the next nine fiscal years in the amounts of \$72,692.14, \$56,185.20, \$39,860.28, \$19,895.68, \$11,610.00, \$9,500.00, \$1,500.00, \$1,500.00, and \$691.00. It is not practicable to estimate the net realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

**Tennessee Board of Regents**  
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**Notes to the Financial Statements (Cont.)**  
**June 30, 1997, and June 30, 1996**

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**NOTE 14. CHANGE IN ESTIMATE OF LIBRARY HOLDINGS STANDARDIZED VALUES**

At June 30, 1996, library books were valued at \$20 per volume, and other library holdings were valued at various standardized values. The valuations were reassessed at June 30, 1997, and the value for library books was increased to \$48 per volume, and the standardized values for other library holdings were also increased/decreased by various amounts. As a result of the revaluation, library books increased by \$1,196,748 and other library holdings decreased by \$146,626, and net investment in plant, under the investment in plant fund subgroup, increased by \$1,050,122 at June 30, 1997.