

AUDIT REPORT

Tennessee Board of Regents
Roane State Community College

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



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit



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STATE OF TENNESSEE

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Comptroller

COMPTROLLER OF THE TREASURY

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

June 24, 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. Sherry L. Hoppe, President
Roane State Community College
276 Patton Lane
Harriman, Tennessee 37748

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Roane State Community College, for the years ended June 30, 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 disclosed one deficiency which is detailed in the Results of the Audit section of this report. The college's administration has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/sdr
98/037

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

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

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.

COMPLIANCE FINDING

Pell Awards Not Recalculated When Students Do Not Begin Attendance in Some Classes

The college does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes because there is no procedure in place to determine if Pell recipients do not begin attendance in some classes. The lack of a procedure could result in an overaward to some recipients (page 6).

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 Report
Tennessee Board of Regents
Roane State Community College
For the Years Ended June 30, 1997, and June 30, 1996

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

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

The idea for Tennessee’s community college system was conceived in 1957 when the state legislature ordered a study of community college programs, a study which resulted in the Pierce-Albright Report. Acting on the recommendation of the Governor and the Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. Roane State Community College was established as a two-year college by the 1969 General Assembly. The first student was admitted in the fall of 1971. The General Assembly vested the governance of Roane State Community College in the Tennessee Board of Regents on July 1, 1972.

ORGANIZATION

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

AUDIT SCOPE

The audit was limited to the period July 1, 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. Roane State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

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

PRIOR AUDIT FINDINGS

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 March 11, 1997. A follow-up of the prior audit finding was conducted as part of the current audit.

RESOLVED AUDIT FINDING

The current audit disclosed that the college has corrected the previous audit finding concerning accounts receivable collection procedures.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 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*. An immaterial instance of noncompliance, along with the recommendation and management's response, is included in the finding and recommendation.

Fairness of Financial Statement Presentation

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



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

March 13, 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 Roane State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1997, and June 30, 1996, and have issued our report thereon dated March 13, 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
March 13, 1998
Page Two

We did, however, note one immaterial instance of noncompliance that we have included in the Finding and Recommendation section of this report. We also noted one other, less significant, instance of noncompliance that we have reported to the college's management in a separate letter.

Internal Control Over Financial Reporting

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

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

FINDING AND RECOMMENDATION

Pell awards are not recalculated when students do not begin attendance in some classes

Finding

The college does not recalculate Federal Pell Grant awards to students who fail to begin attendance in some of their classes. The awards are not recalculated because the Student Financial Aid Office does not have a procedure in place to determine if Pell recipients do not begin attendance in some classes. The unofficial withdrawal of student financial aid recipients from all classes is monitored; however, those who fail to attend some of their classes are not detected through this procedure.

The *Federal Student Financial Aid Handbook*, Chapter 4, page 64, states, "If the student does not begin attendance in all of his or her classes, the school must recalculate the student's [Pell] award based on the lower enrollment status."

The lack of a procedure to determine if a Pell recipient has failed to begin attendance in some, but not all, classes could result in an overaward to some recipients.

Recommendation

The Director of Financial Aid should develop and implement a procedure to determine if Pell recipients begin attendance in all classes. Pell awards should be recalculated whenever a student fails to begin attendance in some classes.

Management's Comment

The college concurs with the finding and recommendation. A procedure was developed and implemented in spring semester 1998 to identify students who did not begin attendance in all classes for which they received Pell awards or federal student loan funds. The procedure requires instructor verification of attendance in each class for which the student has received Pell awards or federal student loan funds. Awards are recalculated based upon the adjusted credit hours for which attendance is verified. This procedure will be utilized in the future to ensure that recalculation of awards occurs.



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Independent Auditor's Report

March 13, 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 Roane State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 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
March 13, 1998
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Roane State Community College, as of June 30, 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 March 13, 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,

A handwritten signature in black ink, appearing to read "Arthur A. Hayes, Jr.", written in a cursive style.

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

AAH/sdr

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

	June 30, 1997	June 30, 1996		June 30, 1997	June 30, 1996
ASSETS			LIABILITIES AND FUND BALANCES		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash (Note 3)	\$ 2,079,287.24	\$ 1,891,067.44	Liabilities:		
Accounts receivable (net of allowance of \$19,572.58 at June 30, 1997, and \$30,660.50 at June 30, 1996)	160,137.14	162,090.21	Accounts payable	\$ 266,492.49	\$ 196,923.10
Inventories	33,156.80	21,596.91	Accrued liabilities	697,296.44	632,780.57
Due from restricted current funds	85,987.43	256,674.48	Deferred revenue	382,067.65	355,760.45
Prepaid expenses and deferred charges	16,988.59	27,246.09	Due to agency funds	-	58,896.42
Other assets	500.00	500.00	Other liabilities	216,759.09	203,841.72
			Total liabilities	1,562,615.67	1,448,202.26
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	76,734.34	101,306.33
			Allocation for encumbrances	152,514.90	243,157.01
			Allocation for designated appropriations	2,139.02	3,045.90
			Discretionary allocations:		
			Allocation for subsequent budget	525,000.00	525,000.00
			Allocation for athletic revenues	2,114.02	2,509.13
			Unallocated	54,939.25	35,954.50
			Total fund balances	813,441.53	910,972.87
Total general	2,376,057.20	2,359,175.13	Total general	2,376,057.20	2,359,175.13
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Note 3)	355,364.85	371,239.29	Liabilities:		
Accounts receivable	33,822.86	29,319.56	Accounts payable	31,385.13	18,935.20
			Student deposits	75.00	70.00
			Total liabilities	31,460.13	19,005.20
			Fund balances:		
			Nondiscretionary allocation:		
			Allocation for working capital	33,822.86	29,319.56
			Discretionary allocation:		
			Allocation for auxiliary cash reserve	6,585.46	5,221.77
			Unallocated	317,319.26	347,012.32
			Total fund balances	357,727.58	381,553.65
Total auxiliary enterprises	389,187.71	400,558.85	Total auxiliary enterprises	389,187.71	400,558.85
Total unrestricted	2,765,244.91	2,759,733.98	Total unrestricted	2,765,244.91	2,759,733.98
Restricted:			Restricted:		
Cash	-	136.68	Liabilities:		
Accrued interest receivable	141.66	141.22	Accounts payable	47,922.14	63,842.90
Accounts and grants receivable	799,863.44	763,968.55	Accrued liabilities	334,518.51	161,262.66
Prepaid expenses and deferred charges	270.00	3,050.00	Due to grantors	16,625.14	24,459.99
			Due to unrestricted current funds	85,987.43	256,674.48
			Total liabilities	485,053.22	506,240.03
			Fund balance	315,221.88	261,056.42
Total restricted	800,275.10	767,296.45	Total restricted	800,275.10	767,296.45
Total current funds	\$ 3,565,520.01	\$ 3,527,030.43	Total current funds	\$ 3,565,520.01	\$ 3,527,030.43
Loan funds:			Loan funds:		
Cash (Note 3)	\$ 7,721.43	\$ 8,568.41	Fund balances:		
Notes receivable (net of allowance of \$15,398.99 at June 30, 1997, and \$15,286.89 at June 30, 1996)	3,110.00	922.00	U. S. government grants refundable	\$ 1,008.26	\$ 894.06
			Institutional:		
			Restricted - matching	112.03	99.34
			Restricted - other	9,711.14	8,497.01
Total loan funds	\$ 10,831.43	\$ 9,490.41	Total loan funds	\$ 10,831.43	\$ 9,490.41

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

	June 30, 1997	June 30, 1996		June 30, 1997	June 30, 1996
ASSETS			LIABILITIES AND FUND BALANCES		
Endowment and similar funds:			Endowment and similar funds		
Cash (Note 3)	\$ 22 55	\$ 2,322 55	Fund balances		
Investments (Notes 3 and 4)	18,100 00	15,800 00	Quasi-endowment - restricted	\$ 18,122 55	\$ 18,122 55
Total endowment and similar funds	\$ 18,122 55	\$ 18,122 55	Total endowment and similar funds	\$ 18,122 55	\$ 18,122 55
Plant funds:			Plant funds		
Unexpended plant:			Unexpended plant:		
Cash (Note 3)	\$ 655,404 01	\$ 829,439 59	Liabilities		
L.GIP deposit - capital projects	744,573 98	421,822 37	Accounts payable	\$ 58,222 28	\$ -
Accounts receivable	-	6,244 00	Fund balances		
Other assets	-	1,199 90	Restricted	687,487 54	420,452 90
			Unrestricted (Note 5)	654,268 17	838,252 96
Total unexpended plant	1,399,977 99	1,258,705 86	Total fund balances	1,341,755 71	1,258,705 86
Renewals and replacements:			Total unexpended plant	1,399,977 99	1,258,705 86
Cash (Note 3)	903,808 13	1,012,759 13	Renewals and replacements:		
			Liabilities		
Total renewals and replacements	903,808 13	1,012,759 13	Accounts payable	651 00	-
Retirement of indebtedness:			Fund balance		
Cash (Note 3)	38,906 25	40,080 43	Unrestricted (Note 5)	903,157 13	1,012,759 13
Total retirement of indebtedness	38,906 25	40,080 43	Total renewals and replacements	903,808 13	1,012,759 13
Investment in plant:			Retirement of indebtedness:		
Land	2,390,691 32	402,350 00	Fund balance		
Buildings	22,147,532 49	15,687,016 93	Restricted	38,906 25	40,080 43
Improvements other than buildings	851,553 73	809,344 53	Total retirement of indebtedness	38,906 25	40,080 43
Equipment	10,902,305 71	9,547,262 72	Investment in plant:		
Library books	2,657,904 00	1,101,600 00	Liabilities		
Other library holdings	845,615 00	986,476 00	Notes payable (Note 6)	410,000 00	445,000 00
Construction in progress	794,691 97	4,991,596 52	Fund balance		
Total investment in plant	40,590,294 22	33,525,646 70	Net investment in plant	40,180,294 22	33,080,646 70
Total plant funds	\$ 42,932,986 59	\$ 35,837,192 12	Total investment in plant	40,590,294 22	33,525,646 70
Agency funds:			Total plant funds	\$ 42,932,986 59	\$ 35,837,192 12
Cash (Note 3)	\$ 435,389 02	\$ 578,142 35	Agency funds:		
Due from unrestricted current funds	-	58,896 42	Liabilities		
Total agency funds	\$ 435,389 02	\$ 637,038 77	Accounts payable	\$ 560 17	\$ 503 00
			Deposits held in custody for others	434,828 85	636,535 77
			Total agency funds	\$ 435,389 02	\$ 637,038 77

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

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

	Current Funds			Plant Funds				
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS								
Unrestricted current fund revenues	\$ 19,789,932.22	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	131,709.18	-	-	-	-	-	-	-
Tuition and fees	-	57,363.15	-	-	-	-	-	-
State appropriations	-	92,869.00	-	-	3,115,485.94	-	-	-
Federal grants and contracts	-	8,649,079.80	-	-	-	-	-	-
State grants and contracts	-	136,989.32	-	-	-	-	50,000.00	-
Private gifts, grants, and contracts	-	114,944.08	24,000.00	-	2,688,591.46	-	-	-
Endowment income	-	950.12	-	-	30,278.81	-	-	-
Investment income	-	-	51.95	-	-	-	-	-
Interest on loans receivable	-	-	370.10	-	-	115,494.81	-	-
Equipment use charges	-	-	-	-	-	-	-	-
Expended for plant facilities	-	-	-	-	-	-	-	5,889,317.61
(including \$424,432.33 charged to current fund expenditures)	-	-	-	-	-	-	-	35,000.00
Retirement of indebtedness	-	-	-	-	-	-	-	1,324,124.46
Library holdings revaluation (Note 12)	-	-	919.00	-	-	-	-	-
Other	-	-	-	-	5,834,356.21	-	50,000.00	7,248,442.07
Total revenues and other additions	19,921,641.40	9,052,195.47	25,341.05	-	5,834,356.21	115,494.81	50,000.00	7,248,442.07
EXPENDITURES AND OTHER DEDUCTIONS								
Educational and general expenditures	19,772,241.98	8,701,115.57	-	-	-	-	-	-
Auxiliary enterprise expenditures	14,019.87	259,475.18	-	-	-	-	-	-
Indirect costs recovered	-	37,439.26	23,809.80	-	-	-	1,294.07	-
Refunded to grantors	-	-	-	-	-	-	-	-
Administrative and collection costs	-	-	152.10	-	-	-	-	-
Provision for doubtful accounts	-	-	-	-	-	274,357.30	-	-
Expended for plant facilities	-	-	-	-	5,190,527.98	-	-	-
Expended for noncapital items	-	-	-	-	663,138.09	105,154.89	-	-
Retirement of indebtedness	-	-	-	-	-	-	35,000.00	-
Interest on indebtedness	-	-	-	-	-	-	14,880.11	-
Disposal of plant facilities	-	-	-	-	-	-	-	148,182.55
Equipment inventory adjustments	-	-	-	-	-	-	-	612.00
Total expenditures and other deductions	19,786,261.85	8,998,030.01	23,961.90	-	5,853,666.07	379,512.19	51,174.18	148,794.55
TRANSFERS AMONG FUNDS -- ADDITIONS (DEDUCTIONS)								
Mandatory:								
Loan fund matching grant	234.26	-	(234.26)	-	-	-	-	-
Nonmandatory:								
Loan funds	(196.13)	-	196.13	-	-	-	-	-
Unexpended plant	(102,359.71)	-	-	-	102,359.71	-	-	-
Renewals and replacements	(154,415.38)	-	-	-	-	154,415.38	-	-
Total transfers	(256,736.96)	-	(38.13)	-	102,359.71	154,415.38	-	-
Net increases (decreases) for the year	(121,357.41)	54,165.46	1,341.02	-	83,049.85	(109,602.00)	(1,174.18)	7,099,647.52
Fund balances at beginning of year	1,292,526.52	261,056.42	9,490.41	18,122.55	1,258,705.86	1,012,759.13	40,080.43	33,080,646.70
Fund balances at end of year	\$ 1,171,169.11	\$ 315,221.88	\$ 10,831.43	\$ 18,122.55	\$ 1,341,755.71	\$ 903,157.13	\$ 38,906.25	\$ 40,180,294.22

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

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

	Current Funds		Plant Funds					
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS								
Unrestricted current fund revenues	\$ 19,128,802.69	\$ -	-	-	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	104,435.35	-	-	-	-	-	-	-
Tuition and fees	-	58,657.10	-	-	-	-	-	-
State appropriations	-	92,300.00	-	-	4,526,268.98	-	-	-
Federal grants and contracts	-	7,131,833.83	-	-	-	-	-	-
State grants and contracts	-	9,836.96	-	-	-	-	-	-
Local grants and contracts	-	4,000.00	25,900.00	-	100,000.00	-	50,000.00	-
Private gifts, grants, and contracts	-	95,312.61	-	-	-	-	-	-
Endowment income	-	1,270.61	-	-	19,259.71	-	-	-
Investment income	-	43.65	-	-	-	-	-	-
Interest on loans receivable	-	376.36	-	-	-	100,877.31	-	-
Equipment use charges	-	-	-	-	-	-	-	-
Expended for plant facilities (including \$344,995.96 charged to current fund expenditures)	-	-	-	-	-	-	-	5,579,161.25
Retirement of indebtedness	-	-	-	-	-	-	-	30,000.00
Equipment inventory adjustments	-	-	-	-	-	-	-	8,076.01
Total revenues and other additions	19,233,238.04	7,393,211.11	26,320.01	-	4,645,528.69	100,877.31	50,000.00	5,617,237.26
EXPENDITURES AND OTHER DEDUCTIONS								
Educational and general expenditures	18,748,462.55	7,271,685.44	-	-	-	-	-	-
Auxiliary enterprise expenditures	15,179.07	-	-	-	-	-	-	-
Indirect costs recovered	-	230,530.98	-	-	-	-	-	-
Refunded to grantors	-	50,907.58	25,000.00	-	-	-	-	-
Provision for doubtful accounts	-	-	61.36	-	-	-	-	-
Expended for plant facilities	-	-	-	-	4,866,401.57	367,763.72	-	-
Retirement of noncapital items	-	-	-	-	23,689.84	31,191.76	30,000.00	-
Retirement of indebtedness	-	-	-	-	-	-	16,220.34	-
Interest on indebtedness	-	-	-	-	-	-	-	75,416.30
Disposal of plant facilities	-	-	-	-	-	-	-	19,387.96
Library holdings revaluation	-	-	-	-	-	-	-	-
Total expenditures and other deductions	18,763,641.62	7,553,124.00	25,061.36	-	4,890,091.41	398,955.48	46,220.34	94,804.26
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)								
Nonmandatory:								
Unexpended plant	(176,900.00)	-	-	-	176,900.00	-	-	-
Renewals and replacements	(249,260.47)	-	-	-	-	249,260.47	-	-
Total transfers	(426,160.47)	-	-	-	176,900.00	249,260.47	-	-
Net increases (decreases) for the year	43,435.95	(159,912.89)	1,258.65	-	(67,662.72)	(48,817.70)	3,779.66	5,522,433.00
Fund balances at beginning of year	1,249,090.57	420,969.31	8,231.76	18,122.55	1,326,368.58	1,061,576.83	36,300.77	27,558,213.70
Fund balances at end of year	\$ 1,292,526.52	\$ 261,056.42	\$ 9,490.41	\$ 18,122.55	\$ 1,258,705.86	\$ 1,012,759.13	\$ 40,080.43	\$ 33,080,646.70

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

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

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	\$ 5,169,524.04	\$ 57,002.03	\$ 5,226,526.07
State appropriations	13,648,500.00	69,325.40	13,717,825.40
Federal grants and contracts	267,670.18	8,320,784.26	8,588,454.44
State grants and contracts	-	136,154.04	136,154.04
Local grants and contracts	35,000.00	-	35,000.00
Private gifts, grants, and contracts	92,413.54	117,849.84	210,263.38
Investment income	267,368.37	-	267,368.37
Sales and services of educational activities	107,035.08	-	107,035.08
Sales and services of auxiliary enterprises	131,709.18	-	131,709.18
Other sources	202,421.01	-	202,421.01
Total current revenues	<u>19,921,641.40</u>	<u>8,701,115.57</u>	<u>28,622,756.97</u>
EXPENDITURES AND TRANSFERS			
Educational and general:			
Expenditures:			
Instruction	11,092,455.84	328,724.70	11,421,180.54
Public service	304,558.24	4,720,652.60	5,025,210.84
Academic support	2,048,075.05	121,752.14	2,169,827.19
Student services	1,996,596.53	85,089.48	2,081,686.01
Institutional support	2,196,565.50	322.03	2,196,887.53
Operation and maintenance of plant	1,985,173.22	-	1,985,173.22
Scholarships and fellowships	148,817.60	3,444,574.62	3,593,392.22
Total educational and general expenditures	<u>19,772,241.98</u>	<u>8,701,115.57</u>	<u>28,473,357.55</u>
Mandatory transfer for:			
Loan fund matching grant	(234.26)	-	(234.26)
Nonmandatory transfers for:			
Loan funds	196.13	-	196.13
Unexpended plant	102,359.71	-	102,359.71
Renewals and replacements	147,900.00	-	147,900.00
Total educational and general	<u>20,022,463.56</u>	<u>8,701,115.57</u>	<u>28,723,579.13</u>
Auxiliary enterprises:			
Expenditures	14,019.87	-	14,019.87
Nonmandatory transfer for:			
Renewals and replacements	6,515.38	-	6,515.38
Total auxiliary enterprises	<u>20,535.25</u>	<u>-</u>	<u>20,535.25</u>
Total expenditures and transfers	<u>20,042,998.81</u>	<u>8,701,115.57</u>	<u>28,744,114.38</u>
OTHER ADDITION (DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	351,079.90	351,079.90
Indirect costs recovered	-	(259,475.18)	(259,475.18)
Refunded to grantors	-	(37,439.26)	(37,439.26)
Net increase (decrease) in fund balances	<u>\$ (121,357.41)</u>	<u>\$ 54,165.46</u>	<u>\$ (67,191.95)</u>

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

TENNESSEE BOARD OF REGENTS
ROANE STATE 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>
<u>REVENUES</u>			
Tuition and fees	\$ 4,690,517.46	\$ 47,889.89	\$ 4,738,407.35
State appropriations	13,509,300.00	92,531.50	13,601,831.50
Federal grants and contracts	239,294.08	7,019,892.03	7,259,186.11
State grants and contracts	6,004.00	10,458.34	16,462.34
Local grants and contracts	40,000.00	1,327.31	41,327.31
Private gifts, grants, and contracts	89,814.54	98,936.37	188,750.91
Investment income	270,236.85	-	270,236.85
Endowment income	-	650.00	650.00
Sales and services of educational activities	126,562.30	-	126,562.30
Sales and services of auxiliary enterprises	104,435.35	-	104,435.35
Other sources	157,073.46	-	157,073.46
Total current revenues	<u>19,233,238.04</u>	<u>7,271,685.44</u>	<u>26,504,923.48</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	10,206,751.29	201,298.54	10,408,049.83
Public service	287,803.40	3,903,044.55	4,190,847.95
Academic support	2,256,369.67	153,328.49	2,409,698.16
Student services	1,900,977.12	70,040.22	1,971,017.34
Institutional support	2,109,983.33	-	2,109,983.33
Operation and maintenance of plant	1,828,464.42	-	1,828,464.42
Scholarships and fellowships	158,113.32	2,943,973.64	3,102,086.96
Total educational and general expenditures	<u>18,748,462.55</u>	<u>7,271,685.44</u>	<u>26,020,147.99</u>
Nonmandatory transfers for:			
Unexpended plant	176,900.00	-	176,900.00
Renewals and replacements	244,100.00	-	244,100.00
Total educational and general	<u>19,169,462.55</u>	<u>7,271,685.44</u>	<u>26,441,147.99</u>
Auxiliary enterprises:			
Expenditures	15,179.07	-	15,179.07
Nonmandatory transfer for:			
Renewals and replacements	5,160.47	-	5,160.47
Total auxiliary enterprises	<u>20,339.54</u>	<u>-</u>	<u>20,339.54</u>
Total expenditures and transfers	<u>19,189,802.09</u>	<u>7,271,685.44</u>	<u>26,461,487.53</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues	-	121,525.67	121,525.67
Indirect costs recovered	-	(230,530.98)	(230,530.98)
Refunded to grantors	-	(50,907.58)	(50,907.58)
Net increase (decrease) in fund balances	<u>\$ 43,435.95</u>	<u>\$ (159,912.89)</u>	<u>\$ (116,476.94)</u>

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

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

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 expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

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

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, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the bookstores, food services, and vending. Restricted current funds are externally

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

restricted and may be used only in accordance with the purposes established by their source.

Loan Funds

Loan funds consist of resources made available for student loans.

Endowment and Similar Funds

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

Plant Funds

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

Agency Funds

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

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

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

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.

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.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 4 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

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

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 \$778,563.92 at June 30, 1997, and \$714,098.56 at June 30, 1996, increased the unrestricted current fund expenditures by \$64,465.36 for the year ended June 30, 1997, and decreased the unrestricted current fund expenditures by \$737.18 for the year ended June 30, 1996.

NOTE 3. DEPOSITS

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

During the year ended June 30, 1996, the institution had uncollateralized deposits of \$13,684.11 on August 17, 1995, \$9,628.15 on January 15, 1996, and \$47,014.32 on August 21, 1995.

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 4. 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

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

securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified. Investments are valued at cost, or in the case of gifts, at fair value on the date of receipt.

The college's investments at June 30, 1997, and June 30, 1996, consisted of certificates of deposit with original maturities greater than three months. These have been included with other deposits in Note 3 to determine the adequacy of collateral security pledged.

NOTE 5. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 1997, amounted to \$37,846.59 for unexpended plant and \$10,034.96 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1996, amounted to \$122,233.00 for unexpended plant and \$90,318.95 for renewals and replacements.

NOTE 6. NOTES PAYABLE

Interim and short-term financing for various projects has been secured through the Tennessee State School Bond Authority from the Bond Anticipation Notes (BANs) Program established February 24, 1993, with Prudential Securities, Incorporated, as the underwriter and remarketing agent, to fund projects under construction. Under the BANs Program, the notes will mature on March 1, 1998, and may bear interest at a variable rate (daily, weekly, monthly, quarterly, semiannually, or annually) or a fixed rate (long-term) determined by the remarketing agent for periods selected by the authority. Currently, interest is determined on a weekly basis and payable monthly. The notes are subject to purchase by the remarketing agent on the demand of the holder on any business day pursuant to the conditions established in the Note Resolution, as described in the Official Statement relating to the notes. The remarketing agent is to use its best efforts to sell the notes to another holder. If the agent is unable to resell any notes that have been "put," the standby note purchaser is required, subject to certain conditions, to purchase the notes. A standby note purchase agreement was entered into with Union Bank of Switzerland (UBS) on June

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

26, 1996, providing liquidity for up to \$105,000,000.00 principal amount of the notes with interest coverage for 34 days at the maximum rate of 12%, for a total commitment of \$106,173,699.00. The authority contracted to pay UBS 6 basis points per annum for the utilized portion and 5 basis points per annum for the unutilized portion of the commitment. The agreement was extended effective June 26, 1997, through March 1, 1998, based on a reduced maximum available commitment of \$64,523,273.42. It is expected that a portion of these notes will be redeemed with the proceeds from a sale of bonds at the end of the construction period for the projects being financed. The balance owed by the college was \$410,000.00 at June 30, 1997, and \$445,000.00 at June 30, 1996.

NOTE 7. 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.

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

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 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 \$617,283.23, \$527,704.14, and \$532,988.57. 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 \$397,195.61, and for the year ended June 30, 1996, was \$371,764.45, which both represented 10% of the covered payroll. Contributions met the requirements for each year.

NOTE 8. 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

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

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 9. 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 \$31,546,900 for buildings and \$17,360,800 for contents. At June 30, 1996, the scheduled coverage was \$30,977,200 for buildings and \$16,309,100 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

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

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 10. 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 \$4,482,651.69 at June 30, 1997, and \$4,161,728.10 at June 30, 1996.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$602,549.87 and for personal property were \$33,180.67 for the year ended June 30, 1997. The amounts for the year ended June 30, 1996, were \$582,353.89 and \$55,866.88. The following is a schedule by years of future minimum rental payments required under noncancelable operating leases that have initial or remaining lease terms of more than one year at June 30, 1997:

Year Ending June 30	
1998	\$ 79,925.00
1999	79,925.00
2000	79,925.00
2001	79,925.00
2002	<u>3,327.08</u>
Total minimum payments required	<u>\$ 323,027.08</u>

Construction in Progress - At June 30, 1997, outstanding commitments under construction contracts totaled \$3,528,318.56 for the Humanities Building, Oak Ridge Branch Campus, ABC Building doors and windows, damaged high voltage cable,

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

Observatory, and Cumberland County Higher Education Center, of which \$611,314.54 will be funded by future state capital outlay appropriations.

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

Other Commitments - The Tennessee Board of Regents has contracted with Systems and Computer Technology Corporation for the purchase of administration/student services software applications. Future years commitments for the college under this contract total \$23,990.

NOTE 11. AFFILIATED ENTITY NOT INCLUDED

The college is the sole beneficiary of the Roane State Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are not handled by the college, and these amounts are not included in the college's financial statements. As reported in the foundation's most recently audited financial report, at June 30, 1997, the foundation's assets totaled \$7,901,462.75, liabilities were \$242,708.92, and the net assets amounted to \$7,658,753.83.

NOTE 12. 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 \$1,550,444, other library holdings decreased by \$152,658, and net investment in plant, under the investment in plant fund subgroup, increased by \$1,397,786 at June 30, 1997.