

**Tennessee Board of Regents
Nashville State Technical Institute**

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

Arthur A. Hayes, Jr., CPA
Director

FINANCIAL AND COMPLIANCE

Charles K. Bridges, CPA
Assistant Director

Shirley A. Henry, CPA
Audit Manager

Sandra McSeveney, CPA
In-Charge Auditor

Katrina Bernardini, CPA
James Ehmann, CPA
Jay Moeck
Kimberly White
Michael Wilbanks
Staff Auditors

INVESTIGATIONS

Glen McKay, CIA
Assistant Director

Chas Taplin, CPA
Audit Manager

Dianne Mitchell McKay,
Technical Manager

Erica V. Smith, CPA
Technical Analyst

Leslie Bethea
Editor

September 21, 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. George Van Allen, President
Nashville State Technical Institute
120 White Bridge Road
Nashville, Tennessee 37209

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Nashville State Technical Institute, for the years ended June 30, 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 institute has elected not to record the liability for accrued compensated absences in its financial statements. In our opinion, accrued compensated absences should be recorded to conform with generally accepted accounting principles.

Consideration of 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 institute's administration has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Very truly yours,

W. R. Snodgrass
Comptroller of the Treasury

WRS/lb
98/058

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Nashville State Technical Institute
For the Years Ended June 30, 1997, and June 30, 1996

AUDIT OBJECTIVES

The objectives of the audit were to consider the institute'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.

INTERNAL CONTROL FINDING

Controls Over Purchases and Vehicles Need Improvement

An institute secretary was able to charge personal purchases from the bookstore to her department and used institute vehicles for personal travel (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 Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

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

Audit Report
Tennessee Board of Regents
Nashville State Technical Institute
For the Years Ended June 30, 1997, and June 30, 1996

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTION		1
Post-Audit Authority		1
Background		1
Organization		1
AUDIT SCOPE		2
OBJECTIVES OF THE AUDIT		2
PRIOR AUDIT FINDINGS		2
Resolved Audit Finding		3
RESULTS OF THE AUDIT		3
Audit Conclusions		3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		4
Finding and Recommendation		
<ul style="list-style-type: none">• Internal controls over bookstore purchases and use of institute vehicles need to be strengthened		6
FINANCIAL STATEMENTS		
Independent Auditor's Report		8

TABLE OF CONTENTS (CONT.)

	<u>Exhibit</u>	<u>Page</u>
Balance Sheets	A	10
Statement of Changes in Fund Balances for the Year Ended June 30, 1997	B	12
Statement of Changes in Fund Balances for the Year Ended June 30, 1996	C	13
Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 1997	D	14
Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 1996	E	15
Notes to the Financial Statements		16

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

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

BACKGROUND

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

The institute offers two-year, college-level programs and certificates to prepare adults for employment as technicians in career areas. The programs lead to an Associate of Applied Science degree. Also, the institute offers special programs and courses to meet the needs of industry, business, and government.

ORGANIZATION

The governance of Nashville State Technical Institute is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The

chief administrative officer of the institute is the president, who is assisted and advised by members of the faculty and administrative staff.

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. Nashville State Technical Institute is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the institute'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 institute filed its report with the Department of

Audit on March 20, 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 institute has corrected the previous audit finding concerning the spending of conference proceeds without written approval.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the institute'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. A reportable condition, along with the recommendation and management's response, is detailed in the finding and recommendation. 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 institute has elected not to accrue the liability for compensated absences. Since this accounting practice is contrary to generally accepted accounting principles, the Division of State Audit has rendered a qualified opinion on the institute's financial statements.

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

June 11, 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 Nashville State Technical Institute, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1997, and June 30, 1996, and have issued our report thereon dated June 11, 1998. Our report was qualified because the institute 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 institute's financial statements are free of material misstatement, we performed tests of the institute'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*.

The Honorable W. R. Snodgrass
June 11, 1998
Page Two

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the institute'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. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the institute's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements.

The following reportable condition was noted: Internal controls over bookstore purchases and use of institute vehicles need to be strengthened. This condition is described in the Finding and Recommendation section of this report.

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

We also noted other matters involving the internal control over financial reporting that we have reported to the institute's management in a separate letter.

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

Sincerely,

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

AAH/ms

FINDING AND RECOMMENDATION

Internal controls over bookstore purchases and use of institute vehicles need to be strengthened

Finding

On December 9, 1996, the internal auditor notified our office of an apparent theft of personal checks from the director of the Technical Training Center immediately after the theft was discovered. This matter was reviewed by the institute's Internal Audit Office and the Division of State Audit. During the review, weaknesses in internal controls over bookstore purchases and the institute's motor vehicles were noted. These weaknesses were reviewed and reported to upper management of Nashville State Technical Institute and the Tennessee Board of Regents by the internal auditor in a special report dated February 6, 1997.

As reported by the internal auditor, on two occasions a former secretary had purchased personal items from the campus bookstore operated by a private entity and charged the items to a departmental restricted account of the Technical Training Center. The secretary purchased a gift and card for \$6.99 in August 1996 and a backpack for \$29.99 in September 1996 without the authorization of the director. The secretary signed the corresponding invoices and charged the purchases to her department's account. The bookstore personnel did not question the purchase and sent the signed invoices to the institute's business office. These purchases were not questioned because the review by accounts payable personnel consisted of ensuring transactions were coded properly and invoices were signed by an employee. The purchases subsequently were indicated on the Financial Records System (FRS) and were apparently not reviewed by the director.

As reported by the internal auditor, the secretary used an institute vehicle on four occasions for personal use. On two of these occasions, the secretary was issued a vehicle by a security officer after she submitted a falsified transportation request. On the two remaining occasions, a transportation request apparently was not required by security. The institute's procedures for vehicle use require request forms to be submitted 24 hours in advance of the travel. Although the request form includes a line for the supervisor's signature, such an approval is not required. Without a supervisor's signature, management cannot be assured that vehicles are used for official institute business.

Management concurred with the weaknesses above and initiated corrective actions. In response to the weaknesses over bookstore purchases, management is compiling a list of personnel authorized to make purchases from the bookstore, a list the various departments will maintain. Management has verbally instructed security personnel not to issue institute vehicles without transportation requests which are signed by the employee and his/her supervisor.

Management terminated the secretary's employment with the institute on December 10, 1996, for gross misconduct. The former secretary returned the backpack to the bookstore and made full restitution for the other items on December 11.

Recommendation

The Vice President for Finance and Administrative Services should continue the efforts to strengthen controls over bookstore purchases and the use of institute vehicles. Applicable policies and procedures should be amended to include additional controls. These amended policies should be adequately communicated to all faculty and staff.

Management's Comment

Management concurs with the finding and recommendation. College policy and procedures have been updated. The updated policies require authorization for bookstore purchases (policy update was approved by the executive committee and distributed college-wide in October 1997) and the use of college vehicles (policy update was approved by the executive committee and distributed college-wide in January 1997). In addition, an authorization form has been developed that lists the services an employee is authorized to use and the associated account number to which the service is to be charged. Responsibility for obtaining the authorization form at initial employment and when status changes occur is placed with the Director of Human Resources. Responsibility for completing the authorization, periodically reviewing the authorization and documenting the review is with the individual supervisors. College policy will be updated to incorporate references to the service authorization form. The amendments of purchasing policy and auxiliary enterprise policy are being presented to the October 1998 executive committee for approval.

All college policy updates are communicated to employees via e-mail when policy updates occur. In addition, purchasing regulations are explained in annual purchasing training sessions that occur in July.

Independent Auditor's Report

June 11, 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 Nashville State Technical Institute, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 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 institute's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted 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 institute 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
June 11, 1998
Page Two

financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Nashville State Technical Institute, as of June 30, 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 June 11, 1998, on our consideration of the institute'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/ms

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
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)	\$ 2,353,109.59	\$ 2,221,695.34	Liabilities:		
Accrued interest receivable	-	61.60	Accounts payable	\$ 325,254.49	\$ 384,360.06
Accounts receivable (net of allowance of \$56,740.90 at June 30, 1997, and \$10,175.37 at June 30, 1996)	162,643.04	133,669.43	Accrued liabilities	561,614.75	507,523.64
Inventories	-	449.46	Deferred revenue	588,065.25	482,665.50
Prepaid expenses	32,357.00	149,010.73	Checks payable	128,290.56	-
			Other liabilities	-	208,546.20
			Total liabilities	1,603,225.05	1,583,095.40
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	96,672.00	185,873.13
			Allocation for encumbrances	100,924.01	61,001.72
			Allocation for designated appropriations	-	89.25
			Discretionary allocations:		
			Allocation for subsequent budget	292,380.00	532,470.00
			Allocation for student activity fees	4,872.47	-
			Allocation for remedial/developmental programs	304,500.00	-
			Unallocated	145,536.10	142,357.06
			Total fund balances	944,884.58	921,791.16
Total general	2,548,109.63	2,504,886.56	Total general	2,548,109.63	2,504,886.56
Auxiliary enterprises:			Auxiliary enterprises:		
Cash (Note 3)	-	46,500.00	Fund balances:		
Due from unexpended plant	149,866.27	-	Discretionary allocation:		
			Allocation for contingencies	4,650.00	36,500.00
			Unallocated	145,216.27	10,000.00
Total auxiliary enterprises	149,866.27	46,500.00	Total auxiliary enterprises	149,866.27	46,500.00
Total unrestricted	2,697,975.90	2,551,386.56	Total unrestricted	2,697,975.90	2,551,386.56
Restricted:			Restricted:		
Cash (Note 3)	21.57	289,809.98	Liabilities:		
Accounts and grants receivable	393,176.00	321,195.32	Accounts payable	27,157.39	11,406.91
Due from unexpended plant	231,291.93	-	Accrued liabilities	16,462.16	3,517.77
Prepaid expenses	-	2,372.83	Total liabilities	43,619.55	14,924.68
			Fund balance	580,869.95	598,453.45
Total restricted	624,489.50	613,378.13	Total restricted	624,489.50	613,378.13
Total current funds	\$ 3,322,465.40	\$ 3,164,764.69	Total current funds	\$ 3,322,465.40	\$ 3,164,764.69
Loan funds:			Loan funds:		
Cash (Note 3)	\$ 1,008.90	\$ 886.90	Fund balance:		
			Unrestricted	\$ 1,008.90	\$ 886.90
Total loan funds	\$ 1,008.90	\$ 886.90	Total loan funds	\$ 1,008.90	\$ 886.90
Endowment and similar funds:			Endowment and similar funds:		
Cash (Note 3)	\$ 4,739.67	\$ 4,739.67	Fund balance:		
			Endowment	\$ 4,739.67	\$ 4,739.67
Total endowment and similar funds	\$ 4,739.67	\$ 4,739.67	Total endowment and similar funds	\$ 4,739.67	\$ 4,739.67

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
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		
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash (Note 3)	\$ 771,852.16	\$ 167,419.55	Liabilities:		
			Due to auxiliary enterprises	\$ 149,866.27	\$ -
			Due to restricted current funds	231,291.93	-
			Due to renewals and replacements	10,384.17	-
			Total liabilities	391,542.37	-
			Fund balance:		
			Unrestricted	380,309.79	167,419.55
Total unexpended plant	771,852.16	167,419.55	Total unexpended plant	771,852.16	167,419.55
Renewals and replacements:			Renewals and replacements:		
Cash (Note 3)	2,086,353.34	2,326,290.78	Liabilities:		
Due from unexpended plant	10,384.17	-	Accounts payable	107,978.44	89.71
Due from agency funds	-	96,280.54	Fund balance:		
			Unrestricted (Note 4)	1,988,759.07	2,422,481.61
Total renewals and replacements	2,096,737.51	2,422,571.32	Total renewals and replacements	2,096,737.51	2,422,571.32
Investment in plant:			Investment in plant:		
Land	402,740.00	402,740.00	Fund balance:		
Buildings	13,002,573.75	13,002,573.75	Net investment in plant	25,094,588.28	24,230,513.14
Improvements other than buildings	779,523.95	779,523.95			
Equipment	7,966,011.69	8,219,978.55			
Library books	1,927,200.00	758,800.00			
Other library holdings	980,550.00	1,047,058.00			
Construction in progress	35,988.89	19,838.89			
Total investment in plant	25,094,588.28	24,230,513.14	Total investment in plant	25,094,588.28	24,230,513.14
Total plant funds	\$ 27,963,177.95	\$ 26,820,504.01	Total plant funds	\$ 27,963,177.95	\$ 26,820,504.01
Agency funds:			Agency funds:		
Nonfoundation funds:			Nonfoundation funds:		
Cash (Note 3)	\$ 1,370,440.71	\$ 1,192,977.04	Liabilities:		
Accounts receivable	7,140.59	2,197.00	Accounts payable	\$ -	\$ 557.88
			Due to renewals and replacements	-	96,280.54
			Deposits held in custody for others	1,377,581.30	1,098,335.62
Total nonfoundation funds	1,377,581.30	1,195,174.04	Total nonfoundation funds	1,377,581.30	1,195,174.04
Foundation funds:			Foundation funds:		
Cash (Note 3)	92,649.82	52,105.08	Deposits held in custody for foundation	92,649.82	52,105.08
Total foundation funds	92,649.82	52,105.08	Total foundation funds	92,649.82	52,105.08
Total agency funds	\$ 1,470,231.12	\$ 1,247,279.12	Total agency funds	\$ 1,470,231.12	\$ 1,247,279.12

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

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1997

	Current Funds				Plant Funds		
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 14,977,838.76	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	131,115.23	-	-	-	-	-	-
State appropriations	-	92,771.00	-	-	16,150.00	-	-
Federal grants and contracts	-	2,465,724.32	-	-	-	-	-
State grants and contracts	-	255,101.64	-	-	-	-	-
Private gifts, grants, and contracts	-	715,393.04	-	-	-	-	-
Endowment income	-	254.09	-	-	-	-	-
Reduction in doubtful accounts	-	-	122.00	-	-	-	-
Investment income	-	-	-	-	11,948.09	101,056.77	-
Equipment use charges	-	-	-	-	-	211,990.00	-
Expended for plant facilities (including \$339,886.06 charged to current fund expenditures)	-	-	-	-	-	-	887,596.93
Library holdings revaluation (Note 10)	-	-	-	-	-	-	1,003,858.48
Other	-	40.98	-	-	-	-	800.00
Total revenues and other additions	15,108,953.99	3,529,285.07	122.00	-	28,098.09	313,046.77	1,892,255.41
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	14,771,927.39	3,469,606.82	-	-	-	-	-
Auxiliary enterprise expenditures	4,124.76	-	-	-	-	-	-
Indirect costs recovered	-	70,491.69	-	-	-	-	-
Refunded to grantors	-	6,770.06	-	-	-	-	-
Expended for plant facilities	-	-	-	-	16,150.00	531,560.87	-
Expended for noncapital items	-	-	-	-	-	220,708.44	-
Disposal of plant facilities	-	-	-	-	-	-	1,028,180.27
Total expenditures and other deductions	14,776,052.15	3,546,868.57	-	-	16,150.00	752,269.31	1,028,180.27
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Nonmandatory:							
Unexpended plant	(200,942.15)	-	-	-	200,942.15	-	-
Renewals and replacements	(5,500.00)	-	-	-	-	5,500.00	-
Total transfers	(206,442.15)	-	-	-	200,942.15	5,500.00	-
Net increases (decreases) for the year	126,459.69	(17,583.50)	122.00	-	212,890.24	(433,722.54)	864,075.14
Fund balances at beginning of year	968,291.16	598,453.45	886.90	4,739.67	167,419.55	2,422,481.61	24,230,513.14
Fund balances at end of year	\$ 1,094,750.85	\$ 580,869.95	\$ 1,008.90	\$ 4,739.67	\$ 380,309.79	\$ 1,988,759.07	\$ 25,094,588.28

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

TENNESSEE BOARD OF REGENTS
NASHVILLE STATE TECHNICAL INSTITUTE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1996

	Current Funds				Plant Funds		
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 14,381,986.61	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	77,128.28	-	-	-	-	-	-
State appropriations	-	92,300.00	-	-	13,088.51	-	-
Federal grants and contracts	-	2,190,654.81	-	-	-	-	-
State grants and contracts	-	247,460.91	-	-	-	-	-
Private gifts, grants, and contracts	-	490,924.82	-	-	-	-	-
Endowment income	-	264.46	-	-	-	-	-
Reduction in doubtful accounts	-	-	90.00	-	-	-	-
Investment income	-	-	-	-	11,850.90	116,545.53	-
Equipment use charges	-	-	-	-	-	211,990.00	-
Expended for plant facilities (including \$343,860.94 charged to current fund expenditures)	-	-	-	-	-	-	1,033,292.08
Other	-	7,377.57	-	-	-	10,461.00	11,230.00
Total revenues and other additions	14,459,114.89	3,028,982.57	90.00	-	24,939.41	338,996.53	1,044,522.08
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	14,029,563.78	3,016,326.40	-	-	-	-	-
Auxiliary enterprise expenditures	3,742.76	-	-	-	-	-	-
Indirect costs recovered	-	39,620.41	-	-	-	-	-
Refunded to grantors	-	137.45	-	-	-	-	-
Expended for plant facilities	-	-	-	-	13,088.51	676,342.63	-
Expended for noncapital items	-	-	-	-	-	72,576.83	-
Disposal of plant facilities	-	-	-	-	-	-	919,720.61
Library holdings revaluation	-	-	-	-	-	-	32,895.22
Total expenditures and other deductions	14,033,306.54	3,056,084.26	-	-	13,088.51	748,919.46	952,615.83
TRANSFER BETWEEN FUNDS - ADDITION (DEDUCTION)							
Nonmandatory:							
Renewals and replacements	(491,240.00)	-	-	-	-	491,240.00	-
Net increases (decreases) for the year	(65,431.65)	(27,101.69)	90.00	-	11,850.90	81,317.07	91,906.25
Fund balances at beginning of year	1,033,722.81	625,555.14	796.90	4,739.67	155,568.65	2,341,164.54	24,138,606.89
Fund balances at end of year	\$ 968,291.16	\$ 598,453.45	\$ 886.90	\$ 4,739.67	\$ 167,419.55	\$ 2,422,481.61	\$ 24,230,513.14

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

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
<u>REVENUES</u>			
Tuition and fees	\$ 4,777,371.01	\$ -	\$ 4,777,371.01
State appropriations	9,677,400.00	93,741.93	9,771,141.93
Federal grants and contracts	33,055.63	2,477,876.62	2,510,932.25
State grants and contracts	31,528.94	246,875.96	278,404.90
Local grants and contracts	10,199.02	-	10,199.02
Private gifts, grants, and contracts	179,450.08	651,112.31	830,562.39
Investment income	194,283.86	-	194,283.86
Sales and services of auxiliary enterprises	131,115.23	-	131,115.23
Other sources	74,550.22	-	74,550.22
Total current revenues	<u>15,108,953.99</u>	<u>3,469,606.82</u>	<u>18,578,560.81</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general:			
Expenditures:			
Instruction	8,930,447.05	1,445,949.88	10,376,396.93
Public service	32,094.91	299,711.51	331,806.42
Academic support	817,070.75	79,986.98	897,057.73
Student services	1,789,624.39	113,119.29	1,902,743.68
Institutional support	1,664,700.84	4,074.52	1,668,775.36
Operation and maintenance of plant	1,004,086.73	-	1,004,086.73
Scholarships and fellowships	533,902.72	1,526,764.64	2,060,667.36
Total educational and general expenditures	<u>14,771,927.39</u>	<u>3,469,606.82</u>	<u>18,241,534.21</u>
Nonmandatory transfer for:			
Unexpended plant	<u>200,942.15</u>	<u>-</u>	<u>200,942.15</u>
Total educational and general	<u>14,972,869.54</u>	<u>3,469,606.82</u>	<u>18,442,476.36</u>
Auxiliary enterprises:			
Expenditures			
Nonmandatory transfer for:			
Renewals and replacements	<u>5,500.00</u>	<u>-</u>	<u>5,500.00</u>
Total auxiliary enterprises	<u>9,624.76</u>	<u>-</u>	<u>9,624.76</u>
Total expenditures and transfers	<u>14,982,494.30</u>	<u>3,469,606.82</u>	<u>18,452,101.12</u>
<u>OTHER ADDITION (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues			
	-	59,678.25	59,678.25
Indirect costs recovered	-	(70,491.69)	(70,491.69)
Refunded to grantors	-	(6,770.06)	(6,770.06)
Net increase (decrease) in fund balances	<u>\$ 126,459.69</u>	<u>\$ (17,583.50)</u>	<u>\$ 108,876.19</u>

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

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

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	\$ 4,299,792.86	\$ -	\$ 4,299,792.86
State appropriations	9,716,100.00	91,097.77	9,807,197.77
Federal grants and contracts	16,917.02	2,407,175.12	2,424,092.14
State grants and contracts	2,248.99	27,838.93	30,087.92
Private gifts, grants, and contracts	130,033.02	490,214.58	620,247.60
Investment income	183,361.88	-	183,361.88
Sales and services of auxiliary enterprises	77,128.28	-	77,128.28
Other sources	33,532.84	-	33,532.84
Total current revenues	<u>14,459,114.89</u>	<u>3,016,326.40</u>	<u>17,475,441.29</u>
EXPENDITURES AND TRANSFERS			
Educational and general:			
Expenditures:			
Instruction	8,338,577.78	1,239,681.75	9,578,259.53
Public service	53,993.19	111,760.16	165,753.35
Academic support	803,480.08	101,640.58	905,120.66
Student services	1,706,502.40	81,467.20	1,787,969.60
Institutional support	1,572,739.33	1,341.69	1,574,081.02
Operation and maintenance of plant	1,066,372.60	-	1,066,372.60
Scholarships and fellowships	487,898.40	1,480,435.02	1,968,333.42
Total educational and general expenditures	<u>14,029,563.78</u>	<u>3,016,326.40</u>	<u>17,045,890.18</u>
Nonmandatory transfer for:			
Renewals and replacements	486,590.00	-	486,590.00
Total educational and general	<u>14,516,153.78</u>	<u>3,016,326.40</u>	<u>17,532,480.18</u>
Auxiliary enterprises:			
Expenditures			
Nonmandatory transfer for:			
Renewals and replacements	4,650.00	-	4,650.00
Total auxiliary enterprises	<u>8,392.76</u>	<u>-</u>	<u>8,392.76</u>
Total expenditures and transfers	<u>14,524,546.54</u>	<u>3,016,326.40</u>	<u>17,540,872.94</u>
OTHER ADDITION (DEDUCTIONS)			
Excess of restricted receipts over			
transfers to revenues	-	12,656.17	12,656.17
Indirect costs recovered	-	(39,620.41)	(39,620.41)
Refunded to grantors	-	(137.45)	(137.45)
Net decreases in fund balances	<u>\$ (65,431.65)</u>	<u>\$ (27,101.69)</u>	<u>\$ (92,533.34)</u>

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

**Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements
June 30, 1997, and June 30, 1996**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The institute is part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of 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 institute have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The institute uses the AICPA College Guide model for accounting and financial reporting.

Basis of Accounting

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

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

**Tennessee Board of Regents
Nashville State Technical Institute
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 institute maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

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

Current Funds

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

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

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.

Plant Funds

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

Agency Funds

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

Inventories

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

Checks Payable

This amount represents the sum of checks written in excess of the institute's checking account balance because of the institute's use of a controlled disbursement account. Through the use of a controlled disbursement account, the institute maximizes interest income by transferring from an investment account only funds necessary to cover the checks that clear the bank daily.

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

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 institute charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor, the institute is the lead institution and grant recipient for the Job Training Partnership Act in service delivery areas 8 and 9 of the State of Tennessee. The title to all the equipment purchased by the institute under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the institute's plant fund assets.

Nashville Tech Foundation

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

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

NOTE 2. COMPENSATED ABSENCES

The institute's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. Generally accepted accounting principles require that certain accrued compensated absences and related benefits, the effects of which are material to the financial statements, be recorded as earned. The institute's policy is to record such benefits as paid. The recognition of this liability for accrued compensated absences and related benefits would have increased the liabilities of the unrestricted current fund by \$469,691.67 at June 30, 1997, and \$454,201.55 at June 30, 1996, increased the unrestricted current fund expenditures by \$15,490.12 for the year ended June 30, 1997, and decreased the unrestricted current fund expenditures by \$1,709.82 for the year ended June 30, 1996.

NOTE 3. DEPOSITS

The institute'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.

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. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 1997, amounted to \$32,133.80 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1996, amounted to \$4,977.75 for renewals and replacements.

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

NOTE 5. PENSION PLANS

A. Defined Benefit Plan

During the year ended June 30, 1997, the institute 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 institute 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 institute is required to contribute an actuarially determined rate. The current rate is 7.36% of annual covered payroll. Contribution requirements for the institute are established and may be amended by the TCRS' Board of Trustees. The institute's contributions to TCRS for the years ended June 30, 1997, 1996, and 1995, were \$431,405.36, \$374,339.31, and \$379,288.45. Contributions met the requirements for each year.

Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

Plan Description - The institute 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 institute 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 institute to the plans for the year ended June 30, 1997, was \$261,470.56, which represented 10.02% of the covered payroll, and for the year ended June 30, 1996, was \$221,689.59, which represented 10.02% of the covered payroll. Contributions met the requirements for each year.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible institute retirees. This benefit is provided and administered by the State of Tennessee. The institute assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 7. 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

Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

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 institute was \$22,970,300 for buildings and \$12,154,500 for contents. At June 30, 1996, the scheduled coverage was \$22,965,300 for buildings and \$12,149,500 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers' compensation. The institute participates in the Claims Award Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the institute based on a percentage of the institute's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Since the institute participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the institute for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

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

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

NOTE 8. COMMITMENTS AND CONTINGENCIES

Sick Leave - The institute records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$3,631,002.13 at June 30, 1997, and \$3,303,136.67 at June 30, 1996. In addition, there was a total of 1,327.5 hours worth \$32,063.29 in the institute's sick leave bank as of June 30, 1997.

Operating Leases - The institute has entered into various operating leases for equipment. Such leases will probably continue to be required. Expenditures under operating leases were \$44,373.96 for the year ended June 30, 1997, and \$40,881.24 for the year ended June 30, 1996. 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, total \$3,291.98 for the year ending June 30, 1998.

Computer System Maintenance - The Tennessee Board of Regents has contracted with Systems and Computer Technology Corporation for maintenance of the financial records system, the human resource system, and the student information system. The next year's commitment for the institute under this contract is \$36,100.

Construction in Progress - At June 30, 1997, outstanding commitments under construction contracts totaled \$141,329 for the Cookeville center and roof replacement projects, which will be funded by future state capital outlay appropriations.

Litigation - The institute is involved in two lawsuits, neither of which is expected to have a material effect on the accompanying financial statements.

NOTE 9. PLEDGES

At June 30, 1997, unrecorded pledges totaled \$8,894 and were restricted to the foundation, scholarships, and other institutional uses. These pledges are due to be collected during the next fiscal year. It is not practicable to estimate the net

Tennessee Board of Regents
Nashville State Technical Institute
Notes to the Financial Statements (Cont.)
June 30, 1997, and June 30, 1996

realizable value of such pledges; therefore, they are not reflected in the accompanying financial statements.

NOTE 10. 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 \$1,124,200, other library holdings decreased by \$208,248, and net investment in plant, under the investment in plant fund subgroup, increased by \$915,952 at June 30, 1997.