

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

**For the Years Ended
June 30, 1998, and June 30, 1997**

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Editor

June 15, 1999

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. James L. Catanzaro, President
Chattanooga State Technical Community College
4501 Amnicola Highway
Chattanooga, Tennessee 37406

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Chattanooga State Technical Community College, for the years ended June 30, 1998, and June 30, 1997. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/sdr
99/032

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Chattanooga State Technical Community College
For the Years Ended June 30, 1998, and June 30, 1997

AUDIT OBJECTIVES

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

AUDIT FINDINGS

The audit report contains no findings.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"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
Chattanooga State Technical Community College
For the Years Ended June 30, 1998, and June 30, 1997

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**Tennessee Board of Regents
Chattanooga State Technical Community College
For the Years Ended June 30, 1998, and June 30, 1997**

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

Chattanooga State Technical Community College began operation as Chattanooga State Technical Institute, which was established by the General Assembly in 1963. In 1973, the General Assembly granted community college status to the institute and changed its name to Chattanooga State Technical Community College. The purpose of the college is to offer highly diversified and comprehensive programs that serve the educational needs of the community; the college’s primary goal is to offer post-secondary occupational and technical training and to provide academic preparation for transfer to four-year institutions.

Pursuant to Chapter 244 of the Public Acts of 1981, Chattanooga State Technical Community College and Chattanooga State Area Vocational-Technical School were consolidated as one institution effective July 1, 1981. Established as a pilot program, the consolidation was to remain in effect for three years, after which designated legislative committees would consider continuation, modification, or termination of the program. Legislation was enacted, effective July 1, 1983, permanently merging Chattanooga State Technical Community College and Chattanooga State Area Vocational-Technical School. The Chattanooga State Area Vocational-Technical School changed its name to the Tennessee Technology Center at Chattanooga effective July 1, 1994.

ORGANIZATION

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

AUDIT SCOPE

The audit was limited to the period July 1, 1996, through June 30, 1998, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1998, and June 30, 1997. Chattanooga State Technical Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

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

There were no findings in the prior audit report.

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, 1998, and June 30, 1997, 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 government auditing standards. 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 Division of State Audit has rendered an unqualified opinion on the college's financial statements.

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

February 25, 1999

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the financial statements of Chattanooga State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of and for the years ended June 30, 1998, and June 30, 1997, and have issued our report thereon dated February 25, 1999. Our report was unqualified. We conducted our audit in accordance with generally accepted government auditing standards.

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*.

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

The Honorable John G. Morgan
February 25, 1999
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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, which we have reported to the college's management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,

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

AAH/sdr

Independent Auditor's Report

February 25, 1999

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Chattanooga State Technical Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1998, and June 30, 1997, 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 government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Chattanooga State Technical Community College, as of June 30, 1998, and June 30, 1997, 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.

Honorable John G. Morgan
February 25, 1999
Page Two

As discussed in Note 13 to the financial statements, the college implemented GASB 16, *Accounting for Compensated Absences*, in conformity with generally accepted accounting principles. Also, as discussed in Note 12, the college changed the threshold for capitalizing equipment.

The Year 2000 Disclosures on page 25 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Chattanooga State Technical Community College is or will become year 2000 compliant, that Chattanooga State Technical Community College's year 2000 remediation efforts will be successful in whole or part, or that parties with which Chattanooga State Technical Community College does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 1999, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

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

AAH/sdr

TENNESSEE BOARD OF REGENTS
CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1998, AND JUNE 30, 1997

	June 30, 1998	June 30, 1997		June 30, 1998	June 30, 1997
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash and cash equivalents (Notes 2 and 3) \$	2,943,930.87	\$ 2,317,603.01	Liabilities:		
Accounts receivable (net of allowance of \$119,935.07 at June 30, 1998, and \$69,517.64 at June 30, 1997)	544,363.74	275,576.55	Accounts payable	\$ 383,256.17	\$ 204,615.92
Inventories	44,403.44	40,890.65	Accrued liabilities	748,959.93	822,942.16
Due from restricted current funds	1,055,605.45	481,051.66	Deferred revenue	992,183.00	910,298.50
Prepaid expenses and deferred charges	509,626.78	434,181.82	Student deposits	4,394.00	2,952.00
			Accrued compensated absences	1,103,295.28	1,096,834.73
			Checks payable	1,063,530.53	-
			Total liabilities	4,295,618.91	3,037,643.31
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	526,653.44	215,834.59
			Allocation for encumbrances	210,477.75	79,547.55
			Allocation for desegregation	-	603.73
			Allocation for compensated absences	(1,103,295.28)	(1,096,834.73)
			Discretionary allocations:		
			Allocation for subsequent budget	610,250.00	477,350.00
			Allocation for athletic contingencies	2,734.00	2,520.47
			Unallocated	555,491.46	832,638.77
			Total fund balances	802,311.37	511,660.38
Total general	5,097,930.28	3,549,303.69	Total general	5,097,930.28	3,549,303.69
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and cash equivalents (Notes 2 and 3)	12,322.92	12,309.00	Liabilities:		
Accounts receivable	21,307.59	19,431.71	Accounts payable	39.95	-
			Fund balances:		
			Nondiscretionary allocation:		
			Allocation for working capital	21,307.59	19,431.71
			Discretionary allocation:		
			Allocation for contingencies	12,282.97	12,309.00
Total auxiliary enterprises	33,630.51	31,740.71	Total fund balances	33,590.56	31,740.71
Total unrestricted	5,131,560.79	3,581,044.40	Total auxiliary enterprises	33,630.51	31,740.71
Restricted:			Total unrestricted	5,131,560.79	3,581,044.40
Prepaid expenses and deferred charges	35.00	-	Restricted:		
Accounts and grants receivable	1,318,256.00	659,092.96	Liabilities:		
			Accounts payable	70,556.05	4,918.08
			Accrued liabilities	22,378.50	18,281.40
			Due to unrestricted current funds	1,055,605.45	481,051.66
			Total liabilities	1,148,540.00	504,251.14
			Fund balances	169,751.00	154,841.82
Total restricted	1,318,291.00	659,092.96	Total restricted	1,318,291.00	659,092.96
Total current funds	\$ 6,449,851.79	\$ 4,240,137.36	Total current funds	\$ 6,449,851.79	\$ 4,240,137.36
Loan funds:			Loan funds:		
Cash and cash equivalents (Notes 2 and 3) \$	20,361.48	\$ 20,361.48	Fund balance - restricted	\$ 20,361.48	\$ 20,361.48
Total loan funds	\$ 20,361.48	\$ 20,361.48	Total loan funds	\$ 20,361.48	\$ 20,361.48
Plant funds:			Plant funds:		
Unexpended plant:			Unexpended plant:		
Cash and cash equivalents (Notes 2 and 3) \$	59,371.55	\$ 215,348.00	Liabilities:		
LGIP deposit - capital projects	188,504.63	81,348.36	Accounts payable	\$ -	\$ 3,060.06
Accounts receivable	2,460.00	-	Fund balance:		
			Unrestricted (Note 4)	250,336.18	293,636.30
Total unexpended plant	250,336.18	296,696.36	Total unexpended plant	250,336.18	296,696.36

TENNESSEE BOARD OF REGENTS
CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1998, AND JUNE 30, 1997

	June 30, 1998	June 30, 1997		June 30, 1998	June 30, 1997
ASSETS			LIABILITIES AND FUND BALANCES		
Renewals and replacements:			Renewals and replacements:		
Cash and cash equivalents (Notes 2 and 3)	1,183,004.28	1,249,958.28	Liabilities:		
			Accounts payable	7,140.75	1,441.12
			Fund balance:		
			Unrestricted (Note 4)	1,175,863.53	1,248,517.16
Total renewals and replacements	1,183,004.28	1,249,958.28	Total renewals and replacements	1,183,004.28	1,249,958.28
Retirement of indebtedness:			Retirement of indebtedness:		
Cash and cash equivalents (Notes 2 and 3)	142,389.14	68,801.57	Liabilities:		
Deposits with trustees	1,251.59	-	Accrued interest payable	1,562.56	110.93
			Fund balance:		
Total retirement of indebtedness	143,640.73	68,801.57	Restricted	142,078.17	68,690.64
			Total retirement of indebtedness	143,640.73	68,801.57
Investment in plant:			Investment in plant:		
Land	1,329,000.00	1,329,000.00	Liabilities:		
Buildings	30,081,950.47	30,020,006.92	Notes payable (Note 5)	345,000.00	390,000.00
Improvements other than buildings	1,344,541.53	1,333,841.53	TSSBA indebtedness (Note 5)	280,624.48	27,661.60
Equipment	14,040,977.91	14,994,393.69	Total liabilities	625,624.48	417,661.60
Library holdings	5,235,777.00	5,237,427.00	Fund balance:		
Construction in progress	733,615.45	46,250.30	Net investment in plant	52,140,237.88	52,543,257.84
			Total investment in plant	52,765,862.36	52,960,919.44
Total investment in plant	52,765,862.36	52,960,919.44	Total plant funds	\$ 54,342,843.55	\$ 54,576,375.65
Total plant funds	\$ 54,342,843.55	\$ 54,576,375.65	Agency funds:		
Agency funds:			Accounts payable	\$ -	\$ 33.59
Cash and cash equivalents (Notes 2 and 3)	\$ 70,815.58	\$ 88,116.73	Deposits held in custody for others	70,815.58	88,083.14
Total agency funds	\$ 70,815.58	\$ 88,116.73	Total agency funds	\$ 70,815.58	\$ 88,116.73

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

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TENNESSEE BOARD OF REGENTS
CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 30,649,549.53	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	245,659.33	-	-	-	-	-	-
State appropriations	-	78,700.00	-	1,147,884.53	-	-	-
Federal grants and contracts	-	5,135,529.50	-	-	-	-	-
State grants and contracts	-	769,569.82	-	-	-	-	-
Private gifts, grants, and contracts	-	296,584.97	-	-	-	-	22,654.00
Expended for plant facilities (including \$1,150,204.63 charged to current fund expenditures)	-	-	-	-	-	-	2,153,508.85
Retirement of indebtedness	-	-	-	-	-	-	86,900.60
Investment income	-	-	-	13,936.18	60,236.32	-	-
Equipment use charges	-	-	-	-	80,346.00	-	-
Other	-	5,339.90	-	-	-	-	108,802.00
Total revenues and other additions	<u>30,895,208.86</u>	<u>6,285,724.19</u>	<u>-</u>	<u>1,161,820.71</u>	<u>140,582.32</u>	<u>-</u>	<u>2,371,865.45</u>
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	30,408,751.20	6,133,891.92	-	-	-	-	-
Auxiliary enterprise expenditures	37,062.27	-	-	-	-	-	-
Refunded to grantors	-	77,746.36	-	-	-	-	-
Indirect costs recovered	-	58,084.28	-	-	-	-	-
Expended for plant facilities	-	-	-	783,992.12	219,312.10	-	-
Expended for noncapital items	-	-	-	421,128.71	6,206.85	-	-
Retirement of indebtedness	-	-	-	-	-	45,000.00	-
Disposal of plant facilities	-	-	-	-	-	-	1,214,405.87
Library holdings revaluation	-	-	-	-	-	-	128,191.88
Interest on indebtedness	-	-	-	-	-	26,224.02	-
Equipment inventory adjustments	-	-	-	-	-	-	3,000.00
Increase in indebtedness	-	-	-	-	-	-	294,863.48
Other	-	1,092.45	-	-	-	-	-
Total expenditures and other deductions	<u>30,445,813.47</u>	<u>6,270,815.01</u>	<u>-</u>	<u>1,205,120.83</u>	<u>225,518.95</u>	<u>71,224.02</u>	<u>1,640,461.23</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Mandatory:							
Principal and interest	(144,611.55)	-	-	-	-	144,611.55	-
Nonmandatory:							
Renewals and replacements	(12,283.00)	-	-	-	12,283.00	-	-
Total transfers	<u>(156,894.55)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,283.00</u>	<u>144,611.55</u>	<u>-</u>
Net increases (decreases) for the year	<u>292,500.84</u>	<u>14,909.18</u>	<u>-</u>	<u>(43,300.12)</u>	<u>(72,653.63)</u>	<u>73,387.53</u>	<u>731,404.22</u>
Fund balances at beginning of year	543,401.09	154,841.82	20,361.48	293,636.30	1,248,517.16	68,690.64	52,543,257.84
Cumulative effect of a change in accounting principle (Note 12)	-	-	-	-	-	-	(1,134,424.18)
Fund balances at beginning of year, restated	<u>543,401.09</u>	<u>154,841.82</u>	<u>20,361.48</u>	<u>293,636.30</u>	<u>1,248,517.16</u>	<u>68,690.64</u>	<u>51,408,833.66</u>
Fund balances at end of year	<u>\$ 835,901.93</u>	<u>\$ 169,751.00</u>	<u>\$ 20,361.48</u>	<u>\$ 250,336.18</u>	<u>\$ 1,175,863.53</u>	<u>\$ 142,078.17</u>	<u>\$ 52,140,237.88</u>

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

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

	Current Funds			Plant Funds			
	Unrestricted	Restricted	Loan Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 29,460,296.37	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	246,178.14	-	-	-	-	-	-
State appropriations	-	81,224.00	-	2,012,976.95	-	-	-
Federal grants and contracts	-	4,521,072.64	-	-	-	-	-
State grants and contracts	-	298,286.94	-	-	-	-	-
Private gifts, grants, and contracts	-	141,679.34	-	-	-	-	857,102.02
Expended for plant facilities (including \$662,026.81 charged to current fund expenditures)	-	-	-	-	-	-	2,803,510.48
Retirement of indebtedness	-	-	-	-	-	-	45,000.00
Investment income	-	-	-	15,082.55	59,629.15	-	-
Equipment use charges	-	-	-	-	95,924.00	-	-
Library holdings revaluation	-	-	-	-	-	-	1,873,035.35
Other	-	5,535.00	-	-	-	-	15,450.00
Total revenues and other additions	<u>29,706,474.51</u>	<u>5,047,797.92</u>	<u>-</u>	<u>2,028,059.50</u>	<u>155,553.15</u>	<u>-</u>	<u>5,594,097.85</u>
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	29,223,211.11	4,928,255.68	-	-	-	-	-
Auxiliary enterprise expenditures	34,528.27	-	-	-	-	-	-
Refunded to grantors	-	27,228.00	-	-	-	-	-
Indirect costs recovered	-	47,139.00	-	-	-	-	-
Expended for plant facilities	-	-	-	1,726,539.67	414,944.00	-	-
Expended for noncapital items	-	-	-	290,822.34	27,072.21	-	-
Retirement of indebtedness	-	-	-	-	-	45,000.00	-
Disposal of plant facilities	-	-	-	-	-	-	2,354,867.37
Interest on indebtedness	-	-	-	-	-	27,674.21	-
Increase in indebtedness	-	-	-	-	-	-	27,661.60
Other	-	15.68	-	-	-	-	-
Total expenditures and other deductions	<u>29,257,739.38</u>	<u>5,002,638.36</u>	<u>-</u>	<u>2,017,362.01</u>	<u>442,016.21</u>	<u>72,674.21</u>	<u>2,382,528.97</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Mandatory:							
Principal and interest	(141,364.85)	-	-	-	-	141,364.85	-
Nonmandatory:							
Renewals and replacements	(312,309.00)	-	-	-	312,309.00	-	-
Total transfers	<u>(453,673.85)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,309.00</u>	<u>141,364.85</u>	<u>-</u>
Net increases (decreases) for the year	(4,938.72)	45,159.56	-	10,697.49	25,845.94	68,690.64	3,211,568.88
Fund balances at beginning of year	<u>548,339.81</u>	<u>109,682.26</u>	<u>20,361.48</u>	<u>282,938.81</u>	<u>1,222,671.22</u>	<u>-</u>	<u>49,331,688.96</u>
Fund balances at end of year	\$ <u>543,401.09</u>	\$ <u>154,841.82</u>	\$ <u>20,361.48</u>	\$ <u>293,636.30</u>	\$ <u>1,248,517.16</u>	\$ <u>68,690.64</u>	\$ <u>52,543,257.84</u>

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

TENNESSEE BOARD OF REGENTS
 CHATTANOOGA STATE TECHNICAL COMMUNITY COLLEGE
 STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
 FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	\$ 9,271,747.06	\$ -	\$ 9,271,747.06
State appropriations	20,514,450.00	83,967.65	20,598,417.65
Federal grants and contracts	69,449.95	5,059,180.60	5,128,630.55
State grants and contracts	2,270.83	737,382.42	739,653.25
Private gifts, grants, and contracts	112,213.45	253,361.25	365,574.70
Sales and services of educational activities	329,291.07	-	329,291.07
Sales and services of auxiliary enterprises	245,659.33	-	245,659.33
Interest income	212,046.55	-	212,046.55
Other sources	138,080.62	-	138,080.62
Total current revenues	<u>30,895,208.86</u>	<u>6,133,891.92</u>	<u>37,029,100.78</u>
EXPENDITURES AND TRANSFERS			
Educational and general expenditures:			
Instruction	17,672,853.59	1,566,765.20	19,239,618.79
Public service	105,122.68	384,313.02	489,435.70
Academic support	3,188,694.42	181,809.27	3,370,503.69
Student services	2,623,758.89	118,077.02	2,741,835.91
Institutional support	3,712,328.37	-	3,712,328.37
Operation and maintenance of plant	2,862,332.25	-	2,862,332.25
Scholarships and fellowships	243,661.00	3,882,927.41	4,126,588.41
Total educational and general expenditures	<u>30,408,751.20</u>	<u>6,133,891.92</u>	<u>36,542,643.12</u>
Mandatory transfer for:			
Principal and interest	144,611.55	-	144,611.55
Total educational and general expenditures and transfers	<u>30,553,362.75</u>	<u>6,133,891.92</u>	<u>36,687,254.67</u>
Auxiliary enterprises:			
Expenditures	37,062.27	-	37,062.27
Nonmandatory transfer for:			
Renewals and replacements	12,283.00	-	12,283.00
Total auxiliary enterprises	<u>49,345.27</u>	<u>-</u>	<u>49,345.27</u>
Total expenditures and transfers	<u>30,602,708.02</u>	<u>6,133,891.92</u>	<u>36,736,599.94</u>
OTHER ADDITIONS/(DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	151,832.27	151,832.27
Refunded to grantors	-	(77,746.36)	(77,746.36)
Indirect costs recovered	-	(58,084.28)	(58,084.28)
Other deductions	-	(1,092.45)	(1,092.45)
Net increase in fund balances	<u>\$ 292,500.84</u>	<u>\$ 14,909.18</u>	<u>\$ 307,410.02</u>

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

TENNESSEE BOARD OF REGENTS
 CHATTANOOGA STATE TECHNICAL 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	\$ 8,221,488.08	\$ -	\$ 8,221,488.08
State appropriations	20,374,000.00	77,885.07	20,451,885.07
Federal grants and contracts	58,963.30	4,473,309.74	4,532,273.04
State grants and contracts	1,098.01	275,737.94	276,835.95
Private gifts, grants, and contracts	46,446.60	101,322.93	147,769.53
Sales and services of educational activities	349,402.68	-	349,402.68
Sales and services of auxiliary enterprises	246,178.14	-	246,178.14
Interest income	250,535.05	-	250,535.05
Other sources	155,178.22	-	155,178.22
Total current revenues	<u>29,703,290.08</u>	<u>4,928,255.68</u>	<u>34,631,545.76</u>
EXPENDITURES AND TRANSFERS			
Educational and general expenditures:			
Instruction	16,701,554.50	1,103,232.48	17,804,786.98
Public service	95,411.91	337,460.54	432,872.45
Academic support	2,953,767.37	52,340.63	3,006,108.00
Student services	2,688,252.61	17,822.58	2,706,075.19
Institutional support	3,672,354.20	-	3,672,354.20
Operation and maintenance of plant	2,773,323.63	-	2,773,323.63
Scholarships and fellowships	338,546.89	3,417,399.45	3,755,946.34
Total educational and general expenditures	<u>29,223,211.11</u>	<u>4,928,255.68</u>	<u>34,151,466.79</u>
Mandatory transfer for:			
Principal and interest	141,364.85	-	141,364.85
Nonmandatory transfer for:			
Renewals and replacements	300,000.00	-	300,000.00
Total educational and general expenditures and transfers	<u>29,664,575.96</u>	<u>4,928,255.68</u>	<u>34,592,831.64</u>
Auxiliary enterprises:			
Expenditures	34,528.27	-	34,528.27
Nonmandatory transfer for:			
Renewals and replacements	12,309.00	-	12,309.00
Total auxiliary enterprises	<u>46,837.27</u>	<u>-</u>	<u>46,837.27</u>
Total expenditures and transfers	<u>29,711,413.23</u>	<u>4,928,255.68</u>	<u>34,639,668.91</u>
OTHER ADDITIONS/(DEDUCTIONS)			
Excess of restricted receipts over transfers to revenues	-	119,542.24	119,542.24
Refunded to grantors	-	(27,228.00)	(27,228.00)
Indirect costs recovered	-	(47,139.00)	(47,139.00)
Other additions (deductions)	3,184.43	(15.68)	3,168.75
Net increase (decrease) in fund balances	<u>\$ (4,938.72)</u>	<u>\$ 45,159.56</u>	<u>\$ 40,220.84</u>

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

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements
June 30, 1998, and June 30, 1997

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

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

Basis of Accounting

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

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

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

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

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

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

Current Funds

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

Loan Funds

Loan funds consist of resources made available for student loans.

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

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

and for the retirement of the indebtedness on institutional properties, and (4) funds expended for, and thus invested in, institutional properties.

Agency Funds

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

LGIP Deposit—Capital Projects

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

Inventories

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

Checks Payable

These amounts represent the sum of checks written in excess of the college's checking account balance because of the college's use of a "sweep" account. Each evening amounts exceeding a predetermined balance are automatically invested in overnight repurchase agreements to maximize interest income.

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. The amount of these liabilities and their related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted revenue sources, a related allocation has been made to the current fund balance so that this fund balance reflects current available funds.

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

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. Interest during construction has not been capitalized. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

NOTE 2. CASH AND CASH EQUIVALENTS

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 1998, cash and cash equivalents consisted of \$4,595.00 of petty cash on hand, \$1,418,180.77 in overnight repurchase agreements, and \$3,009,420.05 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer. At June 30, 1997, cash and cash equivalents consisted of \$90,386.03 in bank accounts, \$4,595.00 of petty cash on hand, and \$3,877,517.04 in the State of Tennessee Local Government Investment Pool.

The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers'

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool.

Excess balances in the college's operating account, a "sweep" account, were automatically invested in overnight repurchase agreements during the years ended June 30, 1998, and June 30, 1997. The college had \$1,418,180.77 invested in overnight repurchase agreements at June 30, 1998. This amount is classified as cash and cash equivalents on the college's financial statements. The market value of the securities underlying the repurchase agreements at June 30, 1998, was \$1,418,185.57. No excess funds were invested in overnight repurchase agreements at June 30, 1997.

Investments are categorized to indicate the level of risk assumed by the college. Category 1 consists of insured or registered investments or investments for which the securities are held by the college or its agent in the college's name. Category 2 consists of uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the college's name. Category 3 consists of uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the college's name.

The college's investments in overnight repurchase agreements at June 30, 1998, are reported as category 3. In all cases, during the years ended June 30, 1998, and June 30, 1997, the underlying securities were held by the counterparty.

NOTE 3. DEPOSITS

Three of the college's bank accounts are in a financial institution which participates 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. Two other small depository accounts are covered by FDIC insurance.

**Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

NOTE 4. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 1998, amounted to \$34,255 for unexpended plant. Plant fund encumbrances outstanding at June 30, 1997, amounted to \$23,050 for unexpended plant and \$1,105 for renewals and replacements.

NOTE 5. NOTES PAYABLE AND TSSBA INDEBTEDNESS

The Tennessee Board of Regents, on behalf of the college, borrowed funds to purchase a building for instructional use. The notes, with interest rates ranging from 6.2% to 6.6%, are due serially to the year 2003. The balance owed by the college was \$345,000 at June 30, 1998, and \$390,000 at June 30, 1997.

The Tennessee State School Bond Authority (TSSBA) issues bonds, notes, and commercial paper to finance various capital projects at the state's colleges and universities. The amounts loaned to the college are reported on the balance sheet as TSSBA indebtedness. Details of this indebtedness at year-end are shown below:

	<u>June 30, 1998</u>	<u>June 30, 1997</u>
Notes	\$ -	\$27,661.60
Commercial paper	<u>280,624.48</u>	<u>-</u>
Total TSSBA indebtedness	<u>\$280,624.48</u>	<u>\$27,661.60</u>

The debt service requirements to maturity at June 30, 1998, for all long-term debt are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1999	\$ 50,000	\$20,280	\$ 70,280
2000	55,000	17,025	72,025
2001	55,000	13,615	68,615
2002	60,000	10,020	70,020
2003	60,000	6,210	66,210
2004	<u>65,000</u>	<u>2,145</u>	<u>67,145</u>
	<u>\$345,000</u>	<u>\$69,295</u>	<u>\$414,295</u>

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

NOTE 6. PENSION PLANS

A. Defined Benefit Plan

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

Tennessee Consolidated Retirement System

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

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

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 3.65% 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, 1998, 1997, and 1996, were \$363,475, \$751,563, and \$650,667. 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

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

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, 1998, was \$626,374, and for the year ended June 30, 1997, was \$606,625. Contributions met the requirements for each year.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

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

NOTE 8. 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.

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

At June 30, 1998, the scheduled coverage for the college was \$47,446,500 for buildings and \$25,628,897 for contents. At June 30, 1997, the scheduled coverage was \$46,859,800 for buildings and \$26,114,900 for contents.

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

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

NOTE 9. 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 \$5,266,301 at June 30, 1998, and \$5,295,112 at June 30, 1997.

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

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 \$318,091.32 and for personal property were \$21,976.00 for the year ended June 30, 1998. The amounts for the year ended June 30, 1997, were \$331,373.90 and \$10,686.26. All operating leases are cancelable at the lessee's option.

Construction in Progress - At June 30, 1998, outstanding commitments under construction contracts totaled \$891,218.85 for several projects, of which \$791,218.85 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.

NOTE 10. AFFILIATED ENTITY NOT INCLUDED

The college is the sole beneficiary of the Chattanooga State Technical Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are 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, 1998, the foundation's assets totaled \$4,084,177.79, liabilities were \$132,855.12, and the fund balance amounted to \$3,951,322.67.

NOTE 11. CHANGE IN ESTIMATE OF LIBRARY HOLDINGS STANDARDIZED VALUES

At June 30, 1997, the value for library books was increased from \$20 per volume 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 \$2,158,548, other library holdings decreased by \$225,533, and net investment in plant, under the investment in plant fund subgroup, increased by \$1,933,015 at June 30, 1997.

NOTE 12. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

Tennessee Board of Regents
Chattanooga State Technical Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997

During the year ended June 30, 1998, the threshold for capitalizing equipment increased from \$500 to \$1,000. As a result of the change, equipment decreased by \$1,134,424.18. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance.

NOTE 13. PRIOR-YEAR RESTATEMENT

The college implemented GASB Statement 16, *Accounting for Compensated Absences*. As a result, the beginning fund balance for unrestricted current funds on Exhibit C was decreased by \$1,090,840.79.

Tennessee Board of Regents
Chattanooga State Technical Community College
Required Supplementary Information
Year 2000 Disclosures

The Year-2000 Issue (Y2K) arises because most computer software programs allocate two digits to the data field for year on the assumption that the first two digits will be 19. Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent reprogramming. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and the computer software, and could affect both the ability to enter data into the computer programs and the ability of such programs to correctly process data.

The Tennessee Board of Regents and Chattanooga State Technical Community College have assessed the impact of Y2K on computer applications. The board and the college have determined that certain computer systems are mission critical, certain are critical, and certain are supportive. Mission-critical computer systems are those for which there are no reliable manual alternatives, and for which failure to be in Y2K compliance would prevent the institution from fulfilling its mission. Critical computer systems are those for which there are manual alternatives, but the institution would unlikely be able to fully or efficiently perform the functions manually because of the volume of manual activity that would be required. Supportive computer systems are those for which there are manual alternatives and the institution expects to be able to perform such functions manually, if necessary.

The board and the college have identified three mission-critical computer systems—the Financial Records Systems (FRS), the Human Resource System (HRS), and the Student Information System (SIS). FRS and SIS are 100% Y2K compliant and have completed the validation/testing stage. HRS is 90% Y2K compliant and is in the testing and remediation stage. We expect HRS to be fully compliant and to complete the validation/testing stage by June 1, 1999.

The board and the college are not aware of any circumstances or costs to achieve Y2K compliance that will have a negative impact on the operations or financial status of the institution.