Financial and Compliance Audit Report

Nashville State Community College

For the Years Ended June 30, 2019, and June 30, 2018

Justin P. Wilson
Comptroller of the Treasury

Division of State Audit

Katherine J. Stickel, CPA, CGFM
Deborah V. Loveless, CPA, CGFM, CGMA
Directors

Robyn R. Probus, CPA, CFE, CGFM, CGMA
Assistant Director

David Cook, CPA
Audit Manager

Mark White, CPA, CFE
In-Charge Auditor

Brittney Biggs
Trina Clancy
Mary Anne Hagan, CPA
Joshua Motl
Staff Auditors

Gerry C. Boaz, CPA, CGFM, CGMA
Technical Manager

Amy Brack
Editor

Amanda Adams
Assistant Editor

Comptroller of the Treasury, Division of State Audit
Cordell Hull Building
425 Fifth Avenue North
Nashville, TN 37243
(615) 401-7897

Reports are available at
comptroller.tn.gov/office-functions/state-audit.html

Mission Statement
The mission of the Comptroller's Office is
to make government work better.

Comptroller Website
comptroller.tn.gov

TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

October 27, 2020

The Honorable Bill Lee, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Shanna L. Jackson, President

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Nashville State Community College, for the years ended June 30, 2019, and June 30, 2018. You will note from the independent auditor's report that unmodified opinions were given on the fairness of the presentation of the financial statements.

Consideration of the internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Finding and Recommendation section of this report. The college's management 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.

Sincerely,

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

20/041

Audit Report
Tennessee Board of Regents
Nashville State Community College
For the Years Ended June 30, 2019, and June 30, 2018

TABLE OF CONTENTS

TABLE OF CONTENTS (Continued)

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

Tennessee Board of Regents

Nashville State Community College

For the Years Ended June 30, 2019, and June 30, 2018

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

Nashville State Community College did not have adequate controls to ensure the accurate reporting of the dollar value of unused sick leave at June 30, 2018

Nashville State Community College did not have adequate internal controls to ensure the sick leave continency at June 30, 2018, was fairly stated in the notes to the financial statements (page 71).

Justin P. Wilson
Comptroller

Jason E. Mumpower
Deputy Comptroller

Independent Auditor's Report

The Honorable Bill Lee, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Shanna L. Jackson, President

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville State Community College, an institution of the State University and Community College System of Tennessee, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2019, and June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the college's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

Cordell Hull Building | 425 Fifth Avenue North | Nashville, Tennessee 37243

expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Nashville State Community College, and its discretely presented component unit as of June 30, 2019, and June 30, 2018; and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of Nashville State Community College, an institution of the State University and Community College System of Tennessee, are intended to present the financial position, the changes in financial position, and the cash flows of only Nashville State Community College. They do not purport to, and do not, present fairly the financial position of the State University and Community College System of Tennessee as of June 30, 2019, and June 30, 2018, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 16, the college implemented Governmental Accounting Standards Board Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14; the schedule of Nashville State Community College's proportionate share of the net pension liability – Closed State and Higher Education Employee Pension Plan within TCRS on page 62; the schedule of Nashville State Community College's proportionate share of the net pension asset – State and Higher Education Employee Retirement Plan within TCRS on page 63; the schedule of Nashville State Community College's contributions – Closed State and Higher Education Employee Pension Plan within TCRS on page 64; the schedule of Nashville State Community College's contributions – State and Higher Education Employee Retirement Plan within TCRS on page 65; the schedule of Nashville State Community College's proportionate share of the collective total OPEB liability – Closed State Employee Group OPEB Plan on page 66; and the schedule of Nashville State Community College's proportionate share of the collective total OPEB liability – Closed Tennessee OPEB

Plan on page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the college's basic financial statements. The supplementary schedules of cash flows – component unit on page 68 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules of cash flows – component unit are the responsibility of the college's management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules of cash flows – component unit are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2020, on our consideration of the college's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the college's internal control over financial reporting and compliance.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
October 9, 2020

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Management's Discussion and Analysis

Introduction

This section of Nashville State Community College's annual financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2019, with comparative information presented for the fiscal years ended June 30, 2018, and June 30, 2017. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the financial statements, and notes. The financial statements, notes, and this discussion are the responsibility of management.

The college has one discretely presented component unit, the Nashville State Community College Foundation. More detailed information about the foundation is presented in Note 18 to the financial statements. This discussion and analysis focuses on the college and does not include the foundation.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the college as a whole. The full scope of the college's activities is considered to be a single business-type activity, and accordingly, is reported within a single column in the basic financial statements.

The college's financial report includes the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of the college at the end of the fiscal year. To aid the reader in determining the college's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows of resources, and net position of the college and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the college. They are also able to determine how much the college owes vendors, lenders, and others. Net position represents the difference between the college's assets and liabilities, along with the difference between deferred outflows of resources and deferred inflows of resources, and is one indicator of the college's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by the college. Net position is divided into three major categories. The first category, net investment in capital assets, represents the college's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is sub-divided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the college but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the college for any lawful purpose of the college.

The following table summarizes the college's assets, liabilities, deferred outflows/inflows of resources, and net position at June 30, 2019; June 30, 2018; and June 30, 2017.

Summary of Net Position
(in thousands of dollars)

	2019	2018	2017
Assets:			
Current assets	$ 26,863	$ 24,711	$ 45,249
Capital assets, net	80,161	80,349	76,259
Other assets	50,768	48,860	26,738
Total Assets	157,792	153,920	148,246
Deferred outflows of resources			
Deferred loss on debt refunding	9	13	15
Deferred loss on OPEB	1,170	254	-
Deferred outflow related to pensions	3,612	3,760	3,858
Total Deferred Outflows of Resources	4,791	4,027	3,873
Liabilities:			
Current liabilities	5,669	9,404	9,753
Noncurrent liabilities	11,922	11,744	11,749
Total Liabilities	17,591	21,148	21,502

Deferred inflows of resources			
Deferred inflows related to OPEB	314	147	-
Deferred inflows related to pension	436	522	444
Total Deferred Inflows of Resources	750	669	444
Net position:			
Net investment in capital assets	80,161	80,348	76,259
Restricted – nonexpendable	5	5	5
Restricted – expendable	1,499	828	734
Unrestricted	62,577	54,949	53,175
Total Net Position	$144,242	$136,130	$130,173

Comparison of Fiscal Year 2019 to Fiscal Year 2018

- Current assets increased due to conserving funds for off-campus development, and the increase in due from primary government is due to giving students scholarships prior to receiving the funds from the primary government.
- Capital assets and net investment in capital assets decreased due to the retirement of operational and instructional equipment.
- Other assets increased due to a buildup of long-term cash related to previously planned capital projects.
- Deferred outflows of resources increased, and deferred inflow of resources increased due to differences between actual experience and actuarial assumptions for OPEB.
- Current liabilities decreased due to lower deposits held in custody for others from the college not being the lead institution for the Tennessee Colleges of Applied Technology (TCATs) in fiscal year 2019.
- Unrestricted net position increased due to conserving funds for off-campus development, along with conserving funds for renewal and replacement for equipment.

Comparison of Fiscal Year 2018 to Fiscal Year 2017

- Current assets decreased due to using cash to purchase capital assets and a decrease in accounts receivable due to lower enrollment.
- Capital assets and net investment in capital assets increased due to the purchase of the East Davidson campus.
- Deferred outflows of resources and deferred inflows of resources increased due to differences between actual experience and actuarial assumptions for pensions and OPEB.
- Other assets increased due to a buildup of long-term cash related to planned capital projects.
- Unrestricted net position increased due to conserving funds for off-campus development, along with conserving funds for renewal and replacement for equipment.

The Statement of Revenues, Expenses, and Changes in Net Position

The statement of revenues, expenses, and changes in net position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the college's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the college, both operating and nonoperating; the expenses paid by the college, operating and nonoperating; and any other revenues, expenses, gains, or losses received or spent by the college.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the college. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the college. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Nashville State Community College is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the college has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

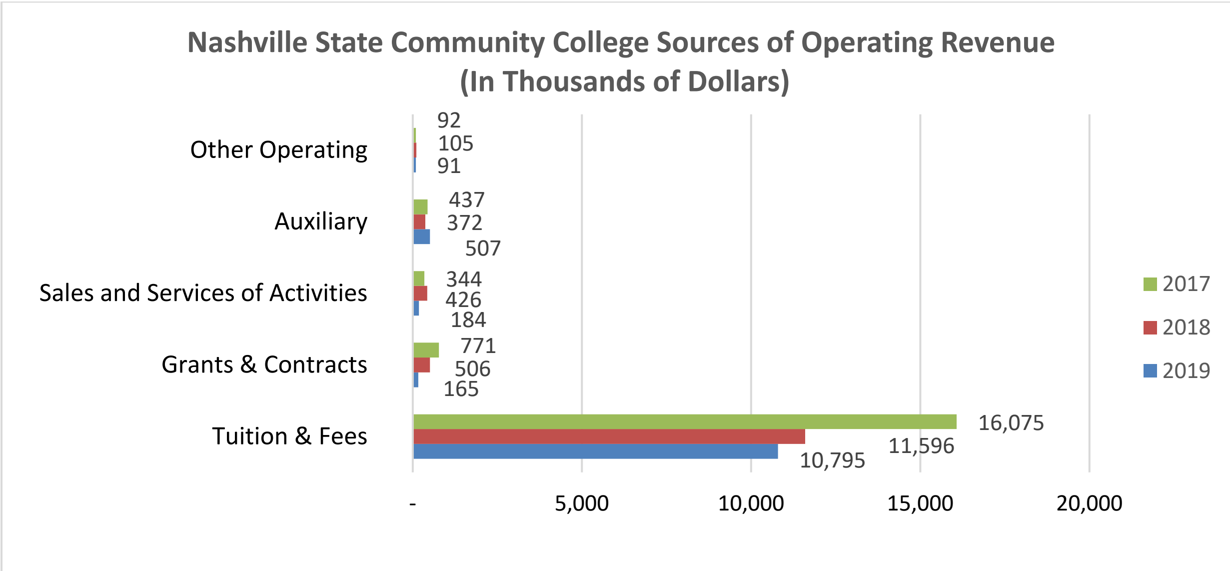
A summary of the college's revenues, expenses, and changes in net position for the years ended June 30, 2019; June 30, 2018; and June 30, 2017, follows.

Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2019	2018	2017
Operating revenues	$ 11,742	$ 13,005	$ 17,719
Operating expenses	52,861	50,717	52,909
Operating loss	(41,119)	(37,712)	(35,190)
Nonoperating revenues and expenses	48,373	44,498	41,499
Income (loss) before other revenues, expenses, gains, or losses	7,254	6,786	6,309
Other revenues, expenses, gains, or losses	858	58	109
Increase (decrease) in net position	8,112	6,844	6,418
Net position at beginning of year	136,130	130,173	123,755
Cumulative change in accounting principle	-	(887)	-
Net position at end of year	$144,242	$136,130	$130,173

Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last three fiscal years:



<u>Comparison of Fiscal Year 2019 to Fiscal Year 2018</u>

- Tuition and fees decreased due to a lower enrollment despite a rate increase of 2.7%.
- Grants and contracts decreased due to receiving less in state grants related to the expiration of the Tennessee Department of Finance and Administration Co-op grant and less in private grants and contracts generated in the Workforce Development division.
- Sales and services of educational activities decreased owing to a one-time arrangement with the Metropolitan Davidson County Public Schools for dual credit testing fees.
- Sales and services of other activities decreased due to student parking permit fees being included in the program access fee and the loss of the TCAT administration fee after consolidation of TCAT Nashville and Dickson into the TBR Shared Services Center at the start of fiscal year 2019.
- Auxiliary income increased due to receiving higher commission rates for the bookstore.
- Other income decreased due to having fewer traffic violations (and receiving less in fees) as the student parking permits were included in the program access fee.

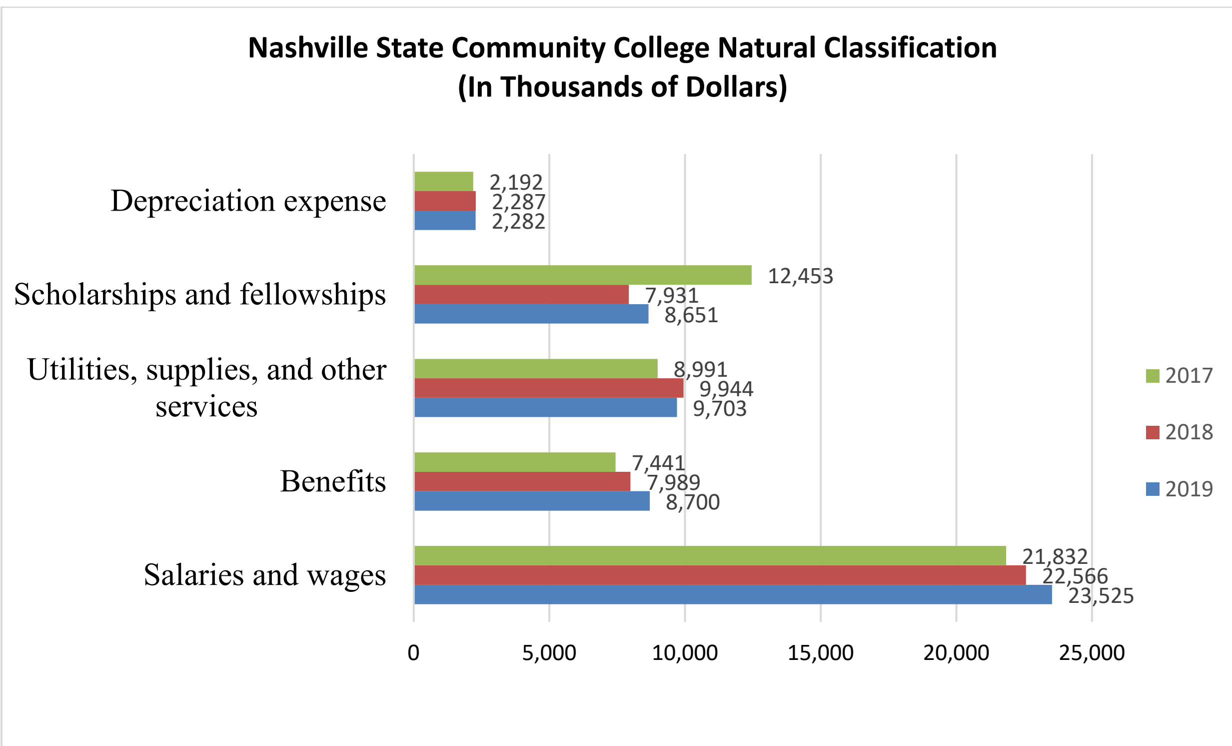
<u>Comparison of Fiscal Year 2018 to Fiscal Year 2017</u>

- Tuition and fees decreased due to a lower enrollment despite a rate increase of 2.6%.
- Grants and contracts decreased due to receiving less in federal grant funds related to a Workforce Development contract with the Army Corps of Engineers and less state grants related to the Tennessee Department of Finance and Administration Co-op grant and Mechatronics.
- Sales and services of educational activities increased due to a one-time arrangement with the Metropolitan Davidson County Public Schools for dual credit testing fees.

- Sales and services of other activities increased due to receiving more TCAT Nashville and TCAT Dickson administration fees as a result of greater proceeds from sales on govdeals.com.
- Auxiliary income decreased due to lower book sales from lower enrollment.
- Other income increased due to bad debt recoveries related to student balances that fell under the recent TN Reconnect legislation.

Operating Expenses

Operating expenses may be reported by nature or function. The college has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last three fiscal years:



Comparison of Fiscal Year 2019 to Fiscal Year 2018

- Salaries increased due to a combination of filling open positions and more need for temporary workers.
- Benefits increased due to an increase in pension expense, a higher TCRS Legacy Contribution rate at 19.23%, and higher premiums for insurance.
- Utilities, supplies, and other services decreased due to less spending on supplies as a result of lower student enrollment.

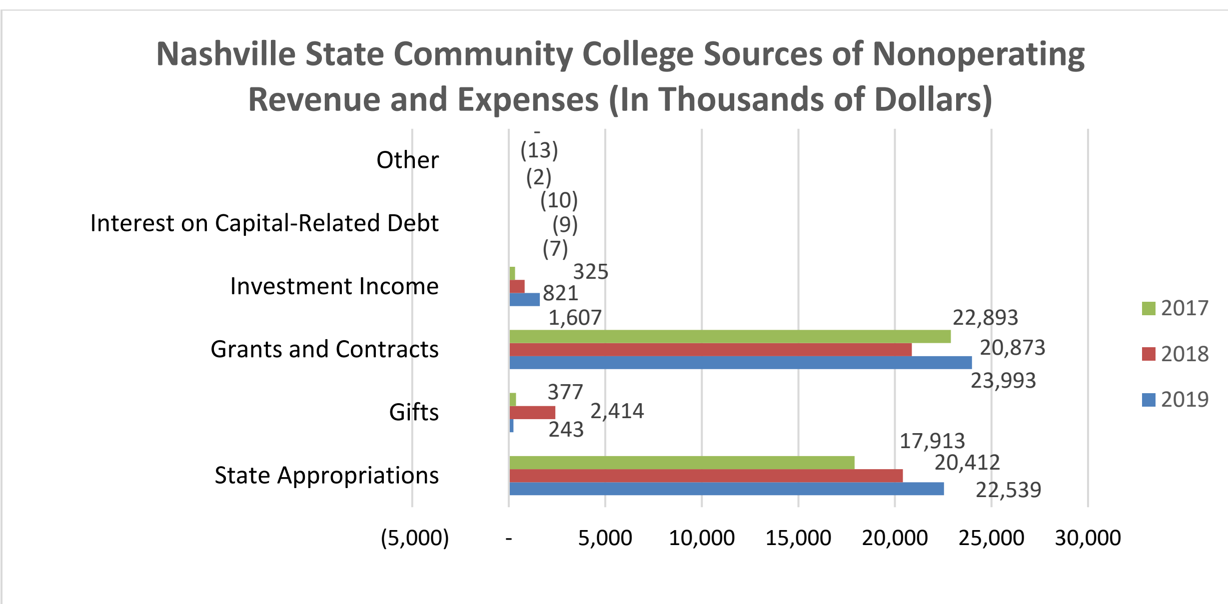
- Scholarships increased due to higher outside scholarships given to students in need in fiscal year 2019.

Comparison of Fiscal Year 2018 to Fiscal Year 2017

- Salaries increased due to a combination of filling open positions and more need for temporary workers.
- Benefits increased due to an increase in pension expense, a higher TCRS Legacy contribution rate at 18.87%, and higher premiums for insurance.
- Utilities, supplies, and other services increased due to increasing expenses at off-campus sites. The East Davidson location was added in fiscal year 2018 as well as two modular sites in Clarksville. In addition, utilities costs increased for the Southwest, East Davidson, and North Davidson locations. The college also spent more on advertising to promote off-campus sites.
- Scholarships decreased due to lower student enrollment.

Nonoperating Revenues and Expenses

Certain revenue sources that the college relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by the GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the college's nonoperating revenues and expenses for the last three fiscal years:



Comparison of Fiscal Year 2019 to Fiscal Year 2018

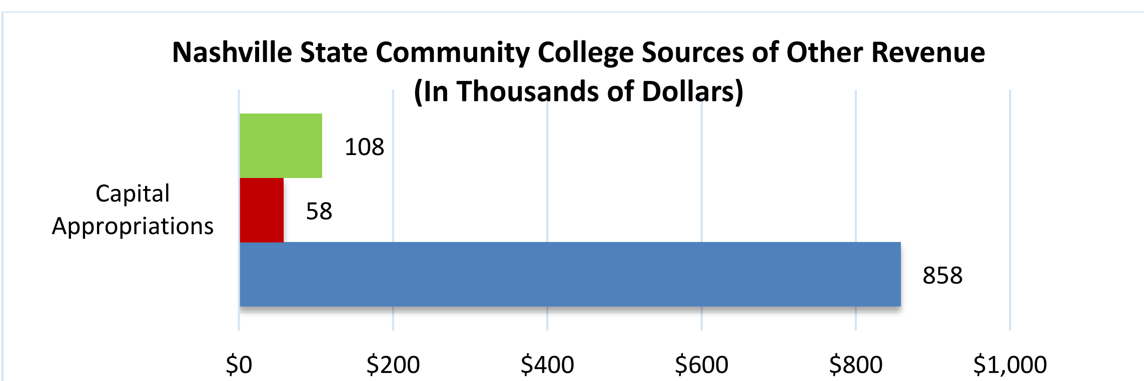
- State appropriations revenue increased due to impacts of applying the funding formula, which allocates state funds to Tennessee's public colleges and universities based on performance.
- Gifts decreased from fiscal year 2018 due to a non-reoccurring gift of $2 million from the Nashville Mayor's Office for the East Davidson Campus and Madison Campus in 2017.
- Grants and contracts increased due to more state aid received related to TN Promise and Reconnect programs.
- Investment income increased due to a higher bank balance resulting from conserving funds for renewal and replacement of equipment.

Comparison of Fiscal Year 2018 to Fiscal Year 2017

- State appropriations revenue increased due to impacts of applying the funding formula, which allocates state funds to Tennessee's public colleges and universities based on performance.
- Gifts increased due to receiving $2 million from the Nashville Mayor's Office to be used for the East Davidson Campus and Madison Campus.
- Grants and contracts decreased due to less federal aid received related to Title IV programs.
- Investment income increased due to higher bank balance while conserving funds for renewal and replacement for equipment.

Other Revenues

This category is composed of state appropriations for capital purposes, capital grants and gifts, and additions to permanent endowments. These amounts were as follows for the last three fiscal years:



Comparison of Fiscal Year 2019 to Fiscal Year 2018

- State capital appropriations revenue increased due to the main campus sidewalk improvement project and the main campus access control project. Both projects are capital maintenance state-funded projects.

Comparison of Fiscal Year 2018 to Fiscal Year 2017

- State capital appropriations revenue decreased due to the completion of various state-funded capital projects.

Capital Assets and Debt Administration

Capital Assets

Nashville State Community College had $80,161,288.50 invested in capital assets, net of accumulated depreciation of $32,860,625.91 at June 30, 2019; and $80,348,191.61 invested in capital assets, net of accumulated depreciation of $30,716,969.02 at June 30, 2018; $76,258,549.67 invested in capital assets, net of accumulated depreciation of $28,981,075.50 at June 30, 2017. Depreciation charges totaled $2,281,565.80; $2,286,910.86; and $2,192,109.40 for the years ended June 30, 2019; June 30, 2018; and June 30, 2017, respectively.

Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2019	2018	2017
Land	$11,147	$11,147	$ 5,803
Land improvements & infrastructure	3,851	4,214	4,577
Buildings	60,665	62,118	58,652
Equipment	1,660	1,842	2,134
Library holdings	232	232	228
Projects in progress	2,606	795	4,865
Total	$80,161	$80,348	$76,259

Fiscal Year 2019

At June 30, 2019, outstanding commitments under construction contracts totaled $19,624,254.13 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $1,370,929.71 of these costs.

More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

Fiscal Year 2018

Significant additions to capital assets occurred in fiscal year 2018. Significant additions to the buildings category were related to the East Davidson campus and the Clarksville Modular.

At June 30, 2018, outstanding commitments under construction contracts totaled $16,564,925.50 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $1,558,881.73 of these costs.

More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

Debt

The college had $190,715.96; $248,397.97; and $301,960.33, in debt outstanding at June 30, 2019; June 30, 2018; and June 30, 2017, respectively. The table below summarizes these amounts by type of debt instrument.

Description of Debt	2019	2018	2017
TSSBA bonds due 2022	$190,715.96	$248,397.97	$301,960.33

The Tennessee State School Bonds Authority (TSSBA) issued bonds with interest rates ranging from 4% to 5% due November 2022 on behalf of Nashville State Community College. The college is responsible for the debt service of these bonds. The college has $60,298.81; $57,682.01; and $53,562.36, in current portion debt outstanding at June 30, 2019; June 30, 2018; and June 30, 2017, respectively.

The ratings on debt issued by the TSSBA at June 30, 2019, were as follows:

Fitch	AA+
Moody's Investor Service	Aa1
Standard & Poor's	AA+

More information about the college's long-term liabilities is presented in Note 7 to the financial statements.

Economic Factors That Will Affect the Future

Significant changes that will affect the financial position of the college include the following:

- Student tuition will increase by 2.4% in fiscal year 2020.
- State appropriation funding will increase in fiscal year 2020 by $1.3 million.

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2019, and June 30, 2018

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Assets				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 18)	$ 24,027,980.04	$ 22,408,577.50	$ 815,099.51	$ 599,969.74
Accounts, notes, and grants receivable (net) (Note 4)	1,643,032.37	1,789,002.65	-	-
Due from primary government	1,053,420.28	142,313.82	-	-
Prepaid expenses	138,189.66	371,433.92	-	-
Total current assets	26,862,622.35	24,711,327.89	815,099.51	599,969.74
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 18)	50,593,552.89	48,760,553.08	28,466.53	52,952.29
Investments (Note 18)	-	-	725,730.19	621,590.22
Net pension asset (Note 9)	173,952.00	99,784.00	-	-
Capital assets (net) (Note 5)	80,161,288.50	80,348,191.61	-	-
Other assets	-	-	-	-
Total noncurrent assets	130,928,793.39	129,208,528.69	754,196.72	674,542.51
Total assets	157,791,415.74	153,919,856.58	1,569,296.23	1,274,512.25
Deferred outflows of resources				
Deferred amount on debt refunding	9,274.79	12,366.41	-	-
Deferred outflows related to OPEB (Note 10)	1,170,718.00	253,866.00	-	-
Deferred outflows related to pensions (Note 9)	3,611,621.45	3,760,295.00	-	-
Total deferred outflows of resources	4,791,614.24	4,026,527.41	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 6)	2,001,717.29	1,166,938.50	579.00	554.98
Accrued liabilities	1,330,307.62	1,325,453.42	6.70	72.19
Due to primary government	444,360.84	499,209.83	-	-
Student deposits	4,002.50	4,002.50	-	-
Unearned revenue	1,043,499.00	1,063,439.00	-	-
Total OPEB obligation (Note 10)	401,924.00	253,865.50	-	-
Compensated absences (Note 7)	321,245.04	339,976.21	-	-
Accrued interest payable	1,589.30	2,069.98	-	-
Long-term liabilities, current portion (Note 7)	60,298.81	57,682.01	-	-
Deposits held in custody for others	60,032.84	4,691,439.09	-	-
Total current liabilities	5,668,977.24	9,404,076.04	585.70	627.17
Noncurrent liabilities:				
Total OPEB obligation (Note 10)	4,235,519.00	3,577,245.50	-	-
Net pension liability (Note 9)	6,709,482.00	7,128,158.00	-	-
Compensated absences (Note 7)	826,210.47	819,963.64	-	-
Long-term liabilities (Note 7)	151,115.11	218,313.24	-	-
Total noncurrent liabilities	11,922,326.58	11,743,680.38	-	-
Total liabilities	17,591,303.82	21,147,756.42	585.70	627.17
Deferred inflows of resources				
Deferred inflows related to OPEB (Note 10)	313,802.00	147,217.00	-	-
Deferred inflows related to pensions (Note 9)	436,051.00	521,515.00	-	-
Total deferred inflows of resources	749,853.00	668,732.00	-	-
Net position				
Net investment in capital assets	$ 80,161,288.50	80,348,191.61	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	4,739.67	4,739.67	555,735.20	504,734.90
Instructional department uses	-	-	60,114.94	60,011.99
Expendable:				
Scholarships and fellowships	725,618.35	156,104.01	563,179.26	359,732.61
Instructional department uses	147,030.32	181,598.84	8,719.10	12,763.28
Pension	173,952.00	99,784.00	-	-
Other	452,526.84	390,957.53	83,830.60	46,763.41
Unrestricted	62,576,717.48	54,948,519.91	297,131.43	289,878.89
Total net position	$ 144,241,873.16	$ 136,129,895.57	$ 1,568,710.53	$ 1,273,885.08

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

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2019, and June 30, 2018

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2019	Year Ended June 30, 2018
Revenues				
Operating revenues:				
Student tuition and fees (Note 11)	$ 10,795,190.15	$ 11,596,307.12	$ -	$ -
Gifts and contributions	-	-	457,136.89	247,088.18
Governmental grants and contracts	14,040.00	266,238.59	-	-
Nongovernmental grants and contracts	150,982.55	239,717.70	-	-
Sales and services of educational activities	16,012.50	68,467.75	-	-
Sales and services of other activities	167,262.85	357,486.58	-	-
Auxiliary enterprises: Bookstore	507,276.94	372,353.51	-	-
Other operating revenues	91,201.56	104,846.15	-	-
Total operating revenues	11,741,966.55	13,005,417.40	457,136.89	247,088.18
Expenses				
Operating expenses (Note 14):				
Salaries and wages	23,525,432.82	22,566,495.60	186,047.13	129,822.95
Benefits	8,700,244.21	7,989,390.62	46,511.78	32,455.74
Utilities, supplies, and other services	9,702,957.70	9,944,013.08	66,751.60	83,151.83
Scholarships and fellowships	8,650,896.35	7,930,623.87	201,335.27	192,413.65
Depreciation expense	2,281,565.80	2,286,910.86	-	-
Payments to or on behalf of Nashville State Community College (Note 18)	-	-	11,033.50	1,012,773.35
Total operating expenses	52,861,096.88	50,717,434.03	511,679.28	1,450,617.52
Operating loss	(41,119,130.33)	(37,712,016.63)	(54,542.39)	(1,203,529.34)
Nonoperating revenues (expenses)				
State appropriations	22,539,496.97	20,411,637.70	-	-
Gifts (including $11,033.50 from component unit for the year ended June 30, 2019, and $1,012,773.35 for the year ended June 30, 2018)	243,030.40	2,414,323.18	-	-
Grants and contracts	23,992,676.47	20,873,282.37	-	-
Investment income (expense) (net of investment expense of $4,346.97 for the component unit for the year ended June 30, 2019, and $4,279.49 for the year ended June 30, 2018)	1,606,757.64	820,816.23	41,946.43	20,424.85
Interest on capital asset-related debt	(6,689.47)	(9,326.36)	-	-
College support (Note 18)	-	-	257,421.41	188,798.69
Loss on disposal of capital assets	-	-	-	-
Other nonoperating expenses	(2,447.90)	(13,186.77)	-	-
Total nonoperating revenues	48,372,824.11	44,497,546.35	299,367.84	209,223.54
Income (loss) before other revenues, expenses, gains, or losses	7,253,693.78	6,785,529.72	244,825.45	(994,305.80)
Capital appropriations	858,283.81	58,326.64	-	-
Additions to permanent endowments	-	-	50,000.00	117,709.76
Total other revenues	858,283.81	58,326.64	50,000.00	117,709.76
Increase (decrease) in net position	8,111,977.59	6,843,856.36	294,825.45	(876,596.04)
Net position - beginning of year, as originally reported	136,129,895.57	130,172,723.73	1,273,885.08	2,150,481.12
Cumulative effect of change in accounting principle	-	(886,684.52)	-	-
Net position - beginning of year, restated		129,286,039.21		
Net position - end of year	$ 144,241,873.16	$ 136,129,895.57	$ 1,568,710.53	$ 1,273,885.08

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

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2019, and June 30, 2018

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash flows from operating activities		
Tuition and fees	$ 10,672,689.77	$ 11,456,235.37
Grants and contracts	(649,823.33)	231,157.40
Sales and services of educational activities	16,012.50	68,467.75
Sales and services of other activities	167,262.85	357,486.58
Payments to suppliers and vendors	(8,553,813.07)	(10,002,282.69)
Payments to employees	(23,525,820.47)	(22,527,837.04)
Payments for benefits	(8,522,759.67)	(8,383,818.55)
Payments for scholarships and fellowships	(8,650,896.35)	(7,930,623.87)
Funds received for deposits held for others	(4,605,925.51)	(475,833.16)
Funds disbursed for deposits held for others	(25,480.74)	(23,872.17)
Auxiliary enterprise charges:		
Bookstore	507,276.94	372,353.51
Other receipts	91,201.56	104,846.15
Net cash used for operating activities	(43,080,075.52)	(36,753,720.72)
Cash flows from noncapital financing activities		
State appropriations	21,997,500.00	20,382,400.00
Gifts and grants received for other than capital or endowment purposes, including $11,033.50 from Nashville State Community College Foundation for the year ended June 30, 2019, and $1,012,773.35 for the year ended June 30, 2018	24,235,706.87	23,287,605.55
Federal student loan receipts	7,261,375.00	11,249,284.20
Federal student loan disbursements	(7,261,375.00)	(11,249,284.20)
Principal paid on noncapital debt	(61,489.71)	(57,370.06)
Interest paid on noncapital debt	(7,170.15)	(9,683.45)
Net cash provided by noncapital financing activities	46,164,547.01	43,602,952.04
Cash flows from capital and related financing activities		
Purchase of capital assets and construction	(1,238,826.78)	(6,323,778.61)
Net cash used for capital and related financing activities	(1,238,826.78)	(6,323,778.61)
Cash flows from investing activities		
Income on investments	1,606,757.64	820,816.23
Net cash provided by investing activities	1,606,757.64	820,816.23
Net increase in cash and cash equivalents	3,452,402.35	1,346,268.94
Cash and cash equivalents - beginning of year	71,169,130.58	69,822,861.64
Cash and cash equivalents - end of year	$ 74,621,532.93	$ 71,169,130.58

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2019, and June 30, 2018

	Year Ended June 30, 2019	Year Ended June 30, 2018
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (41,119,130.33)	$ (37,712,016.63)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating expenses	2,836,662.77	2,316,348.54
Change in assets, liabilities, and deferrals:		
Receivables, net	145,970.28	30,147.34
Due from primary government	(924,206.46)	(10,197.79)
Due to primary government	(54,848.99)	(199,005.90)
Prepaid items	233,244.26	(202,395.00)
Net pension asset	(74,168.00)	(56,716.00)
Deferred outflows of resources	(768,178.45)	(153,211.38)
Net pension liability	(418,676.00)	(645,585.00)
Total OPEB obligation	806,332.00	143,283.38
Deferred inflows of resources	81,121.00	224,916.00
Accounts payable	834,778.79	305,047.74
Accrued liabilities	4,854.20	29,355.71
Unearned revenues	(19,940.00)	(434,687.00)
Compensated absences	(12,484.34)	118,335.20
Other	(4,631,406.25)	(507,339.93)
Net cash used by operating activities	$ (43,080,075.52)	$ (36,753,720.72)

Noncash investing, capital, or financing transactions		
Loss on disposal of capital assets	$ (2,447.90)	$ (13,186.77)
Capital appropriations	$ 858,283.81	$ 58,326.64
Purchase of capital assets and construction	$ (858,283.81)	$ (58,326.64)

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

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The college is a part of the State University and Community College System of Tennessee. 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 significant financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*. That report is available at https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html.

The financial statements present only that portion of the system's activities that is attributable to the transactions of Nashville State Community College.

The Nashville State Community College Foundation is considered a component unit of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by its donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements. See Note 18 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

The college's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to governmental colleges and universities engaged in business-type activities as prescribed by the Governmental Accounting Standards Board (GASB).

Basis of Accounting

For financial statement purposes, the college is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all of the provider's eligibility requirements have been met. All significant internal activity has been eliminated.

The college has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include 1) tuition and fees, net of scholarship discounts and allowances; 2) certain federal, state, local, and private grants and contracts; 3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; and 4) interest on institutional loans. Operating expenses include 1) salaries and wages; 2) employee benefits; 3) utilities, supplies, and other services; 4) scholarships and fellowships; and 5) depreciation.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts, contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the college's policy to determine which to use first, depending upon existing facts and circumstances.

Cash Equivalents

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Compensated Absences

The college's employees accrue annual and sick leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time.

The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the statement of net position. There is no liability for unpaid accumulated sick leave since the college's policy is to pay this only if the employee is sick or upon death.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, works of art, historical treasures/collections, and intangible assets, are reported in the statement of net position at historical cost or at acquisition value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of $100,000 is used for buildings, and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for intangible assets is set at $100,000. The capitalization threshold for art, historical treasures/collections, and similar assets is set at $5,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over their estimated useful lives, which range from 5 to 60 years.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan in the Tennessee Consolidated Retirement System (TCRS) and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Closed State and Higher Education Employee Pension Plan and the State and Higher Education Employee Retirement Plan. Investments are reported at fair value.

Net Position

The college's net position is classified as follows:

Net investment in capital assets – This represents the college's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows/inflows of resources related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Nonexpendable restricted net position – Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable restricted net position – Expendable restricted net position includes resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents resources derived from student tuition and fees; state appropriations; sales and services of educational departments; sales and services of other activities; and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college and may be used at the college's discretion to meet current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

Student tuition and fee revenues, as well as certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the college and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the college's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the college has recorded a scholarship discount and allowance.

Note 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2019, cash consisted of $2,348,545.08 in bank accounts; $1,900.00 of petty cash on hand; $67,717,313.95 in the Local Government Investment Pool (LGIP) administered by the State Treasurer; and $4,553,773.90 in LGIP deposits for capital projects. At June 30, 2018, cash consisted of $3,063,232.49 in bank accounts; $1,900.00 of petty cash on hand; $67,944,820.86 in the LGIP; and $159,177.23 in LGIP deposits for capital projects.

The LGIP is administered by the State Treasurer and is measured at amortized cost. The fund's required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

<u>LGIP deposits for capital projects</u> – 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 LGIP account. As expenses are incurred, funds are withdrawn from the LGIP account by the system 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 the system releases any remaining funds.

Note 3. Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. 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 that are backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified.

Tennessee Board of Regents policy restricts investments in bankers' acceptances and commercial paper. The policy requires that prime bankers' acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime bankers' acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods that are under contract of sale or are expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

Tennessee Board of Regents policy requires that prime commercial paper be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guarantee by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2019, and June 30, 2018, the college's investments consisted entirely of investments in the Local Government Investment Pool, which are valued at amortized cost. The value of these investments was $72,271,087.85 at June 30, 2019, and $68,103,998.09 at June 30, 2018. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Receivables

Receivables included the following:

	June 30, 2019	June 30, 2018
Student accounts receivable	$1,588,022.35	$ 1,327,609.47
Grants receivable	280,178.90	364,457.51
Other receivables	80,213.45	276,083.46
Subtotal	1,948,414.70	$ 1,968,150.44
Less allowance for doubtful accounts	(305,382.33)	(179,147.79)
Total receivables	$1,643,032.37	$ 1,789,002.65

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 11,147,437.28	$ -	$ -	$ -	$ 11,147,437.28
Land improvements and infrastructure	7,709,120.46	-	-	-	7,709,120.46
Buildings	84,818,517.67	-	-	-	84,818,517.67
Equipment	5,496,723.93	238,171.32	-	(96,898.63)	5,637,996.62
Library holdings	481,487.13	48,113.65	-	(43,458.18)	486,142.60
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	795,191.57	1,810,825.62	-	-	2,606,017.19
Total	111,065,160.63	2,097,110.59	-	(140,356.81)	113,021,914.41
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	3,495,089.85	362,922.02	-	-	3,858,011.87
Buildings	22,700,075.10	1,453,608.31	-	-	24,153,683.41
Equipment	3,656,070.58	416,421.20	-	(94,450.73)	3,978,041.05
Library holdings	249,050.90	48,614.27	-	(43,458.18)	254,206.99
Intangible assets	616,682.59	-	-	-	616,682.59
Total	30,716,969.02	2,281,565.80	-	(137,908.91)	32,860,625.91
Capital assets, net	$ 80,348,191.61	$ (184,455.21)	$ -	$ (2,447.90)	$ 80,161,288.50

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 5,802,737.28	$5,344,700.00	$ -	$ -	$ 11,147,437.28
Land improvements and infrastructure	7,709,120.46	-	-	-	7,709,120.46
Buildings	79,898,245.74	176,217.74	4,744,054.19	-	84,818,517.67
Equipment	5,879,168.35	134,761.54	-	(517,205.96)	5,496,723.93
Library holdings	468,208.59	52,642.37	-	(39,363.83)	481,487.13
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	4,865,462.16	673,783.60	(4,744,054.19)	-	795,191.57
Total	105,239,625.17	6,382,105.25	-	(556,569.79)	111,065,160.63

Less accumulated depreciation/amortization:					
Land improvements					
and infrastructure	3,132,167.83	362,922.02	-	-	3,495,089.85
Buildings	21,246,466.79	1,453,608.31	-	-	22,700,075.10
Equipment	3,745,492.28	422,231.81	-	(511,653.50)	3,656,070.58
Library holdings	240,266.01	48,148.72	-	(39,363.83)	249,050.90
Intangible assets	616,682.59	-	-	-	616,682.59
Total	28,981,075.50	2,286,910.86	-	(551,017.33)	30,716,969.02
Capital assets, net	$ 76,258,549.67	$4,095,194.39	$ -	$ (5,552.46)	$ 80,348,191.61

Note 6. Accounts Payable

Accounts payable included the following:

	June 30, 2019	June 30, 2018
Vendors payable	$ 694,425.44	$ 552,299.55
Unapplied student payments	64,739.24	97,669.12
Unclaimed property payable	161,561.78	139,149.05
Due to federal government	1,080,990.83	-
Other payables	-	377,820.78
Total accounts payable	$ 2,001,717.29	$ 1,166,938.50

Note 7. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 248,397.97	$ -	$ (57,682.01)	$ 190,715.96	$ 60,298.81
Unamortized bond					
premium/discount	27,597.28	-	(6,899.32)	20,697.96	-
Subtotal	275,995.25	-	(64,581.33)	211,413.92	60,298.81
Other liabilities:					
Compensated absences	1,159,939.85	1,002,101.12	(1,014,585.46)	1,147,455.51	321,245.04
Subtotal	1,159,939.85	1,002,101.12	(1,014,585.46)	1,147,455.51	321,245.04
Total long-term liabilities	$ 1,435,935.10	$ 1,002,101.12	$ (1,079,166.79)	$ 1,358,869.43	$ 381,543.85

Long-term liabilities activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 301,960.33	$ -	$ (53,562.36)	$ 248,397.97	$ 57,682.01
Unamortized bond premium/discount	34,496.60	-	(6,899.32)	27,597.28	-
Subtotal	336,456.93	-	(60,461.68)	275,995.25	57,682.01
Other liabilities:					
Compensated absences	1,041,604.65	1,102,307.18	(983,971.98)	1,159,939.85	339,976.21
Subtotal	1,041,604.65	1,102,307.18	(983,971.98)	1,159,939.85	339,976.21
Total long-term liabilities	$ 1,378,061.58	$1,102,307.18	$ (1,044,433.66)	$1,435,935.10	$ 397,658.22

TSSBA Debt – Bonds

Bonds, with interest rates ranging from 4% to 5%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to 2022 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the college, including state appropriations; see Note 8 for further details.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2019, are as follows:

Year Ending June 30	Principal	Interest	Total
2020	$ 60,298.81	$ 8,028.33	$ 68,327.14
2021	63,521.35	4,932.83	68,454.18
2022	66,895.80	1,672.40	68,568.20
Total	$190,715.96	$ 14,633.56	$ 205,349.52

Note 8. Pledged Revenues

The college has pledged certain revenues and fees, including state appropriations, to repay $190,715.96 in revenue bonds issued August 2014 (see Note 7 for further detail). Proceeds from the bonds provided financing for energy savings and performance contract projects. The bonds are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 1% of available revenues. The total principal and interest remaining to be paid on the bonds at June 30, 2019, is $205,349.52. Principal and interest paid for fiscal year 2019 and total available revenues were $64,371.48 and $52,350,944.44, respectively. Principal and interest paid for fiscal year 2018 and total available revenues were $62,888.72 and $48,581,073.10, respectively.

Note 9. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan. This plan is a component of the Public Employee Retirement Plan, an agent, multiple-employer defined benefit pension plan. The Closed State and Higher Education Employee Pension Plan stopped accepting new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, a new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated*, establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Closed State and Higher Education Employee Pension Plan are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined using the following formula:

Average of member's highest compensation for 5 consecutive years (up to Social Security integration level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of member's highest compensation for 5 consecutive years (over the Social Security integration level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The college's employees are noncontributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the college for the years ended June 30, 2019, and June 30, 2018, to the Closed State and Higher Education Employee Pension Plan were $1,902,732.26 and $1,813,654.00, respectively, which is 19.23% and 18.87% of covered payroll, respectively. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension liability – At June 30, 2019, the college reported a liability of $6,709,482 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the net pension liability was based on a projection of the college's contributions during the year ended June 30, 2018, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2018, measurement date, the college's proportion was 0.415342%.

At June 30, 2018, the college reported a liability of $7,128,158 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the net pension liability was based on a projection of the college's contributions during the year ended June 30, 2017, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2017, measurement date, the college's proportion was 0.398310%.

Pension expense – For the years ended June 30, 2019, and June 30, 2018, the college recognized pension expense of $1,484,035 and $1,375,302, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2019, and June 30, 2018, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$606,109.00	$31,191.00
Net difference between projected and actual earnings on pension plan investments	-	192,852.00
Changes in assumptions	843,827.00	-
Changes in proportion of net pension liability	177,414.00	199,253.00
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2018	1,902,732.26	-
Total	$3,530,082.26	$423,296.00

Fiscal Year 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 564,172.00	$208,037.00
Net difference between projected and actual earnings on pension plan investments	26,053.00	-
Changes in assumptions	1,213,838.00	-
Changes in proportion of net pension liability	-	302,913.00
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2017	1,813,654.00	-
Total	$3,617,717.00	$510,950.00

Deferred outflows of resources, resulting from the college's employer contributions of $1,902,732.26 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		
2020	$	1,155,136
2021		566,567
2022		(393,822)
2023		(123,827)
2024		-

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions used for the measurement date of June 30, 2018 – The total pension liability as of the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with mortality improvement projected six years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents the college's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the college's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	$14,746,144	$6,709,482	($54,140)

Actuarial assumptions used for the measurement date of June 30, 2017 – The total pension liability was determined by actuarial valuations using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.46% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with mortality improvement projected six years beyond each actuarial valuation date.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions to reflect current experience and anticipated mortality improvements.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%

U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate – The following presents the college's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the college's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability	$14,685,594	$7,128,158	$774,158

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

State and Higher Education Employee Retirement Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher

Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34-37, *Tennessee Code Annotated*.

Benefits provided – Title 8, Chapters 34-37, *Tennessee Code Annotated,* establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and years of service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula multiplying the member's highest five consecutive year average compensation by 1% multiplied by the member's years of service credit. A reduced early retirement is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which a member's age and years of service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary to the State and Higher Education Employee Retirement Plan. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the college for the years ended June 30, 2019, and June 30, 2018, to the State and Higher Education Employee Retirement Plan were $62,898.19 and $129,258.00, respectively, which is 1.66% and 3.93% of covered payroll, respectively. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2019, the college reported an asset of $173,952 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The college's proportion of the net pension asset was based on a projection of the college's contributions during the year ended June 30, 2018, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2018, measurement date, the college's proportion was 0.450963%.

At June 30, 2018, the college reported an asset of $99,784 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The college's proportion of the net pension asset was based on a projection of the college's contributions during the year ended June 30, 2017, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2017, measurement date, the college's proportion was 0.481151%.

Pension expense – For the years ended June 30, 2019, and June 30, 2018, the college recognized a pension expense of $51,958 and $40,528, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2019, and June 30, 2018, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,865.00	$ 2,916.00
Net difference between projected and actual earnings on pension plan investments	-	8,399.00
Changes in assumptions	5,909.00	-
Changes in proportion of net pension asset	7,867.00	1,440.00
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2018	62,898.19	-
Total	$81,539.19	$12,755.00

Fiscal Year 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,760.00	$ 3,734.00
Net difference between projected and actual earnings on pension plan investments	-	5,151.00
Changes in assumptions	7,093.00	-
Changes in proportion of net pension asset	2,467.00	1,680.00
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2017	129,258.00	-
Total	$142,578.00	$10,565.00

Deferred outflows of resources, resulting from the college's employer contributions of $62,898.19 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2020	$ (391)
2021	(573)
2022	(1,544)
2023	482
2024	1,593
Thereafter	6,319

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial assumptions used for the measurement date of June 30, 2018 – The total pension liability as of the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with generational mortality improvement.

The actuarial assumptions used in the June 30, 2018, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate – The following presents the college's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the college's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension asset	$28,853	$173,952	$282,524

Actuarial assumptions used for the measurement date of June 30, 2017 – The total pension liability was determined by actuarial valuations using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.46% based on age, including inflation, averaging 4%
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were developed by the actuary using the results of the actuarial experience study performed for the period July 1, 2012, through June 30, 2016, and were adjusted for expected future improvements in life expectancy. Mortality assumptions utilize the RP-2014 industry standard base table adjusted for TCRS experience, with generational mortality improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes in assumptions – In 2017, the following assumptions were changed: decreased the inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions to reflect current experience and anticipated mortality improvements.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2016, actuarial experience study. This return was selected from a range of values developed using historical market returns and future capital market projections. The future capital market projections were produced using a building-block method in which a best estimate of expected real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the future capital market projection by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.5%. The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return	Target Allocation
U.S. equity	5.69%	31%
Developed market international equity	5.29%	14%
Emerging market international equity	6.36%	4%
Private equity and strategic lending	5.79%	20%
U.S. fixed income	2.01%	20%
Real estate	4.32%	10%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.25% based on a comparison of historical market returns and future capital market projections.

Discount rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate – The following presents the college’s proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the college’s proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension asset	$12,479	$99,784	$164,899

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report at www.treasury.tn.gov/tcrs.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2019, for all state and local government defined benefit pension plans was $1,535,993. The total pension expense for the year ended June 30, 2018, for all state and local government defined benefit pension plans was $1,415,830.

Defined Contribution Plans

Optional Retirement Plans

Plan description – The college contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2, *Tennessee Code Annotated*. This statute also sets out the plan provisions. The plan provisions are amended by the Tennessee General Assembly. The ORP was designed to provide benefits at retirement to faculty and staff who are exempt from the overtime provision of the Fair Labor Standards Act and who waive membership in the TCRS. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Funding policy – For employees employed prior to July 1, 2014, 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. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP and the college will contribute 9% of the employee's base salary. Pension expense equaled the required contributions made to the ORP and was $650,084.40 for the year ended June 30, 2019; $643,264.60 for the year ended June 30, 2018; and $674,113.18 for the year ended June 30, 2017. Contributions met the requirements for each year.

Members are immediately 100% vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products, and members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions. Accordingly, the State of Tennessee is not acting in a trustee capacity, nor does it have a fiduciary responsibility for the funds held by the investment vendors.

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The college, through the State of Tennessee, provides two plans, one established pursuant to the Internal Revenue Code (IRC), Section 457, and the other pursuant to IRC, Section 401(k). The third plan is administered by the college and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k), Section 403(b), and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Sections 401(k), 403(b), and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 403(b) and the 457 plans is voluntary for employees. The college provides up to a $50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan and contribute 2% of their salary if they elect to be in the TCRS pension plan, with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in all plans. The IRC establishes maximum limits that an employee can contribute to these plans. The employee may increase, decrease, or stop contributions at any time for all three plans.

During the year ended June 30, 2019, contributions totaling $656,197.11 were made by employees participating in the 401(k) plan, and the college recognized pension expense of $376,305.26 for employer contributions. During the year ended June 30, 2018, contributions totaling $556,729.16 were made by employees participating in the 401(k) plan, with contributions of $345,729.85 made by the college.

Note 10. Other Postemployment Benefits

Closed State Employee Group OPEB Plan

General Information About the OPEB Plan

Plan description – Employees of the college who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the Closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan include the State of Tennessee (primary government), the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System.

Benefits provided – The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Section 201, *Tennessee Code Annotated*. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65, are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, the standard PPO plan, or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits as active employees, at a blended premium rate that considers the cost of active employees. This creates an implicit subsidy for the retirees. The retirees' cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%. During the current measurement period, this plan was funded on a pay-as-you-go basis, and there were no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement 75. However, during the fiscal year ended June 30, 2019, the plan transitioned to a prefunding arrangement where assets will be accumulating in a qualifying trust.

Contributions – Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Section 201, *Tennessee Code Annotated*, establishes the required payments to the plan by member employers and employees. Active members of the Employee Group Insurance Plan and pre-age-65 retired members of the EGOP pay the same rate. Claims liabilities of the plans are periodically computed using actuarial and statistical techniques to establish premium rates. While the plan operated on a pay-as-you-go basis, employers made the minimum required payments for retiree costs. However, once the plan transitioned to the prefunding arrangement through the qualifying trust, employers began making contributions to the trust based on an actuarily determined contribution rate. Employer contributions by the college for the year ended June 30, 2019, to the EGOP were $401,924.36, which is 3.28% of covered-employee payroll.

Total OPEB Liability

Proportionate share – The college's proportionate share of the collective total OPEB liability related to the EGOP was $4,637,443 at June 30, 2019. At the June 30, 2018, measurement date, the college's proportion of the collective total OPEB liability was 0.334776%. The proportion existing at the prior measurement date was 0.285363%. This resulted in a change in proportion of 0.049413% between the current and prior measurement dates. The college's proportion of the collective total OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2018, and a measurement date of June 30, 2018.

The college's proportionate share of the collective total OPEB liability related to the EGOP was $3,831,111 at June 30, 2018. At the June 30, 2017, measurement date, the college's proportion of the collective total OPEB liability was 0.285363%, representing the first-time presentation of the proportion. The college's proportion of the collective total OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017, and a measurement date of June 30, 2017.

Actuarial assumptions used for the measurement date of June 30, 2018 – The collective total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	6.75% for 2019, decreasing annually to an ultimate rate of 3.91% for 2050 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Healthy Participant Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.62%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in assumptions – The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability. Additionally, the near-term healthcare cost trend rates were changed from 5.4%, 5.3%, and 5.2% for plan years 2019, 2020, and 2021, respectively, to 6.75%, 6.25%, and 5.75%, respectively. Furthermore, the assumed initial per capita costs and premium amounts were revised to reflect rates adopted for the 2019 plan year. These two changes in assumptions increased the total OPEB liability.

Significant changes subsequent to the measurement date – During fiscal year 2019, the EGOP transitioned from a pay-as-you-go funding arrangement to a prefunded arrangement where assets would be deposited and accumulated in a qualifying trust, and benefits would be paid directly from the trust assets. In the first year of this arrangement, participating employers made estimated total contributions to the trust of $301.5 million. The trust had an estimated net position of $213.7 million at June 30, 2019. These plan assets will significantly reduce the net OPEB liability recorded by employers for the year ended June 30, 2020.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the college's proportionate share of the collective total OPEB liability of the EGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62%) or 1 percentage point higher (4.62%) than the current rate:

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
College's proportionate share of the collective total OPEB liability	$4,947,586	$4,637,443	$4,345,574

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate – The following presents the college's proportionate share of the collective total OPEB liability of the EGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.75% decreasing to 2.91%) or 1 percentage point higher (7.75% decreasing to 4.91%) than the current rate:

	1% Decrease (5.75% decreasing to 2.91%)	Healthcare Cost Trend Rates (6.75% decreasing to 3.91%)	1% Increase (7.75% decreasing to 4.91%)
College's proportionate share of the collective total OPEB liability	$4,188,303	$4,637,443	$5,162,591

Actuarial assumptions used for the measurement date of June 30, 2017 – The collective total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	7.5% for 2018, decreasing annually to an ultimate rate of 3.83% for 2050 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the college's proportionate share of the collective total OPEB liability of the EGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56%) or 1 percentage point higher (4.56%) than the current rate:

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
College's proportionate share of the collective total OPEB liability	$4,096,973	$3,831,111	$3,581,936

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the healthcare cost trend rate – The following presents the college's proportionate share of the collective total OPEB liability of the EGOP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (6.5% decreasing to 2.83%) or 1 percentage point higher (8.5% decreasing to 4.83%) than the current rate:

	1% Decrease (6.5% decreasing to 2.83%)	Healthcare Cost Trend Rates (7.5% decreasing to 3.83%)	1% Increase (8.5% decreasing to 4.83%)
College's proportionate share of the collective total OPEB liability	$3,448,884	$3,831,111	$4,279,370

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB expense – For the years ended June 30, 2019, and June 30, 2018, the college recognized OPEB expense of $442,787 and $293,592, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2019, and June 30, 2018, the college reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

Fiscal Year 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$165,766
Changes in assumptions	204,257	148,036
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	564,537	-
Contributions subsequent to the measurement date of June 30, 2018	401,924	-
Total	$1,170,718	$313,802

Fiscal Year 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$147,217
Payments subsequent to the measurement date of June 30, 2017	253,866	-
Total	$253,866	$147,217

Deferred outflows of resources, resulting from the college's employer payments of $401,924 subsequent to the measurement date, will be recognized as a decrease in total OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	$ 64,008
2021	64,008
2022	64,008
2023	64,008
2024	64,008
Thereafter	134,952

In the table above, positive amounts will increase OPEB expense, while negative amounts will decrease OPEB expense.

Closed Tennessee OPEB Plan

General Information About the OPEB Plan

Plan description – Employees of the college who were hired prior to July 1, 2015, and choose coverage, are provided with post-65 retiree health insurance benefits through the Closed Tennessee OPEB Plan (TNP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The State of Tennessee (primary government), as well as the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the other institutions that make up the State University and Community College System, also participate in this plan. This plan also serves eligible post-65 retirees of employers who participate in the state-administered Teacher Group Insurance and Local Government Group Insurance Plans.

Benefits provided – The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Section 209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments, who have reached the age of 65, are Medicare-eligible, and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The college does not provide any subsidies for retirees in the TNP. The primary government paid $30,562.50 for OPEB as the benefits came due during the fiscal year ended June 30, 2019, and $29,437.70 for OPEB as the benefits came due during the fiscal year ended June 30, 2018. This plan is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

In accordance with Title 8, Chapter 27, Part 209, *Tennessee Code Annotated*, the state insurance committees established by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated,* determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government (the State of Tennessee) is entirely responsible for the TNP OPEB liability associated with the college's employees. The primary government's proportionate share of the total OPEB liability associated with the college was $698,619 at June 30, 2019. At the June 30, 2018, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.404144%. The proportion of the collective total OPEB liability associated with the college was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. There has been no change in the college's proportion since the prior measurement date. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2018, and a measurement date of June 30, 2018.

The primary government's proportionate share of the total OPEB liability associated with the college was $713,254 at June 30, 2018. At the June 30, 2017, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.402375%, representing the first-time presentation of this proportion. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2017, and a measurement date of June 30, 2017.

Actuarial assumptions used for the measurement date of June 30, 2018 – The total OPEB liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2018, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.62%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in assumptions – The discount rate was changed from 3.56% as of the beginning of the measurement period to 3.62% as of June 30, 2018. This change in assumption decreased the total OPEB liability.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the college's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.62%) or 1 percentage point higher (4.62%) than the current rate. The college does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (2.62%)	Current Discount Rate (3.62%)	1% Increase (4.62%)
Primary government's proportionate share of the collective total OPEB liability	$788,728	$698,619	$622,937

Actuarial assumptions used for the measurement date of June 30, 2017 – The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate – The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

Changes in assumptions – The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the college's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.56%) or 1 percentage point higher (4.56%) than the current rate. The college does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
Primary government's proportionate share of the collective total OPEB liability	$807,542	$713,254	$633,119

OPEB expense – For the years ended June 30, 2019, and June 30, 2018, the primary government recognized OPEB expense of $27,298 and $30,591, respectively, for employees of the college participating in the TNP.

Total OPEB Expense

The total OPEB expense for the year ended June 30, 2019, was $470,085, which consisted of OPEB expense of $442,787 for the EGOP and $27,298 paid by the primary government for the TNP. The total OPEB expense for the year ended June 30, 2018, was $324,183, which consisted of OPEB expense of $293,592 for the EGOP and $30,591 paid by the primary government for the TNP.

Note 11. Revenues

A summary of adjustments and allowances by revenue classification is presented as follows:

Fiscal Year 2019 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$ 27,378,669.98	$ (15,636,092.82)	$ (947,387.01)	$ 10,795,190.15
Total	$ 27,378,669.98	$ (15,636,092.82)	$ (947,387.01)	$ 10,795,190.15

Fiscal Year 2018 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$ 26,261,047.28	$ (14,059,912.63)	$ (604,827.53)	$ 11,596,307.12
Total	$ 26,261,047.28	$ (14,059,912.63)	$ (604,827.53)	$ 11,596,307.12

Note 12. Insurance-related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1,000,000 per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property; crime and fidelity coverage on the state's officials and employees; and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years

The college participates in the RMF. 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. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2019, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at https://www.tn.gov/finance/rd-doa/fa-accfin-cafr.html. At June 30, 2019, the Risk Management Fund held $186 million in cash designated for payment of claims. At June 30, 2018, the Risk Management Fund held $189 million in cash designated for payment of claims.

At June 30, 2019, the scheduled coverage for the college was $173,457,000 for buildings and $35,530,000 for contents. At June 30, 2018, the scheduled coverage for the college was $133,208,567 for buildings and $30,007,000 for contents.

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, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

Note 13. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $6,831,034.36 at June 30, 2019, and $6,853,039.37 at June 30, 2018.

Operating Leases

The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real property were $136,353.14 and expenses for personal property were $55,639.26 for the year ended June 30, 2019. The amounts for the year ended June 30, 2018, were $124,183.60 and $57,043.32. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2019, outstanding commitments under construction contracts totaled $19,624,254.13 for ADA adaptations, Madison teaching facility, access control, sidewalk and lighting, and East Davidson roofing, of which $1,370,929.71 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 14. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2019, are as follows:

Functional Classification	Natural Classification Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$12,540,016.84	$4,034,079.87	$4,165,469.54	$ -	$ -	$20,739,566.25
Public service	8,376.50	(3,998.68)	-	-	-	4,377.82
Academic support	4,060,180.60	1,703,484.89	(571,401.73)	-	-	5,192,263.76
Student services	2,560,501.85	1,013,914.81	956,476.81	-	-	4,530,893.47
Institutional support	2,834,225.89	1,269,246.89	1,044,906.59	-	-	5,148,379.37
Maintenance and operation	1,522,131.14	683,516.43	4,102,576.24	-	-	6,308,223.81
Scholarships and fellowships	-	-	-	8,650,896.35	-	8,650,896.35
Auxiliary			4,930.25	-	-	4,930.25
Depreciation	-	-	-	-	2,281,565.80	2,281,565.80
Total	$23,525,432.82	$8,700,244.21	$9,702,957.70	$8,650,896.35	$2,281,565.80	$52,861,096.88

The college's operating expenses for the year ended June 30, 2018, are as follows:

Functional Classification	Natural Classification Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$12,041,742.11	$3,727,023.77	$3,802,799.52	$ -	$ -	$19,571,565.40
Public service	118,702.01	46,978.70	51,294.54	-	-	216,975.25
Academic support	4,308,870.53	1,695,410.39	(556,589.16)	-	-	5,447,691.76
Student services	2,231,306.21	901,903.88	955,526.71	-	-	4,088,736.80
Institutional support	2,505,438.10	1,028,499.43	1,472,992.12	-	-	5,006,929.65
Maintenance and operation	1,360,436.64	589,574.45	4,212,902.30	-	-	6,162,913.39
Scholarships and fellowships	-	-	-	7,930,623.87	-	7,930,623.87
Auxiliary	-	-	5,087.05	-	-	5,087.05
Depreciation	-	-	-	-	2,286,910.86	2,286,910.86
Total	$22,566,495.60	$7,989,390.62	$9,944,013.08	$7,930,623.87	$2,286,910.86	$50,717,434.03

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $2,338,352.87 for the year ended June 30, 2019, and $2,250,181.50 for the year ended June 30, 2018, were reallocated from academic support to the other functional areas and caused academic support operating expenses to appear as a negative amount in the schedule above.

Note 15. On-behalf Payments

During the years ended June 30, 2019, and June 30, 2018, the State of Tennessee made payments of $555,096.97 and $29,437.70, respectively, on behalf of the college for retirees participating in the State Employee Group OPEB Plan and the Closed Tennessee OPEB Plan. The State Employee Group OPEB Plan and the Closed Tennessee OPEB Plan are postemployment benefit healthcare plans and are discussed further in Note 10. The plans are reported in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/rd-doa/fa-accfin-cafr.html.

Note 16. Cumulative Effect of a Change in Accounting Principle

During fiscal year 2018, the college implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This statement establishes standards for the measurement, recognition, and display of the OPEB liability and related expenses, deferred inflows of resources, deferred outflows of resources, note disclosures, and required supplementary information. The implementation of GASB Statement 75 resulted in a cumulative adjustment to beginning net position of ($886,684.52).

Note 17. Subsequent Events

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state, and local authorities resulting in an overall decline in economic activity. The college's management is currently evaluating the financial and enrollment impacts of the virus on Nashville State Community College. Since the outbreak began after the financial statement reporting periods presented herein, the statements and notes do not include any adjustments that might result from the outcome of this uncertainty.

Note 18. Component Unit

The Nashville State Community College Foundation is a legally separate, tax-exempt organization supporting Nashville State Community College. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 22-member board of the foundation is self-perpetuating and consists of graduates and friends of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

The foundation is a nonprofit organization that reports under Financial Accounting Standards Board standards. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the college's financial statements for these differences.

During the year ended June 30, 2019, the foundation made distributions of $11,033.50 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2018, the foundation made distributions of $1,012,773.35 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Mary M. Cross, Vice President of Finance and Administrative Services, Nashville State Community College, 120 White Bridge Road, Nashville, TN 37209.

Fair Value Measurements

The foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1); inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2); or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for assets at June 30, 2019, and at June 30, 2018.

	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets:					
Fixed, balanced, and international mutual funds	$431,147.02	$431,147.02	$ -	$ -	$ -
Equity mutual funds	294,583.17	294,583.17	-	-	-
Total assets	$725,730.19	$725,730.19	$ -	$ -	$ -

	June 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets:					
Fixed, balanced, and international mutual funds	$276,465.42	$276,465.42	$ -	$ -	$ -
Equity mutual funds	345,124.80	345,124.80	-	-	-
Total assets	$621,590.22	$621,590.22	$ -	$ -	$ -

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, money market funds, and Local Government Investment Pool funds.

Investments

Investments are recorded on the date of contribution and are stated at fair value. Unrealized gains and losses are determined by the difference between fair values at the beginning and end of the year.

Investments held at June 30, 2019, were as follows:

	Cost	Fair Value
Fixed, balanced, and international mutual funds	$422,188.66	$431,147.02
Equity mutual funds	265,597.83	294,583.17
Total investments	$687,786.49	$725,730.19

Investments held at June 30, 2018, were as follows:

	Cost	Fair Value
Fixed, balanced, and international mutual funds	$348,874.98	$345,124.80
Equity mutual funds	254,212.70	276,465.42
Total investments	$603,087.68	$621,590.22

Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of net position date, comprise the following:

	At June 30, 2019
Cash and cash equivalents	$ 54,443.66
Total	$ 54,443.66

The foundation's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment has a spending rate of 0%. $54,443.66 from the quasi-endowment will be available within the next 12 months.

The foundation does not have a liquidity management plan.

Endowments

The Nashville State Community College Foundation's endowments consist of 14 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, is classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of the Nashville State Community College Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as being required to preserve the historic dollar value of the original gift with consideration to any donor stipulations that may apply. As a result of this interpretation, the Nashville State Community College Foundation classifies as permanently restricted net position 1) the original value of gifts donated to the permanent endowment; 2) the original value of subsequent gifts to the permanent endowment; and 3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until the foundation appropriates those amounts for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of the foundation and the endowment fund; 3) the general economic conditions; 4) the possible effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) the other resources of the foundation; and 7) the investment policies of the foundation.

Composition of Endowment by Net Position Class
As of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$54,443.66	$ -	$ 54,443.66
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	615,850.14	615,850.14
Accumulated investment gains	-	57,115.39	57,115.39
Term endowment	-	-	-
Total funds	$54,443.66	$672,965.53	$727,409.19

Composition of Endowment by Net Position Class
As of June 30, 2018

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$564,746.89	$32,777.74	$(4,523.24)	$593,001.39
Board-designated endowment funds	-	-	52,430.17	52,430.17
Total funds	$564,746.89	$32,777.74	$47,906.93	$645,431.56

Changes in Endowment Net Position
As of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$52,430.17	$593,001.39	$645,431.56
Investment return, net	3,013.49	36,614.14	39,627.63
Contributions	-	50,000.00	50,000.00
Appropriation of endowment assets for expenditure	(1,000.00)	(6,650.00)	(7,650.00)
Endowment net assets, end of year	$54,443.66	$672,965.53	$727,409.19

Changes in Endowment Net Position
For the Fiscal Year Ended June 30, 2018

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$446,712.65	$25,287.50	$50,064.03	$522,064.18
Investment return:				
Investment income	324.48	4,933.89	1,934.21	7,192.58
Net appreciation (realized and unrealized)	-	6,656.35	(1,841.31)	4,815.04
Total investment return	324.48	11,590.24	92.90	12,007.62
Contributions	117,709.76	-	-	117,709.76
Appropriations of endowment assets for expenditure	-	(4,100.00)	(2,250.00)	(6,350.00)
Endowment net position, end of year	$564,746.89	$32,777.74	$47,906.93	$645,431.56

Underwater endowment funds – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the foundation to retain as a fund of perpetual duration. Deficiencies of this nature exist in one donor-restricted endowment fund, which has an amount required to be maintained by donor stipulations of $50,382.01; a current value of $50,134.09; and a deficiency of $247.92 as of June 30, 2019. Deficiencies of this nature totaled $4,523.24 as of June 30, 2018. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the foundation's board.

Return objectives and risk parameters – The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that achieve a proper mix of safety of principal, current income, liquidity, and growth. The foundation expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually, or 4% plus current inflation rate. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk restraints.

Spending policy and how the investment objectives relate – The foundation has a policy of appropriating for distribution each year only a portion of the investment income (including changes in the value of the investments). In establishing this policy, the foundation considered the long-term expected return on its endowment. Under the spending plan established by the foundation for endowments with a base of more than $10,000, 95% of investment earnings, on endowments not otherwise specifying spending plan, are available for allocation. The remaining amount, if any, is added to the endowment base. On endowments with a balance of less than $10,000, all earnings are added to the base endowment. In establishing this policy, the foundation considered the long-term expected return on its endowment. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Natural Classifications With Functional Classifications

The foundation's operating expenses by functional classification for the year ended June 30, 2019, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Program services	$133,534.22	$33,383.55	$37,181.12	$201,335.27	$ -	$405,434.16
Support activities	52,512.91	13,128.23	40,603.98	-	-	106,245.12
Total	$186,047.13	$46,511.78	$77,785.10	$201,335.27	$ -	$511,679.28

Support From Nashville State Community College

The college paid certain payroll costs for college personnel who also performed services supporting the foundation amounting to $232,558.91 in fiscal year 2019 and $162,278.69 in fiscal year 2018. These supporting costs paid by the college are reflected in the statement of revenues, expenses, and changes in net position as college support, with a like amount included in expenses. The college provides office space and the use of certain common facilities and services to the foundation at no cost. These costs, totaling 24,862.50 and 26,520.00 for the years ended June 30, 2019, and June 30, 2018, respectively, have been recorded as college support because they are considered to be significant to the operations of the foundation.

Change in Accounting Principle

During fiscal year 2019, the foundation implemented the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update improved the usefulness of information provided to donors and other users of the financial statements and addressed liquid and financial flexibility. The ASU was applied prospectively.

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

Schedule of Nashville State Community College's Proportionate Share of the Net Pension Liability

Closed State and Higher Education Employee Pension Plan Within TCRS

	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.415342%	$6,709,482.00	$ 9,611,308.11	69.81%	90.26%
2018	0.398310%	7,128,158.00	9,555,646.00	74.60%	88.88%
2017	0.426060%	7,773,743.00	10,402,355.00	74.73%	87.96%
2016	0.427533%	5,512,105.00	11,702,568.00	47.10%	91.26%
2015	0.428364%	2,955,490.00	11,163,827.93	26.47%	95.11%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

Tennessee Board of Regents
Nashville State Community College
Required Supplementary Information
Schedule of Nashville State Community College's Proportionate Share of the Net Pension Asset
State and Higher Education Employee Retirement Plan Within TCRS

	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Asset	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.450963%	$173,950.37	$3,291,557.09	5.28%	132.39%
2018	0.481151%	99,783.31	2,486,636.68	4.01%	131.51%
2017	0.511220%	43,068.00	1,575,065.00	2.73%	130.56%
2016	0.397984%	11,068.00	437,903.00	2.53%	142.55%

1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until 10 years of information is available.

Tennessee Board of Regents
Nashville State Community College
Required Supplementary Information
Schedule of Nashville State Community College's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 1,902,739.72	$1,902,739.72	$ -	$ 9,894,643.00	19.23%
2018	1,813,654.00	1,813,654.00	-	9,611,308.00	18.87%
2017	1,435,258.00	1,435,258.00	-	9,555,646.00	15.02%
2016	1,562,015.00	1,562,015.00	-	10,402,355.00	15.03%
2015	1,758,895.00	1,758,895.00	-	11,702,568.00	15.03%
2014	1,677,923.78	1,677,923.78	-	11,163,827.93	15.03%
2013	1,699,230.00	1,699,230.00	-	11,305,588.82	15.03%
2012	1,719,887.55	1,719,887.55	-	11,535,127.77	14.91%
2011	1,498,285.10	1,498,285.10	-	10,048,860.50	14.91%
2010	1,270,102.61	1,270,102.61	-	9,755,012.37	13.02%

Notes to Schedule:

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

Schedule of Nashville State Community College's Contributions

State and Higher Education Employee Retirement Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 62,898.19	$ 62,898.19	$ -	$3,789,062.93	1.66%
2018	129,258.00	129,258.00	-	3,291,557.09	3.93%
2017	98,438.00	98,438.00	-	2,486,636.68	3.96%
2016	60,955.00	60,955.00	-	1,575,065.00	3.87%
2015	16,946.85	16,946.85	-	437,903.00	3.87%

Notes to Schedule:

Changes of assumptions: In 2017, the following assumptions were changed: decreased inflation rate from 3% to 2.5%; decreased the investment rate of return from 7.5% to 7.25%; decreased the cost-of-living adjustment from 2.5% to 2.25%; decreased salary growth graded ranges from an average of 4.25% to an average of 4%; and modified mortality assumptions.

1) This is a 10-year schedule; however, contributions to this plan began in 2015. Years will be added to this schedule in future years until 10 years of information is available.

2) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated year.

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

Schedule of Nashville State Community College's Proportionate Share of the Collective Total OPEB Liability

Closed State Employee Group OPEB Plan

	2019	2018
College's proportion of the collective total OPEB liability	0.334776%	0.285363%
College's proportionate share of the collective total OPEB liability	$4,637,443	$3,831,111
College's covered-employee payroll	$12,252,345	$14,394,298
College's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	37.85%	26.62%

1) As of the measurement date, there were no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement 75 related to this OPEB plan.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

3) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

Schedule of Nashville State Community College's Proportionate Share of the Collective Total OPEB Liability

Closed Tennessee OPEB Plan

	2019	2018
College's proportion of the collective total OPEB liability	0.0%	0.0%
College's proportionate share of the collective total OPEB liability	$ -	$ -
Primary government's proportionate share of the collective total OPEB liability	698,619	713,254
Total OPEB liability associated with the college	$ 698,619	$ 713,254
College's covered-employee payroll	$ 14,749,585	$ 14,394,298
College's proportionate share of the collective total OPEB liability as a percentage of its covered-employee payroll	0.0%	0.0%

1) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement 75 related to this OPEB plan.

2) This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

3) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.

Supplementary Information
NASHVILLE STATE COMMUNITY COLLEGE FOUNDATION
Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2019, and June 30, 2018

	Year Ended June 30, 2019	Year Ended June 30, 2018
Cash flows from operating activities		
Gifts and contributions	$ 457,136.89	$ 247,088.18
Payments to suppliers and vendors	(41,930.57)	(56,180.58)
Payments for scholarships and fellowships	(201,335.27)	(192,413.65)
Payments to Nashville State Community College	(11,033.50)	(1,012,773.35)
Net cash provided by (used for) operating activities	202,837.55	(1,014,279.40)
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	50,000.00	117,709.76
Net cash provided by noncapital financing activities	50,000.00	117,709.76
Cash flows from investing activities		
Proceeds from sales and maturities of investments	257,149.31	185,096.73
Income on investments	14,277.91	15,610.18
Purchases of investments	(333,620.76)	(359,844.32)
Net cash used for investing activities	(62,193.54)	(159,137.41)
Net increase (decrease) in cash and cash equivalents	190,644.01	(1,055,707.05)
Cash and cash equivalents - beginning of year	652,922.03	1,708,629.08
Cash and cash equivalents - end of year	$ 843,566.04	$ 652,922.03
Reconciliation of operating loss to net cash provided by (used for) operating activities:		
Operating loss	$ (54,542.39)	$ (1,203,529.34)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:		
Other adjustments	257,421.41	188,798.69
Change in assets and liabilities:		
Accounts payable	24.02	451.25
Accrued liabilities	(65.49)	-
Net cash provided by (used for) operating activities	$ 202,837.55	$ (1,014,279.40)
Noncash investing, capital, and financing activities		
Unrealized gains on investments	$ 14,982.17	$ 1,278.64

Justin P. Wilson
Comptroller

Jason E. Mumpower
Deputy Comptroller

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Honorable Bill Lee, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Shanna L. Jackson, President

We have audited the financial statements of Nashville State Community College, an institution of the State University and Community College System of Tennessee, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2019, and June 30, 2018, and the related notes to the financial statements, which collectively comprise the college's basic financial statements, and have issued our report thereon dated October 9, 2020. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the college's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control. Accordingly, we do not express an opinion on the effectiveness of the college's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Cordell Hull Building | 425 Fifth Avenue North | Nashville, Tennessee 37243

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, as described below, that we consider to be a significant deficiency.

- Nashville State Community College did not have adequate controls to ensure the accurate reporting of the dollar value of unused sick leave at June 30, 2018.

This deficiency is described in the Finding and Recommendation section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the college's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Nashville State Community College's Response to Finding

The college's response to the finding identified in our audit is included in the Finding and Recommendation section of this report. The college's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katherine J. Stickel

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
October 9, 2020

Finding and Recommendation

<u>Nashville State Community College did not have adequate controls to ensure the accurate reporting of the dollar value of unused sick leave at June 30, 2018</u>

<u>Condition</u>

Nashville State Community College did not have adequate internal controls to ensure the sick leave contingency at June 30, 2018, was fairly stated in the notes to the financial statements.

<u>Criteria</u>

Management is responsible for the preparation and fair presentation of the college's financial statements and accompanying notes in accordance with accounting principles generally accepted in the Unites States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free of material misstatement.

Section 9-18-102, *Tennessee Code Annotated*, states:

> (a) Each agency of state government and institution of higher education . . . shall establish and maintain internal controls, which shall provide reasonable assurance that:
>
> (1) Obligations and costs are in compliance with applicable law;
>
> (2) Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
>
> (3) Revenues and expenditures are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets.

In addition, according to the Governmental Accounting Standards Board (GASB), financial reporting should be reliable, and this reliability requires estimates that are reasonable (GASB Concept Statement 1, paragraph 64).

<u>Cause</u>

The college calculates the value of unused sick leave reported in the commitments and contingencies note by multiplying accumulated leave balances of eligible, full-time employees by their hourly pay rates as of fiscal year-end. The report that the college used to determine the accumulated leave balances and hourly rates at year-end contained errors. The report incorrectly included four staff members who changed from full-time to adjunct status and, therefore, no longer accrue sick leave. Because these four staff members were adjunct, their pay for the entire pay period, rather than the hourly rate, was listed on the report and used in the leave calculation.

Effect

As a result of this error, Nashville State Community College overstated the value of unused sick leave reported in the notes to the financial statements at June 30, 2018, by $1,579,780.46. The audited notes to the financial statements were corrected.

Recommendation

Management should ensure adequate internal controls exist to prevent or detect errors in a timely manner. Management should adequately review reports used in the calculation of reported amounts to ensure the fair presentation of the financial statements and notes to the financial statements.

Although the accounting staff did not detect the error prior to the issuance of the 2018 financial statements, staff did detect and correct the error prior to issuance of the 2019 statements.

Management's Comment

We concur with the finding. This item was corrected and correctly reported fiscal year 2019. A control has been implemented to review significant changes in year-over-year balances.

Observation and Comment

<u>Colleges of Applied Technology</u>

During the fiscal year ended June 30, 2018, Nashville State Community College served as the lead institution under agreements with the Tennessee College of Applied Technology at Dickson and the Tennessee College of Applied Technology at Nashville. Under these agreements, Nashville State Community College performed the accounting and reporting functions for the colleges. The chief administrative officer of each college is the president, who is assisted and advised by members of the faculty and administrative staff. Each president is responsible to the chancellor of the Tennessee Board of Regents. However, as of July 1, 2018, the Tennessee Board of Regents System Office's Shared Services Center performs the accounting and reporting functions; payroll function; and purchasing and procurement functions for these colleges. During the fiscal year ended June 30, 2019, the student data management function was transferred from the Tennessee Colleges of Applied Technology to the Shared Services Center.