State of Tennessee
Comptroller of the Treasury

Tennessee Board of Regents
Nashville State Community College

Financial and Compliance Audit Report

For the Years Ended June 30, 2017, and June 30, 2016

Justin P. Wilson, Comptroller

Division of State Audit

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TENNESSEE COMPTROLLER OF THE TREASURY

JUSTIN P. WILSON
Comptroller

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Chief of Staff

December 4, 2018

The Honorable Bill Haslam, 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, 2017, and June 30, 2016. 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,

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit

18/039

Audit Report
Tennessee Board of Regents
Nashville State Community College
For the Years Ended June 30, 2017, and June 30, 2016

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State of Tennessee

Audit Highlights

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, 2017, and June 30, 2016

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

When students withdrew from class, the college did not return all unearned funds timely to the U.S. Department of Education

Financial aid personnel did not return Title IV funds to the U.S. Department of Education in a timely manner for students who withdrew from classes during the fiscal year ended June 30, 2018. The college returned these funds from 47 to 55 days after determination of the student's withdrawal (2 to 10 days late). See further details of the finding on page 57.

Justin P. Wilson
Comptroller

Jason E. Mumpower
Chief of Staff

Independent Auditor's Report

The Honorable Bill Haslam, 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, 2017, and June 30, 2016, 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

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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 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, 2017, and June 30, 2016; 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, 2017, and June 30, 2016, 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.

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 49; 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 50; the schedule of Nashville State Community College's contributions – Closed State and Higher Education Employee Pension Plan within TCRS on page 51; the schedule of Nashville State Community College's contributions – State and Higher Education Employee Retirement Plan within TCRS on page 52; and the other postemployment benefits schedule of funding progress on page 53 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 54 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 September 10, 2018, 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.

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit
September 10, 2018

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

Introduction

This section of Nashville State Community College's financial report presents a discussion and analysis of the financial performance of the college during the fiscal years ended June 30, 2017, and June 30, 2016, with comparative information presented for the year ended June 30, 2015. This discussion has been prepared by management along with the basic financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the notes to the financial statements.

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 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 have 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, 2017; June 30, 2016; and June 30, 2015.

Summary of Net Position
(in thousands of dollars)

	2017	2016	2015
Assets:			
Current assets	$ 45,249	$ 34,646	$ 29,503
Capital assets, net	76,259	71,477	73,267
Other assets	26,738	34,823	38,085
Total assets	148,246	140,946	140,855
Deferred outflows of resources			
Deferred loss on debt refunding	15	19	22
Deferred outflow related to pensions	3,858	2,207	1,694
Total deferred outflows of resources	3,873	2,226	1,716
Liabilities:			
Current liabilities	9,753	8,922	8,567
Noncurrent liabilities	11,749	9,294	6,691
Total liabilities	21,502	18,216	15,258
Deferred inflows of resources			
Deferred inflows related to pensions	444	1,201	4,258
Total deferred inflows of resources	444	1,201	4,258

Net position:			
Net investment in capital assets	76,259	71,477	73,267
Restricted – nonexpendable	5	5	5
Restricted – expendable	734	570	686
Unrestricted	53,175	51,703	49,097
Total net position	$130,173	$123,755	$123,055

Comparison of FY 2017 to FY 2016

- Capital assets and net investment in capital assets increased due to the purchase of the East Davidson campus.
- Deferred outflows of resources increased and deferred inflow of resources decreased due to differences between actual experience and actuarial assumptions for pensions.
- Other assets decreased due to a reduction in long-term cash related to capital projects.
- Current liabilities increased due to two major factors. In fiscal year 2017, deposits held in custody for others increased approximately $1.5 million. The increase in deposits held in custody for others was offset by a decrease of approximately $461 thousand in accrued liabilities related to payroll accruals. In addition, the decrease in unclaimed property of $345 thousand represents the return of unclaimed financial aid checks to the U.S. Department of Education.
- Noncurrent liabilities increased $2.2 million in fiscal year 2017 due to changes in the net pension liability.
- Unrestricted net position increased due to conserving funds for off-campus development, along with conserving funds for renewal and replacement for equipment.

Comparison of FY 2016 to FY 2015

- Capital asset and net investment in capital assets decreased due to the transfer of the Cookeville building, land, and other capital assets to Tennessee Technological University. The decrease was offset by additions related to the completion of a new academic and support building on the main campus and the completion of the second floor at the southeast campus.
- Deferred outflow of resources increased and deferred inflow of resources decreased due to differences between actual experience and actuarial assumptions for pensions.
- Other assets decreased due to a reduction in long-term cash related to capital projects.
- Noncurrent liabilities increased $2.5 million in fiscal year 2016 due to changes in the net pension liability.
- 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.

The following table summarizes the college's revenues, expenses, and changes in net position for the years ended June 30, 2017; June 30, 2016; and June 30, 2015.

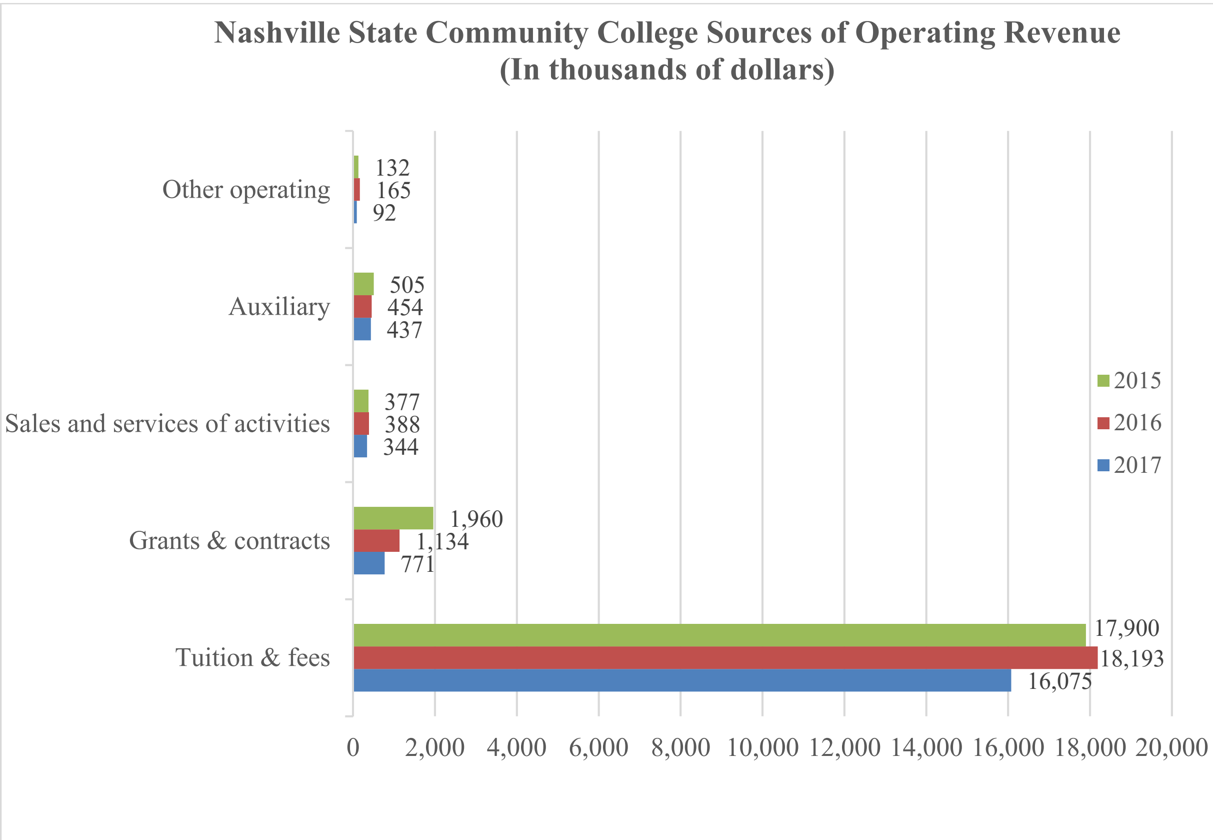
Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2017	2016	2015
Operating revenues:			
Net tuition and fees	$ 16,075	$ 18,193	$17,900
Grants and contracts	771	1,134	1,960
Auxiliary	437	454	505
Other	436	553	509
Total operating revenues	17,719	20,334	20,874
Operating expenses:			
Salaries	21,832	22,525	22,234
Benefits	7,441	6,776	6,542
Utilities, supplies, and other services	8,991	11,585	9,116
Scholarships	12,453	14,863	13,750
Depreciation	2,192	2,241	1,942
Operating loss	(35,190)	(37,656)	(32,710)
Nonoperating revenues and expenses	41,499	36,640	40,591
Income (loss) before other revenues, expenses, gains, or losses	6,309	(1,016)	7,881
Other revenues, expenses, gains, or losses	109	1,716	10,724
Increase in net position	6,418	700	18,605
Net position at beginning of year	123,755	123,055	111,224

Cumulative change in accounting principle	-	-	(6,774)
Net position at end of year	$130,173	$123,755	$123,055

Operating Revenues

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



Comparison of FY 2017 to FY 2016

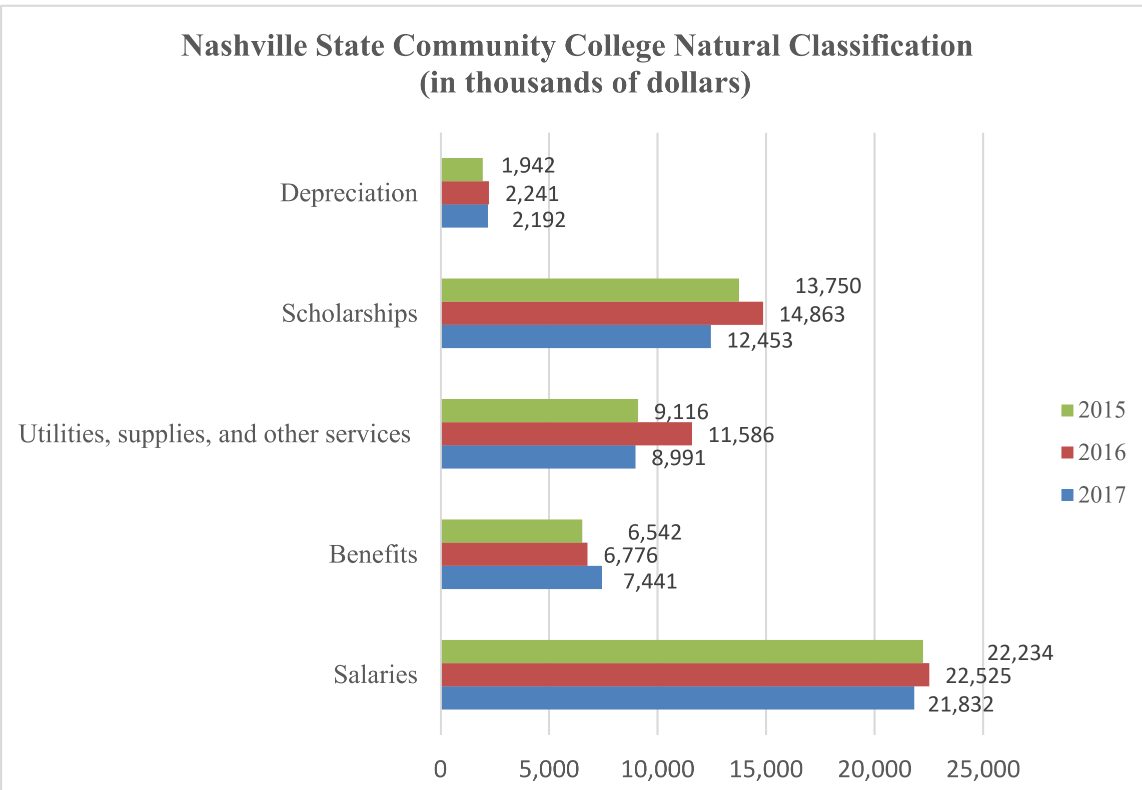
- Tuition and fees decreased due to a lower enrollment despite a rate increase of 2.6%.
- Grants and contracts decreased due to non-recurring funds received in fiscal year 2016 but not in fiscal year 2017 for the Leap M2S2 Mechatronic Grant and NTC's Leap IT Collaborative Grant.

Comparison of FY 2016 to FY 2015

- Tuition and fees improved due to a rate increase of 3.4% and an increase in enrollment.
- Grants and contracts decreased due to non-recurring funds received in fiscal year 2015 but not in fiscal year 2016 for the Mechatronic Grant.

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 FY 2017 to FY 2016

- Salaries decreased due to a combination of faculty retirements, unfilled positions, and less need for temporary workers.
- Benefits increased due to an increase in pension expense and higher premiums for insurance.

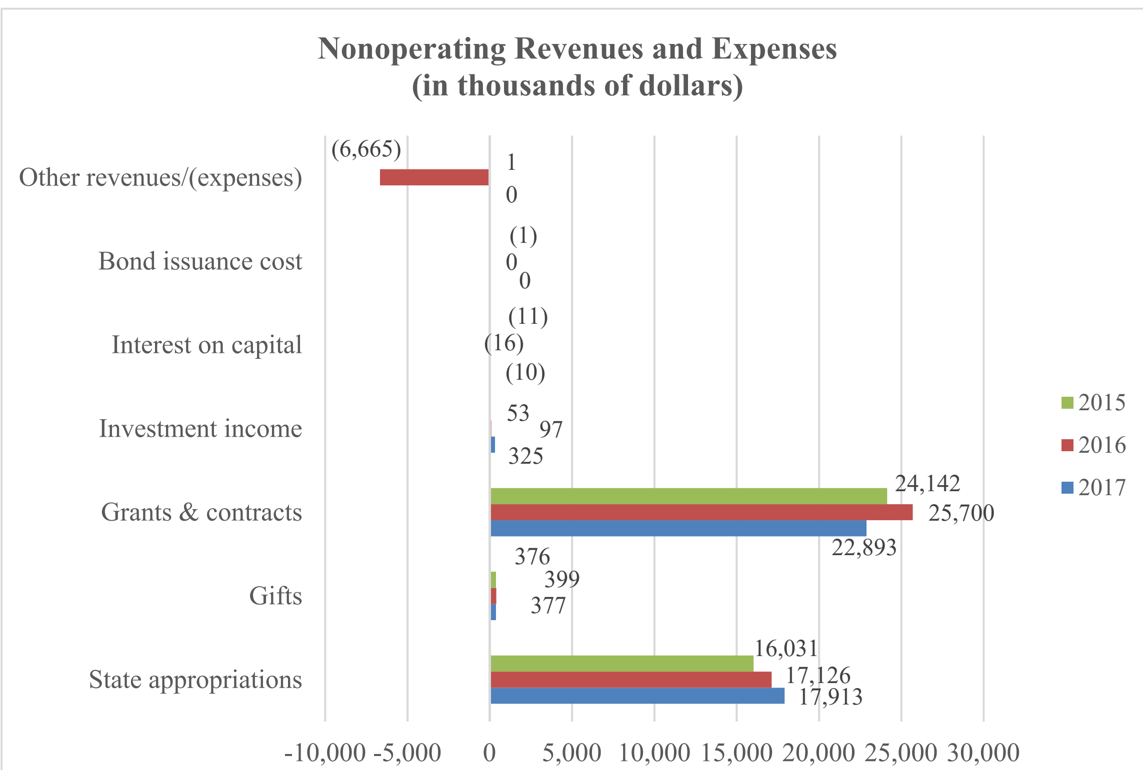
- Utilities, supplies, and other services decreased due to lower spending on supplies and building maintenance.
- Scholarships decreased due to lower student enrollment despite a tuition rate increase.

Comparison of FY 2016 to FY 2015

- Utilities, supplies, and other services increased due to the new opening of the academic and support building on the main campus and the second floor at the southeast campus.
- Depreciation expense increased due to the addition of new capital assets.
- Scholarships increased due to tuition rate increases.

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 FY 2017 to FY 2016

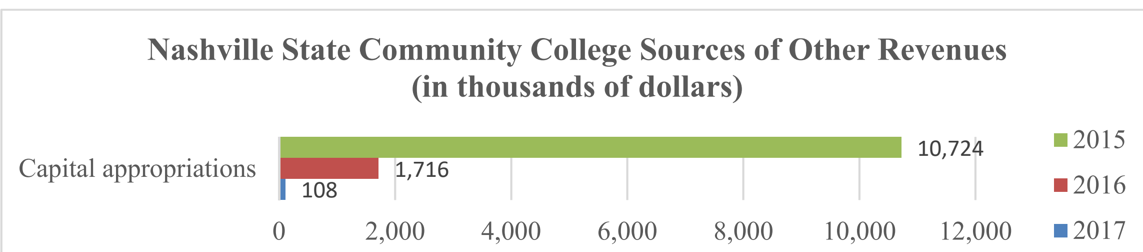
- State appropriations revenue increased due to impacts of applying the funding formula.
- Grants and contracts decreased due to less federal aid received related to our Title IV programs.
- Other nonoperating income/(expenses) increased related to the non-reoccurring loss from fiscal year 2016 transfer of the Cookeville building, land, and other capital assets to Tennessee Technological University.

Comparison of FY 2016 to FY 2015

- State appropriations revenue increased due to impacts of applying the funding formula.
- Grants and contracts revenue increased due to additional lottery scholarships introduced in fiscal year 2016 due to Tennessee Promise.
- Other nonoperating expenses increased due to the loss on transfer for the Cookeville building, land, and other capital assets to Tennessee Technological University.

Other Revenues

This category is composed of state appropriations for capital purposes. These amounts were as follows for the last three fiscal years:



Comparison of FY 2017 to FY 2016

- Capital appropriations decreased due to completion of the new academic and support building on the main campus. Capital outlay for the East Davidson campus was funded by unexpended plant funds.

Comparison of FY 2016 to FY 2015

- Capital appropriations decreased due to significant completion of the new academic and support building on the main campus.

Capital Assets and Debt Administration

Capital Assets

Nashville State Community College had $76,258,549.67 invested in capital assets, net of accumulated depreciation of $28,981,075.50 at June 30, 2017; $71,477,082.94 invested in capital assets, net of accumulated depreciation of $27,176,848.21 at June 30, 2016; and $73,267,546.67 invested in capital assets, net of accumulated depreciation of $27,804,003.93 at June 30, 2015. Depreciation charges totaled $2,192,109.40; $2,241,419.75; and $1,941,726.69 for the years ended June 30, 2017; June 30, 2016; and June 30, 2015, respectively.

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

	2017	2016	2015
Land	$ 5,803	$ 4,769	$ 5,706
Land improvements & infrastructure	4,577	4,684	4,949
Buildings	58,652	59,473	39,459
Equipment	2,134	2,328	2,257
Library holdings	228	223	206
Projects in progress	4,865	-	20,690
Total	$76,259	$71,477	$73,267

FY 2017

Significant additions to capital assets occurred in fiscal year 2017. These additions were from the purchase and renovation of the East Davidson Campus. Classes began fall 2017.

At June 30, 2017, outstanding commitments under construction contracts totaled $2,363,997.72 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $101,421.81 of these costs.

FY 2016

Significant additions to capital assets occurred in fiscal year 2016. These additions were due to the completion of a new academic and support building on the main campus, as well as the completion of the second floor at the southeast campus, and was offset by the transfer of the Cookeville building, land, and other capital assets to Tennessee Technological University.

At June 30, 2016, outstanding commitments under construction contracts totaled $63,898.00 for the southeast center roof replacement and the new academic building, of which $6,944.89 will be funded by future state capital outlay appropriations.

Debt

The college had $301,960.33; $352,023.68; and $406,960.88 in debt outstanding at June 30, 2017; June 30, 2016; and June 30, 2015, respectively. The table below summarizes these amounts by type of debt instrument.

Description of Debt	2017	2016	2015
TSSBA Bonds due 2022	$301,960.33	$352,023.68	$406,960.88

The Tennessee State School Bond Authority (TSSBA) issued bonds with interest rates ranging from 3% 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 $53,562.36; $50,063.35; and $54,937.20 in current portion debt outstanding at June 30, 2017; June 30, 2016; and June 30, 2015, respectively.

The ratings on debt issued by the TSSBA at June 30, 2017, 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 8 to the financial statements.

Economic Factors That Will Affect the Future

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

- Student maintenance fee tuition will increase by 2.6% in fiscal year 2018.
- State appropriation funding will increase in fiscal year 2018 by $2,095,400 (11.8%).
- Student enrollment is anticipated to decrease due to the improving economy.

Requests for Information

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the college's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Mary M. Cross, Vice President of Finance and Administrative Services, Nashville State Community College, 120 White Bridge Road, Nashville, Tennessee 37209.

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2017, and June 30, 2016

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Assets				
Current assets:				
Cash and cash equivalents (Notes 2, 3, 4, and 18)	$ 43,128,208.88	$ 32,048,777.25	$ 1,633,931.91	$ 673,144.00
Accounts, notes, and grants receivable (net) (Note 5)	1,819,349.69	2,173,299.15	-	-
Due from primary government	132,116.03	196,156.37	-	-
Prepaid expenses	169,038.92	227,843.84	-	-
Total current assets	45,248,713.52	34,646,076.61	1,633,931.91	673,144.00
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, 4, and 18)	26,694,652.76	34,811,535.56	74,697.17	10,029.90
Investments (Notes 18)	-	-	442,027.96	424,925.77
Net pension asset (Note 10)	43,068.00	11,068.00	-	-
Capital assets (net) (Note 6)	76,258,549.67	71,477,082.94	-	-
Total noncurrent assets	102,996,270.43	106,299,686.50	516,725.13	434,955.67
Total assets	148,244,983.95	140,945,763.11	2,150,657.04	1,108,099.67
Deferred outflows of resources				
Deferred amount on debt refunding	15,458.03	18,549.65	-	-
Deferred outflows related to pensions (Note 10)	3,857,858.00	2,206,883.00	-	-
Total deferred outflows of resources	3,873,316.03	2,225,432.65	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 7)	861,890.76	1,552,867.76	175.92	159,412.78
Accrued liabilities	1,296,097.71	1,758,018.27	-	-
Due to primary government	698,215.73	-	-	-
Student deposits	4,002.50	1,567.50	-	-
Unearned revenue	1,498,126.00	1,542,702.89	-	-
Compensated absences (Note 8)	147,272.38	323,591.67	-	-
Accrued interest payable	2,427.07	4,149.18	-	-
Long-term liabilities, current portion (Note 8)	53,562.36	50,063.35	-	-
Deposits held in custody for others	5,191,144.42	3,688,616.59	-	-
Total current liabilities	9,752,738.93	8,921,577.21	175.92	159,412.78
Noncurrent liabilities:				
Net OPEB obligation (Note 11)	2,798,051.48	2,759,931.82	-	-
Net pension liability (Note 10)	7,773,743.00	5,512,105.00	-	-
Compensated absences (Note 8)	894,332.27	678,354.72	-	-
Long-term liabilities (Note 8)	282,894.57	343,356.25	-	-
Total noncurrent liabilities	11,749,021.32	9,293,747.79	-	-
Total liabilities	21,501,760.25	18,215,325.00	175.92	159,412.78
Deferred inflows of resources				
Deferred inflows related to pensions (Note 10)	443,816.00	1,201,170.00	-	-
Total deferred inflows of resources	443,816.00	1,201,170.00	-	-
Net position				
Net investment in capital assets	76,258,549.67	71,477,082.94	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	4,739.67	4,739.67	396,712.27	390,661.35
Instructional department uses	-	-	50,000.00	-
Expendable:				
Scholarships and fellowships	120,246.20	106,809.30	288,125.75	273,105.93
Instructional department uses	171,388.70	48,907.61	19,734.51	12,209.07
Pension	43,068.00	11,068.00	-	-
Other	400,023.54	403,414.78	1,123,773.10	92,185.87
Unrestricted	53,174,707.95	51,702,678.46	272,135.49	180,524.67
Total net position	$ 130,172,723.73	$ 123,754,700.76	$ 2,150,481.12	$ 948,686.89

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, 2017, and June 30, 2016

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2017	Year Ended June 30, 2016
Revenues				
Operating revenues:				
Student tuition and fees (Note 12)	$ 16,075,429.83	$ 18,192,846.91	$ -	$ -
Gifts and contributions	-	-	1,273,899.66	249,712.51
Governmental grants and contracts	484,650.57	1,100,042.03	-	-
Nongovernmental grants and contracts	286,630.40	34,336.64	-	-
Sales and services of educational activities	5,308.95	8,990.60	-	-
Sales and services of other activities	339,076.70	378,925.12	-	-
Auxiliary enterprises: Bookstore	437,092.27	453,535.16	-	-
Other operating revenues	91,871.11	165,137.95	-	-
Total operating revenues	17,720,059.83	20,333,814.41	1,273,899.66	249,712.51
Expenses				
Operating expenses (Note 16):				
Salaries and wages	21,831,775.35	22,525,229.47	120,466.52	100,018.04
Benefits	7,440,762.76	6,776,344.20	30,116.63	25,004.51
Utilities, supplies, and other services	8,990,843.61	11,585,611.32	66,376.01	100,109.30
Scholarships and fellowships	12,452,596.03	14,862,767.59	109,319.80	250,073.69
Depreciation expense	2,192,109.40	2,241,419.75	-	-
Payments to or on behalf of Nashville State Community College (Note 18)	-	-	23,337.94	78,685.83
Total operating expenses	52,908,087.15	57,991,372.33	349,616.90	553,891.37
Operating income (loss)	(35,188,027.32)	(37,657,557.92)	924,282.76	(304,178.86)
Nonoperating revenues (expenses)				
State appropriations	17,912,737.50	17,126,087.50	-	-
Gifts (including $23,337.94 from component unit for the year ended June 30, 2017, and $78,685.83 for the year ended June 30, 2016)	376,698.36	399,356.57	-	-
Grants and contracts	22,892,498.55	25,699,009.60	-	-
Investment income (expense) (net of investment expense of $4,056.50 for the component unit for the year ended June 30, 2017, and $1,069.75 for the year ended June 30, 2016)	325,457.77	97,038.74	26,608.32	(9,390.18)
Interest on capital asset-related debt	(9,783.54)	(15,559.63)	-	-
College support	-	-	177,103.15	151,542.55
Loss on disposal of capital assets	-	(6,665,462.14)	-	-
Total nonoperating revenues	41,497,608.64	36,640,470.64	203,711.47	142,152.37
Income (loss) before other revenues, expenses, gains, or losses	6,309,581.32	(1,017,087.28)	1,127,994.23	(162,026.49)
Capital appropriations	108,441.65	1,715,964.31	-	-
Additions to permanent endowments	-	-	73,800.00	13,468.00
Total other revenues	108,441.65	1,715,964.31	73,800.00	13,468.00
Increase (decrease) in net position	6,418,022.97	698,877.03	1,201,794.23	(148,558.49)
Net position - beginning of year	123,754,700.76	123,055,823.73	948,686.89	1,097,245.38
Net position - end of year	$ 130,172,723.73	$ 123,754,700.76	$ 2,150,481.12	$ 948,686.89

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, 2017, and June 30, 2016

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash flows from operating activities		
Tuition and fees	$ 16,248,559.82	$ 17,827,924.46
Grants and contracts	1,060,914.03	1,297,358.98
Sales and services of educational activities	5,308.95	8,990.60
Sales and services of other activities	339,076.70	378,925.12
Payments to suppliers and vendors	(9,274,344.36)	(11,477,416.13)
Payments to employees	(21,997,196.65)	(22,737,037.63)
Payments for benefits	(7,522,108.34)	(7,663,105.48)
Payments for scholarships and fellowships	(12,452,596.03)	(14,862,767.59)
Auxiliary enterprise charges:		
Bookstore	437,092.27	453,535.16
Other receipts	91,871.11	165,137.95
Net cash used for operating activities	(33,063,422.50)	(36,608,454.56)
Cash flows from noncapital financing activities		
State appropriations	17,859,300.00	17,099,200.00
Gifts and grants received for other than capital or endowment purposes, including $23,337.94 from Nashville State Community College Foundation for the year ended June 30, 2017, and $78,685.83 for the year ended June 30, 2016	23,269,196.91	26,098,366.17
Federal student loan receipts	13,826,676.00	17,698,692.00
Federal student loan disbursements	(13,826,676.00)	(17,698,692.00)
Changes in deposits held for others	1,502,527.83	705,538.39
Principal paid on noncapital debt	(53,871.05)	(58,744.90)
Interest paid on noncapital debt	(11,505.65)	(14,454.08)
Net cash provided by noncapital financing activities	42,565,648.04	43,829,905.58
Cash flows from capital and related financing activities		
Proceeds from sale of capital asset	260,672.98	9,278.00
Purchase of capital assets and construction	(7,125,807.46)	(5,409,731.85)
Net cash used for capital and related financing activities	(6,865,134.48)	(5,400,453.85)
Cash flows from investing activities		
Income on investments	325,457.77	97,038.74
Net cash provided by investing activities	325,457.77	97,038.74
Net increase in cash and cash equivalents	2,962,548.83	1,918,035.91
Cash and cash equivalents - beginning of year	66,860,312.81	64,942,276.90
Cash and cash equivalents - end of year	$ 69,822,861.64	$ 66,860,312.81

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2017, and June 30, 2016

	Year Ended June 30, 2017	Year Ended June 30, 2016
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (35,188,027.32)	$ (37,657,557.92)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Noncash operating expenses	2,215,946.90	2,268,307.25
Change in assets, liabilities, and deferrals:		
Receivables, net	389,298.99	62,084.03
Prepaid items	58,804.92	(8,253.36)
Net pension asset	(32,000.00)	(11,068.00)
Deferred outflows of resources - pensions	(1,650,975.00)	(512,012.37)
Net pension liability	2,261,638.00	2,556,615.00
Deferred inflows of resources - pensions	(757,354.00)	(3,057,235.00)
Accounts payable	(382,999.60)	17,606.86
Accrued liabilities	27,163.24	104,468.47
Unearned revenues	(44,576.89)	(416,218.69)
Compensated absences	39,658.26	44,809.17
Net cash used by operating activities	$ (33,063,422.50)	$ (36,608,454.56)
Noncash investing, capital, or financing transactions		
Loss on disposal of capital assets	$ -	$ 6,665,462.14
Capital appropriations received through TBR	$ 108,441.65	$ 1,715,964.31
Purchase of capital assets and construction paid through TBR	$ (108,441.65)	$ (1,715,964.31)

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*.

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 and 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, 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 dies or is absent because of illness, injury, or related family 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 works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over the 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 and Cash Equivalents

This classification includes demand deposits and petty cash on hand. At June 30, 2017, cash consisted of $9,223,148.75 in bank accounts, $1,900 of petty cash on hand, $58,443,362.62 in the Local Government Investment Pool (LGIP) administered by the State Treasurer, and $2,154,450.27 in LGIP deposits for capital projects. At June 30, 2016, cash consisted of $4,392,997.43 in bank accounts, $1,900 of petty cash on hand, $59,435,684.82 in the LGIP, and $3,029,730.56 in LGIP deposits for capital projects.

The LGIP, which is part of the State Pooled Investment Fund, is administered by the State Treasurer and is measured at amortized cost. There are no minimum or maximum limitations on withdrawals with the exception of a 24-hour notification period for withdrawals of $5 million or more. 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.

LGIP deposits for capital projects – Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate 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. Deposits

In accordance with the laws of the State of Tennessee, financial institutions have pledged securities as collateral for college funds on deposit. Financial institutions may participate in the bank collateral pool administered by the State Treasurer. For those financial institutions participating in the bank collateral pool, the required collateral accepted as security for deposits shall be collateral whose fair value is equal to 115% or 100% of the uninsured deposits. The pledge level is based on financial criteria set by the Collateral Pool Board with the financially strongest institutions being eligible for the lower pledge level. For all other financial institutions, the required collateral accepted as security for deposits shall be collateral whose fair value is equal to 105% of the uninsured deposits.

At June 30, 2017, $5,510,000 was on deposit with Grissim Title & Escrow for the purchase of the North Davidson County Campus. The entire $5,510,000 was uninsured and uncollateralized.

Note 4. 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 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, 2017, and June 30, 2016, 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 $60,597,812.89 at June 30, 2017, and $62,465,415.38 at June 30, 2016. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 5. Receivables

Receivables included the following:

	June 30, 2017	June 30, 2016
Student accounts receivable	$1,861,487.22	$2,556,524.92
Grants receivable	151,140.90	526,811.40
Other receivables	276,882.06	317,450.49
Subtotal	2,289,510.18	3,400,786.81
Less allowance for doubtful accounts	(470,160.49)	(1,227,487.66)
Total receivables	$1,819,349.69	$2,173,299.15

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 4,768,987.00	$1,033,750.28	$ -	$ -	$ 5,802,737.28
Land improvements and infrastructure	7,452,859.72	256,260.74	-	-	7,709,120.46
Buildings	79,348,982.93	3,796.81	545,466.00	-	79,898,245.74
Equipment	6,024,516.59	477,982.30	-	(623,330.54)	5,879,168.35
Library holdings	441,902.32	51,530.83	-	(25,224.56)	468,208.59
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	-	5,410,928.16	(545,466.00)	-	4,865,462.16
Total	98,653,931.15	7,234,249.12	-	(648,555.10)	105,239,625.17
Less accumulated depreciation /amortization:					
Land improvements and infrastructure	2,769,245.81	362,922.02	-	-	3,132,167.83
Buildings	19,875,460.89	1,371,005.90	-	-	21,246,466.79
Equipment	3,696,789.22	411,360.62	-	(362,657.56)	3,745,492.28
Library holdings	218,669.70	46,820.86	-	(25,224.55)	240,266.01
Intangible assets	616,682.59	-	-	-	616,682.59
Total	27,176,848.21	2,192,109.40	-	(387,882.11)	28,981,075.50
Capital assets, net	$71,477,082.94	$5,042,139.72	$ -	$(260,672.99)	$ 76,258,549.67

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 5,706,387.00	$ -	$ -	$ (937,400.00)	$ 4,768,987.00
Land improvements and infrastructure	7,367,597.27	-	85,262.45	-	7,452,859.72
Buildings	60,670,557.46	234,646.94	26,847,211.64	(8,403,433.11)	79,348,982.93
Equipment	5,638,988.60	588,010.49	-	(202,482.50)	6,024,516.59
Library holdings	380,917.81	60,984.51	-	-	441,902.32
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	20,690,419.87	6,242,054.22	(26,932,474.09)	-	-
Total	101,071,550.60	7,125,696.16	-	(9,543,315.61)	98,653,931.15
Less accumulated depreciation /amortization:					
Land improvements and infrastructure	2,419,136.82	350,108.99	-	-	2,769,245.81
Buildings	21,211,578.77	1,335,478.83	-	(2,671,596.71)	19,875,460.89
Equipment	3,382,126.24	511,641.74	-	(196,978.76)	3,696,789.22
Library holdings	174,479.51	44,190.19	-	-	218,669.70
Intangible assets	616,682.59	-	-	-	616,682.59

Total	27,804,003.93	2,241,419.75	-	(2,868,575.47)	27,176,848.21
Capital assets, net	$73,267,546.67	$ 4,884,276.41	$ -	$(6,674,740.14)	$71,477,082.94

Note 7. Accounts Payable

Accounts payable included the following:

	June 30, 2017	June 30, 2016
Vendors payable	$690,714.18	$ 928,935.23
Unapplied student payments	-	15,100.94
Unclaimed property payable	171,176.58	516,938.20
Other payables	-	91,893.39
Total accounts payable	$861,890.76	$1,552,867.76

Note 8. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 352,023.68	-	$ (50,063.35)	$ 301,960.33	$ 53,562.36
Unamortized bond premium	41,395.92	-	(6,899.32)	34,496.60	-
Subtotal	393,419.60	-	(56,962.67)	336,456.93	53,562.36
Other liabilities:					
Compensated absences	1,001,946.39	752,670.49	(713,012.23)	1,041,604.65	147,272.38
Total long-term liabilities	$1,395,365.99	$752,670.49	$(769,974.90)	$1,378,061.58	$ 200,834.74

Long-term liabilities activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 406,960.88	$ -	$ (54,937.20)	$ 352,023.68	$ 50,063.35
Unamortized bond premium	48,295.24	-	(6,899.32)	41,395.92	-
Subtotal	455,256.12	-	(61,836.52)	393,419.60	50,063.35
Other liabilities:					

Compensated absences	957,137.22	692,673.85	(647,864.68)	1,001,946.39	323,591.67
Total long-term liabilities	$1,412,393.34	$692,673.85	$(709,701.20)	$1,395,365.99	$373,655.02

TSSBA Debt – Bonds

Bonds, with interest rates ranging from 3% 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 9 for further details. The bonded indebtedness with the TSSBA included in long-term liabilities on the statement of net position is shown net of assets held by the authority in the debt service reserve and unexpended debt proceeds.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2017, are as follows:

Year Ending June 30	Principal	Interest	Total
2018	$ 53,562.36	$ 13,491.15	$ 67,053.51
2019	57,682.01	10,977.85	68,659.86
2020	60,298.81	8,028.33	68,327.14
2021	63,521.35	4,932.83	68,454.18
2022 - 2026	66,895.80	1,672.40	68,568.20
Total	$301,960.33	$39,102.56	$341,062.89

Note 9. Pledged Revenues

The college has pledged certain revenues and fees, including state appropriations, to repay $301,960.33 in revenue bonds issued August 2014 (see Note 8 for further details). 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, 2017, is $341,062.89. Principal and interest paid for fiscal year 2017 and total available revenues were $59,846.89 and $47,257,257.99, respectively. Principal and interest paid for fiscal year 2016 and total available revenues were $70,496.83 and $49,280,266.15, respectively.

Note 10. 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/tcrs.

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 non-contributory, 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, 2017, and June 30, 2016, to the Closed State and Higher Education Employee Pension Plan were $1,435,258 and $1,562,015, which is 15.02% and 15.03% 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, 2017, the college reported a liability of $7,773,743 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2016, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2016, measurement date, the college's proportion was 0.426059%.

At June 30, 2016, the college reported a liability of $5,512,105 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2015, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2015, measurement date, the college's proportion was 0.427533%. At June 30, 2014, the college's proportion was 0.428364%.

Pension expense – For the years ended June 30, 2017, and June 30, 2016, the college recognized pension expense of $1,332,584 and $589,915, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2017, and June 30, 2016, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 435,946	$ 413,065
Net difference between projected and actual earnings on pension plan investments	1,880,061	
Changes in proportion of net pension liability	-	24,203
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2016	1,435,258	-
Total	$ 3,751,265	$ 437,268

Fiscal Year 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 583,281	$ 477,257
Net difference between projected and actual earnings on pension plan investments	-	708,597
Changes in proportion of net pension liability	-	11,198
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2015	1,562,015	-
Total	$ 2,145,286	$ 1,197,052

Deferred outflows of resources, resulting from the college's employer contributions of $1,435,258 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2018. 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 Ended June 30	
2018	$ 91,239
2019	91,239
2020	1,150,114
2021	546,147
2022	-
Thereafter	-

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

Actuarial assumptions – The total pension liability was determined by actuarial valuations using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. 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, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012; (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation; and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return 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	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5% based on a blending of the three factors described above.

Discount rate – The discount rate used to measure the total pension liability was 7.5%. 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 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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	$15,276,973	$7,773,743	$ 1,446,796

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 service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest 5 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 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 credit. 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. 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, 2017, and June 30, 2016, to the State and Higher Education Employee Retirement Plan were $98,438 and $60,955 respectively, which is 3.96% and 3.87% 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 Assets, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension asset – At June 30, 2017, the college reported an asset of $43,068 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension asset 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, 2016, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2016, measurement date, the college's proportion was 0.511220%.

At June 30, 2016, the college reported an asset of $11,068 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, and the total pension asset 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, 2015, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2015, measurement date, the college's proportion was 0.397984%, representing the first-time presentation of this proportion.

Pension expense – For the years ended June 30, 2017, and June 30, 2016, the college recognized a pension expense of $23,872 and $9,180, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2017, and June 30, 2016, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,133	$ 4,628
Net difference between projected and actual earnings on pension plan investments	5,022	-
Changes in proportion of net pension asset	-	1,920
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2016	98,438	-
Total	$ 106,593	$ 6,548

Fiscal Year 2016	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,118
Net difference between projected and actual earnings on pension plan investments	642	-
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2015	60,955	-
Total	$ 61,597	$ 4,118

Deferred outflows of resources, resulting from the college's employer contributions of $98,438 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2018. 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	
2018	$ 798
2019	$ 798
2020	$ 798
2021	$ 591
2022	$(509)
Thereafter	$(867)

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

Actuarial assumptions – The total pension asset was determined by actuarial valuations using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Graded salary ranges from 8.97% to 3.71% based on age, including inflation, averaging 4.25%
Investment rate of return	7.5%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. 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, 2012, actuarial experience study by considering the following three techniques: 1) the 25-year historical return of the TCRS at June 30, 2012; 2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation; and 3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3%. The target allocation and best estimates of arithmetic real rates of return 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	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
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 7.5% based on a blending of the three factors described above.

Discount rate – The discount rate used to measure the total pension liability (asset) was 7.5%. 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 (asset).

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 7.5%, 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 (6.5%) or 1 percentage point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of net pension asset	$5,150	$43,068	$71,474

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, 2017, for all state and local government defined benefit pension plans was $1,356,456. The total pension expense for the year ended June 30, 2016, for all state and local government defined benefit pension plans was $599,095.

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 $674,113.18 for the year ended June 30, 2017; $668,247.72 for the year ended June 30, 2016; and $687,030.39 for the year ended June 30, 2015. 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 are 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, 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, 2017, contributions totaling $480,278.92 were made by employees participating in the 401(k) plan, and the college recognized pension expense of $316,014.74 for employer contributions. During the year ended June 30, 2016, contributions totaling $443,321.67 were made by employees participating in the 401(k)plan, and contributions totaling $257,971.08 were made by the college.

Note 11. Other Postemployment Benefits

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that provides postemployment health insurance benefits to eligible college retirees. This program includes two plans available to higher education employees—the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-201, *Tennessee Code Annotated,* for the State Employee Group Plan and for the Medicare Supplement Plan. The State Employee Group Plan covers retirees until they reach the age 65. Members have the option of choosing between the standard or partnership preferred provider organization plan for health care benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. Employees hired on or after July 1, 2015 are not eligible to continue insurance coverage at retirement in either the State Employee Group Plan or the Medicare Supplement Plan. The state makes on-behalf payments to the Medicare Supplement Plan for the college's eligible retirees; see Note 17. 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/.

Special Funding Situation

The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan, which covers the retirees of other governmental entities, including the college. The state is the sole contributor for the college retirees who participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. The plan's claims liabilities are periodically computed using actuarial and statistical techniques to establish premium rates. The plan's administrative costs are allocated to plan participants. Retired members pay the same base premium, adjusted for years of service, as active employees. Retirees with 30 years of service are subsidized 80%; retirees with 20 years of service but less than 30 years of service, 70%; and retirees with less than 20 years of service, 60%. Retirees in the Medicare Supplement Plan have flat-rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 years of service but less than 30 years of service, $37.50; and retirees with 15 years of service but less than 20 years of service, $25.

College's Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan

	2017	2016
Annual required contribution (ARC)	$ 471,000.00	$ 455,000.00
Interest on the net OPEB obligation	103,497.44	101,864.05
Adjustment to the ARC	(103,913.10)	(102,273.14)
Annual OPEB cost	470,584.34	454,590.91
Amount of contribution	(432,464.68)	(411,033.67)
Increase in net OPEB obligation	38,119.66	43,557.24
Net OPEB obligation – beginning of year	2,759,931.82	2,716,374.58
Net OPEB obligation – end of year	$2,798,051.48	$2,759,931.82

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2017	State Employee Group Plan	$470,584.34	91.9%	$2,798,051.48
June 30, 2016	State Employee Group Plan	$454,590.91	90.4%	$2,759,931.82
June 30, 2015	State Employee Group Plan	$487,735.87	87.5%	$2,716,374.58

Funded Status and Funding Progress

The funded status of the college's portion of the State Employee Group Plan was as follows:

State Employee Group Plan	
Actuarial valuation date	July 1, 2015
Actuarial accrued liability (AAL)	$3,409,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$3,409,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$11,597,222.00
UAAL as percentage of covered payroll	29.4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 3.75% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5% initially. The rate decreased to 6% in fiscal year 2016 and then reduces by decrements to an ultimate rate of 4.7% in fiscal year 2050. All rates include a 2.5% inflation assumption. Premium subsidies in the Medicare Supplement Plan are projected to remain unchanged, and, consequently, trend rates are not applicable. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3%.

Note 12. Revenues

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

Fiscal Year 2017 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$27,769,956.67	$(11,580,112.84)	$(114,414.00)	$16,075,429.83
Total	**$27,769,956.67**	**$(11,580,112.84)**	**$(114,414.00)**	**$16,075,429.83**

Fiscal Year 2016 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$30,725,817.03	$(12,462,822.68)	$ (70,147.44)	$18,192,846.91
Nongovernmental grants and contracts	152,185.06		(117,848.42)	34,336.64
Nonoperating revenues:				
Gifts	574,765.01		(175,408.44)	399,356.57
Grants and contracts	25,939,986.82		(240,977.22)	25,699,009.60
Total	**$57,392,753.92**	**$(12,462,822.68)**	**$(604,381.52)**	**$44,325,549.72**

Note 13. 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, professional medical malpractice, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and professional 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 earthquakes 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, 2017, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/. At June 30, 2017, the Risk Management Fund held $167 million in cash designated for payment of claims. At June 30, 2016, the Risk Management Fund held $142.9 million in cash designated for payment of claims.

At June 30, 2017, the scheduled coverage for the college was $126,608,567 for buildings and $29,407,000 for contents. At June 30, 2016, the scheduled coverage for the college was $133,486,600 for buildings and $31,769,000 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 14. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $6,439,521.66 at June 30, 2017, and $6,694,911.99 at June 30, 2016.

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 $123,855.00, and expenses for personal property were $61,076.29 for the year ended June 30, 2017. The amounts for the year ended June 30, 2016, were $52,245.00 and $65,887.43. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2017, outstanding commitments under construction contracts totaled $2,363,997.72 for NSCC-ADA adaptions, new academic and support building; southeast center renovations; southeast center roof replacement, Clarksville modular space, and NSCC north Davidson teaching facility, of which $101,421.81 will be funded by future state capital outlay appropriations. At June 30, 2016, outstanding commitments under construction contracts totaled $63,898.00 for southeast center roof replacement and the new academic building, of which $6,944.89 will be funded by future state capital outlay appropriations.

Note 15. Affiliated Entity Not Included

The Upper Cumberland Education Foundation is a private, nonprofit foundation with Nashville State Community College as the sole beneficiary. The foundation is controlled by a board independent of the college and was chartered in 2007 to serve the Cookeville area. The financial records, investments, and other financial transactions are handled external to the college. The foundation is not included in the college's financial statements because it is immaterial to the college for financial reporting purposes.

At June 30, 2016, the assets of the foundation totaled $205,265.09, deferred outflows of resources were $0.00, liabilities were $0.00, deferred inflows of resources were $0.00, and the net position was $205,265.09.

Note 16. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2017, are as follows:

Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
			Natural Classification			
Instruction	$11,821,491.19	$3,582,905.00	$3,319,499.21	$ -	$ -	$ 18,723,895.40
Public service	169,348.08	66,873.12	68,865.96	-	-	305,087.16
Academic support	4,093,235.68	1,540,861.89	(746,498.43)	-	-	4,887,599.14
Student services	2,025,126.45	782,596.51	792,016.57	-	-	3,599,739.53
Institutional support	2,436,470.24	919,530.98	1,476,324.80	-	-	4,832,326.02
Maintenance & operation	1,286,103.71	547,995.26	4,075,795.47	-	-	5,909,894.44
Scholarships & fellowships	-	-	-	12,452,596.03	-	12,452,596.03
Auxiliary	-	-	4,840.03	-	-	4,840.03
Depreciation	-	-	-	-	2,192,109.40	2,192,109.40
Total	$21,831,775.35	$7,440,762.76	$8,990,843.61	$12,452,596.03	$2,192,109.40	$ 52,908,087.15

The college's operating expenses for the year ended June 30, 2016, are as follows:

Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
			Natural Classification			
Instruction	$12,530,094.19	$3,521,655.99	$3,782,468.86	$ -	$ -	$ 19,834,219.04
Public service	279,682.31	53,406.58	147,883.43	-	-	480,972.32
Academic support	4,082,448.92	1,276,150.91	(163,911.38)	-	-	5,194,688.45
Student services	1,985,376.77	670,801.05	686,984.89	-	-	3,343,162.71
Institutional support	2,483,679.41	762,410.87	1,184,596.05	-	-	4,430,686.33
Maintenance & operation	1,163,947.87	491,918.80	5,942,783.17	-	-	7,598,649.84
Scholarships & fellowships	-	-	-	14,862,767.59	-	14,862,767.59
Auxiliary	-	-	4,806.30	-	-	4,806.30
Depreciation	-	-	-	-	2,241,419.75	2,241,419.75
Total	$22,525,229.47	$6,776,344.20	$11,585,611.32	$14,862,767.59	$2,241,419.75	$ 57,991,372.33

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 $2,120,665.84 for the year ended June 30, 2017, and $2,256,075.96 for the year ended June 30, 2016, 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 17. On-behalf Payments

During the year ended June 30, 2017, the State of Tennessee made payments of $23,837.50 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2016, was $26,887.50. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 11.

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, 2017, the foundation made distributions of $23,337.94 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2016, the foundation made distributions of $78,685.83 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 and liabilities at fair value. Fair value has been determined using quoted prices in active markets for identical assets and liabilities 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 and liabilities at June 30, 2017, and at June 30, 2016.

	June 30, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs Level 3
Assets:				
Fixed, balanced, and international mutual funds	$291,280.54	$291,280.54	$ -	$ -
Equity mutual funds	150,747.42	150,747.42	-	-
Total assets	$442,027.96	$442,027.96	$ -	$ -

	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Fixed, balanced, and international mutual funds	$274,662.80	$274,662.80	$ -	$ -
Equity mutual funds	150,262.97	150,262.97	-	-
Total assets	$424,925.77	$424,925.77	$ -	$ -

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, 2017, were as follows:

	Cost	Fair Value
Fixed, balanced, and international mutual funds	$284,404.34	$291,280.54
Equity mutual funds	142,545.51	150,747.42
Total investments	$426,949.85	$442,027.96

Investments held at June 30, 2016, were as follows:

	Cost	Fair Value
Fixed, balanced, and international mutual funds	$272,219.11	$274,662.80
Equity mutual funds	146,689.53	150,262.97
Total investments	$418,908.64	$424,925.77

Endowments

The Nashville State Community College Foundation's endowments consist of 12 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) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the foundation; and (7) the investment policies of the foundation.

Composition of Endowment by Net Position Class
as of June 30, 2017

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$446,712.65	$25,287.50	$ (2,524.38)	$469,475.77
Board-designated endowment funds	-	-	52,588.41	52,588.41
Total funds	$446,712.65	$25,287.50	$50,064.03	$522,064.18

Composition of Endowment by Net Position Class
as of June 30, 2016

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$390,661.35	$9,642.73	$ (8,288.55)	$392,015.33
Board-designated endowment funds	-	-	32,541.15	32,541.15
Total funds	$390,661.35	$9,642.73	$24,252.60	$424,555.68

Changes in Endowment Net Position
for the Year Ended June 30, 2017

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$390,661.35	$ 9,642.73	$24,252.60	$424,556.68
Investment return:				
Investment income	350.92	3,611.85	3,808.65	7,771.42
Net appreciation (realized and unrealized)	-	13,703.03	9,131.38	22,834.41
Total investment return	350.92	17,314.88	12,940.03	30,605.83
Contributions	55,700.00	-	18,100.00	73,800.00
Appropriation of endowment assets for expenditure	-	420.00	(3,025.00)	(2,605.00)
Transfers	-	(2,200.37)	(2,309.37)	(4,509.74)
Other	0.38	110.26	105.77	216.41
Endowment net position, end of year	$446,712.65	$25,287.50	$50,064.03	$522,064.18

Changes in Endowment Net Position
for the Year Ended June 30, 2016

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$376,573.57	$ 20,985.27	$33,623.52	$431,182.36
Investment return:				
Investment income	644.44	12,690.22	1,266.70	14,601.36
Net appreciation (realized and unrealized)	-	(14,132.81)	(10,503.67)	(24,636.48)
Total investment return	644.44	(1,442.59)	(9,236.97)	(10,035.12)

Contributions		-	-	13,468.00
Appropriation of endowment assets for expenditure	13,468.00	(9,900.00)	(500.00)	(10,400.00)
Transfers	(24.66)	0.05	366.05	341.44
Endowment net position, end of year	$390,661.35	$9,642.73	$24,252.60	$424,556.68

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the foundation is required to retain in a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net position. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and/or continued appropriation for fees and previously approved budgeted expenditures. At June 30, 2017, and June 30, 2016, deficiencies of this nature totaled $2,524.38 and $8,288.55, respectively

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(s), 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 the 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) each year. 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 a specific 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.

Support From Nashville State Community College

The college paid certain payroll costs for college personnel who also performed services supporting the foundation amounting to $150,583.15 in fiscal year 2017 and $125,022.55 in fiscal year 2016. 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 $26,520 and $26,520 for the years ended June 30, 2017, and June 30, 2016, respectively, have been recorded as college support because they are considered to be significant to the operations of the foundation.

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
2017	0.426060%	$7,773,743.00	$ 9,555,646.00	81.35%	87.96%
2016	0.427533%	$5,512,105.00	$10,402,355.00	52.99%	91.26%
2015	0.428364%	$2,955,490.00	$11,702,567.00	25.26%	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 are 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

	2017	2016
College's proportion of the net pension asset	0.511220%	0.397984%
College's proportionate share of the net pension asset	$43,068.00	$11,068.00
College's covered payroll	$2,486,636.68	$1,575,065.00
College's proportionate share of the net pension asset as a percentage of its covered payroll	1.73%	0.70%
Plan fiduciary net position as a percentage of the total pension liability	130.56%	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 are 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
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%
2009	1,277,840.73	1,277,840.73	-	9,814,444.93	13.02%
2008	1,259,123.77	1,259,123.77	-	9,244,667.91	13.62%

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

	2017	2016	2015
Contractually determined contribution	$98,438.00	$60,955.00	$16,946.85
Contributions in relation to the contractually determined contribution	98,438.00	60,955.00	16,946.85
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$2,486,636.68	$1,575,065.00	$437,903.00
Contributions as a percentage of covered payroll	3.96%	3.87%	3.87%

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

Tennessee Board of Regents
Nashville State Community College
Required Supplementary Information
OPEB Schedule of Funding Progress

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
July 1, 2015	State Employee Group Plan	$ -	$3,409,000	$3,409,000	0%	$11,597,222	29.4%
July 1, 2013	State Employee Group Plan	$ -	$3,571,000	$3,571,000	0%	$18,013,482	19.8%
July 1, 2011	State Employee Group Plan	$ -	$4,296,000	$4,296,000	0%	$16,654,517	25.8%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed.

Supplementary Information
NASHVILLE STATE COMMUNITY COLLEGE FOUNDATION
Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2017, and June 30, 2016

	Year Ended June 30, 2017	Year Ended June 30, 2016
Cash flows from operating activities		
Gifts and contributions	$ 1,273,899.66	$ 249,712.51
Payments to suppliers and vendors	(199,092.87)	76,974.27
Payments for scholarships and fellowships	(109,319.80)	(250,073.69)
Payments to Nashville State Community College	(23,337.94)	(78,685.83)
Net cash provided by (used for) operating activities	942,149.05	(2,072.74)
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	73,800.00	13,468.00
Net cash provided by noncapital financing activities	73,800.00	13,468.00
Cash flows from investing activities		
Proceeds from sales and maturities of investments	156,500.88	551,918.67
Income on investments	12,340.17	16,173.15
Purchases of investments	(155,280.42)	(638,623.85)
Other investing receipts (payments)	(4,056.50)	(1,069.75)
Net cash provided by (used for) investing activities	9,504.13	(71,601.78)
Net increase (decrease) in cash and cash equivalents	1,025,453.18	(60,206.52)
Cash and cash equivalents - beginning of year	683,175.90	743,380.42
Cash and cash equivalents - end of year	$ 1,708,629.08	$ 683,173.90
Reconciliation of operating gain (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$ 924,282.76	$ (304,178.86)
Adjustments to reconcile operating gain (loss) to net cash provided (used) by operating activities:		
Other adjustments	177,103.15	151,542.55
Change in assets and liabilities:		
Accounts payable	(159,236.86)	150,563.57
Net cash provided by (used for) by operating activities	$ 942,149.05	$ (2,072.74)
Noncash investing, capital, and financing activities		
Unrealized gains on investments	$ 9,062.99	$ 1,016.90

Tennessee Comptroller of the Treasury

Justin P. Wilson
Comptroller

Jason E. Mumpower
Chief of Staff

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 Haslam, 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, 2017, and June 30, 2016, and the related notes to the financial statements, which collectively comprise the college's basic financial statements, and have issued our report thereon dated September 10, 2018. 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 opinions 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 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; 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 certain deficiencies in internal control, as described below, that we consider to be significant deficiencies.

- When students withdrew from class, the college did not return all unearned funds timely to the U.S. Department of Education.

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 Findings

The college's responses to the findings identified in our audit are included in the Finding and Recommendation section of this report. The college's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

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.

Deborah V. Loveless

Deborah V. Loveless, CPA, Director
Division of State Audit
September 10, 2018

Finding and Recommendation

When students withdrew from class, the college did not return all unearned funds timely to the U.S. Department of Education

Condition

We reviewed the accounts of 40 students who received Title IV financial aid and withdrew, dropped, or were terminated from classes at any point during the year ended June 30, 2018. For 5 of 40 students' accounts tested, Financial Aid Office personnel did not return Title IV funds to the U.S Department of Education (ED) in a timely manner. Nashville State Community College returned these funds to ED from 47 to 55 days after determining the student's withdrawal (2 to 10 days late).

Criteria

According to the 2016-2017 *Federal Student Aid Handbook*, Volume 5, Page 98, "a school **must** return unearned funds for which it is responsible **as soon as possible but** no later than 45 days from the determination of a student's withdrawal [emphasis in original]."

Cause

The Financial Aid Office, the Loan Officer, and the Business Office are all involved in processing and remitting Title IV funds. In 2 of the 5 untimely cases, the delay in returning funds was ascribed to a backlog of work for the Business Office upon returning from the winter break. Because the college does not take attendance, most unofficial fall withdrawals are not determined until the end of the fall semester, and these are forwarded to the Business Office for remittance to ED just before winter break. These 2 cases were remitted 2 and 3 days past the required 45-day timeframe.

In the other 3 cases, the withdrawal was official, but the returns were not processed and remitted to ED within the 45-day window after determination of withdrawal. The Assistant Director of Financial Aid, who processes returns of Title IV funds, did not have a specific reason for the delay other than general administrative delays in coordinating among the Financial Aid Office, the Loan Officer, and the Business Office.

Effect

Returning Title IV funds after the deadline could result in ED taking adverse actions against the college.

Recommendation

The Director of Financial Aid should consider running reports of withdrawn students more often to identify official withdrawals and to begin the return process more timely. This will allow more time to calculate and process the return. Management should ensure staff in all relevant offices understand the importance of processing Title IV returns to reduce delays in transmitting and processing information for Title IV return remissions to ED.

Management's Comment

We concur with the finding. To ensure this is not a recurring issue, we have implemented new timelines in processing R2T4s. The Assistant Director of Financial Aid now pulls the withdrawal report weekly. The goal is to complete the R2T4 calculation within two weeks to ensure ample time for any award adjustments by other staff members and for the return of funds, both through COD and G5. We have worked with all parties involved to ensure all are aware of mandatory deadlines and the importance of timely work.

[Note: In management's comment above, R2T4 indicates "return of Title IV." G5 and COD are computer systems ED makes available to the college for processing student financial aid transactions.]

Observation and Comment

Colleges of Applied Technology

Nashville State Community College serves 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 performs the accounting and reporting functions for the colleges. The chief administrative officer of each college is the director, who is assisted and advised by members of the faculty and administrative staff. Each director is responsible to the chancellor of the Tennessee Board of Regents.