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, 2015, and June 30, 2014

Justin P. Wilson, Comptroller

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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August 11, 2016

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable David Gregory, Acting Chancellor
Dr. George H. Van Allen, 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, 2015, and June 30, 2014. 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 internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

Deborah V. Loveless, CPA
Director

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Audit Report
Tennessee Board of Regents
Nashville State Community College
For the Years Ended June 30, 2015, and June 30, 2014

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For the Years Ended June 30, 2015, and June 30, 2014

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Findings

The audit report contains no findings.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable David Gregory, Acting Chancellor
Dr. George H. Van Allen, President

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville State Community College, an institution of the Tennessee Board of Regents, 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, 2015, and June 30, 2014, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the college's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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, 2015, and June 30, 2014, 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 Tennessee Board of Regents, 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 Tennessee Board of Regents, as of June 30, 2015, and June 30, 2014, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 16, the college implemented Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27,* and Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, during the year ended June 30, 2015. 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 46; the Schedule of Nashville State Community College's Contributions – Closed State and Higher Education Employee Pension Plan Within TCRS on page 47; the Schedule of Nashville State Community College's Contributions – State and Higher Education Employee Retirement Plan Within TCRS on page 48; and the other postemployment benefits schedule of funding progress on page 49 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 50 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 June 17, 2016, 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
June 17, 2016

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, 2015, and June 30, 2014, with comparative information presented for the year ended June 30, 2013. 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 17 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, 2015; June 30, 2014; and June 30, 2013.

Summary of Net Position
(in thousands of dollars)

	2015	2014	2013
Assets:			
Current assets	$ 29,503	$ 26,209	$ 23,322
Capital assets, net	73,267	59,704	51,584
Other assets	38,085	36,935	35,530
Total Assets	140,855	122,848	110,436
Deferred Outflows of Resources			
Deferred loss on debt refunding	22	-	-
Deferred outflow related to pensions	1,694	-	-
Total Deferred Outflows of Resources	1,716	-	-
Liabilities:			
Current liabilities	8,567	7,915	9,642
Noncurrent liabilities	6,691	3,709	3,632
Total Liabilities	15,258	11,624	13,274
Deferred Inflows of Resources			
Deferred inflows related to pensions	4,258	-	-
Total Deferred Inflows of Resources	4,258	-	-

Net Position:			
Net investment in capital assets	73,267	59,704	51,584
Restricted – nonexpendable	5	5	5
Restricted – expendable	686	1,509	766
Unrestricted	49,097	50,006	44,807
Total Net Position	$123,055	$111,224	$97,162

Comparison of FY 2015 to FY 2014

- Capital assets and net investment in capital assets increased due to construction of a new academic and support building on the main campus to be opened in August 2015.
- Deferred outflows of resources increased due to a deferred loss on bond refunding in August 2014 and the adoption of GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*.
- Deferred inflows of resources increased due the adoption of GASB Statement 68.
- Restricted net position – expendable decreased primarily due to nonrecurring funds received in FY 2014 related to the Governor's equipment grant.
- Unrestricted net position decreased due to the cumulative change in accounting principle related to the adoption of GASB Statement 68.

Comparison of FY 2014 to FY 2013

- Total assets increased due to the completion and capitalization of the main campus front entrance renovation project and southeast campus phase one.
- Current liabilities decreased due to the completion of southeast campus phase one.
- Net investment in capital assets increased due to the completion of southeast campus phase one and the main campus front entrance renovation project.
- Restricted net position – expendable increased due primarily to funds received related to the Governor's equipment grant.
- Unrestricted net position increased in FY 2014 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.

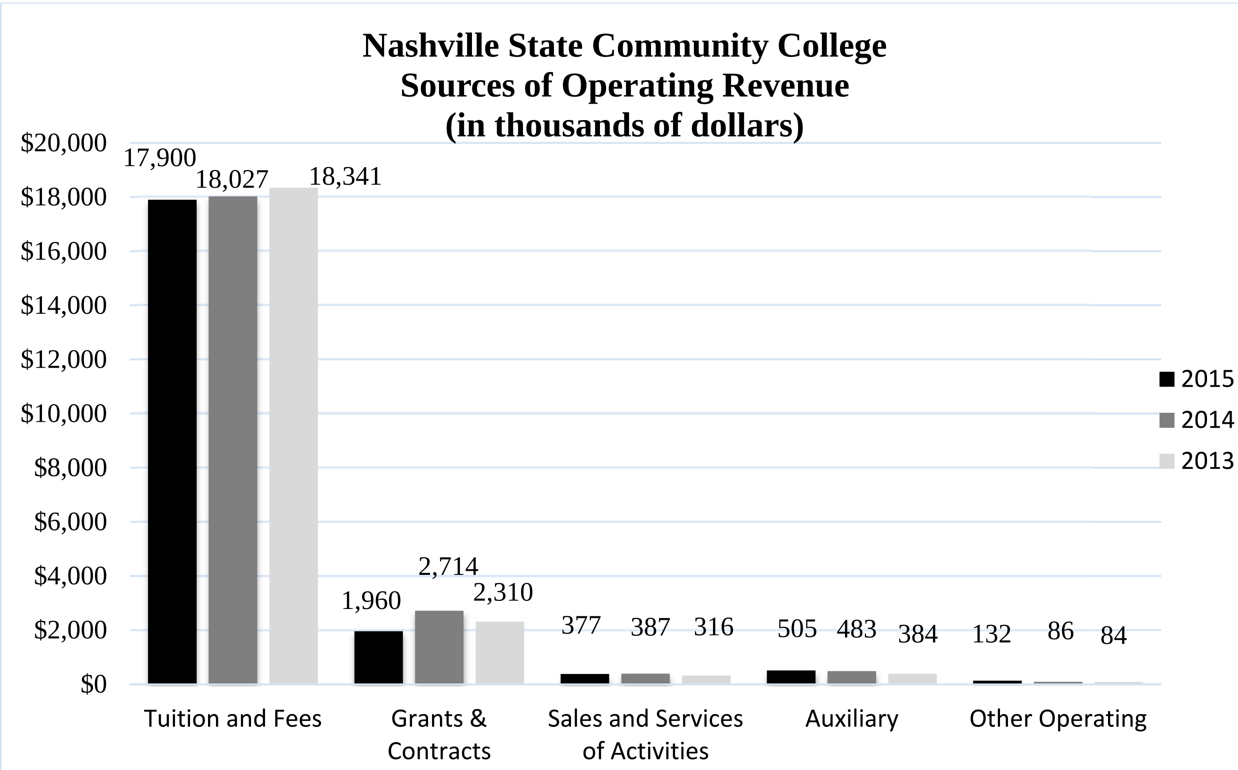
The following table summarizes the college's revenues, expenses, and changes in net position for the years ended June 30, 2015; June 30, 2014; and June 30, 2013.

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

	2015	2014	2013
Operating revenues:			
Net tuition and fees	$ 17,900	$ 18,027	$18,341
Grants and contracts	1,960	2,714	2,310
Auxiliary	505	483	384
Other	509	473	400
Total operating revenues	20,874	21,697	21,435
Operating expenses:			
Salaries	22,234	21,890	22,299
Benefits	6,542	7,705	7,627
Utilities, supplies, and other services	9,116	9,248	10,568
Scholarships	13,750	13,048	13.969
Depreciation	1,942	3,006	2,470
Operating loss	(32,710)	(33,200)	(35,498)
Nonoperating revenues and expenses	40,591	39,553	38,208
Income (loss) before other revenues, expenses, gains, or losses	7,881	6,353	2,710
Other revenues, expenses, gains, or losses	10,724	7,709	945
Increase (decrease) in net position	18,605	14,062	3,655
Net position at beginning of year	111,224	97,162	93,507
Cumulative change in accounting principle	(6,774)	-	-
Net position at end of year	$123,055	$111,224	$97,162

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 2015 to FY 2014

- While there was a rate increase of 5.8% and an increase in enrollment, overall tuition and fees decreased because the college, federal government, and third parties offered increased financial assistance, which was netted from revenue via the allowance process.
- Grants and contracts decreased due to nonrecurring funds received in FY 2014 for the Governor's equipment grant.
- Sales and services of activities decreased due to less sales on govdeals.com.
- Auxiliary increased due to more bookstore sales related to higher enrollment.

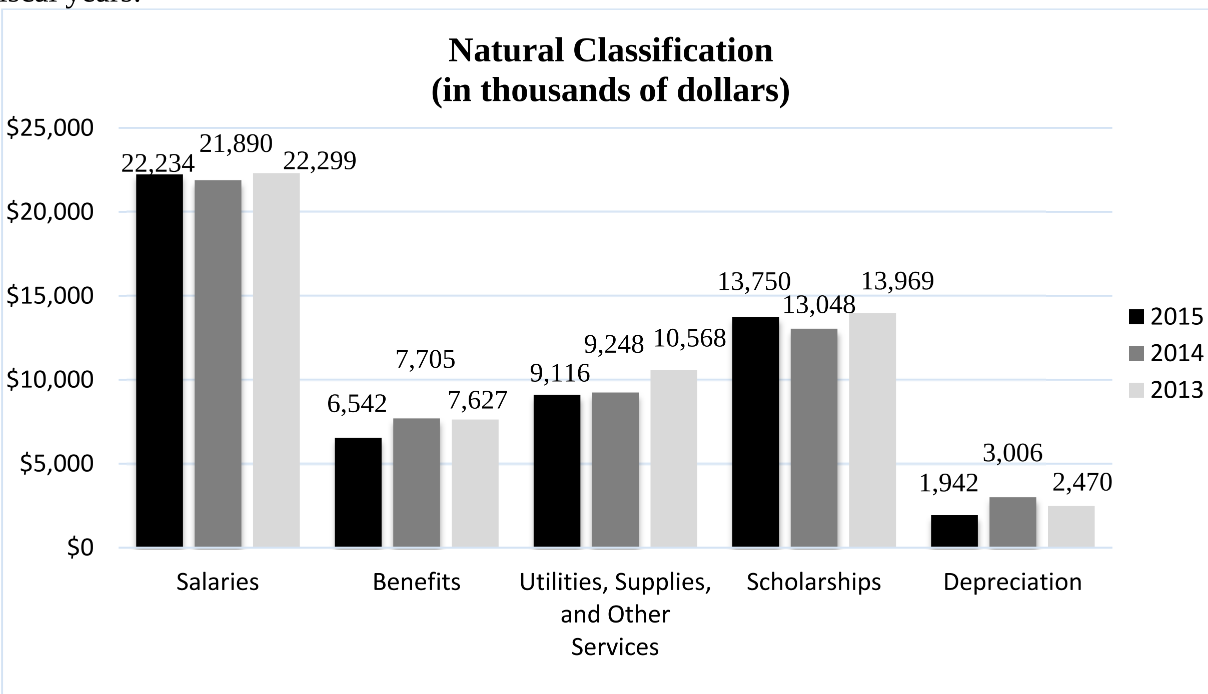
Comparison of FY 2014 to FY 2013

- While there was a rate increase of 3% and an enrollment increase of 1%, overall tuition and fees decreased due to the college, federal government, and third parties offering increased financial assistance, which was netted from revenue via the allowance process.
- Grants and contracts increased due to the Governor's equipment grant.

- Sales and services of activities increased due to more sales of parking permits and on govdeals.com.
- Auxiliary increased due to more bookstore sales related to higher enrollment.

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 2015 to FY 2014

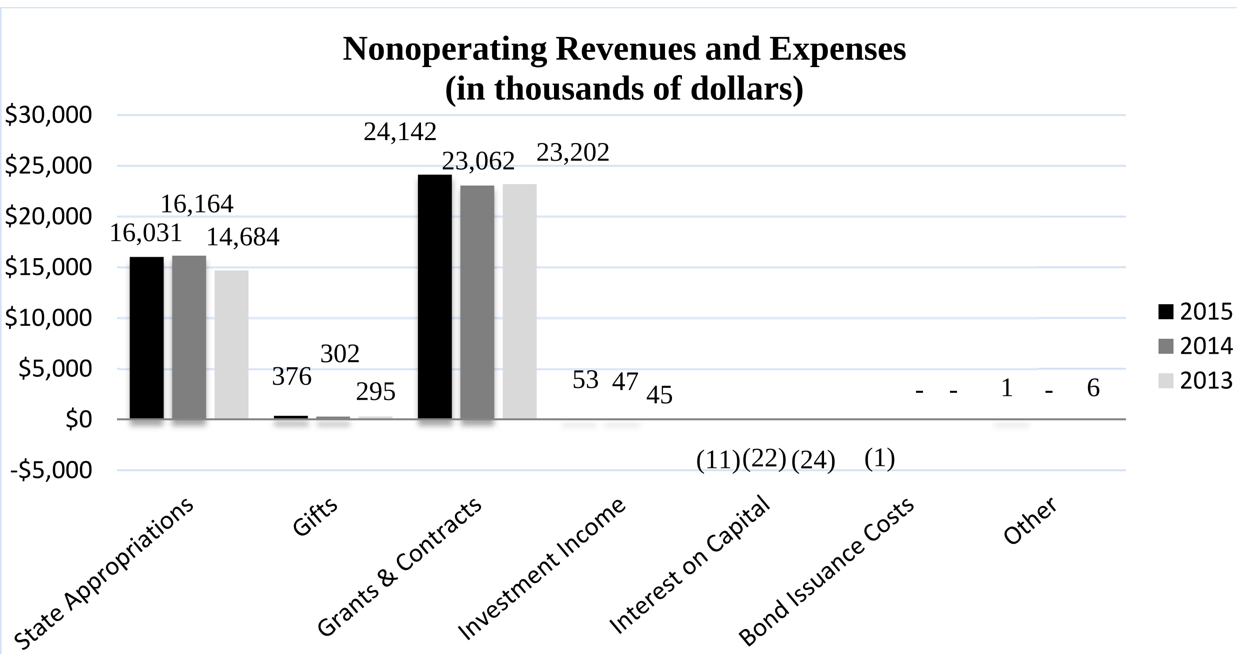
- Salaries expense increased due to the execution of the approved compensation plan.
- Benefits decreased due to pension expense being lower as a result of GASB Statement 68.
- Utilities, supplies, and other services decreased due to lower utility costs; lower costs related to renewal and replacements for the main campus; and a reduction in costs related to off-campus development.
- Scholarships increased due to higher enrollment and higher student need.
- Depreciation decreased primarily due to a change in accounting estimate from a depreciable life of 40 years to 60 years for buildings.

Comparison of FY 2014 to FY 2013

- Salaries decreased due to a combination of faculty retirements, unfilled positions, and less need for temporary workers.
- Benefits increased due to higher premiums for insurance.
- Utilities, supplies, and other services decreased due to lower utility costs; lower costs related to renewal and replacements for the main campus; and a reduction in costs related to off-campus development.
- While there was an enrollment increase of 1%, scholarships decreased as a result of the college increasingly offering a type of financial assistance that directly reduces tuition revenue and thus is not reported as a scholarship.
- Depreciation increased related to the additions in depreciable equipment.

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 2015 to FY 2014

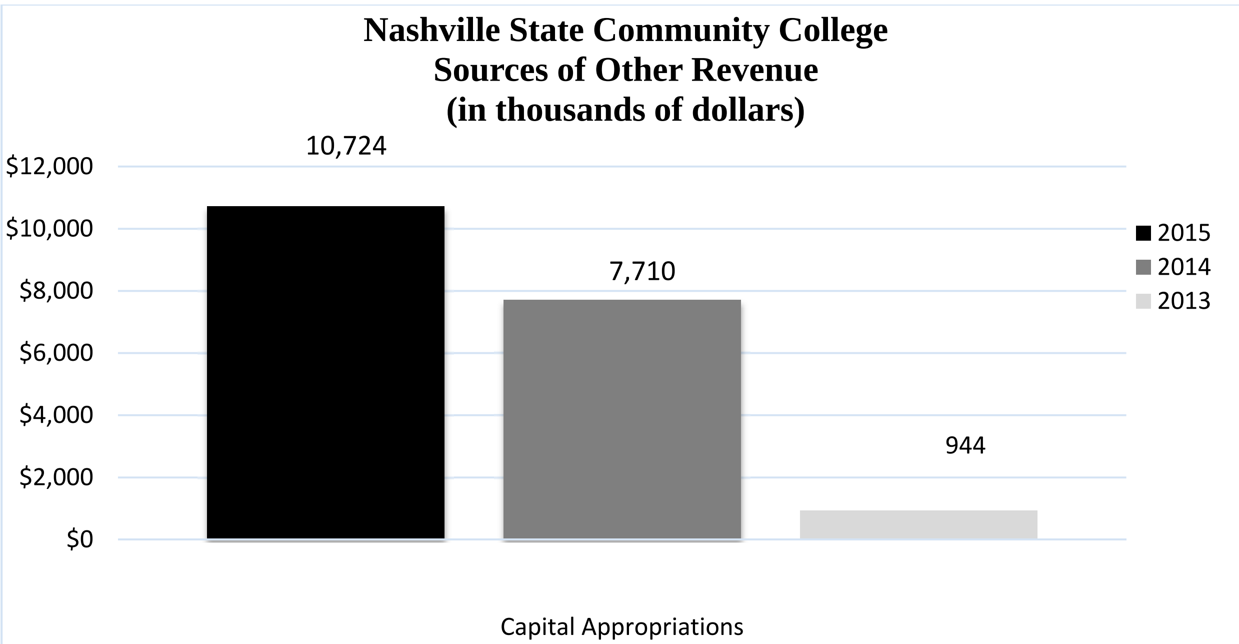
- State appropriations decreased due to changes in the funding formula.
- Grants and contracts increased due to more state grants being received.

Comparison of FY 2014 to FY 2013

- State appropriations increased due to changes in the funding formula.
- Grants and contracts decreased due to fewer state grants being received.

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 2015 to FY 2014

- Capital appropriations increased due to several capital projects such as ADA updates, campus security, and construction of the new academic and support building on the main campus.

Comparison of FY 2014 to FY 2013

- Capital appropriations increased due to several capital projects such as the front entrance renovation project, ADA updates, campus security, southeast phase two campus expansion, and groundbreaking for the new academic and support building on the main campus.

Capital Assets and Debt Administration

Capital Assets

Nashville State Community College had $73,267,546.67 invested in capital assets, net of accumulated depreciation of $27,804,003.93 at June 30, 2015; $59,704,167.43 invested in capital assets, net of accumulated depreciation of $26,626,745.62 at June 30, 2014; and $51,583,930.82 invested in capital assets, net of accumulated depreciation of $24,039,498.62 at June 30, 2013. Depreciation charges totaled $1,941,726.69; $3,006,053.77; and $2,469,887.63 for the years ended June 30, 2015; June 30, 2014; and June 30, 2013, respectively.

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

	2015	2014	2013
Land	$ 5,706	$ 5,706	$ 5,706
Land improvements & infrastructure	4,949	5,286	3,854
Buildings	39,459	40,290	32,698
Equipment	2,257	1,380	1,230
Library holdings	206	199	194
Intangible assets	-	62	123
Projects in progress	20,690	6,781	7,779
Total	$73,267	$59,704	$51,584

FY 2015

Significant additions to capital assets occurred in fiscal year 2015. These additions were primarily from the construction of the new academic and support building and the addition of instructional equipment.

At June 30, 2015, outstanding commitments under construction contracts totaled $6,629,238.79 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $1,099,153.16 of these costs.

FY 2014

Significant additions to capital assets occurred in fiscal year 2014. These additions were primarily from the completion of two projects: southeast phase two expansion and the main campus front entrance project.

At June 30, 2014, outstanding commitments under construction contracts totaled $14,446,070.75 for ADA updates; campus security; southeast phase two expansion; and groundbreaking for the main campus new academic and support building, of which $12,322,261.23 will be funded by future state capital outlay appropriations.

FY 2013

At June 30, 2013, outstanding commitments under construction contracts totaled $5,525,084.36 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $1,225,535.94 of these costs.

Debt

The college had $406,960.88; $489,275.30; and $539,873 in debt outstanding at June 30, 2015; June 30, 2014; and June 30, 2013, respectively. The table below summarizes these amounts by type of debt instrument.

Description of Debt	2015	2014	2013
TSSBA Bonds due 2022	$406,960.88	$489,275.30	$539,873.00

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 $54,937.20; $52,722.80; and $50,597.70 in current portion debt outstanding at June 30, 2015; June 30, 2014; and June 30, 2013, respectively.

The ratings on debt issued by the TSSBA at June 30, 2015, were as follows:

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

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

Economic Factors That Will Affect the Future

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

- Student maintenance fee tuition will increase by 3.4% in FY 2016.
- State appropriation funding will increase in FY 2016 by $1,079,800 (6.8%).

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 Dr. George Van Allen, President, 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, 2015, and June 30, 2014

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Assets				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 17)	$ 26,857,023.02	$ 23,571,033.11	$ 666,396.83	$583,629.49
Short-term investments (Note 17)	-	-	340.40	340.40
Accounts, notes, and grants receivable (net) (Note 4)	2,426,613.70	2,502,005.10	-	-
Due from primary government	-	39,700.00	-	-
Prepaid expenses	219,590.48	95,289.59	-	-
Total current assets	29,503,227.20	26,208,027.80	666,737.23	583,969.89
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 17)	38,085,253.88	36,935,454.50	76,983.59	70,435.99
Investments (Note 17)	-	-	362,373.77	331,757.02
Capital assets (net) (Note 5)	73,267,546.67	59,704,167.43	-	-
Total noncurrent assets	111,352,800.55	96,639,621.93	439,357.36	402,193.01
Total assets	140,856,027.75	122,847,649.73	1,106,094.59	986,162.90
Deferred outflows of resources				
Deferred loss on debt refunding	21,641.27	-	-	-
Deferred outflows related to pensions	1,694,870.63	-	-	-
Total deferred outflows of resources	1,716,511.90	-	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 6)	1,528,918.46	504,782.14	8,849.21	3,548.88
Accrued liabilities	1,697,888.63	1,882,256.50	-	-
Student deposits	2,202.50	1,252.50	-	-
Unearned revenue	1,958,921.58	1,623,590.53	-	-
Compensated absences (Note 7)	338,040.50	331,203.67	-	-
Accrued interest payable	3,043.63	3,509.14	-	-
Long-term liabilities, current portion (Note 7)	54,937.20	52,722.80	-	-
Deposits held in custody for others	2,983,078.20	3,515,235.13	-	-
Total current liabilities	8,567,030.70	7,914,552.41	8,849.21	3,548.88
Noncurrent liabilities:				
Net OPEB obligation (Note 10)	2,716,374.58	2,655,260.97	-	-
Net pension liability (Note 9)	2,955,490.00	-	-	-
Compensated absences (Note 7)	619,096.72	617,517.10	-	-
Long-term liabilities (Note 7)	400,318.92	436,552.50	-	-
Total noncurrent liabilities	6,691,280.22	3,709,330.57	-	-
Total liabilities	15,258,310.92	11,623,882.98	8,849.21	3,548.88
Deferred inflows of resources				
Deferred inflows related to pensions	4,258,405.00	-	-	-
Total deferred inflows of resources	4,258,405.00	-	-	-
Net position				
Net investment in capital assets	73,267,546.67	59,704,167.43	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	4,739.67	4,739.67	376,573.57	335,765.64
Expendable:				
Scholarships and fellowships	77,315.41	142,689.73	428,501.10	335,502.21
Instructional department uses	32,756.58	841,753.82	2,635.00	27,635.00
Other	576,410.30	525,017.37	115,468.13	99,330.07
Unrestricted	49,097,055.10	50,005,398.73	174,067.58	184,381.10
Total net position	$123,055,823.73	$111,223,766.75	$1,097,245.38	$982,614.02

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, 2015, and June 30, 2014

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2015	Year Ended June 30, 2014
Revenues				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $12,028,369.19 for the year ended June 30, 2015, and $11,020,361.38 for the year ended June 30, 2014)	$ 17,899,974.20	$ 18,026,579.72	$ -	$ -
Gifts and contributions	-	-	314,926.97	439,559.43
Governmental grants and contracts	1,802,652.83	2,120,122.52	-	-
Nongovernmental grants and contracts	157,318.23	593,480.42	-	-
Sales and services of educational activities	10,996.40	10,960.75	-	-
Sales and services of other activities	366,193.52	375,717.57	-	-
Auxiliary enterprises: Bookstore	504,962.26	483,435.74	-	-
Other operating revenues	132,760.97	86,929.21	-	-
Total operating revenues	20,874,858.41	21,697,225.93	314,926.97	439,559.43
Expenses				
Operating expenses (Note 14):				
Salaries and wages	22,234,019.75	21,890,416.19	116,994.38	109,646.84
Benefits	6,542,019.60	7,705,381.82	29,248.59	27,411.71
Utilities, supplies, and other services	9,116,079.78	9,247,583.96	74,849.90	156,600.29
Scholarships and fellowships	13,750,326.10	13,048,379.91	171,884.47	137,529.07
Depreciation expense	1,941,726.69	3,006,053.77	-	-
Payments to or on behalf of Nashville State Community College (Note 17)	-	-	17,555.08	41,066.45
Total operating expenses	53,584,171.92	54,897,815.65	410,532.42	472,254.36
Operating loss	(32,709,313.51)	(33,200,589.72)	(95,605.45)	(32,694.93)
Nonoperating revenues (expenses)				
State appropriations	16,031,275.00	16,163,631.00	-	-
Gifts (including $17,555.08 from component unit for the year ended June 30, 2015, and $41,066.45 for the year ended June 30, 2014)	376,433.76	302,009.93	-	-
Grants and contracts	24,141,257.77	23,062,795.45	-	-
Investment income (expense) (net of investment expense of $3,533.90 for the component unit for the year ended June 30, 2015, and $2,890.11 for the year ended June 30, 2014)	52,544.97	46,688.52	(2,859.16)	30,797.92
Interest on capital asset-related debt	(10,865.46)	(21,944.69)	-	-
Bond issuance costs	(870.05)	-	-	-
College support (Note 17)	-	-	172,762.97	234,978.55
Other nonoperating revenues	884.65	-	-	-
Net nonoperating revenues	40,590,660.64	39,553,180.21	169,903.81	265,776.47
Income before other revenues, expenses, gains, or losses	7,881,347.13	6,352,590.49	74,298.36	233,081.54
Capital appropriations	10,724,274.85	7,709,563.76	-	-
Additions to permanent endowments	-	-	40,333.00	39,110.25
Total other revenues	10,724,274.85	7,709,563.76	40,333.00	39,110.25
Increase in net position	18,605,621.98	14,062,154.25	114,631.36	272,191.79
Net position - beginning of year	111,223,766.75	97,161,612.50	982,614.02	710,422.23
Cumulative effect of change in accounting principle (Note 16)	(6,773,565.00)	-	-	-
Net position - beginning of year restated	104,450,201.75	97,161,612.50	982,614.02	710,422.23
Net position - end of year	$123,055,823.73	$111,223,766.75	$1,097,245.38	$982,614.02

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, 2015, and June 30, 2014

	Year Ended June 30, 2015	Year Ended June 30, 2014
Cash flows from operating activities		
Tuition and fees	$17,952,414.27	$17,875,454.60
Grants and contracts	1,985,941.44	2,442,992.72
Sales and services of educational activities	10,996.40	10,960.75
Sales and services of other activities	366,193.52	375,717.57
Payments to suppliers and vendors	(8,302,542.10)	(10,404,849.96)
Payments to employees	(21,954,999.13)	(21,890,334.22)
Payments for benefits	(7,745,383.91)	(7,509,453.34)
Payments for scholarships and fellowships	(13,750,326.10)	(13,048,379.91)
Auxiliary enterprise charges:		
Bookstore	504,962.26	483,435.74
Other receipts	132,760.97	86,929.21
Net cash used by operating activities	(30,799,982.38)	(31,577,526.84)
Cash flows from noncapital financing activities		
State appropriations	16,045,500.00	16,101,100.00
Gifts and grants received for other than capital or endowment purposes, including $17,555.08 from Nashville State Community College Foundation for the year ended June 30, 2015, and $41,066.45 for the year ended June 30, 2014	24,517,691.53	23,364,805.38
Federal/state student loan receipts	23,106,096.00	24,363,470.00
Federal/state student loan disbursements	(23,106,096.00)	(24,363,470.00)
Changes in deposits held for others	(532,156.93)	(424,805.78)
Principal paid on noncapital debt	(52,722.80)	(50,597.70)
Interest paid on noncapital debt	(14,268.62)	(22,298.10)
Other noncapital financing payments	(870.05)	-
Net cash provided by noncapital financing activities	39,963,173.13	38,968,203.80
Cash flows from capital and related financing activities		
Proceeds from sale of capital assets	5,009.00	-
Purchase of capital assets and construction	(4,784,955.43)	(3,416,726.62)
Net cash used by capital and related financing activities	(4,779,946.43)	(3,416,726.62)
Cash flows from investing activities		
Income on investments	52,544.97	46,688.52
Net cash provided by investing activities	52,544.97	46,688.52
Net increase in cash and cash equivalents	4,435,789.29	4,020,638.86
Cash and cash equivalents - beginning of year	60,506,487.61	56,485,848.75
Cash and cash equivalents - end of year	$64,942,276.90	$60,506,487.61

NASHVILLE STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2015, and June 30, 2014

	Year Ended June 30, 2015	Year Ended June 30, 2014
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (32,709,313.51)	$ (33,200,589.72)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,941,726.69	3,006,053.77
Pension expense	440,330.00	-
Other adjustments	25,475.00	22,831.00
Change in assets and liabilities:		
Receivables, net	225,016.44	(224,143.67)
Prepaid expenses	(124,300.89)	(9,064.84)
Deferred outflows	(1,694,870.63)	-
Accounts payable	874,511.28	(1,082,943.30)
Accrued liabilities	(122,304.26)	179,227.87
Unearned revenue	335,331.05	(326,592.95)
Compensated absences	8,416.45	57,695.00
Net cash used by operating activities	$ (30,799,982.38)	$ (31,577,526.84)
Noncash investing, capital, or financing transactions		
Gain on disposal of capital assets	$ 884.65	$ -
Capital appropriations received through TBR	10,724,274.85	7,709,563.76
Purchases of capital assets and construction paid through TBR	(10,724,274.85)	(7,709,563.76)

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

The financial statements present only that portion of the Tennessee Board of Regents' 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 17 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; 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.

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 fair 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; 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, 2015, cash consisted of $3,192,494.54 in bank accounts, $1,400 of petty cash on hand, $52,764,026.30 in the Local Government Investment Pool (LGIP) administered by the State Treasurer, and $8,984,356.06 in LGIP deposits for capital projects. At June 30, 2014, cash consisted of $4,058,209.27 in bank accounts, $1,300 of petty cash on hand, $52,189,125.33 in the LGIP, and $4,257,853.01 in LGIP deposits for capital projects.

The LGIP is part of the State Pooled Investment Fund. 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, the Tennessee Board of Regents withdraws funds from the LGIP account and transfers them 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 Tennessee Board of Regents releases any remaining funds.

Note 3. Investments

Credit Risk

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

Tennessee Board of Regents policy restricts investments in bankers' acceptances and commercial paper. The policy requires that prime bankers' acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime bankers' acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United

States of goods that are under contract of sale or are expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

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

As of June 30, 2015, and June 30, 2014, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $61,748,382.36 at June 30, 2015, and $56,446,978.34 at June 30, 2014. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Receivables

Receivables included the following:

	June 30, 2015	June 30, 2014
Student accounts receivable	$2,409,997.07	$2,431,797.44
Grants receivable	645,458.39	669,428.77
Other receivables	121,158.24	120,778.89
Subtotal	3,176,613.70	3,222,005.10
Less allowance for doubtful accounts	(750,000.00)	(720,000.00)
Total receivables	$2,426,613.70	$2,502,005.10

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 5,706,387.00	$ -	$ -	$ -	$ 5,706,387.00
Land improvements and infrastructure	7,359,505.63	8,091.64	-	-	7,367,597.27
Buildings	60,480,952.73	189,604.73	-	-	60,670,557.46
Equipment	5,024,355.84	1,353,384.23	-	(738,751.47)	5,638,988.60
Library holdings	361,983.96	48,775.11	-	(29,841.26)	380,917.81
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	6,781,045.30	13,909,374.57	-	-	20,690,419.87
Total	86,330,913.05	15,509,230.28	-	(768,592.73)	101,071,550.60
Less accumulated depreciation /amortization:					
Land improvements and infrastructure	2,073,291.05	345,845.77	-	-	2,419,136.82
Buildings	20,190,689.53	1,020,889.24	-	-	21,211,578.77
Equipment	3,644,505.92	472,247.44	-	(734,627.12)	3,382,126.24
Library holdings	163,244.78	41,075.99	-	(29,841.26)	174,479.51
Intangible assets	555,014.34	61,668.25	-	-	616,682.59
Total	26,626,745.62	1,941,726.69	-	(764,468.38)	27,804,003.93
Capital assets, net	$59,704,167.43	$13,567,503.59	$ -	$ (4,124.35)	$ 73,267,546.67

The decrease in building depreciation expense for the current period is due to a change in accounting estimate. During fiscal year 2015, it was determined that buildings were more appropriately depreciated over a period of 60 years, instead of the 40 years previously used. This change resulted in a reduction of depreciation expense of $1,153,857.83.

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 5,706,387.00	$ -	$ -	$ -	$ 5,706,387.00
Land improvements and infrastructure	5,810,065.70	-	1,778,110.33	(228,670.40)	7,359,505.63
Buildings	50,713,729.79	-	9,767,222.94	-	60,480,952.73
Equipment	4,644,248.77	534,213.03	-	(154,105.96)	5,024,355.84
Library holdings	353,735.62	44,278.75	-	(36,030.41)	361,983.96
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	7,778,579.97	10,547,798.60	(11,545,333.27)	-	6,781,045.30

Total	75,623,429.44	11,126,290.38	-	(418,806.77)	86,330,913.05
Less accumulated depreciation /amortization:					
Land improvements and infrastructure	1,956,541.45	345,420.00	-	(228,670.40)	2,073,291.05
Buildings	18,015,942.48	2,174,747.05	-	-	20,190,689.53
Equipment	3,414,194.88	384,417.00	-	(154,105.96)	3,644,505.92
Library holdings	159,473.73	39,801.46	-	(36,030.41)	163,244.78
Intangible assets	493,346.08	61,668.26	-	-	555,014.34
Total	24,039,498.62	3,006,053.77	-	(418,806.77)	26,626,745.62
Capital assets, net	$51,583,930.82	$ 8,120,236.61	$ -	$ -	$59,704,167.43

Note 6. Accounts Payable

Accounts payable included the following:

	June 30, 2015	June 30, 2014
Vendors payable	$ 976,595.11	$474,118.61
Unapplied student payments	10,972.26	-
Grant funds due to TCATs	418,500.00	-
Other payables	122,851.09	30,663.53
Total accounts payable	$1,528,918.46	$504,782.14

Note 7. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 489,275.30	$ 352,023.68	$ (434,338.10)	$ 406,960.88	$ 54,937.20
Unamortized bond premium	-	55,194.56	(6,899.32)	48,295.24	-
Subtotal	489,275.30	407,218.24	(441,237.42)	455,256.12	54,937.20
Other liabilities:					
Compensated absences	948,720.77	649,378.24	(640,961.79)	957,137.22	338,040.50

Total long-term liabilities	$1,437,996.07	$1,056,596.48	$(1,082,199.21)	$1,412,393.34	$392,977.70

Long-term liabilities activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 539,873.00	$ -	$ 50,597.70	$ 489,275.30	$ 52,722.80
Other liabilities:					
Compensated absences	891,025.77	666,641.88	608,946.88	948,720.77	331,203.67
Total long-term liabilities	$1,430,898.77	$666,641.88	$659,544.58	$1,437,996.07	$383,926.47

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 8 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, 2015, are as follows:

Year Ending June 30	Principal	Interest	Total
2016	$ 54,937.20	$ 18,261.78	$ 73,198.98
2017	50,063.35	15,313.35	65,376.70
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 – 2022	130,417.15	6,605.23	137,022.38
Total	$406,960.88	$72,677.69	$479,638.57

Refunding of Debt

On August 27,2014, the state issued $352,023.68 in revenue bonds with interest rates ranging from 3% to 5% to advance refund $381,615.30 of outstanding 2008A Series bonds with interest rates ranging from 4% to 5%. The net proceeds of $406,348.19 (after payment of $870.05 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the 2008A Series bonds. As a result, the 2008A bonds are considered to be defeased, and the liability for those bonds has been removed from the college's long-term liabilities.

Although the advance refunding resulted in the recognition of a deferred loss of $24,732.89 to be amortized over the next eight years, the college in effect reduced its aggregate debt service payments by $39,634.02 over the next eight years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $37,463.04.

Note 8. Pledged Revenues

The college has pledged certain revenues and fees, including state appropriations, to repay $406,960.88 in revenue bonds issued from January 2008 to August 2014 (see Note 7 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, 2015, is $479,638.57. Principal and interest paid for fiscal year 2015 and total available revenues were $67,917.22 and $47,238,449.52, respectively. Principal and interest paid for fiscal year 2014 and total available revenues were $72,542.39 and $46,895,122.61, respectively. The amount of principal and interest paid for the current year does not include debt of $381,615.30 defeased through a bond refunding in the current year.

Note 9. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information About the Pension Plan

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

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

<u>Benefits provided</u> – 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.

<u>Contributions</u> – 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 year ended June 30, 2015, to the Closed State and Higher Education Employee Pension Plan

were $1,677,923.78, which is 15.03% of covered payroll. The employer rate 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.

Annual pension cost – For the years ended June 30, 2014, and June 30, 2013, the college's contributions equaled the annual pension cost of $1,758,895 and $1,699,230, respectively.

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$1,758,895.00	100%	$0
June 30, 2013	$1,699,230.00	100%	$0
June 30, 2012	$1,719,887.55	100%	$0

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

Pension liability – At June 30, 2015, the college reported a liability of $2,955,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2014, measurement date, the college's proportion was 0.428364%, representing the first-time presentation of this proportion.

Pension expense – For the year ended June 30, 2015, the college recognized a pension expense of $440,330.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2015, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 637,582.00
Net difference between projected and actual earnings on pension plan investments	-	3,620,823.00
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2014	1,677,923.78	-
Total	$1,677,923.78	$4,258,405.00

Deferred outflows of resources, resulting from the college's employer contributions of $1,677,923.78 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2016. 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	
2016	$ (1,064,601.00)
2017	(1,064,601.00)
2018	(1,064,601.00)
2019	(1,064,602.00)
Thereafter	-

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

Actuarial assumptions – The total pension liability as of June 30, 2014, actuarial valuation was determined 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 June 30, 2014, actuarial valuation 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 (asset) calculated using the discount rate of 7.5%, as well as what the college's proportionate share of the net pension liability (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 net pension liability (asset)	$10,136,994.00	$2,955,490.00	$(3,089,460.00)

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.

Payable to the Pension Plan

At June 30, 2015, the college did not have any outstanding legally required contributions to the pension plan required for the year ended June 30, 2015.

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 five consecutive year average compensation and the member's 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. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

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. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4% for all aggregate employee groups, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. 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 year ended June 30, 2015, to the State and Higher Education Employee Retirement Plan were $16,946.85, which is 3.87% of covered payroll. 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 liabilities – Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the State and Higher Education Employee Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension expense – Since the measurement date is June 30, 2014, the college did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources – For the year ended June 30, 2015, the college reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Nashville State Community College's contributions subsequent to the measurement date of June 30, 2014	$16,946.85	$ -

The college's employer contributions of $16,946.85 reported as pension-related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ending June 30, 2016.

Payable to the Pension Plan

At June 30, 2015, the college did not have any outstanding legally required contributions to the pension plan required for the year ended June 30, 2015.

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 35, Part 4, *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. The required contributions made to the ORP were $687,030.39 for the year ended June 30, 2015, and $653,932.40 for the year ended June 30, 2014. 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 in which 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. IRC 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, 2015, contributions totaling $449,953.19 were made by employees participating in the plan, and the college recognized pension expense of $193,303.75 for employer contributions. During the year ended June 30, 2014, contributions totaling $377,544.96 were made by employees participating in the plan, with contributions of $162,995 made by the college.

Note 10. 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.* Prior to reaching age 65, all 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. The state makes on-behalf payments to the Medicare Supplement Plan for the college's eligible retirees; see Note 15. 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/act/cafr.shtml.

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 Nashville State Community 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 members of the State Employee Group Plan 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. In accordance with Section 8-

27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan 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

	2015	2014
Annual required contribution (ARC)	$ 485,000.00	$ 468,000.00
Interest on the net OPEB obligation	106,210.44	102,809.10
Adjustment to the ARC	(103,474.57)	(100,160.84)
Annual OPEB cost	487,735.87	470,648.26
Amount of contribution	(426,622.26)	(385,614.68)
Increase in net OPEB obligation	61,113.61	85,033.58
Net OPEB obligation – beginning of year	2,655,260.97	2,570,227.39
Net OPEB obligation – end of year	$2,716,374.58	$2,655,260.97

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2015	State Employee Group Plan	$487,735.87	87.5%	$2,716,374.58
June 30, 2014	State Employee Group Plan	$470,648.26	81.9%	$2,655,260.97
June 30, 2013	State Employee Group Plan	$571,140.17	67.2%	$2,570,227.39

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, 2013
Actuarial accrued liability (AAL)	$3,571,000.00
Actuarial value of plan assets	-

Unfunded actuarial accrued liability (UAAL)	$3,571,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$18,013,482.23
UAAL as percentage of covered payroll	19.8%

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, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5% initially. The rate decreased to 7.0% in fiscal year 2015 and then reduces by decrements to an ultimate rate of 4.19% in fiscal year 2044. All rates include a 2.5% inflation assumption. 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 3.0%.

Note 11. 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. 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; builder's risk (for construction projects starting prior to July 1, 2012); and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012; thus, builder's risk is no longer covered by the RMF. 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 $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 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. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2015, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Section 9-8-101 et seq., *Tennessee Code Annotated*. Liability for negligence of the college for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Section 50-6-101 et seq., *Tennessee Code Annotated*. Claims are paid through the state's Risk Management Fund. At June 30, 2015, the Risk Management Fund held $127.9 million in cash designated for payment of claims. At June 30, 2014, the Risk Management Fund held $116.3 million in cash designated for payment of claims.

At June 30, 2015, and June 30, 2014, the scheduled coverage for the college was $113,586,600 for buildings and $30,069,000 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 12. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $6,623,792.97 at June 30, 2015, and $6,442,173.87 at June 30, 2014.

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 $65,250.00 and expenses for personal property were $73,476.13 for the year ended June 30, 2015. The corresponding amounts for the year ended June 30, 2014, were $0.00 and $71,216.03. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2015, outstanding commitments under construction contracts totaled $6,629,238.79 for the front entrance renovation; ADA updates; new academic and support building; southeast campus second floor renovation; and southeast campus roof replacement, of which $1,099,153.16 will be funded by future state capital outlay appropriations. At June 30, 2014, outstanding commitments under construction contracts totaled $14,446,070.75 for the front entrance renovation; ADA updates; campus security; southeast campus renovation; and new academic and support building, of which $12,322,261.23 will be funded by future state capital outlay appropriations.

Note 13. 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, 2015, the assets of the foundation totaled $194,219.25, deferred outflows of resources were $0.00, liabilities were $0.00, deferred inflows of resources were $0.00, and the net position was $194,219.25. At June 30, 2014, the assets of the foundation totaled $195,445.23, deferred outflows of resources were $0.00, liabilities were $0.00, deferred inflows of resources were $0.00, and the net position was $195,445.23.

Note 14. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2015, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$12,526,603.75	$3,484,974.77	$3,766,525.67	$ 65,677.50	$ -	$ 19,843,781.69

Public service	284,205.96	59,858.04	88,391.73	-	-	432,455.73
Academic support	4,152,742.76	1,259,056.99	(373,348.45)	50,665.50	-	5,089,116.80
Student services	1,894,073.87	622,536.16	523,272.86	18,765.00	-	3,058,647.89
Institutional support	2,853,696.17	936,070.68	1,512,409.69	7,506.00	-	5,309,682.54
Maintenance & operation	522,697.24	179,522.96	3,584,971.42	-	-	4,287,191.62
Scholarships & fellowships	-	-	8,317.26	13,607,712.10	-	13,616,029.36
Auxiliary	-	-	5,539.60	-	-	5,539.60
Depreciation	-	-	-	-	1,941,726.69	1,941,726.69
Total	$22,234,019.75	$6,542,019.60	$9,116,079.78	$13,750,326.10	$1,941,726.69	$ 53,584,171.92

The college's operating expenses for the year ended June 30, 2014, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$12,654,037.14	$3,951,719.49	$4,165,932.97	$ 51,573.50	$ -	$ 20,823,263.10
Public service	236,880.22	88,633.75	116,709.94	-	-	442,223.91
Academic support	3,880,049.25	1,552,897.87	(450,734.79)	24,927.00	-	5,007,139.33
Student services	1,847,997.45	794,831.19	853,464.71	38,069.50	-	3,534,362.85
Institutional support	2,741,454.35	1,084,784.89	1,520,893.01	3,561.00	-	5,350,693.25
Maintenance & operation	529,997.78	232,514.63	3,002,090.30	-	-	3,764,602.71
Scholarships & fellowships	-	-	34,401.88	12,930,248.91	-	12,964,650.79
Auxiliary	-	-	4,825.94	-	-	4,825.94
Depreciation	-	-	-	-	3,006,053.77	3,006,053.77
Total	$21,890,416.19	$7,705,381.82	$9,247,583.96	$13,048,379.91	$3,006,053.77	$ 54,897,815.65

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 $1,832,631.46 for the year ended June 30, 2015, and $1,873,617.81 for the year ended June 30, 2014, were reallocated from academic support to the other functional areas and caused academic support operating expenses to appear as a negative amount in the schedule above.

Note 15. On-behalf Payments

During the year ended June 30, 2015, the State of Tennessee made payments of $25,475 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2014, was $22,831. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 10. The plan is reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Note 16. Cumulative Effect of a Change in Accounting Principle

During fiscal year 2015, the college implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for the measurement, recognition, and display of the net pension liability and related expenses, deferred outflows of resources, deferred inflows of resources, note disclosures, and required supplementary information. The implementation of these statements resulted in a cumulative adjustment to beginning net position of $(6,773,565). This cumulative adjustment does not include related deferred outflows and deferred inflows of resources.

Note 17. 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 25-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 (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB 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, 2015, the foundation made distributions of $17,555.08 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2014, the foundation made distributions of $41,066.45 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, 2015, and at June 30, 2014.

	Total Fair Value at June 30, 2015	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Mutual bond funds	$119,559.29	$119,559.29	$ -	$ -
Mutual equity funds	243,154.88	243,154.88	-	-
Total assets	$362,714.17	$362,714.17	$ -	$ -

	Total Fair Value at June 30, 2014	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Mutual bond funds	$109,825.07	$109,825.07	$ -	$ -
Mutual equity funds	222,272.35	222,272.35	-	-
Total assets	$332,097.42	$332,097.42	$ -	$ -

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, money market funds, and Local Government Investment Pool funds. The bank balances of deposits at June 30, 2015, and June 30, 2014, were entirely insured.

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, 2015, were as follows:

	Cost	Fair Value
Mutual bond funds	$122,128.83	$119,559.29
Mutual equity funds	222,394.32	243,154.88
Total investments	$344,523.15	$362,714.17

Investments held at June 30, 2014, were as follows:

	Cost	Fair Value
Mutual bond funds	$109,475.03	$109,825.07
Mutual equity funds	189,511.06	222,272.35
Total investments	$298,986.09	$332,097.42

Endowments

The Nashville State Community College Foundation's endowments consist of approximately 11 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, 2015

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$376,573.57	$20,985.27	$ -	$397,558.84

Board-designated endowment funds	-	-	33,623.52	33,623.52
Total funds	$376,573.57	$20,985.27	$33,623.52	$431,182.36

Composition of Endowment by Net Position Class
As of June 30, 2014

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$335,765.64	$29,067.48	$ -	$364,833.12
Board-designated endowment funds	-	-	33,934.91	33,934.91
Total funds	$335,765.64	$29,067.48	$33,934.91	$398,768.03

Changes in Endowment Net Position
for the Year Ended June 30, 2015

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$335,765.64	$29,067.48	$33,934.91	$398,768.03
Investment return:				
Investment income	474.93	9,392.68	1,046.58	10,914.19
Net appreciation (realized and unrealized)	-	(12,724.87)	(1,357.97)	(14,082.84)
Total investment return	474.93	(3,332.19)	(311.39)	(3,168.65)
Contributions	40,333.00	-	-	40,333.00
Transfers	-	(4,750.02)	-	(4,750.02)
Endowment net position, end of year	$376,573.37	$20,985.27	$33,623.52	$431,182.36

Changes in Endowment Net Position
for the Year Ended June 30, 2014

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$296,582.59	$ 7,292.44	$29,153.45	$333,028.49
Investment return:				
Investment income	72.80	636.46	442.40	1,151.65
Net appreciation (realized and unrealized)	-	21,763.58	7,563.57	29,327.15
Total investment return	72.80	22,400.04	8,005.97	30,478.80

Contributions	39,110.25	-	-	39,110.25
Transfers	-	(625.00)	(3,224.51)	(3,849.51)
Endowment net position, end of year	$335,765.64	$29,067.48	$33.934.91	$398,768.03

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 $146,242.97 in fiscal year 2015 and $137,058.55 in fiscal year 2014. 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 $97,920 for the years ended June 30, 2015, and June 30, 2014, 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

	2014
College's proportion of the net pension liability	0.428364%
College's proportionate share of the net pension liability	$ 2,955,490.00
College's covered payroll	$ 11,702,567.67
College's proportionate share of the net pension liability as a percentage of its covered payroll	25.26%
Plan fiduciary net position as a percentage of the total pension liability	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 ten-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 ten 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

	2015	2014
Contractually determined contribution	$ 1,758,895.00	$ 1,677,923.78
Contributions in relation to the contractually determined contribution	1,758,895.00	1,677,923.78
Contribution deficiency (excess)	$ -	$ -
Covered payroll	$11,702,568.00	$11,163,827.93
Contributions as a percentage of covered payroll	15.03%	15.03%

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

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

	2015
Contractually determined contribution	$ 16,946.85
Contributions in relation to the contractually determined contribution	16,946.85
Contribution deficiency (excess)	$ -
Covered payroll	$437,903.00
Contributions as a percentage of covered payroll	3.87%

This is a ten-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until ten 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, 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%
July 1, 2010	State Employee Group Plan	$ -	$6,352,000	$6,352,000	0%	$16,281,929	39.0%

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
Supplementary Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2015, and June 30, 2014

	June 30, 2015	June 30, 2014
Cash flows from operating activities		
Gifts and contributions	$ 314,926.97	$ 439,559.43
Payments to suppliers and vendors	(48,529.55)	(56,588.24)
Payments for scholarships and fellowships	(166,384.49)	(137,529.07)
Payments to Nashville State Community College	(17,555.08)	(41,066.45)
Net cash provided by operating activities	82,457.85	204,375.67
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	40,333.00	39,110.25
Net cash provided by noncapital financing activities	40,333.00	39,110.25
Cash flows from investing activities		
Proceeds from sales and maturities of investments	19,001.43	85,516.72
Income on investments	14,757.58	4,740.73
Purchases of investments	(63,701.02)	(156,665.40)
Other investing payments	(3,533.90)	(2,890.11)
Net cash used by investing activities	(33,475.91)	(69,298.06)
Net increase in cash and cash equivalents	89,314.94	174,187.86
Cash and cash equivalents - beginning of year	654,065.48	479,877.62
Cash and cash equivalents - end of year	$ 743,380.42	$ 654,065.48
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (95,605.45)	$ (32,694.93)
Adjustments to reconcile operating gain to net cash used by operating activities		
Other adjustments	172,762.97	234,978.55
Change in assets, liabilities, and deferrals:		
Prepaid items		1,046.30
Accounts payable	5,300.33	1,045.75
Net cash provided by operating activities	$ 82,457.85	$ 204,375.67
Noncash investing, capital, and financing activities		
Unrealized gain/(loss) on investments	$ (508.64)	$ 29,938.63

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500, JAMES K. POLK STATE OFFICE BUILDING
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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 David Gregory, Acting Chancellor
Dr. George H. Van Allen, President

We have audited the financial statements of Nashville State Community College, an institution of the Tennessee Board of Regents, 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, 2015, and June 30, 2014, and the related notes to the financial statements, which collectively comprise the college's basic financial statements, and have issued our report thereon dated June 17, 2016. 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.

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. Given these limitations, during our audit we did not identify any deficiencies that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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
June 17, 2016

Observations and Comments

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. Prior to July 1, 2013, these workforce training schools were named Tennessee Technology Centers.