Tennessee Comptroller of the Treasury

Financial and Compliance Audit Report

Nashville State Community College

For the Years Ended June 30, 2021, and June 30, 2020

Jason E. Mumpower
Comptroller of the Treasury

Division of State Audit

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Tennessee Comptroller of the Treasury

Jason E. Mumpower
Comptroller

August 24, 2022

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

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Nashville State Community College, for the years ended June 30, 2021, and June 30, 2020. You will note from the independent auditor's report that unmodified opinions were given on the fairness of the presentation of the financial statements.

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

Sincerely,

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

22/026

Audit Report
Tennessee Board of Regents
Nashville State Community College
For the Years Ended June 30, 2021, and June 30, 2020

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Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Findings

The audit report contains no findings.

Jason E. Mumpower
Comptroller

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Nashville State Community College, an institution of the State University and Community College System of Tennessee, which is a component unit of the State of Tennessee, its fiduciary fund information, and its discretely presented component unit as of and for the years ended June 30, 2021, and June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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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, its fiduciary fund information, and its discretely presented component unit as of June 30, 2021, and June 30, 2020; and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1, the financial statements of Nashville State Community College, an institution of the State University and Community College System of Tennessee, are intended to present the financial position, the changes in financial position, and the cash flows of only Nashville State Community College. They do not purport to, and do not, present fairly the financial position of the State University and Community College System of Tennessee as of June 30, 2021, and June 30, 2020, 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 84, *Fiduciary Activities*, during the year ended June 30, 2021. 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 16; 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 69; the schedule of Nashville State Community College's proportionate share of the net pension asset – State and Higher Education Employee Retirement Plan within TCRS on page 70; the schedule of Nashville State Community College's contributions – Closed State and Higher Education Employee Pension Plan within TCRS on page 71; the schedule of Nashville State Community College's contributions – State and Higher Education Employee Retirement Plan within TCRS on page 72; the schedule of Nashville State Community College's proportionate share of the collective net/total OPEB liability – Closed State Employee Group OPEB Plan on page 73; the schedule of Nashville State Community College's contributions – Closed State Employee Group OPEB Plan on page 74; and the schedule of Nashville State Community College's proportionate share of the collective total OPEB liability – Closed Tennessee OPEB Plan on page 75 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 76 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 August 5, 2022, on our consideration of the college's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the college's internal control over financial reporting and compliance.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
August 5, 2022

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

Introduction

This section of Nashville State Community College's annual financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2021, with comparative information presented for the fiscal years ended June 30, 2020, and June 30, 2019. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the notes. The financial statements, notes, and this discussion are the responsibility of management.

The college has one discretely presented component unit, the Nashville State Community College Foundation. More detailed information about the foundation is presented in Note 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 subdivided 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, 2021; June 30, 2020; and June 30, 2019.

Nashville State Community College
Summary of Net Position
(in thousands of dollars)

	2021	2020	2019
Assets:			
Current assets	$ 33,083	$ 32,138	$ 26,863
Capital assets, net	90,525	79,340	80,161
Other assets	47,337	50,422	50,768
Total Assets	**170,945**	**161,900**	**157,792**
Deferred Outflows of Resources			
Deferred amount on debt refunding	3	6	9
Deferred outflows on OPEB	1,373	1,122	1,170
Deferred outflows related to pension	2,814	3,099	3,612
Total Deferred Outflows	**4,190**	**4,227**	**4,791**

Liabilities:			
Current liabilities	5,279	3,812	5,669
Noncurrent liabilities	11,077	10,205	11,922
Total Liabilities	**16,356**	**14,017**	**17,591**
Deferred Inflows of Resources			
Deferred inflows related to OPEB	1,727	1,752	314
Deferred inflows related to pension	117	1,022	436
Total Deferred Inflows	**1,844**	**2,774**	**750**
Net Position:			
Net investment in capital assets	90,525	79,340	80,161
Restricted – nonexpendable	5	5	5
Restricted – expendable	1,689	1,354	1,499
Unrestricted	64,716	68,637	62,577
Total Net Position	**$156,935**	**$149,336**	**$144,242**

Comparison of Fiscal Year 2021 to Fiscal Year 2020

- Current assets increased due to conserving funds for off-campus development and the increase in federal funds due from the U.S. Department of Education for the Coronavirus Aid, Relief, and Economic Security (CARES) Act Higher Education Emergency Relief (HEERF) funding to assist students with unmet expenses as a result of COVID-19, which offset the decrease in funds from Title IV student financial aid programs such as Pell, SEOG, and federal work study.
- Capital assets and net investment in capital assets increased due to expenses related to the construction of the Madison Campus location to be completed in fiscal year 2022.
- Other assets decreased due to expenditures of long-term cash related to previously planned capital projects.
- Deferred outflows of resources and deferred inflows of resources decreased due to differences between actual experience and actuarial assumptions for pensions.
- Current liabilities increased due to Madison construction expenditures owed to the state and having increased vendor accounts payable at year-end.
- Noncurrent liabilities increased due to changes in the pension liability.
- Unrestricted net position decreased due to spending funds for off-campus development.

Comparison of Fiscal Year 2020 to Fiscal Year 2019

- Current assets increased due to conserving funds for off-campus development and the increase in funds due from Title IV student financial aid programs such as Pell, SEOG, and federal work study, as well as federal funds due from the U.S. Department of Education for the CARES Act HEERF funding to assist students with unmet expenses as a result of COVID-19.

- Capital assets and net investment in capital assets decreased due to the retirement of operational and instructional equipment and planned depreciation expense for the year.
- Other assets decreased due to expenditures of long-term cash related to previously planned capital projects and a decrease in amounts due from the state.
- Deferred outflows of resources decreased and deferred inflow of resources increased due to differences between actual experience and actuarial assumptions for pensions and OPEB.
- Current liabilities decreased due to the return of federal funds related to a financial aid audit and from having less outstanding vendor accounts payable at year-end.
- Noncurrent liabilities decreased due to changes in the pension and OPEB liability.
- Unrestricted net position increased due to conserving funds for off-campus development, along with conserving funds for renewal and replacement for equipment.

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

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

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

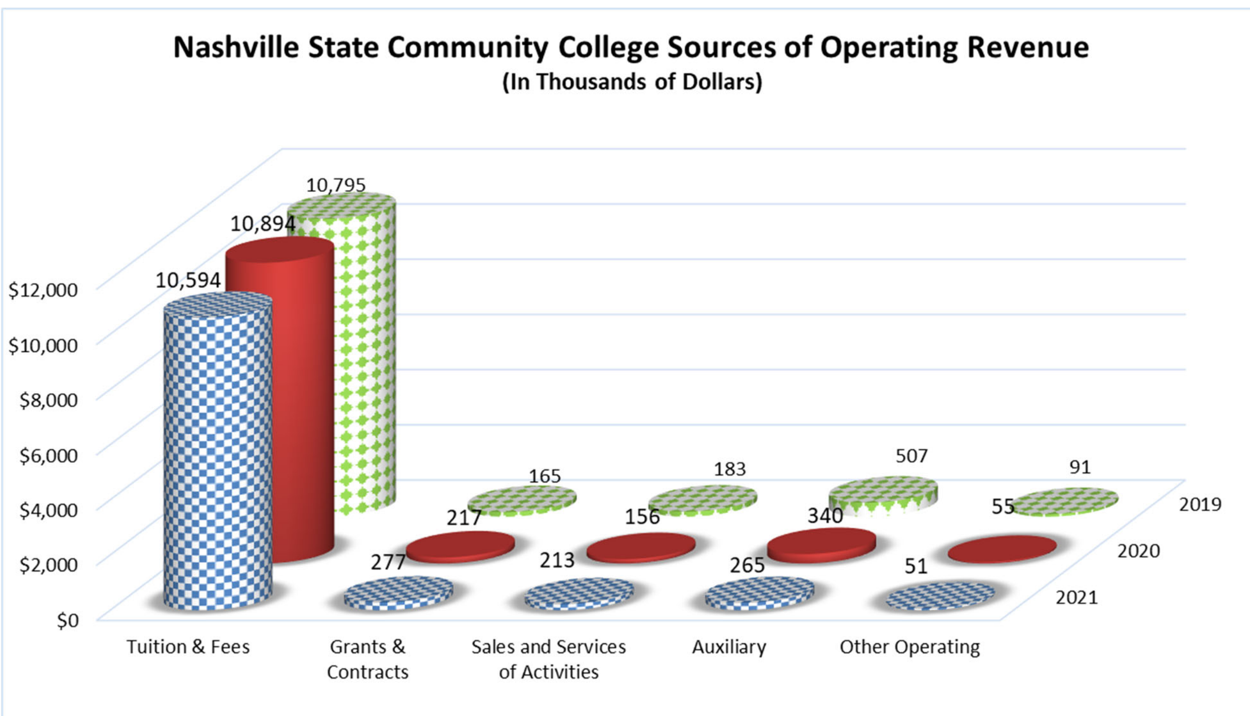
A summary of the college's revenues, expenses, and changes in net position for the years ended June 30, 2021; June 30, 2020; and June 30, 2019, follows.

Nashville State Community College
Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	2021	2020	2019
Operating revenues	$ 11,399	$ 11,662	$ 11,742
Operating expenses	56,781	58,427	52,861
Operating loss	**(45,382)**	**(46,765)**	**(41,119)**
Nonoperating revenues and expenses	52,394	50,861	48,373
Income before other revenues, expenses, gains, or losses	**7,012**	**4,096**	**7,254**
Other revenues	587	941	858
Increase in net position	**7,599**	**5,037**	**8,112**
Net position at beginning of year	149,336	144,242	136,130
Cumulative effect adjustment	-	57	-
Net position at end of year	**$156,935**	**$149,336**	**$144,242**

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 Fiscal Year 2021 to Fiscal Year 2020

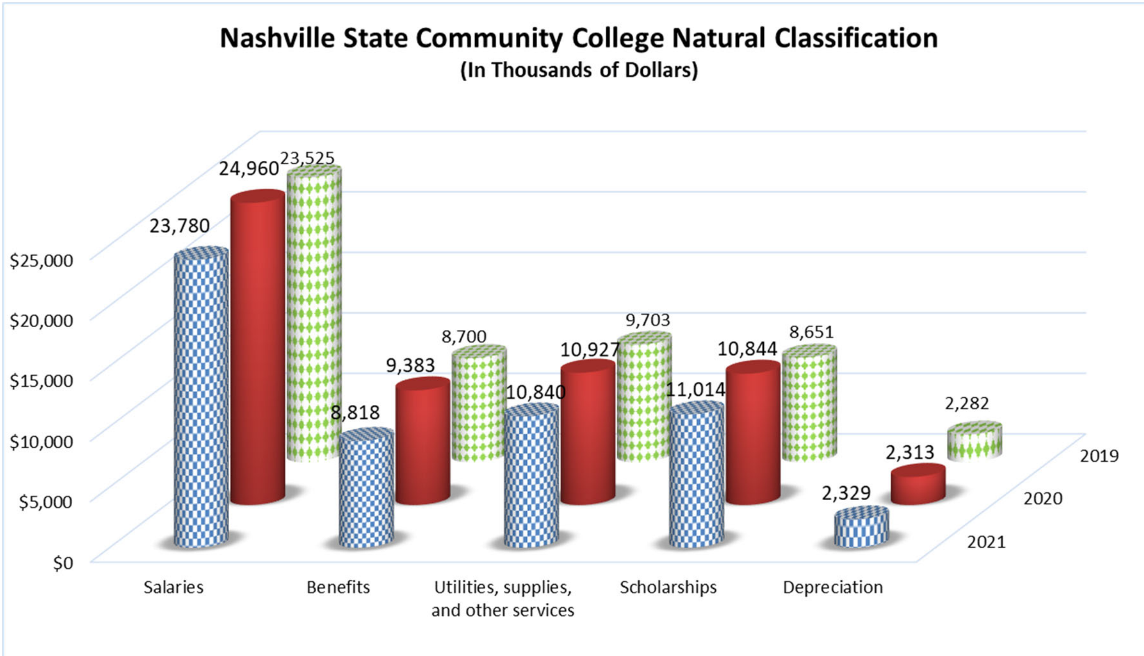
- Tuition and fees decreased due to lower enrollment rates resulting from the pandemic's impact on the economy.
- Grants and contracts increased due to receiving more federal grants indirect cost allocations.
- Sales and services of activities increased due to increased lease revenue with our agreements with Metro Nashville Public Schools.
- Auxiliary income decreased due to lower enrollment resulting from the pandemic's impact on the economy.

Comparison of Fiscal Year 2020 to Fiscal Year 2019

- Tuition and fees increased despite a lower enrollment rate due to the increase of fee rates of 2.45%.
- Grants and contracts increased due to receiving more revenue from workforce private grants and contracts.
- Sales and services of educational activities decreased due to receiving lower student printing fees and hosting only one of the two career employment events as a result of the national pandemic.
- Sales and services of other activities decreased due to receiving less administration fees for TCAT Nashville and TCAT Dickson and due to receiving less proceeds from surplus sales on govdeals.com.
- Auxiliary income decreased due to lower enrollment and the transition to digital books to save students money, thereby resulting in less commission rates from bookstore.
- Other income decreased due to lower bad debt recoveries and less traffic violations given because fewer students were on campus as a result of the national pandemic.

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:



<u>Comparison of Fiscal Year 2021 to Fiscal Year 2020</u>

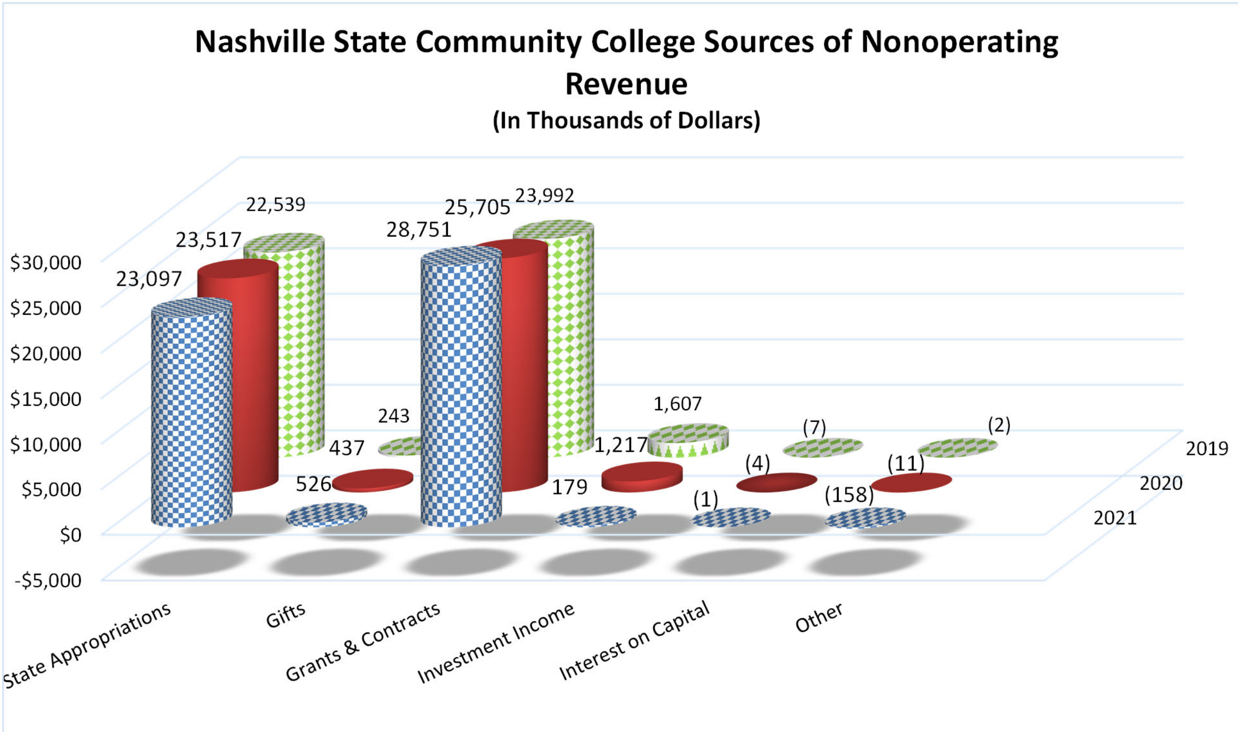
- Salaries and benefits decreased due to less faculty appointments caused by lower enrollment rates resulting from the pandemic's impact on the economy.

<u>Comparison of Fiscal Year 2020 to Fiscal Year 2019</u>

- Salaries increased due to a combination of faculty retirements, filling open positions and more need for temporary workers.
- Benefits increased due to an increase in pension expense, a higher Tennessee Consolidated Retirement System Legacy Contribution rate at 19.23%, paying higher premiums for insurance, and an increase in compensated absence accrual from employees taking less vacation as a result of the national pandemic.
- Utilities, supplies, and other services increased due to higher spending on advertising, consulting services, and other professional services to improve enrollment and services provided to students, to refocus the strategic direction of the college through development of the mission, vision, long terms goals, and new programs. Software expenses increased due to purchases made to strengthen network security and to support the unexpected change to 100% online instructional delivery method due to COVID-19.
- Scholarships increased due to more scholarships given to students in need in fiscal year 2020.

Nonoperating Revenues and Expenses

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



Comparison of Fiscal Year 2021 to Fiscal Year 2020

- Gifts increased due to funds received from the campus foundation related to the Nashville Grad Program, and more gifts were received from other organizations for student scholarships such as International Scholarship and Tuition Services, St. Thomas Health Services, and Metro Nashville Education.
- Grants and contracts increased due to funding from the U.S. Department of Education for the CARES Act HEERF funding to assist students and the institution with needs arising from the pandemic.
- Investment income decreased due to having significantly lower interest rates on operating and Local Government Investment Pool accounts related to the economy.

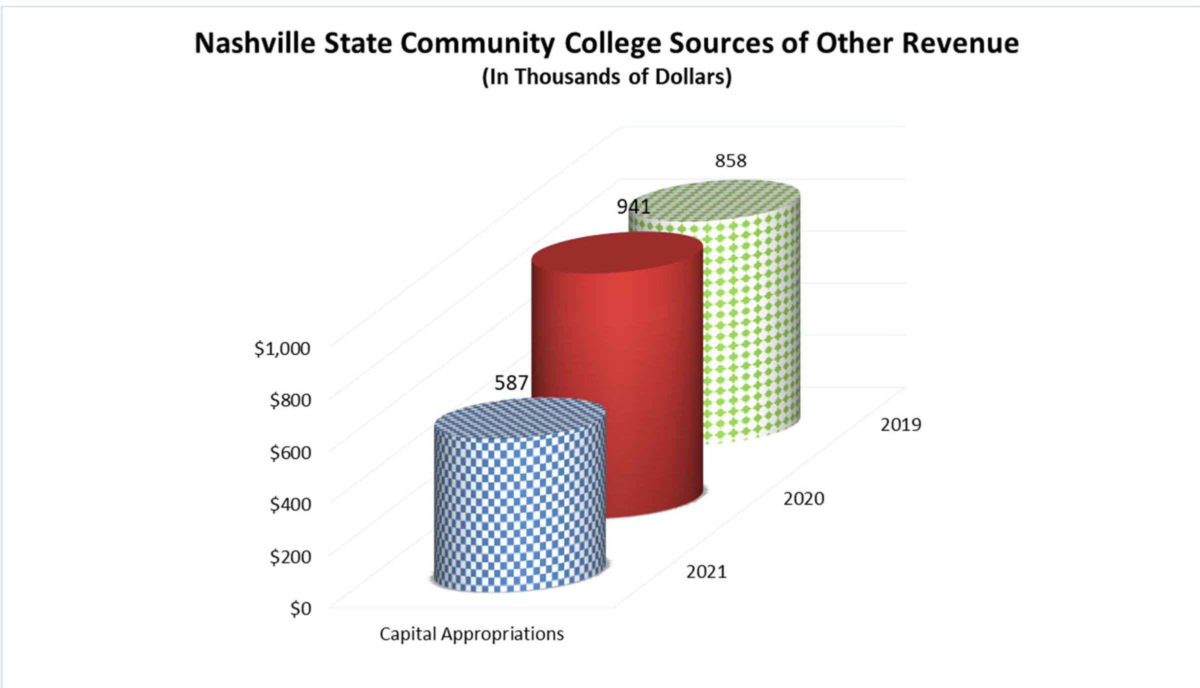
Comparison of Fiscal Year 2020 to Fiscal Year 2019

- State appropriations revenue increased due to impacts of applying the funding formula.

- Gifts increased due to funds received from the campus foundation related to the Nashville Grad Program, and more gifts were received from other organizations for student scholarships such as International Scholarship and Tuition Services, Hooper Scholarship, and Metro Nashville Education.
- Grants and contracts increased due to funding from the U.S. Department of Education for the CARES Act HEERF funding to assist students with unmet expenses as a result of COVID-19.
- Investment income decreased due to having lower cash balances in the operating bank account and LGIP accounts as a result of increased spending.

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 Fiscal Year FY 2021 to Fiscal Year 2020

- State capital appropriations revenue decreased due to the completion of the main campus sidewalk improvement project and the main campus access door lock control project. Both projects are capital maintenance state-funded projects.

Comparison of Fiscal Year 2020 to Fiscal Year 2019

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

Capital Assets and Debt Administration

Capital Assets

Nashville State Community College had $90,524,996.87 invested in capital assets, net of accumulated depreciation of $36,854,323.23 at June 30, 2021; $79,340,322.44 invested in capital assets, net of accumulated depreciation of $34,826,789.27 at June 30, 2020; and $80,161,288.50 invested in capital assets, net of accumulated depreciation of $32,860,625.91 at June 30, 2019. Depreciation charges totaled $2,329,295.38; $2,313,110.28; and $2,281,565.80 for the years ended June 30, 2021; June 30, 2020; and June 30, 2019, respectively.

Nashville State Community College
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2021	2020	2019
Land	$11,147	$11,147	$11,147
Land improvements & infrastructure	4,672	4,207	3,851
Buildings	57,603	59,211	60,665
Equipment	1,261	1,447	1,660
Library holdings	199	219	232
Projects in progress	15,643	3,109	2,606
Total	**$90,525**	**$79,340**	**$80,161**

Significant additions to capital assets occurred in fiscal year 2021. These additions are related to the construction of the Madison Campus location to be completed in fiscal year 2022.

Fiscal Year 2021

At June 30, 2021, outstanding commitments under construction contracts totaled $6,625,192.21 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $1,311,021.91 of these costs.

Fiscal Year 2020

At June 30, 2020, outstanding commitments under construction contracts totaled $19,465,748.99 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $1,320,614.98 of these costs.

Fiscal Year 2019

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

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

Debt

The college had $66,895.80; $130,417.15; and $190,715.96 in debt outstanding at June 30, 2021; June 30, 2020; and June 30, 2019, respectively. The table below summarizes these amounts by type of debt instrument.

Description of Debt	**2021**	**2020**	**2019**
TSSBA Bonds	$66,895.80	$130,417.15	$190,715.96

The Tennessee State School Bond Authority (TSSBA) issued bonds with interest rates at 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 $66,895.80; $63,521.35; and $60,298.81 in current portion of debt outstanding at June 30, 2021; June 30, 2020; and June 30, 2019, respectively.

The ratings on debt issued by the TSSBA at June 30, 2021, 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 increased by 2% for fiscal year 2022.
- State appropriation funding will increase in fiscal year 2022 by $900 thousand.
- Student enrollment is anticipated to decrease due to the national pandemic.

On December 31, 2019, China reported cases of the COVID-19 virus occurring in Wuhan City, China, to the World Health Organization (WHO). At that time, there was little confirmed evidence of human-to-human transmission, and the WHO did not declare the outbreak to be a public health emergency of international concern until January 31, 2020. On March 11, 2020, the WHO declared COVID-19 to be a global pandemic. To help slow the transmission of the virus in Tennessee, the Tennessee Board of Regents (TBR) took the following actions: 1) Employees whose job responsibilities allowed were instructed to begin an alternate work-from-home schedule beginning March 17, 2020. 2) Most TBR institutions were on spring break the week of March 17. Spring break was extended an additional week to allow faculty to convert classes to an online format. All classes resumed on March 30 and followed an online format until the end of the spring 2020 semester and most extended the online format through the summer 2020 semester. A combination of ground and online courses was offered during the fall 2020 and spring 2021 semesters. At this time, TBR institutions are planning to fully resume the normal combination of ground and online classes for the fall 2021 semester. COVID-19 could have a continuing negative impact on the state's revenue collections, state funding for higher education, higher education enrollment, the fair value of higher education's investments, demand for on-campus housing, and interest in college programs involving international travel. Some of these adverse effects have been temporarily offset by federal assistance programs. The full impact of COVID-19 and the scope of any adverse impact on the college's finances and operations cannot be fully determined at this time.

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2021, and June 30, 2020

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Assets				
Current assets:				
Cash and cash equivalents (Notes 2 and 17)	$ 29,087,287.28	$ 28,398,877.35	$ 1,282,061.02	$ 986,828.77
Accounts, notes, and grants receivable (net) (Note 4)	3,351,148.34	3,156,829.04	-	-
Due from State of Tennessee	516,410.19	534,022.70	-	-
Prepaid expenses	128,244.09	48,322.45	-	-
Total current assets	33,083,089.90	32,138,051.54	1,282,061.02	986,828.77
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 17)	46,769,593.31	50,040,070.33	36,892.75	48,130.79
Investments (Notes 3 and 17)	-	-	865,383.63	735,612.13
Investment in Tennessee Retiree Group Trust	408,297.54	214,019.73	-	-
Capital assets (net) (Note 5)	90,524,996.87	79,340,322.44	-	-
Net pension asset (Note 9)	158,989.00	167,537.00	-	-
Total noncurrent assets	137,861,876.72	129,761,949.50	902,276.38	783,742.92
Total assets	170,944,966.62	161,900,001.04	2,184,337.40	1,770,571.69
Deferred outflows of resources				
Deferred amount on debt refunding	3,091.55	6,183.17	-	-
Deferred outflows related to pensions (Note 9)	2,814,672.00	3,098,528.00	-	-
Deferred outflows related to OPEB (Note 10)	1,373,372.00	1,122,043.00	-	-
Total deferred outflows of resources	4,191,135.55	4,226,754.17	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 6)	1,121,129.51	780,138.85	7,257.35	81,557.36
Accrued liabilities	955,181.01	974,680.03	-	-
Due to State of Tennessee	1,591,621.09	426,155.54	-	-
Student deposits	1,800.00	9,761.00	-	-
Unearned revenue	1,293,856.29	1,278,220.95	-	-
Compensated absences (Note 7)	247,850.46	278,404.04	-	-
Accrued interest payable	557.47	1,086.81	-	-
Long-term liabilities, current portion (Note 7)	66,895.80	63,521.35	-	-
Total current liabilities	5,278,891.63	3,811,968.57	7,257.35	81,557.36
Noncurrent liabilities:				
Compensated absences (Note 7)	1,235,016.03	1,116,065.52	-	-
Long-term liabilities (Note 7)	6,899.32	80,694.44	-	-
Net pension liability (Note 9)	7,140,352.00	6,197,157.00	-	-
Net OPEB liability (Note 10)	2,695,250.00	2,811,505.00	-	-
Total noncurrent liabilities	11,077,517.35	10,205,421.96	-	-
Total liabilities	16,356,408.98	14,017,390.53	7,257.35	81,557.36
Deferred inflows of resources				
Deferred inflows related to pensions (Note 9)	117,064.00	1,022,236.00		
Deferred inflows related to OPEB (Note 10)	1,727,167.00	1,751,374.00		
Total deferred inflows of resources	1,844,231.00	2,773,610.00	-	-
Net position				
Net investment in capital assets	90,524,996.87	79,340,322.44	-	-
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	4,739.67	4,739.67	580,031.59	566,572.45
Instructional department uses	-	-	70,307.73	70,203.21
Expendable:				
Scholarships and fellowships	926,629.52	640,672.13	674,541.90	586,823.11
Instructional department uses	145,053.45	146,098.10	17,422.66	7,395.10
Pension	158,989.00	167,537.00	-	-
Other	458,679.85	398,994.54	580,721.32	171,237.00
Unrestricted	64,716,373.83	68,637,390.80	254,054.85	286,783.46
Total net position	$ 156,935,462.19	$ 149,335,754.68	$ 2,177,080.05	$ 1,689,014.33

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, 2021, and June 30, 2020

	Nashville State Community College		Component Unit - Nashville State Community College Foundation	
	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2021	Year Ended June 30, 2020
Revenues				
Operating revenues:				
Student tuition and fees (Note 11)	$ 10,593,572.26	$ 10,894,302.83	$ -	$ -
Gifts and contributions	-	-	1,235,049.98	1,167,337.52
Governmental grants and contracts	161,482.96	40,483.00	381,045.60	-
Nongovernmental grants and contracts	115,489.80	176,548.79	-	-
Sales and services of educational activities	9,165.00	10,806.50	-	-
Sales and services of other activities	204,221.81	145,272.04	-	-
Auxiliary enterprises:				
Bookstore	264,766.11	339,961.49	-	-
Other operating revenues	50,786.86	54,947.36	-	-
Total operating revenues	11,399,484.80	11,662,322.01	1,616,095.58	1,167,337.52
Expenses				
Operating expenses (Notes 14 and 17):				
Salaries and wages	23,780,096.01	24,959,811.87	283,195.26	205,731.02
Benefits	8,817,693.78	9,383,061.96	99,362.97	51,432.75
Utilities, supplies, and other services	10,840,065.26	10,927,265.45	524,297.39	129,355.52
Scholarships and fellowships	11,014,236.82	10,844,466.68	772,543.67	874,854.59
Depreciation expense	2,329,295.38	2,313,110.28	-	-
Payments to or on behalf of Nashville State Community College	-	-	5,336.68	131,326.98
Total operating expenses	56,781,387.25	58,427,716.24	1,684,735.97	1,392,700.86
Operating loss	(45,381,902.45)	(46,765,394.23)	(68,640.39)	(225,363.34)
Nonoperating revenues (expenses)				
State appropriations	23,097,187.50	23,517,350.00	-	-
Gifts (including $5,336.68 from component unit for the year ended June 30, 2021, and $131,326.98 for the year ended June 30, 2020)	525,897.21	437,464.16	-	-
Grants and contracts	28,750,270.61	25,703,801.86	-	-
Investment income (expense) (net of investment expense of $4,427.30 for the component unit for the year ended June 30, 2021, and $4,377.86 for the year ended June 30, 2020)	179,196.30	1,217,046.93	134,865.87	38,285.87
Interest on capital asset-related debt	(595.79)	(3,718.14)	-	-
College support (Note 17)	-	-	409,141.98	287,381.27
Other nonoperating revenues (expenses)	(157,529.34)	(10,710.64)	-	-
Total nonoperating revenues (expenses)	52,394,426.49	50,861,234.17	544,007.85	325,667.14
Income before other revenues, expenses, gains, or losses	7,012,524.04	4,095,839.94	475,367.46	100,303.80
Capital appropriations	587,183.47	940,663.25	-	-
Additions to permanent endowments	-	-	12,698.26	20,000.00
Total other revenues	587,183.47	940,663.25	12,698.26	20,000.00
Increase in net position	7,599,707.51	5,036,503.19	488,065.72	120,303.80
Net position - beginning of year, as originally reported	149,335,754.68	144,241,873.16	1,689,014.33	1,568,710.53
Cumulative effect of change in accounting principle (Note 16)	-	57,378.33	-	-
Net position - beginning of year, restated	149,335,754.68	144,299,251.49	1,689,014.33	1,568,710.53
Net position - end of year	$ 156,935,462.19	$ 149,335,754.68	$ 2,177,080.05	$ 1,689,014.33

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, 2021, and June 30, 2020

	Year Ended June 30, 2021	Year Ended June 30, 2020
Cash flows from operating activities		
Tuition and fees	$ 10,421,569.98	$ 11,114,311.54
Grants and contracts	403,105.27	(508,608.50)
Sales and services of educational activities	9,165.00	10,806.50
Sales and services of other activities	204,221.81	145,272.04
Payments to suppliers and vendors	(9,054,914.37)	(11,850,882.77)
Payments to employees	(23,780,369.78)	(25,280,073.62)
Payments for benefits	(8,782,477.60)	(8,880,580.57)
Payments for scholarships and fellowships	(11,014,236.82)	(10,844,466.68)
Auxiliary enterprise charges:		
Bookstore	264,766.11	339,961.49
Other receipts	50,786.86	54,947.36
Net cash used for operating activities	(41,278,383.54)	(45,699,313.21)
Cash flows from noncapital financing activities		
State appropriations	22,588,000.00	23,005,400.00
Gifts and grants received for other than capital or endowment purposes, including $5,336.68 from Nashville State Community College Foundation for the year ended June 30, 2021, and $131,326.98 for the year ended June 30, 2020	29,276,167.82	26,141,266.02
Federal student loan receipts	3,001,635.00	4,154,437.00
Federal student loan disbursements	(3,001,635.00)	(4,154,437.00)
Principal paid on noncapital debt	(67,329.05)	(64,106.51)
Interest paid on noncapital debt	(1,125.13)	(4,220.63)
Net cash provided by noncapital financing activities	51,795,713.64	49,078,338.88
Cash flows from capital and related financing activities		
Purchase of capital assets and construction	(13,084,315.68)	(562,191.61)
Net cash used for capital and related financing activities	(13,084,315.68)	(562,191.61)
Cash flows from investing activities		
Income on investments	111,978.63	1,217,046.93
Purchase of investments	(127,060.14)	(214,019.73)
Net cash provided by (used for) investing activities	(15,081.51)	1,003,027.20
Net increase (decrease) in cash and cash equivalents	(2,582,067.09)	3,819,861.26
Cash and cash equivalents - beginning of year	78,438,947.68	74,621,532.93
Adjustment to beginning cash balance (Note 16)	-	(2,446.51)
Cash and cash equivalents - end of year	$ 75,856,880.59	$ 78,438,947.68

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021, and June 30, 2020

	Year Ended June 30, 2021	Year Ended June 30, 2020
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	$ (45,381,902.45)	$ (46,765,394.23)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Noncash operating expenses	2,839,982.88	2,839,860.28
Change in assets, liabilities, and deferrals:		
Receivables, net	(194,319.30)	(1,514,004.67)
Due from State of Tennessee	16,112.51	504,597.58
Prepaid items	(79,921.64)	89,867.21
Net pension asset	8,548.00	6,415.00
Deferred outflows of resources	32,527.00	561,768.45
Accounts payable	340,990.66	(1,221,578.44)
Accrued liabilities	(19,499.02)	(355,627.59)
Due to State of Tennessee	1,165,465.55	(18,205.30)
Unearned revenue	15,635.34	234,721.95
Deposits	(7,961.00)	5,758.50
Compensated absences	88,396.93	247,014.05
Net pension liability	943,195.00	(512,325.00)
Net OPEB liability	(116,255.00)	(1,825,938.00)
Deferred inflows of resources	(929,379.00)	2,023,757.00
Net cash used for operating activities	$ (41,278,383.54)	$ (45,699,313.21)
Noncash investing, capital, or financing transactions		
Unrealized gains (losses) on investments	$ 67,217.67	$ 11,628.11
Gain (loss) on disposal of capital assets	$ (157,529.34)	$ (10,710.64)
Capital appropriations received through TBR	$ 587,183.47	$ 940,663.25
Purchase of capital assets and construction through TBR	$ (587,183.47)	$ (940,663.25)

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

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Fiduciary Net Position
June 30, 2021 and June 30, 2020

	Custodial Funds	
	June 30, 2021	June 30, 2020
Assets		
Cash and cash equivalents (Note 2)	$ 4,703.85	$ 119,599.45
Receivables		
Student receivables (Note 4)	204.40	54.40
Total receivables	204.40	54.40
Total assets	4,908.25	119,653.85
Net position	4,908.25	119,653.85
Total net position	$ 4,908.25	$ 119,653.85

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

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Statements of Changes in Fiduciary Net Position
June 30, 2021 and June 30, 2020

	Custodial Funds	
	Year Ended June 30, 2021	Year Ended June 30, 2020
Additions		
Contributions		
Other contributions	$ 1,815,793.88	$ 2,022,146.23
Total contributions	1,815,793.88	2,022,146.23
Total additions	1,815,793.88	2,022,146.23
Deductions		
Other deductions	1,930,539.48	1,905,146.89
Total deductions	1,930,539.48	1,905,146.89
Net increase (decrease) in fiduciary net position	(114,745.60)	116,999.34
Net position - beginning of year	119,653.85	2,654.51
Net position - end of year	$ 4,908.25	$ 119,653.85

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

Tennessee Board of Regents
NASHVILLE STATE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2021, and June 30, 2020

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The college is a part of the State University and Community College System of Tennessee. This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides significant financial support; the system is discretely presented in Tennessee's *Annual Comprehensive Financial Report*. That report is available at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

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

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

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The college reports only custodial funds which are funds collected by students on behalf of the vendor. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria. The college implemented this standard as of July 1, 2020. However, as comparative statements are presented, the statements for the fiscal year ended June 30, 2020, were restated.

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

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

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

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

Cash Equivalents

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

Compensated Absences

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

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

Capital Assets

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

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

These assets, with the exception of works of art and historical treasures/collections deemed inexhaustible and land, are depreciated/amortized using the straight-line method over their estimated useful lives, which range from 5 to 60 years.

Pensions

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

Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (OPEB) liability, as well as deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the Closed Employee Group OPEB Plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the State of Tennessee Postemployment Benefits Trust. For this purpose, benefits are recognized when due and payable in accordance with the benefit terms of the Closed Employee Group OPEB Plan. Investments are reported at fair value.

Net Position

The college's net position is classified as follows:

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

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

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

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

Scholarship Discounts and Allowances

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

Note 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2021, cash consisted of $2,337,505.70 in bank accounts; $1,700.00 of petty cash on hand; $72,228,454.28 in the Local Government Investment Pool (LGIP) administered by the State Treasurer; and $1,293,924.46 in LGIP deposits for capital projects. At June 30, 2020, cash consisted of $1,268,552.81 in bank accounts; $1,800.00 of petty cash on hand; $73,354,738.69 in the LGIP; and $3,933,455.63 in LGIP deposits for capital projects.

Of the above amounts, $4,703.85 was held by fiduciary funds at June 30, 2021, and $119,599.45 was held by fiduciary funds at June 30, 2020.

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

LGIP deposits for capital projects – Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate LGIP account. As expenses are incurred, funds are withdrawn from the LGIP account by the system and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and the system releases any remaining funds.

Note 3. Investments

Credit Risk

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

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

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

As of June 30, 2021, and June 30, 2020, the college's investments consisted entirely of investments in the Local Government Investment Pool, which are valued at amortized cost. The value of these investments was $73,522,378.74 at June 30, 2021, and $77,288,194.32 at June 30, 2020. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Receivables

Receivables included the following:

	June 30, 2021	June 30, 2020
Student accounts receivable	$2,018,657.41	$1,710,220.83
Grants receivable	1,547,462.44	1,569,303.18
Other receivables	143,918.05	85,579.96
Subtotal	3,710,037.90	3,365,103.97
Less allowance for doubtful accounts	(358,685.16)	(208,220.53)
Total receivables	$3,351,352.74	$3,156,883.44

Of the above totals, $204.40 was held by fiduciary funds at June 30, 2021, and $54.40 at June 30, 2020.

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 11,147,437.28	$ -	$ -	$ -	$ 11,147,437.28
Land improvements and infrastructure	8,402,067.35	173,935.97	733,544.30	-	9,309,547.62
Buildings	84,818,517.67	-	-	(165,300.00)	84,653,217.67
Equipment	5,574,105.75	202,761.82	-	(244,642.14)	5,532,225.43
Library holdings	499,614.30	27,483.87	-	(49,348.62)	477,749.55
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	3,108,686.77	13,267,317.49	(733,544.30)	-	15,642,459.96
Total	114,167,111.71	13,671,499.15	-	(459,290.76)	127,379,320.10

Less accumulated depreciation/amortization:					
Land improvements and infrastructure	4,194,887.51	442,943.43	-	-	4,637,830.94
Buildings	25,607,291.72	1,450,853.31	-	(8,265.00)	27,049,880.03
Equipment	4,127,493.00	387,723.67	-	(244,147.80)	4,271,068.87
Library holdings	280,434.45	47,774.97	-	(49,348.62)	278,860.80
Intangible assets	616,682.59	-	-	-	616,682.59
Total	34,826,789.27	2,329,295.38	-	(301,761.42)	36,854,323.23
Capital assets, net	$ 79,340,322.44	$11,342,203.77	$ -	$(157,529.34)	$ 90,524,996.87

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 11,147,437.28	$ -	$ -	$ -	$ 11,147,437.28
Land improvements and infrastructure	7,709,120.46	190,101.43	574,249.82	(71,404.36)	8,402,067.35
Buildings	84,818,517.67	-	-	-	84,818,517.67
Equipment	5,637,996.62	198,628.35	-	(262,519.22)	5,574,105.75
Library holdings	486,142.60	37,205.68	-	(23,733.98)	499,614.30
Intangible assets	616,682.59	-	-	-	616,682.59
Projects in progress	2,606,017.19	1,076,919.40	(574,249.82)	-	3,108,686.77
Total	113,021,914.41	1,502,854.86	-	(357,657.56)	114,167,111.71
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	3,858,011.87	397,569.36	-	(60,693.72)	4,194,887.51
Buildings	24,153,683.41	1,453,608.31	-	-	25,607,291.72
Equipment	3,978,041.05	411,971.17	-	(262,519.22)	4,127,493.00
Library holdings	254,206.99	49,961.44	-	(23,733.98)	280,434.45
Intangible assets	616,682.59	-	-	-	616,682.59
Total	32,860,625.91	2,313,110.28	-	(346,946.92)	34,826,789.27
Capital assets, net	$ 80,161,288.50	$ (810,255.42)	$ -	$ (10,710.64)	$ 79,340,322.44

Note 6. Accounts Payable

Accounts payable included the following:

	June 30, 2021	June 30, 2020
Vendors payable	$ 771,926.03	$484,533.23
Unapplied student payments	175,782.95	136,889.17
Other payables	173,420.53	158,716.45
Total accounts payable	$1,121,129.51	$780,138.85

Note 7. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 130,417.15	$ -	$ (63,521.35)	$ 66,895.80	$ 66,895.80
Unamortized bond premium/discount	13,798.64	-	(6,899.32)	6,899.32	-
Subtotal	144,215.79	-	(70,420.67)	73,795.12	66,895.80
Other liabilities:					
Compensated absences	1,394,469.56	766,946.89	(678,549.96)	1,482,866.49	247,850.46
Subtotal	1,394,469.56	766,946.89	(678,549.96)	1,482,866.49	247,850.46
Total long-term liabilities	$1,538,685.35	$766,946.89	$(748,970.63)	$1,556,661.61	$314,746.26

Long-term liabilities activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 190,715.96	$ -	$ (60,298.81)	$ 130,417.15	$ 63,521.35
Unamortized bond premium/discount	20,697.96	-	(6,899.32)	13,798.64	-
Subtotal	211,413.92	-	(67,198.13)	144,215.79	63,521.35
Other liabilities:					
Compensated absences	1,147,455.51	893,729.78	(646,715.73)	1,394,469.56	278,404.04
Subtotal	1,147,455.51	893,729.78	(646,715.73)	1,394,469.56	278,404.04
Total long-term liabilities	$1,358,869.43	$893,729.78	$(713,913.86)	$1,538,685.35	$341,925.39

TSSBA Debt – Bonds

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

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2021, are as follows:

Year Ending June 30	Principal	Interest	Total
2022	$66,895.80	$1,672.40	$68,568.20
Total	$66,895.80	$1,672.40	$68,568.20

Note 8. Pledged Revenues

The college has pledged certain revenues and fees, including state appropriations, to repay $66,895.80 in revenue bonds issued August 2014 (see Note 7 for further detail). Proceeds from the bonds provided financing for Energy Savings and Performance Contract projects. The bonds are payable through 2022. Annual principal and interest payments on the bonds are expected to require 0.13% of available revenues. The total principal and interest remaining to be paid on the bonds at June 30, 2021, is $68,568.20. Principal and interest paid for fiscal year 2021 and total available revenues were $64,117.14 and $49,936,462.52, respectively. Principal and interest paid for fiscal year 2020 and total available revenues were $64,016.95 and $52,061,858.15, respectively.

Note 9. Pension Plans

Defined Benefit Plans

Closed State and Higher Education Employee Pension Plan

General Information About the Pension Plan

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

Education Employee Retirement Plan, became effective for state employees and higher education employees hired on or after July 1, 2014.

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

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

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

Plus:

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

A reduced early retirement benefit is available at age 55 and vested. Members are vested with 5 years of service credit. Service-related disability benefits are provided regardless of length of service. Five years of service is required for non-service-related disability eligibility. The service-related and non-service-related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10% and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to automatic cost-of-living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to July 2 of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3%, and applied to the current benefit. No COLA is granted if the change in the CPI is less than 0.5%. A 1% COLA is granted if the CPI change is between 0.5% and 1%. A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The college's employees are noncontributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the college for the years ended June 30, 2021, and June 30, 2020, to the Closed State and Higher Education Employee Pension Plan were $1,804,965 and $1,890,820, respectively, which is 20.23% and 19.66% of covered payroll, respectively. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liability – At June 30, 2021, the college reported a liability of $7,140,352 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2020, measurement date, the college's proportion was 0.435836%.

At June 30, 2020, the college reported a liability of $6,197,157 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2019, measurement date, the college's proportion was 0.438841%.

Pension expense – For the years ended June 30, 2021, and June 30, 2020, the college recognized pension expense of $2,149,275 and $2,515,047, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2021, and June 30, 2020, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 205,964	$64,867
Net difference between projected and actual earnings on pension plan investments	443,723	-
Changes in proportion of net pension liability	214,262	29,090

NSCC's contributions subsequent to the measurement date of June 30, 2020	1,804,965	-
Total	$2,668,914	$93,957

Fiscal Year 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 291,347	$ 97,972
Net difference between projected and actual earnings on pension plan investments	-	815,117
Changes in assumptions	445,784	-
Changes in proportion of net pension liability	350,962	95,593
NSCC's contributions subsequent to the measurement date of June 30, 2019	1,890,820	-
Total	$2,978,913	$1,008,682

Deferred outflows of resources, resulting from the college's employer contributions of $1,804,965 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2022	$ (49,761)
2023	$236,475
2024	$278,516
2025	$304,762
2026	$ -
Thereafter	$ -

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

Actuarial assumptions used for the measurement date of June 30, 2020 – The total pension liability as of the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%

Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.25%

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019 (static projection to six years beyond the valuation date).

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate – The discount rate used to measure the total pension liability at the June 30, 2020, measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

June 30, 2021	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	$15,826,400	$7,140,352	$(184,980)

<u>Actuarial assumptions used for the measurement date of June 30, 2019</u> – The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2019, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate – The discount rate used to measure the total pension liability at the June 30, 2019, measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

June 30, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	$14,955,291	$6,197,157	$(927,658)

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 https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

State and Higher Education Employee Retirement Plan

General Information About the Pension Plan

Plan description – State employees and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014, are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education Pension Plan was closed effective June 30, 2014, and covers employees hired before July 1, 2014. Employees hired after June 30, 2014, are provided with pensions through a legally separate plan referred to as the State and Higher Education Employee Retirement Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. The TCRS was created by state statute under Title 8, Chapters 34–37, *Tennessee Code Annotated*.

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

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

A member who leaves employment may withdraw employee contributions, plus any accumulated interest.

Contributions – Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5% of their salary to the State and Higher Education Employee Retirement Plan. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the college for the years ended June 30, 2021, and June 30, 2020, to the State and Higher Education Employee Retirement Plan were $93,805 and $88,287, respectively, which is 1.74% and 1.73% of covered payroll, respectively. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year and the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension asset – At June 30, 2021, the college reported an asset of $158,989 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The college's proportion of the net pension asset was based on a projection of the college's contributions during the year ended June 30, 2020, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2020, measurement date, the college's proportion was 0.451503%.

At June 30, 2020, the college reported an asset of $167,537 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The college's proportion of the net pension asset was based on a projection of the college's contributions during the year ended June 30, 2019, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2019, measurement date, the college's proportion was 0.403924%.

Pension expense – For the years ended June 30, 2021, and June 30, 2020, the college recognized a pension expense of $86,887 and $57,422, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2021, and June 30, 2020, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Fiscal Year 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,186	$ 5,023
Net difference between projected and actual earnings on pension plan investments	16,361	-
Changes in assumptions	4,437	-
Changes in proportion of net pension asset	19,969	18,084
NSCC's contributions subsequent to the measurement date of June 30, 2020	93,805	-
Total	$145,758	$23,107

Fiscal Year 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,735	$ 5,434
Net difference between projected and actual earnings on pension plan investments	-	6,920
Changes in assumptions	4,631	-
Changes in proportion of net pension asset	22,962	1,200
NSCC's contributions subsequent to the measurement date of June 30, 2019	88,287	-
Total	$119,615	$13,554

Deferred outflows of resources, resulting from the college's employer contributions of $93,805 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	
2022	$3,890
2023	$5,919
2024	$7,031
2025	$7,944
2026	$2,437
Thereafter	$1,625

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

Actuarial assumptions used for the measurement date of June 30, 2020 – The total pension liability as of the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on customized tables based on actual experience, including a projection of mortality improvement using Scale MP-2019 (generational projection).

The actuarial assumptions used in the June 30, 2020, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate – The discount rate used to measure the total pension liability at June 30, 2021, was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

June 30, 2021	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	$153,270	$(158,989)	$(394,742)

Actuarial assumptions used for the measurement date of June 30, 2019 – The total pension liability as of the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2019, actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

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

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

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

Discount rate – The discount rate used to measure the total pension liability at June 30, 2020, was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from all state and higher education agencies will be made at the actuarially determined contribution rate in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

June 30, 2020	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
College's proportionate share of the net pension liability (asset)	$27,446	$(167,537)	$(314,218)

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 https://treasury.tn.gov/Retirement/Boards-and-Governance/Reporting-and-Investment-Policies.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2021, for all state and local government defined benefit pension plans was $2,236,162. The total pension expense for the year ended June 30, 2020, for all state and local government defined benefit pension plans was $2,572,469.

Defined Contribution Plans

Optional Retirement Plans

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

Funding policy – For employees employed prior to July 1, 2014, plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5% to the ORP and the college will contribute 9% of the employee's base salary. Pension expense equaled the required contributions made to the ORP and was $689,207.89 for the year ended June 30, 2021; $702,564.69 for the year ended June 30, 2020; and $650,084.40 for the year ended June 30, 2019. Contributions met the requirements for each year.

Members are immediately 100% vested in the employer contributions made pursuant to the ORP. The Treasury Department has selected three investment vendors who offer a variety of investment products, and members are responsible for selecting how the contributions are invested. Each member makes the decision when to reallocate future contributions or when to transfer funds from one investment product to another. Funds are held by the investment vendor in the name of the member, not in the name of the State of Tennessee. The State of Tennessee has no discretion over these funds other than to make the initial contributions.

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, and they are not presented in the accompanying financial statements. Sections 401(k), 403(b), and 457 establish participation, contribution, and withdrawal provisions for the plans. Participation in the 403(b) and the 457 plans is voluntary for employees. The college provides up to a $50 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Public Chapter No. 259 of Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan if they elect to be in the TCRS pension plan. Employees 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, 2021, contributions totaling $807,794.97 were made by employees participating in the 401(k) plan, and the college recognized pension expense of $526,660.60 for employer contributions. During the year ended June 30, 2020, contributions totaling $746,537.44 were made by employees participating in the 401(k) plan, with contributions of $450,682.72 made by the college. During the year ended June 30, 2019, contributions totaling $656,197.11 were made by employees participating in the 401(k) plan, with contributions of $376,305.26 made by the college.

Note 10. Other Postemployment Benefits

Closed State Employee Group OPEB Plan

General Information About the OPEB Plan

Plan description – Employees of the college who were hired prior to July 1, 2015, and choose coverage, are provided with pre-65 retiree health insurance benefits through the Closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan include the State of Tennessee (primary government), the Tennessee Student Assistance Corporation, the Tennessee Housing Development Agency, the University of Tennessee, and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at https://www.tn.gov/finance/rd-doa/opeb22121.html.

Benefits provided – The EGOP is offered to provide health insurance coverage to eligible retired and disabled participants and is the only postemployment benefit provided to eligible pre-65 participants. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Section 201, *Tennessee Code Annotated*. All retirees and disabled employees of the primary government and certain component units, who are eligible and choose coverage, and who have not yet reached the age of 65, are enrolled in this plan. All members have the option of choosing between the premier preferred provider organization (PPO) plan, the standard PPO plan, or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members receive the same plan benefits as active employees, at a blended premium rate that considers the cost of active and retired employees. This creates an implicit subsidy for the retirees. The retirees' cost is then directly subsidized, by the employers, based on years of service. Therefore, retirees with 30 years of service are subsidized 80%; 20 but less than 30 years, 70%; and less than 20 years, 60%.

Contributions – Annually, an insurance committee, created in accordance with Title 8, Chapter 27, Section 201, *Tennessee Code Annotated*, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20%, 30%, 40%, or 100% of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the years ended June 30, 2021, and June 30, 2020, was $137.1 million and $145.4 million, respectively. The college's share of the ADC was $525,293 for 2021 and $484,802 for 2020. For the years ended June 30, 2021, and June 30, 2020, the college contributed $525,293 and $484,802 to the OPEB Trust, respectively. The Tennessee General Assembly has the authority to change the contribution requirements of the employees participating in the EGOP.

Net OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Proportionate share – The college's proportionate share of the collective net OPEB liability related to the EGOP was $2,695,250 at June 30, 2021. At the June 30, 2020, measurement date, the college's proportion of the collective net OPEB liability was 0.321975%. The proportion existing at the prior measurement date was 0.295270%. This resulted in a change in proportion of 0.026705% between the current and prior measurement dates. The college's proportion of the collective net OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020, and a measurement date of June 30, 2020.

The college's proportionate share of the collective total OPEB liability related to the EGOP was $2,811,505 at June 30, 2020. At the June 30, 2019, measurement date, the college's proportion of the collective total OPEB liability was 0.295270%. The proportion existing at the prior measurement date was 0.334776%. This resulted in a change in proportion of -0.039506% between the current and prior measurement dates. The college's proportion of the collective total OPEB liability was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019, and a measurement date of June 30, 2019.

OPEB expense – For the years ended June 30, 2021, and June 30, 2020, the college recognized OPEB expense of $133,502 and $145,110, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2021, and June 30, 2020, the college reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

Fiscal Year 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 263,489
Changes in assumptions	138,668	710,567
Net difference between actual and projected investment earnings	51,559	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	657,852	753,111

Contributions subsequent to the measurement date	525,293	-
Total	$1,373,372	$1,727,167

Fiscal Year 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 179,017
Changes in assumptions	153,660	671,577
Net difference between actual and projected investment earnings	2,064	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	481,517	900,780
Contributions subsequent to the measurement date	484,802	-
Total	$1,122,043	$1,751,374

Deferred outflows of resources, resulting from the college's employer contributions of $525,293 subsequent to the measurement date, will be recognized as a decrease in net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2022	$ (169,571)
2023	$ (169,571)
2024	$ (169,572)
2025	$ (170,136)
2026	$ (176,566)
Thereafter	$ (23,672)

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

Actuarial assumptions used for the measurement date of June 30, 2020 – The collective total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.1%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	9.02% for 2021, decreasing annually to an ultimate rate of 4.50% for 2031 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Participant Mortality Table projected generationally with MP-2016 from the central year for pre-retirement mortality. For post-retirement the tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

<u>Long-term expected rate of return at June 30, 2020</u> – The long-term expected rate of return of 6% on OPEB Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce 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 expected inflation. Title 8, Chapter 27, Section 802, *Tennessee Code Annotated*, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

Asset Class	Allocation Range Minimum	Allocation Range Maximum	Total Allocation
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.11%
Developed market international equity	5.19%
Emerging market international equity	5.29%
Private equity and strategic lending	4.11%
U.S. fixed income	0.00%
Real estate	3.72%
Cash (government)	(0.69%)

Discount rate – The discount rate used to measure the total OPEB liability was 6%. This is the same rate used at the prior measurement date. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the ADC rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members are not included. Based on these assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions used for the measurement date of June 30, 2020 – The excise tax was removed from the liability calculation, as of the measurement date, due to a change in federal law concerning health benefits provided to employees. Other minor changes include a change in the long-term inflation rate, adjustments to the medical and drug trend rate to reflect more recent experience, and a change in the expected per capita health claims. These changes combined to decrease the total OPEB liability.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate at June 30, 2021 – The following presents the college's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5%) or 1 percentage point higher (7%) than the current rate:

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
College's proportionate share of the collective net OPEB liability	$2,937,533	$2,695,250	$2,469,292

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate at June 30, 2021 – The following presents the college's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (8.02% decreasing to 3.5%) or 1 percentage point higher (10.02% decreasing to 5.5%) than the current rate:

	1% Decrease (8.02% decreasing to 3.5%)	Healthcare Cost Trend Rates (9.02% decreasing to 4.5%)	1% Increase (10.02% decreasing to 5.5%)
College's proportionate share of the collective net OPEB liability	$2,380,132	$2,695,250	$3,056,927

Actuarial assumptions used for the measurement date of June 30, 2019 – The collective total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	6.03% for 2020, decreasing annually to an ultimate rate of 4.50% for 2029 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation, a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Long-term expected rate of return at June 30, 2019 – The long-term expected rate of return of 6% on OPEB Trust investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce 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 expected inflation. Title 8, Chapter 27, Section 802, *Tennessee Code Annotated*, establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

	Allocation Range		
Asset Class	Minimum	Maximum	Total Allocation
Equities	25%	80%	53%
Fixed income and short-term securities	20%	50%	25%
Real estate	0%	20%	10%
Private equity and strategic lending	0%	20%	7%
Cash and cash equivalents	0%	25%	5%
			100%

The best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2019, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. equity	4.75%
Developed market international equity	5.63%
Emerging market international equity	5.95%
Private equity and strategic lending	4.60%
U.S. fixed income	0.63%
Real estate	4.28%

Discount rate – The discount rate used to measure the total OPEB liability was 6%. This represents an increase of 2.38% over the 3.62% used at the prior measurement date. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the ADC rates pursuant to an actuarial valuation in accordance with the state's funding goals. Inactive plan members are assumed to contribute their share of the premium rate for the coverage option in which they are enrolled. Based on those assumptions, the OPEB Trust fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The change in discount rate used is due to the transition of the EGOP from a pay-as-you-go arrangement to a prefunding arrangement through a qualified trust.

Changes in assumptions used for the measurement date of June 30, 2019 – The discount rate was changed from 3.62% as of the beginning of the measurement period to 6% as of June 30, 2019. This change in assumption decreased the total OPEB liability. Other minor changes in assumptions were made; however, the impact on the net OPEB liability was considered to be insignificant.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate at June 30, 2020 – The following presents the college's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5%) or 1 percentage point higher (7%) than the current rate :

	1% Decrease (5%)	Current Discount Rate (6%)	1% Increase (7%)
College's proportionate share of the collective net OPEB liability	$3,050,803	$2,811,505	$2,588,603

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate at June 30, 2020 – The following presents the college's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.03% decreasing to 3.5%) or 1 percentage point higher (7.03% decreasing to 5.5%) than the current rate:

	1% Decrease (5.03% decreasing to 3.5%)	Healthcare Cost Trend Rates (6.03% decreasing to 4.5%)	1% Increase (7.03% decreasing to 5.5%)
College's proportionate share of the collective net OPEB liability	$2,500,602	$2,811,505	$3,169,102

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the State of Tennessee's *Annual Comprehensive Financial Report* found at http://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

Closed Tennessee OPEB Plan

General Information About the OPEB Plan

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

Benefits provided – The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Title 8, Chapter 27, Section 209, *Tennessee Code Annotated*, benefits are established and amended by cooperation of insurance committees created by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated*. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments, who have reached the age of 65, are Medicare-eligible, and also receive a benefit from the Tennessee Consolidated Retirement System, may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost; however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive $50 per month; 20 but less than 30 years, $37.50; and 15 but less than 20 years, $25. The college does not provide any subsidies for retirees in the TNP. The primary government paid $30,987.50 for OPEB as the benefits came due during the fiscal year ended June 30, 2021, and $30,150 for OPEB as the benefits came due during the fiscal year ended June 30, 2020. This plan is funded on a pay-as-you-go basis, and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement 75.

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

Total OPEB Liability and OPEB Expense

<u>Proportionate share</u> – The primary government is entirely responsible for the TNP OPEB liability associated with the college's employees. The primary government's proportionate share of the total OPEB liability associated with the college was $859,809 at June 30, 2021. At the June 30, 2020, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.416993%. This represents a change of 0.015469% from the prior proportion of 0.401524%. The proportion of the collective total OPEB liability associated with the college was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2020, and measurement date of June 30, 2020.

The primary government's proportionate share of the total OPEB liability associated with the college was $702,851 at June 30, 2020. At the June 30, 2019, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.401524%. This represents a change of -0.00262% from the prior proportion of 0.404144%. The proportion of the collective total OPEB liability associated with the college was based on a projection of the long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2019, and a measurement date of June 30, 2019.

<u>Actuarial assumptions used for the measurement date of June 30, 2020</u> – The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.1%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%

Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2020, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Employees and Healthy Participant Mortality Table projected generationally with MP-2016 from the central year for pre-retirement. For post-retirement the tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate at June 30, 2021 – The discount rate used to measure the total OPEB liability was 2.21%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond Buyer GO 20-Bond Municipal index.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate at June 30, 2021 – The following presents the primary government's proportionate share of the university's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Primary government's proportionate share of the collective total OPEB liability	$976,723	$859,809	$762,456

Actuarial assumptions used for the measurement date of June 30, 2019 – The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	The premium subsidies provided to retirees in the Closed Tennessee OPEB Plan are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2019, valuations were the same as those employed in the July 1, 2017, pension actuarial valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for pre-retirement mortality and the RP-2014 Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender-distinct table published in IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate at June 30, 2020 – The discount rate used to measure the total OPEB liability was 3.51%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA as shown on the Bond Buyer GO 20-Year Municipal Bond index.

Changes in assumptions used for the measurement date of June 30, 2019 – The discount rate was changed from 3.62% as of the beginning of the measurement period to 3.51% as of June 30, 2019. This change in assumption increased the total OPEB liability.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate at June 30, 2020 – The following presents the primary government's proportionate share of the university's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current rate. The university does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (2.51%)	Current Discount Rate (3.51%)	1% Increase (4.51%)
Primary government's proportionate share of the collective total OPEB liability	$790,724	$702,851	$628,967

OPEB expense – For the years ended June 30, 2021, and June 30, 2020, the primary government recognized OPEB expense of $48,555 and $23,054, respectively, for employees of the college participating in the TNP.

Total OPEB Expense

The total OPEB expense for the year ended June 30, 2021, was $182,057, which consisted of OPEB expense of $133,502 for the EGOP and $48,555 paid by the primary government for the TNP. The total OPEB expense for the year ended June 30, 2020, was $168,164, which consisted of OPEB expense of $145,110 for the EGOP and $23,054 paid by the primary government for the TNP.

Note 11. Revenues

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

Fiscal Year 2021 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$24,312,350.73	$(13,552,965.25)	$(165,813.22)	$10,593,572.26
Total	$24,312,350.73	$(13,552,965.25)	$(165,813.22)	$10,593,572.26

Fiscal Year 2020 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	$26,788,679.15	$(15,587,232.08)	$(307,144.24)	$10,894,302.83
Total	$26,788,679.15	$(15,587,232.08)	$(307,144.24)	$10,894,302.83

Note 12. Insurance-related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is $300,000 per person and $1,000,000 per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property; crime and fidelity coverage on the state's officials and employees; and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first $25,000 to $75,000 of losses based on a tiered deductible system that accounts for averaged losses over a three-year period and the type of loss. The RMF is responsible for property losses for the annual aggregate deductible of $7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the $7.5 million annual aggregate deductible. For earthquake, named storm, wind/hail, and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $500 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, except there is only $25 million of coverage in the New Madrid Zone. Settled claims resulting from these risks have not exceeded maximum commercial insurance coverage in any of the three past fiscal years.

The college participates in the RMF. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the year ended June 30, 2021, is presented in Tennessee's *Annual Comprehensive Financial Report,* which is available on the state's website at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html. At June 30, 2021, the RMF held $234 million in cash designated for payment of claims. At June 30, 2020, the RMF held $231 million in cash designated for payment of claims.

At June 30, 2021, and at June 30, 2020, the scheduled coverage for the college was $173,457,000 for buildings and $35,530,000 for contents.

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

Note 13. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $7,719,519.81 at June 30, 2021, and $7,187,834.67 at June 30, 2020.

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 $113,180.50 and expenses for personal property were $52,848.73 for the year ended June 30, 2021. The amounts for the year ended June 30, 2020, were $113,180.50 and $54,624.33. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2021, outstanding commitments under construction contracts totaled $6,625,192.21 for the Madison teaching facility, student welcome center, ADA adaptations, access controls, East Davidson roof replacement, sidewalk and lighting updates, interior lighting updates, and external lighting updates, of which $1,311,021.91 will be funded by future state capital outlay appropriations.

Litigation

The college is involved in one lawsuit, which is not expected to have a material effect on the accompanying financial statements.

Note 14. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2021, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$11,953,977.32	$3,848,234.74	$ 3,261,345.14	$ -	$ -	$ 19,063,557.20
Public service	8,684.50	-	-	-	-	8,684.50
Academic support	4,390,475.63	1,913,893.26	460,513.29	-	-	6,764,882.18
Student services	2,995,550.46	1,208,500.02	1,357,713.96	-	-	5,561,764.44
Institutional support	2,756,029.72	1,099,360.28	2,355,977.29	-	-	6,211,367.29
Maintenance and operation	1,675,378.38	747,705.48	3,400,547.72	-	-	5,823,631.58
Scholarships and fellowships	-	-	-	11,014,236.82	-	11,014,236.82
Auxiliary	-	-	3,967.86	-	-	3,967.86
Depreciation	-	-	-	-	2,329,295.38	2,329,295.38
Total	$23,780,096.01	$8,817,693.78	$10,840,065.26	$11,014,236.82	$2,329,295.38	$ 56,781,387.25

The college's operating expenses for the year ended June 30, 2020, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 13,244,767.38	$4,045,783.73	$ 4,607,562.46	$ -	$ -	$ 21,898,113.57
Public service	10,088.10	-	-	-	-	10,088.10
Academic support	4,177,193.27	1,986,859.51	(475,847.92)	-	-	5,688,204.86
Student services	2,967,881.36	1,267,033.95	1,245,355.42	-	-	5,480,270.73
Institutional support	2,839,991.10	1,273,760.32	1,630,030.66	-	-	5,743,782.08
Maintenance and operation	1,719,890.66	809,624.45	3,915,948.36	-	-	6,445,463.47
Scholarships and fellowships	-	-	-	10,844,466.68	-	10,844,466.68
Auxiliary	-	-	4,216.47	-	-	4,216.47
Depreciation	-	-	-	-	2,313,110.28	2,313,110.28
Total	$ 24,959,811.87	$ 9,383,061.96	$10,927,265.45	$10,844,466.68	$2,313,110.28	$ 58,427,716.24

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $2,524,799.74 for the year ended June 30, 2021, and $2,738,176.10 for the year ended June 30, 2020, were reallocated from academic support to the other functional areas and caused academic support operating expenses to appear as a negative amount in the schedule above.

Note 15. On-behalf Payments

During the years ended June 30, 2021, and June 30, 2020, the State of Tennessee made payments of $30,987.50 and $30,150.00, respectively, on behalf of the college for retirees participating in the Closed Tennessee OPEB Plan.

The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 10. The plan is reported in Tennessee's *Annual Comprehensive Financial Report*, which is available on the state's website at https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html.

Note 16. Cumulative Effect of a Change in Accounting Principle

During fiscal year 2020, the university implemented GASB Statement 84, *Fiduciary Activities*. This statement established criteria for identifying fiduciary activities of all state and local governments.

Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. Custodial funds generally should report fiduciary activities that are not held in a trust or an equivalent arrangement that meets specific criteria. The implementation of GASB Statement 84 resulted in a cumulative adjustment to beginning net position of $57,378.33 and an adjustment to beginning cash balance of $(2,446.51).

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 24-member board of the foundation is self-perpetuating and consists of graduates and friends of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

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

During the years ended June 30, 2021, and June 30, 2020, the foundation made distributions of $5,336.68 and $131,326.98, respectively, to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Jennifer Rector, Vice President of Business and Finance, Nashville State Community College, 120 White Bridge Road, Nashville, TN 37209.

Fair Value Measurements

The foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets 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 at June 30, 2021, and at June 30, 2020.

	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets:					
Fixed, balanced, and international mutual funds	$476,042.06	$476,042.06	$ -	$ -	$ -
Equity mutual funds	389,341.57	389,341.57	-	-	-
Total assets	$865,383.63	$865,383.63	$ -	$ -	$ -

	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the Net Asset Value (NAV)
Assets:					
Fixed, balanced, and international mutual funds	$436,951.53	$436,951.53	$ -	$ -	$ -
Equity mutual funds	298,660.60	298,660.60	-	-	-
Total assets	$735,612.13	$735,612.13	$ -	$ -	$ -

Cash and Cash Equivalents

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

Investments

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

Investments held at June 30, 2021, were as follows:

	Cost	Fair Value
Fixed, balanced, and international funds	$443,089.48	$476,042.06
Equity mutual funds	264,212.72	389,341.57
Total investments	$707,302.20	$865,383.63

Investments held at June 30, 2020, were as follows:

	Cost	Fair Value
Fixed, balanced, and international funds	$415,334.47	$436,951.53
Equity mutual funds	260,901.66	298,660.60
Total investments	$676,236.13	$735,612.13

Liquidity and Availability

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

	At June 30, 2021	At June 30, 2020
Cash and cash equivalents	$63,641.52	$56,042.94
Total	$63,641.52	$56,042.94

The foundation's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The quasi-endowment has a spending rate of 0%, and $63,641.52 from the quasi-endowment will be available within the next 12 months.

The foundation does not have a liquidity management plan.

Endowments

The Nashville State Community College Foundation's endowments consist of 21 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 Nashville State Community College Foundation is subject to the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee and thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the foundation's board appropriates such amounts for expenditures. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The foundation's board has interpreted the Act 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, when reviewing its donor-restricted endowment funds, the foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gift amounts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable gift instrument. The foundation has interpreted the Act to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally 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 donor-restricted 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) the other resources of the foundation, and (7) the investment policies of the foundation.

Endowment Net Asset Composition by Type of Fund
As of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$63,641.52	$ -	$ 63,641.52
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	650,411.96	650,411.96
Accumulated investment gains	-	188,295.54	188,295.54
Total funds	$63,641.52	$838,707.50	$902,349.02

Endowment Net Asset Composition by Type of Fund
As of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$56,042.94	$ -	$ 56,042.94
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	636,775.66	636,775.66
Accumulated investment gains	-	74,218.70	74,218.70
Total funds	$56,042.94	$710,994.36	$767,037.30

Changes in Endowment Net Assets
As of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$56,042.94	$710,994.36	$767,037.30
Investment return, net	9,477.60	125,438.22	134,915.82
Contributions	120.98	12,649.92	12,770.90
Appropriation of endowment assets for expenditure	(2,000.00)	(10,375.00)	(12,375.00)
Endowment net assets, end of year	$63,641.52	$838,707.50	$902,349.02

Changes in Endowment Net Assets
As of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$54,443.66	$672,965.53	$727,409.19
Investment return, net	2,599.26	33,734.84	36,334.10
Contributions	-	20,000.00	20,000.00
Appropriation of endowment assets for expenditure	(999.98)	(15,706.01)	(16,705.99)
Endowment net assets, end of year	$56,042.94	$710,994.36	$767,037.30

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 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. In establishing this policy, the foundation considered the long-term expected return on its endowment. Under the spending plan established by the foundation, for endowments with a base of more than $10,000, 95% of investment earnings, on endowments not otherwise specifying spending plan, are available for allocation. The remaining amount, if any, is added to the endowment base. On endowments with a balance of less than $10,000, all earnings are added to the base endowment. In establishing this policy, the foundation considered the long-term expected return on its endowment. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return. Accordingly, over the long term, the foundation expects the current spending policy to allow its endowment to grow at an average of 5% annually. The foundation has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

Natural Classifications With Functional Classifications

The foundation's operating expenses by functional classification for the year ended June 30, 2021, are as follows:

Natural Classification

Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Payments Made to or on Behalf of College	Total
Program services	$218,640.40	$83,224.25	$448,423.46	$772,543.67	$ -	$1,522,831.78
Support activities	64,554.86	16,138.72	75,873.93	-	-	156,567.51
Payments made to or on behalf of the college	-	-	-	-	5,336.68	5,336.68
Total expenses	$283,195.26	$99,362.97	$524,297.39	$772,543.67	$5,336.68	$1,684,735.97

The foundation's operating expenses by functional classification for the year ended June 30, 2020, are as follows:

Natural Classification

Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Payments Made to or on Behalf of College	Total
Program services	$144,496.18	$36,124.04	$ 59,654.80	$874,854.59	$ -	$1,115,129.61
Support activities	61,234.84	15,308.71	69,700.72	-	-	146,244.27
Payments made to or on behalf of the college	-	-	-	-	131,326.98	131,326.98
Total expenses	$205,731.02	$51,432.75	$129,355.52	$874,854.59	$131,326.98	$1,392,700.86

The foundation's financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, which are allocated on the basis of work performed.

Support From Nashville State Community College

The college paid certain payroll costs for college personnel who also performed services supporting the foundation amounting to $382,558.23 in fiscal year 2021 and $257,163.77 in fiscal year 2020. 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 of $26,583.75 in fiscal year 2021 and $30,217.50 in fiscal year 2020 have been recorded as college support because they are considered to be significant to the operations of the foundation.

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

	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.435836%	$7,140,352	$9,617,597	74.24%	90.58%
2020	0.438841%	6,197,157	9,984,643	62.07%	91.67%
2019	0.415342%	6,709,482	9,611,308	69.81%	90.26%
2018	0.398310%	7,128,158	9,555,646	74.60%	88.88%
2017	0.426060%	7,773,743	10,402,355	74.73%	87.96%
2016	0.427533%	5,512,105	11,702,568	47.10%	91.26%
2015	0.428364%	2,955,490	11,163,828	26.47%	95.11%

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

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

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

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

State and Higher Education Employee Retirement Plan Within TCRS

	Proportion of the Net Pension Asset	Proportionate Share of the Net Pension Asset	Covered Payroll	Proportionate Share of the Net Pension Asset as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.451503%	$158,989	$5,103,297	3.12%	112.90%
2020	0.403924%	167,357	3,789,063	4.42%	122.36%
2019	0.450963%	173,950	3,291,557	5.28%	132.39%
2018	0.481151%	99,783	2,486,637	4.01%	131.51%
2017	0.511220%	43,068	1,575,065	2.73%	130.56%
2016	0.397984%	11,068	437,903	2.53%	142.55%

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

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

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

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$1,804,965	$1,804,965	$ -	$8,922,218	20.23%
2020	1,890,820	1,890,820	-	9,617,597	19.66%
2019	1,902,740	1,902,740	-	9,894,643	19.23%
2018	1,813,654	1,813,654	-	9,611,308	18.87%
2017	1,435,258	1,435,258	-	9,555,646	15.02%
2016	1,562,015	1,562,015	-	10,402,355	15.03%
2015	1,758,895	1,758,895	-	11,702,568	15.03%
2014	1,677,924	1,677,924	-	11,163,828	15.03%
2013	1,699,230	1,699,230	-	11,305,589	15.03%
2012	1,719,888	1,719,888	-	11,535,128	14.91%

Notes to Schedule:

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

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

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

Schedule of Nashville State Community College's Contributions

State and Higher Education Employee Retirement Plan Within TCRS

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 93,805	$ 93,805	$ -	$5,378,041	1.74%
2020	88,287	88,287	-	5,103,297	1.73%
2019	62,898	62,898	-	3,789,063	1.66%
2018	129,258	129,258	-	3,291,557	3.93%
2017	98,438	98,438	-	2,486,637	3.96%
2016	60,955	60,955	-	1,575,065	3.87%
2015	16,947	16,947	-	437,903	3.87%

Notes to Schedule:

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

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

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

Tennessee Board of Regents

Nashville State Community College

Required Supplementary Information

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

Closed State Employee Group OPEB Plan

	College's Proportion of the Collective Total/Net OPEB Liability	College's Proportionate Share of the Collective Total/Net OPEB Liability	College's Covered-Employee Payroll	College's Proportionate Share of the Collective Total/Net OPEB Liability as a Percentage of Its Covered-Employee Payroll	OPEB Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2021	0.321975%	$2,695,250	$11,196,160	24.07%	25.20%
2020	0.295270%	2,811,505	11,693,159	24.04%	18.30%
2019	0.334776%	4,637,443	12,252,345	37.85%	N/A
2018	0.285363%	3,831,111	14,394,298	26.62%	N/A

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

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

3) During fiscal year 2019, the plan transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. The transition resulted in a significant increase to the discount rate from 3.6% to 6%.

Tennessee Board of Regents
Nashville State Community College
Required Supplementary Information
Schedule of Nashville State Community College's Contributions
Closed State Employee Group OPEB Plan

	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2021	$525,293	$525,293	$ -	$ 9,753,796	5.39%
2020	484,802	484,802	-	11,196,160	4.33%
2019	465,602	401,924	63,678	11,693,159	3.44%

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

2) Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year-end in which the contributions are reported.

Tennessee Board of Regents
Nashville State Community College
Required Supplementary Information
Schedule of Nashville State Community College's Proportionate Share of the Collective Total OPEB Liability
Closed Tennessee OPEB Plan

	College's Proportion of the Collective Total OPEB Liability	Primary Government's Proportionate Share of the Collective Total OPEB Liability	Primary Government's Total OPEB Liability Associated With the College	College's Covered-Employee Payroll	College's Proportionate Share of the Collective Total OPEB Liability as a Percentage of Its Covered Payroll
2021	0%	$859,809	$ -	$13,646,386	0%
2020	0%	702,851	-	14,132,504	0%
2019	0%	698,619	-	14,749,585	0%
2018	0%	713,254	-	14,394,298	0%

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

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

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

4) Change of assumptions: In 2021, the discount rate changed from 3.51% to 2.21%.

Supplementary Information
NASHVILLE STATE COMMUNITY COLLEGE FOUNDATION
Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2021, and June 30, 2020

	Year Ended June 30, 2021	Year Ended June 30, 2020
Cash flows from operating activities		
Gifts and contributions	$ 1,235,049.98	$ 1,167,337.52
Grants and contracts	381,045.60	-
Payments to suppliers and vendors	(572,013.65)	(18,166.36)
Payments for scholarships and fellowships	(772,543.67)	(874,854.59)
Payments to Nashville State Community College	(5,336.68)	(131,326.98)
Net cash provided by operating activities	266,201.58	142,989.59
Cash flows from noncapital financing activities		
Gifts and grants received for other than capital or endowment purposes		
Private gifts for endowment purposes	12,698.26	20,000.00
Net cash provided by noncapital financing activities	12,698.26	20,000.00
Cash flows from investing activities		
Proceeds from sales and maturities of investments	179,150.34	132,422.34
Income on investments	8,398.67	14,110.65
Purchases of investments	(182,454.64)	(118,129.06)
Net cash provided by investing activities	5,094.37	28,403.93
Net increase in cash and cash equivalents	283,994.21	191,393.52
Cash and cash equivalents - beginning of year	1,034,959.56	843,566.04
Cash and cash equivalents - end of year	$ 1,318,953.77	$ 1,034,959.56
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	$ (68,640.39)	$ (225,363.34)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Other adjustments	409,141.98	287,381.27
Change in assets, liabilities, and deferrals:		
Accounts payable	(74,300.01)	80,971.66
Net cash provided by operating activities	$ 266,201.58	$ 142,989.59
Noncash investing, capital, and financing activities		
Unrealized gains on investments	$ 84,967.69	$ 21,409.31

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

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

We have audited the financial statements of Nashville State Community College, an institution of the State University and Community College System of Tennessee, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2021, and June 30, 2020, and the related notes to the financial statements, which collectively comprise the college's basic financial statements, and have issued our report thereon dated August 5, 2022. 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 in internal control 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.

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
August 5, 2022