



FINANCIAL AND COMPLIANCE AUDIT REPORT

Cleveland State Community College

For the Years Ended June 30, 2024, and June 30, 2023

Jason E. Mumpower
Comptroller of the Treasury



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Mission: Make Government Work Better





JASON E. MUMPOWER
Comptroller

September 24, 2025

The Honorable Bill Lee, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Andrew White, President

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Cleveland State Community College, for the years ended June 30, 2024, and June 30, 2023. You will note from the independent auditor's report that unmodified opinions were given on the fairness of the presentation of the financial statements.

Consideration of the internal control over financial reporting and tests of compliance disclosed certain deficiencies, which are detailed in the Findings and Recommendations section of this report. The college's management has responded to the audit findings; the responses are included following each finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit findings.

Sincerely,

A handwritten signature in blue ink that reads "Katherine J. Stickel". The signature is written in a cursive, flowing style.

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

25/047

Audit Report
Tennessee Board of Regents
Cleveland State Community College
For the Years Ended June 30, 2024, and June 30, 2023

Contents

	<u>Page</u>
Audit Highlights	1
Financial Section	
Independent Auditor's Report	3
Management's Discussion and Analysis	7
Basic Financial Statements	
Statements of Net Position	17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19
Notes to the Financial Statements	21
Required Supplementary Information	
Schedule of Cleveland State Community College's Proportionate Share of the Net Pension Liability (Asset) – Closed State and Higher Education Employee Pension Plan Within TCRS	72
Schedule of Cleveland State Community College's Proportionate Share of the Net Pension Asset – State and Higher Education Employee Retirement Plan Within TCRS	73
Schedule of Cleveland State Community College's Contributions – Closed State and Higher Education Employee Pension Plan Within TCRS	74
Schedule of Cleveland State Community College's Contributions – State and Higher Education Employee Retirement Plan Within TCRS	75
Schedule of Cleveland State Community College's Proportionate Share of the Collective Total/Net OPEB Liability – Closed State Employee Group OPEB Plan	76

Contents (Continued)

	<u>Page</u>
Schedule of Cleveland State Community College's Proportionate Share of the Collective Total OPEB Liability – Closed Tennessee OPEB Plan	77
Schedule of Cleveland State Community College's Contributions – Closed State Employee Group OPEB Plan	78
 Internal Control, Compliance, and Other Matters	
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 <i>Government Auditing Standards</i>	79
Findings and Recommendations	
Finding 1 - Management needs to improve financial statement preparation and review procedures to prevent errors in its Financial Reports	82
Finding 2 - As noted in the prior audit, college staff did not prepare correct and timely bank reconciliations	88
Finding 3 - College staff could not provide supporting documentation for all journal vouchers	91
Finding 4 - Management should ensure that staff reconcile student accounts receivable on a monthly basis	92
Finding 5 - Cleveland State Community College did not provide adequate internal controls in one area	94

CLEVELAND STATE COMMUNITY COLLEGE

AUDIT HIGHLIGHTS

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Findings

Management needs to improve financial statement preparation and review procedures to prevent errors in its Financial Reports

Cleveland State Community College's procedures for preparing and reviewing its financial statements and required supplementary information (RSI) are not adequate to ensure the accuracy of the information. During this period, the college experienced significant employee turnover and inadequate succession planning, which led to significant reporting errors in its 2024 and 2023 Financial Reports (page 82).

As noted in the prior audit, college staff did not prepare correct and timely bank reconciliations*

For the 12 reconciliations performed from July 2022 through June 2023, 11 reconciliations were not completed within 30 days of the bank statement date, ranging from 1 to 123 days late; the 12 reconciliations performed during the 2023 fiscal year were not reviewed until August 2023; no reconciliations were prepared for the months of July 2023 through December 2023, and the reconciliations from July 2022 through May 2024 contained many reconciling items that required correction of the school's general ledger balance. However, the college's accounting staff did not make these corrections timely (page 88).

* This finding is repeated from the prior audit.

College staff could not provide supporting documentation for all journal vouchers

Thirty-one of 126 journal vouchers selected for testing that staff posted during the audit period (25%) did not have adequate supporting documentation. Of these 31 journal vouchers, auditors identified 6 posted in fiscal year 2024 and 25 posted in fiscal year 2023 (page 91).

Management should ensure that staff reconcile student accounts receivable on a monthly basis

Management could not provide any reconciliations of the student accounts receivable subsidiary ledger to the general ledger for the audit period. Management stated student accounts receivable reconciliations had not been completed since October of 2023; however, college staff could not locate any of the completed reconciliations (page 92).

Cleveland State Community College did not provide adequate internal controls in one area

Cleveland State Community College (CLSCC) management did not design and implement effective internal controls in one area. We observed conditions that violated CLSCC policies or industry-accepted best practices. Pursuant to Standard 6.64 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated* (page 94).

Prior Audit Findings

One finding from the prior audit was not resolved and has been repeated in this report.



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. Andrew White, President

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Cleveland 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, 2024, and June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cleveland State Community College, and its discretely presented component unit as of June 30, 2024, and June 30, 2023; 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.

We did not audit the financial statements of Cleveland State Community College Foundation, a discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the college and its discretely presented component unit are based solely on the reports of the other auditors.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial

Statements section of our report. We are required to be independent of the college and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the college's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we do the following:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks; such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing

an opinion on the effectiveness of the college's internal control; accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the college's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matters

As discussed in Note 1, the financial statements of Cleveland 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 Cleveland 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, 2024, and June 30, 2023, 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 1, the college implemented Governmental Accounting Standards Board Statement 96, *Subscription-Based Information Technology Arrangements*, during the year ended June 30, 2024. As amounts were immaterial, the college did not implement the standard during the year ended June 30, 2023. 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 7 through 16; the schedule of Cleveland State Community College's proportionate share of the net pension liability (asset) – Closed State and Higher Education Employee Pension Plan within TCRS on page 72; the schedule of Cleveland State Community College's proportionate share of the net pension asset – State and Higher Education Employee Retirement Plan within TCRS on page 73; the schedule of Cleveland State Community College's contributions – Closed State and Higher Education Employee Pension Plan within TCRS on page 74; the schedule of Cleveland State Community College's Contributions – State and Higher Education Employee Retirement Plan within TCRS on page 75; the schedule of Cleveland State Community College's proportionate share of the collective total/net OPEB liability – Closed State

Employee Group OPEB Plan on page 76; the schedule of Cleveland State Community College's proportionate share of the collective total OPEB liability – Closed Tennessee OPEB Plan on page 77; and the schedule of Cleveland State Community College's contributions – Closed State Employee Group OPEB Plan on page 78 be presented to supplement the basic financial statements. Such information is the responsibility of management, and, 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. Although our opinion on the basic financial statements is not affected, the following material departure from prescribed guidelines exists. In its management's discussion and analysis, management has omitted condensed financial information comparing the 2023 and 2022 fiscal years. 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2025, 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 29, 2025

**Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
June 30, 2024**

Introduction

This section of Cleveland State Community College's financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2024, with comparative information presented for the fiscal year ended June 30, 2023. 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, financial statements, and the notes to the financial statements. The financial statements, notes, and this discussion are the responsibility of management.

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

Overview of the Financial Statements

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

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

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of the college at the end of the fiscal year. To aid the reader in determining the college's ability to meet immediate and future obligations, the statement includes all

assets, liabilities, deferred outflows/inflows of resources, and net position of the college and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

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

The statement of net position also indicates the availability of net position for expenditure by the college. Net position is divided into three major categories. The first category, net investment in capital assets, represents the college's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources have been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is 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, 2024, and June 30, 2023.

Summary of Net Position
(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets	\$ 11,745	\$ 9,496
Capital assets, net	46,603	46,574
Other assets	5,004	4,756
Total Assets	63,352	60,826
Deferred Outflows of Resources		
Deferred outflows related to pension	2,569	3,237
Deferred outflows related to OPEB	918	934
Total Deferred Outflows of Resources	3,487	4,171
Liabilities:		
Current liabilities	2,549	3,292
Noncurrent liabilities	4,314	5,504
Total Liabilities	6,863	8,796
Deferred Inflows of Resources		
Deferred inflows related to pension	239	415
Deferred inflows related to OPEB	1,495	966
Total Deferred Inflows of Resources	1,734	1,381
Net Position:		
Net investment in capital assets	46,100	46,574
Restricted - expendable	2,009	2,113
Unrestricted	10,133	6,133
Total Net Position	\$ 58,242	\$ 54,820

Assets:

Total current assets increased in fiscal year 2024 by \$2,248,477. This increase was primarily a result of the following:

- Cash and cash equivalents increased by \$1,894,447 due to investment interest from LGIP and the timing of year-end invoices paid.
- Accounts and grants receivable increased by \$502,366 due mainly to additional workforce training programs.

Total capital assets, net, showed only a \$28,691 increase with additions to equipment of \$195,984, additions to projects in progress of \$1,083,821, and the recognition of SBITA assets of \$907,846. The college implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements*, in 2024. Depreciation expense was \$2,167,104 in the 2024 fiscal year.

Liabilities:

Current liabilities decreased by \$744,480 primarily due to the following:

- Accounts payable and accrued liabilities decreased by \$232,962 primarily driven by the earlier closing of purchasing and timely settlement of all fiscal year 24 invoices.
- Unearned revenue decreased \$644,639 due to GIVE grants being completed.
- There were no deposits held in custody for others on June 30, 2024, and \$145,835 was held at June 30, 2023.
- The current SBITA liability increased \$204,297, and amounts due to the State of Tennessee increased \$44,334.

Noncurrent liabilities decreased by \$1,189,542, primarily due to the following:

- The net OPEB liability decreased \$949,595.
- The net pension liability decreased \$515,696.
- The SBITA liability was recorded for the first time in the amount of \$297,943.

Deferred inflows of resources increased \$353,006 due to the following:

- Deferred inflows related to OPEB increased \$529,380.
- Deferred inflows related to pensions decreased \$176,374.

The overall increase in net position for the college was \$3,422,109. This was due primarily to the following:

- Unrestricted net position increased \$3,999,113 due mainly to an increase in the educational and general unrestricted fund balance. Unrestricted revenues exceeded unrestricted expenses for the year.

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 Cleveland 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, 2024, and June 30, 2023, follows.

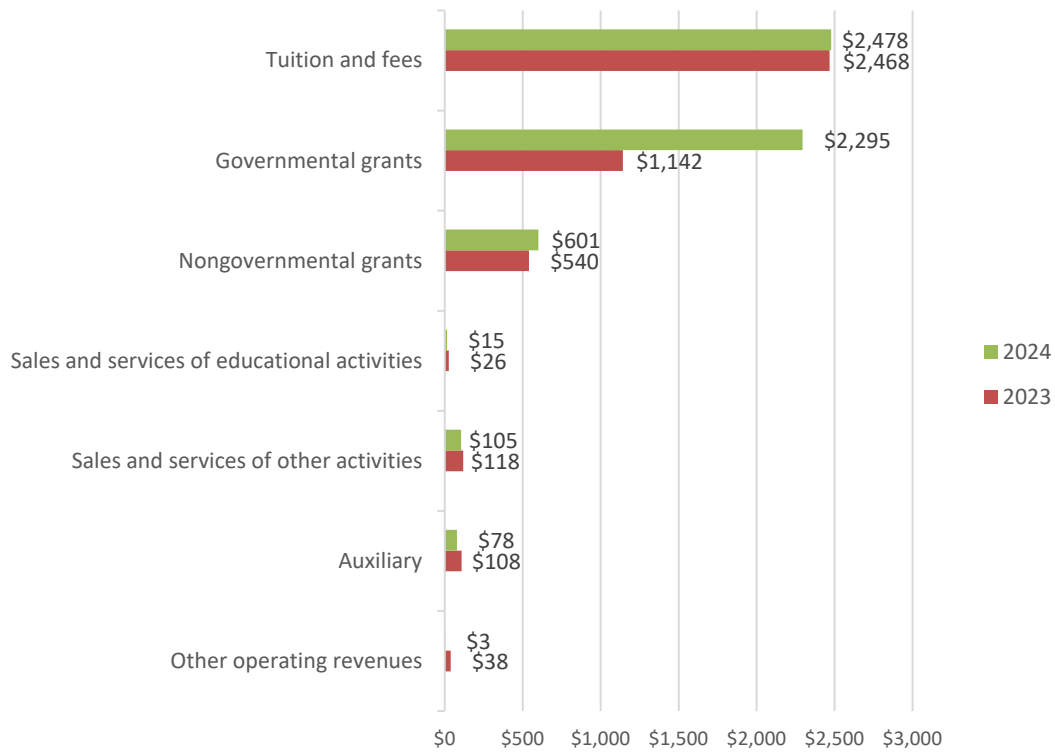
Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 5,575	\$ 4,440
Operating expenses	33,827	32,888
Operating loss	(28,252)	(28,448)
Nonoperating revenues and expenses	31,202	29,161
Income before other revenues, expenses, gains, or losses	2,950	713
Other revenues, expenses, gains, or losses	472	2,321
Increase in net position	3,422	3,034
Net position at beginning of year	54,820	51,786
Net position at end of year	\$ 58,242	\$ 54,820

Operating Revenues

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

Operating Revenues (in thousands of dollars)

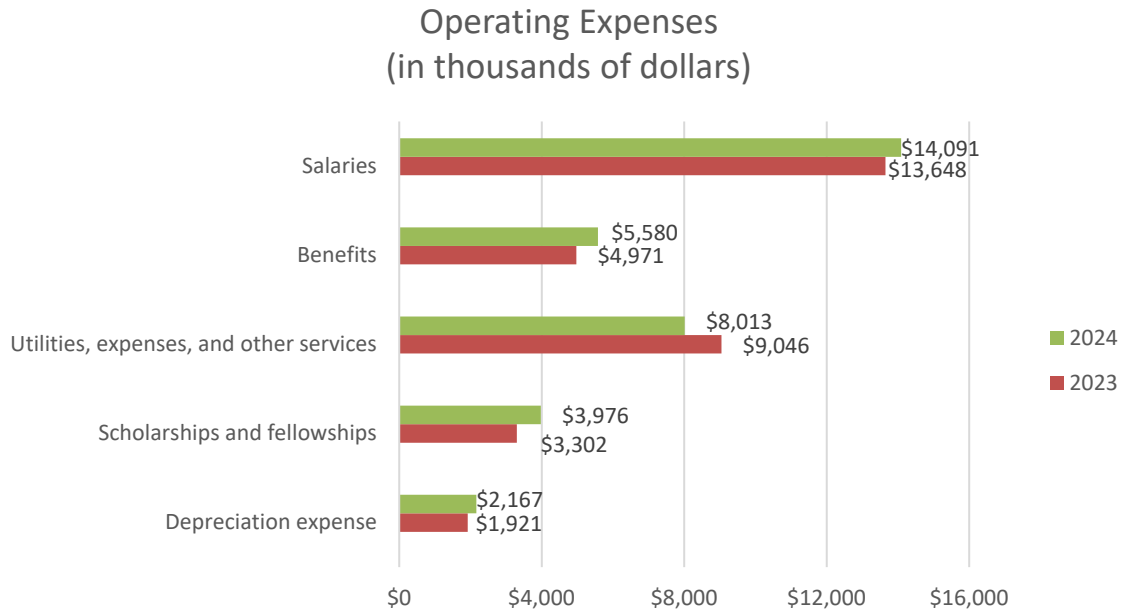


The overall increase in operating revenues totaling \$1,135,287 is reflective of the following:

- Governmental grants and contracts increased \$1,153,595 due to an increase in workforce training contracts and the addition of the Adult Education Grant.

Operating Expenses

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

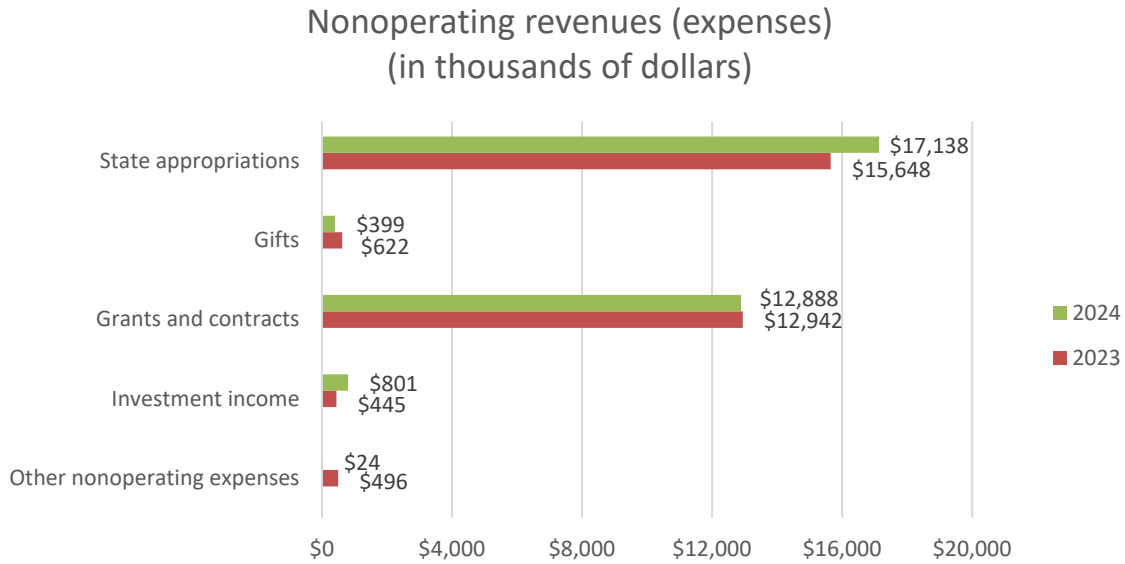


The overall increase in operating expenses totaling \$939,051 is reflective of the following:

- Salaries and wages increased by \$443,140 due to a 3% salary increase.
- Fringe benefits increased by \$608,701 due to taxes on the salary increase and an increase in insurance premiums.
- Utilities, supplies, and other services decreased by \$1,033,579, due mainly to a decline in professional and administrative services expense (\$2,034,935) and increases in maintenance and repair costs (\$557,740) and rental expense (\$292,834). Professional and administrative expenses decreased because the science building project was completed in 2023.
- Scholarships and fellowships increased by \$674,665 due to the usage of remaining HEERF funds to cover student bad debt write-offs.
- Depreciation expense increased by \$246,124, due mainly to depreciation on the newly reported SBITA assets.

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 two fiscal years:

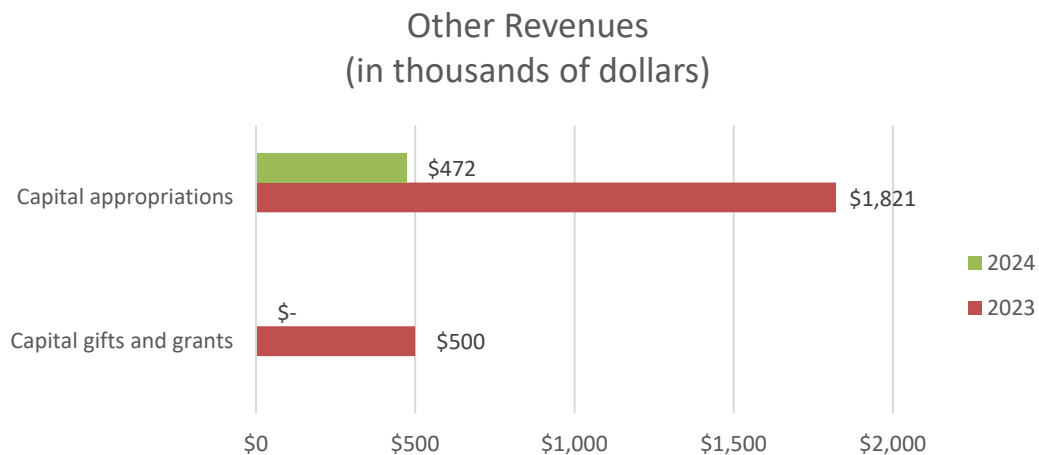


The net increase totaling \$2,040,493 is reflective of the following:

- State appropriations increased \$1,489,626 due to an increase in the college's share of funds from the State of Tennessee.
- Gifts decreased \$222,942 due to a decrease in awards from the Cleveland State Community College Foundation.
- Investment income increased \$355,753 due to an increase in interest rates.

Other Revenues

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



There was an overall decrease in other revenues of \$1,848,842 in the 2024 fiscal year.

- There was a one-time capital gift in the amount of \$500,000 in fiscal year 2023.
- Capital appropriations from the State of Tennessee decreased \$1,348,842 due to the completion of capital projects in fiscal year 2023.

Capital Assets and Debt Administration

Capital Assets

Cleveland State Community College had \$46,602,648.28 invested in capital assets, net of accumulated depreciation of \$25,885,681.76 at June 30, 2024; and \$46,573,957.26 invested in capital assets, net of accumulated depreciation of \$23,761,447.08 at June 30, 2023. Depreciation charges totaled \$2,167,104.64 and \$1,920,980.46 for the years ended June 30, 2024, and June 30, 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Land	\$ 306	\$ 304
Land improvements and infrastructure	3,036	3,239
Buildings	39,686	38,951
Equipment	1,901	2,182
Library holdings	51	66
Intangible assets		
SBITAs	512	-
Projects in progress	1,111	1,832
Total	\$ 46,603	\$ 46,574

Additions to capital assets occurred in fiscal year 2024. These additions were from renovation on the Science Building and Campus HVAC updates. SBITA assets were recognized as the college implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements*.

At June 30, 2024, outstanding commitments under construction contracts totaled \$3,463,829 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund \$2,211,761 of these costs.

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

Debt

The college has no debt outstanding as of June 30, 2024.

More information about the college's long-term liabilities is presented in Note 8 to the financial statements.

Economic Factors That Will Affect the Future

Cleveland State Community College's economic outlook closely mirrors that of the State of Tennessee, as state appropriations constitute a substantial portion of its funding. The college's financial future will be notably influenced by the trajectory of state revenues. The Tennessee Board of Regents has approved a 5.2% tuition increase for the 24-25 academic year, and interest rates will continue to bolster investment income revenue. Nonetheless, the lingering aftermath of the COVID-19 pandemic remains a challenge. With the conclusion of HEERF funding, the extent of revenue support and enrollment fluctuations will dictate their impact on the college's financial health and operations.

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2024, and June 30, 2023

	Cleveland State Community College		Component Unit - Cleveland State Community College Foundation	
	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023
Assets				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 18)	\$ 9,683,626.46	\$ 7,789,179.02	\$ 1,178,873.00	\$ 1,207,926.00
Accounts and grants receivable (net) (Note 4)	1,386,548.73	884,182.92	25,058.00	24,561.00
Due from State of Tennessee	286,126.27	335,925.94	-	-
Due from CISCC	-	-	3,268.00	3,268.00
Due from CISCC Foundation	293,501.00	393,527.00	-	-
Prepaid expenses	95,116.03	93,627.05	-	-
Accrued interest receivable	-	-	7,167.00	5,145.00
Total current assets	11,744,918.49	9,496,441.93	1,214,366.00	1,240,900.00
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 18)	4,538,406.52	4,339,921.97	-	-
Investments (Note 18)	-	-	9,192,228.00	8,332,626.00
Investment in Tennessee Retiree Group Trust	449,909.30	349,436.92	-	-
Capital assets (net) (Notes 5 and 18)	46,602,648.28	46,573,957.26	833,886.00	838,563.00
Net pension asset (Note 9)	15,662.36	66,350.36	-	-
Total noncurrent assets	51,606,626.46	51,329,666.51	10,026,114.00	9,171,189.00
Total assets	63,351,544.95	60,826,108.44	11,240,480.00	10,412,089.00
Deferred outflows of resources				
Deferred outflows related to pensions (Note 9)	2,569,533.83	3,237,315.13	-	-
Deferred outflows related to OPEB (Note 11)	917,728.54	934,290.54	-	-
Total deferred outflows of resources	3,487,262.37	4,171,605.67	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 7)	515,603.62	809,359.48	10,228.00	-
Accrued liabilities	564,774.72	503,980.40	-	-
SBITA liability (Note 6)	204,297.00	-	-	-
Due to grantors	42,388.73	12,182.46	-	-
Due to State of Tennessee	653,829.78	609,495.50	-	-
Due to CISCC	-	-	293,501.00	393,527.00
Due to CISCC Foundation	3,268.00	3,268.00	-	-
Unearned revenue	432,979.05	1,077,618.43	-	-
Compensated absences (Note 8)	131,155.84	131,037.43	-	-
Deposits held in custody for others	-	145,835.03	-	-
Total current liabilities	2,548,296.74	3,292,776.73	303,729.00	393,527.00
Noncurrent liabilities:				
SBITA liability (Note 6)	297,943.00	-	-	-
Compensated absences (Note 8)	731,774.26	753,968.72	-	-
Net pension liability (Note 9)	2,176,584.10	2,692,279.64	-	-
Net OPEB liability (Note 11)	1,107,953.85	2,057,548.85	-	-
Total noncurrent liabilities	4,314,255.21	5,503,797.21	-	-
Total liabilities	6,862,551.95	8,796,573.94	303,729.00	393,527.00
Deferred inflows of resources				
Deferred inflows related to pensions (Note 9)	238,863.00	415,237.00	-	-
Deferred inflows related to OPEB (Note 11)	1,495,202.00	965,822.00	-	-
Total deferred inflows of resources	1,734,065.00	1,381,059.00	-	-
Net position				
Net investment in capital assets	46,100,408.28	46,573,957.26	833,886.00	838,563.00
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	5,113,086.00	5,010,841.00
Instructional department uses	-	-	196,081.00	183,518.00
Other	-	-	153,379.00	145,037.00
Expendable:				
Scholarships and fellowships	75,370.43	42,060.72	3,147,264.00	2,536,738.00
Instructional department uses	163,629.88	63,800.65	215,261.00	217,919.00
Capital projects	1,149,379.71	1,443,115.47	314,982.00	229,850.00
Pension	15,662.36	66,350.36	-	-
Other	605,189.46	497,359.94	483,269.00	452,457.00
Unrestricted	10,132,550.25	6,133,436.77	479,543.00	403,639.00
Total net position	\$ 58,242,190.37	\$ 54,820,081.17	\$ 10,936,751.00	\$ 10,018,562.00

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

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2024, and June 30, 2023

	Cleveland State Community College		Component Unit - Cleveland State Community College Foundation	
	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2024	Year Ended June 30, 2023
Revenues				
Operating revenues:				
Student tuition and fees (Note 12)	\$ 2,477,867.58	\$ 2,468,086.57	\$ -	\$ -
Gifts and contributions	-	-	547,403.00	785,576.00
Governmental grants and contracts	2,295,354.35	1,141,758.53	-	-
Nongovernmental grants and contracts	600,696.07	540,164.40	-	-
Sales and services of educational activities	15,367.85	26,250.92	-	-
Sales and services of other activities	105,205.13	118,296.39	-	-
Auxiliary enterprises:				
Bookstore	75,786.48	103,739.47	-	-
Food service	1,981.91	3,885.40	-	-
Other auxiliaries	41.65	78.15	-	-
Other operating revenues	2,959.29	37,713.79	-	-
Total operating revenues	5,575,260.31	4,439,973.62	547,403.00	785,576.00
Expenses				
Operating expenses (Notes 15 and 18):				
Salaries and wages	14,090,777.70	13,647,637.23	139,474.00	210,740.00
Benefits	5,579,759.41	4,971,058.89	48,685.00	74,399.00
Utilities, supplies, and other services	8,012,806.63	9,046,385.58	399,229.00	346,597.00
Scholarships and fellowships	3,976,407.22	3,301,742.65	51,336.00	97,439.00
Depreciation expense	2,167,104.64	1,920,980.46	22,387.00	21,895.00
Payments to or on behalf of Cleveland State Community College (Note 18)	-	-	322,578.00	524,687.00
Total operating expenses	33,826,855.60	32,887,804.81	983,689.00	1,275,757.00
Operating loss	(28,251,595.29)	(28,447,831.19)	(436,286.00)	(490,181.00)
Nonoperating revenues (expenses)				
State appropriations	17,138,141.46	15,648,515.24	-	-
Gifts (including \$322,578 from component unit for the year ended June 30, 2024, and \$524,687 for the year ended June 30, 2023)	398,712.83	621,655.28	-	-
Grants and contracts	12,888,291.33	12,941,570.28	-	-
Investment income (expense) (net of investment expense of \$51,957 for the component unit for the year ended June 30, 2024, and \$43,577 for the year ended June 30, 2023)	800,559.45	444,806.72	1,036,091.00	638,431.00
Interest on capital asset-related debt	(24,265.00)	-	-	-
Interest on noncapital debt	-	(1,337.59)	-	-
College support (Note 18)	-	-	189,996.00	212,732.00
Other nonoperating revenues (expenses)	-	(494,262.56)	-	3,268.00
Total nonoperating revenues (expenses)	31,201,440.07	29,160,947.37	1,226,087.00	854,431.00
Income before other revenues, expenses, gains, or losses	2,949,844.78	713,116.18	789,801.00	364,250.00
Capital appropriations	472,264.42	1,821,106.47	-	-
Capital grants and gifts	-	500,000.00	-	-
Additions to permanent endowments	-	-	128,388.00	127,556.00
Total other revenues	472,264.42	2,321,106.47	128,388.00	127,556.00
Increase in net position	3,422,109.20	3,034,222.65	918,189.00	491,806.00
Net position - beginning of year	54,820,081.17	51,785,858.52	10,018,562.00	9,526,756.00
Net position - end of year	\$ 58,242,190.37	\$ 54,820,081.17	\$ 10,936,751.00	\$ 10,018,562.00

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

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2024, and June 30, 2023

	Year Ended June 30, 2024	Year Ended June 30, 2023
Cash flows from operating activities		
Tuition and fees	\$ 2,585,439.85	\$ 1,736,500.65
Grants and contracts	2,358,529.76	1,671,347.08
Sales and services of educational activities	15,367.85	26,250.92
Sales and services of other activities	105,602.93	177,074.04
Payments to suppliers and vendors	(8,185,714.02)	(8,178,289.40)
Payments to employees	(13,949,632.33)	(13,767,341.48)
Payments for benefits	(5,133,169.30)	(5,166,697.56)
Payments for scholarships and fellowships	(3,976,407.22)	(3,301,742.65)
Funds received for deposits held for others	598,502.11	111,451.59
Funds disbursed for deposits held for others	(820,277.18)	(107,104.26)
Auxiliary enterprise charges:		
Bookstore	75,786.48	103,739.47
Food services	1,981.91	3,885.40
Other auxiliaries	41.65	78.15
Other receipts	2,959.29	37,713.79
Net cash used for operating activities	(26,320,988.22)	(26,653,134.26)
Cash flows from noncapital financing activities		
State appropriations	16,297,900.00	14,651,600.00
Gifts and grants received for other than capital or endowment purposes	12,690,423.76	13,162,647.88
Federal student loan receipts	1,199,594.00	1,732,464.00
Federal student loan disbursements	(1,199,594.00)	(1,732,464.00)
Principal paid on noncapital debt	-	(40,642.67)
Interest paid on noncapital debt	-	(1,016.07)
Net cash provided by noncapital financing activities	28,988,323.76	27,772,589.14
Cash flows from capital and related financing activities		
Capital grants and gifts received	-	500,000.00
Purchase of capital assets and construction	(844,619.62)	(428,850.06)
Principal paid on capital debt	(405,606.00)	-
Interest paid on capital debt	(24,265.00)	-
Net cash provided by (used for) capital and related financing activities	(1,274,490.62)	71,149.94
Cash flows from investing activities		
Income on investments	762,799.59	424,118.01
Purchase of investments	(62,712.52)	(57,980.94)
Net cash provided by investing activities	700,087.07	366,137.07
Net increase in cash	2,092,931.99	1,556,741.89
Cash - beginning of year	12,129,100.99	10,572,359.10
Cash - end of year	\$ 14,222,032.98	\$ 12,129,100.99

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2024, and June 30, 2023

	Year Ended June 30, 2024	Year Ended June 30, 2023
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (28,251,595.29)	\$ (28,447,831.19)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Noncash operating expenses	3,042,529.01	3,021,486.47
Change in assets, liabilities, and deferrals:		
Receivables, net	(421,525.27)	(141,410.08)
Due from State of Tennessee	49,799.67	-
Prepaid items	(1,488.96)	176,654.65
Net pension asset	50,688.00	1,723,176.36
Deferred outflows of resources	684,343.30	221,171.44
Accounts payable	(300,004.39)	242,024.96
Accrued liabilities	99,837.27	268,145.59
Unearned revenue	51,963.94	(702,333.29)
Deposits held for others	-	4,347.33
Compensated absences	(22,076.05)	(70,765.11)
Net pension liability	(515,695.54)	2,692,279.64
Net OPEB liability	(949,595.00)	211,187.00
Deferred inflows of resources	353,006.00	(5,853,884.00)
Due to grantors	35,497.60	-
Other	(226,672.51)	2,615.97
Net cash used for operating activities	\$ (26,320,988.22)	\$ (26,653,134.26)
Noncash investing, capital, or financing transactions		
Purchase of capital assets and construction with capital appropriations	\$ 437,081.51	\$ 1,726,415.70
Acquisition of SBITA asset through incurrence of SBITA liability	\$ 907,846.00	\$ -

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

**Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2024, and June 30, 2023**

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 Cleveland State Community College.

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

Basis of Presentation

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

Basis of Accounting

In June 2022, the GASB issued Statement 100, *Accounting Changes and Error Corrections*. This statement addresses changes in accounting principles, changes in accounting estimates, changes in the reporting entity, and error corrections. The college implemented this standard as of July 1, 2023.

In May 2020, the GASB issued Statement 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement requires recognition of a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor

Notes to the Financial Statements (Continued)

before the commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term. The college implemented this standard as of July 1, 2023. As amounts were considered immaterial, the college did not implement the standard during the year ended June 30, 2023.

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

The college has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises; and (4) other sources of revenue. 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.

Notes to the Financial Statements (Continued)

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, software, and lease and SBITA assets, are reported in the statement of net position at historical cost or at acquisition value at date of donation or the present value of lease or SBITA payments plus other associated lease or SBITA costs 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 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 software is set at \$100,000. The capitalization threshold for leased assets is set at \$100,000. The capitalization threshold for SBITAs is set at \$60,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over their estimated useful lives, which range from 1+ 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

Notes to the Financial Statements (Continued)

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.

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.

Notes to the Financial Statements (Continued)

Note 2. Cash

In addition to demand deposits and petty cash on hand, this classification includes instruments that are readily convertible to known amounts of cash and that have original maturities of three months or less. At June 30, 2024, cash consisted of \$872,391.29 in bank accounts; \$840.00 of petty cash on hand; \$12,199,421.98 in the Local Government Investment Pool (LGIP) administered by the State Treasurer; and \$1,149,379.71 in LGIP deposits for capital projects. At June 30, 2023, cash consisted of \$866,169.45 in bank accounts; \$840.00 of petty cash on hand; \$9,818,976.07 in the LGIP; and \$1,443,115.47 in LGIP deposits for capital projects.

The LGIP is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There is no minimum or maximum limitations on withdrawals. The fund's required risk disclosures are presented in the financial statements for the State Pooled Investment Fund. That report is available on the state's website at <https://treasury.tn.gov/Explore-Your-TN-Treasury/About-the-Treasury/Department-Reports>.

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.

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

Notes to the Financial Statements (Continued)

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 should not have a maturity that exceeds 270 days.

As of June 30, 2024, and June 30, 2023, 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 \$13,348,801.69 at June 30, 2024, and \$11,262,091.54 at June 30, 2023. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Receivables

Receivables included the following:

	June 30, 2024	June 30, 2023
Student accounts receivable	\$ 636,784.74	\$ 596,050.34
Grants receivable	901,024.16	278,203.20
Other receivables	8,837.69	141,236.79
Subtotal	1,546,646.59	1,015,490.33
Less allowance for doubtful accounts	(160,097.86)	(131,307.41)
Total receivables	\$ 1,386,548.73	\$ 884,182.92

Notes to the Financial Statements (Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	\$ 304,486.74	\$ 1,707.00	\$ -	\$ -	\$ 306,193.74
Land improvements and infrastructure	5,387,096.45	-	-	-	5,387,096.45
Buildings	53,944,067.74	4,253.69	1,804,757.46	-	55,753,078.89
Equipment	7,395,566.67	195,983.81	-	-	7,591,550.48
Library holdings	165,880.74	2,184.00	-	42,869.96	125,194.78
Projects in progress	1,831,918.81	1,083,821.16	(1,804,757.46)	-	1,110,982.51
Intangible assets					
Software	1,306,387.19	-	-	-	1,306,387.19
SBITA asset - software	-	907,846.00	-	-	907,846.00
Total	70,335,404.34	2,195,795.66	-	42,869.96	72,488,330.04
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	2,147,737.37	203,504.49	-	-	2,351,241.86
Buildings	14,992,891.19	1,074,072.91	-	-	16,066,964.10
Equipment	5,213,768.04	476,641.82	-	-	5,690,409.86
Library holdings	100,663.29	16,806.42	-	42,869.96	74,599.75
Intangible assets					
Software	1,306,387.19	-	-	-	1,306,387.19
SBITA asset - software	-	396,079.00	-	-	396,079.00
Total	23,761,447.08	2,167,104.64	-	42,869.96	25,885,681.76
Capital assets, net	\$ 46,573,957.26	\$ 28,691.02	\$ -	\$ -	\$ 46,602,648.28

Capital asset activity for the year ended June 30, 2023, was as follows:

Notes to the Financial Statements (Continued)

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	\$ 304,486.74	\$ -	\$ -	\$ -	\$ 304,486.74
Land improvements and infrastructure	5,387,096.45	-	-	-	5,387,096.45
Buildings	54,438,330.30	-	-	494,262.56	53,944,067.74
Equipment	7,027,698.60	389,354.11	-	21,486.04	7,395,566.67
Library holdings	205,522.99	2,417.64	-	42,059.89	165,880.74
Projects in progress	68,424.80	1,763,494.01	-	-	1,831,918.81
Intangible assets					
Software	1,306,387.19	-	-	-	1,306,387.19
Total	68,737,947.07	2,155,265.76	-	557,808.49	70,335,404.34
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	1,936,430.63	211,306.74	-	-	2,147,737.37
Buildings	13,770,983.71	1,221,907.48	-	-	14,992,891.19
Equipment	4,768,281.81	466,972.27	-	21,486.04	5,213,768.04
Library holdings	121,929.21	20,793.97	-	42,059.89	100,663.29
Intangible assets					
Software	1,306,387.19	-	-	-	1,306,387.19
Total	21,904,012.55	1,920,980.46	-	63,545.93	23,761,447.08
Capital assets, net	\$ 46,833,934.52	\$ 234,285.30	\$ -	\$ 494,262.56	\$ 46,573,957.26

Note 6. Subscription-based Information Technology Arrangements

Subscription-based Information Technology Arrangements (SBITA) assets are reported with capital assets, and SBITA liabilities are reported separately in the statement of net position.

The college has entered into subscription-based arrangements for various types of software, the terms of which expire in various years through 2027.

SBITA liability activity for the college for the year ended June 30, 2024, is summarized below:

Notes to the Financial Statements (Continued)

	Beginning Balance	Additions	Remeasurements	Reductions	Ending Balance	Current Portion
SBITA liabilities	\$ -	\$ 907,846.00	\$ -	\$ 405,606.00	\$ 502,240.00	\$ 204,297.00

The following is a schedule by year of payments under the subscription arrangements as of June 30, 2024:

Year Ending June 30	Principal	Interest	Total
2025	\$ 204,297.00	\$ 17,869.00	\$ 222,166.00
2026	189,321.00	11,311.00	200,632.00
2027	108,622.00	5,234.00	113,856.00
Total	\$ 502,240.00	\$ 34,414.00	\$ 536,654.00

Note 7. Accounts Payable

Accounts payable included the following:

	June 30, 2024	June 30, 2023
Vendors payable	\$ 327,545.88	\$ 792,968.51
Other payables	188,057.74	16,390.97
Total accounts payable	\$ 515,603.62	\$ 809,359.48

Note 8. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other liabilities:					
Compensated absences	\$ 885,006.15	\$ 193,531.84	\$ 215,607.89	\$ 862,930.10	\$ 131,155.84
Subtotal	885,006.15	193,531.84	215,607.89	862,930.10	131,155.84
Total long-term liabilities	\$ 885,006.15	\$ 193,531.84	\$ 215,607.89	\$ 862,930.10	\$ 131,155.84

Notes to the Financial Statements (Continued)

Long-term liabilities activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
TSSBA debt:					
Bonds	\$ 40,642.67	\$ -	\$ 40,642.67	\$ -	\$ -
Subtotal	40,642.67	-	40,642.67	-	-
Other liabilities:					
Compensated absences	955,771.26	134,064.59	204,829.70	885,006.15	131,037.43
Subtotal	955,771.26	134,064.59	204,829.70	885,006.15	131,037.43
Total long-term liabilities	\$ 996,413.93	\$ 134,064.59	\$ 245,472.37	\$ 885,006.15	\$ 131,037.43

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>.

Notes to the Financial Statements (Continued)

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:

$$\begin{array}{ccccccc} \text{Average of member's highest} & & & & & & \\ \text{compensation for 5 consecutive} & & & & & & \\ \text{years (up to Social Security} & \times & 1.50\% & \times & \text{Years of Service} & \times & 105\% \\ \text{integration level)} & & & & \text{Credit} & & \end{array}$$

Plus:

$$\begin{array}{ccccccc} \text{Average of member's highest} & & & & & & \\ \text{compensation for 5 consecutive} & & & & & & \\ \text{years (over the Social Security} & \times & 1.75\% & \times & \text{Years of Service} & \times & 105\% \\ \text{integration level)} & & & & \text{Credit} & & \end{array}$$

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 year ended June 30, 2024, to the Closed State and Higher Education Employee Pension Plan were \$832,575.14. Additional contributions of \$523,516.46 were made to the pension plan by the State of Tennessee on behalf of the college.

Notes to the Financial Statements (Continued)

Employer contributions by the college for the year ended June 30, 2023, to the Closed State and Higher Education Employee Pension Plan were \$920,254.45. Additional contributions of \$703,177.74 were made to the pension plan by the State of Tennessee on behalf of the college. 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, 2024, the college reported a liability of \$2,176,584.10 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2023, measurement date, the college's proportion was 0.197163%.

At June 30, 2023, the college reported a liability of \$2,692,279.64 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2022, measurement date, the college's proportion was 0.225984%.

Pension expense – For the years ended June 30, 2024, and June 30, 2023, the college recognized pension expense of \$1,384,252 and \$825,241, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2024, and June 30, 2023, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (Continued)

<u>Fiscal Year 2024</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 708,359.00	\$ -
Net difference between projected and actual earnings on pension plan investments	255,428.00	-
Changes in assumptions	-	-
Changes in proportion of net pension liability	-	203,919.00
Contributions subsequent to the measurement date	1,356,091.60	-
Total	\$ 2,319,878.60	\$ 203,919.00

<u>Fiscal Year 2023</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 520,809.58	\$ 160,261.00
Net difference between projected and actual earnings on pension plan investments	38,450.00	-
Changes in assumptions	730,424.00	-
Changes in proportion of net pension liability	130,886.00	208,519.00
Contributions subsequent to the measurement date	1,623,432.19	-
Total	\$ 3,044,001.77	\$ 368,780.00

Deferred outflows of resources, resulting from employer contributions of \$1,356,091.60 subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30</u>	
2025	\$ 304,339
2026	\$ (337,969)
2027	\$ 791,516
2028	\$ 1,982

Notes to the Financial Statements (Continued)

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, 2023 – The total pension liability as of the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and 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, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in 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 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 of 2.25%. 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:

Notes to the Financial Statements (Continued)

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, as well as what the college's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
College's proportionate share of the net pension liability (asset)	\$6,878,497	\$2,176,584.10	\$(1,762,573)

Actuarial assumptions used for the measurement date of June 30, 2022 – The total pension liability as of June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Notes to the Financial Statements (Continued)

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. As a result of the 2020 actuarial experience study, investment and 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, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in 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 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 of 2.25%. 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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

Notes to the Financial Statements (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, as well as what the college's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
College's proportionate share of the net pension liability (asset)	\$7,897,444	\$2,692,279.64	\$(1,678,551)

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>

Payable to the Pension Plan

At June 30, 2024, and June 30, 2023, the college reported a payable of \$72,990.36 and \$71,847.72, respectively, for the outstanding amount of legally required contributions to the pension plan required for the years then ended.

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

Notes to the Financial Statements (Continued)

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 Employee 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, 2024, and June 30, 2023, to the State and Higher Education Employee Retirement Plan were \$116,745.23 and \$98,083.36, respectively, which is 2.55% and 2.48% of covered payroll, respectively. The employer rate, when combined with member contributions, is

Notes to the Financial Statements (Continued)

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, 2024, the college reported an asset of \$15,662.36 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, 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, 2023, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2023, measurement date, the college's proportion was 0.217354%.

At June 30, 2023, the college reported an asset of \$66,350.36 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2022, 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, 2022, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2022, measurement date, the college's proportion was 0.266026%.

Pension expense – For the years ended June 30, 2024, and June 30, 2023, the college recognized a pension expense of \$99,704 and \$78,651, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2024, and June 30, 2023, the college reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Notes to the Financial Statements (Continued)

<u>Fiscal Year 2024</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 49,909.00	\$ 15,066.00
Net difference between projected and actual earnings on pension plan investments	18,569.00	-
Changes in assumptions	37,615.00	-
Changes in proportion of net pension asset	26,817.00	19,878.00
Contributions subsequent to the measurement date	116,745.23	-
Total	\$ 249,655.23	\$ 34,944.00

<u>Fiscal Year 2023</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,251.00	\$ 22,526.00
Net difference between projected and actual earnings on pension plan investments	20,336.00	-
Changes in assumptions	55,420.00	-
Changes in proportion of net pension asset	7,223.00	23,931.00
Contributions subsequent to the measurement date	98,083.36	-
Total	\$ 193,313.36	\$ 46,457.00

Deferred outflows of resources, resulting from the college's employer contributions of \$116,745.23 subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Notes to the Financial Statements (Continued)

<u>Year Ending June 30</u>		
2025	\$	11,282
2026	\$	8,676
2027	\$	36,644
2028	\$	12,177
2029	\$	11,144
Thereafter	\$	18,043

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, 2023 – The total pension liability as of the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience, including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. 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, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in 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 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 of 2.25%. The best estimates

Notes to the Financial Statements (Continued)

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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		<hr/> 100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
College's proportionate share of the net pension liability (asset)	\$354,934	\$(15,662.36)	\$(294,410)

Notes to the Financial Statements (Continued)

Actuarial assumptions used for the measurement date of June 30, 2022 – The total pension liability as of the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Investment rate of return	6.75%, net of pension plan investment expenses, including inflation
Cost-of-living adjustment	2.125%

Mortality rates were based on actual experience, including a projection of mortality improvement using Scale MP-2021 (generational projection).

The actuarial assumptions used in the June 30, 2022, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016, through June 30, 2020. 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, 2020, actuarial experience study. A blend of future capital market projections and historical market returns was used in 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 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 of 2.25%. 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:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
U.S. equity	4.88%	31%
Developed market international equity	5.37%	14%
Emerging market international equity	6.09%	4%
Private equity and strategic lending	6.57%	20%
U.S. fixed income	1.20%	20%
Real estate	4.38%	10%
Short-term securities	0.00%	1%
		100%

Notes to the Financial Statements (Continued)

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 6.75% based on a blending of the factors described above.

Discount rate – The discount rate used to measure the total pension liability was 6.75%. 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 6.75%, 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 (5.75%) or 1 percentage point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
College's proportionate share of the net pension liability (asset)	\$270,636	\$(66,350.36)	\$(319,482)

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>.

Payable to the Pension Plan

At June 30, 2024, and at June 30, 2023, the college reported a payable of \$9,910.52 and \$8,671.64, respectively, for the outstanding amount of legally required contributions to the pension plan required for the years then ended.

Total Defined Benefit Pension Expense

The total pension expense for the year ended June 30, 2024, for all state and local government defined benefit pension plans was \$1,483,956. The total pension expense for the year ended June 30, 2023, for all state and local government defined benefit pension plans was \$903,892.

Notes to the Financial Statements (Continued)

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 \$369,474.58 for the year ended June 30, 2024; \$349,849.87 for the year ended June 30, 2023; and \$232,524.77 for the year ended June 30, 2022. 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.

Payable to the plan – At June 30, 2024, and June 30, 2023, the college reported a payable of \$40,338.38 and \$39,465.27, respectively, for the outstanding amount of legally required contributions to the plan required for the year then ended.

Deferred Compensation Plan

The college, through the State of Tennessee, provides a deferred compensation plan pursuant to the *Internal Revenue Code* (IRC), Section 401(k). The plan is outsourced to a third-party vendor, and the administrative costs assessed by the vendor of this plan are the responsibility of plan participants. Section 401(k) plan assets remain the property of the contributing employees, and they are not presented in the accompanying financial statements. Section 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The college provides up to a \$100 monthly

Notes to the Financial Statements (Continued)

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 to the plan. 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 the plan.

During the year ended June 30, 2024, contributions totaling \$374,339.38 were made by employees participating in the 401(k) plan, and the college recognized pension expense of \$355,513.80 for employer contributions. During the year ended June 30, 2023, contributions totaling \$398,771.83 were made by employees participating in the 401(k) plan, with contributions of \$354,593.04 made by the college. During the year ended June 30, 2022, contributions totaling \$254,693.08 were made by employees participating in the 401(k) plan, with contributions of \$69,395.12 made by the college.

At June 30, 2024, and June 30, 2023, the college reported a payable of \$69,450.02 and \$71,847.72, respectively, for the outstanding amount of legally required contributions to the plan required for the year then ended.

Note 10. Other Employee Benefits

Deferred Compensation Plans

Employees are offered two deferred compensation plans that are not considered pension plans. The college, through the State of Tennessee, provides a plan pursuant to the *Internal Revenue Code* (IRC), Section 457, and another 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 403(b) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. Sections 403(b) and 457 establish participation, contribution, and withdrawal provisions for the plans.

Notes to the Financial Statements (Continued)

Note 11. 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 Section 8-27-201, *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 Section 8-27-201, *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

Notes to the Financial Statements (Continued)

for the years ended June 30, 2024, and June 30, 2023, was \$109.5 million and \$115.7 million, respectively. The college's share of the ADC was \$294,281 for 2024, and \$296,512 for 2023. For the years ended June 30, 2024, and June 30, 2023, the college contributed \$294,281 and \$296,512 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 \$1,107,953.85 at June 30, 2024. At the June 30, 2023, measurement date, the college's proportion of the collective net OPEB liability was 0.277619%. The proportion existing at the prior measurement date was 0.290623%. This resulted in a change in proportion of (0.013004)% 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, 2023, and a measurement date of June 30, 2023.

The college's proportionate share of the collective net OPEB liability related to the EGOP was \$2,057,548.85 at June 30, 2023. At the June 30, 2022, measurement date, the college's proportion of the collective net OPEB liability was 0.290623%. The proportion existing at the prior measurement date was 0.258945%. This resulted in a change in proportion of 0.031678% 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, 2022, and a measurement date of June 30, 2022.

OPEB expense – For the years ended June 30, 2024, and June 30, 2023, the college recognized OPEB expense of \$(109,372) and \$108,067, respectively.

Deferred outflows of resources and deferred inflows of resources – For the years ended June 30, 2024, and June 30, 2023, the college reported deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP from the following sources:

Notes to the Financial Statements (Continued)

<u>Fiscal Year 2024</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 142,696.00
Net difference between actual and projected investment earnings	35,009.00	-
Changes in assumptions	285,084.00	293,838.00
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	303,354.54	1,058,668.00
Contributions subsequent to the measurement date	294,281.00	-
Total	\$ 917,728.54	\$ 1,495,202.00

<u>Fiscal Year 2023</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 189,926.00
Net difference between actual and projected investment earnings	120,953.00	-
Changes in assumptions	103,437.54	453,277.00
Changes in proportion and differences between benefits paid and proportionate share of benefits paid	413,388.00	322,619.00
Contributions subsequent to the measurement date	296,512.00	-
Total	\$ 934,290.54	\$ 965,822.00

Deferred outflows of resources, resulting from the college's employer contributions of \$294,281 subsequent to the measurement date, will be recognized as a decrease in net OPEB liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Notes to the Financial Statements (Continued)

Year Ending June 30

2025	\$ (291,656.00)
2026	\$ (291,646.00)
2027	\$ (83,620.00)
2028	\$ (146,840.00)
2029	\$ (57,992.46)

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, 2023 – The collective total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	10.31% for 2024, decreasing annually to an ultimate rate of 4.50% for 2035 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, 2023, valuations were the same as those employed in the July 1, 2022, 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, 2016, through June 30, 2020. 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. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load

Notes to the Financial Statements (Continued)

for females, projected generationally from 2010 with MP-2021. 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, projected generationally with MP-2021.

Long-term expected rate of return – 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 asset 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. Section 8-27-802, *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 TCRS is permitted to invest, provided that investments by the OPEB Trust will 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:

<u>Asset Class</u>	<u>Allocation Range</u>		<u>Total Allocation</u>
	<u>Minimum</u>	<u>Maximum</u>	
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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	4.65%
Developed market international equity	4.55%
Emerging market international equity	4.94%
Cash (government)	1.32%
Private equity and strategic lending	5.43%
U.S. fixed income	2.59%

Notes to the Financial Statements (Continued)

Real estate

4.16%

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 Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions –The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date. These changes increased the liability by 8.2%.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate – 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 <u>(5%)</u>	Current Discount Rate <u>(6%)</u>	1% Increase <u>(7%)</u>
College's proportionate share of the collective net OPEB liability	\$1,191,597	\$1,107,953.85	\$794,475

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate – 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 (9.31% decreasing to 3.5%) or 1 percentage point higher (11.31% decreasing to 5.5%) than the current rate:

Notes to the Financial Statements (Continued)

	1% Decrease (9.31% decreasing to <u>3.5%</u>)	Healthcare Cost Trend Rates (10.31% decreasing to <u>4.5%</u>)	1% Increase (11.31% decreasing to <u>5.5%</u>)
College's proportionate share of the collective net OPEB liability	\$736,550	\$1,107,953.85	\$1,271,371

Actuarial assumptions used for the measurement date of June 30, 2022 – The collective total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Graded salary ranges from 8.72% to 3.44% based on age, including inflation, averaging 4%
Healthcare cost trend rates	8.37% for 2023, decreasing annually to an ultimate rate of 4.50% for 2030 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, 2022, valuations were the same as those employed in the July 1, 2021, pension actuarial valuation of the 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, 2016, through June 30, 2020. 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. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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, projected generationally from 2018 with MP-2020.

Notes to the Financial Statements (Continued)

Long-term expected rate of return – 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 asset 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. Section 8-27-802, *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 TCRS is permitted to invest, provided that investments by the OPEB Trust will 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:

<u>Asset Class</u>	<u>Allocation Range</u>		<u>Total Allocation</u>
	<u>Minimum</u>	<u>Maximum</u>	
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, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	4.89%
Developed market international equity	5.38%
Emerging markets international equity	5.97%
U.S. fixed income	2.74%
Real estate	4.79%
Private equity and strategic lending	5.18%
Cash (government)	1.17%

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

Notes to the Financial Statements (Continued)

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 Trust investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in assumptions – The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date. These changes decreased the liability by 2.57%.

Changes in benefit terms – Tennessee highway patrol members who retire with at least 25 years of service will receive 80% of the schedule premium, regardless of the date of hire. Also, any commissioned member of the Tennessee Wildlife Resources Agency or Tennessee Bureau of Investigation who retire with at least 25 years of service will receive 80% of the schedule premium.

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the discount rate – 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	\$2,254,678	\$2,057,548.85	\$1,872,090

Sensitivity of the proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate – 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 (7.37% decreasing to 6.37%) or 1 percentage point higher (8.37% decreasing to 7.37%) than the current rate:

Notes to the Financial Statements (Continued)

	1% Decrease (7.37% decreasing to <u>3.5%</u>)	Healthcare Cost Trend Rates (8.37% decreasing to <u>4.5%</u>)	1% Increase (9.37% decreasing to <u>5.5%</u>)
College's proportionate share of the collective net OPEB liability	\$1,816,939	\$2,057,548.85	\$2,331,012

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 Section 8-27-209, *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.

Notes to the Financial Statements (Continued)

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 \$29,425 for OPEB as the benefits came due during the fiscal year ended June 30, 2024, and \$28,937.50 for OPEB as the benefits came due during the fiscal year ended June 30, 2023. 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 Section 8-27-209, *Tennessee Code Annotated*, the state insurance committees established by Sections 8-27-201, 301, and 701, *Tennessee Code Annotated*, determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants.

Total OPEB Liability and OPEB Expense

Proportionate share – The primary government 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 \$471,531 at June 30, 2024. At the June 30, 2023, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.302037%. This represents a change of 0.005603% from the prior proportion of 0.296434%. 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, 2023, and a measurement date of June 30, 2023.

The primary government's proportionate share of the total OPEB liability associated with the college was \$446,065 at June 30, 2023. At the June 30, 2022, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.296434%. This represents a change of 0.007893% from the prior proportion of 0.288541%. 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, 2022, and measurement date of June 30, 2022.

Actuarial assumptions used for the measurement date of June 30, 2023 – The total OPEB liability in the June 30, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Notes to the Financial Statements (Continued)

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022, pension actuarial valuation of the 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, 2016, through June 30, 2020. 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. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. 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, projected generationally from 2018 with MP-2021.

Discount rate – The discount rate used to measure the total OPEB liability was 3.65%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

Changes in assumptions – The discount rate was changed from 3.54% to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability by 1.21%.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the college's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current rate. The college does not report a proportionate share of the OPEB liability for employees in the TNP.

Notes to the Financial Statements (Continued)

	1% Decrease <u>(2.65%)</u>	Current Discount Rate <u>(3.65%)</u>	1% Increase <u>(4.65%)</u>
Primary government's proportionate share of the collective total OPEB liability	\$526,954	\$471,531	\$424,642

Actuarial assumptions used for the measurement date of June 30, 2022 – The total OPEB liability in the June 30, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2022, valuations were the same as those employed in the July 1, 2021, pension actuarial valuation of the 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, 2016, through June 30, 2020. 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. For pre-retirement non-disabled general employees, the mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table projected generationally with MP-2020 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2020. 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, projected generationally from 2018 with MP-2020.

Discount rate – The discount rate used to measure the total OPEB liability was 3.54%. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer GO 20-Bond Municipal Bond index.

Notes to the Financial Statements (Continued)

Changes in assumptions – The discount rate was changed from 2.16% to 3.54% as of June 30, 2022. This change in assumption decreased the total OPEB liability by 14.6%.

Sensitivity of the proportionate share of the collective total OPEB liability to changes in the discount rate – The following presents the primary government's proportionate share of the college's related collective total OPEB liability, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current rate. The college does not report a proportionate share of the OPEB liability for employees in the TNP.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Primary government's proportionate share of the collective total OPEB liability	\$497,953	\$446,065	\$402,122

OPEB expense – For the years ended June 30, 2024, and June 30, 2023, the primary government recognized OPEB expense of \$6,399 and \$358, respectively, for employees of the college participating in the TNP.

Total OPEB Expense

The total negative OPEB expense for the year ended June 30, 2024, was \$102,973, which consisted of negative OPEB expense of \$109,372 for the EGOP and OPEB expense of \$6,399 paid by the primary government for the TNP. The total OPEB expense for the year ended June 30, 2023, was \$108,425, which consisted of OPEB expense of \$108,067 for the EGOP and \$358 paid by the primary government for the TNP.

Note 12. Revenues

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

Fiscal Year 2024 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	\$ 11,319,636.29	\$ (8,731,141.45)	\$ (110,627.26)	\$ 2,477,867.58
Total	\$ 11,319,636.29	\$ (8,731,141.45)	\$ (110,627.26)	\$ 2,477,867.58

Notes to the Financial Statements (Continued)

Fiscal Year 2023 Revenue Source	Gross Revenue	Less Scholarship Allowances	Less Uncollectible Debts	Net Revenue
Operating revenues:				
Tuition and fees	\$ 11,090,268.81	\$ (8,601,739.46)	\$ (20,442.78)	\$ 2,468,086.57
Total	\$ 11,090,268.81	\$ (8,601,739.46)	\$ (20,442.78)	\$ 2,468,086.57

Note 13. Insurance-related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, 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 self-insures against property and cyber liability losses through the RMF and the State of Tennessee Captive Insurance Company (TCIC). The state purchases commercial insurance for real property and crime and fidelity coverage on the state's officials and employees above the limits of the RMF and TCIC. For property coverage, the deductible for an individual state agency is 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 of \$2.5 million per occurrence for all perils. The TCIC is responsible for property losses in excess of the RMF limits up to an annual aggregate of \$25 million. Purchased insurance coverage is responsible for losses exceeding these limits to the maximum insurance coverage of \$600 million per year for perils other than earthquake and flood which are capped at \$50 million each year. For cyber coverage, the RMF is responsible for \$1.5 million per occurrence. The TCIC is responsible for losses in excess of the RMF limits up to an aggregate of \$10 million. 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, 2023, 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, 2024, the RMF held \$241 million in cash designated for payment of claims. At June 30, 2023, the RMF held \$254 million in cash designated for payment of claims.

Notes to the Financial Statements (Continued)

At June 30, 2024, the scheduled coverage for the college was \$280,461,748 for buildings and \$25,518,000 for contents. At June 30, 2023, the scheduled coverage for the college was \$129,306,470 for buildings and \$22,681,550 for contents.

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

Note 14. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was \$4,594,741.96 at June 30, 2024, and \$4,349,665.80 at June 30, 2023.

Construction in Progress

At June 30, 2024, outstanding commitments under construction contracts totaled \$3,463,829.30 for the Central Plant Modernization project, the Campus Revitalization project, the Science Building Renovation project, the Student Center Reroof project, the Library Modernization project, the Campus Parking and Road Updates project, and the Campus HVAC Updates project, of which \$2,211,760.65 will be funded by future state capital outlay appropriations.

Note 15. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2024, are as follows:

Notes to the Financial Statements (Continued)

Functional Classification	Natural Classification						Total
	Salaries	Benefits	Other Operating	Scholarships	Depreciation		
Instruction	\$ 8,361,741.05	\$ 3,116,557.54	\$ 2,648,161.45	\$ -	\$ -		\$ 14,126,460.04
Public service	148,293.50	121,088.30	38,083.78	-	-		307,465.58
Academic							
support	477,632.41	223,988.59	356,089.03	-	-		1,057,710.03
Student services	1,987,706.46	960,835.83	1,199,145.40	-	-		4,147,687.69
Institutional							
support	2,374,303.45	900,118.52	1,079,039.33	-	-		4,353,461.30
Maintenance							
and operation	740,617.58	257,138.24	2,673,466.64	-	-		3,671,222.46
Scholarships and							
fellowships	483.25	32.39	-	3,976,407.22	-		3,976,922.86
Auxiliary	-	-	18,821.00	-	-		18,821.00
Depreciation	-	-	-	-	2,167,104.64		2,167,104.64
Total	\$ 14,090,777.70	\$ 5,579,759.41	\$ 8,012,806.63	\$ 3,976,407.22	\$ 2,167,104.64		\$ 33,826,855.60

The college's operating expenses for the year ended June 30, 2023, are as follows:

Functional Classification	Natural Classification						Total
	Salaries	Benefits	Other Operating	Scholarships	Depreciation		
Instruction	\$ 7,743,562.07	\$ 2,765,534.11	\$ 2,366,591.34	\$ -	\$ -		\$ 12,875,687.52
Public service	128,805.17	41,973.40	23,380.24	-	-		194,158.81
Academic							
support	1,009,495.73	411,811.79	790,703.51	-	-		2,212,011.03
Student services	2,008,940.17	796,079.67	635,995.44	-	-		3,441,015.28
Institutional							
support	2,338,546.04	810,360.52	1,527,078.57	-	-		4,675,985.13
Maintenance							
and operation	418,288.05	145,299.40	3,505,039.77	-	-		4,068,627.22
Scholarships and							
fellowships	-	-	197,153.43	3,301,742.65	-		3,498,896.08
Auxiliary	-	-	443.28	-	-		443.28
Depreciation	-	-	-	-	1,920,980.46		1,920,980.46
Total	\$ 13,647,637.23	\$ 4,971,058.89	\$ 9,046,385.58	\$ 3,301,742.65	\$ 1,920,980.46		\$ 32,887,804.81

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

Notes to the Financial Statements (Continued)

expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling \$1,280,731.03 for the year ended June 30, 2024, and \$1,686,246.34 for the year ended June 30, 2023, were reallocated from academic support to the other functional areas.

Note 16. On-behalf Payments

During the years ended June 30, 2024, and June 30, 2023, the State of Tennessee made payments of \$29,425.00 and \$28,937.50, 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 11. 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>.

During the years ended June 30, 2024, and June 30, 2023, the State of Tennessee also made payments of \$523,516.46 and \$703,177.74, respectively, on behalf of the college for retirees participating in the Closed State and Higher Education Employee Pension Plan. The Closed State and Higher Education Employee Pension Plan is a defined benefit pension plan with membership in the Tennessee Consolidated Retirement System and is discussed further in Note 9. 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>.

Note 17. Adjustments for Accounting Changes and Changes in Accounting Estimates

During fiscal year 2024, the college implemented GASB Statement 96, *Subscription-based Information Technology Arrangements*. This statement requires recognition of a right-to-use subscription asset, initially measured as the sum of the initial subscription liability amount, payments made to the vendor before commencement of the subscription term, and capitalizable implementation costs. The subscription asset is then amortized over the subscription term.

In addition, during 2023, the university implemented the guidance in NACUBO Advisory 2023-01, *Public Institutions: Accounting for and Reporting Financial Aid as a Discount*. This Advisory concluded that the "Alternate Method," originally presented in NACUBO Advisory 2000-05, would no longer be endorsed by NACUBO and a more accurate methodology would be possible due to the improved capabilities of student information systems. The change in methodology proposed in NACUBO Advisory 2023-01 is preferable as the older method was more likely to overstate the scholarship expense and understate the tuition discount. The new methodology will also better reflect how charges and

Notes to the Financial Statements (Continued)

payments flow through the student accounts. The newly adopted methodology is a change in accounting estimate. The change in estimate affects the financial statement line items for student tuition and fees (net of tuition discounts and allowances) and scholarships and fellowships expense.

Note 18. Component Unit

The Cleveland State Community College Foundation is a legally separate, tax-exempt organization supporting Cleveland State Community College. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 25-member board of the foundation is self-perpetuating and consists of graduates and friends of the college and community leaders who are elected to three-year terms. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements

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

During the years ended June 30, 2024, and June 30, 2023, the foundation made distributions of \$322,578 and \$524,687, respectively, to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Dr. John Squires, Executive Director of Advancement, Cleveland State Community College, P.O. Box 3570, Cleveland, TN 37320-3570.

Fair Value Measurements

The foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for assets at June 30, 2024, and at June 30, 2023.

Notes to the Financial Statements (Continued)

		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)
	June 30, 2024				
Assets:					
Cash and cash equivalents	\$ 1,178,873	\$ 1,178,873	\$ -	\$ -	\$ -
Investments	9,192,228	8,943,033	249,195	-	-
Interest receivable	7,167	7,167	-	-	-
Other receivables	25,058	25,058	-	-	-
Total assets	\$ 10,403,326	\$ 10,154,131	\$ 249,195	\$ -	\$ -

		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)
	June 30, 2023				
Assets:					
Cash and cash equivalents	\$ 1,207,926	\$ 1,207,926	\$ -	\$ -	\$ -
Investments	8,332,626	8,183,680	148,946	-	-
Interest receivable	5,145	5,145	-	-	-
Other receivables	24,561	24,561	-	-	-
Total assets	\$ 9,570,258	\$ 9,421,312	\$ 148,946	\$ -	\$ -

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts and cash equivalents. Generally, only investments with original maturities of three months or less are treated as cash equivalents. On June 30, 2024, the foundation had no uninsured bank balances. On June 30, 2023, the foundation had uninsured bank balances of \$383,697.

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 value and cost at the beginning and end of the year.

Notes to the Financial Statements (Continued)

Investments held at June 30, 2024, were as follows:

	Cost	Fair Value
Certificates of deposit	\$ 249,195	\$ 249,195
Mutual bond funds	2,256,080	2,186,146
Mutual equity funds	3,986,564	4,737,602
Common stock	1,430,375	2,019,285
Total investments	\$ 7,922,214	\$ 9,192,228

Investments held at June 30, 2023, were as follows:

	Cost	Fair Value
Certificates of deposit	\$ 148,946	\$ 148,946
Mutual bond funds	2,178,005	2,043,749
Mutual equity funds	4,081,462	4,380,403
Common stock	1,313,621	1,759,528
Total investments	\$ 7,722,034	\$ 8,332,626

Operating return – The Board of Trustees designates only a portion of the foundation’s cumulative investment return for support of current operations; the remainder is retained to support operations of future years and to offset potential market declines. The amount computed under the endowment spending policy of the investment pool is used to support current operations.

Liquidity and Availability

The foundation’s financial assets available within one year of the statement of net position date for general expenditures are as follows:

	At June 30, 2024	At June 30, 2023
Cash	\$ 482,811	\$ 406,908
Total	\$ 482,811	\$ 406,908

The foundation receives revenues from contributions and an annual administration fee to fund expenditures of the foundation. The foundation has a policy to structure its financial assets to be available as their general expenditures, liabilities, and other obligations come due.

Notes to the Financial Statements (Continued)

Capital Assets

Capital assets were as follows:

	June 30, 2024	June 30, 2023
Land	\$ 114,218	\$ 114,218
Buildings	893,492	875,782
Total	1,007,710	990,000
Less accumulated depreciation:		
Buildings	173,824	151,437
Total	173,824	151,437
Capital assets, net	\$ 833,886	\$ 838,563

Endowments

The Cleveland State Community College Foundation's endowments consist of approximately 230 individual funds established for a variety of purposes. Its endowment is made up of donor-restricted endowment funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Cleveland State Community College Foundation is subject to the Uniform Prudent Management of Institutional Funds 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 Board of Trustees appropriates such amounts for expenditure. 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 Board of Trustees of the foundation has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless the donor stipulates to the contrary. 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 (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. Additionally, in accordance with UPMIFA, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration

Notes to the Financial Statements (Continued)

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,462,546	\$ 5,462,546
Accumulated investment gains	-	2,929,670	2,929,670
Total funds	\$ -	\$ 8,392,216	\$ 8,392,216

Endowment Net Asset Composition by Type of Fund
As of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 5,339,396	\$ 5,339,396
Accumulated investment gains	-	2,338,074	2,338,074
Total funds	\$ -	\$ 7,677,470	\$ 7,677,470

Changes in Endowment Net Assets
As of June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 7,677,470	\$ 7,677,470
Investment return, net	-	1,033,527	1,033,527
Contributions	-	128,388	128,388
Appropriation of endowment assets for expenditure	-	(447,169)	(447,169)
Endowment net assets, end of year	\$ -	\$ 8,392,216	\$ 8,392,216

Notes to the Financial Statements (Continued)

Changes in Endowment Net Assets As of June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 7,453,290	\$ 7,453,290
Investment return, net	-	635,638	635,638
Contributions	-	127,556	127,556
Appropriation of endowment assets for expenditure	-	(539,014)	(539,014)
Endowment net assets, end of year	\$ -	\$ 7,677,470	\$ 7,677,470

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. 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 attain an average real total return equal to or greater than the approved maximum spending level of 5% over the long term. The foundation expects its endowment funds, over time, to provide an average rate of return of a minimum of 5% annually. 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 not more than 5% of the four-year rolling average of the fair value of the endowment and at least the total of interest and dividends earned in the prior year. In establishing this policy, the foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the foundation expects the current spending policy to allow its endowment to grow between 2% and 3% annually. 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 investment return and new gifts.

Natural Classifications With Functional Classifications

The foundation's operating expenses by functional classification for the year ended June 30, 2024, are as follows:

Notes to the Financial Statements (Continued)

Functional Classification	Natural Classification					Payments Made to or on Behalf of College	Total
	Salaries	Benefits	Other Operating	Scholarships	Depreciation		
Program services	\$ 81,094	\$ 23,228	\$ 233,450	\$ 51,336	\$ 22,387	\$ 322,578	\$ 734,073
General and administrative	58,380	25,457	64,448	-	-	-	148,285
Fundraising	-	-	101,331	-	-	-	101,331
Total expenses	\$ 139,474	\$ 48,685	\$ 399,229	\$ 51,336	\$ 22,387	\$ 322,578	\$ 983,689

The foundation's operating expenses by functional classification for the year ended June 30, 2023, are as follows:

Functional Classification	Natural Classification					Payments Made to or on Behalf of College	Total
	Salaries	Benefits	Other Operating	Scholarships	Depreciation		
Program services	\$ 125,137	\$ 38,115	\$ 196,050	\$ 97,439	\$ 21,895	\$ 524,687	\$ 1,003,323
General and administrative	85,603	36,284	70,969	-	-	-	192,856
Fundraising	-	-	79,578	-	-	-	79,578
Total expenses	\$ 210,740	\$ 74,399	\$ 346,597	\$ 97,439	\$ 21,895	\$ 524,687	\$ 1,275,757

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. Personnel expenses are allocated based on estimates of time and effort.

Support From Cleveland State Community College

The college paid certain payroll costs for college personnel who also performed services supporting the foundation amounting to \$188,159 in fiscal year 2024 and \$210,139 in fiscal year 2023. The college also paid other operating expenses supporting the foundation amounting to \$756 in fiscal year 2023. 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. The rental expense totaling \$1,837 for each fiscal year has also been reported as college support, with a like amount included in expenses.

In fiscal year 2023, the foundation reimbursed the college \$75,000 toward the payroll support provided to the foundation.

**Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland State Community College's
Proportionate Share of the Net Pension Liability (Asset)
Closed State and Higher Education
Employee Pension Plan Within TCRS**

	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2024	0.197163%	\$ 2,176,584	\$ 4,185,745	52.00%	94.48%
2023	0.225984%	2,692,280	4,713,620	57.12%	93.80%
2022	0.257218%	(1,573,784)	5,129,659	30.68%	103.30%
2021	0.231113%	3,786,342	5,111,255	74.08%	90.58%
2020	0.236459%	3,339,221	5,331,469	62.63%	91.67%
2019	0.238465%	3,852,223	5,518,255	69.81%	90.26%
2018	0.223735%	4,003,989	5,367,507	74.60%	88.88%
2017	0.239203%	4,364,390	5,837,677	74.76%	87.96%
2016	0.223485%	2,881,348	5,835,679	49.37%	91.26%
2015	0.225791%	1,557,840	6,168,418	25.26%	95.11%

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

**Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland 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
2024	0.217354%	\$ 15,662	\$ 3,960,043	0.40%	101.03%
2023	0.266026%	66,350	3,881,121	1.71%	104.81%
2022	0.254570%	215,742	3,204,001	6.73%	121.71%
2021	0.236270%	83,198	2,704,494	3.08%	112.90%
2020	0.193149%	80,114	1,811,850	4.42%	122.36%
2019	0.220858%	85,193	1,630,387	5.23%	132.39%
2018	0.210098%	43,571	1,044,194	4.17%	131.51%
2017	0.245860%	20,712	757,925	2.73%	130.56%
2016	0.170210%	4,733	185,351	2.55%	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 fiscal years until 10 years of information is available.

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland 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
2024	\$ 832,575	\$ 1,356,092	\$ (523,517)	\$ 3,793,055	35.75%
2023	920,254	1,623,432	(703,178)	4,185,745	38.78%
2022	966,292	1,531,252	(564,960)	4,713,620	32.49%
2021	1,036,667	1,036,667	-	5,129,659	20.21%
2020	1,005,749	1,005,749	-	5,111,255	19.68%
2019	1,025,242	1,025,242	-	5,331,469	19.23%
2018	1,041,294	1,041,294	-	5,518,255	18.87%
2017	806,199	806,199	-	5,367,507	15.02%
2016	877,783	877,783	-	5,837,677	15.04%
2015	877,103	877,103	-	5,835,679	15.03%

Notes to Schedule:

- 1) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.
- 2) Additional contributions were made to the plan by the State of Tennessee on behalf of the college for the years ended June 30, 2024, June 30, 2023, and June 30, 2022.

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland 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
2024	\$ 116,745	\$ 116,745	\$ -	\$ 4,575,973	2.55%
2023	98,083	98,083	-	3,960,043	2.48%
2022	72,189	72,189	-	3,881,121	1.86%
2021	57,671	57,671	-	3,204,001	1.80%
2020	46,788	46,788	-	2,704,494	1.73%
2019	30,077	30,077	-	1,811,850	1.66%
2018	63,304	63,304	-	1,630,387	3.88%
2017	42,963	42,963	-	1,044,194	4.11%
2016	29,315	29,315	-	757,925	3.87%
2015	7,173	7,173	-	185,351	3.87%

Notes to Schedule:

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

**Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland State Community College's
Proportionate Share of the Collective Total/Net 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
2024	0.277619%	\$ 1,107,954	\$ 5,775,749	19.18%	68.44%
2023	0.290623%	2,057,549	6,340,458	32.45%	38.59%
2022	0.258945%	1,846,362	9,405,052	19.63%	39.00%
2021	0.240673%	2,014,673	7,704,038	26.15%	25.20%
2020	0.249314%	2,373,916	9,774,059	24.29%	18.33%
2019	0.260678%	3,611,018	7,748,211	46.60%	N/A
2018	0.234617%	3,149,832	8,587,192	36.68%	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. This change was reflected in the June 30, 2020, reporting period due to the one-year lookback on OPEB measurement.
- 4) The OPEB liability measured as of June 30, 2019, was measured with a 6% discount rate. This was a significant increase from the rate used in prior years and was due to the OPEB plan's transition from pay-as-you-go funding to a prefunding arrangement through a qualifying trust.

**Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland State Community College's
Proportionate Share of the Collective 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	College's Covered- employee Payroll	College's Proportionate Share of the Collective Total OPEB Liability as a Percentage of Its Covered-employee
2024	0.00%	\$ 471,531	\$ 6,530,497	0.00%
2023	0.00%	446,065	7,668,039	0.00%
2022	0.00%	512,890	10,203,528	0.00%
2021	0.00%	613,592	8,316,103	0.00%
2020	0.00%	515,938	10,606,564	0.00%
2019	0.00%	489,771	8,529,751	0.00%
2018	0.00%	524,034	9,093,083	0.00%

- 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.

Tennessee Board of Regents
CLEVELAND STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Cleveland State Community College's Contributions
Closed State Employee Group OPEB Plan

	Actuarially Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered- employee Payroll	Contributions as a Percentage of Covered- employee Payroll
2024	\$ 294,281	\$ 294,281	\$ -	\$ 5,236,734	5.62%
2023	296,512	296,512	-	5,775,749	5.13%
2022	324,116	324,116	-	6,340,458	5.11%
2021	357,645	357,645	-	9,405,052	3.80%
2020	370,372	370,372	-	7,704,038	4.81%
2019	292,711	292,711	-	9,774,059	2.99%

- 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.



JASON E. MUMPOWER
Comptroller

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

The Honorable Bill Lee, Governor
Members of the General Assembly
The Honorable Flora W. Tydings, Chancellor
Dr. Andrew White, President

We have audited the financial statements of Cleveland 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, 2024, and June 30, 2023, 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 29, 2025. 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. Our report includes a reference to other auditors who audited the financial statements of Cleveland State Community College Foundation, as described in our report on Cleveland State Community College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the following deficiencies to be material weaknesses:

- Management needs to improve financial statement preparation and review procedures to prevent errors in its Financial Reports.
- As noted in the prior audit, college staff did not prepare correct and timely bank reconciliations.
- College staff could not provide supporting documentation for all journal vouchers.

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. We consider the following deficiencies to be significant deficiencies:

- Management should ensure that staff reconcile student accounts receivable on a monthly basis.
- Cleveland State Community College did not provide adequate internal controls in one area.

These deficiencies are described in the Findings and Recommendations section of this report.

Report on 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*.

Cleveland State Community College's Responses to Findings

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

Purpose of This Report

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



Katherine J. Stickel, CPA, CGFM, Director

Division of State Audit

August 29, 2025

Findings and Recommendations



Finding 1

Management needs to improve financial statement preparation and review procedures to prevent errors in its Financial Reports

Condition and Cause

Cleveland State Community College's procedures for preparing and reviewing its financial statements and required supplementary information (RSI) are not adequate to ensure the accuracy of the information.

During this period, the college experienced significant employee turnover and inadequate succession planning, which led to staff members not having the training or experience to properly perform their job duties. The college did not have staff to train and prepare the former Chief Accountant, employed through December 2023, or the Manager of Accounting Services, hired in February 2024, on their responsibilities. The Chief Accountant was from the private sector and had no previous knowledge of college or governmental accounting. The Manager of Accounting Services was hired from outside the Tennessee Board of Regents system and was not experienced with the Banner Enterprise Resource Planning (ERP) system.

The college also had no one in the Bursar position during the audit period. This position is in charge of day-to-day accounting for cash receipting, student revenues, and student accounts receivable.

Criteria

Management is responsible for the preparation and fair presentation of the college's financial statements and accompanying notes and RSI 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 of material misstatement.

Effect

These weaknesses resulted in the following significant reporting errors:

Reporting Errors – Financial Statements

- On the college's June 30, 2024, statement of net position, staff overstated accrued liabilities by \$42,311 and understated due to primary government by the same amount. The total amount due to primary government on June 30, 2024, was \$646,982, but staff members used the prior-year amount of \$604,671 in making the reclassification entry. The audited statement was corrected.
- On a preliminary year-end June 30, 2024, bank reconciliation, several reconciling items regarding benefit payments totaled a net amount of \$194,988. In an adjusting entry, staff debited cash and credited accounts payable because the ledger contained more deductions related to cash than the bank statements. Accounting staff could not actually determine the credit side of the entry, so they credited accounts payable so they could make the necessary cash correction. The audited statements were not corrected because management was unable to determine the proper adjustment and considered the amounts immaterial.
- For the 2023 fiscal year, the general ledger did not contain several Edison transactions, totaling \$105,984, that were funded with state capital appropriations. The financial statements were not adjusted because college management considered the amounts immaterial.
- The detailed equipment listing at June 30, 2024, was \$749,043.20 less than the amount of equipment reported in the capital asset note and on the statement of net position. As noted in the prior audit, in the 2022 fiscal year, staff transferred in \$705,207.40 of equipment from projects in progress during the year that accounts for the majority of the difference. However, the accounting staff could not provide a detailed list of these equipment items. Staff could not explain \$18,857.80 of the remaining \$43,835.80 difference. At June 30, 2023, an auditor-adjusted equipment list also contained \$696,838.38 less than the amount of equipment reported in the capital asset note and on the statement of net position. At each year-end, staff should ensure that the detailed list of equipment agrees to the general ledger and financial statements or provide a valid reconciliation explaining any differences. The financial statements were not adjusted because college management considered the amounts immaterial. Staff needed to obtain guidance from Tennessee Board of Regents personnel to generate the necessary equipment listings the auditors requested.
- There was a solar trailer valued at \$15,768 on the equipment list and ledger at June 30, 2023, and June 30, 2024, that, per the Manager of Accounting Services, had been disposed of in fiscal year 2018. The equipment balance per the statement of net position and related note was therefore overstated at each year-end. The financial statements were not adjusted because college management considered the amount immaterial.
- On the college's June 30, 2024, statement of net position, staff had understated expendable net position restricted for scholarships and overstated expendable net position restricted for other purposes by \$69,061. The audited statement was corrected.

- On the college's June 30, 2023, statement of net position, staff overstated expendable net position restricted for other purposes by \$26,558; understated expendable net position restricted for scholarships by \$26,128; and understated expendable net position restricted for instructional department uses by \$430. The audited statement was corrected.
- On the college's 2023 statement of revenues, expenses, and changes in net position, staff overstated operating governmental grants and contracts by \$142,277.73; understated nonoperating grants and contracts by \$96,044.73; and overstated scholarship and fellowship expenses by \$46,233.00. These errors were the result of management's miscalculation of the entries associated with determining nonoperating governmental grants and contracts and Federal Direct Loan receipts. The audited financial statement was corrected.
- The requirements of the Governmental Accounting Standards Board's Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, were effective for fiscal years beginning after June 15, 2022, but management did not implement the requirements of the standard until fiscal year 2024. Staff did not document their calculations, which determined that SBITA transactions were immaterial in 2023. After college management and audit personnel reviewed the amounts, college management chose not to adjust the 2023 financial statements because they considered the amounts immaterial.
- On the college's June 30, 2024, statement of net position, staff understated capital assets (SBITA assets) by \$420,372 and understated SBITA liabilities by \$390,312. Staff also understated capital assets (leased assets) by \$195,529 and understated lease liabilities by \$195,866. On the college's 2024 statement of revenues, expenses, and changes in net position, staff understated amortization expense by \$414,554; understated interest on capital debt by \$26,489; and overstated utilities, supplies, and other services expense by \$470,766. Staff failed to identify three SBITAs and one lease agreement that required recognition based on GASB criteria and the college's designated reporting threshold. Staff reported another SBITA contract based on information from an incorrect contract agreement. In addition, we discovered several other calculation errors in the college's SBITA reporting. College management did not correct the financial statements and related notes because management deemed the amounts immaterial.

Reporting Errors – Notes to Financial Statements

- In Note 4 in the college's 2024 Financial Report (Accounts, Notes, and Grants Receivable), staff understated student receivables by \$203,616 and overstated other receivables by the same amount due to a misclassification of accounts. The audited note was corrected.
- In Note 5 in the college's 2024 Financial Report (Capital Assets), staff overstated equipment additions and equipment reductions by \$191,717.56 due to staff miscalculations. The audited note was corrected.

- We noted the following errors in Note 9 in the college's 2024 Financial Report (Pension Plans). Staff incorrectly reported the payable to the Optional Retirement Plan as \$178,176 rather than \$40,338 at June 30, 2024. Staff also incorrectly reported the payable to the 401(k) deferred compensation plan as \$40,461 rather than \$69,450 at June 30, 2024. The audited note was corrected.
- In Note 12 in the college's 2024 Financial Report (Revenues), staff overstated gross tuition revenue by \$54,591; overstated scholarship allowances by \$5,120; and overstated uncollectible debts by \$49,471. Uncollectible debt activity was reported as the total allowance for doubtful accounts instead of the year-end adjustment to the allowance for doubtful accounts. The audited note was corrected.
- In Note 15 in the college's 2024 Financial Report (Natural Classifications with Functional Classifications), staff reported the academic support reallocation amount as \$1,057,710 instead of \$1,280,731, resulting in a \$223,021 understatement. The adjusted amount agrees with the associated journal voucher. The audited note was corrected.
- In Note 8 in the college's 2023 Financial Report (Pension Plans), we noted the following errors. Staff incorrectly reported fiscal year 2023 contributions to the Optional Retirement Plan as \$383,360 rather than \$349,850. Staff also incorrectly reported the payable to the Optional Retirement Plan as \$138,702 rather than \$39,465 at June 30, 2023. The audited note was corrected.
- In Note 12 in the college's 2023 Financial Report (Insurance-Related Activities), staff understated the scheduled coverage for buildings and contents by \$14,797,422 and \$2,311,950, respectively. Staff reported the fiscal year 2022 coverage amounts of \$114,509,048 for buildings and \$20,369,600 for contents instead of the fiscal year 2023 coverage amounts of \$129,306,470 for buildings and \$22,681,550 for contents. The audited note was corrected.

Reporting Errors – Required Supplementary Information

- In the college's 2024 Financial Report, we noted the following errors in the reported required supplementary information for pensions:
 - On the schedule of proportionate share of the net pension liability (asset) for the Closed State and Higher Education Employee Pension Plan, staff incorrectly reported the plan fiduciary net position as a percentage of the total pension liability as 0.00% rather than 94.48% for 2024.
 - On the schedule of contributions for the State and Higher Education Employee Retirement Plan, staff incorrectly reported covered payroll as \$4,542,635.51 rather than \$4,575,973 for 2024, and as \$3,933,672 rather than \$3,960,043 for 2023.

The required supplementary information was corrected.

- In the college's 2024 Financial Report, we noted the following errors in the reported required supplementary information for OPEB plans:
 - On the schedule of proportionate share of the collective total/net OPEB liability for the Closed State Employee Group OPEB Plan, staff incorrectly reported the college's covered-employee payroll as \$5,236,734 rather than \$5,775,749 for 2024, and \$5,775,748.61 rather than \$6,340,458 for 2023.
 - On the schedule of proportionate share of the collective total OPEB liability for the Closed Tennessee OPEB Plan, staff incorrectly reported the college's covered-employee payroll as \$5,876,047.96 rather than \$6,530,497 for 2024, and \$6,530,497.32 rather than \$7,668,039 for 2023.

The required supplementary information was corrected.

Component Unit Reporting Errors by the College

The college has one discretely presented component unit, the Cleveland State Community College Foundation. The foundation's financial statements are prepared by an external CPA firm using Financial Accounting Standards Board (FASB) standards. The statements are then audited by another CPA firm. College personnel then make presentation adjustments to the FASB statements as necessary for GASB presentation in the college's statements. The errors below are errors in the presentation adjustments by the college, not in the audited FASB statements.

- On the college's 2024 statement of net position, in the component unit column, staff understated expendable net position restricted for scholarships by \$2,929,670 and overstated nonexpendable net position restricted for scholarships by \$2,929,670. College staff misclassified endowment net assets at the foundation in the college's financial report. The audited statement was corrected.
- On the 2024 and 2023 statements of revenues, expenses, and changes in net position, staff overstated additions to permanent endowments by \$373,910 and \$453,267, respectively, because reported additions to permanent endowments included amounts not stipulated to be restricted in perpetuity by the donor. The audited statements were corrected.
- On the college's June 30, 2023, statement of net position, staff understated college cash by \$60,324.42 and overstated amounts due from the foundation by \$60,324.42. Foundation personnel, employees of the college, wrote a \$60,324.42 check to the college on June 29, 2023. College personnel didn't add the check to the college's ledger balance even though it was in their possession. The check was not deposited in the college's operating account until July 17, 2023. The audited statement was corrected.
- On the college's 2023 statement of revenues, expenses, and changes in net position, in the component unit column, payments to the college did not equal the amount of gifts from the foundation on the college's general ledger. This general ledger amount should be reported parenthetically as gifts from the foundation. The audited statement was corrected.



Recommendation

Management should ensure that staff members accounting for college transactions and preparing the college statements have adequate knowledge of reporting requirements to perform their responsibilities, and that they perform their duties with appropriate care and attention. Management should assess the competence and size of its accounting staff and add additional staff members as necessary. Staff members should be properly trained and procedures should be put in place to ensure accurate day-to-day accounting processes and accurate year-end financial reporting. The financial statement review process should be thorough enough to detect misstatements such as the ones described above.

Regarding reconciling items on the June 30, 2024, bank reconciliation, management should determine the exact nature of the cash adjustment and make correcting entries in the 2025 fiscal year.

Equipment list schedules should be generated and retained. At year-end, staff should reconcile the college's equipment balance in the ledger and the college's year-end detailed equipment list. Staff should make any necessary adjustments to ensure accurate reporting of equipment balances.

College management should institute controls to ensure they report all SBITA and lease transactions, based on GASB criteria and the college's established reporting threshold. Staff should document decisions they make about SBITA and lease reporting.

College management should work with the CPA firm contracted to prepare the foundation's financial statements to ensure proper GASB classification and presentation and that receivables and payables between the college and the foundation agree. College management should also ensure that staff accurately report all other activity between the college and the foundation, including gifts from the foundation to the college.

Management's Comment

We concur with the audit finding and recommendation. The college experienced significant turnover and capacity challenges in our Business Office during the audit period, significantly affecting key processes and functions. However, staffing levels have stabilized and employee retention has remained strong.

The college has worked with TBR in training new Business Office team members, including participation in financial statement preparation training. The Manager of Accounting Services and the Vice President of Finance will continue to prepare and review reconciliations to ensure that general ledger balances and financial statements are accurate. Business Office personnel will continue to carefully prepare the annual financial statements. The Vice President of Finance will review them for accuracy. We also plan to hire additional staff for our Business Office by December 31, 2025, to ensure continuity of operations even in periods of personnel transitions.



Finding 2

As noted in the prior audit, college staff did not prepare correct and timely bank reconciliations

Condition and Cause

As noted in the prior audit, the accounting staff at Cleveland State did not prepare its bank account reconciliations correctly or in a timely manner.

For the 12 reconciliations performed from July 2022 through June 2023, the Chief Accountant did not perform 11 reconciliations within 30 days of the bank statement date, ranging from 1 to 123 days late. The Vice President of Finance and Operations did not review the 12 reconciliations performed during the 2023 fiscal year until August 2023. The Chief Accountant prepared combined reconciliations, including the school's operating account, a payroll account, and an insurance account. All these accounts are at the same bank. The Chief Accountant prepared no reconciliations for the months of July 2023 through December 2023, the month he left employment.

The Chief Accountant, who was hired from the private sector, was responsible for preparing bank reconciliations and overseeing the financial accounting function during fiscal year 2023, but he struggled to learn his other responsibilities and still prepare bank reconciliations correctly and timely. The Vice President of Finance and Operations stated she was unsure about the reconciliations' accuracy.

After the Chief Accountant left employment in December of 2023, the college contracted with the Assistant Vice President of another community college to perform the bank reconciliation function beginning in February 2024. She reconciled only the college's operating account from July 2022 through June 2024, the entire period under audit, but did not perform separate reconciliations of the college's other two bank accounts, a payroll account and an insurance account.

The reconciliations from July 2022 through May 2024 contained many reconciling items that required correction of the school's general ledger balance. However, the college's accounting staff did not make these corrections. For example, on the June 30, 2023, reconciliation, there were 76 reconciling items that arose during and prior to the fiscal year that warranted a ledger adjustment to reflect transactions shown by the bank. In addition, the college's reported bank account balance on its June 30, 2023, statement of net position, which was \$805,845.03, was \$25,348.73 less than the reconciled book amount on its June 30, 2023, bank reconciliation. The financial statement balance was incorrect, as some cash receipt postings had been reversed in the accounting system, Banner, and some journal vouchers had incorrectly adjusted cash. The Banner cash in bank accounts were used for the bank reconciliation, while the Banner claim on cash accounts were used for financial reporting. The totals of the Banner claim on cash balances and Banner cash in bank balances should always agree. A similar difference existed at the end of June 2022 and throughout the 2023 and 2024 fiscal years.

At June 30, 2024, the Assistant Vice President under contract to perform the reconciliations, with the aid of a Tennessee Board of Regents staff member and Cleveland State accounting staff, had resolved and eliminated most of the reconciling items impacting cash per ledger. Only two reconciling items remained at June 30, 2024. They also corrected cash in the ledger so that the claim on cash and the cash in bank amounts were in agreement as required.

In addition, management did not prepare reconciliations for the college's Local Government Investment Pool (LGIP) balances during the last eight months of the 2023 fiscal year. For three of the first four months of that fiscal year, management did not perform the reconciliations within 30 days of the statement date, ranging from 14 to 56 days late. In the 2024 fiscal year, management did not prepare reconciliations for the first four months and prepared them from 12 to 103 days past the 30-day deadline for the next four months.

Criteria

Best practices recommend staff to prepare bank reconciliations within 30 days after the end of the month and for management to perform a documented review shortly thereafter. Performing bank reconciliations timely is necessary to detect fraudulent transactions and promptly notify the bank of errors. Staff should make any required adjustments monthly to the ledger (book) balance.

In addition, the college has a written policy that requires that its bank and LGIP accounts "will be reconciled within one month of the account statement close date." It further states that "personnel responsible for reconciling the accounts should sign and date the reconciliation" and that "the

reconciliation will be reviewed by the supervisor who will sign and date the reconciliation upon approval.”

Effect

Not adequately performing timely bank reconciliations could result in reporting errors in the financial statements or undetected cash misappropriations. If management does not report errors to the bank timely, the bank might not honor requests for corrections.



Recommendation

Management should ensure it has trained staff to prepare bank reconciliations and to make any necessary ledger adjustments. Management should ensure that its accounting staff (or any contracted reconciler) follows the college’s written bank reconciliation policy and prepares bank reconciliations on a timely basis that are well-documented and accurate. The reviewer should ensure timely preparation and should conduct timely reviews. Any required adjustments to the college’s ledger should be made promptly. Management should prepare separate bank reconciliations for the operating, payroll, and insurance accounts, along with a monthly LGIP reconciliation.

Management’s Comment

We concur with the audit finding and recommendation. The college experienced significant staff turnover and capacity challenges in our Business Office during the audit period, significantly affecting key processes and functions. Retention and staffing levels have improved.

Bank reconciliations have been prepared according to policy since the start of fiscal year 2025. We will continue to ensure that reconciliations are prepared and reviewed within 30 days of month end. Appropriate office leaders will continue to review the reconciliations monthly. Adjustments will be posted within the time allotted. We also are adding additional staff to our Business Office to ensure continuity of operations even in periods of personnel transitions.



Finding 3

College staff could not provide supporting documentation for all journal vouchers

Condition and Cause

Thirty-one of 126 journal vouchers selected for testing that staff posted during the audit period (25%) did not have adequate supporting documentation. Of these 31 journal vouchers, auditors identified 6 posted in fiscal year 2024 and 25 posted in fiscal year 2023. Because management did not retain adequate supporting documentation, we could not determine if staff recorded the entries properly in the general ledger. The following table summarizes unsupported adjustments by category for each fiscal year.

	2024	2023	Net Totals
Unsupported adjustments:			
Unsupported asset additions	\$ 95,458.86	\$ 151,447.36	\$ 246,906.22
Unsupported liability additions	-	643.21	643.21
Unsupported decreases to deferred outflows of resources	(102,571.00)	-	(102,571.00)
Unsupported decreases to deferred inflows of resources	(102,571.00)	(71,698.00)	(174,269.00)
Unsupported net position increases	95,458.86	222,502.15	317,961.01
Unsupported expense decreases	-	(72,037.79)	(72,037.79)
Unsupported revenue increases (decreases)	95,458.86	(52,669.23)	42,789.63

Due to inadequate staffing and errors by staff in the 2024 and 2023 fiscal years, staff did not always follow proper journal voucher processing procedures.

Criteria

Best practices require that staff retain adequate journal voucher supporting documentation to support that entries are reasonable, accurate, and appropriately recorded.

Effect

A failure to properly document and maintain supporting documentation for journal vouchers results in a failure to maintain a historical record of the logic and related calculations behind accounting transactions. Without detailed narratives and other supporting documentation, the nature of financial transactions may be unclear to internal staff members and external parties (auditors, monitors, etc.). Incorrect or even fraudulent transactions could easily be made without detection.



Recommendation

Management should ensure that all journal vouchers include a detailed narrative explaining the logic behind the transaction and supporting data and/or calculations. Staff should scan supporting documentation on a timely basis into the Banner Document Management System.

Management's Comment

We concur with the audit finding.

We have placed additional emphasis on reviewing supporting documentation for all journal vouchers since the start of fiscal year 2025. Business Office staff continue to scan appropriate supporting documentation into the Banner Document Management System (BDMS). Office leaders currently confirm that appropriate documentation has been scanned into BDMS when approving journal vouchers in Banner. We also are adding additional staff to our Business Office to ensure continuity of operations even in periods of personnel transitions.



Finding 4

Management should ensure that staff reconcile student accounts receivable on a monthly basis

Condition and Cause

Management could not provide any reconciliations of the student accounts receivable subsidiary ledger to the general ledger for the audit period. The Grant Accountant and the Manager of Accounting Services stated student accounts receivable reconciliations had not been completed since October of 2023, when the responsible clerk left college employment. Current college staff could not locate any reconciliations completed by the former clerk during her employment. When the clerk left employment, management did not assign this task to another employee, and the current staff did not understand the need to perform these account reconciliations. At June 30, 2024, an unexplained variance of \$133,016 existed between the general ledger and the subsidiary list.

Criteria

Good business practice requires periodic and timely reconciliations between asset balances and subsidiary listings that make up the general ledger balances.

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

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

Effect

The failure to reconcile student accounts receivable general ledger balances to the subsidiary list of student balances on a monthly basis could lead to unexplained or unreconcilable differences. Properly completing reconciliations ensures that activities are correctly recorded in the accounting system and resolved in an appropriate timeframe. Not completing reconciliations accurately and timely also reduces management's ability to identify possible misappropriation of assets.



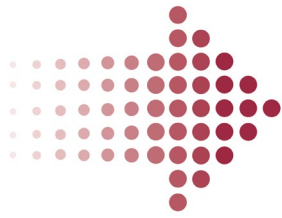
Recommendation

To ensure the ongoing accuracy of student accounts receivable, staff should prepare formal, monthly reconciliations of the general ledger to the subsidiary list of student balances. Another employee with supervisory responsibility should review the reconciliation. If necessary, management should consider additional staffing to ensure proper control over student accounts receivable and revenues.

Management's Comment

We concur with the audit finding and recommendation.

We experienced significant turnover with our Business Office staff during the audit period which led to our inability to complete accurate and timely reconciliations of accounts receivable. Retention and staffing levels have improved. We recently completed an accounts receivable reconciliation as of June 30, 2025. We are updating reconciliations in the current fiscal year on a monthly basis. These reconciliations are reviewed and approved each month by the Manager of Accounting Services and the Vice President of Finance. We also are adding additional personnel to our Business Office which will ensure reconciliations are completed and reviewed timely.



Finding 5

Cleveland State Community College did not provide adequate internal controls in one area

Cleveland State Community College (CISCC) management did not design and implement effective internal controls in one area. We observed conditions that violated CISCC policies or industry-accepted best practices.

Ineffective implementation of internal controls increases the likelihood of errors, data loss, and unauthorized access to college information. Pursuant to Standard 6.64 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated*. We provided CLSCC with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.



Recommendation

Management at Cleveland State Community College should ensure that these conditions are corrected by promptly developing and consistently implementing internal controls in this one area.

Management's Comment

We concur with the audit finding and recommendation. We will be working with IT Staff at the TBR system office to review and improve internal controls in this area. We expect this audit finding to be corrected during the current fiscal year.