



2014-2015

FINANCIAL REPORT

**Year Ending
June 30, 2015**

SOUTHWEST

TENNESSEE COMMUNITY COLLEGE



Creating Opportunities. Powering Possibilities.

**SOUTHWEST TENNESSEE COMMUNITY COLLEGE
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SOUTHWEST

TENNESSEE COMMUNITY COLLEGE

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November 20, 2015

Chancellor John Morgan
Tennessee Board of Regents
1450 Murfreesboro Road, Suite 350
Nashville, TN 037217

Dear Chancellor Morgan:


We are providing this letter in connection with the transmittal of the financial statements for Southwest Tennessee Community College. The financial statements for fiscal year 2015 consist of: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and Notes to the Statements (the "Financial Statements"). We believe that the Financial Statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the College in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation in the Financial Statements of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles.

We represent to you that to the best of our knowledge and belief as the date of this transmittal:

1. The Financial Statements are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. There are no material transactions that have not been properly recorded in the accounting records underlying the Financial Statements.
3. The financial statements of component units of the College have been accurately and appropriately incorporated into the College's Financial Statements.
4. The Notes are internally consistent with and conform to the Financial Statements as presented.



Dr. Tracy D. Hall



Ronald G. Parr

Cc: Vice Chancellor for Business and Finance

OFFICE OF THE PRESIDENT

Macon Cove Campus • Union Avenue Campus • Fayette Site • Gill Center • Maxine A. Smith Center • Millington Center • Whitehaven Center

Southwest Tennessee Community College, a Tennessee Board of Regents institution, is an affirmative action/equal opportunity college.

Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

This section of Southwest Tennessee Community College's annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2015, with comparative information presented for the fiscal year ended June 30, 2014. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

The College has one discretely presented component unit, the Southwest Foundation. More detailed information about the Foundation is presented in Note 16 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, and net position of the College and segregates the assets and liabilities into current and non-current 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, and is one indicator of the College's current financial condition.

The Statement of Net Position also indicates the availability of net position for expenditure by the College. Net position is divided into three major categories. The first category, Net Investment in Capital Assets, represents the College's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is Restricted Net Position, which is sub-divided into two categories, Non-Expendable and Expendable. Non-Expendable 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.

Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The following table summarizes the College's assets, liabilities, deferred outflows/inflows, and net position at June 30, 2015, and June 30, 2014:

Statement of Net Position (in thousands of dollars)		
	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 27,236	\$ 32,335
Capital assets, net	112,884	106,566
Other assets	50,175	49,922
Total Assets	<u>190,295</u>	<u>188,823</u>
Deferred Outflows of Resources		
Deferred loss on debt refunding	145	
Deferred outflows related to pensions	2,381	
Total Deferred Outflows	<u>2,526</u>	
Liabilities:		
Current liabilities	12,285	11,558
Noncurrent liabilities	13,887	9,668
Total Liabilities	<u>26,172</u>	<u>21,226</u>
Deferred Inflows of Resources		
Deferred outflows related to pensions	5,911	
Total Deferred Inflows	<u>5,911</u>	
Net Position:		
Net investment in capital assets	111,096	106,039
Restricted - expendable	2,695	2,581
Unrestricted	46,947	58,977
Total Net Position	<u>\$ 160,738</u>	<u>\$ 167,597</u>

Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Comparison of FY 2015 to FY 2014

- A 15.8% decrease in current assets in FY 2015 is attributable to a reduction in student receivables which occurred when the College changed its method of processing student refunds as well as a reduction in return of Title IV funds (Pell Grants) to the Department of Education.
- Noncurrent liabilities increased by 42.7% due to the implementation of GASB 68 establishing a net pension liability of 4.1 million dollars, and a slight increase in the OPEB liability .
- Purchase of capital assets caused a decrease in unrestricted net position in FY 2015.
- Southwest Tennessee Community College was required to report deferred outflows of resources and deferred inflows of resources related to pensions due to implementation of GASB 68 in fiscal year 2015.

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 non-operating, and the expenses paid by the College, operating and non-operating, 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. Non-operating revenues are revenues received for which goods and services are not provided directly to the payer. Although Southwest Tennessee Community College is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as non-operating 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 year ended June 30, 2015, and June 30, 2014, follows.

Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

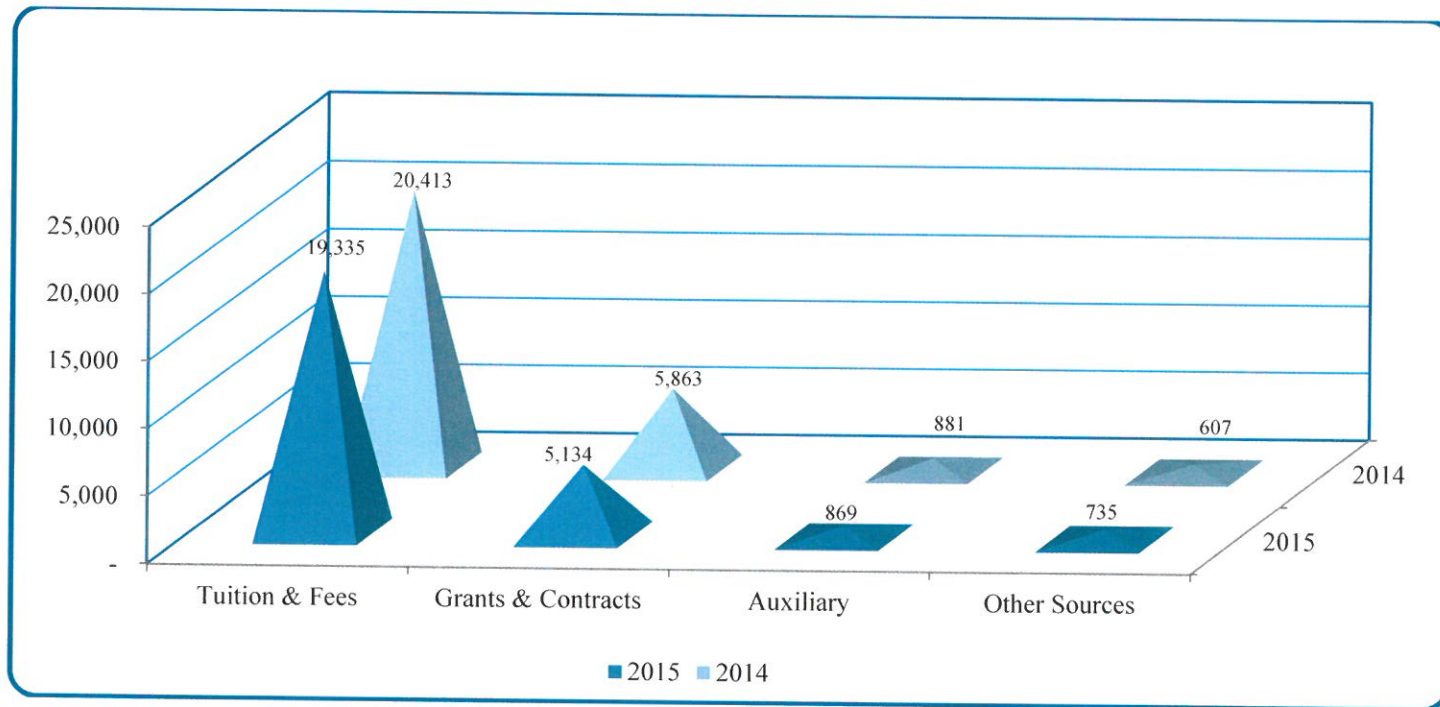
Statement of Revenues, Expenses and Changes in Net Position (in thousands of dollars)		
	<u>2015</u>	<u>2014</u>
Operating revenues	\$ 26,073	\$ 27,764
Operating expenses	<u>79,019</u>	<u>81,311</u>
Operating loss	<u>(52,946)</u>	<u>(53,547)</u>
Non-operating revenues and expenses	<u>54,320</u>	<u>56,796</u>
Income (loss) before other revenues, expenses, gains or losses	<u>1,374</u>	<u>3,249</u>
Other revenues, expenses, gains, or losses	<u>1,169</u>	<u>9,539</u>
Increase (decrease) in net position	<u>2,543</u>	<u>12,788</u>
Net position at beginning of year	167,597	155,398
Cumulative effect of change in accounting principle	<u>(9,402)</u>	<u></u>
Net position - beginning of year restated	<u>158,195</u>	<u>155,398</u>
Prior period adjustment	<u></u>	<u>(589)</u>
Net position at end of year	<u>\$ 160,738</u>	<u>\$ 168,186</u>

Operating Revenues

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

Southwest Tennessee Community College
 Management's Discussion and Analysis
 For the Year Ended June 30, 2015

Operating Revenues (in thousands of dollars)



Comparison of FY 2015 to FY 2014

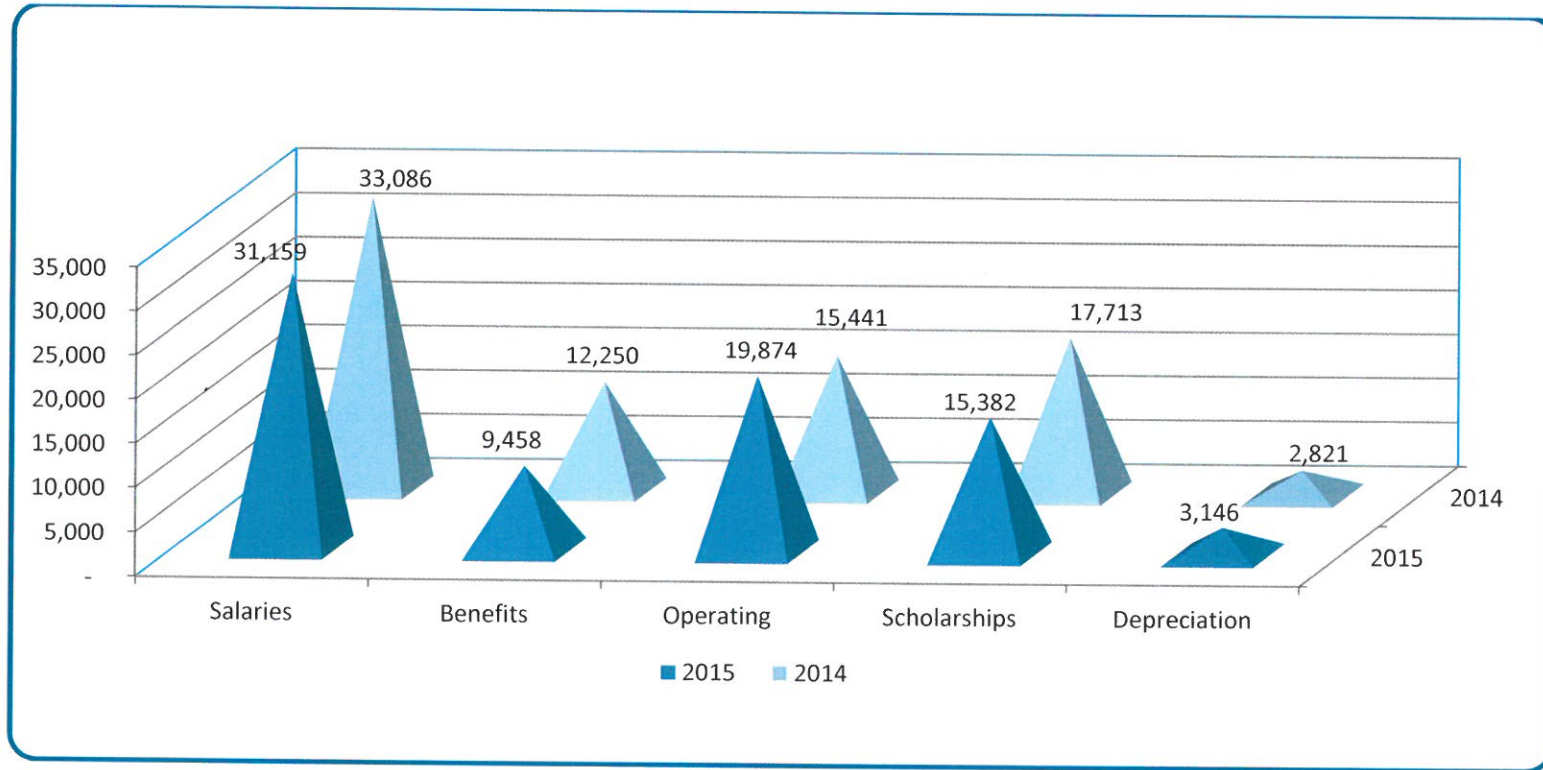
- The 12.4% decrease in grants and contracts is due to a decrease in grant funding awards, primarily from the Governor's Competitive Equipment grant.
- Revenues from other sources increased by 21.1% due to an increase in collection of funds from written off debt.

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:

Southwest Tennessee Community College
 Management's Discussion and Analysis
 For the Year Ended June 30, 2015

Natural Classification (in thousands of dollars)



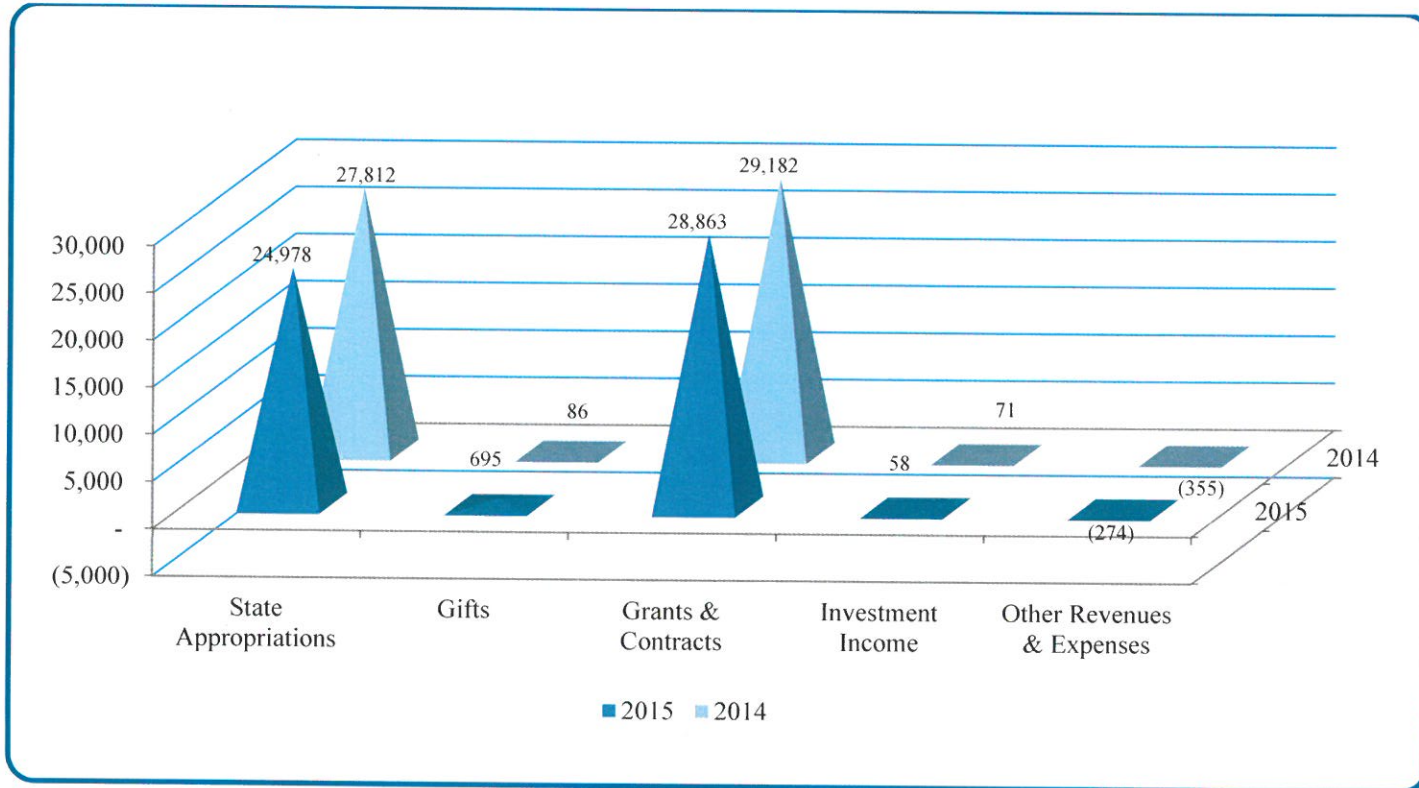
Comparison of FY 2015 to FY 2014

- Benefits decrease by 22.8% as a result of the implementation of GASB 68; specifically, contributions are recognized as deferred outflows on the Statement of Net Position instead of as an expense.
- The 28.7% increase in operating expenses is primarily attributed to the College's efforts to improve retention and to increase enrollment. The areas affected were professional and administrative services, operational supplies and telephone local charges.
- Scholarships decreased in fiscal year 2015 by 13.2% due to a decline in the scholarships awarded in the areas of State Board Scholarships, Tuition Assistance, TECTA, Grant PBI Competitive Grant and institutional scholarships.

Southwest Tennessee Community College
 Management's Discussion and Analysis
 For the Year Ended June 30, 2015

- The College transferred and capitalized over \$40 million of Projects in Progress. Depreciation of these assets caused an increase of 11.5% in depreciation expense instead of the expected decrease due to the change in the useful life of buildings from 40 to 60 years.

Non-Operating Revenues and Expenses (in thousands of dollars)



Comparison of FY 2015 to FY 2014

- State appropriations decreased by 10.2% due to the College not producing a growth in outcomes that were comparable to rates at other Tennessee institutions.

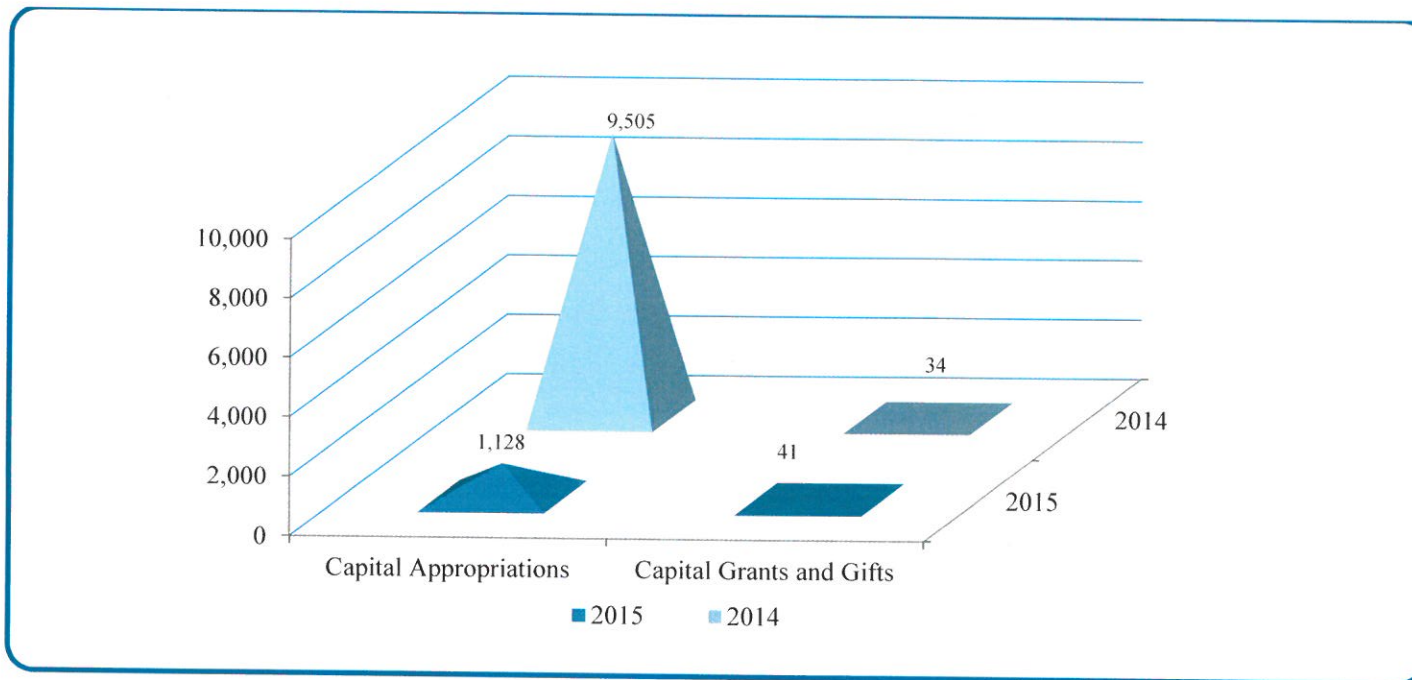
Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

- Gifts increased by 708.1% due to an increase in in-kind gifts from the Foundation, primarily \$600K one-time donation for the completion of the Nursing Biotech facility.
- Investment income decreased by 19.7% due to a decrease in interest received on investments.
- The 22.8% decrease in other revenues and expenses is attributed to a decrease in interest expense from the advance bond refunding of debt for Property Acquisition I and II and the Energy Savings Performance contract.

Other Revenues

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

Other Revenues (in thousands of dollars)



Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Comparison of FY 2015 to FY 2014

- The sizeable decrease of 88% in capital appropriations in FY 2015 is attributed to decreased appropriations for completed capital projects or those nearing completion, specifically the Nursing Biotech Facility, the Union Campus Mechanical System Modernization project and ADA Adaptions.
- Capital grants and gifts increased by 21% due to an increase in in-kind capital gifts the Foundation.

Capital Assets and Debt Administration

Capital Assets

Southwest Tennessee Community College had \$112,884,313.63 invested in Capital Assets, Net of Accumulated Depreciation of \$45,922,322.11 at June 30, 2015, and \$106,566,164.71 invested in Capital Assets, Net of Accumulated Depreciation of \$44,448,570.01 at June 30, 2014. Depreciation charges totaled \$3,145,619.20 and \$2,821,242.24 for the years ended June 30, 2015, and June 30, 2014 respectively.

Schedule of Capital Assets, Net of Accumulated Depreciation (in thousands of dollars)		
	2015	2014
Land	\$ 12,828	\$ 12,228
Land Improvements and Infrastructure	2,796	2,548
Buildings	59,997	16,144
Equipment	9,418	6,847
Library holdings	593	566
Intangible assets	846	1,076
Projects in progress	26,406	67,157
Totals	\$ 112,884	\$ 106,566

Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

Significant additions to capital assets, specifically equipment and projects in progress, occurred in fiscal year 2015. These additions were from the purchase of instructional and operational equipment primarily through funding generated from Technology Access Fees and completion of capital projects—Macon New Library, Macon New Academic building and Replace Campus.

At June 30, 2015, outstanding commitments under construction contracts totaled \$5,134,246.80 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund \$677,054.72 of these costs.

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

Debt

The College had \$1,933,179.45 and \$2,085,740.55 in debt outstanding at June 30, 2015, and June 30, 2014, respectively. The table below summarizes these amounts by type of debt instrument.

Tennessee State School Bond Authority Bonds		
	2015	2014
Property Acquisition I	\$ 271,083.72	\$ 335,021.00
Property Acquisition II	140,336.80	173,432.00
Entergy Savings Performance Contract	1,343,967.66	1,494,853.44
Subtotals	1,755,388.18	2,003,306.44
Add premium on bond	177,791.27	82,434.11
Totals	\$ 1,933,179.45	\$ 2,085,740.55

The TSSBA issued bonds with interest rates ranging from 0.35% to 5% due serially until 2024 on behalf of Southwest Tennessee Community College. The College is responsible for the debt service of these bonds. The current portion of the \$1,933,179.45 outstanding at June 30, 2015, is \$286,311.12.

Southwest Tennessee Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2015

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2015, were as follows:

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

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

Economic Factors That Will Affect the Future

The continued escalation of account receivable balances reduces the availability of unrestricted funds for current operations. Student account receivables are due, in most part, to federal financial aid refund/repayment regulations. Financial aid recipients comprise over 50% of the College's student population. Unrestricted student account receivables were \$8,443,207.93 at 2015 fiscal year end compared to \$6,721,821.22 at 2014 fiscal year end.

The financial stability of Southwest Tennessee Community College is closely tied to that of the State of Tennessee and overall economic conditions. Tuition and fees, a major source of the College's revenues, comprise approximately 74% of total *operating* revenues in FY 2015, while grants and contracts comprise approximately 54% of total *nonoperating* revenues. State appropriations comprise 30.52% of total revenues in FY 2015. The future of this continuing shift of the cost of public higher education from the state to students, and its long term effect on student enrollment and accessibility, are unknown.

Southwest Tennessee Community College
Unaudited Statement of Net Position
June 30, 2015

	Southwest	Southwest Foundation
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 2, 3 and 16)	\$ 18,575,695.43	\$ 1,618,198.01
Accounts, notes, and grants receivable (net) (Note 4)	8,443,207.93	
Due from primary government		407,040.27
Pledges receivable (net) (Note 16)		323,708.25
Inventories (at lower of cost or market)	56,695.90	
Prepaid expenses	160,423.80	
Total current assets	27,236,023.06	2,348,946.53
Noncurrent assets:		
Cash and cash equivalents (Notes 2, 3 and 16)	50,174,498.65	863,430.69
Investments (Note 16)		2,508,593.35
Pledges receivable (net) (Note 16)		14,700.00
Capital assets (net) (Notes 5 and 16)	112,884,313.63	127,943.60
Total noncurrent assets	163,058,812.28	3,514,667.64
Total assets	\$ 190,294,835.34	\$ 5,863,614.17
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on debt refunding	\$ 144,914.82	
Deferred outflows related to pensions	2,381,459.08	
Total deferred outflows od resources	\$ 2,526,373.90	
 LIABILITIES		
Current liabilities:		
Accounts payable (Note 6)	\$ 3,212,306.35	\$ 3,904.75
Accrued liabilities	1,588,000.38	
Due to component unit	407,040.27	
Unearned revenue	2,310,196.73	
Compensated absences (Note 7)	494,968.28	
Accrued interest payable	12,808.38	
Long-term liabilities, current portion (Note 7)	286,311.12	
Deposits held in custody for others	3,974,291.39	
Total current liabilities	12,285,922.90	3,904.75

Southwest Tennessee Community College
Unaudited Statement of Net Position
June 30, 2015

	Southwest	Southwest Foundation
Noncurrent liabilities:		
Net OPEB obligation (Note 10)	6,488,135.82	
Net pension liability (Note 9)	4,102,286.00	
Compensated absences (Note 7)	1,561,309.93	
Long-term liabilities (Note 7)	1,646,868.33	
Other liabilities	88,091.74	
Total noncurrent liabilities	13,886,691.82	
Total liabilities	\$ 26,172,614.72	\$ 3,904.75
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	\$ 5,910,756.00	
Total deferred outflows od resources	\$ 5,910,756.00	
 NET POSITION		
Net investment in capital assets	\$ 111,096,049.00	\$ 127,943.60
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		1,357,498.16
Expendable:		
Scholarships and fellowships	719,858.22	891,696.97
Instructional department uses	882,142.43	
Other	1,092,902.01	3,607,311.61
Unrestricted	46,946,886.86	(124,740.92)
Total net position	\$ 160,737,838.52	\$ 5,859,709.42

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

Southwest Tennessee Community College
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	Southwest	Southwest Foundation
REVENUES		
Operating revenues:		
Student tuition and fees (net of scholarship allowances of	\$ 16,148,393.72	
	\$ 19,334,600.02	
Gifts and contributions		\$ 2,501,985.70
Governmental grants and contracts	4,901,233.87	
Non-governmental grants and contracts	233,244.79	
Sales and services of educational activities	93,852.35	
Sales and services of other activities	393,845.37	
Auxiliary enterprises:		
Bookstore	422,338.31	
Food service	446,232.43	
Other operating revenues	247,524.90	
Total operating revenues	26,072,872.04	2,501,985.70
EXPENSES		
Operating Expenses (Note 13)		
Salaries and wages	31,159,213.87	
Benefits	9,458,595.55	
Utilities, supplies, and other services	19,874,086.77	385,397.63
Scholarships and fellowships	15,381,529.98	135,260.96
Depreciation expense	3,145,619.20	
Payments to or on behalf of SwTCC (Note 16)		643,903.59
Total operating expenses	79,019,045.37	1,164,562.18
Operating income (loss)	(52,946,173.33)	1,337,423.52
NONOPERATING REVENUES (EXPENSES)		
State appropriations	24,977,512.50	
Gifts, including		
from SwTCC Foundation to Southwest	\$ 603,000.00	
Grants and contracts	695,431.71	
	28,862,831.47	

Southwest Tennessee Community College
Unaudited Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

	Southwest	Southwest Foundation
Investment income	57,728.37	72,852.83
Interest on capital asset-related debt	(19,363.78)	
Bond issuance costs	(254,469.90)	
Net nonoperating revenues	54,319,670.37	72,852.83
Income before other revenues, expenses gains, or losses	1,373,497.04	1,410,276.35
Capital appropriations	1,127,805.33	
Capital grants and gifts, including from SwTCC Foundation	\$ 40,903.59	40,903.59
Additions to permanent endowments		11,919.65
Total other revenues	1,168,708.92	11,919.65
Increase (decrease) in net position	2,542,205.96	1,422,196.00
 NET POSITION		
Net position -beginning of year, as originally reported	167,597,486.56	4,437,513.42
Cumulative effect of change in accounting principle (Note 15)	(9,401,854.00)	
Net position - beginning of year restated	158,195,632.56	4,437,513.42
Net position - end of year	\$ 160,737,838.52	\$ 5,859,709.42

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

Southwest Tennessee Community College
Unaudited Statement of Cash Flows
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 21,130,506.21
Grants and contracts	4,392,389.64
Sales and services of educational activities	228,785.45
Sales and services of other activities	258,912.27
Payments to suppliers and vendors	(17,841,002.13)
Payments to employees	(31,159,213.87)
Payments for benefits	(9,458,595.55)
Payments for scholarships and fellowships	(15,318,717.48)
Auxiliary enterprise charges:	
Bookstore	422,338.31
Food services	446,232.43
Other receipts (payments)	247,524.90
Net cash provided (used) by operating activities	<u>(46,650,839.82)</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

State appropriations	24,937,100.00
Gifts and grants received for other than capital or endowment purposes, including from SwTCC Foundation to Southwest	<u>\$ 603,000.00</u>
Changes in deposits held for others	275,793.37
Principal paid on noncapital debt	(117,497.00)
Interest paid on noncapital debt	(26,816.55)
Net cash provided (used) by non-capital financing activities	<u>54,626,843.00</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital - state appropriation	1,127,805.33
Purchase of capital assets and construction	(12,270,267.38)
Principal paid on capital debt and lease	(136,972.90)
Interest paid on capital debt and lease	7,452.77
Net cash provided (used) by capital and related financing activities	<u>(11,271,982.18)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Income on investments	57,728.37
Net cash provided (used) by investing activities	<u>57,728.37</u>

Southwest Tennessee Community College
Unaudited Statement of Cash Flows
For the Year Ended June 30, 2015

Net increase (decrease) in cash and cash equivalents	(3,238,250.63)
Cash and cash equivalents - beginning of year	71,988,444.71
Cash and cash equivalents - end of year (Note 2)	\$ 68,750,194.08

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income/(loss)	\$ (52,946,173.33)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:	
Depreciation expense	3,145,619.20
Gifts in-kind	40,903.59
Pension expense	611,188.00
Other adjustments	61,812.50
Change in assets, liabilities, and deferrals:	
Receivables, net	855,633.22
Inventories	20,166.81
Prepaid items	691,544.87
Deferred outflows	(2,381,459.08)
Accounts payable	1,416,645.00
Accrued liabilities	1,859,698.79
Unearned revenues	75,882.47
Compensated absences	(102,301.86)
Net cash provided (used) by operating activities	\$ (46,650,839.82)

Non-cash investing, capital, and financing transactions

Gifts in-kind - capital	\$ 40,903.59
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The notes to the financial statements are an integral part of this statement.

Southwest Tennessee Community College
Standard Notes to the Financial Statements
June 30, 2015

1. Summary of Significant Accounting Policies

REPORTING ENTITY

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

The financial statements present only that portion of the Tennessee Board of Regents' activities that is attributable to the transactions of Southwest Tennessee Community College.

The Southwest Tennessee 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 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. See Note 16 for more detailed information about the component unit and how to obtain the report.

BASIS OF PRESENTATION

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

BASIS OF ACCOUNTING

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

The college has classified its revenues and expenses as either operating or non-operating 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) most federal, state, local and private grants and contracts, 3) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, and 4) interest on institutional loans. Operating expenses include 1) salaries and wages, 2) employee benefits, 3) scholarships and fellowships, 4) depreciation, and 5) utilities, supplies, and other services.

Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other activities that are defined as non-operating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment income.

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When both restricted and unrestricted resources are available for use, it is the college's policy to determine whether to use restricted or unrestricted resources 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.

INVENTORIES

Inventories are valued at the lower of cost or market. All other items are maintained on an average cost or first-in, first-out basis.

COMPENSATED ABSENCES

The college's employees accrue annual and sick leave at varying rates, depending upon length of service or classification. Some employees also earn compensatory time. The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the Statement of Net Position. There is no liability for unpaid accumulated sick leave since the college's policy is to pay this only if the employee is sick or upon death.

CAPITAL ASSETS

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

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

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

LWIA EQUIPMENT

Under a contract with the Tennessee Department of Labor and Workforce Development, the college is the administrative entity and grant recipient for the Local Workforce Investment Area in workforce investment area Number 13 of the State of Tennessee. The title to all the equipment purchased by Southwest Tennessee Community College under the provisions of the Workforce Investment Act resides with the U.S. Government. Therefore, this equipment is not included in Southwest Tennessee Community College's capital assets.

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PENSIONS

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

NET POSITION

The College's net position is classified as follows:

NET INVESTMENT IN CAPITAL ASSETS: This represents the college's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

RESTRICTED NET POSITION – NONEXPENDABLE: 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.

RESTRICTED NET POSITION – EXPENDABLE: Restricted expendable net position includes resources in which 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, 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 discretion of the college 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, and certain other revenues from students, are reported net of scholarship discount 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 students' 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.

Southwest Tennessee Community College
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2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2015, cash consists of \$413,363.40 in bank accounts, \$10,000.00 of petty cash on hand, \$62,828,201.48 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$5,498,629.20 in the LGIP Deposits – Capital Projects account.

LGIP Deposits – 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 Local Government Investment Pool (LGIP) account. As expenses are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents 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 Tennessee Board of Regents releases any remaining funds.

The Local Government Investment Pool (LGIP) is administered by the State Treasurer. The LGIP is part of the State Pooled Investment Fund. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at <http://www.tn.gov/treasury> or by calling (615) 741-2956.

3. Investments

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies which are backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, banker's acceptances, commercial paper, money market mutual funds and the State of Tennessee Local Government Investment Pool.

TBR policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's 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 banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or 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.

TBR policy requires that prime commercial paper shall 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 guaranteed by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

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As of June 30, 2015, the College's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was \$ 64,621,439.26. LGIP investments are not rated by nationally recognized statistical ratings organizations.

4. Accounts, Notes, and Grants Receivable

Accounts receivable included the following:

	June 30, 2015
Student accounts receivable	\$ 6,363,478.24
Grants receivable	3,505,689.11
Notes receivable	-
Other receivables	254,251.76
Subtotal	10,123,419.11
Less allowance for doubtful account	(1,680,211.18)
Total	\$ 8,443,207.93

Federal Perkins Loan Program funds include the following:

	June 30, 2015
Perkins loans receivable	\$ 134,403.71
Less allowance for doubtful accounts	(134,403.71)
Total	\$ -

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5. Capital Assets

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

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	\$ 12,228,161.55	\$ 600,000.00			\$ 12,828,161.55
Land improve & infra	7,041,286.61		\$ 541,157.62		7,582,444.23
Buildings	45,193,604.33		44,843,065.36		90,036,669.69
Equipment	14,718,279.50	2,547,021.98	1,419,769.84	\$ (361,090.79)	18,323,980.53
Library holdings	1,153,879.42	158,425.47		(137,595.23)	1,174,709.66
Intangible assets	3,522,223.14	136,151.94		(1,203,392.87)	2,454,982.21
Projects in progress	67,157,300.17	8,574,429.81	(46,803,992.82)	(2,522,039.29)	26,405,697.87
Total	\$ 151,014,734.72	\$ 12,016,029.20	\$ -	\$ (4,224,118.18)	\$ 158,806,645.74
Less accumulated depreciation/amortization:					
Land improve & infra	\$ 4,493,036.37	\$ 292,816.05			\$ 4,785,852.42
Buildings	29,049,436.56	989,896.42			30,039,332.98
Equipment	7,871,294.76	1,365,838.75		\$ (330,869.00)	8,906,264.51
Library holdings	588,238.60	131,230.50		(137,595.23)	581,873.87
Intangible assets	2,446,563.72	365,837.48		(1,203,392.87)	1,609,008.33
Total	\$ 44,448,570.01	\$ 3,145,619.20		\$ (1,671,857.10)	\$ 45,922,332.11
Capital assets, net	\$ 106,566,164.71	\$ 8,870,410.00		\$ (2,552,261.08)	\$ 112,884,313.63

The decrease in the building depreciation expense for the current period is due to a change in accounting estimate. During fiscal year 2015, it was determined that buildings were more appropriately depreciated over a period of 60 years, instead of the 40 years previously used. This change resulted in a reduction in depreciation expense (and increase in net position) of \$681,242.57 for fiscal year 2015.

6. Accounts Payable

Accounts payable included the following:

	June 30, 2015
Vendors payable	\$ 1,105,086.60
Other payables	2,107,219.75
Total	\$ 3,212,306.35

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7. Long-term Liabilities

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

	Beg Balance	Additions	Reductions	End Balance	Curr Portion
Payables:					
TSSBA debt:					
Bonds	\$ 2,003,306.45	\$ 1,344,073.25	\$ (1,591,991.52)	\$ 1,755,388.18	\$ 286,311.12
Unamortized bond premium/discount	82,434.10	192,206.78	(96,849.61)	177,791.27	
Subtotal	2,085,740.55	1,536,280.03	(1,688,841.13)	1,933,179.45	286,311.12
Other Liabilities:					
Comp absences	2,158,580.07	1,378,548.28	(1,480,850.14)	2,056,278.21	494,968.28
Subtotal	2,158,580.07	1,378,548.28	(1,480,850.14)	2,056,278.21	494,968.28
Total long-term liabilities	\$ 4,244,320.62	\$ 2,914,828.31	\$ (3,169,691.27)	\$ 3,989,457.66	\$ 781,279.40

TSSBA Debt - Bonds Payable

Bonds, with interest rates ranging from 0.350% to 5%, were issued by the Tennessee State School Bond Authority. The bonds are due serially until 2024 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the College, including state appropriations, see Note 8 for further details. The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the Statement of Net Position is shown net of assets held by the authority in the debt service reserve and net of unexpended debt proceeds. The reserve amount was \$199,448.30 at June 30, 2015.

Debt service requirements to maturity for the College's portion of TSSBA bonds at June 30, 2015, are as follows:

For the Year(s) Ending June 30	Principal	Interest	Total
2016	\$ 286,311.12	\$ 76,217.48	\$ 362,528.60
2017	273,996.25	68,427.87	342,424.12
2018	299,689.57	61,870.23	361,559.80
2019	162,186.80	54,741.98	216,928.78
2020	165,718.71	42,489.67	208,208.38
2021 – 2025	567,485.73	79,390.47	646,876.20
Total	\$ 1,755,388.18	\$ 383,137.70	\$ 2,138,525.88

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Refunding of Debt

On August 27, 2014, the State issued \$1,536,800.30 in revenue bonds with interest rates ranging from 0.35 to 5 percent to advance refund \$1,344,073.25 of outstanding 2005A and 2009A Series bonds with interest rates ranging from .350 to 5 percent. The net proceeds of \$1,535,283.77 (after payment of \$3,384.77 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2005A and 2009A Series bonds are considered to be defeased and the liability for those bonds has been removed from the College's long-term liabilities.

Although the advance refunding resulted in the recognition of a deferred loss of \$195,373.65 to be amortized over the next 4 years, the college in effect reduced its aggregate debt service payments by \$72,418.34 over the next 10 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$50,407.55.

8. Pledged Revenues

The College has pledged certain revenues and fees, including state appropriations, to repay \$1,755,388.18 in revenue bonds issued from to April, 2009 to August, 2014. Proceeds from the bonds provided financing for Property Acquisition I, Property Acquisition II, and Energy Savings Performance Contract. The bonds are payable through 2024. Annual principal and interest payments on the bonds are expected to require 1% of available revenues. The total principal and interest remaining to be paid on the bonds is \$2,138,525.88. Principal and interest paid for the current year and total available revenues were \$326,265.12 and \$61,722,138.27, respectively.

The amount of principal and interest paid for the current year does not include debt of \$1,337,521.62 defeased through a bond refunding in 2014.

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.

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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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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

Average of Member's Highest Compensation for 5 Consecutive Years (up to Social Security Integration Level)	x	1.50%	x	Years of Service Credit	x	105%
Plus:						
Average of Member's Highest Compensation for 5 Consecutive Years (over Social Security Integration Level)	x	1.75%	x	Years of Service Credit	x	105%

A reduced early retirement benefit is available at age 55 and vested. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent 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 the 2nd of July 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their 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. Southwest Tennessee Community College's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by Southwest Tennessee Community College for the year ended June 30, 2015 to the Closed State and Higher Education Employee Pension Plan were \$2,342,102.24 which is 15.03 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liability. At June 30, 2015, Southwest Tennessee Community College reported a liability of \$4,102,286 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Southwest Tennessee Community College's proportion of the net pension liability was based on a projection of Southwest Tennessee Community College's contributions during the year ended June 30, 2014 to the pension plan relative to the contributions of all participating state and

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higher education agencies. At June 30, 2014 measurement date, Southwest Tennessee Community College's proportion was 0.594578 percent, representing the first time presentation of this proportion.

Pension expense. For the year ended June 30, 2015, Southwest Tennessee Community College recognized a pension expense of \$611,188.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, Southwest Tennessee Community College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 884,976
Net difference between projected and actual earnings on pension plan investments		5,025,779
Southwest TCC's contributions subsequent to the measurement date of June 30, 2014	\$ 2,342,102.24	(not applicable)
Total	\$ 2,342,102.24	\$ 5,910,755

Deferred outflows of resources, resulting from Southwest Tennessee Community College's employer contributions of \$2,342,102.24 subsequent to the measurement date will be recognized as a decrease in net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2016	\$ (1,477,689)
2017	(1,477,689)
2018	(1,477,689)
2019	(1,477,689)
2020	-
Thereafter	-

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

Actuarial assumptions. The total pension liability as of the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were customized based on the June 30, 2012 actuarial experience study and included some adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocation
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

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Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. 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 the 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 (asset) to changes in the discount rate. The following presents Southwest Tennessee Community College’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Southwest Tennessee Community College’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Southwest Tennessee Community College’s proportionate share of the net pension liability (asset)	\$ 14,070,364	\$ 4,102,286	\$ (4,288,237)

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

Payable to the Pension Plan

At June 30, 2015, Southwest Tennessee Community College did not report a payable to the pension plan as the legally required contributions for the year ended June 30, 2015 were remitted.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

Plan description. State and higher education employees with membership in the Tennessee Consolidated Retirement System (TCRS) before July 1, 2014 are provided with pensions through the Closed State and Higher Education Employee Pension Plan, an agent plan within the Public Employee Retirement Plan administered by the TCRS. TCRS is a multiple-employer pension plan. The Closed State and Higher Education 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 Tennessee Code Annotated Title 8, Chapters 34-37. 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 publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

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Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. Members of the State and Higher Education Employee Retirement Plan are eligible to retire at age 65 with 5 years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent 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 the 2nd of July 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 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the State and Higher Education Employee Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for state and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute 5 percent of salary. The higher education institutions make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing the TCRS, the employer contribution rate cannot be less than 4 percent for all aggregate employee groups, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by higher education institutions for the year ended June 30, 2015 to the State and Higher Education Employee Retirement Plan were \$39,356.84 which is 3.87 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014 inception of the State and Higher Education Employee Retirement Plan, there is not a net pension liability to report at June 30, 2015.

Pension expense. Since the measurement date is June 30, 2014, Southwest Tennessee Community College did not recognize a pension expense at June 30, 2015.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2015, (name of Institution) reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Southwest Tennessee Community College's contributions subsequent to the measurement date of June 30, 2014	\$ 39,356.84	<i>(not applicable)</i>

Southwest Tennessee Community College
Standard Notes to the Financial Statements
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Southwest Tennessee Community College's employer contributions of \$39,356.84 reported as pension related deferred outflows of resources, subsequent to the measurement date, will be recognized as a reduction in net pension liability in the year ended June 30, 2016.

Payable to the Pension Plan

At June 30, 2015, Southwest Tennessee Community College did not report a payable to the pension plan as the entire amount for legally required contributions for the year ended June 30, 2015 was remitted.

Defined Contribution Plans

Plan Description – The College contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 35, Part 4 of the TCA. 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 10 percent of the employee's base salary up to the social security wage base and 11 percent above the social security wage base. For employees hired after June 30, 2014, plan members will contribute 5 percent to the ORP and the College will contribute 9 percent of the employee's base salary. The required contributions made to the ORP were \$990,875.13 for the year ended June 30, 2015, and \$1,129,698.00 for the year ended June 30, 2014. Contributions met the requirements for each year.

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

Deferred Compensation Plans

Employees are offered three deferred compensation plans. The Southwest Tennessee Community College, through the state of Tennessee, provides two plans, one established pursuant to IRC Section 457 and the other pursuant to IRC Section 401(k). The third plan is administered by the Southwest Tennessee Community College and was established in accordance with IRC, Section 403(b). All costs of administering and funding these programs, with the exclusion of the \$50 monthly employer match for the Section 401(k) plan, are the responsibility of plan participants.

Since the Section 401(k) and Section 457 plan assets remain the property of the contributing employees, they are not presented in the accompanying financial statements. IRC Sections 401(k) and 457 establish participation, contribution and withdrawal provisions for the plans. Employees hired after June 30, 2014, are automatically enrolled to contribute two percent of salary to the state's 401(k) plan with the employer contributing an additional five percent to the plan. Employees will vest immediately to both the employee and employer contributions. During the year ended June 30, 2015, contributions totaling \$628,737.35 were made by

Southwest Tennessee Community College
Standard Notes to the Financial Statements
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employees participating in the 401(k) plan, with a related match of \$204,620 made by the College. During the year ended June 30, 2014, contributions totaling \$589,515.27 were made by employees participating in the 401(k) plan, with a related match of \$218,032.00 made by the College. In accordance with the IRC, employee contributions through the 403(b) plan remain the assets of the employee. In addition, the amounts withheld from employees are remitted directly to third-party administrators. Therefore, these employee contributions are not reflected in the accompanying financial statements.

10. Other Postemployment Benefits

Healthcare is the only “other postemployment benefit” (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that provides postemployment health insurance benefits to eligible Southwest Tennessee Community College retirees. This program includes two plans available to higher education employees – the State Employee Group Plan and the Medicare Supplement Plan. Both plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Tennessee Code Annotated (TCA) 8-27-201 for the state plan and TCA 8-27-701 for the Medicare Supplement Plan. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in the Medicare Supplement Plan. That plan does not include pharmacy. The state makes on-behalf payments to the Medicare Supplement Plan for the Southwest Tennessee Community College’s eligible retirees, see Note 15. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state’s website at <http://www.tn.gov/finance/act/cafr.shtml>.

Funding Policy. The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. Retired employees who have not reached the age of 65 pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80 percent; 20 but less than 30 years, 70 percent; and less than 20 years, 60 percent. Retired employees who are 65 years of age or older have flat rate premium subsidies based on years of service. 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. Contributions for the State Employee Group Plan for the year ended June 30, 2015, were \$5,807,472.52, which consisted of \$4,665,943.96 from the College and \$ 1,141,528.56 from the employees.

Annual OPEB Cost and Net OPEB Obligation

Annual Required Contribution (ARC)	\$ 872,000.00
Interest on the net OPEB obligation	247,850.43
Adjustment to the ARC	(241,466.06)
Annual OPEB cost	878,384.37
Amount of contribution	(586,509.16)
Increase/decrease in net OPEB obligation	291,875.21
Net OPEB Obligation – beginning of year	6,196,260.61
Net OPEB Obligation – end of year	\$ 6,488,135.82

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Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
6/30/2015	State Employee Group Plan	\$ 878,384.37	66.80%	\$ 6,488,135.82
6/30/2014	State Employee Group Plan	\$ 848,108.14	68.40%	\$ 6,196,260.61
6/30/2013	State Employee Group Plan	\$ 1,060,706.00	60.00%	\$ 5,928,175.09

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2013, was as follows:

Actuarial valuation date	July 1, 2013
Actuarial accrued liability (AAL)	\$ 8,590,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	\$ 8,590,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 19,508,151
UAAL as percentage of covered payroll	44.0%

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

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

In the July 1, 2013, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent initially, decreased to 7.0 percent in fiscal year 2015 and then reduced by decrements to an ultimate rate of 4.19 percent in fiscal year 2044. All rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30 year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of 3.0 percent.

11. Insurance-Related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice liability, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, builder's risk

Southwest Tennessee Community College
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(for construction projects starting prior to July 1, 2012), and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012, thus builder's risk is no longer covered by the RMF. For property coverage, the deductible for an individual state agency is the first \$25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of \$10 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$10 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

The College participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the College based on a percentage of the College's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2015, is presented in the Tennessee Comprehensive Annual Financial Report. The CAFR is available on the state's website at <http://www.tn.gov/finance/act/cafr.shtml>. Since the College participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, Tennessee Code Annotated, Section 9-8-101 et seq. Liability for negligence of the College for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in Tennessee Code Annotated, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. The amount of cash and cash equivalents designated for payment of claims held by the Risk Management Fund at June 30, 2015, was not available.

At June 30, 2015, the scheduled coverage for the College was \$199,763,300 for buildings and \$21,728,700 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 costs 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.

12. Commitments and Contingencies

Sick Leave - The College records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$12,451,662.93 at June 30, 2015.

Operating Leases - The College has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real and personal property were \$434,198.06 and \$280,217.19, respectively for the year ended June 30, 2015. All operating leases are cancelable at the lessee's option.

Southwest Tennessee Community College
Standard Notes to the Financial Statements
June 30, 2015

Construction in Progress - At June 30, 2015, outstanding commitments under construction contracts totaled \$5,134,246.80 for the Nursing and Biotech Facility, Union Campus Mechanical Systems updates, Master Plan, Union Campus Parking Structure, Whitehaven Center renovations, and ADA Improvements of which \$677,054.72 will be funded by future state capital outlay appropriations.

Litigation - The College is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

13. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification for the year ended June 30, 2015, are as follows:

Functional Classification	Natural Classification					Total
	Salaries	Benefits	Other Operating	Scholarship	Depreciation	
Instruction	\$ 15,910,668.65	\$ 4,645,701.32	\$ 4,164,544.23			\$ 24,720,914.20
Public service	222,438.16	80,415.01	137,886.70			440,739.87
Academic support	3,576,981.03	1,027,685.51	2,703,421.22			7,308,087.76
Student services	3,743,018.05	1,257,270.18	1,993,787.17			6,994,075.40
Institutional support	5,919,241.74	1,818,501.22	3,065,298.97			10,803,041.93
M&O	1,256,731.53	528,584.17	7,184,617.94			8,969,933.64
Scholarships & fellow.	321,785.96	83,447.58	114,504.81	\$ 15,381,529.98		15,901,268.33
Auxiliary	208,348.75	16,990.56	510,025.73			735,365.04
Depreciation					\$ 3,145,619.20	3,145,619.20
Total Expenses	\$ 31,159,213.87	\$ 9,458,595.55	\$ 19,874,086.77	\$ 15,381,529.98	\$ 3,145,619.20	\$ 79,019,045.37

14. On-Behalf Payments

During the year ended June 30, 2015, the State of Tennessee made payments of \$61,812.50 on behalf of the College for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 10. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://www.tn.gov/finance/act/cafr.shtml>.

15. Cumulative Effect of a Change in Accounting Principle

During fiscal year 2015, the College implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This statement establishes standards for the measurement, recognition, and display of the net pension liability and related expenses, deferred inflows, deferred outflows, note disclosures, and required supplementary information. The implementation of GASB Statement 68 resulted in a cumulative adjustment to beginning net position of \$9,401,854. This cumulative adjustment does not include related deferred inflows and deferred outflows of resources.

Southwest Tennessee Community College
Standard Notes to the Financial Statements
June 30, 2015

16. Component Unit(s)

Southwest Tennessee Community College Foundation is a legally separate, tax-exempt organization supporting Southwest Tennessee 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 twenty one-member board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the year ended June 30, 2015, the Foundation made distributions of \$643,903.59 to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Karen Nippert, Vice President for Institutional Advancement, 5983 Macon Cove, Memphis, Tennessee 38134.

Cash and Cash Equivalents – In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 2015, cash and cash equivalents consists of \$944,130.37 in bank accounts, and \$1,516,801.07 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$20,697.26 in Charles Schwab investment account.

The Foundation also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's required risks disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at <http://www.tn.gov/treasury>.

Investments – The Foundation is authorized to invest funds in accordance with its board of directors' policies. All investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase.

As of June 30, 2015, the Foundation had the following investments and maturities.

Investment Type	Fair Value	Investment Maturities (In Years)				
		Less than 1	1 to 5	6 to 10	More than 10	No Maturity Date
Mutual equity funds	\$ 2,529,290.61					\$ 2,529,290.61
Less Amounts Reported as Cash and Cash Equivalents:						
Mutual equity funds	\$ (20,697.26)					\$ (20,697.26)
Total	\$ 2,508,593.35					\$ 2,508,593.35

Southwest Tennessee Community College
Standard Notes to the Financial Statements
June 30, 2015

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a debt investment. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations. Securities are rated using Standard and Poor's, Moody's, and/or Fitch's and are presented below using the Standard and Poor's rating scale.

As of June 30, 2015, the Foundation's investments were rated as follows:

Investment Type	Fair Value	Credit Quality Rating										
		AAA	AA	A	BBB	BB	B	CCC	CC	C	Unrated	
Local Government Investment Pool (LGIP)	\$1,516,801.07											\$1,516,801.07
Total	\$1,516,801.07											\$1,516,801.07

Pledges Receivable - Pledges receivable are summarized below net of the allowance for doubtful accounts:

	June 30, 2015
Current pledges	\$ 330,314.54
Pledges due in one to five years	15,000.00
Subtotal	\$ 345,314.54
Less discounts to net present value	(6,906.29)
Total pledges receivable, net	\$ 338,408.25

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

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	\$ 595,654.19	\$ 127,943.60		\$ (595,654.19)	\$ 127,943.60
Capital assets, net	\$ 595,654.19	\$ 127,943.60		\$ (595,654.19)	\$ 127,943.60

Endowments - If a donor has not provided specific instructions to the foundation, the foundation's policies and procedures permits the foundation to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend net appreciation, the foundation is required to consider its long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

Southwest Tennessee Community College
Standard Notes to the Financial Statements
June 30, 2015

The foundation chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, 5% of a trailing three year average of the endowment's total asset value has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2015, net appreciation of \$ 67,278.93 is available to be spent, of which \$62,278.93 is included in restricted net position expendable for scholarships and fellowships.

**Southwest Tennessee Community College
Schedule of Funding Progress
For the Year Ended June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2010		\$ 12,779,000.00	\$ 12,779,000.00	0%	\$ 21,859,910.00	58.46%
July 1, 2011		10,278,000.00	10,278,000.00	0%	21,859,910.00	47.02%
July 1, 2013		8,590,000.00	8,590,000.00	0%	19,508,151.00	44.03%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed, with the exception of the July 1, 2010 actuarial valuation.

The covered payroll date for the July 1, 2010 actuarial valuation is July 1, 2009.

Southwest Tennessee Community College
Schedule of Proportionate Share of the Net Pension Liability
Closed State and Higher Education Employee Pension Plan within TCRS
For the Year Ended June 30

	2014
Institution's proportion of the net pension liability	0.594578%
Institution's proportionate share of the net pension liability	\$ 4,102,286.00
Institution's covered-employee payroll	\$ 16,243,398.00
Institution's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	25.26%
Plan fiduciary net position as a percentage of the total pension liability	95.11%

- (1) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.
- (2) This is a ten year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future years until ten years of information is available.

**Southwest Tennessee Community College
Schedule of Contributions
Fiscal Year Ended June 30**

	Closed State and Higher Education Employee Pension Plan within TCRS		State and Higher Education Employee Retirement Plan
	<u>2014</u>	<u>2015</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,441,383.00	\$ 2,342,102.24	\$ 20,347.49
Contributions in relation to the actuarially determined contribution	2,441,383.00	2,342,102.24	39,356.84
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (19,009.35)</u>
Covered-employee payroll	\$ 16,243,398.00	\$ 15,582,840.98	\$ 843,571.50
Contributions as a percentage of covered-employee payroll	15.03%	15.03%	4.67%

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

Southwest Tennessee Community College Foundation
Supplementary Information
Schedule of Cash Flows - Component Unit
For the Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Grants and contributions	\$ 2,094,945.43
Payments to suppliers and vendors	(1,172,607.87)
Payments for scholarships and fellowships	(132,035.21)
Payments to Southwest TCC	(603,000.00)
Net cash provided (used) by operating activities	<u>187,302.35</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Private gifts for endowment purposes	<u>11,919.65</u>
Net cash provided (used) by non-capital financing activities	<u>11,919.65</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from sale of capital assets	600,000.00
Purchase of capital assets and construction	(132,289.41)
Net cash provided (used) by capital and related financing activities	<u>467,710.59</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales and maturities of investments	390,220.01
Income on investments	18,583.55
Purchase of investments	(386,550.34)
Net cash provided (used) by investing activities	<u>22,253.22</u>

Net increase (decrease) in cash and cash equivalents	689,185.81
Cash and cash equivalents - beginning of year	<u>1,792,442.89</u>
Cash and cash equivalents - end of year (Note 2)	<u>\$ 2,481,628.70</u>

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating income/(loss)	\$ 1,337,423.52
Change in assets, liabilities, and deferrals:	
Receivables, net	(407,040.27)

**Southwest Tennessee Community College Foundation
 Supplementary Information
 Schedule of Cash Flows - Component Unit
 For the Year Ended June 30, 2015**

Accounts payable		(883,253.77)
Other		95,172.87
Net cash provided (used) by operating activities	\$	142,302.35
 Non-cash investing, capital, and financing transactions		
Unrealized gains/(losses) on investments	\$	54,269.28
Other	\$	(40,903.59)

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