

Financial Report

Year Ended June 30, 2024





Financial Report

Year Ended June 30, 2024

The Tennessee Board of Regents (TBR) is Tennessee's largest higher education system, governing 40 post-secondary educational institutions with over 200 teaching locations. The TBR system includes 13 community colleges and 27 colleges of applied technology, providing programs to students across the state, country and world.

Walters State Community College is accredited by the Southern Association of Colleges and Schools Commission on Colleges to award associate degrees. Contact the Southern Association of Colleges and Schools Commission on Colleges at 1866 Southern Lane, Decatur, Georgia 30033-4097, telephone 404-679-4500, website www.sacscoc.org for questions about the accreditation of Walters State Community College.

Walters State Community College does not discriminate against students, employees, or applicants for admission or employment on the basis of race, color, religion, creed, national origin, sex, sexual orientation, gender identity/ expression, disability, age, status as a protected veteran, genetic information or any other legally protected class with respect to all employment, programs and activities sponsored by Walters State. The following person has been designated to handle inquiries regarding non-discrimination policies: Jarvis Jennings, jarvis.jennings@ws.edu, Walters State, 500 S. Davy Crockett Pkwy., Morristown, TN 37813-6899, 423-585.6845.

December 2, 2024

Chancellor Flora Tydings
Tennessee Board of Regents
1 Bridgestone Park
Nashville, TN 37214

Dear Chancellor Tydings:

Presented herewith is Walters State Community College's Annual Financial Report for the fiscal year ended June 30, 2024.

Sincerely,



Tony Miksa
President

II



December 2, 2024

Dr. Tony Miksa, President
Walters State Community College
500 South Davy Crockett Parkway
Morristown, TN 37813-6899

Dear Dr. Miksa:

Transmitted herewith is the Annual Financial Report of Walters State Community College For the year ended June 30, 2024.

This report has been prepared in conformity with generally accepted accounting principles.

The Financial Report is unaudited. The most recent audit covered the years ended June 30, 2022, and June 30, 2023. There is currently no audit in progress.

Respectfully submitted,

A handwritten signature in black ink that reads 'Mark A. Hurst'.

Mark A. Hurst
Vice President for Business and Finance

MAH/ta

Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
For the Year Ended June 30, 2024

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**Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
For the Year Ended June 30, 2024**

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WALTERS STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
June 30, 2024

Introduction

This section of Walters State Community College's annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2024, with comparative information presented for the fiscal years ended June 30, 2023. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the 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 Walters State Foundation. More detailed information about the foundation is presented in Note 18 to the financial statements. This discussion and analysis focuses on the College and does not include the foundation.

Overview of the Financial Statements

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

The College's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The Statement of Net Position is a point in time financial statement. The Statement of Net Position presents the financial position of the College at the end of the fiscal year. To aid the reader in determining the College's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows/inflows, and net position of the College and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The Statement of Net Position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College

owes vendors, lenders, and others. Net position represents the difference between the College's assets and liabilities, along with the difference between deferred outflows and deferred inflows, 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 subdivided into two categories, nonexpendable and expendable. Nonexpendable restricted net position includes endowment and similar resources whose use is limited by donors or other outside sources and as a condition of the gift, the principal is to be maintained in perpetuity. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category is unrestricted net position. Unrestricted net position is available to the College for any lawful purpose of the College.

The following table summarizes the College's assets, liabilities, deferred outflows/inflows, and net position at June 30, 2024, and June 30, 2023.

**Statement of Net Position
(in thousands of dollars)**

	<u>2024</u>	<u>2023</u>
Assets:		
Current assets	\$ 24,547	\$ 26,994
Capital assets, net	89,396	88,193
Other assets	18,203	10,496
Total Assets	132,146	125,683
 Deferred Outflows of Resources		
Other deferred outflows	9,886	8,410
Total Deferred Outflows	9,886	8,410
 Liabilities:		
Current liabilities	4,966	4,934
Noncurrent liabilities	12,930	16,097
Total Liabilities	17,896	21,031

Deferred Inflows of Resources		
Other deferred inflows	3,661	3,064
Total Deferred Inflows	3,661	3,064
Net Position:		
Net investment in capital assets	87,095	85,328
Restricted – expendable	1,464	1,909
Unrestricted	31,916	22,761
Total Net Position	\$120,475	\$109,998

Comparison of Fiscal Year 2024 to Fiscal Year 2023

- Current assets decreased by \$2,448,194 mainly due to the net effect of a decrease in current cash and cash equivalents and an increase in accounts receivable and due from primary government. The reduction in cash and cash equivalents is linked to the reallocation of funds into noncurrent cash and cash equivalents which are reserved for future capital projects, including major renovations to the library, landscaping improvements, and other facility improvements. The increase in accounts receivable and amounts due from the primary government is attributed to end-of-year expenditures related to several cost reimbursement grants.
- Other assets increased by \$7,708,014, primarily due to an increase in noncurrent cash and cash equivalents. These noncurrent funds are reserved for future plant capital projects, including major renovations to the library, landscaping improvements, and other facility improvements.
- Noncurrent liabilities decreased by \$3,166,642, primarily due to reductions in net pension liability and net OPEB obligation. The decrease in net pension liability was influenced by differences in actuarial experience and gains in investment earnings. Similarly, the net OPEB obligation increased due to variances between actual and expected experience, changes in assumptions, and differences in investment earnings. For more detailed information regarding the college’s pension plans and OPEB, please refer to Notes 9 and 11 of the financial statements.

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

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the College’s financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains, or losses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating

revenues, and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Walters State Community College is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the College has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the “increase in net position” is more indicative of overall financial results for the year.

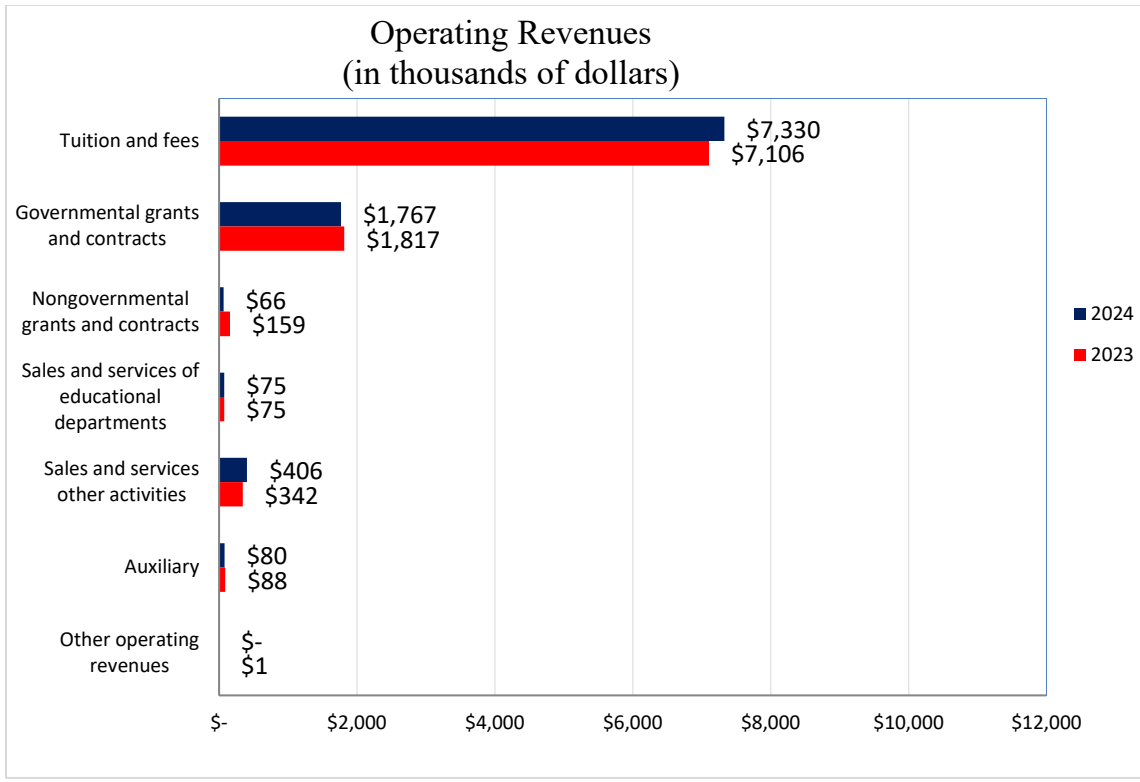
A summary of the College’s revenues, expenses, and changes in net position for the year ended June 30, 2024, and June 30, 2023, follows.

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

	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 9,724	\$ 9,589
Operating expenses	64,396	58,433
Operating loss	(54,672)	(48,844)
Nonoperating revenues and expenses	59,970	53,409
Income (loss) before other revenues, expenses, gains, or losses	5,298	4,565
Other revenues, expenses, gains, or losses	3,139	1,736
Increase (decrease) in net position	8,437	6,301
Net position at beginning of year	109,998	103,697
Adj for Accounting Changes and Error Corrections	2,040	-
Net position at end of year	\$120,475	\$109,998

Operating Revenues

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

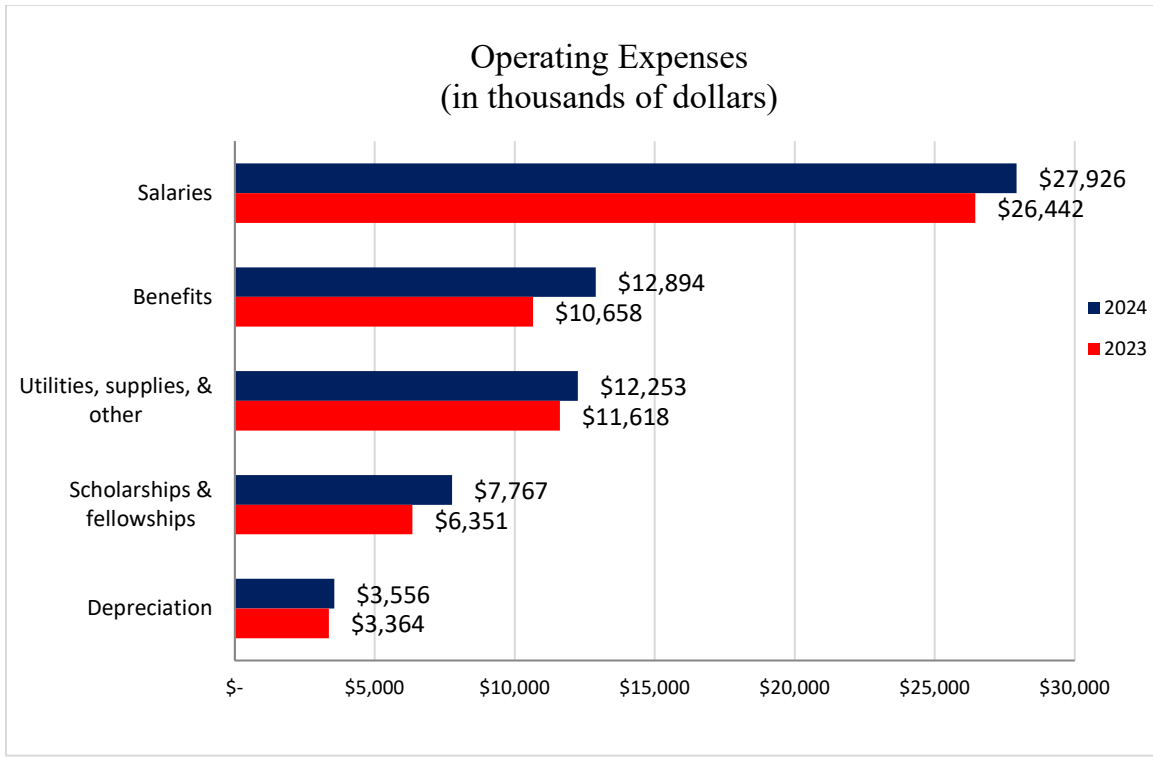


Comparison of Fiscal Year 2024 to Fiscal Year 2023

- Tuition and fees increased by \$224,524 attributed to an increase in enrollment for fiscal year 202.
- Nongovernmental grants and contracts decreased by \$93,374 due to the expiration of grants supporting skilled workforce instruction in fiscal year 2023 that were not renewed for fiscal year 2024.

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:



Comparison of Fiscal Year 2024 to Fiscal Year 2023

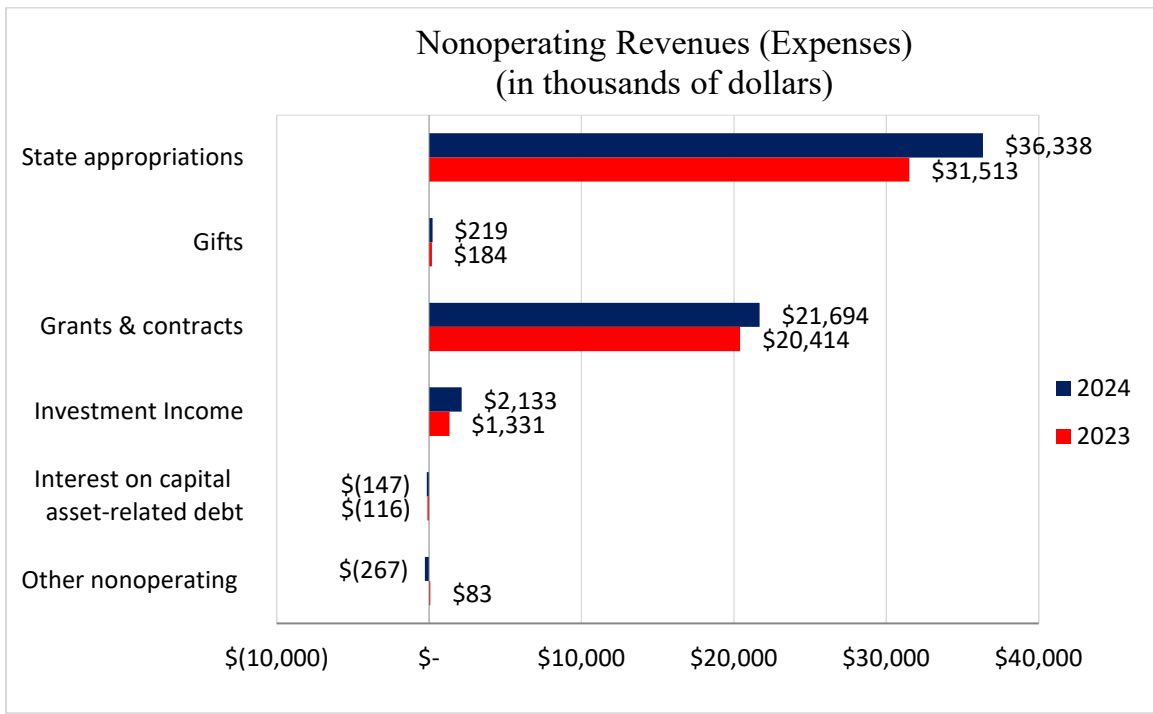
- Salaries increased by \$1,484,159 primarily driven by a 5% cost of living adjustment for full-time and regular part-time employees.
- Benefits increased \$2,235,719 primarily due to an increase in pension expense related to net pension liability. For more detailed information regarding the college’s pension plans, please refer to Note 9 of the financial statements.
- Scholarships and fellowships increased by \$1,416,016, reflecting the combined impact of higher federal and state awards due to an enrollment increase, along with an increase in the scholarship allowance discount.

Nonoperating Revenues and Expenses

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

**Nonoperating Revenues (Expenses)
(in thousands of dollars)**

	<u>2024</u>	<u>2023</u>
State appropriations	\$ 36,338	\$ 31,513
Gifts	219	184
Grants and contracts	21,694	20,414
Investment income	2,133	1,331
Interest on capital asset-related debt	(147)	(116)
Other nonoperating revenue (expenses)	(267)	83
Total nonoperating revenues (expenses)	\$ 59,970	\$ 53,409



Comparison of Fiscal Year 2024 to Fiscal Year 2023

State appropriations increased by \$4,824,482 primarily due to higher funding outcomes and an additional contribution of \$1,733,392 for the Closed State and Higher Education Employee Pension plan. The payment to the Closed State and Higher Education Pension plan is the System’s allocation from a one-time \$300 million state appropriation.

An increase in nonoperating grants and contracts by \$1,279,923 was driven by two factors. The institutional portion of HEERF support decreased as the pandemic-related funding phased out in fiscal year 2023. This decrease was offset by an increase in both federal and state funding for students eligible for financial aid, which can be attributed to higher student enrollment for fiscal year 2024. This combination resulted in the net increase in nonoperating grants and contracts.

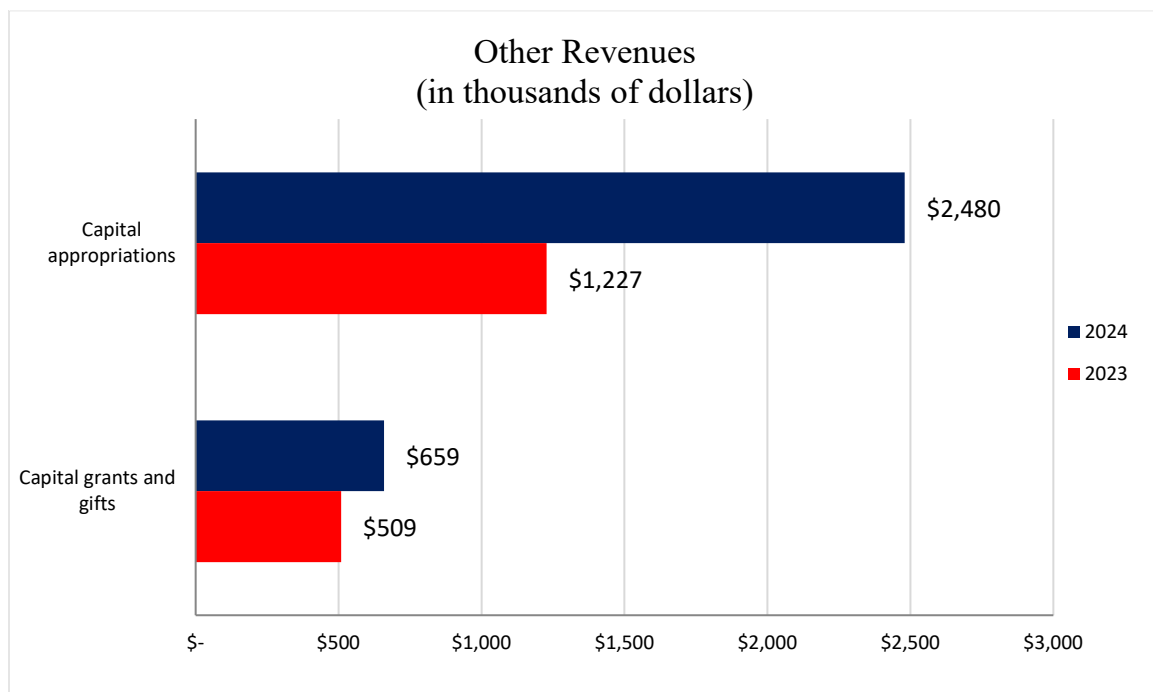
- Investment income increased by \$801,654 due to the gradual rise in interest rates from 5.16% in July 2023 to 5.33% in June 2024, as well as fluctuations in average daily balances.
- The decrease in other non-operating revenues/(expenses) was mainly driven by the replacement of the Voice Over IP telephone system, which resulted in a loss from the disposal of the associated fixed asset.

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)**

		<u>2024</u>		<u>2023</u>
Capital appropriations	\$	2,480	\$	1,227
Capital grants and gifts		659		509
Total other revenues	\$	3,139	\$	1,736



Comparison of Fiscal Year 2024 to Fiscal Year 2023

- Capital appropriations increased by \$1,252,314, largely due to capital maintenance projects aimed at improving the mechanical, electrical, and plumbing systems in the

Humanities building, as well as fire and safety updates and enhancements for the College Center building. Both buildings are located on the Morristown campus.

Capital Assets and Debt Administration

Capital Assets

Walters State Community College had \$89,395,651 invested in capital assets, net of accumulated depreciation of \$62,260,854 at June 30, 2024; and \$88,192,972 invested in capital assets, net of accumulated depreciation of \$59,762,863 at June 30, 2023. Depreciation charges totaled \$3,555,994 and \$3,364,460 for the years ended June 30, 2024, and June 30, 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Land	\$ 1,136	\$ 1,136
Land improvements & infrastructure	10,367	8,514
Buildings	69,835	70,559
Equipment	4,583	4,777
Library holdings	74	69
Art & historical collections	32	32
Projects in progress	2,315	2,210
SBITAs	890	896
SBITA projects in progress	164	-
Total	\$89,396	\$88,193

Significant additions to capital assets occurred in fiscal year 2024. These additions were mostly related to improvements and infrastructure for network switches and technology, unified voice communication system, fiber optics, storm sewer system, paving, and landscaping.

At June 30, 2024, outstanding commitments under construction contracts totaled \$4,521,519.28 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund \$3,275,076 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 \$1,500,000 and \$2,000,000 in debt outstanding at June 30, 2024, and June 30, 2023, respectively. The table below summarizes these amounts by type of debt instrument.

**Schedule of Outstanding Debt
(in thousands of dollars)**

		<u>2024</u>		<u>2023</u>
Revolving credit facility	\$	1,500	\$	2,000
Total	\$	1,500	\$	2,000

The Tennessee State School Bond Authority receives loans from the revolving credit facility to finance the costs of various capital projects during the construction phase. When projects are placed in service, TSSBA issues long-term, fixed-rate debt to finance the project over its useful payback period and repays the revolving credit facility debt. The total outstanding loans from the revolving credit facility was \$1,500,000 at June 30, 2024.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2024, were as follows:

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

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

Economic Factors That Will Affect the Future

The 2024-25 General Appropriations Act passed by the 113th General Assembly, provides for an increase of just under \$1.0 million in state appropriations to Walters State Community College for salary pool funding towards a 3% salary increase for full-time employees and funding for the increase in employee health insurance. Moreover, outcomes funding and adjustment for cost increases contributed another \$1.8 million in state appropriations to the College and will be used to cover various fixed cost expenses and increase program offerings. In addition to a 3% cost of living adjustment salary increase, Walters State has received approval of the new college-wide compensation plan and will be requesting approval to implement phase 1 of the plan in FY2025.

Governor Lee's FY2025 budget also included \$2.1 million in capital maintenance funds for the Morristown campus in a year where few maintenance projects were awarded. The Infrastructure Repair Phase 2 project funds the continued correction of drainage issues through the middle of campus. Continued funding for capital maintenance projects by state funds has been very timely and will be utilized in the most efficient means possible as the institution tries to manage continued inflation in construction and infrastructure upgrades. Aside from state appropriations for capital maintenance, the College received \$417,000 from the Tennessee Board of Regents to provide for safety corrections to update exterior doors to buildings with panic bar handles.

The Tennessee Board of Regents approved a 5.2% tuition increase for FY2025 for all community colleges to cover remaining portion of the inflationary cost increases and the College's share of the salary increases not funded by the state budget. Enrollment for fall semester 2024 is consistent with last year for headcount and down for full-time equivalency (FTE) compared to fall semester 2023. Unclear whether the roll out of the new financial aid process, the tuition increase, or fewer students choosing college as determining factors for the preliminary fall enrollment data. However, a big part of the College's strategic enrollment management plan includes a new customer relationship manager platform and that will be going live during fall semester 2024 in hopes of better retention and recruitment of students for the College's service area.

The College is not aware of any other factors, decisions, or conditions that are expected to have a significant impact on the College's financial position or results of operations during the upcoming fiscal year.

WALTERS STATE COMMUNITY COLLEGE
Statement of Net Position
June 30, 2024

	College	Component Unit
Assets		
Current assets:		
Cash and cash equivalents (Notes 2, 3, and 18)	\$ 23,224,289.20	\$ 2,397,154.36
Accounts and grants receivable (net) (Note 4)	682,237.98	-
Due from primary government	405,165.39	-
Due from component unit	3,784.00	-
Pledges receivable (net) (Note 18)	-	760,722.00
Inventories (at lower of cost or market)	20,531.51	-
Prepaid expenses	209,591.02	4,782.00
Other assets	1,776.09	-
Total current assets	24,547,375.19	3,162,658.36
Noncurrent assets:		
Cash and cash equivalents (Notes 2, 3, and 18)	17,315,655.56	746,333.65
Investments (Notes 3 and 18)	-	19,496,368.34
Investment in Tennessee Retiree Group Trust	857,408.00	-
Net pension asset (Note 9)	29,845.00	-
Pledges receivable (net) (Note 18)	-	952,308.50
Capital assets (net) (Notes 5 and 18)	89,395,650.80	738,422.69
Total noncurrent assets	107,598,559.36	21,933,433.18
Total assets	132,145,934.55	25,096,091.54
Deferred outflows of resources		
Deferred outflows related to OPEB (Note 11)	2,105,954.00	-
Deferred outflows related to pensions (Note 9)	7,780,216.00	-
Total deferred outflows of resources	9,886,170.00	-
Liabilities		
Current liabilities:		
Accounts payable (Note 7)	1,034,122.26	11,668.29
Accrued liabilities	2,258,522.16	-
Due to primary government	7,164.83	3,784
Unearned revenue	814,771.70	-
Compensated absences (Note 8)	459,663.14	-
Accrued interest payable	2,029.00	-
SBITA liability (Note 6)	303,978.00	-
Deposits held in custody for others	37,420.86	-
Other liabilities	48,481.31	-
Total current liabilities	4,966,153.26	15,452.29
Noncurrent liabilities:		
Net OPEB liability (Note 11)	2,731,768.00	-
Compensated absences (Note 7)	1,888,609.38	-
SBITA liability (Note 6)	497,090.00	-
Long-term liabilities (Note 7 and 16)	1,500,000.00	-
Total noncurrent liabilities	6,617,467.38	-
Total liabilities	11,583,620.64	15,452.29
Deferred inflows of resources		
Deferred inflows related to OPEB (Note 11)	3,457,715.00	-
Deferred inflows related to pensions (Note 9)	203,538.00	-
Deferred inflows related to split interest agreement	-	1,138,646.21
Total deferred inflows of resources	3,661,253.00	1,138,646.21
Net position		
Net investment in capital assets	87,094,582.80	738,422.69
Restricted for:		
Nonexpendable:		
Scholarships and fellowships	-	12,390,766.22
Other	-	1,832,682.01
Expendable:		
Scholarships and fellowships	34,143.97	4,739,184.43
Instructional department uses	4,610.47	-
Capital projects	399,236.06	-
Pension	29,845.00	-
Other	995,643.54	3,673,880.04
Unrestricted	31,916,349.07	567,057.65
Total net position	\$ 120,474,410.91	\$ 23,941,993.04

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

WALTERS STATE COMMUNITY COLLEGE
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024

	College	Component Unit
Revenues		
Operating revenues:		
Student tuition and fees (Note 12)	\$ 7,330,206.25	\$ -
Gifts and contributions (Note 18)	-	1,169,896.80
Governmental grants and contracts	1,767,354.60	-
Nongovernmental grants and contracts	65,869.82	-
Sales and services of educational activities	75,119.94	-
Sales and services of other activities (Note 12)	405,841.80	-
Auxiliary enterprises:		
Bookstore	72,745.32	-
Food service	6,841.47	-
Other auxiliaries	8.00	-
Other operating revenues	30.00	44,263.00
Total operating revenues	9,724,017.20	1,214,159.80
Expenses		
Operating expenses (Notes 15):		
Salaries and wages	27,926,211.19	-
Benefits	12,893,958.90	-
Utilities, supplies, and other services	12,253,122.22	188,433.67
Scholarships and fellowships	7,766,524.89	650,450.08
Depreciation expense	3,555,994.44	18,236.23
Payments to or on behalf of Walters State Community College (Note 18)	-	671,163.09
Total operating expenses	64,395,811.64	1,528,283.07
Operating loss	(54,671,794.44)	(314,123.27)
Nonoperating revenues (expenses)		
State appropriations	36,337,879.50	-
Gifts (including \$174,163.09 from component unit)	219,063.09	-
Grants and contracts	21,693,895.28	-
Investment income (net of investment expense of \$52,996.08 for the component unit)	2,132,706.95	1,421,659.17
Interest on capital asset-related debt	(147,294.32)	-
Other nonoperating revenues (expenses)	(266,517.59)	-
Total nonoperating revenues (expenses)	59,969,732.91	1,421,659.17
Income (loss) before other revenues, expenses, gains, or losses	5,297,938.47	1,107,535.90
Other revenues:		
Capital appropriations	2,479,463.23	-
Capital grants and gifts (including \$500,000.00 from component unit)	659,302.27	-
Additions to permanent endowments	-	360,571.51
Total other revenues	3,138,765.50	360,571.51
Increase in net position	8,436,703.97	1,468,107.41
Net position - beginning of year	109,998,255.94	22,473,885.63
Adjustments for accounting changes and error corrections (Note 17)	2,039,451.00	-
Net position - beginning of year restated	112,037,706.94	22,473,885.63
Net position - end of year	\$ 120,474,410.91	\$ 23,941,993.04

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

Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2024

	Year Ended June 30, 2024
Cash flows from operating activities	
Tuition and fees	\$ 7,161,477.83
Grants and contracts	1,450,303.12
Sales and services of educational activities	75,119.94
Sales and services of other activities	405,863.80
Payments to suppliers and vendors	(11,196,362.09)
Payments to employees	(27,900,186.50)
Payments for benefits	(12,316,902.94)
Payments for scholarships and fellowships	(7,766,524.89)
Funds received for deposits held for others	134,514.85
Funds disbursed for deposits held for others	(163,847.04)
Auxiliary enterprise charges:	
Bookstore	70,546.50
Food services	6,843.01
Other auxiliaries	8.00
Other receipts (payments)	(2,066.23)
Net cash used for operating activities	(50,041,212.64)
Cash flows from noncapital financing activities	
State appropriations	33,949,600.00
Gifts and grants received for other than capital or endowment purposes, including \$142,241.32 from (component unit) to the institution	21,606,191.17
Other noncapital financing receipts (payments)	26,347.02
Net cash provided by noncapital financing activities	55,582,138.19
Cash flows from capital and related financing activities	
Capital grants and gifts received, including \$500,000.00 from (component unit)	563,331.82
Proceeds from sale of capital assets	16,412.99
Purchase of capital assets and construction	(2,516,334.93)
Principal paid on capital debt	(868,373.00)
Interest paid on capital debt	(153,538.01)
Net cash used for capital and related financing activities	(2,958,501.13)

Cash flows from investing activities

Income on investments	2,060,717.95
Purchase of investments	(118,873.00)
Net cash provided by investing activities	1,941,844.95
Net increase in cash	4,524,269.37
Cash - beginning of year	36,015,675.39
Cash - end of year	\$ 40,539,944.76

Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Statement of Cash Flows (continued)
For the Year Ended June 30, 2024

	Year Ended June 30, 2024
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (54,671,794.44)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Noncash operating expenses	4,406,378.89
Change in assets, liabilities, and deferrals:	
Receivables, net	3,828.17
Due from primary government	(301,500.79)
Inventories	(6,787.87)
Prepaid items	(23,449.25)
Net pension asset	82,031.00
Deferred outflows of resources	257,316.00
Accounts payable	290,197.86
Accrued liabilities	60,213.75
Unearned revenue	(253,379.38)
Compensated absences	133,234.99
Net pension liability	(462,222.00)
Net OPEB liability	(124,001.00)
Deferred inflows of resources	596,817.00
Other	(28,095.57)
Net cash used for operating activities	\$ (50,041,212.64)
 Noncash investing, capital, or financing transactions	
Gifts of capital assets	\$ 130.85
Loss on disposal of capital assets	\$ (299,415.58)
Purchases of capital assets and construction with capital appropriations	\$ 2,354,288.05
SBITA liability	\$ 305,161.00

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

WALTERS STATE COMMUNITY COLLEGE
Statement of Fiduciary Net Position
June 30, 2024

	Custodial Funds
Assets	
Cash (Notes 2 and 3)	\$ 313,675.77
Total assets	313,675.77
Liabilities	
Accounts payable (Note 7)	10.00
Total liabilities	10.00
Net position	
Restricted for:	
Individuals and organizations	313,665.77
Total net position	\$ 313,665.77

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

WALTERS STATE COMMUNITY COLLEGE
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024

		Custodial Funds
Additions		
Contributions from student organizations	\$	81,042.41
Contributions from participants		486,301.77
Total additions		567,344.18
 Deductions		
Payments for student organizations		85,229.68
Payments for participants		483,837.80
Total deductions		569,067.48
Net increase/(decrease) in fiduciary net position		(1,723.30)
Net position - beginning of year		315,389.07
Net position - end of year	\$	313,665.77

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

Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Notes to the Financial Statements
June 30, 2024

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The college is a part of the State University and Community College System of Tennessee (the System). The 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 Annual Comprehensive Financial Report.

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

The Walters State 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 18 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).

Fiduciary Activities

The college holds deposits as custodian or fiscal agent for students, student organizations, and certain other organized activities related to the college. These amounts are not college funds and are shown in separate statements.

Basis of Accounting

In June 2022, the GASB issued Statement No. 100, Accounting Changes and Error Corrections. This Statement addresses changes in accounting principles, changes in accounting estimates, changes in the reporting entity, and error corrections. The college implemented this standard as of July 1, 2023.

Notes to the Financial Statements (Continued)

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 internal activity has been eliminated.

The college has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange and exchange-like 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.

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

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

Notes to the Financial Statements (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, works of art, historical treasures/collections, intangible assets, and lease/SBITA/PPP assets, are reported in the Statement of Net Position at historical cost, acquisition value at date of donation, or the present value of lease/SBITA/PPP payments plus other associated lease/SBITA/PPP costs less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the 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. The capitalization threshold for leases is set at \$100,000. The capitalization threshold for SBITAs is set at \$60,000.

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 or life of the lease agreement, which range from 1+ to 60 years.

Pensions

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

Other Postemployment Benefits

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

Net Position

Notes to the Financial Statements (Continued)

The college's net position is classified as follows:

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

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.

Note 2. 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, 2024, cash and cash equivalents consists of \$2,534,715.71 in bank accounts, \$5,400.00 of petty cash on hand, \$37,914,268.76 in the State of Tennessee Local Government

Notes to the Financial Statements (Continued)

Investment Pool administered by the State Treasurer, and \$399,236.06 in the LGIP Deposits – Capital Projects account. Of the \$40,853,620.53 total cash and cash equivalents, \$313,675.77 is held by the fiduciary fund.

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 System and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and the System releases any remaining funds.

The Local Government Investment Pool (LGIP) is administered by the State Treasurer and is measured at amortized cost. The LGIP is part of the State Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals. The fund's required risk disclosures are presented in the State Pooled Investment Fund financial statements. That report is available on the state's website at <https://treasury.tn.gov/Explore-Your-TN-Treasury/About-the-Treasury/Department-Reports>. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 3. Investments

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The college is authorized by statute to invest funds in accordance with the System's 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.

Notes to the Financial Statements (Continued)

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.

As of June 30, 2024, the college's investments consisted entirely of investments in the Local Government Investment Pool. The carrying value of these investments was \$38,313,504.82. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Accounts, Notes, and Grant Receivables

Accounts receivable included the following:

	<u>June 30, 2024</u>
Student accounts receivable	\$ 831,596.12
Grants receivable	386,211.23
Other receivables	17,233.32
Subtotal	<u>1,235,040.67</u>
Less allowance for doubtful account	<u>(552,802.69)</u>
Total	<u>\$ 682,237.98</u>

Note 5. Capital Assets

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

Notes to the Financial Statements (Continued)

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
	\$ 1,136,497.82	\$ -	\$ -	\$ -	\$1,136,497.82
Land					
Land improvements & infrastructure	12,738,269.38	-	2,795,777.74	652,418.86	14,881,628.26
Buildings	118,390,541.84	-	870,255.16	-	119,260,797.00
Equipment	10,693,883.85	796,917.12	-	689,822.21	10,800,978.76
Library holdings	156,916.70	21,770.49	-	15,177.26	163,509.93
Intangible assets	1,416,286.39	-	-	-	1,416,286.39
Art & historical collections	31,515.00	-	-	-	31,515.00
Projects in progress	2,210,151.25	3,770,608.08	(3,666,032.90)	-	2,314,726.43
SBITA asset - software	1,181,772.00	305,161.00	-	-	1,486,933.00
SBITA asset – projects in progress	-	163,632.50	-	-	163,632.50
Total	147,955,834.23	5,058,089.19	-	1,357,418.33	151,656,505.09
Less accumulated depreciation/amortization:					
Land improvements & infrastructure	4,224,513.04	700,052.09		409,495.33	4,515,069.80
Buildings	47,831,734.91	1,594,470.39	-	-	49,426,205.30
Equipment	5,916,608.67	934,263.94	-	633,330.18	6,217,542.45
Library holdings	88,031.59	16,351.02	-	15,177.26	89,205.35
Intangible assets	1,416,286.39	-	-	-	1,416,286.39
SBITA asset – software	285,688.00	310,857.00	-	-	596,545.00
Total	59,762,862.60	3,555,994.44	-	1,058,002.75	62,260,854.29
Capital assets, net	\$88,192,971.63	\$1,502,094.75	\$ -	\$ 299,415.58	\$89,395,650.80

Note 6. Subscription-based Information Technology Arrangements (SBITAs)

SBITA assets are reported with capital assets and SBITA liabilities are reported separately in the Statement of Net Position.

The college has entered into subscription-based arrangements for various types of software, the terms of which expire in various years through 2028.

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

	Beginning Balance	Additions	Remeasurements	Reductions	Ending Balance	Current Portion
SBITA liabilities	\$864,280.00	\$305,161.00	\$ -	\$368,373.00	\$801,068.00	\$303,978.00

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

For the Year(s) Ending June 30	Principal	Interest	Total
2025	\$ 303,978.00	\$ 28,645.00	\$ 332,623.00
2026	319,476.00	18,138.00	337,614.00

Notes to the Financial Statements (Continued)

2027	140,577.00	7,087.00	147,664.00
2028	37,037.00	1,733.00	38,770.00
Total	\$801,068.00	\$55,603.00	\$856,671.00

A contract with Technolutions, Inc. commenced on August 1, 2023, for a subscription to the Slate Customer Relationship Management (CRM) system. The system is scheduled to go live after fiscal year 2024. The total cash commitment for this subscription is \$375,000, with \$75,000 recorded as SBITA project in progress. Fiscal year 2024 implementation costs of \$88,632.50 were also recorded in SBITA projects in progress.

Note 7. Accounts Payable

Accounts payable included the following:

	June 30, 2024
Vendors payable	\$ 741,756.91
Other payables	292,375.35
Total	\$1,034,132.26

Of the \$1,034,132.26 total accounts payable, \$10.00 is held by the fiduciary fund.

Note 8. Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
TSSBA debt:					
Revolving credit facility	\$2,000,000.00	\$ -	\$500,000.00	\$1,500,000.00	\$ -
Subtotal	2,000,000.00	-	500,000.00	1,500,000.00	-
Other Liabilities:					
Compensated absences	2,215,037.53	1,576,211.99	1,442,977.00	2,348,272.52	459,663.14
Subtotal	2,215,037.53	1,576,211.99	1,442,977.00	2,348,272.52	459,663.14
Total long-term liabilities	\$4,215,037.53	\$1,576,211.99	\$1,942,977.00	\$3,848,272.52	\$459,663.14

Note 9. Pension Plans

Defined Benefit Plan

Notes to the Financial Statements (Continued)

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. A new agent defined benefit retirement plan, the State and Higher Education Employee Retirement Plan, became effective July 1, 2014 for state employees and higher education employees hired on or after July 1, 2014.

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

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

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

Plus:

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

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 nonservice-related disability eligibility. The service-related and

Notes to the Financial Statements (Continued)

nonservice-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 employee contributions, plus any accumulated interest.

Contributions - Contributions for state employees and higher education employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The college's employees are non-contributory, as are most members in the Closed State and Higher Education Employee Pension Plan. State and higher education agencies make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Closed State and Higher Education Employee Pension Plan are required to be paid. Employer contributions by the college for the year ended June 30, 2024, to the Closed State and Higher Education Employee Pension Plan were \$2,768,493, which is 21.95 percent of covered payroll. Additional contributions of \$1,733,392 were made to the state legacy pension plan by the State of Tennessee on behalf of the college. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

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

Pension liabilities - At June 30, 2024, the college reported a liability of \$6,312,820 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The college's proportion of the net pension liability was based on the proportion of the college's contributions during the year ended June 30, 2023, to the pension plan relative to the contributions of all participating state and higher education agencies. At the June 30, 2023, measurement date, the college's proportion was 0.571838 percent. The proportionate share from the prior year's measurement date of June 30, 2022, was 0.568681 percent.

Pension expense - For the year ended June 30, 2024, the college recognized a pension expense of \$4,140,236.

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

Notes to the Financial Statements (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,054,480	\$ -
Net difference between projected and actual earnings on pension plan investments	740,826	-
Changes in assumptions	-	-
Changes in proportion of Net Pension Liability	10,916	167,026
Contributions subsequent to the measurement date of June 30, 2023	4,501,885	-
Total	\$7,308,107	\$167,026

Deferred outflows of resources, resulting from the college's employer contributions of \$2,768,493 subsequent to the measurement date will be recognized as a reduction/(increase) in the net pension liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2025	\$1,318,009
2026	\$(980,222)
2027	\$2,295,663
2028	\$ 5,747
2029	\$ -
Thereafter	\$ -

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

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

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation

Notes to the Financial Statements (Continued)

Cost-of-Living Adjustment 2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

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

Discount rate - The discount rate used to measure the total pension liability was 6.75 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 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

Notes to the Financial Statements (Continued)

of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of net pension liability to changes in the discount rate - The following presents the college's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the college's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
College's proportionate share of the net pension liability	\$19,949,945	\$6,312,820	\$(5,112,052)

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

State and Higher Education Employee Retirement Plan

General Information about the Pension Plan

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

The TCRS was created by state statute under Title 8, Chapters 34-37, Tennessee Code Annotated. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans of 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 <https://treasury.tn.gov/Retirement/Boards-and-Governance/Protecting-Retirement-for-Tennessee/Reporting-and-Invetment-Policies>.

Notes to the Financial Statements (Continued)

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 multiplying the member's highest five consecutive year average compensation by 1.0 percent multiplied by the member's years of service credit. A reduced early retirement benefit is available at age 60 with 5 years of service credit or pursuant to the rule of 80 in which the member's age and service credit total 80. Service-related disability benefits are provided regardless of length of service. Five years of service is required for nonservice-related disability eligibility. The service-related and nonservice-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 July 2nd 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 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 their salary to the State and Higher Education Employee Retirement 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 State and Higher Education Employee Retirement Plan are required to be paid. Employer contributions by the college for the year ended June 30, 2024, to the State and Higher Education Employee Retirement Plan were \$240,111, which is 2.77 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 (Negative Pension Expense), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Asset - At June 30, 2024, the college reported an asset of \$29,845 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2023, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date. The college's proportion of the net pension asset was based on the proportion of the college's contributions during the year ended June 30, 2023, to the pension plan relative to the contributions

Notes to the Financial Statements (Continued)

of all participating state and higher education agencies. At the June 30, 2023, measurement date, the college's proportion was 0.414350 percent. The proportionate share from the prior year's measurement date of June 30, 2022, was 0.448603 percent.

Pension expense – For the year ended June 30, 2024, the college recognized a pension expense of \$193,370.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 95,143	\$28,720
Net difference between projected and actual earnings on pension plan investments	35,399	-
Changes in assumptions	71,708	-
Changes in proportion of Net Pension Asset	29,748	7,792
Contributions subsequent to the measurement date of June 30, 2023	240,111	-
Total	\$472,109	\$36,512

Deferred outflows of resources, resulting from the college's employer contributions of \$240,111 subsequent to the measurement date will be recognized as a increase to the net pension asset in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2025	\$24,807
2026	\$19,297
2027	\$72,614
2028	\$25,589
2029	\$24,783
Thereafter	\$28,396

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

Notes to the Financial Statements (Continued)

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

Inflation	2.25 percent
Salary increases	Graded salary ranges from 8.72 to 3.44 percent based on age, including inflation, averaging 4.00 percent
Investment rate of return	6.75 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.125 percent

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2023 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2016 through June 30, 2020. As a result of the 2020 actuarial experience study, investment and demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2020 actuarial experience study. A blend of future capital market projections and historical market returns was using in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.25 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major asset class are summarized in the following table:

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

Notes to the Financial Statements (Continued)

<u>Short-term securities</u>	<u>0.00%</u>	<u>1%</u>
		<u>100%</u>

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

Discount rate - The discount rate used to measure the total pension asset was 6.75 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 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 asset.

Sensitivity of the proportionate share of net pension asset to changes in the discount rate - The following presents the college's proportionate share of the net pension asset calculated using the discount rate of 6.75 percent, as well as what the college's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
College's proportionate share of the net pension asset	\$676,629	\$(29,845)	\$(561,247)

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Total defined benefit pension expense

The total pension expense for the year ended June 30, 2024, for all defined benefit pension plans was \$4,333,606.

Defined Contribution Plans

Optional Retirement Plan

Notes to the Financial Statements (Continued)

Plan Description – The college contributes to the Optional Retirement Plan (ORP). The ORP, administered by the Tennessee Treasury Department, is a defined contribution plan. The ORP was established by state statute in Title 8, Chapter 25, Part 2 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 \$415,513.90 for the year ended June 30, 2024, and \$426,796.66 for the year ended June 30, 2023. 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 Plan

The college, through the State of Tennessee, provides a deferred compensation pension plan pursuant to the Internal Revenue Code (IRC) Section 401(k). The plan is outsourced to a third-party vendor, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 401(k) plan assets remain the property of the contributing employees and they are not presented in the accompanying financial statements. Sections 401(k) establishes participation, contribution, and withdrawal provisions for the plan. The college provides up to a \$100 monthly employer match for employees who participate in the state's 401(k) plan. Employees hired before July 1, 2014, voluntarily participate in the state's 401(k) plan. Pursuant to Chapter 259 of the Public Acts of 2013, employees hired after June 30, 2014, are automatically enrolled in the state's 401(k) plan if they elect to be in the TCRS pension plan. Employees contribute 2% of their salary, with the employer contributing an additional non-matching 5%. Employees may opt out of the 2% auto enrollment. Such contribution rates may only be amended by the Tennessee General Assembly. There are certain

Notes to the Financial Statements (Continued)

automatic cost controls and unfunded liability controls in the defined benefit plan where the employees participate that may impact the non-matching 5% employer contribution to the 401(k) plan.

Employees are immediately vested in both the employee and employer contributions in the plan. The IRC establishes maximum limits that an employee can contribute to the plan. The employee may increase, decrease, or stop contributions at any time for the plan.

During the year ended June 30, 2024, contributions totaling \$927,346.06 were made by employees participating in the 401(k) plan, and the college recognized pension expense of \$808,576.74 for employer contributions. During the year ended June 30, 2023, contributions totaling \$824,718.69 were made by employees participating in the 401(k) plan, and the college recognized pension expense of \$779,881.74 for employer contributions.

Note 10. Other Employee Benefits

Deferred Compensation Plans

Employees are offered two deferred compensation plans that are not considered pension plans. The college, through the State of Tennessee, provides a plan established pursuant to IRC, Section 457, and another is administered by the college and was established in accordance with IRC, Section 403(b). The plans are outsourced to third-party vendors, and the administrative costs assessed by the vendors of these plans are the responsibility of plan participants. Section 403(b) and Section 457 plan assets remain the property of the contributing employees; therefore, they are not presented in the accompanying financial statements. IRC Sections 403(b) and 457 establish participation, contribution, and withdrawal provisions for the plans.

Note 11. Other Postemployment Benefits (OPEB)

Closed State Employee Group OPEB Plan

General information about the OPEB plan

Plan description - Employees of the college, who were hired prior to July 1, 2015 and choose coverage, are provided with pre-65 retiree health insurance benefits through the closed State Employee Group OPEB Plan (EGOP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be a cost-sharing multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The employers participating in this plan include the primary government, the Tennessee Student Assistance Corporation, the Tennessee

Notes to the Financial Statements (Continued)

Housing Development Agency, the University of Tennessee and the institutions that make up the State University and Community College System. The State of Tennessee Postemployment Benefits Trust (OPEB Trust) was established to accumulate resources to pay for the retiree benefits of EGOP participants. The OPEB Trust prepares a stand-alone financial report that can be found at <https://www.tn.gov/finance/rd-doa/opeb22121.html>.

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

Contributions - Annually, an insurance committee, created in accordance with Tennessee Code Annotated (TCA) 8-27-201, establishes the required contributions to the plan by member employees through the premiums established to approximate claims cost for the year. Pre-age 65 retired members of the EGOP pay a premium based on a blended rate that considers the cost of active and retired employees as well as their individual years of service. Therefore, retirees pay either 20 percent, 30 percent, 40 percent or 100 percent of the appropriate premium rate. These payments are deposited into the OPEB Trust. Employers contribute to the OPEB Trust based on an actuarially determined contribution (ADC) rate calculated in a manner to meet the funding goals of the state. The total ADC rate for plan employers for the fiscal year ended June 30, 2024 was \$109.5 million. The college's share of the ADC was \$728,506. During the fiscal year the college contributed \$728,506 to the OPEB Trust. The state general assembly has the authority to change the contribution requirements of the employers participating in the EGOP.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

Proportionate share - The college's proportion and proportionate share of the collective net OPEB liability, related to the EGOP, is 0.68449818% and \$2,731,768, respectively. The proportion existing at the prior measurement date was 0.69143678%. This represents a change in proportion of 0.0069386% between the current and prior measurement dates. The college's proportion of the collective net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially

Notes to the Financial Statements (Continued)

determined. The collective net OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2023 and measurement date of June 30, 2023.

Negative OPEB expense - For the fiscal year ended June 30, 2024, the college recognized negative OPEB expense of \$(284,573).

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

	<u>EGOP</u>	
	Deferred Outflows of resources	Deferred Inflows of resources
Differences between actual and expected experience	\$ -	\$ 351,832
Changes of assumptions	702,902	724,489
Net difference between actual and projected investment earnings	86,317	-
Changes in proportion and differences between benefits paid and proportionate share of benefits paid.	588,229	2,381,394
Contributions subsequent to the measurement date	728,506	-
Total	\$2,105,954	\$3,457,715

The amounts shown above for "contributions subsequent to the measurement date" will be recognized as a reduction to the collective net OPEB liability in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB paid by the EGOP will be recognized in OPEB expense as follows:

<u>EGOP</u>	
For the year ended June 30:	
2025	\$(734,015)
2026	(724,061)
2027	(182,452)
2028	(314,669)
2029	(125,070)
Thereafter	-

Notes to the Financial Statements (Continued)

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

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

Inflation	2.25%
Salary increases	Graded salary ranges from 3.44 to 8.72 percent based on age, including inflation, averaging 4 percent
Healthcare cost trend rates	10.31% for 2024, decreasing annually to an ultimate rate of 4.50% for 2035 and later years
Retiree's share of benefit-related costs	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group 1 employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from the central year. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally with MP-2021.

Long-term expected rate of return - The long-term expected rate of return of 6 percent on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset

Notes to the Financial Statements (Continued)

allocation percentage and by adding expected inflation. TCA 8-27-802 establishes the responsibility of the trustees to adopt written investment policies authorizing how assets in the OPEB Trust may be invested and reinvested by the State Treasurer. The treasurer may invest trust assets in any security or investment in which the Tennessee Consolidated Retirement System (TCRS) is permitted to invest, provided that investments by the OPEB Trust shall be governed by the investment policies and guidelines adopted by the trustees. Any changes to the investment policy will be the responsibility of the established trustees. The OPEB Trust investment policy target asset allocation and allocation range for each major asset class is summarized in the following table:

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

The best-estimates of geometric real rates of return for each major asset class included in the OPEB Trust target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
U.S. equity	4.65%
Developed market international equity	4.55%
Emerging market international equity	4.94%
Cash (Gov't)	1.32%
Private equity and strategic lending	5.43%
U.S. fixed income	2.59%
Real estate	4.16%

Notes to the Financial Statements (Continued)

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

Changes in assumptions - The mortality scale was updated from MP2020 to MP2021. This change increased the liability by .05 percent. The medical and drug trend rate assumptions were updated to reflect more recent experience and a change in expected per capita health claims to reflect more recent information as of the measurement date. This change increased the liability by 8.2 percent.

Sensitivity of proportionate share of the collective net OPEB liability to changes in the discount rate
The following presents the college's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease (5.0%)	Discount Rate (6.0%)	1% Increase (7.0%)
Proportionate share of the collective net OPEB liability	\$ 3,067,624	\$ 2,731,768	\$ 1,911,617

Sensitivity of proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rate - The following presents the college's proportionate share of the collective net OPEB liability of the EGOP, as well as what the proportionate share of the collective net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate.

	1% Decrease (9.31% decreasing to 3.50%)	Healthcare Cost Trend Rates (10.31% decreasing to 4.50%)	1% Increase (11.31% decreasing to 5.50%)
Proportionate share of the collective net OPEB liability	\$ 1,745,006	\$ 2,731,768	\$ 3,297,339

Notes to the Financial Statements (Continued)

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

Closed Tennessee Plan

General information about the OPEB plan

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

Benefits provided - The TNP is offered to help fill most of the coverage gaps created by Medicare and is the only postemployment benefit provided to eligible post-65 retired and disabled employees of participating employers. This plan does not include pharmacy. In accordance with Tennessee Code Annotated (TCA) 8-27-209, benefits are established and amended by cooperation of insurance committees created by TCA 8-27-201, 8-27-301 and 8-27-701. Retirees and disabled employees of the state, component units, local education agencies, and certain local governments who have reached the age of 65, are Medicare eligible and also receive a benefit from the Tennessee Consolidated Retirement System may participate in this plan. All plan members receive the same plan benefits at the same premium rates. Many retirees receive direct subsidies toward their premium cost, however, participating employers determine their own policy in this regard. The primary government contributes to the premiums of component unit retirees based on years of service. Therefore, retirees with 30 years of service receive \$50 per month; 20 but less than 30 years, \$37.50; and 15 but less than 20 years, \$25. The college does not provide any subsidies for retirees in the TNP. The primary government paid \$61,487.50 for OPEB as the benefits came due during the reporting period. This plan is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

In accordance with TCA 8-27-209, the state insurance committees established by TCAs 8-27-201, 8-27-301 and 8-27-701 determine the required payments to the plan by member employers and employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies.

Notes to the Financial Statements (Continued)

Total OPEB Liability and OPEB Expense

Proportionate share - The primary government is entirely responsible for the TNP OPEB liability associated with the college's employees. The primary government's proportionate share of the total OPEB liability associated with the college was \$1,043,048. At the June 30, 2023, measurement date, the proportion of the collective total OPEB liability associated with the college was 0.66864461%. This represents a change of 0.00052487% from the prior proportion of 0.66811974%. The college's proportion of the collective total OPEB liability was based on a projection of the its long-term share of contributions to the OPEB plan relative to the projected share of contributions of all participating employers, actuarially determined. The collective total OPEB liability was determined by an actuarial valuation with a valuation date of June 30, 2023 and measurement date of June 30, 2023.

Actuarial assumptions - The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2023, valuations were the same as those employed in the July 1, 2022 Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS) for Group I employees. These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2016 - June 30, 2020. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the PUB-2010 Headcount-Weighted Employee mortality table for General Employees for non-disabled pre-retirement mortality, with mortality improvement projected generationally with MP-2021 from 2010. Post-retirement tables are Headcount-Weighted Below Median Healthy Annuitant and adjusted with a 6% load for males and a 14% load for females, projected generationally from 2010 with MP-2021. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load, projected generationally from 2018 with MP-2021.

Notes to the Financial Statements (Continued)

Discount rate - The discount rate used to measure the total OPEB liability was 3.65 percent. This rate reflects the interest rate derived from yields on 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Bond Buyer 20-Year Municipal GO AA index. This is a change of .11 percent from the prior year discount rate of 3.54 percent.

Changes in assumptions – The discount rate was changed from 3.54% as of the beginning of the measurement period to 3.65% as of June 30, 2023. This change in assumption decreased the total OPEB liability by 1.21 percent. The mortality scale was updated from MP2020 to MP2021. This increased the total OPEB liability by .35 percent. The medical and drug trend rate assumptions were updated to reflect more recent experience as of the measurement date. This has zero impact on the liability for state and CU employees due to the flat rate subsidy offered to retirees.

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

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Primary government share of the collective total OPEB liability	\$ 1,167,459	\$ 1,043,048	\$ 937,950

OPEB expense - For the fiscal year ended June 30, 2024, the primary government recognized OPEB expense of \$23,333 for employees of the college participating in the TNP.

Total OPEB Expense - The total OPEB expense for the year ended June 30, 2024, was \$(261,240), which consisted of OPEB expense of \$(284,573) for the EGOP and \$23,333 paid by the primary government for the TNP.

Note 12. Revenues

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

Revenue Source	Gross Revenue	Less Scholarship Allowances	Uncollectible Debt Adjustment	Net Revenue
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Operating Revenues:

Notes to the Financial Statements (Continued)

Tuition and fees	\$22,524,489.77	\$(14,980,916.32)	\$(213,367.20)	\$7,330,206.25
Sales and services of other activities	407,223.55	-	(1,381.75)	405,841.80
Total	\$22,931,713.32	\$(14,980,916.32)	\$(214,748.95)	\$7,736,048.05

Note 13. Insurance-Related Activities

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice liability, and workers' compensation. By statute, the maximum liability for general liability, automobile liability, and medical malpractice liability is \$300,000 per person and \$1 million per occurrence. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund (RMF). The state purchases commercial insurance for real property, crime and fidelity coverage on the state's officials and employees, and cyber liability coverage. For property coverage, the deductible for an individual state agency is the first \$25,000 of losses. The RMF is responsible for property losses for the annual aggregate deductible of \$7.5 million for perils other than earthquake and flood. Purchased insurance coverage is responsible for losses exceeding the \$7.5 million annual aggregate deductible. For earthquake and flood, there is a deductible of \$10 million per occurrence. The maximum insurance coverage is \$750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is \$50 million per occurrence, except there is only \$25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is \$50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the 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, 2024, is presented in the Tennessee Annual Comprehensive Financial Report. The ACFR is available on the state's website at <https://www.tn.gov/finance/rd-doa/fa-accfin-ar.html>. 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, 2024, was not available.

Notes to the Financial Statements (Continued)

At June 30, 2024, the scheduled coverage for the college was \$230,520,876.00 for buildings and \$31,469,738.00 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.

Note 14. 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 \$11,141,907.82 at June 30, 2024.

Construction in Progress

At June 30, 2024, outstanding commitments under construction contracts totaled \$4,521,519.28 for several building roof replacements, Sevier County expansion, Humanities MEP improvements, CCEN fire and safety remediation, building system upgrades, baseball and softball lighting updates and infrastructure repairs of which \$3,275,076.78 will be funded by future state capital outlay appropriations.

Note 15. Natural Classifications with Functional Classifications

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

Functional Classification	Natural Classification					Total
	Salaries	Benefits	Other Operating	Scholarship	Depreciation	
Instruction	\$15,675,068.46	\$6,459,121.21	\$ 4,927,516.78	\$ 172,533.50	-	\$27,234,239.95
Public service	206,637.77	79,348.03	193,619.35	-	-	479,605.15
Academic support	2,429,225.78	1,211,850.65	(1,120,419.09)	-	-	2,520,657.34
Student services	4,653,278.90	2,667,688.37	2,266,597.24	22,399.00	-	9,609,963.51

Notes to the Financial Statements (Continued)

Institutional support	2,774,456.91	1,338,254.16	1,687,062.68	-	-	5,799,773.75
Maintenance and operation	2,187,543.37	1,137,696.48	4,282,827.18	-	-	7,608,067.03
Scholarships and fellowships	-	-	-	7,571,592.39	-	7,571,592.39
Auxiliary	-	-	15,918.08	-	-	15,918.08
Depreciation	-	-	-	-	3,555,994.44	3,555,994.44
Total Expenses	\$27,926,211.19	\$12,893,958.90	\$12,253,122.22	\$7,766,524.89	\$3,555,994.44	\$64,395,811.64

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling \$3,359,386.81 were reallocated from academic support to the other functional areas and caused academic support operating expenses to appear as a negative amount in the schedule above.

Note 16. On-Behalf Payments

During the year ended June 30, 2024, the State of Tennessee made payments of \$61,487.50 on behalf of the college for retirees participating in the Closed Tennessee OPEB Plan and \$1,733,392.00 for the Closed State and Higher Education Employee Pension plan. The Closed Tennessee OPEB Plan is a postemployment benefit healthcare plan and is discussed further in Note 11. The payment to the Closed State and Higher Education Pension plan is the System's allocation from a one-time \$300 million state appropriation. The Closed State and Higher Education Pension plan is a defined benefit pension plan with membership in the Tennessee Consolidated Retirement System and is discussed further in Note 9.

Note 17. Adjustments for Accounting Changes and Error Corrections

During fiscal year 2024, the college was informed that the State had made an additional contribution to the Closed State and Higher Education Employee Pension Plan during fiscal year 2023 of which the college was unaware. Therefore, state appropriation revenues and deferred outflows related to pensions were understated by \$2,039,451.00 in fiscal year 2023 for this error. The effect of correcting that error is shown in the table below.

During fiscal year 2024, an error correction resulted in restatements of beginning net position as follows:

Notes to the Financial Statements (Continued)

	June 30, 2023 as previously reported	Change in Accounting Principle	Change in Reporting Entity	Error Correction	June 30, 2023 as restated
Net position	\$109,998,255.94	-	-	\$2,039,451.00	\$112,037,706.94

Note 18. Component Unit

Walters State Community College Foundation is a legally separate, tax-exempt organization supporting Walters State Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 124-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, 2024, the Foundation made distributions of \$671,163.09 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Dr. Mark Hurst, Walters State Community College Foundation, P. O. Box 1508, Morristown, TN 37816-1508.

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, 2024, cash and cash equivalents consists of \$129,111.50 in bank accounts, \$500.00 of petty cash on hand, 2,267,542.86 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$746,333.65 in money market funds.

The Foundation also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is measured at amortized cost and is part of the Pooled Investment Fund. There are no minimum or maximum limitations on withdrawals. The fund's required risk disclosures are presented in the State Pooled Investment Fund financial statements. That report is available on the state's website at <https://treasury.tn.gov/Explore-Your-TN-Treasury/About-the-Treasury/Department-Reports>. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Investments

Notes to the Financial Statements (Continued)

The Foundation is authorized to invest funds in accordance with its board of directors' policies. In accordance with GASB Statement 31, as amended, investments are reported at fair value, including those with a maturity date of one year or less at the time of purchase, unless otherwise noted.

As of June 30, 2024, the Foundation had the following investments and maturities.

Investment Type	Reported Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
Mutual bond funds	\$6,406,043.97	\$ -	\$525,700.75	\$5,880,343.22	-
Money market funds	746,333.65	746,333.65	-	-	-
Total debt instruments and cash equivalents	\$7,152,377.62	\$746,333.65	\$525,700.75	\$5,880,343.22	-
<u>Non-Fixed Income Investments</u>					
Corporate stock	75,558.47				
Mutual equity funds	10,965,735.96				
Private equity funds	1,615,271.00				
Certificates of deposit	368,017.91				
Cash surrender value of life insurance	65,741.03				
Total investments and cash equivalents	20,242,701.99				
Less cash equivalents	746,333.65				
Total investments	\$19,496,368.34				

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, 2024, the Foundation's investments were rated as follows:

Investment Type	Reported Value	Credit Quality Rating				
		AAA	AA	A	BBB	BB
LGIP (amortized)	\$2,267,542.86	\$ -	\$ -	\$ -	\$ -	\$ -

Notes to the Financial Statements (Continued)

cost)						
Mutual bond funds	6,406,043.97	3,240,925.26	680,770.31	677,732.62	1,062,102.64	561,542.12
Money market funds	746,333.65	-	-	-	-	-
Total	\$9,419,920.48	\$3,240,925.26	\$680,770.31	\$677,732.62	\$1,062,102.64	\$561,542.12

Investment Type	Unrated
LGIP	\$2,267,542.86
Mutual bond funds	182,971.02
Money market funds	746,333.65
Total	\$3,196,847.53

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the cash flows or fair value of a transaction. The Foundation places no limit on the amount it may invest in foreign currency. The Foundation’s exposure to foreign currency risk at June 30, 2024, is as follows:

Investment	Currency	Maturity	Fair Value
Mutual equity funds	Various	-	\$852,365.12

Alternative Investments—The foundation has investments in private equity funds. The estimated fair value of these assets is \$1,615,271.00 at June 30, 2024.

The foundation believes that the carrying amount of its alternative investments is a reasonable estimate of fair value as of June 30, 2024. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed, and such differences could be material. These investments are made in accordance with the foundation’s investment policy. These investments are designed to enhance diversification and provide reductions in overall portfolio volatility. These fair values are estimated using various valuation techniques.

Fair Value Measurement

The foundation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The foundation has the following recurring fair value measurements as of June 30, 2024:

June 30, 2024	Quoted Prices in Active Markets	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at the
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Notes to the Financial Statements (Continued)

		for Identical Assets (Level 1)			Net Asset Value (NAV)	
Assets by fair value level						
Debt Securities						
Mutual bond funds	\$6,406,043.97	\$6,406,043.97	\$	-	\$	-
Total debt securities	6,406,043.97	6,406,043.97		-		-
Equity Securities						
Corporate stock	75,558.47	75,558.47		-		-
Mutual equity funds	10,965,735.96	10,965,735.96		-		-
Private equities	1,615,271.00	-		-		1,615,271.00
Total equity securities	12,656,565.43	11,041,294.43		-		1,615,271.00
Total assets at fair value	\$19,062,609.40	\$17,447,338.40	\$	-	\$	\$1,615,271.00

Assets and liabilities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The valuation method for assets and liabilities measured at the net asset value per share (or its equivalent) is presented on the following table.

Assets Measured at the NAV	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
ValStone Opportunity Fund	\$1,615,271.00	\$ -	none	none

ValStone Opportunity Fund V, LLC, a Delaware limited liability company was formed May 18, 2010, and began operations on March 1, 2013, for the purpose of investing in distressed debt obligations and other assets, including operating companies and real estate. ValStone Opportunity Fund V invests primarily in real estate with certain desirable attributes.

Pledges Receivable

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

	June 30, 2024
Current pledges	\$ 760,722.00
Pledges due in one to five years	952,308.50
Pledges due after five years	-
Total pledges receivable, net	\$1,713,030.50

Capital Assets

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

Notes to the Financial Statements (Continued)

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	\$318,921.86	\$ -	\$ -	\$ -	\$318,921.86
Land improvements and infrastructure	287,000.00	-	-	-	287,000.00
Buildings	233,173.30	-	-	-	233,173.30
Total	839,095.16	-	-	-	839,095.16
Less accumulated depreciation:					
Land improvements and infrastructure	71,750.00	14,350.00	-	-	86,100.00
Buildings	10,686.24	3,886.23	-	-	14,572.47
Total	82,436.24	18,236.23	-	-	100,672.47
Capital assets, net	\$756,658.92	\$(18,236.23)	\$ -	\$ -	\$738,422.69

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.

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, 4.5% of a rolling five-year average of the endowment fair 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, 2024, net appreciation of \$3,377,717.58 is available to be spent, of which \$2,956,164.32 is included in restricted net position expendable for scholarships and fellowships, \$178,884.21 is included in restricted net position expendable for other, and \$242,669.05 is included in unrestricted net position.

Revenues

The following revenues have been adjusted for uncollectible debts:

Revenue Source	Gross Revenue	Uncollectible Debt	
		Adjustment	Net Revenue
Gifts and contributions	\$1,158,463.30	\$11,433.50	\$1,169,896.80
Total	\$1,158,463.30	\$11,433.50	\$1,169,896.80

Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Walters State Community College's Proportionate Share of the Net Pension Liability (Asset)
Closed State and Higher Education Employee Pension Plan Within TCRS
Fiscal Year Ending June 30

	Institution's portion of the net pension liability	Institution's proportionate share of the net pension liability	Institution's covered payroll	Institution's proportionate share of the net pension liability as a percent of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.571838%	\$ 6,312,820.00	\$ 12,168,112.00	51.88%	94.48%
2022	0.568681%	6,775,042.00	11,861,682.00	57.12%	93.80%
2021	0.618719%	(3,785,621.00)	13,058,994.00	-28.99%	103.30%
2020	0.604811%	9,908,686.00	13,387,583.00	74.01%	90.58%
2019	0.601409%	8,492,883.00	13,560,043.00	62.63%	91.67%
2018	0.629454%	10,168,271.00	14,566,010.00	69.81%	90.26%
2017	0.619921%	11,094,109.00	14,872,187.00	74.60%	88.88%
2016	0.652970%	11,913,869.00	15,942,453.00	74.73%	87.96%
2015	0.601842%	7,759,448.00	15,715,442.00	49.37%	91.26%
2014	0.616921%	4,256,441.00	16,853,800.00	25.26%	95.11%

- (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 years until ten years of information is available.
- (2) To correspond with the measurement date, the amounts presented were determined as of June 30 of the prior fiscal year.

**Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Walters State Community College's Proportionate Share of the Net Pension Liability (Asset)
State and Higher Education Employee Retirement Plan Within TCRS
Fiscal Year Ending June 30**

	Institution's portion of the net pension asset	Institution's proportionate share of the net pension asset	Institution's covered payroll	Institution's proportionate share of the net pension asset as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension asset
2023	0.414353%	\$ (29,845.00)	\$ 7,549,256.00	-0.40%	101.03%
2022	0.448603%	(111,876.00)	6,544,812.00	-1.71%	104.81%
2021	0.445703%	(377,718.00)	5,557,338.00	-6.69%	121.71%
2020	0.419904%	(147,862.00)	4,806,461.00	-3.08%	112.90%
2019	0.458682%	(190,250.00)	4,302,712.00	-4.42%	122.36%
2018	0.484258%	(186,793.00)	3,542,473.00	-5.27%	132.39%
2017	0.495442%	(102,747.00)	2,604,349.00	-3.95%	131.51%
2016	0.523906%	(44,135.00)	1,616,272.00	-2.76%	130.56%
2015	0.635797%	(17,861.00)	692,355.00	-2.55%	142.55%

(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 years until ten years of information is available.

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

Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Walters State Community College's Contributions
Closed State and Higher Education Employee Pension Plan Within TCRS
Fiscal Year Ended June 30

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 2,768,493.00	\$ 4,501,885.00	\$(1,733,392.00)	\$12,612,727.00	21.95%
2023	2,662,383.00	4,701,834.00	(2,039,451.00)	12,168,112.00	38.33%
2022	2,431,645.00	3,853,348.00	(1,421,703.00)	11,861,682.00	32.49%
2021	2,641,835.00	2,641,835.00	-	13,058,998.00	20.23%
2020	2,631,999.00	2,631,999.00	-	13,387,583.00	19.66%
2019	2,607,597.00	2,607,597.00	-	13,560,045.00	19.23%
2018	2,748,606.00	2,748,606.00	-	14,566,010.00	18.87%
2017	2,233,803.00	2,233,803.00	-	14,872,187.00	15.02%
2016	2,396,151.00	2,396,151.00	-	15,942,453.00	15.03%
2015	2,362,031.00	2,362,031.00	-	15,715,442.00	15.03%

- (1) To correspond with the reporting date, the amounts presented were determined as of June 30 of the stated fiscal year.
- (2) In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased the salary growth graded ranges from an average of 4.25% to an average of 4.00%, and modified mortality assumptions.

**Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Walters State Community College's Contributions
State and Higher Education Employee Retirement Plan Within TCRS
Fiscal Year Ended June 30**

	Contractually Determined Contributions	Contributions in Relation to Contractually Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 240,111.00	\$ 240,111.00	\$ -	\$ 8,674,308.00	2.77%
2023	187,222.00	187,222.00	-	7,549,256.00	2.48%
2022	121,734.00	121,734.00	-	6,544,812.00	1.86%
2021	101,576.00	101,576.00	-	5,557,338.00	1.80%
2020	83,152.00	83,152.00	-	4,806,459.00	1.73%
2019	71,425.00	71,425.00	-	4,302,712.00	1.66%
2018	138,801.00	138,801.00	-	3,542,473.00	3.92%
2017	101,312.00	101,312.00	-	2,604,356.00	3.89%
2016	62,467.00	62,467.00	-	1,616,272.00	3.86%
2015	26,794.00	26,794.00	-	692,355.00	3.87%

- (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 years until ten years of information is available.
- (2) In 2021, the following assumptions were changed: decreased inflation rate from 2.50% to 2.25%; decreased the investment rate of return from 7.25% to 6.75%; decreased the cost-of-living adjustment from 2.25% to 2.125%; and modified mortality assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.00% to 2.50%; decreased the investment rate of return from 7.50% to 7.25%; decreased the cost-of-living adjustment from 2.50% to 2.25%; and decreased the salary growth graded ranges from an average of 4.25% to an average of 4.00%, and modified mortality assumptions.

**Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the Employer Proportionate Share of the Collective Total OPEB Liability
State Employee Group OPEB Plan
Fiscal Year Ending June 30**

	Institution's proportion of the collective total OPEB liability	Institution's proportionate share of the collective total OPEB liability	Institution's covered-employee payroll	Institution's proportionate share of the collective total OPEB liability as a percentage of it's covered payroll	OPEB plans fiduciary net position as a percentage of the total OPEB liability
2024	0.684498%	\$ 2,731,768.00	\$ 15,534,732.00	17.584906%	68.400000%
2023	0.691437%	4,895,220.00	15,301,219.00	31.992353%	38.590000%
2022	0.613071%	4,371,391.00	17,398,871.00	25.534706%	39.000000%
2021	0.593128%	4,965,068.00	17,050,732.00	29.119383%	25.200000%
2020	0.604589%	5,756,775.00	18,571,997.00	30.997070%	18.330000%
2019	0.637555%	8,831,661.00	17,653,154.00	50.028799%	0.000000%
2018	0.620818%	8,093,074.00	18,292,023.00	44.243734%	0.000000%

- (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 years until ten years of information is available.
- (2) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
- (3) During fiscal year 2019, the EGOP transitioned from a pay-as-you-go OPEB plan to a prefunding arrangement where assets are accumulated in a qualifying trust and benefits are paid from that trust. The transition resulted in a significant increase to the discount rate from 3.6 percent to 6 percent. This change would be reflected in the June 30, 2020 reporting period due to the one year lookback on OPEB measurement.

**Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of Walters State Community College's Contributions to State of Tennessee
State Employee Group OPEB Plan
Fiscal Year Ended June 30**

	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll	Contributions as a Percentage of Covered-employee Payroll
2024	\$ 728,506.00	\$ 728,506.00	\$ -	\$ 16,042,702.00	4.54%
2023	758,948.00	758,948.00	-	15,534,732.00	4.89%
2022	816,931.00	816,931.00	-	15,301,219.00	5.34%
2021	905,910.00	905,910.00	-	17,398,871.00	5.21%
2020	910,403.00	910,403.00	-	17,050,732.00	5.34%
2019	847,002.00	731,163.00	115,839.00	18,571,997.00	3.94%

- (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 years until ten years of information is available.
- (2) Actuarially determined contribution rates are determined based on valuations as of June 30 two years prior to the fiscal year in which the contributions are reported.

**Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Required Supplementary Information
Schedule of the Employer Proportionate Share of the Collective Total OPEB
Tennessee OPEB Plan
Fiscal Year Ending June 30**

	Institution's proportion of the collective total OPEB liability	Primary government's share of the collective total OPEB liability related to institution	Institution's covered-employee payroll	Primary government's share of the collective total OPEB liability related to institution as a percentage of covered-employee payroll
2024	0.000000%	\$ 1,043,048.00	\$ 16,034,674.00	0.000000%
2023	0.000000%	1,006,157.00	16,889,162.00	0.000000%
2022	0.000000%	1,176,742.00	19,626,834.00	0.000000%
2021	0.000000%	1,342,973.00	18,678,149.00	0.000000%
2020	0.000000%	1,140,445.00	21,535,803.00	0.000000%
2019	0.000000%	1,062,269.00	20,006,942.00	0.000000%
2018	0.000000%	1,101,935.00	20,339,092.00	0.000000%

- (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 years until ten years of information is available.
- (2) The amounts reported for each fiscal year were determined as of the prior fiscal year-end.
- (3) There are no assets accumulating in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 related to this OPEB plan.

Supplementary Information
Tennessee Board of Regents
WALTERS STATE COMMUNITY COLLEGE
Schedule of Cash Flow - Component Unit
For the Year Ended June 30, 2024

	Year Ended June 30, 2024
Cash flows from operating activities	
Gifts and contributions	\$ 1,254,133.30
Payments to suppliers and vendors	(213,460.89)
Payments for scholarships and fellowships	(650,450.08)
Payments to Walters State Community College	(642,241.32)
Other receipts	44,263.00
Net cash used for operating activities	(207,755.99)
Cash flows from noncapital financing activities	
Private gifts for endowment purposes	360,571.51
Net cash provided by noncapital financing activities	360,571.51
Cash flows from investing activities	
Proceeds from sales and maturities of investments	577,610.91
Income on investments	697,086.45
Purchases of investments	(1,081,722.94)
Net cash provided by investing activities	192,974.42
Net decrease in cash and cash equivalents	345,789.94
Cash and cash equivalents - beginning of year	2,797,698.07
Cash and cash equivalents - end of year (Note 18)	\$ 3,143,488.01
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (314,123.27)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Noncash operating expenses	(114,763.77)
Change in assets, liabilities, and deferrals:	
Receivables	217,236.50
Prepaid items	(83.75)
Accounts payable	194.30
Due to Walters State Community College	3,784.00
Net cash used for operating activities	\$ (207,755.99)
Noncash investing, capital, and financing activities	
Unrealized gains on investments	\$ 904,724.89