NASHVILLE STATE TECHNICAL COMMUNITY COLLEGE
Standard Notes to the Financial Statements
June 30, 2006

1. Summary of Significant Accounting Policies

REPORTING ENTITY

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

BASIS OF PRESENTATION

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement No. 34, ***Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.*** This was followed in November 1999 by GASB Statement No. 35, ***Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*** and in May 2002 by GASB Statement No 39, ***Determining Whether Certain Organizations are Component Units.*** The financial statement presentation required by GASB No. 34, No. 35 and No. 39 provides a comprehensive, entity-wide perspective of the College, including component units, assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

BASIS OF ACCOUNTING

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). The College has the option of following private-sector guidance issued subsequent to November 30, 1989, subject to the above limitation. The College has elected not to follow private-sector guidance issued subsequent to November 30, 1989.

Amounts reported as operating revenues include: 1) tuition and fees, net of waivers and discounts, 2) federal, state, local and private grants and contracts, 3) sales and services of auxiliary enterprises, and 4) other sources of revenue. Operating expenses for the College include: 1) salaries and wages, 2) employee benefits, 3) scholarships and fellowships, 4) depreciation, and 5) utilities, supplies, and other services.

All other activity is nonoperating in nature. This activity includes: 1) state appropriations for operations, 2) investment income, 3) bond issuance costs, 4) interest on capital asset-related debt, and 5) gifts and non-exchange transactions.

When both restricted and unrestricted resources are available for use, generally it is the College's policy to use the restricted resources first.

COMPENSATED ABSENCES

The College's employees accrue annual leave at varying rates, depending upon length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are reported in the Statement of Net Assets.

CAPITAL ASSETS

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

A capitalization threshold of $100,000 is used for buildings, and $50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is $5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at $50,000. The capitalization threshold for software is set at $100,000.

These assets, with the exception of land, are depreciated/amortized using the straight-line method over the estimated useful lives of the assets, which range from 5 to 40 years.

LWIA EQUIPMENT

Under a contract with the Tennessee Department of Labor and Workforce Development, the College is the administrative entity and grant recipient for the Local Workforce Investment Area in workforce investment area Numbers 8 and 9 of the State of Tennessee. The title to all the equipment purchased by Nashville State Technical Community College under the provisions of the Workforce Investment Act resides with the U.S. Government. Therefore, this equipment is not included in Nashville State Technical Community College's capital assets.

NET ASSETS

The College's net assets are classified as follows:

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

RESTRICTED NET ASSETS – NONEXPENDABLE: Nonexpendable restricted net assets consist 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 ASSETS – EXPENDABLE: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

UNRESTRICTED NET ASSETS: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments 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 assets. 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.

2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2006, cash consists of $1,117,381.23 in bank accounts, $900.00 of petty cash on hand, $17,153,621.67 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $896,624.03 in the LGIP Deposits – Capital Projects account. At June 30, 2005, cash consists of $511,134.89 in bank accounts, $1,600.00 of petty cash on hand, $17,631,499.42 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $224,408.25 in the LGIP Deposits – Capital Projects account.

LGIP Deposits – Capital Projects - Payments related to the College's capital projects are made by the State of Tennessee's Department of Finance and Administration. The College's estimated local share of the cost of each project is held in a separate Local Government Investment Pool (LGIP) account. As expenses are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the College for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

3. Accounts, Notes, and Grants Receivable

Accounts receivable included the following:

	June 30, 2006	June 30, 2005
Student accounts receivable	$846,993.26	$714,961.63
Grants receivable	525,391.62	623,612.30
State appropriation receivable	46,300.00	47,500.00
Other receivables	71,076.78	37,605.75
Subtotal	$1,489,761.66	1,423,679.68
Less allowance for doubtful account	(116,000.00)	(100,900.00)
Total	$1,373,761.66	$1,322,779.68

4. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	$1,340,140.00				$1,340,140.00
Land improve & Infrastr	1,577,382.21				1,577,382.21
Buildings	21,069,601.86				21,069,601.86
Equipment	3,229,082.46	$689,558.12		$319,972.20	3,598,668.38
Library holdings	663,217.57	59,501.73		98,033.52	624,685.78
Software		53,406.00	$563,276.59		616,682.59
Projects in progress	783,006.08	2,025,095.08	($563,276.59)		2,244,824.57
Total	$28,662,430.18	$2,827,560.93		$418,005.72	$31,071,985.39
Less accum dep:					
Land improve & Infrastr	$710,727.77	$66,611.97			$777,339.74
Buildings	9,011,433.81	587,690.70			9,599,124.51
Equipment	1,996,286.44	296,271.15		$318,401.45	1,974,156.14
Library holdings	345,533.39	72,271.94		98,033.52	319,771.81
Software		61,668.26			61,668.26
Total accum dep	$12,063,981.41	$1,084,514.02		$416,434.97	$12,732,060.46
Capital assets, net	$16,598,448.77	$1,743,046.91		$1,570.75	$18,339,924.93

Capital asset activity for the year ended June 30, 2005, was as follows:

	Beg Balance	Additions	Transfers	Reductions	End Balance
Land	$1,340,140.00				$1,340,140.00
Land improve & Infrastr	1,470,802.96	$106,579.25			1,577,382.21
Buildings	21,069,601.86				21,069,601.86
Equipment	2,725,212.99	770,015.75		$266,146.28	3,229,082.46
Library holdings	695,755.88	64,122.91		96,661.22	663,217.57
Projects in progress		783,006.08			783,006.08
Total	$27,301,513.69	$1,723,723.99		$362,807.50	$28,662,430.18
Less accum dep:					
Land improve & Infrastr	$636,074.58	$74,653.19			$710,727.77
Buildings	8,423,743.11	587,690.70			9,011,433.81
Equipment	2,107,560.03	148,496.89		$259,770.48	1,996,286.44
Library holdings	366,206.73	75,987.88		96,661.22	345,533.39
Total accum dep	$11,533,584.45	$886,828.66		$356,431.70	$12,063,981.41
Capital assets, net	$15,767,929.24	$836,895.33		$6,375.80	$16,598,448.77

5. Capital Leases

The College has a capital lease agreement with the State of Tennessee for 13,000 square feet of the Old High School Building, 1162 Foster Avenue, Nashville, TN 37243. This agreement has beginning and ending dates ranging from September 1, 2005 indefinitely or until terminated by either party upon at least one hundred eighty (180) days written notice prior to the date when such termination becomes effective.

Construction in Progress

At June 30, 2006, outstanding commitments under construction contracts totaled $297,002.62 for the campus energy- saving project of which $40,029.00 will be funded by future state capital outlay appropriations.

6. Long-term Liabilities

Long term liability activity for the year ended June 30, 2006, was as follows:

	Beg Balance	Additions	Reductions	End Balance	Curr Portion
Payables:					
Bonds	$73,347.50		$9,004.65	$64,342.85	$9,450.38
Subtotal	$73,347.50		$9,004.65	$64,342.85	$9,450.38
Other Liabilities					
Comp Absences	$655,874.07	$495,279.17	$439,538.96	$711,614.28	$157,574.77
Subtotal	$655,874.07	$495,279.17	$439,538.96	$711,614.28	$157,574.77
Total Long-term Liabilities	$729,221.57	$495,279.17	$448,543.61	$775,957.13	$167,025.15

Long term liability activity for the year ended June 30, 2005, was as follows:

	Beg Balance	Additions	Reductions	End Balance	Curr Portion
Payables: Bonds	$81,947.93		$8,600.43	$73,347.50	$9,004.65
Subtotal	$81,947.93		$8,600.43	$73,347.50	$9,004.65
Other Liabilities Comp Absences	$574,884.62	$526,244.62	$420,103.16	$681,026.08	$343,411.04
Subtotal	$574,884.62	$526,244.62	$420,103.16	$681,026.08	$343,411.04
Total long-term Liabilities	$656,832.55	$526,244.62	$428,703.59	$754,373.58	$352,415.69

Bonds Payable

Bond issues, with interest rates ranging from 4.5% to 5% for Tennessee State School Bond Authority bonds, are due serially to May 1, 2012 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the College, including state appropriations. The bonded indebtedness with the Tennessee State School Bond Authority reported on the Statement of Net Assets is shown net of assets held by the authority in the debt service reserve and net of unexpended loan proceeds. The reserve amount was $76,024.57 at June 30, 2006, and $88,626.84 at June 30, 2005. Unexpended debt proceeds were $11,681.72 at June 30, 2006 and $15,279.34 at June 30, 2005.

For the Year(s) Ending June 30	Principal	Interest	Total
2007	$9,450.38	$3,169.90	$12,620.28
2008	9,894.55	2,744.62	12,639.17
2009	10,409.06	2,249.90	12,658.96
2010	10,950.33	1,729.44	12,679.77
2011	11,519.75	1,181.92	12,701.67
2012	12,118.78	605.94	12,724.72
Total	$64,342.85	$11,681.72	$76,024.57

7. Endowments

If a donor has not provided specific instructions to Nashville State Technical Community College, state law permits the College to authorize for expenditure the earnings of the investments of endowment funds. When administering its power to spend these earnings, the College is required to consider the College's long-term and short-term needs, present and anticipated financial requirements, expected return on its investments, price-level trends, and general economic conditions. Any earnings spent are required to be spent for the purposes for which the endowment was established.

The College chooses to spend only a portion of the investment income each year. Under the spending plan established by the College, 95% of investment earnings on endowments not otherwise specifying a specific spending plan, are available for allocation. The remaining amount, if any, is added to the endowment base. At June 30, 2006, net appreciation of $156.31 is available to be spent, of which $156.31 is included in restricted net assets expendable for scholarships and fellowships. At June 30, 2005, net appreciation of $98.13 was available to be spent, of which $98.13 was included in restricted net assets expendable for scholarships and fellowships.

8. Unrestricted Net Assets

Unrestricted net assets include funds that have been designated or reserved for specific purposes. These purposes include the following:

	FY 2006	FY 2005
Working capital	$617,302.33	$614,111.22
Encumbrances	220,779.55	349,154.33
Auxiliaries	9,500.00	9,500.00
Renewal and replacement of equipment	6,245,125.76	6,283,609.74
Debt retirement	31,513.33	27,840.80
Unreserved/undesignated balance	5,663,180.22	4,877,225.64
Total	$12,787,401.19	$12,161,441.73

9. Pension Plans

Defined Benefit Plan

Plan Description - The College contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death, and disability benefits as well as annual cost-of-living adjustments to plan members and their beneficiaries. Title 8, Chapters 34-37, Tennessee Code Annotated, establishes benefit provisions. State statutes are amended by the Tennessee General Assembly.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or by calling (615) 741-8202, extension 139.

Funding Policy - Plan members are noncontributory. The College is required to contribute at an actuarially determined rate. The current rate is 10.31% of annual covered payroll. The contribution requirements of the College are established and may be amended by the TCRS Board of Trustees. The College's contributions to TCRS for the years ending June 30, 2006, 2005, and 2004 were $826,279.71, $776,333.28, and $515,155.30, respectively, equal to the required contributions for each year.

Defined Contribution Plans

Plan Description – The College contributes to three defined contribution plans: Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), Aetna Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly.

Funding Policy – Plan members are noncontributory. The College contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the College to the plans for the year ended June 30, 2006, was $593,969.15 and for the year ended June 30, 2005, was $558,374.54. Contributions met the requirements for each year.

10. Other Post-Employment Benefits

The State of Tennessee administers a group health insurance program that provides post-employment health insurance benefits to eligible College retirees. This benefit is provided by and administered by the State of Tennessee. The College assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the Tennessee Comprehensive Annual Financial Report. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

11. Insurance-Related Activities

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The Risk Management Fund is also responsible for claims for damages to state owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence, depending on the type of coverage, to an aggregate of $7.5 million.

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, 2006, and June 30, 2005, are presented in the Tennessee Comprehensive Annual Financial Report. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140. 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. At June 30, 2005, the Risk Management fund held $14.4 million in cash and cash equivalents designated for payment of claims. The amount of cash and cash equivalents designated for payment of claims by the Risk Management Fund at June 30, 2006, was not available.

At June 30, 2006, the scheduled coverage for the College was $36,920,700.00 for buildings and $20,130,500.00 for contents. At June 30, 2005, the scheduled coverage for the College was $32,871,000.00 for buildings and $18,143,300.00 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 that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

12. Commitments and Contingencies

Sick Leave - The College records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $4,958,456.95 at June 30, 2006, and $4,605,736.13 at June 30, 2005.

Operating Leases - The College has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real and personal property were $0.00 and $60,364.50 respectively for the year ended June 30, 2006. Comparative amounts for the year ended June 30, 2005, were $0.00 and $58,068.05, respectively. The following is a schedule by years of future minimum rental payments required under noncancelable operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2006:

Year ending June 30:	
2007	$2,793.00
Total minimum payments required	$2,793.00

Construction in Progress

At June 30, 2006, outstanding commitments under construction contracts totaled $297,002.62 for an energy-saving project of which $40,029.00 will be funded by future state capital outlay appropriations.

Contracts – In December 2004, the Tennessee Board of Regents system entered into a contract with SundgardSCT for the purchase of a comprehensive enterprise resource planning system. The contract includes a multi-year phase-in of administrative software for financial, human resource, and student systems. The College's outstanding liability for this contract is estimated as $70,731.70 at June 30, 2006.

13. Natural Classifications with Functional Classifications

The College's operating expenses by functional classification for the year ended June 30, 2006, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarship	Depreciation	Total
Instruction	$9,957,553.14	$2,841,422.63	$3,094,010.23	$170,574.66		$16,063,560.66
Public Service	399,190.51	106,910.95	194,663.09			700,764.55
Acad Support	2,941,182.56	828,615.96	(421,014.98)	40,239.00		3,389,022.54
Stud Services	1,292,267.73	483,236.45	802,648.35	19,230.63		2,597,383.16
Instit Support	1,993,031.04	711,009.73	986,392.00	4,734.00		3,695,166.77
M&O	507,689.05	192,678.84	1,406,935.69			2,107,303.58
Schol & Fellows			74,489.00	1,345,780.06		1,420,269.06
Auxiliary			3,463.89			3,463.89
Depreciation					$1,084,514.02	$1,084,514.02
Total Expenses	$17,090,914.03	$5,163,874.56	$6,141,587.27	$1,580,558.35	$1,084,514.02	$31,061,448.23

The College's operating expenses by functional classification for the year ended June 30, 2005, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarship	Depreciation	Total
Instruction	$9,622,447.73	$2,545,937.59	$3,511,210.61	$127,862.28		$15,807,458.21
Public Service	434,369.55	116,084.44	185,244.17			735,698.16
Acad Support	2,519,250.36	718,093.99	(479,385.63)	30,478.00		2,788,436.72
Stud Services	1,215,812.99	466,490.75	604,568.66	22,749.76		2,309,622.16
Instit Support	1,900,350.78	646,959.62	733,752.11	10,067.32		3,291,129.83
M&O	490,367.48	171,684.29	1,252,303.33			1,914,355.10
Schol & Fellows			98,428.89	1,350,264.87		1,448,693.76
Auxiliary			2,991.50			2,991.50
Depreciation					$790,167.44	$790,167.44
Total Expenses	$16,182,598.89	$4,665,250.68	$5,909,113.64	$1,541,422.23	$790,167.44	$29,088,552.88

14. Prior Period Adjustments

RESTRICTED ADDITION	$49,633.47	Receipt to correct funds transferred from Unrestricted
UNRESTRICTED ADDITIONS	$3,795.07	Payroll correction
	$660.00	Fees correction
UNRESTRICTED DEDUCTION	$49,633.47	Receipt to correct funds transferred to Restricted
UNRESTRICTED DEDUCTION	$441.34	Payroll correction
RESTRICTED DEDUCTION	$660.00	Fees correction

15. Component Unit

The Nashville State Technical Community College Foundation is a legally separate, tax-exempt organization supporting Nashville State Technical 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 29-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, 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, 2006, the Foundation made distributions of $46,427.58 to or on behalf of Nashville State Technical Community College for both restricted and unrestricted purposes. During the year ended June 30, 2005, the Foundation made distributions of $61,273.12 to or on behalf of the College for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from Debra Bauer, Nashville State Technical Community College, 120 White Bridge Road, Nashville, TN, 37209.

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the College's financial report for these differences.

Cash and Cash Equivalents – Cash and cash equivalents consist of demand deposit accounts, certificates of deposit, and money market funds, and the local government investment pool. Total cash and cash equivalents at June 30, 2006 were $260,816.67. Total cash and cash equivalents at June 30, 2005 were $591,298.71. The bank balances of deposits as of June 30, 2006 were $109,217.32. The balance was insured by FDIC for $100,000.00 At June 30, 2006, $9,217.32 of that balance was not insured or collateralized. The bank balances of deposits as of June 30, 2005 were $50,217.21 and was insured by the FDIC. The Local Government Investment Pool balance of deposits as of June 30, 2006 was $36,371.86. The Local Government Investment Pool balances of deposits as of June 30, 2005, were $541,081.50. The balances of deposits in cash accounts with Charles Schwab at June 30, 2006 was $187.12. The balance of deposits in money market sweep accounts with Charles Schwab at June 30, 2006 was $115,040.37. The cash and money market funds on deposit with Charles Schwab are not insured or collateralized.

Investments – Investments are recorded on the date of contribution and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year. Investment securities held at year-end were as follows:

	June 30, 2006		June 30, 2005	
	Cost	Market Value	Cost	Market Value
Mutual funds	$338,081.83	$335,847.49	$58,198.77	$62,428.27
Total	$338.081.83	$335.847.49	$58,198.77	$62,428.27

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

	June 30, 2006	June 30, 2005
Current pledges	$11,522.96	$11,670.24
Subtotal	$11,522.96	$11,670.24
Less discounts to net present value	(0.00)	(0.00)
Total pledges receivable, net	$11,522.96	$11,670.24

Endowments - If a donor has not provided specific instructions to Nashville State Technical Community College Foundation, state law 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 the foundation's 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, for endowments with a base of more than $10,000.00, 95% of investment earnings, on endowments not otherwise specifying a specific spending plan, are available for allocation. The remaining amount, if any, is added to the endowment base. On endowments with a balance of less than $10,000, all earnings are added to the base endowment. At June 30, 2006, net appreciation of $2,730.17 is available to be spent, of which $2,730.17 is included in restricted net assets expendable for scholarships and fellowships. At June 30, 2005, net appreciation of $931.35 was available to be spent, of which $931.35 was included in restricted net assets expendable for scholarships.