



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0264
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

May 21, 2007

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have audited the accompanying basic financial statements of Columbia State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2006, and June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the college's management. Our responsibility is to express opinions on these financial statements, based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of many agencies, commissions, and component units of the State of Tennessee; managing the state's debt; and making loans to the state's colleges and universities from debt proceeds. Some of the boards of which the Comptroller of the Treasury serves as a member per state statutes include the State Building Commission and the Tennessee Higher Education Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tennessee Board of Regents, Columbia State Community College, and its discretely presented component unit as of June 30, 2006, and June 30, 2005, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable John G. Morgan
May 21, 2007
Page Two

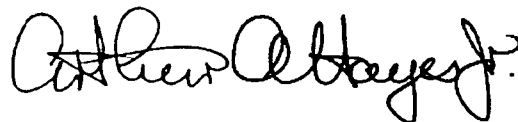
During the year ended June 30, 2006, the college implemented GASB Statement 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. During the year ended June 30, 2005, the college implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*.

The management's discussion and analysis on pages 9 through 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information on page 50 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2007, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

A handwritten signature in black ink, reading "Arthur A. Hayes, Jr." with a stylized, cursive script.

Arthur A. Hayes, Jr., CPA
Director

AAH/ddb

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis
June 30, 2006, and June 30, 2005**

This section of Columbia 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, 2006, with comparative information presented for the fiscal years ended June 30, 2005, and June 30, 2004. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the Independent Auditor's Report, the audited financial statements, and the accompanying notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Annual Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Columbia State Community College as a whole and present a long-term view of the college's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the college at the end of the fiscal year and includes all assets and liabilities of the college. The difference between total assets and total liabilities—net assets—is an indicator of the current financial condition of the college. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the college's equity in property, plant, and equipment owned by the college. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are 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 assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

**Institution
Summary of Net Assets (in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets:			
Current assets	\$ 5,564	\$ 5,245	\$ 5,629
Capital assets, net	12,880	13,205	12,563
Other assets	7,543	6,381	5,934
Total assets	<u>25,987</u>	<u>24,831</u>	<u>24,126</u>
Liabilities:			
Current liabilities	2,765	2,476	2,443
Noncurrent liabilities	780	745	659
Total liabilities	<u>3,545</u>	<u>3,221</u>	<u>3,102</u>
Net assets:			
Invested in capital assets, net of related debt	12,761	13,073	12,419
Restricted – nonexpendable	9	9	9
Restricted – expendable	287	365	266
Unrestricted	9,385	8,163	8,330
Total net assets	<u>\$ 22,442</u>	<u>\$ 21,610</u>	<u>\$ 21,024</u>

Comparison of FY 2006 to FY 2005 (in thousands of dollars)

- Current assets increased from 2005 to 2006 due in part to favorable market performance during 2006. The 2005 to 2006 increase also included an increase in student accounts receivable and receivables from the foundation.
- Other assets increased from 2005 to 2006 due to transfers from unrestricted net assets to plant fund net assets.
- The capital assets (net) decrease of \$325 in 2006 includes equipment and library holdings additions and disposals, continuing HVAC upgrades to the Health Sciences and Jones Student Center buildings, an addition to infrastructure, additions to capitalized software costs, and depreciation expenses.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

- Current liabilities are comprised primarily of vendor payables, accrued liabilities, student deposits, deferred revenue, current portions of long-term liabilities for debt and compensated absences, and deposits held in custody for others.
- The 2006 accrued liabilities decreased slightly (\$4) because of the timing difference in payment of benefits.
- The 2006 accounts payable decreased \$69, primarily from a reduction in purchase orders near year end.
- TSSBA bonds of \$119 are included in current and long-term liabilities in 2006. Proceeds were used to help replace one of the college chillers.
- The current portion of compensated absences increased \$6 in 2006; the long-term portion increased \$48. Overall compensated absences increased \$54.
- Depreciation costs increased from 2005 to 2006, mainly due to the first year of software amortization and increased depreciation amounts for buildings with HVAC upgrades. The increase in depreciation, along with library asset removals and equipment removals, contributed to the overall decrease in net invested in capital assets.

Comparison of FY 2005 to FY 2004 (in thousands of dollars)

- Current assets decreased from 2004 to 2005 due to an increase in student accounts receivable, grants receivable, and receivables from the foundation. The decrease was also due to a change in the calculation of current and noncurrent assets, which resulted in a reclassification between current and noncurrent assets.
- Other assets increased from 2004 to 2005 due to plant fund expenditures including the Jones Student Center renovation, Sungard/SCT administrative software, and computer hardware and software to support the administrative software. The increase was also due to a change in the calculation of current and noncurrent assets, which resulted in a reclassification between current and noncurrent assets.
- The capital assets, net increase of \$642 in 2005 is related primarily to HVAC upgrades in the Clement and Health Sciences buildings, software costs shown as projects in progress, and equipment and library purchases.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

- The 2005 accrued liabilities decreased slightly (\$3) because of the timing difference in payment of benefits.
- The 2005 accounts payable increase of \$165 is primarily from accounts payable costs associated with software projects in progress.
- TSSBA commercial paper/bonds of \$132 in 2005 are included in current and long-term liabilities. Proceeds were used to help replace one of the college chillers.
- The current portion of compensated absences decreased \$5 in 2005; the long-term portion increased \$98. Overall compensated absences increased \$93.
- Net invested in capital assets in 2005 includes building projects of \$429, software projects in progress of \$594, equipment purchases of \$519, library additions of \$164, and depreciation of \$860 during the year.

**Component Unit
Summary of Net Assets (in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets:			
Current assets	\$ 2,482	\$ 2,306	\$ 504
Capital assets, net	100	351	351
Other assets	2,699	2,749	4,299
Total assets	<u>5,281</u>	<u>5,406</u>	<u>5,154</u>
Liabilities:			
Current liabilities	244	212	158
Total liabilities	<u>244</u>	<u>212</u>	<u>158</u>
Net assets:			
Invested in capital assets, net of related debt	100	351	351
Restricted – nonexpendable	3,311	3,249	3,143
Restricted – expendable	790	724	631
Unrestricted	836	870	871
Total net assets	<u>\$ 5,037</u>	<u>\$ 5,194</u>	<u>\$ 4,996</u>

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Comparison of FY 2006 to FY 2005 (in thousands of dollars)

- Columbia State Community College Foundation current and noncurrent assets consist primarily of cash and cash equivalents; investments: pledges receivable, net of allowances; land; and other assets.
- An increase in noncurrent investments of \$58 is primarily due to gifts to Columbia State Community College Foundation.
- The current portion of pledges receivable decreased \$7 in 2006. There are currently no pledges held by the foundation.
- Columbia State Community College Foundation liabilities increased \$32 in 2006; the liabilities consist of accounts payable to Columbia State Community College.
- Columbia State Community College Foundation net invested in capital assets decreased \$251 because of the sale of 1.54 acres of land.

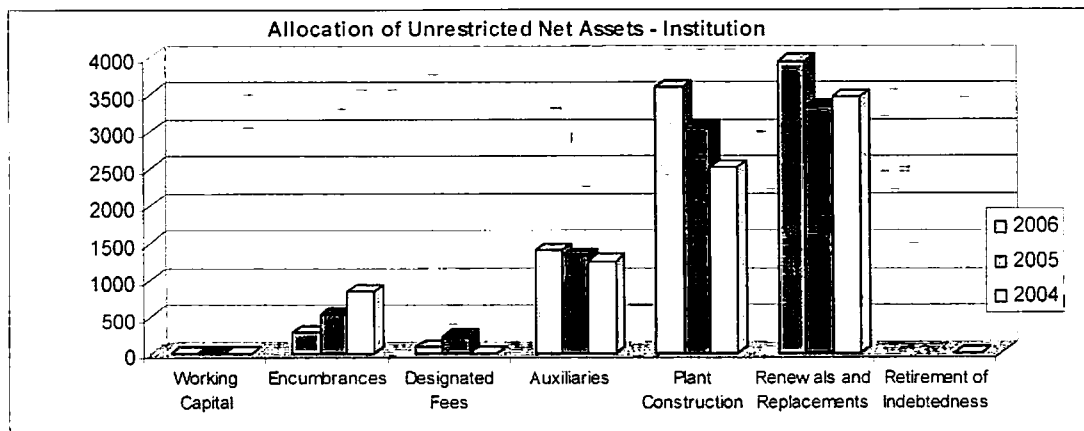
Comparison of FY 2005 to FY 2004 (in thousands of dollars)

- Columbia State Community College Foundation current and noncurrent assets consist primarily of cash and cash equivalents; investments; pledges receivable, net of allowances; land; and other assets.
- The 2005 changes in noncurrent assets are primarily due to gifts to Columbia State Community College Foundation.
- The 2005 current assets short-term investments shows an increase of \$1.732 and noncurrent assets investments shows a decrease of \$1.657 due to a change in 2005 in classification between current and noncurrent.
- The current portion of pledges receivable decreased \$63 in 2005; noncurrent pledges receivable decreased \$7. Overall pledges decreased \$70 in 2005.
- Columbia State Community College Foundation liabilities in 2005 consist of accounts payable to Columbia State Community College.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

- Columbia State Community College Foundation net invested in capital assets includes land of \$351.

Many of the college's unrestricted net assets have been designated or reserved for specific purposes such as: repairs and replacement of equipment, future debt service, quasi-endowments, capital projects, and student loans. The following graphs show the allocations in thousands of dollars:



Comparison of FY 2006 to FY 2005 (in thousands of dollars)

- Allocation for 2-5% reserve increased \$63 in 2006.
- Allocation for auxiliaries increased \$66 in 2006 and includes 2006 revenues.
- Allocation for encumbrances decreased \$241 in 2006.
- Due to aging facilities and decreased state funding, transfers of \$513 were made in 2006 for plant construction for anticipated projects. These projects include parking lot maintenance/construction, sidewalk repairs, tennis court repairs, and Pryor building and Natatorium renovations.
- Transfers were made to renewals and replacements for equipment usage charges. Due to increasing technology needs and decreased state funding, transfers of \$391 were made in 2006.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Comparison of FY 2005 to FY 2004 (in thousands of dollars)

- Allocation for 2-5% reserve decreased \$126 in 2005.
- Allocation for auxiliaries increased \$85 in 2005 and includes 2005 revenues.
- Allocation for encumbrances decreased \$318 in 2005.
- Due to aging facilities and decreased state funding, transfers of \$525 were made in 2005 for plant construction for anticipated projects. These projects include parking lot maintenance/construction, sidewalk repairs, tennis court repairs, and Pryor building, Natatorium, and Williamson County bookstore renovations.
- Transfers were made to renewals and replacements for equipment usage charges. Due to increasing technology needs and decreased state funding, transfers of \$400 were made for anticipated projects in 2005.

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

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the college, as well as the nonoperating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered nonoperating revenues according to accounting principles generally accepted in the United States of America.

**Institution
Summary of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues:			
Net tuition and fees	\$ 6,020	\$ 4,974	\$ 5,276
Grants and contracts	351	1,812	737
Auxiliary	144	159	151
Other	172	242	274
Total operating revenues	<u>6,687</u>	<u>7,187</u>	<u>6,438</u>
Operating expenses	<u>23,922</u>	<u>23,461</u>	<u>20,257</u>
Operating (loss)	<u>(17,235)</u>	<u>(16,274)</u>	<u>(13,819)</u>

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Nonoperating revenues and expenses:			
State appropriations	12,416	12,268	11,344
Gifts	235	209	185
Grants and contracts	4,812	3,793	3,512
Investment income	488	231	53
Other revenues and expenses	(4)	(12)	(180)
Total nonoperating revenues and expenses	<u>17,947</u>	<u>16,489</u>	<u>14,914</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>712</u>	<u>215</u>	<u>1,095</u>
Other revenues, expenses, gains, or losses:			
Capital appropriations	315	571	253
Other	(195)	(200)	(182)
Total other revenues, expenses, gains, or losses	<u>120</u>	<u>371</u>	<u>71</u>
Increase (decrease) in net assets	<u>832</u>	<u>586</u>	<u>1,166</u>
Net assets at beginning of year	<u>21,610</u>	<u>21,024</u>	<u>19,858</u>
Net assets at end of year	<u>\$ 22,442</u>	<u>\$ 21,610</u>	<u>\$ 21,024</u>

**Component Unit
Summary of Revenues, Expenses, and Changes in Net Assets (in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues:			
Gifts and contributions	\$ 346	\$ 510	\$ 217
Endowment income	149	136	120
Other	3	1	-
Total operating revenues	<u>498</u>	<u>647</u>	<u>337</u>
Operating expenses	<u>634</u>	<u>571</u>	<u>379</u>
Operating loss	<u>(136)</u>	<u>76</u>	<u>(42)</u>

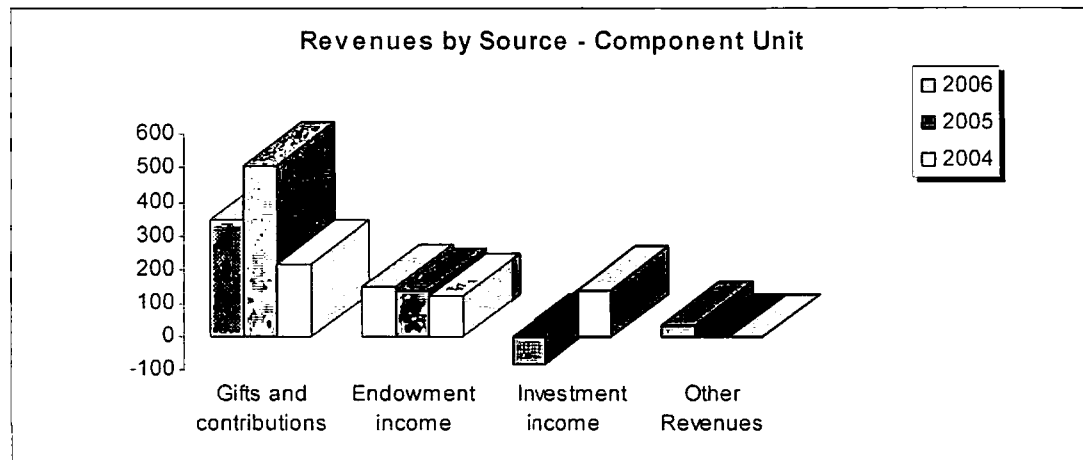
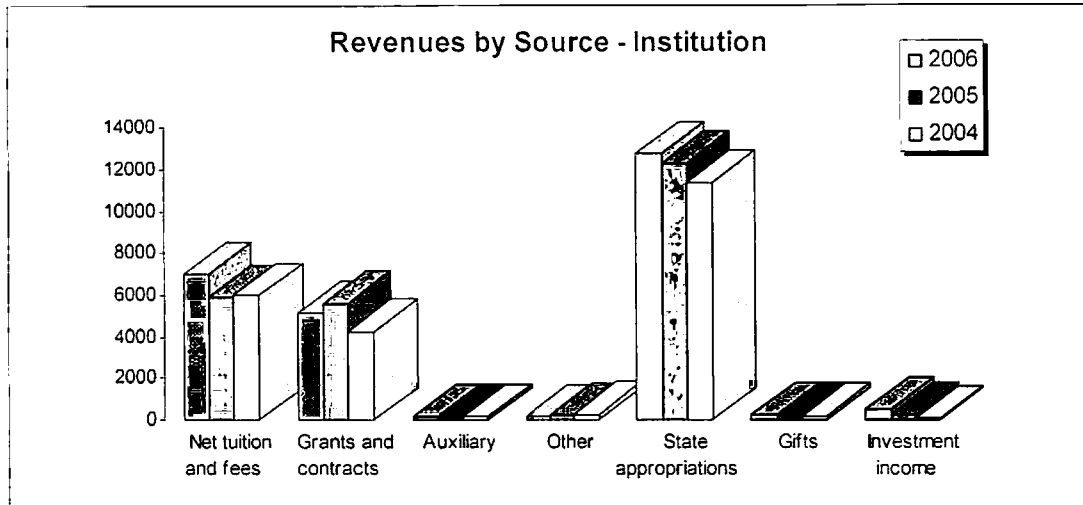
**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Nonoperating revenues and expenses:			
Investment income	(80)	64	140
Other revenues and expenses	31	(1)	(1)
Total nonoperating revenues and expenses	<u>(49)</u>	<u>63</u>	<u>139</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(185)</u>	<u>139</u>	<u>97</u>
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	28	59	81
Total other revenues, expenses, gains, or losses	<u>28</u>	<u>59</u>	<u>81</u>
Increase (decrease) in net assets	<u>(157)</u>	<u>198</u>	<u>178</u>
Net asset at beginning of period	<u>5,194</u>	<u>4,996</u>	<u>4,818</u>
Net assets at end of year	<u>\$ 5,037</u>	<u>\$ 5,194</u>	<u>\$ 4,996</u>

Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the college's operating activities for the years ended June 30, 2006; June 30, 2005; and June 30, 2004 (amounts are presented in thousands of dollars).

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**



Comparison of FY 2006 to FY 2005 (in thousands of dollars)

- A 9.7% increase in tuition and fees effective Fall 2005 and a decrease in scholarship allowances of \$520 contributed to a net tuition and fee increase of \$1,046 for 2006.
- State appropriations increased \$149 in 2006.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

- TSAC and Tennessee Education Lottery Scholarship Program were shown in operating revenues in 2005 and in nonoperating revenues in 2006.
- Rising interest rates caused an increase in investment income in 2006.
- Proceeds from a salvage sale were included in other income for the year ended June 30, 2005. No sale was held during the 2006 year.
- Columbia State Community College Foundation gifts and contributions decreased \$164 in 2006. The foundation is planning a major gifts campaign for 2007 to coincide with the 40th anniversary of the college.

Comparison of FY 2005 to FY 2004 (in thousands of dollars)

- A 7% increase in tuition and fees effective Fall 2004 and increases in scholarship allowances of \$1,001 contributed to a net tuition and fee decrease of \$302 for 2005. Fiscal year 2005 was the first year for the Tennessee Education Lottery Scholarship Program.
- Federal grants and contracts increased \$281 in 2005. This was primarily due to a LWIA contract to help fund programs for nursing students.
- Rising interest rates caused an increase in investment income in 2005.
- Proceeds from a salvage sale were included in other income for the year ended June 30, 2005. No sale was held during the 2004 year.
- Columbia State Community College Foundation gifts and contributions increased \$293 in 2005. The foundation is planning a major gifts campaign for 2007 to coincide with the 40th anniversary of the college.

Expenses

Operating expenses can be displayed in two formats, natural classification and program classification. Both formats are displayed below (in thousands of dollars).

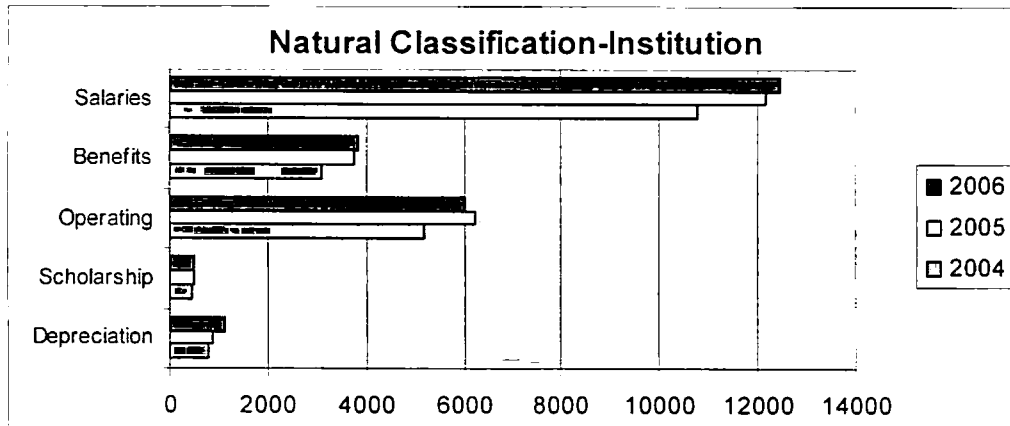
**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Natural Classification – Institution

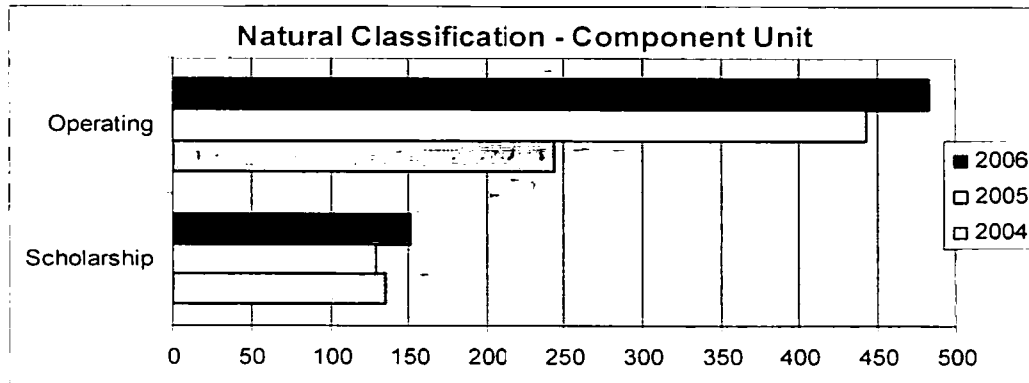
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Salaries	\$ 12,456	\$ 12,153	\$ 10,771
Benefits	3,823	3,765	3,066
Operating	6,012	6,196	5,170
Scholarships	516	487	438
Depreciation	1,115	860	812
Total expenses	<u>\$ 23,922</u>	<u>\$ 23,461</u>	<u>\$ 20,257</u>

Natural Classification – Component Unit

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating	\$ 483	\$ 442	\$ 244
Scholarships	151	129	135
Total expenses	<u>\$ 634</u>	<u>\$ 571</u>	<u>\$ 379</u>



**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**



Comparison of FY 2006 to FY 2005 (in thousands of dollars)

- The legislature approved a 3% across-the-board salary increase effective July 1, 2005.
- The institution funded an additional 1.5% across-the-board raise effective July 1, 2005.
- A one-time bonus of \$500 was paid to maintenance employees with the implementation of Banner Human Resources system. The system was implemented January 1, 2006; maintenance payrolls changed from biweekly to monthly payrolls with the implementation.
- Health insurance benefits costs increased approximately 3% in December 2005 for the 2006 fiscal year.
- Fiscal year 2006 was the first year for software amortization and depreciation for new infrastructure added in 2006.
- Columbia State Community College Foundation scholarships and fellowships expenses increased \$22 in 2006. Operating expenses increased \$41 in 2006.

Comparison of FY 2005 to FY 2004 (in thousands of dollars)

- The legislature approved a 3% across-the-board salary increase effective July 1, 2004. A one-time bonus of \$70 per year of service up to 25 years with a minimum of three years of service for all regular employees on the payroll as of August 31, 2004, was approved by the legislature and paid in October 2004.

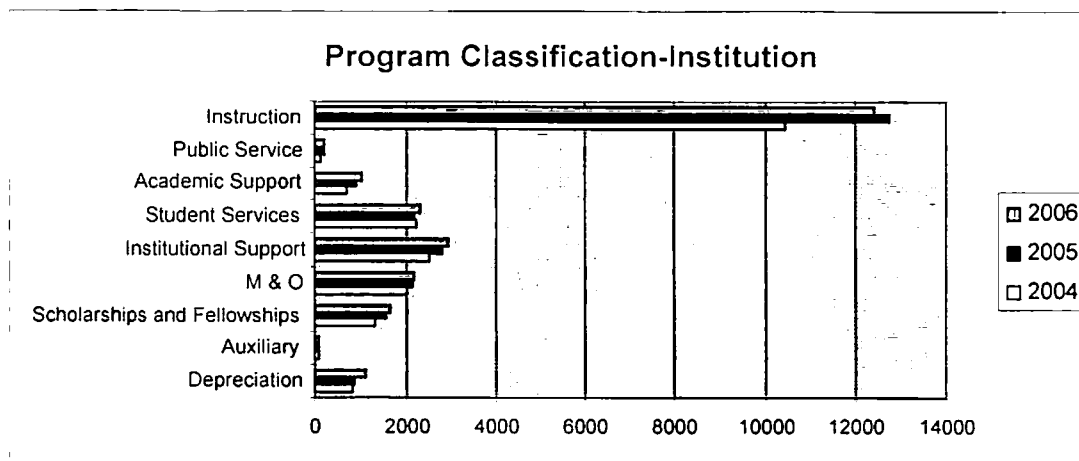
**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

- The college funded an additional 1% across-the-board salary increase retroactive to July 1, 2004.
- The college also funded an additional one-time bonus of the greater of 1% of annual salary or \$500. This bonus was paid in November 2004.
- Health insurance benefits costs increased approximately 9% in December 2004 for the 2005 year.
- Tennessee Consolidated Retirement System benefits increased 3.25% in July 2004.
- Columbia State Community College Foundation scholarships and fellowships expenses decreased \$6 in 2005. Operating expenses increased \$198 in 2005.

**Program Classification – Institution
(in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Instruction	\$ 12.398	\$ 12,724	\$ 10.428
Public service	218	222	143
Academic support	1,049	904	701
Student services	2.298	2.189	2.239
Institutional support	2,943	2.790	2.518
M & O	2.182	2.137	2.016
Scholarships and fellowships	1,648	1.570	1.335
Auxiliary	71	65	65
Depreciation	1.115	860	812
Total expenses	<u>\$ 23,922</u>	<u>\$ 23.461</u>	<u>\$ 20.257</u>

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**



Comparison of FY 2006 to FY 2005

- Across-the-board salary increases of 4.5% and increased insurance costs contributed to increases in Academic Support, Student Services, Institutional Support, and Maintenance and Operation of Physical Plant.
- Scholarships and fellowships increased with the increase in tuition and fees.
- Program classifications stayed relatively close to previous years' spending.

Comparison of FY 2005 to FY 2004

- Across-the-board salary increases of 4%, two one-time salary bonuses, increased insurance costs, and an increase in the TCRS retirement rate contributed to increases in Instruction, Public Service, Academic Support, Institutional Support, and Maintenance and Operation of Physical Plant.
- Scholarships and fellowships increased with both the enrollment increase and the increases in tuition and fees. Fiscal year 2005 was the first year for the Tennessee Education Lottery Scholarship Program.
- Columbia State Community College limited spending both years to some degree because of the uncertainty of state appropriations, the State of Tennessee budget, and possible

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

impoundments. Program classifications stayed relatively close to previous years spending.

The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the college's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

**Institution
Summary of Cash Flows (in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Cash provided (used) by:			
Operating activities	\$(16,156)	\$(15,307)	\$(13,355)
Noncapital financing activities	17,779	16,163	15,146
Capital and related financing activities	(687)	(1,154)	(1,115)
Investing activities	488	231	53
Net increase (decrease) in cash	1,424	(67)	729
Cash and cash equivalents, beginning of year	10,926	10,993	10,264
Cash and cash equivalents, end of year	<u>\$ 12,350</u>	<u>\$ 10,926</u>	<u>\$ 10,993</u>

Comparison of FY 2006 to FY 2005 (in thousands of dollars)

- Major sources of funds are tuition and fees and grants and contracts. Cash provided by tuition and fees increased \$1,044 in 2006 due to tuition and fee increases.
- Across-the-board salary increases of 4.5%, two one-time salary bonuses, and increased insurance costs contributed to 2006 increases in payments to employees.
- TSAC and Tennessee Education Lottery Scholarship Program were shown as cash flows from operating revenues in 2005 and in nonoperating revenues in 2006.
- In capital and related financing activities, major costs for 2006 were for the Jones Student Center and Health Sciences buildings HVAC upgrades and continued software purchases.
- Liquidity improved during 2006.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Comparison of FY 2005 to FY 2004 (in thousands of dollars)

- Major sources of funds are tuition and fees and grants and contracts. Cash provided by tuition and fees decreased \$152 in 2005 due to a combination of increased fees and increased scholarship allowances. Fiscal year 2005 was the first year for the Tennessee Education Lottery Scholarship Program. A total of \$923 in Lottery Scholarships was granted in 2005.
- Across-the-board salary increases of 4%, two one-time salary bonuses, increased insurance costs, and an increase in the TCRS retirement rate contributed to 2005 increases in payments to employees and for benefits.
- State appropriations increase of \$918 was the major change in noncapital finance activities in 2005.
- In capital and related financing activities, major costs for 2005 were for the Clement and Health Sciences buildings HVAC upgrades.
- Liquidity declined slightly during 2005.

Capital Assets and Debt Administration

Capital Assets

Columbia State Community College had \$12.880 invested in capital assets, net of accumulated depreciation of \$11,514 at June 30, 2006; \$13,205 invested in capital assets, net of accumulated depreciation of \$10,400 at June 30, 2005; and \$12,563 invested in capital assets, net of accumulated depreciation of \$9,540 at June 30, 2004. Depreciation charges totaled \$1,115, \$860, and \$812 for the years ended June 30, 2006; June 30, 2005; and June 30, 2004, respectively. Details of these assets are shown below.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ 885	\$ 885	\$ 885
Land improvements & infrastructure	1,133	1,077	1,154
Buildings	8,354	8,800	9,009
Equipment	1,063	1,130	820
Library holdings	699	718	695
Software	746	-	-
Projects in progress	-	595	-
Total	<u>\$ 12,880</u>	<u>\$ 13,205</u>	<u>\$ 12,563</u>

Major capital additions in 2006 and the source of resources that funded the acquisition included:

- HVAC upgrade projects for the Clement, Health Sciences, and Jones Student Center buildings funded by state appropriations.
- Administrative software for financial, human resource, and student systems shown in projects in progress in 2005 and in software in 2006. Software is funded by renewal and replacement funds, designated student fees, and unrestricted educational and general funds.
- Equipment of \$181 (2006), \$100 (2005), and \$211 (2004) and library holdings of \$124 (2006), \$164 (2005), and \$165 (2004) funded primarily from designated student fees, grants and contracts, and unrestricted educational and general funds.
- Entrance signs additions to infrastructure funded from unrestricted educational and general funds.

The HVAC upgrade in Health Sciences started in 2005 and continued in 2006. Part of the Jones Student Center HVAC upgrade was completed in 2006: it will continue in 2007. The administrative software implementation was begun in 2005 and will continue into the next fiscal year. More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

**Component Unit
Summary of Capital Assets, Net of Depreciation (in thousands of dollars)**

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land	\$ 100	\$ 351	\$ 351

- Columbia State Community College Foundation sold 1.54 acres of land during fiscal year 2006.

Debt

The college had \$119, \$132, and \$144 in debt outstanding at June 30, 2006; June 30, 2005; and June 30, 2004, respectively. The table below summarizes these amounts by type of debt instrument.

Summary of Outstanding Debt (in thousands of dollars)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
TSSBA bonds payable	\$ 119	\$ 132	\$ 144

Bond issues are due serially to 2014 and have interest rates ranging from 2.25% to 4.5%. Proceeds were used, in conjunction with state appropriations, to fund a replacement chiller for the college. Implementation of the chiller was completed in 2003. More detailed information about the college's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors That Will Affect the Future

The economic position of Columbia State Community College is closely tied to that of the State of Tennessee. State appropriations are the largest source of funding. Changes in the state's economy may cause changes in appropriations received. Fee increases of 4.1% go into effect Fall 2006.

The college is not currently aware of any facts, decisions, or conditions that are expected to have a significant impact on the financial position or the results of operations in the future.

**Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis (Cont.)
June 30, 2006, and June 30, 2005**

Columbia State Community College Foundation is planning a major gifts campaign for 2007 to coincide with the 40th anniversary of the college.

Requests for Information

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the college's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to Kenneth Horner, V.P. Finance & Administration, 1665 Hampshire Pike, Columbia, TN 38401.

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2006, AND JUNE 30, 2005

	Institution		Component Unit	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 14)	\$ 4,811,880.24	\$ 4,549,656.70	\$ 515,471.45	\$ 526,615.62
Short-term investments (Note 14)	-	-	1,922,445.09	1,732,433.81
Accounts, notes, and grants receivable (net) (Note 4)	746,158.55	689,037.24	44,878.19	40,284.46
Pledges receivable (net) (Note 14)	-	-	-	7,261.00
Inventories (at lower of cost or market)	495.46	815.04	-	-
Prepaid expenses and deferred charges	1,516.79	1,336.31	-	-
Accrued interest receivable	3,922.31	3,834.56	-	10.99
Other assets	329.79	194.44	-	-
Total current assets	5,564,303.14	5,244,874.29	2,482,794.73	2,306,605.88
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 14)	7,537,827.21	6,376,304.60	1,208,394.17	1,316,026.66
Investments (Note 14)	-	-	1,238,137.55	1,180,160.40
Accounts, notes, and grants receivable (net) (Note 4)	4,771.17	4,940.17	-	-
Capital assets (net) (Notes 5 and 14)	12,879,894.23	13,204,709.73	99,998.99	351,498.99
Other assets	-	-	252,000.00	252,000.00
Total noncurrent assets	20,422,492.61	19,585,954.50	2,798,530.71	3,099,686.05
Total assets	25,986,795.75	24,830,828.79	5,281,325.44	5,406,291.93
LIABILITIES				
Current liabilities:				
Accounts payable	282,505.23	351,809.60	244,438.22	212,079.55
Accrued liabilities	680,457.71	684,599.89	-	-
Student deposits	64,379.42	52,205.80	-	-
Deferred revenue	456,930.78	441,309.45	-	-
Compensated absences (Note 6)	168,224.15	162,469.05	-	-
Accrued interest payable	818.64	894.74	-	-
Long-term liabilities, current portion (Note 6)	13,320.27	13,001.74	-	-
Deposits held in custody for others	1,098,479.31	769,721.31	-	-
Total current liabilities	2,765,115.51	2,476,011.58	244,438.22	212,079.55
Noncurrent liabilities:				
Compensated absences (Note 6)	672,599.91	624,451.00	-	-
Long-term liabilities (Note 6)	105,727.07	119,047.33	-	-
Due to grantors (Note 6)	1,711.79	1,703.87	-	-
Total noncurrent liabilities	780,038.77	745,202.20	-	-
Total liabilities	3,545,154.28	3,221,213.78	244,438.22	212,079.55
NET ASSETS				
Invested in capital assets, net of related debt	12,760,846.89	13,072,660.66	99,998.99	351,498.99
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	2,051,712.66	2,016,731.09
Instructional department uses	-	-	71,610.00	-
Other	9,308.88	9,354.92	1,187,552.71	1,232,379.68
Expendable:				
Scholarships and fellowships	-	1,583.00	359,928.83	243,679.88
Instructional department uses	90,545.77	168,059.18	102,190.36	169,277.81
Loans	190.20	189.32	-	-
Capital projects	-	-	189,724.49	-
Debt service	-	-	-	203,723.87
Other	196,339.05	195,339.05	138,515.62	107,373.98
Unrestricted (Note 7)	9,384,410.68	8,162,428.88	835,653.56	869,547.08
Total net assets	\$ 22,441,641.47	\$ 21,609,615.01	\$ 5,036,887.22	\$ 5,194,212.38

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

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006, AND JUNE 30, 2005

	Institution		Component Unit	
	Year Ended June 30, 2006	Year Ended June 30, 2005	Year Ended June 30, 2006	Year Ended June 30, 2005
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of \$3,388,967.63 for the year ended June 30, 2006, and \$3,908,655.02 for the year ended June 30, 2005)	\$ 6,019,612.05	\$ 4,973,562.14	\$ -	\$ -
Gifts and contributions	-	-	346,148.31	509,699.81
Endowment income	-	-	148,911.00	136,070.00
Governmental grants and contracts	350,639.79	1,789,900.07	-	-
Nongovernmental grants and contracts	591.00	22,521.02	-	-
Sales and services of educational departments	67,292.89	55,488.56	-	-
Auxiliary enterprises:				
Bookstore	131,303.59	145,728.60	-	-
Food service	13,285.36	12,866.34	-	-
Interest earned on loans to students	0.16	291.52	-	-
Other operating revenues	104,347.93	186,169.01	3,053.67	658.95
Total operating revenues	6,687,072.77	7,186,527.26	498,112.98	646,428.76
EXPENSES				
Operating expenses (Note 11):				
Salaries and wages	12,455,841.02	12,153,603.90	-	-
Benefits	3,823,417.41	3,765,114.17	-	-
Utilities, supplies, and other services	6,011,814.57	6,195,903.71	248,169.85	233,127.80
Scholarships and fellowships	516,542.21	486,859.38	150,662.65	129,031.98
Depreciation expense	1,114,613.13	859,917.48	-	-
Payments to or on behalf of Columbia State Community College	-	-	235,539.36	208,698.61
Total operating expenses	23,922,228.34	23,461,398.64	634,371.86	570,858.39
Operating gain (loss)	(17,235,155.57)	(16,274,871.38)	(136,258.88)	75,570.37
NONOPERATING REVENUES (EXPENSES)				
State appropriations	12,416,300.00	12,267,700.00	-	-
Gifts (including \$235,539.36 from component unit for the year ended June 30, 2006, and \$208,698.61 from component unit for the year ended June 30, 2005)	235,539.36	208,738.61	-	-
Grants and contracts	4,811,683.97	3,793,513.47	-	-
Investment income (net of investment expense for the component unit of \$26,261.48 for the year ended June 30, 2006, and \$25,789.93 for the component unit for the year ended June 30, 2005)	487,669.68	231,047.34	(80,100.31)	64,019.01
Interest on capital asset-related debt	(4,347.22)	(4,297.11)	-	-
Bond issuance cost	-	(7,469.00)	-	-
Other nonoperating revenues (expenses)	(49.11)	-	31,057.53	(651.95)
Net nonoperating revenues	17,946,796.68	16,489,233.31	(49,042.78)	63,367.06
Income/(loss) before other revenues, expenses, gains, or losses	711,641.11	214,361.93	(185,301.66)	138,937.43
Capital appropriations	314,877.19	570,954.84	-	-
Additions to permanent endowments	-	-	27,976.50	59,206.00
Other	(194,491.84)	(200,064.58)	-	-
Total other revenues	120,385.35	370,890.26	27,976.50	59,206.00
Increase (decrease) in net assets	832,026.46	585,252.19	(157,325.16)	198,143.43
NET ASSETS				
Net assets - beginning of year	21,609,615.01	21,024,362.82	5,194,212.38	4,996,068.95
Net assets - end of year	\$ 22,441,641.47	\$ 21,609,615.01	\$ 5,036,887.22	\$ 5,194,212.38

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

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006, AND JUNE 30, 2005

	Year Ended June 30, 2006	Year Ended June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 6,946,417.34	\$ 5,902,516.08
Grants and contracts	373,723.50	1,718,079.28
Sales and services of educational activities	70,240.89	52,815.56
Payments to suppliers and vendors	(7,056,200.57)	(6,995,812.85)
Payments to employees	(12,438,051.72)	(12,030,105.87)
Payment for benefits	(3,791,444.88)	(3,798,635.75)
Payments for scholarships and fellowships	(514,526.30)	(485,620.29)
Interest earned on loans to students	81.41	131.71
Auxiliary enterprise charges:		
Bookstore	140,695.84	131,995.15
Food services	13,285.36	12,866.34
Other receipts	99,401.87	184,999.53
Net cash used by operating activities	<u>(16,156,377.26)</u>	<u>(15,306,771.11)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	12,416,000.00	12,265,600.00
Gifts and grants received for other than capital or endowment purposes, including \$207,774.42 from Columbia State Community College Foundation for the fiscal year ended June 30, 2006, and \$192,084.95 for the fiscal year ended June 30, 2005	5,046,302.61	3,993,394.97
Changes in deposits held for others	317,037.56	(95,824.29)
Other noncapital financing payments	(49.11)	-
Net cash flows provided by noncapital financing activities	<u>17,779,291.06</u>	<u>16,163,170.68</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital - state appropriations	314,877.19	570,954.84
Proceeds from sale of capital assets	-	2,985.60
Purchase of capital assets and construction	(984,289.47)	(1,695,146.29)
Principal paid on capital debt and lease	(13,001.73)	(12,236.86)
Interest paid on capital debt and lease	(4,423.32)	(5,295.70)
Other capital and related financing payments	-	(15,854.60)
Net cash flows used by capital and related financing activities	<u>(686,837.33)</u>	<u>(1,154,593.01)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	487,669.68	231,047.34
Net cash provided by investing activities	<u>487,669.68</u>	<u>231,047.34</u>
Net increase (decrease) in cash and cash equivalents	1,423,746.15	(67,146.10)
Cash and cash equivalents - beginning of year	10,925,961.30	10,993,107.40
Cash and cash equivalents - end of year (Note 2)	<u>\$ 12,349,707.45</u>	<u>\$ 10,925,961.30</u>

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006, AND JUNE 30, 2005

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

Operating income (loss)	\$ (17,235,155.57)	\$ (16,274,871.38)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,114,613.13	859,917.48
Change in assets and liabilities		
Receivables, net	(57,096.62)	(117,605.48)
Inventories	319.58	(604.98)
Prepaid/deferred items	(180.48)	(823.20)
Other assets	(223.10)	(79.61)
Accounts payable	(44,045.28)	126,775.15
Accrued liabilities	(4,142.18)	(3,324.09)
Deferred revenues	15,621.33	8,840.59
Due to grantor	7.92	1,703.87
Compensated absences	53,904.01	93,300.54
Net cash used by operating activities	<u>\$ (16,156,377.26)</u>	<u>\$ (15,306,771.11)</u>
Loss on disposal of capital assets	\$ 9,839.96	\$ 2,985.60

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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements
June 30, 2006, and June 30, 2005**

NOTE 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*.

The Columbia State Community College Foundation is considered a component unit of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by 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 14 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

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

Basis of Accounting

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

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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

contradict guidance of the Governmental Accounting Standards Board. 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) certain 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) utilities, supplies, and other services; (4) scholarships and fellowships; and (5) depreciation.

All other activity is nonoperating in nature and includes (1) state appropriations for operations; (2) investment income; (3) bond issuance costs; (4) interest on capital asset-related debt; (5) certain grants and contracts; and (6) gifts and nonexchange transactions.

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

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. Textbooks included in the inventory are recorded on a first-in, first-out basis. All other items are maintained on an average cost or first-in, first-out basis.

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.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

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 asset's useful life are not capitalized.

A capitalization threshold of \$100,000 is used for buildings, and \$50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is \$5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at \$50,000. The capitalization threshold for 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, which range from 5 to 40 years.

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.

Nonexpendable restricted net assets – 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.

Expendable restricted net assets – Expendable restricted net assets include resources in which the college is legally or contractually obligated to spend 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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

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 discounts 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 student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the college's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the college has recorded a scholarship discount and allowance.

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2006, cash and cash equivalents consisted of \$266,293.66 in bank accounts, \$3,520.00 of petty cash on hand, \$11,556,575.15 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$523,318.64 in LGIP deposits for capital projects. At June 30, 2005, cash and cash equivalents consisted of \$160,073.00 in bank accounts, \$3,570.00 of petty cash on hand, \$10,648,928.10 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$113,390.20 in LGIP deposits for capital projects.

LGIP deposits for capital projects - Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate 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.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

During the year ended June 30, 2005, the college implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. That statement modified the custodial credit risk disclosures of GASB Statement 3 to limit required disclosures to deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the college's name.

The college has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's required risks disclosures are presented in the *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.

NOTE 3. INVESTMENTS

During the year ended June 30, 2005, the college implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. That statement modified the custodial credit risk disclosures of GASB Statement 3 to limit required disclosures to investment securities that are uninsured, are not registered in the name of the college, and are held by either (a) the counterparty or (b) the counterparty's trust department or agent but not in the college's name.

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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

scale. The college has no investment policy limiting its investment choices based on ratings issued by nationally recognized statistical rating organizations.

At June 30, 2006, the college's investments were rated as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	
	<u>Fair Value</u>	<u>Unrated</u>
LGIP	\$ 11,556,575.15	\$ 11,556,575.15
Total	<u>\$ 11,556,575.15</u>	<u>\$ 11,556,575.15</u>

At June 30, 2005, the college's investments were rated as follows:

<u>Investment Type</u>	<u>Credit Quality Rating</u>	
	<u>Fair Value</u>	<u>Unrated</u>
LGIP	\$ 10,648,928.10	\$ 10,648,928.10
Total	<u>\$ 10,648,928.10</u>	<u>\$ 10,648,928.10</u>

NOTE 4. RECEIVABLES

Receivables included the following:

	June 30, 2006	June 30, 2005
Student accounts receivable	\$ 470,540.41	\$ 356,879.50
Grants receivable	143,207.04	200,510.72
Notes receivable	14,241.17	14,310.17
State appropriation receivable	22,200.00	21,900.00
Other receivables	307,508.19	286,769.72
	<hr/>	<hr/>
Subtotal	957,696.81	880,370.11
Less allowance for doubtful accounts	(206,767.09)	(186,392.70)
	<hr/>	<hr/>
Total receivables	<u>\$ 750,929.72</u>	<u>\$ 693,977.41</u>

NOTE 5. CAPITAL ASSETS

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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 885,521.23	\$ -	\$ -	\$ -	\$ 885,521.23
Land improvements and infrastructure	1,617,285.52	139,500.00	-	-	1,756,785.52
Buildings	16,713,192.27	305,007.43	-	-	17,018,199.70
Equipment	2,484,170.10	180,669.26	-	104,297.59	2,560,541.77
Library holdings	1,310,541.43	123,886.72	-	90,194.25	1,344,233.90
Software	-	235,226.06	593,564.84	-	828,790.90
Projects in progress	593,564.84	-	(593,564.84)	-	-
Total	23,604,275.39	984,289.47	-	194,491.84	24,394,073.02
Less accum. depreciation:					
Land improvements and infrastructure	540,313.41	83,612.88	-	-	623,926.29
Buildings	7,913,134.00	751,151.12	-	-	8,664,285.12
Equipment	1,354,021.69	238,179.12	-	94,457.63	1,497,743.18
Library holdings	592,096.56	143,442.80	-	90,194.25	645,345.11
Software	-	82,879.09	-	-	82,879.09
Total accum. depreciation	10,399,565.66	1,299,265.01	-	184,651.88	11,514,178.79
Capital assets, net	\$13,204,709.73	\$ (314,975.54)	\$ -	\$ 9,839.96	\$12,879,894.23

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 885,521.23	\$ -	\$ -	\$ -	\$ 885,521.23
Land improvements and infrastructure	1,617,285.52	-	-	-	1,617,285.52
Buildings	16,284,038.81	429,153.46	-	-	16,713,192.27
Equipment	2,074,295.83	514,049.77	-	104,175.50	2,484,170.10
Library holdings	1,241,983.29	164,447.22	-	95,889.08	1,310,541.43
Projects in progress	-	593,564.84	-	-	593,564.84
Total	22,103,124.68	1,701,215.29	-	200,064.58	23,604,275.39
Less accum. depreciation:					
Land improvements and infrastructure	463,675.53	76,637.88	-	-	540,313.41
Buildings	7,274,489.36	638,644.64	-	-	7,913,134.00
Equipment	1,254,140.71	201,070.88	-	101,189.90	1,354,021.69
Library holdings	547,342.58	140,643.06	-	95,889.08	592,096.56
Total accum. depreciation	9,539,648.18	1,056,996.46	-	197,078.98	10,399,565.66
Capital assets, net	\$ 12,563,476.50	\$ 644,218.83	\$ -	\$ 2,985.60	\$13,204,709.73

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

NOTE 6. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Payables:					
TSSBA debt:					
Bonds	\$ 132,049.07	\$ -	\$ (13,001.73)	\$ 119,047.34	\$ 13,320.27
Subtotal	132,049.07	-	(13,001.73)	119,047.34	13,320.27
Other liabilities:					
Compensated absences	786,920.05	439,222.92	(385,318.91)	840,824.06	168,224.15
Due to grantors	1,703.87	77.48	(69.56)	1,711.79	-
Subtotal	788,623.92	439,300.40	(385,388.47)	842,535.85	168,224.15
Total long-term liabilities	\$ 920,672.99	\$ 439,300.40	\$ (398,390.20)	\$ 961,583.19	\$ 181,544.42

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Payables:					
TSSBA debt:					
Bonds	\$ 144,285.93	\$ -	\$ (12,236.86)	\$ 132,049.07	\$ 13,001.74
Subtotal	144,285.93	-	(12,236.86)	132,049.07	13,001.74
Other liabilities:					
Compensated absences	693,619.51	559,680.29	(466,379.75)	786,920.05	162,469.05
Due to grantors	1,597.70	117.97	(11.80)	1,703.87	-
Subtotal	695,217.21	559,798.26	(466,391.55)	788,623.92	162,469.05
Total long-term liabilities	\$ 839,503.14	\$ 559,798.26	\$ (478,628.41)	\$ 920,672.99	\$ 175,470.79

TSSBA Debt - Bonds

Bonds, with interest rates ranging from 2.25% to 4.5%, were issued by the Tennessee State School Bond Authority. The bonds are due serially to 2014 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 Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

Tennessee State School Bond Authority included in the long-term liabilities on the statement of net assets is shown net of assets held by the authority in the debt service reserve and unexpended debt proceeds. The reserve amount was zero at June 30, 2006, and June 30, 2005. No unexpended debt proceeds were outstanding at June 30, 2006, and June 30, 2005.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2006, are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 13,320.27	\$ 4,130.78	\$ 17,451.05
2008	13,646.61	3,831.07	17,477.68
2009	13,980.96	3,524.02	17,504.98
2010	14,323.49	3,209.45	17,532.94
2011	14,925.07	2,636.51	17,561.58
2012 - 2014	48,850.94	4,226.16	53,077.10
Total	<u>\$ 119,047.34</u>	<u>\$ 21,557.99</u>	<u>\$ 140,605.33</u>

NOTE 7. UNRESTRICTED NET ASSETS

Unrestricted net assets include funds that have been designated or reserved for specific purposes. The unrestricted net assets are composed of the following:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Encumbrances	\$ 287,974.37	\$ 528,922.97
Designated fees	91,233.36	234,606.32
Auxiliaries	1,407,373.70	1,340,927.76
Plant construction	3,595,144.95	3,053,578.16
Renewal and replacement of equipment	3,942,066.86	3,322,146.25
Unreserved/undesignated balance	<u>60,617.44</u>	<u>(317,752.58)</u>
Total	<u>\$ 9,384,410.68</u>	<u>\$ 8,162,428.88</u>

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

NOTE 8. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

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 Department of the Treasury, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, Tennessee 37243-0230, or by calling (615) 741-8202.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 10.31% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 2006, 2005, and 2004 were \$690,165.20, \$707,131.92, and \$440,538.70, respectively. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

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 was \$446,629.26 for the year ended June 30, 2006, and \$424,239.99 for the year ended June 30, 2005. Contributions met the requirements for each year.

NOTE 9. 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.

NOTE 10. 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.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

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, 2006, the Risk Management Fund held \$133.2 million in cash and cash equivalents designated for payment of claims. At June 30, 2005, the Risk Management fund held \$114.4 million in cash and cash equivalents designated for payment of claims.

At June 30, 2006, the scheduled coverage for the college was \$35,759,400 for buildings and \$18,796,000 for contents. At June 30, 2005, the scheduled coverage for the college was \$36,051,825 for buildings and \$15,306,000 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims 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.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

NOTE 11. 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 \$4,915,676.77 at June 30, 2006, and \$4,540,186.32 at June 30, 2005.

Operating Leases - The college has entered into various operating leases for buildings. Such leases will probably continue to be required. Expenses under operating leases for real property was \$1,202.00 for the year ended June 30, 2006. The amount for the year ended June 30, 2005, was \$1,202.00. All operating leases are cancelable at the lessee's option.

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 \$849,973 at June 30, 2006.

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

NOTE 12. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

Functional Classification	Natural Classification					Total
	Salaries	Benefits	Operating	Scholarships	Depreciation	
Instruction	\$ 7,802,909.52	\$ 2,212,743.51	\$ 2,382,152.69	\$ -	\$ -	\$ 12,397,805.72
Public service	105,320.82	30,980.75	82,329.28	-	-	218,630.85
Academic support	1,187,310.46	405,207.01	(543,019.79)	-	-	1,049,497.68
Student services	1,079,271.20	380,848.98	837,816.80	-	-	2,297,936.98
Institutional support	1,668,228.09	487,513.51	787,106.14	-	-	2,942,847.74
Operation and maintenance	612,800.93	306,123.65	1,263,220.66	-	-	2,182,145.24
Scholarships and fellowships	-	-	1,131,295.23	516,542.21	-	1,647,837.44
Auxiliary	-	-	70,913.56	-	-	70,913.56
Depreciation	-	-	-	-	1,114,613.13	1,114,613.13
Total	\$ 12,455,841.02	\$ 3,823,417.41	\$ 6,011,814.57	\$ 516,542.21	\$ 1,114,613.13	\$ 23,922,228.34

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

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

<u>Functional Classification</u>	<u>Natural Classification</u>					<u>Total</u>
	<u>Salaries</u>	<u>Benefits</u>	<u>Other Operating</u>	<u>Scholarships</u>	<u>Depreciation</u>	
Instruction	\$ 7,516,425.66	\$ 2,115,769.00	\$ 3,091,994.37	\$ -	\$ -	\$ 12,724,189.03
Public service	93,814.04	35,745.39	92,026.11	-	-	221,585.54
Academic support	1,201,330.42	435,811.98	(732,940.01)	-	-	904,202.39
Student services	1,095,755.39	340,652.09	753,020.77	-	-	2,189,428.25
Institutional support	1,630,448.54	527,474.43	631,890.12	-	-	2,789,813.09
Operation and maintenance	615,829.85	309,661.28	1,211,472.81	-	-	2,136,963.94
Scholarships and fellowships	-	-	1,083,171.46	486,859.38	-	1,570,030.84
Auxiliary	-	-	65,268.08	-	-	65,268.08
Depreciation	-	-	-	-	859,917.48	859,917.48
Total	\$ 12,153,603.90	\$ 3,765,114.17	\$ 6,195,903.71	\$ 486,859.38	\$ 859,917.48	\$ 23,461,398.64

NOTE 13. PRIOR-YEAR RESTATEMENT

In prior years, the college included certain foundation assets in both the institution column and the component unit column. Due to steps taken to segregate the foundation's assets from the institution's assets, the following fiscal year 2004 account has been restated.

	<u>Original Amount</u>	<u>(Decrease)</u>	<u>Restated Amount</u>
Statement of cash flows:			
Cash and cash equivalents – beginning of year	\$ 12,626,671.43	\$ (1,633,564.03)	\$ 10,993,107.40

NOTE 14. COMPONENT UNIT

Columbia State Community College Foundation is a legally separate, tax-exempt organization supporting Columbia 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 47-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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

college. the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

The foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Statements of 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 reformatting, no modifications have been made to the foundation's financial information in the college's financial statements for these differences.

During the year ended June 30, 2006, the foundation made distributions of \$235,539.36 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2005, the foundation made distributions of \$208,698.61 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Elaine Kelsey, 1665 Hampshire Pike, Columbia, Tennessee 38401.

Cash and cash equivalents - Cash and cash equivalents consists of demand deposit accounts, deposits in the Local Government Investment Pool (LGIP), and mutual fund accounts. The bank balances of deposits at June 30, 2006, and June 30, 2005, were entirely insured.

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.

Investments held at June 30, 2006, and June 30, 2005, were as follows:

	<u>June 30, 2006</u>		<u>June 30, 2005</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
U.S. Treasury	\$ 391,456.91	\$ 366,139.72	\$ 255,864.52	\$ 254,986.49
U.S. Agencies	383,572.07	378,866.77	369,923.27	371,410.68
Corporate stock	1,427,604.44	1,712,813.84	1,448,907.48	1,714,614.92
Corporate bonds	514,612.68	493,131.06	554,902.61	553,763.23
Mutual funds	145,237.79	209,631.25	18,000.00	17,818.89
Total	<u>\$ 2,862,483.89</u>	<u>\$ 3,160,582.64</u>	<u>\$ 2,647,597.88</u>	<u>\$ 2,912,594.21</u>

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Current pledges	\$ -	\$ 7,261.00
Less discount to net present value	-	-
Total pledges receivable, net	<u>\$ -</u>	<u>\$ 7,261.00</u>

Capital assets - Capital assets at June 30, 2006, and June 30, 2005, were as follows:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Land	\$ 99,998.99	\$ 351,498.99
Capital assets, net	<u>\$ 99,998.99</u>	<u>\$ 351,498.99</u>

Endowments - If a donor has not provided specific instructions to the 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 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, five percent of the average market value of endowment fund investments for the previous three years 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, 2006, net appreciation of \$148,911 is available to be spent, of which \$97,041 is included in restricted net assets expendable for scholarships and fellowships, \$2,840 is included in restricted net assets expendable for instructional departmental uses, \$20,022 is included in restricted net assets expendable for capital projects, and \$29,008 is included in restricted net assets expendable for other. At June 30, 2005, net appreciation of \$136,070 is available to be spent, of which \$93,688 is included in restricted net assets expendable for scholarships and fellowships, \$2,105 is included in restricted net assets expendable for instructional departmental uses, \$13,626 is

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2006, and June 30, 2005**

included in restricted net assets expendable for capital projects, and \$26,651 is included in restricted net assets expendable for other.

SUPPLEMENTARY INFORMATION
TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2006, AND JUNE 30, 2005

	Year Ended June 30, 2006	Year Ended June 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	\$ 353,409.31	\$ 579,675.81
Endowment income	148,911.00	136,070.00
Payments to suppliers and vendors	(248,169.85)	(233,127.80)
Payments for scholarships and fellowships	(150,662.65)	(129,031.98)
Payments to or on behalf of Columbia State Community College	(207,774.42)	(192,084.95)
Other receipts	3,053.67	658.95
Net cash provided (used) by operating activities	<u>(101,232.94)</u>	<u>162,160.03</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	27,976.50	59,206.00
Other noncapital financing receipts (payments)	31,057.53	(651.95)
Net cash flows provided by noncapital financing activities	<u>59,034.03</u>	<u>58,554.05</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,533,272.71	2,152,088.24
Investment income	(80,301.83)	34,587.49
Purchase of investments	(1,529,548.63)	(2,198,311.56)
Net cash used by investing activities	<u>(76,577.75)</u>	<u>(11,635.83)</u>
Net increase (decrease) in cash and cash equivalents	(118,776.66)	209,078.25
Cash and cash equivalents - beginning of year	1,842,642.28	1,633,564.03
Cash and cash equivalents - end of year	<u>\$ 1,723,865.62</u>	<u>\$ 1,842,642.28</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (136,258.88)	\$ 75,570.37
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Change in assets and liabilities:		
Receivables, net	2,667.27	32,204.19
Accounts payable	32,358.67	54,385.47
Net cash provided (used) by operating activities	<u>\$ (101,232.94)</u>	<u>\$ 162,160.03</u>
Non-cash transactions		
Unrealized gain/losses on investments	\$ 29,302.57	\$ 29,422.21
Pledges	\$ -	\$ 7,261.00