AUDIT REPORT

Tennessee Board of Regents
Columbia State Community College

For the Years Ended
June 30, 2010, and June 30, 2009

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

Arthur A. Hayes, Jr., CPA, JD, CFE
Director

Edward Burr, CPA
Assistant Director

Teresa L. Hensley, CPA
Audit Manager

Seth Massa
In-Charge Auditor

Paula Keown
Jennifer Pedersen
Taryn Williams
Staff Auditors

Gerry Boaz, CPA
Technical Manager

Amy Brack
Editor

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-1402
(615) 401-7897

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

October 28, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
1665 Hampshire Pike
Columbia, Tennessee 38401

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Columbia State Community College, for the years ended June 30, 2010, and June 30, 2009. You will note from the independent auditor's report that unqualified opinions were given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Results of the Audit section of this report. The college's administration has responded to the audit finding; the response is included following the finding. The Division of State Audit will follow up the audit to examine the application of the procedures instituted because of the audit finding.

Sincerely,

Arthur A. Hayes Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/cd
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State of Tennessee

Audit Highlights

Comptroller of the Treasury | Division of State Audit

Financial and Compliance Audit
Columbia State Community College
For the Years Ended June 30, 2010, and June 30, 2009

AUDIT OBJECTIVES

The objectives of the audit were to consider the college's internal control over financial reporting; to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements; to determine the fairness of the presentation of the financial statements; and to recommend appropriate actions to correct any deficiencies.

INTERNAL CONTROL FINDING

The College Needs Improved Preparation and Review Procedures to Prevent Errors in Its Financial Statements and Accompanying Notes to the Financial Statements
Our audit of the financial statements of Columbia State Community College—including its foundation, which is a discretely presented component unit of the college—discovered reporting errors in the financial statements and the notes to the financial statements (page 8).

The deficiency described above was considered a material weakness. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the college's financial statements will not be prevented, or detected and corrected on a timely basis.

OPINIONS ON THE FINANCIAL STATEMENTS

The opinions on the financial statements are unqualified.

Audit Report
Tennessee Board of Regents
Columbia State Community College
For the Years Ended June 30, 2010, and June 30, 2009

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Tennessee Board of Regents
Columbia State Community College
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INTRODUCTION

POST-AUDIT AUTHORITY

This is a report on the financial and compliance audit of the Tennessee Board of Regents, Columbia State Community College. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to "perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller."

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The idea for Tennessee's community college system was conceived in 1957 when the state legislature ordered a study of community college programs, a study which resulted in the Pierce-Albright Report. Acting on the recommendation of the Governor and the Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee.

Columbia State Community College was approved by the State Board of Education as Tennessee's first community college in 1965. The college was temporarily housed at facilities throughout Columbia until it moved in 1967 to its present location on 204 acres west of downtown Columbia. In addition to the main Columbia campus, the institution also has sites in Clifton, Lawrenceburg, Lewisburg, and Franklin.

ORGANIZATION

The governance of Columbia State Community College is vested in the Tennessee Board of Regents. The Governor, the Commissioner of Education, the Commissioner of Agriculture, and the Executive Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 2008, through June 30, 2010, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 2010, and June 30, 2009. Columbia State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report.*

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing opinions on the financial statements;

2. to determine compliance with certain provisions of laws, regulations, contracts, and grant agreements;

3. to determine the fairness of the presentation of the financial statements; and

4. to recommend appropriate actions to correct any deficiencies.

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

Auditors and management are required to assess the risk of fraud in the operations of the institution. The risk assessment is based on a critical review of operations considering what frauds could be perpetrated in the absence of adequate controls. The auditors' risk assessment is limited to the period during which the audit is conducted and is limited to the transactions that the auditors are able to test during that period. The risk assessment by management is the primary method by which the institution is protected from fraud, waste, and abuse. Since new programs may be established at any time by management or older programs may be discontinued, that assessment is ongoing as part of the daily operations of the institution.

Risks of fraud, waste, and abuse are mitigated by effective internal controls. It is management's responsibility to design, implement, and monitor effective controls in the institution. Although internal and external auditors may include testing of controls as part of their audit procedures, these procedures are not a substitute for the ongoing monitoring required of management. After all, the auditor testing is limited and is usually targeted to test the effectiveness of particular controls. Even if controls appear to be operating effectively during the time of the auditor testing, they may be rendered ineffective the next day by management override or by other circumventions that, if left up to the auditor to detect, will not be noted until the next audit engagement and then only if the auditor tests the same transactions and controls. Furthermore, since staff may be seeking to avoid auditor criticisms, they may comply with the controls during the period that the auditors are on site and revert to ignoring or disregarding the control after the auditors have left the field.

The risk assessments and the actions of management in designing, implementing, and monitoring the controls should be adequately documented to provide an audit trail both for auditors and for management, in the event that there is a change in management or staff, and to maintain a record of areas that are particularly problematic.

FRAUD CONSIDERATIONS

Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, promulgated by the American Institute of Certified Public Accountants, requires auditors to specifically assess the risk of material misstatement of an audited entity's financial statements due to fraud. The standard also restates the obvious premise that management, not the auditors, is primarily responsible for preventing and detecting fraud in its own entity. Management's responsibility is fulfilled in part when it takes appropriate steps to assess the risk of fraud within the entity and to implement adequate internal controls to address the results of those risk assessments.

During our audit, we discussed these responsibilities with management and how management might approach meeting them. We also increased the breadth and depth of our inquiries of management and others in the entity as we deemed appropriate. We obtained formal assurances from top management that management had reviewed the entity's policies and procedures to ensure that they are properly designed to prevent and detect fraud and that management had made changes to the policies and procedures where appropriate. Top management further assured us that all staff had been advised to promptly alert management of all allegations of fraud, suspected fraud, or detected fraud and to be totally candid in all communications with the auditors. All levels of management assured us there were no known instances or allegations of fraud that were not disclosed to us.

TECHNOLOGY CENTERS

Columbia State Community College serves as the lead institution under agreements with the Tennessee Technology Center at Hohenwald and the Tennessee Technology Center at Pulaski. Under these agreements, Columbia State Community College performs the accounting and reporting functions for the centers. The chief administrative officer of each center is the director, who is assisted and advised by members of the faculty and administrative staff. Each director is responsible to the Chancellor of the Tennessee Board of Regents.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 2010, and June 30, 2009, we considered internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. A material weakness, along with the recommendation and management's response, is detailed in the Finding and Recommendation section.

Compliance and Other Matters

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

Fairness of Financial Statement Presentation

The Division of State Audit has rendered unqualified opinions on the college's financial statements.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

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

August 30, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
1665 Hampshire Pike
Columbia, Tennessee 38401

Ladies and Gentlemen:

We have audited the 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, 2010, and June 30, 2009, and have issued our report thereon dated August 30, 2011. 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 generally accepted government auditing standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the college's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the college's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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

- The college needs improved preparation and review procedures to prevent errors in its financial statements and accompanying notes to the financial statements

This deficiency is described in the Finding and Recommendation section of this report.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under generally accepted government auditing standards.

We noted certain matters that we reported to management of the college in a separate letter.

Columbia State Community College's response to the finding identified in our audit is included in the Finding and Recommendation section of this report. We did not audit the college's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee, the Tennessee Board of Regents, and management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/cd

FINDING AND RECOMMENDATION

<u>The college needs improved preparation and review procedures to prevent errors in its financial statements and accompanying notes to the financial statements</u>

Finding

Our audit of the financial statements of Columbia State Community College—including its foundation, which is a discretely presented component unit of the college—discovered reporting errors in the financial statements and the notes to the financial statements.

The college reports under standards of the Governmental Accounting Standards Board (GASB), while the Columbia State Community College Foundation reports under standards of the Financial Accounting Standards Board (FASB). Certain revenue recognition criteria and presentation formats are different in FASB and GASB reporting. The scope of our audit includes only the foundation's GASB financial statements and notes included in the college's financial report.

College Statements of Cash Flows

On the college's Statements of Cash Flows for the years ended June 30, 2010, and June 30, 2009, the Assistant Business Manager did not report $5,443,738.02 and $4,985,266.09, respectively, of federal student loan receipts and federal student loan disbursements in the noncapital financing activities category. These errors were corrected on the audited financial statements.

The college's Statements of Cash Flows incorrectly reported the change in the due to primary government liability of $654,959.50. The change in this liability was incorrectly shown in the reconciliation of operating loss to net cash used by operating activities in 2010 and 2009. This liability related to activity already appropriately shown in the noncapital financing activities category. For the year ended June 30, 2010, the due to grantors line of the reconciliation was overstated by $654,959.50, while the accrued liabilities line was understated by the same amount. For the year ended June 30, 2009, the due to grantors line of the reconciliation was understated by $654,959.50, while the accrued liabilities line was overstated by the same amount. These errors were corrected on the audited financial statements.

The Associate Vice President for Business Services reviewed the Statements of Cash Flows but did not discover these significant misstatements. According to her, the first error was due to accounting management's lack of understanding of federal student loan programs in relation to the Statement of Cash Flows. The second error was due to confusion regarding the proper accounting for American Recovery and Reinvestment Act funds shown as due to primary government.

College Notes to the Financial Statements

The Associate Vice President for Business Services did not include the required information for the Voluntary Buyout Program note for either fiscal year under audit. According to GASB 47, Paragraph 19, "in the period in which an employer becomes obligated for termination benefits, the cost of termination benefits should be disclosed in the notes to the financial statements if that information is not otherwise identifiable from information displayed on the face of the financial statements." In 2009, the note was completely excluded because the Tennessee Board of Regents instructions did not include the note. In 2010, the note was incomplete as it omitted the total expenses for severance pay.

According to the Associate Vice President for Business Services, this oversight was due to her limited experience since this was the first time for such a program.

Foundation Statements of Net Assets

The Foundation Accountant incorrectly classified Vanguard GNMA fund investments as noncurrent rather than current, overstating noncurrent investments and understating current investments by $236,201.38 at June 30, 2010, and $128,991.36 at June 30, 2009. The Vanguard GNMA is a U.S. Agency fund that does not have a maturity date and, therefore, should have been included as a current investment.

According to the Associate Vice President for Business Services, this error was made because the Foundation Accountant was new to the position and thus had limited experience with investments and the related notes.

The Foundation Accountant and the Assistant Business Manager understated restricted nonexpendable net assets–other and overstated unrestricted net assets by $912,514.30 at June 30, 2010, and by $1,085,773.98 at June 30, 2009, related to losses on investments. Per the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Entities*, paragraph 8.29, "the amount of permanently restricted net assets is not reduced by losses on the investments." In governmental terms, nonexpendable net assets would not be reduced by market changes unless specifically required by the donor.

These errors were corrected on the audited financial statements.

Foundation Notes to the Financial Statements

Because of the errors in the net asset changes discussed above, the schedule of changes in endowment net assets was also incorrectly prepared. Certain amounts that were shown in the permanently restricted column should have been shown in the unrestricted column.

The disclosure of changes in endowment net assets was a new requirement as of June 30, 2009, under FASB standards [FASB ASC 958-205-50 1B(d)], and the staff had difficulty understanding what was required in the new disclosure.

Another classification error occurred in the investments note. For each year under audit, the Foundation Accountant incorrectly classified securities between mutual equity funds and corporate stock. In some instances, the same investment held in different investment accounts was classified in two different ways. These errors caused the following misstatements in the note:

For 2010, the cost of mutual equity funds was overstated by $152,220.07, and the market value was overstated by $87,050.28, causing understatements for corporate stock of the same amounts. For 2009, the cost of mutual equity funds was overstated by $144,920.07, and the market value was overstated by $74,616.73, causing understatements for corporate stock of the same amounts.

The Associate Vice President for Business Services reviewed the notes to the financial statements but did not discover these significant misstatements. According to her, these errors were made because the Foundation Accountant was new to the position and thus had limited experience with investments and the related notes. The notes were restated accordingly.

These reporting errors resulted in significant misclassifications in the financial statements and accompanying notes. Management is responsible for the fair presentation of the financial statements. Not preventing or detecting and correcting material misstatements in the financial statements could adversely affect users of the financial statements.

Recommendation

Columbia State Community College accounting and supervisory personnel should exercise more care in preparing and reviewing the college's and foundation's statements and notes. Specifically, the Associate Vice President for Business Services should determine proper accounting treatments for unusual items, conduct thorough reviews of subordinates' work product, and ensure that preparers correct any errors detected.

The accounting management staff should follow all FASB reporting requirements that pertain to foundation endowments. Under FASB standards, endowment income and net assets should be classified, based upon the existence and/or nature of donor-imposed restrictions, as permanently restricted, temporarily restricted, or unrestricted. Additional training and interaction with peer institutions would aid the staff's understanding in this area. Foundation statements should be reviewed by knowledgeable supervisory personnel upon completion.

Management's Comment

We concur with the finding and the recommendation. The Associate Vice President for Business Services and the Assistant Business Manager will review all future financial statements and notes to the financial statements for errors of the specific nature noted in the audit report to mitigate the possibility of similar errors occurring in the future. The plan and schedule for future year-end closing and financial statement preparation will include tasks for review of the previous year's finding relating to financial statement preparation, and the schedule will be adjusted to allow for earlier completion of draft financial statements and more time for review. Additional professional development opportunities concerning financial statement preparation will be provided to all staff involved, particularly in the area of foundation accounting and reporting.

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7897
FAX (615) 532-2765

Independent Auditor's Report

August 30, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
1665 Hampshire Pike
Columbia, Tennessee 38401

Ladies and Gentlemen:

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, 2010, and June 30, 2009, 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 generally accepted government auditing standards. 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.

As discussed in Note 1, the financial statements of Columbia State Community College, an institution of the Tennessee Board of Regents, are intended to present the financial position, the changes in financial position, and the cash flows of only Columbia State Community College. They do not purport to, and do not, present fairly the financial position of the Tennessee Board of Regents, as of June 30, 2010, and June 30, 2009, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Columbia State Community College and its discretely presented component unit as of June 30, 2010, and June 30, 2009, 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 management's discussion and analysis on pages 15 through 36 and the schedule of funding progress on page 67 are not a required part of the basic financial statements but are 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 68 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 generally accepted government auditing standards, we have also issued our report dated August 30, 2011, 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 generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/cd

Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis

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 years ended June 30, 2010, and June 30, 2009, with comparative information presented for the fiscal year ended June 30, 2008. 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 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.

Columbia State Community College
Condensed Statements of Net Assets
(in thousands of dollars)

	2010	2009	2008
Assets:			
Current assets	$ 8,019	$ 8,441	$ 7,015
Capital assets, net	15,067	15,906	12,845
Other assets	13,666	8,095	7,039
Total assets	36,752	32,442	26,899
Liabilities:			
Current liabilities	3,633	4,349	3,575
Noncurrent liabilities	2,507	1,504	1,189
Total liabilities	6,140	5,853	4,764
Net assets:			
Invested in capital assets, net of related debt	14,337	15,828	12,753
Restricted – expendable	335	285	328
Unrestricted	15,940	10,476	9,054
Total net assets	$30,612	$26,589	$22,135

Comparison of FY 2010 to FY 2009

The college had the following significant changes between fiscal years on the Statements of Net Assets:

- Current assets of the college decreased between fiscal years primarily due to decreases in current cash. This decrease was primarily due to transfers from unrestricted net assets to plant fund net assets. Offsetting the cash decrease in current assets were increases in the State Fiscal Stabilization Funds receivable of $269,880.93, student receivables of $219,867.99, and grant receivables of $104,941.55. Cash assets of the Tennessee Technology Centers at Hohenwald and Pulaski are also included in current assets.

- Net capital assets decreased from 2009 to 2010. Recorded depreciation caused a decrease; information technology/library basement renovation, wellness center renovation, HVAC upgrades, intangible assets, and equipment purchases caused increases in net capital assets. More detailed information about the college's capital assets is presented in the Capital Assets and Debt Administration section of this report.

- Other assets increased from 2009 to 2010, primarily because of an increase in noncurrent cash due to transfers from unrestricted net assets to plant fund net assets.

- Current liabilities decreased slightly between the fiscal years. Current liabilities decreased from 2009 to 2010, primarily due to the decrease in the current liability for State Fiscal Stabilization Funds (SFSF). Based upon guidance provided by the Tennessee Recovery Act Management Office, the total allotment of FY 2008-09 State Fiscal Stabilization Funds of $769,400 was drawn down and receipted as of June 30, 2009. It was subsequently determined that institutions would not lose the availability of funds not drawn down at June 30, 2009, and SFSF of $654,960 were returned on July 13, 2009, and are included on the 2009 Statement of Net Assets as Due to Primary Government. There was no SFSF liability for the 2010 year. A smaller increase in deferred revenue and decreases in accounts payable and accrued liabilities also contributed to the decrease.

- Noncurrent liabilities increased between the fiscal years primarily due to the issuance of $666,552.72 of commercial paper for an energy savings project. Noncurrent liabilities also increased due to an increase in the required accrued liability for postemployment healthcare. An increase in the noncurrent portion of compensated absences also contributed to the increase between years.

- The restricted-expendable section of net assets increased between the fiscal years as a result of increased restricted funds in other grants. There were two new grants during the 2010 year.

<u>Comparison of FY 2009 to FY 2008</u>

The college had the following significant changes between fiscal years on the Statements of Net Assets:

- Current assets of the college increased between fiscal years primarily due to increases in current cash and grants receivable. Current cash increased in part because of the receipt of $769,400 in State Fiscal Stabilization Funds (SFSF) on June 30, 2009; grants receivable at June 30, 2009, include a receivable for SFSF of $372,128. SFSF funds are discussed in more detail in the current liabilities section. Cash assets of the Tennessee Technology Centers at Hohenwald and Pulaski are also included in current assets. At June 30, 2008, the technology centers had equipment replacement funds cash balances that were spent during 2009. The combined June 30, 2009, current cash balances of SFSF funds for the technology centers were less than the June 30, 2008, equipment replacement funds cash balances.

- Net capital assets increased from 2008 to 2009. Transfer of the Clifton site building and land, Williamson County/Franklin bookstore renovation, information technology/library basement renovation, pool renovation, and equipment purchases caused increases in net capital assets; recorded depreciation caused a decrease. More detailed information about the college's capital assets is presented in the Capital Assets and Debt Administration section of this report.

- Other assets increased from 2008 to 2009, primarily because of an increase in noncurrent cash due to transfers from unrestricted net assets to plant fund net assets.

- Current liabilities increased significantly between the fiscal years. Based upon guidance provided by the Tennessee Recovery Act Management Office, the total allotment of FY 2008-09 State Fiscal Stabilization Funds ($769,400) was drawn down and receipted as of June 30, 2009. It was subsequently determined that institutions would not lose the availability of funds not drawn down at June 30, 2009, and SFSF of $654,960 were returned on July 13, 2009, and are included on the Statement of Net Assets as Due to Primary Government. Funds not returned on July 13, 2009, represent SFSF disbursements made prior to June 30, 2009, for which the institution requested reimbursement. A significant increase in accrued liabilities of $371,723 also caused an increase in current liabilities. In March 2009, the college offered a Voluntary Buyout Program (VBP) with a June 30, 2009, voluntary separation for most participants. Sixteen employees chose to participate in the VBP program, and accrued liabilities at June 30, 2009, include $372,128 for the payout and benefits of these participants.

- Noncurrent liabilities increased between the fiscal years, primarily due to an increase in the required accrued liability for postemployment healthcare.

- The restricted – expendable section of net assets decreased between the fiscal years as a result of decreased restricted funds in other grants. Two grants were completed during the 2008 year.

Component Unit
Condensed Statements of Net Assets
(in thousands of dollars)

	2010	2009	2008
Assets:			
Current assets	$4,947	$3,493	$3,920
Capital assets, net	100	100	100
Other assets	2,352	3,497	4,745
Total assets	7,399	7,090	8,765
Liabilities:			
Current liabilities	70	64	358
Total liabilities	70	64	358
Net assets:			
Invested in capital assets, net of related debt	100	100	100
Restricted – nonexpendable	4,620	4,560	4,249
Restricted – expendable	1,788	1,535	1,735
Unrestricted	821	831	2,323
Total net assets	$7,329	$7,026	$8,407

Comparison of FY 2010 to FY 2009

The component unit had the following significant changes between fiscal years on the Statements of Net Assets:

- The increase in current assets and the decrease in other assets are primarily due to moving investments from long-term to short-term. Current assets also increased due to improved market conditions. Other assets also decreased due to a decline in pledges receivable.

- Current liabilities increased slightly between fiscal years due to an increase in the payable to the college. This payable represents transactions occurring between the college and the foundation at year-end.

- Restricted – nonexpendable net assets increased between the two fiscal years due to two new endowments given during the 2010 year.

- Restricted – expendable net assets increased between fiscal years because of substantial purchases for the college's nursing department during 2009. The decreased expenses and increased net assets in 2010 show a more typical year.

Comparison of FY 2009 to FY 2008

The component unit had the following significant changes between fiscal years on the Statements of Net Assets:

- The decrease in current assets and other assets between fiscal years is due to decreased gifts and pledges and the decreased rate of return on investments. The downturn in the nation's economy has resulted in a decrease in gifts and the write-off of previous pledges that have indicated their inability to pay.

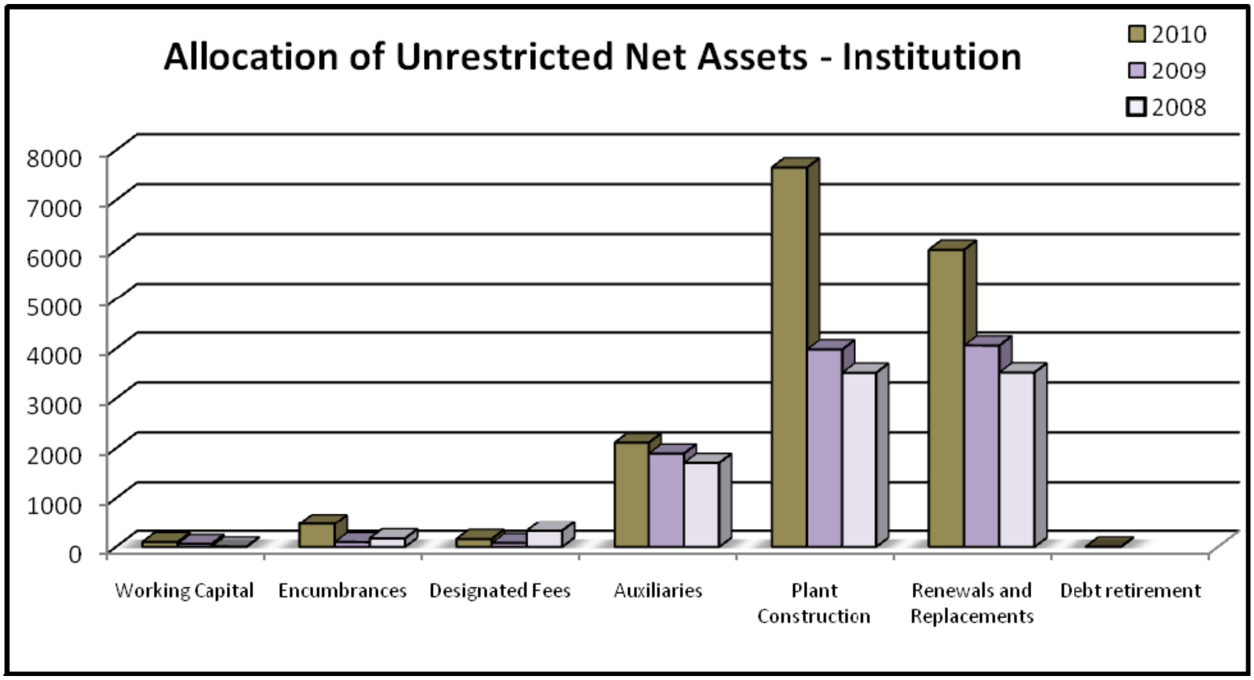
- Current liabilities decreased between fiscal years due to a reduction in the payable to the college. This payable represents transactions occurring between the college and the foundation at year-end.

- Restricted – nonexpendable net assets increased between the two fiscal years due to new endowments given during the 2009 year.

- Restricted – expendable net assets decreased between fiscal years because of substantial purchases for the college's nursing department during 2009.

- The decrease in unrestricted from 2008 to 2009 is primarily due to poor market performance, particularly in the LGIP, decreased pledges, and the write-off of previous pledges that have indicated their inability to pay.

Many of the college's unrestricted net assets have been designated for specific purposes such as encumbrances, designated fees, auxiliaries, capital projects, repairs and replacement of equipment, and future debt service. The following graph shows the allocations (amounts are presented in thousands of dollars):



<u>Comparison of FY 2010 to FY 2009</u>

- Encumbrances increased from 2009 to 2010, primarily from end-of-2010-year encumbrances for distance learning instructional equipment and office furniture and renovations that are a result of the restructure of academic deans and instructional areas effective July 1, 2010.

- Designated fees increased from 2009 to 2010. A smaller percentage of available Technology Access Fees was spent during 2010, leaving increased designated fees.

- Auxiliaries increased between the fiscal years, reflecting auxiliary revenues.

- Plant construction increased from 2009 to 2010. Design work on the renovation of the wellness center project continued in 2010 but was not completed. An energy savings project was begun in 2010 but not completed; design work for library renovations and Franklin/Williamson County renovations were begun in 2010. Funds were also set aside for future-year projects.

- Renewals and replacements increased from 2009 to 2010, primarily as a result of funds set aside for future-year projects.

Comparison of FY 2009 to FY 2008

- Encumbrances decreased from 2008 to 2009 as a result of upcoming reductions in the 2009-10 budget. Departments were encouraged to be conservative in year-end requests in order to conserve funds.

- Designated fees decreased from 2008 to 2009. A larger percentage of available Technology Access Fees was spent during 2009, leaving decreased designated fees.

- Auxiliaries increased between the fiscal years, reflecting auxiliary revenues.

- Plant construction increased from 2008 to 2009. The Clifton building and 12.34 acres of land were transferred to the college during 2009. Projects begun in earlier years and completed in 2009 include the renovation of the Williamson County - Franklin bookstore and the information technology - library basement renovation. Design work on the renovation of the pool project continued in 2009 but was not completed.

- Renewals and replacements increased from 2008 to 2009, primarily as a result of funds set aside for future-year projects.

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.

Columbia State Community College
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

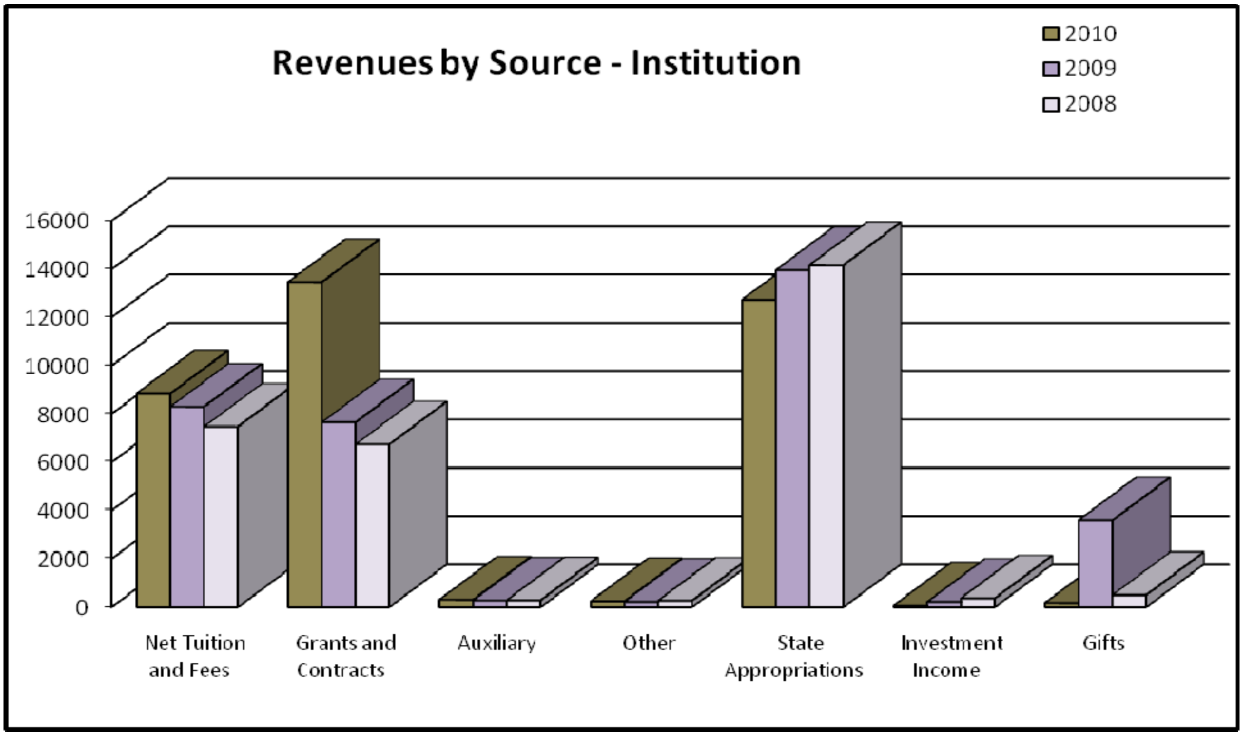
	2010	2009	2008
Operating revenues:			
Net tuition and fees	$ 8,848	$ 8,301	$ 7,471
Grants and contracts	1,254	909	1065
Auxiliary	309	274	281
Other	80	85	249
Total operating revenues	10,491	9,569	9,066
Operating expenses	31,809	29,763	29,757
Operating loss	(21,318)	(20,194)	(20,691)
Nonoperating revenues and expenses:			
State appropriations	12,635	13,508	14,163
Gifts	174	187	362
Grants and contracts	12,208	6,746	5,671
Investment income	63	215	498
Other revenues and expenses	165	131	15
Total nonoperating revenues and expenses	25,245	20,787	20,709
Income before other revenues, expenses, gains, or losses	3,927	593	18
Other revenues, expenses, gains, or losses:			
Capital appropriations	96	450	30
Capital grants and gifts	-	3,411	-
Other	-	-	(28)
Total other revenues, expenses, gains, or losses	96	3,861	2
Increase in net assets	4,023	4,454	20
Net assets at beginning of year	26,589	22,135	22,115
Net assets at end of year	$30,612	$26,589	$22,135

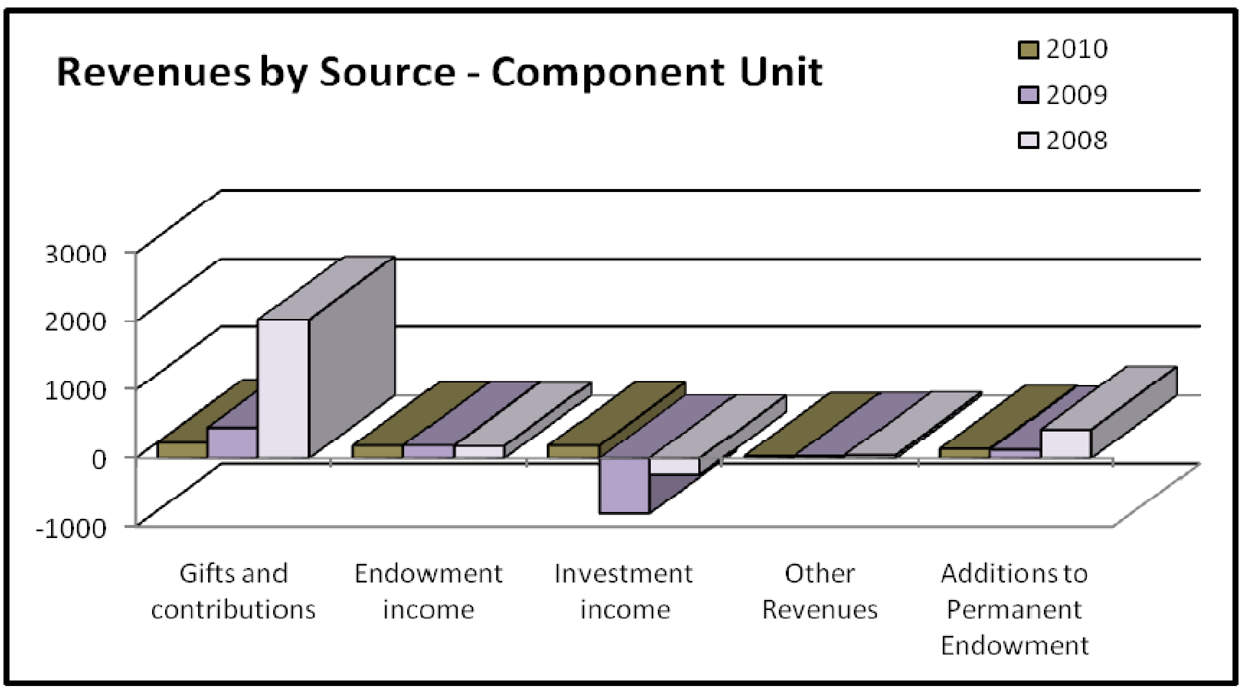
Component Unit
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2010	**2009**	**2008**
Operating revenues:			
Gifts and contributions	$ 230	$ 448	$2,028
Endowment income	187	190	179
Total operating revenues	417	638	2,207
Operating expenses	473	1,371	801
Operating income (loss)	(56)	(733)	1,406
Nonoperating revenues and expenses:			
Investment income (loss)	187	(808)	(237)
Other revenues	33	36	47
Total nonoperating revenues and expenses	220	(772)	(190)
Income (loss) before other revenues, expenses, gains, or losses	164	(1,505)	1,216
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	139	124	421
Total other revenues, expenses, gains, or losses	139	124	421
Increase (decrease) in net assets	303	(1,381)	1,637
Net assets at beginning of year	7,026	8,407	6,770
Net assets at end of year	$7,329	$7,026	$8,407

Revenues

The following are graphic illustrations of revenues by source (both operating and nonoperating), which were used to fund the college's and its component unit's activities for the years ended June 30, 2010; June 30, 2009; and June 30, 2008 (amounts are presented in thousands of dollars).


Revenues by Source - Institution
2010
2009
2008
16000
14000
12000
10000
8000
6000
4000
2000
0
Net Tuition and Fees
Grants and Contracts
Auxiliary
Other
State Appropriations
Investment Income
Gifts


Revenues by Source - Component Unit
2010
2009
2008
3000
2000
1000
0
-1000
Gifts and contributions
Endowment income
Investment income
Other Revenues
Additions to Permanent Endowment

<u>Comparison of FY 2010 to FY 2009</u>

The college had the following significant changes in revenues between fiscal years:

- Net tuition and fees increased from 2009 to 2010 as a result of an enrollment increase and a fee increase effective fall 2009. Fall 2009 enrollment showed a 17.1% increase in headcount and a 15.8% increase in FTE. A per-credit-hour fee increase of 3.7% went into effect fall 2009, along with the removal of the cap on fees.

- Grants and contracts increased significantly from 2009 to 2010. The most significant of the increases were in scholarships from the Tennessee Education Lottery Scholarship Program, the PELL program, and in State Fiscal Stabilization Funds. Less significant increases were from Tennessee Student Assistance Corporation scholarships and from a USDA Distance Learning grant started in 2010.

- Capital grants and gifts decreased because of the transfer of the Clifton site building and land to the college during 2009. This transfer was made from the State of Tennessee, Department of Finance and Administration.

- State appropriations decreased from 2009 to 2010 as a result of a shortfall in State of Tennessee revenues.

- Investment income decreased from 2009 to 2010 because of unfavorable market performance. LGIP net average earnings rates fell from .62% in July 2009 to .24% in June 2010.

The component unit had the following significant changes in revenues between fiscal years:

- The decrease in gifts and contributions from 2009 to 2010 is due to the continued challenges in the nation's economy, resulting in a decrease in contributions and write-offs of pledges receivable that have indicated their inability to pay.

- Investment income increased from 2009 to 2010 because of somewhat more favorable market performance in 2010. During the 2009 year, there were net realized losses of $52,380.95 and net unrealized losses of $719,251.87. During the 2010 year, there were net realized losses of $292,908.68 and net unrealized gains of $574,315.37.

- There was a slight increase in additions to permanent endowments from 2009 to 2010. This increase is primarily the result of two new endowments given during the 2010 year.

Comparison of FY 2009 to FY 2008

The college had the following significant changes in revenues between fiscal years:

- Net tuition and fees increased from 2008 to 2009 as a result of a 6% fee increase effective fall 2008.

- Grants and contracts increased from 2008 to 2009, primarily due to increases in scholarships from the Tennessee Education Lottery Scholarship Program and the PELL program.

- Capital grants and gifts increased because of the transfer of the Clifton site building and land to the college during 2009. This transfer was made from the State of Tennessee, Department of Finance and Administration.

- State appropriations decreased from 2008 to 2009 as a result of a shortfall in State of Tennessee revenues.

- Investment income decreased from 2008 to 2009 because of unfavorable market performance. LGIP net average earnings rates fell from 2.22% in July 2008 to .67% in June 2009.

The component unit had the following significant changes in revenues between fiscal years:

- The decrease in gifts and contributions from 2008 to 2009 is due to a downturn in the nation's economy, resulting in a decrease in contributions and significant write-offs of pledges receivable that have indicated their inability to pay.

- Investment income decreased from 2008 to 2009 because of unfavorable market performance which caused $1.1 million of unrealized losses resulting from the decrease in the fair market value of invested assets during the 2008-09 year.

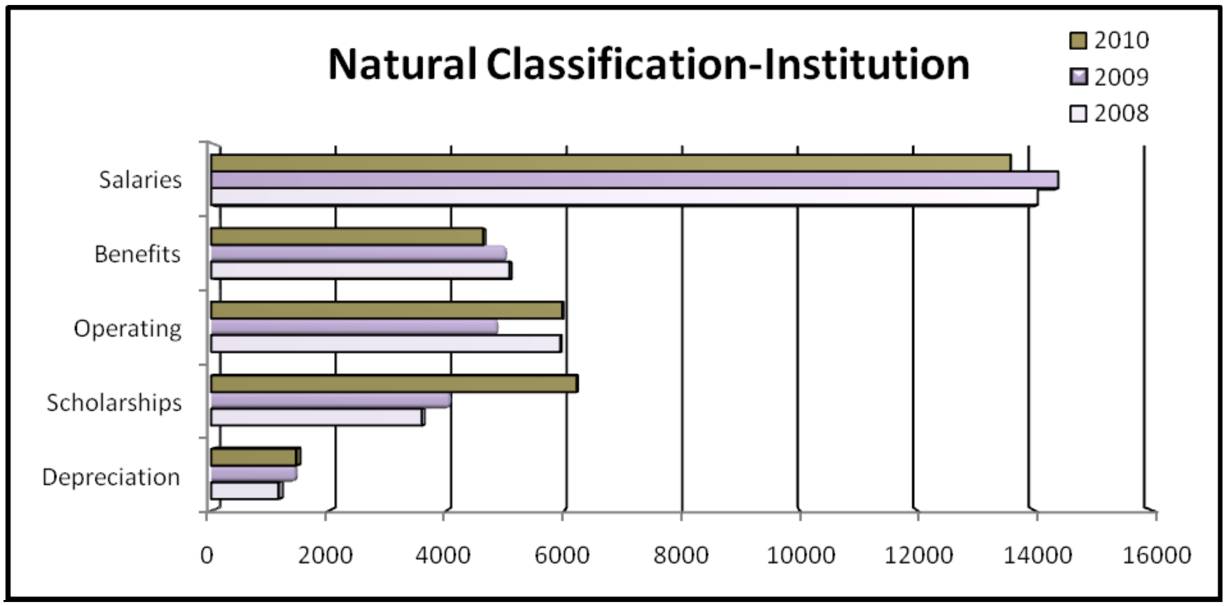
- The decrease in additions to permanent endowments from 2008 to 2009 is the result of decreased contributions.

Expenses

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

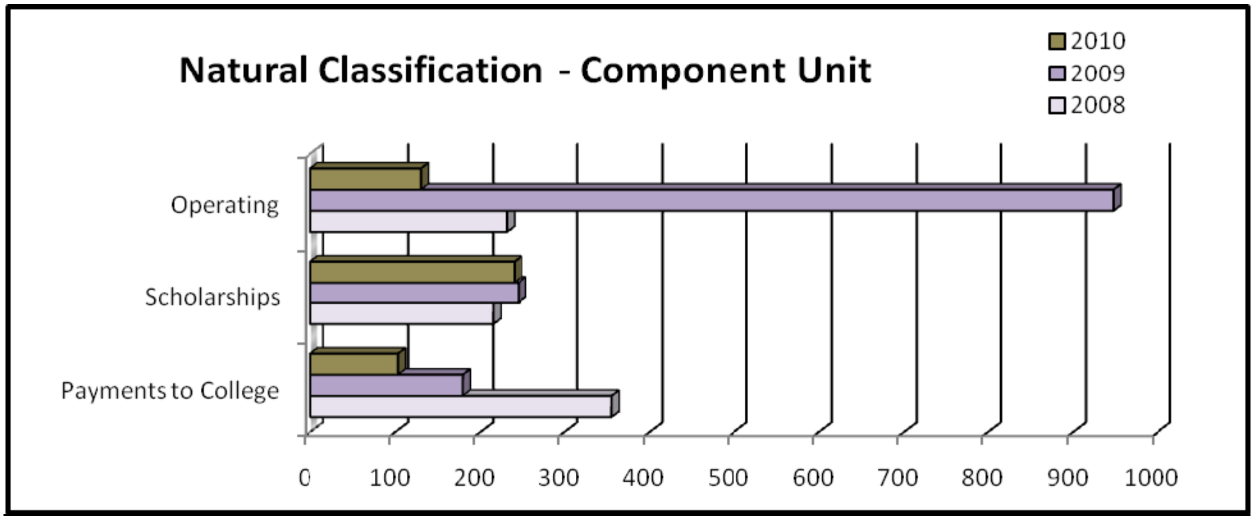
Natural Classification-Institution

	2010	2009	2008
Salaries	$13,582	$14,388	$14,042
Benefits	4,619	5,014	5,068
Operating	5,961	4,869	5,930
Scholarships	6,207	4,058	3,576
Depreciation	1,440	1,434	1,141
Total expenses	$31,809	$29,763	$29,757



Natural Classification-Component Unit

	2010	2009	2008
Operating	$130	$ 947	$231
Scholarships	240	245	215
Payments to college	103	179	355
Total expenses	$473	$1,371	$801



<u>Comparison of FY 2010 to FY 2009</u>

The college had the following significant changes in expenses between fiscal years:

- The decrease in salary expense between fiscal years is due to accrued Voluntary Buyout Program (VBP) payments for the 16 participants in this program in 2009, annual leave payouts for ten of the VBP participants in 2009, bonus payments made in 2009 to employees with three years of service, and the elimination of six positions in the 2010 year as a result of a mission review organization.

- Benefits decreased between fiscal years as a result of decreased salaries and a premium holiday for state insurance. The State Insurance Committee voted a two-month premium holiday for employee and employer insurance contributions during the 2010 year. The approximate decrease in insurance benefits paid due to the two-month holiday was $328,491.60.

- Operating expenses increased from 2009 to 2010. During 2010, payments were made for resurfacing of parking lots, the refurbishing of the Webster Gymnasium, the energy savings performance contract project, and furnishings for the Information Technology Library Basement renovation.

- Scholarships increased between fiscal years primarily as a result of increased PELL and Tennessee Education Lottery Scholarships.

The component unit had the following significant change in expenses between fiscal years:

- Operating expenses decreased dramatically from 2009 to 2010, primarily as a result of significant write-offs of pledges receivable in 2009 that indicated their inability to pay. These write-offs were classified in operating expenses. The 2010 operating expenses show a more typical year.

<u>Comparison of FY 2009 to FY 2008</u>

The college had the following significant changes in expenses between fiscal years:

- The increase in salary expense between fiscal years is due to a bonus paid in October 2008; accrued Voluntary Buyout Program (VBP) payments for the 16 participants in this program; annual leave payouts for ten of the VBP participants; and annual leave payouts for several other employees not participating in the VBP who resigned during the 2009 year, including the Vice President of Academic Services and the Vice President of Enrollment Management and Student Services.

- Operating expenses decreased from 2008 to 2009. During 2008, payments were made for sidewalk replacements, renovations to the Pryor Administration Building, construction of a metal storage building, resurfacing of parking lots, increases in software maintenance agreements, and addition of the VOIP telecommunications system to classrooms in all sites and centers to enhance classroom security. The decreased expenses in 2009 show a more typical year.

- Scholarships increased between fiscal years, primarily as a result of increased PELL and Tennessee Education Lottery Scholarships.

- Depreciation increased between the fiscal years. Part of the increase was due to the depreciation of the Clifton site building. Transfer of jurisdiction of the Clifton site was made to Columbia State Community College during the 2009 year.

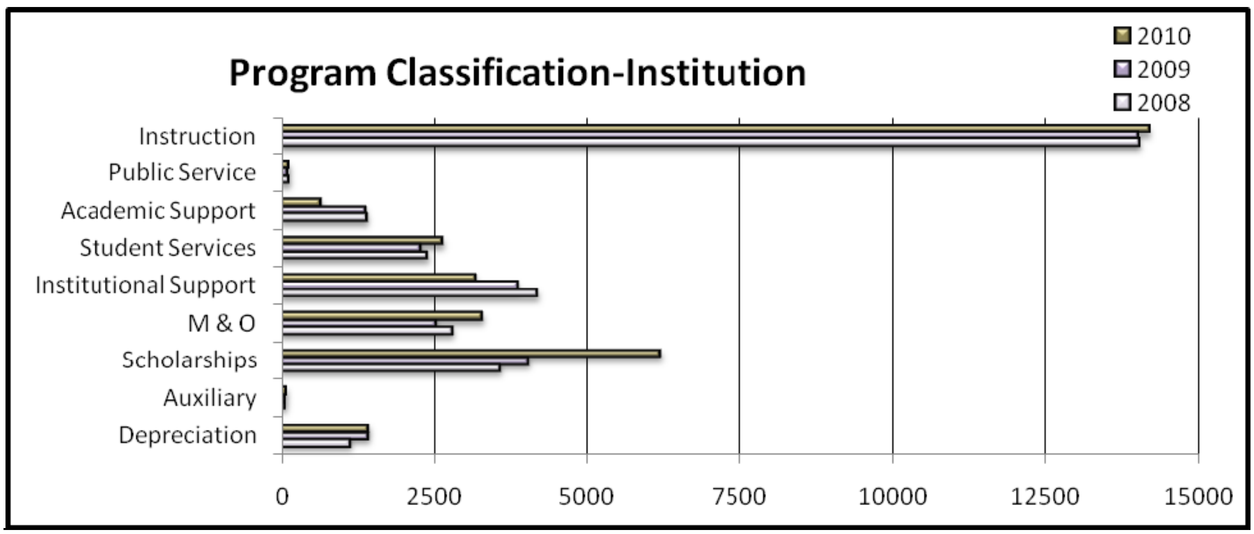
The component unit had the following significant changes in expenses between fiscal years:

- Operating expenses increased dramatically from 2008 to 2009, primarily as a result of significant write-offs of pledges receivable in 2009 that indicated their inability to pay. These write-offs were classified in operating expenses. The 2008 operating expenses show a more typical year.

- Scholarships increased between the fiscal years due to an increase in the scholarships awarded.

Program Classification-Institution

	2010	2009	2008
Instruction	$14,185	$13,998	$14,030
Public service	122	113	124
Academic support	671	1,388	1,412
Student services	2,643	2,285	2,399
Institutional support	3,176	3,877	4,206
M & O	3,290	2,539	2,801
Scholarships and fellowships	6,207	4,058	3,577
Auxiliary	75	71	67
Depreciation	1,440	1,434	1,141
Total expenses	$31,809	$29,763	$29,757



Comparison of FY 2010 to FY 2009

The college had the following significant changes in program expenses between fiscal years:

- The decrease in the Academic Support program between years results from decreased salaries, benefits, and operating expense in this program. Decreased salaries resulted from 2009-year bonus payments to employees with three years of service and a mission review that moved one position from Academic Support to Student Services and eliminated two Academic Support positions in the 2010 year. Benefits declined because of the salary reductions and also because of the two-month premium holiday for state insurance discussed in the natural classification section. The primary cause of the reduction in operating expense was increased renewals and replacements usage charges and a corresponding increased allocation in this program.

- The increase in the Student Services program from 2009 to 2010 is primarily from a mission review transfer of three employees from other programs to the Student Services program, increasing salaries and benefits in Student Services.

- The decrease in the Institutional Support program from 2009 to 2010 results from decreased salaries, benefits, and operating expenses in this program. Decreased salaries resulted from 2009-year bonus payments to employees with three years of service, an annual leave payout for one retiring employee in the 2009 year, Voluntary Buyout Program and annual leave payouts for two employees in the 2009 year, a mission review that moved one position from Institutional Support to Student Services and eliminated one Institutional Support position in the 2010 year, and two positions that were vacant for part of the 2010 year. Benefits declined because of the salary reductions and also because of the two-month premium holiday for state insurance discussed in the natural classification section. The primary cause of the reduction in operating expenses was increased renewals and replacements usage charges and a corresponding increased allocation in this program.

- The increase between fiscal years in the Maintenance and Operation of Physical Plant program is the result of the project to refurbish the Webster Gymnasium and the energy savings performance project.

- Scholarships and Fellowships increased between fiscal years primarily as a result of increased awards, particularly PELL and Tennessee Education Lottery Scholarships.

<u>Comparison of FY 2009 to FY 2008</u>

The college had the following significant changes in program expenses between fiscal years:

- The decrease in the Institutional Support program from 2008 to 2009 results from the payments made in 2008. Furnishings for the renovation of the Pryor Administration Building and addition of the VOIP telecommunications system to enhance security were made in 2008. The decreased expenses in 2009 show a more typical year.

- The decrease between fiscal years in the Maintenance and Operation of Physical Plant program is the result of fewer large repair projects during 2009. In 2008, several repair projects were large enough to be unusual in nature; the most prominent of these projects were sewer line repairs.

- Scholarships and Fellowships increased between fiscal years, primarily as a result of increased awards, particularly PELL and Tennessee Education Lottery Scholarships.

- The increase in depreciation between fiscal years is mainly the result of the transfer of jurisdiction of the Clifton site and the corresponding depreciation on the building.

Capital Assets and Debt Administration

Capital Assets

Columbia State Community College had $15,067,139 invested in capital assets, net of accumulated depreciation of $16,260,652 at June 30, 2010; $15,906,327 invested in capital assets, net of accumulated depreciation of $15,056,909 at June 30, 2009; and $12,845,300 invested in capital assets, net of accumulated depreciation of $13,866,178 at June 30, 2008. Depreciation charges totaled $1,440,453, $1,433,522, and $1,140,875 for the years ended June 30, 2010; June 30, 2009; and June 30, 2008, respectively. Details of these assets are shown below.

Columbia State Community College
Schedule of Capital Assets, Net of Depreciation
(in thousands of dollars)

	2010	2009	2008
Land	$ 987	$ 987	$ 907
Land improvements and infrastructure	1,642	1,715	1,845
Buildings	9,805	10,416	7,190
Equipment	1,051	1,087	1,120
Library holdings	654	687	707
Intangible assets	846	968	1,051
Projects in progress	82	46	25
Total	$15,067	$15,906	$12,845

Highlights of the information presented on the Schedule of Capital Assets for the college are as follows:

Comparison of FY 2010 to FY 2009

- Equipment decreases from 2009 to 2010 included additions of capital assets of $240,053.81, disposals of $75,760.88, and an increase in accumulated depreciation of $200,716.94.

- The 2009 and 2010 projects in progress include design work begun on the Wellness Center renovation. Also included in the 2010 year is design work begun on the Franklin/Williamson County renovation and the Finney Library renovation.

- Other categories either increased or decreased due to the additions of capital assets and the recording of depreciation.

Comparison of FY 2009 to FY 2008

- Land increased due to the transfer of 12.34 acres of Clifton site land.

- Buildings increased due to the transfer of the Clifton site from the State of Tennessee, Department of Finance and Administration.

- Equipment decreases from 2008 to 2009 included additions of capital assets of $247,385.60, disposals of $69,111.06, and an increase in accumulated depreciation of $211,072.59.

- The 2009 and 2008 projects in progress include design work begun on the Pool renovation.

- Other categories either increased or decreased due to the additions of capital assets and the recording of depreciation.

The college expects to make capital expenditures during fiscal year 2010-11 for the following projects: Wellness Center renovation, HVAC upgrades, Finney Library renovation, and Franklin/Williamson County renovation. The administrative software expenses 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.

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

	2010	2009	2008
Land	$100	$100	$100

Debt

The college had $730,329, $78,100, and $92,080 in debt outstanding at June 30, 2010; June 30, 2009; and June 30, 2008, respectively. The table below summarizes these amounts by type of debt instrument.

Schedule of Outstanding Debt
(in thousands of dollars)

	2010	2009	2008
Bonds payable	$ 64	$78	$92
Commercial paper payable	666	-	-
Total outstanding debt	$730	$78	$92

Tennessee State School Bond Authority (TSSBA) bond issues are due serially to 2014 and have interest rates ranging from 4.0% 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.

TSSBA issued commercial paper for the college during the 2010 year for the energy savings performance project.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2010, were as follows:

Fitch	AA
Moody's Investor Service	Aa2
Standard & Poor's	AA

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

Economic Factors That Will Affect the Future

The 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. Shortfalls in state revenues caused reductions in both the 2008-09 and 2009-10 State of Tennessee budgets. State appropriations for the college have been reduced for both years. Further changes in the state's economy may cause additional changes in appropriations received. The college implemented a mission review in 2008-09 in order to identify areas to implement budget reductions for future years. There are no across-the-board salary increases for state employees budgeted in 2010-11.

At their June 2010 board meeting, the Tennessee Board of Regents approved a fee increase of 6.3% per credit hour for in-state fees and a fee increase of 5.7% per credit hour for out-of-state tuition to go into effect fall 2010.

Funds will be received from the American Recovery and Reinvestment Act's State Fiscal Stabilization Funds (SFSF) for public higher education institutions for the years ending 2009, 2010, and 2011. The Tennessee Higher Education Commission's intent is that SFSF funds should assist institutions in adjusting expenditures down to a level that reflects the reduced state appropriation base scheduled for 2009-10.

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

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 R. Horner, Vice President for Financial and Administrative Services, 1665 Hampshire Pike, Columbia, Tennessee 38401.

Exhibit A

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2010, AND JUNE 30, 2009

	Columbia State Community College		Component Unit - Columbia State Community College Foundation	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 17)	$ 6,397,021.36	$ 7,361,844.75	$ 863,481.35	$ 767,521.62
Short-term investments (Note 17)	-	-	3,889,675.69	2,485,188.07
Accounts, notes, and grants receivable (net) (Note 4)	965,380.69	701,008.03	10,682.12	10,807.25
Pledges receivable (net) (Note 17)	-	-	183,620.00	229,462.00
Due from primary government	642,008.92	372,127.99	-	-
Inventories	967.54	651.73	-	-
Prepaid expenses and deferred charges	8,879.11	842.44	-	-
Accrued interest receivable	4,665.89	3,917.14	-	-
Other assets	415.90	353.38	-	-
Total current assets	8,019,339.41	8,440,745.46	4,947,459.16	3,492,978.94
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 17)	13,661,851.52	8,090,811.03	1,267,571.16	1,598,672.28
Investments (Note 17)	-	-	669,151.69	1,220,732.00
Accounts, notes, and grants receivable (net) (Note 4)	4,623.90	3,987.04	-	-
Pledges receivable (net) (Note 17)	-	-	163,196.00	425,850.00
Capital assets (net) (Notes 5 and 17)	15,067,138.70	15,906,326.90	99,998.99	99,998.99
Other assets	-	-	252,000.00	252,000.00
Total noncurrent assets	28,733,614.12	24,001,124.97	2,451,917.84	3,597,253.27
Total assets	36,752,953.53	32,441,870.43	7,399,377.00	7,090,232.21
LIABILITIES				
Current liabilities:				
Accounts payable (Note 6)	198,311.11	462,862.20	69,956.52	64,210.46
Accrued liabilities	949,828.56	1,074,902.00	-	-
Due to primary government	-	654,959.50	-	-
Student deposits	41,896.87	37,808.72	-	-
Deferred revenue	679,663.38	542,579.84	-	-
Compensated absences (Note 7)	199,907.34	207,277.23	-	-
Accrued interest payable	769.73	565.64	-	-
Long-term liabilities, current portion (Note 7)	14,925.07	14,323.49	-	-
Deposits held in custody for others	1,548,067.72	1,353,009.74	-	-
Total current liabilities	3,633,369.78	4,348,288.36	69,956.52	64,210.46
Noncurrent liabilities:				
Net OPEB obligation (Notes 7 and 11)	1,083,508.43	797,351.52	-	-
Compensated absences (Note 7)	699,417.83	635,419.58	-	-
Long-term liabilities (Note 7)	715,403.66	63,776.01	-	-
Due to grantors (Note 7)	8,917.67	7,718.86	-	-
Total noncurrent liabilities	2,507,247.59	1,504,265.97	-	-
Total liabilities	6,140,617.37	5,852,554.33	69,956.52	64,210.46
NET ASSETS				
Invested in capital assets, net of related debt	14,336,809.97	15,828,227.40	99,998.99	99,998.99
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	2,993,517.52	2,966,444.52
Instructional department uses	-	-	367,655.00	315,855.00
Other	-	-	1,258,856.47	1,277,122.08
Expendable:				
Scholarships and fellowships	1,739.62	-	820,519.52	689,464.39
Instructional department uses	82,342.07	71,775.14	121,540.40	88,080.40
Loans	990.85	857.65	-	-
Capital projects	-	-	495,757.75	435,501.53
Other	250,404.81	212,023.32	350,160.68	322,158.32
Unrestricted (Note 8)	15,940,048.84	10,476,432.59	821,414.15	831,396.52
Total net assets	$ 30,612,336.16	$ 26,589,316.10	$ 7,329,420.48	$ 7,026,021.75

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

Exhibit B

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

	Columbia State Community College		Component Unit - Columbia State Community College Foundation	
	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2010	Year Ended June 30, 2009
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $4,915,835.67 for the year ended June 30, 2010, and $2,850,801.11 for the year ended June 30, 2009)	$ 8,848,228.95	$ 8,301,267.47	$ -	$ -
Gifts and contributions	-	-	230,546.91	448,566.12
Endowment income per spending plan	-	-	186,700.00	189,690.00
Governmental grants and contracts	1,254,351.84	889,065.83	-	-
Nongovernmental grants and contracts	-	20,000.00	-	-
Sales and services of educational departments	79,354.14	85,458.58	-	-
Auxiliary enterprises:				
Bookstore	298,622.75	263,989.90	-	-
Food service	10,364.31	9,691.79	-	-
Interest earned on loans to students	198.75	-	-	-
Total operating revenues	10,491,120.74	9,569,473.57	417,246.91	638,256.12
EXPENSES				
Operating expenses (Note 14):				
Salaries and wages	13,581,981.99	14,387,934.10	-	-
Benefits	4,618,733.89	5,014,116.27	-	-
Utilities, supplies, and other services	5,960,629.67	4,869,015.48	129,581.55	946,832.30
Scholarships and fellowships	6,207,162.53	4,058,236.10	240,226.65	244,786.36
Depreciation expense	1,440,452.77	1,433,521.84	-	-
Payments to or on behalf of Columbia State Community College	-	-	102,733.04	179,637.23
Total operating expenses	31,808,960.85	29,762,823.79	472,541.24	1,371,255.89
Operating loss	(21,317,840.11)	(20,193,350.22)	(55,294.33)	(732,999.77)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	12,635,429.50	13,507,929.50	-	-
Gifts (college gifts include $102,733.04 from component unit in 2010 and $179,637.23 in 2009)	173,790.21	186,877.23	-	-
Grants and contracts	12,208,013.35	6,745,634.60	-	-
Investment income (loss) (for component unit, net of investment expense of $16,917.62 in 2010 and $15,414.33 in 2009)	62,499.09	214,662.32	186,605.75	(808,458.98)
Interest on capital asset-related debt	(3,727.82)	(3,435.11)	-	-
Bond issuance costs	(105.64)	-	-	-
Other nonoperating revenues	168,723.10	134,954.49	33,089.31	35,885.35
Net nonoperating revenues (expenses)	25,244,621.79	20,786,623.03	219,695.06	(772,573.63)
Income (loss) before other revenues, expenses, gains, or losses	3,926,781.68	593,272.81	164,400.73	(1,505,573.40)
Capital appropriations	96,238.38	450,026.75	-	-
Capital grants and gifts	-	3,411,150.00	-	-
Additions to permanent endowments	-	-	138,998.00	124,352.00
Total other revenues	96,238.38	3,861,176.75	138,998.00	124,352.00
Increase (decrease) in net assets	4,023,020.06	4,454,449.56	303,398.73	(1,381,221.40)
NET ASSETS				
Net assets - beginning of year	26,589,316.10	22,134,866.54	7,026,021.75	8,407,243.15
Net assets - end of year	$ 30,612,336.16	$ 26,589,316.10	$ 7,329,420.48	$ 7,026,021.75

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

Exhibit C

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

	Year Ended June 30, 2010	Year Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 8,908,931.93	$ 8,267,781.01
Grants and contracts	1,147,014.15	1,258,036.87
Sales and services of educational activities	76,152.24	85,363.58
Payments to suppliers and vendors	(6,242,677.77)	(4,754,169.72)
Payments to employees	(13,887,717.15)	(14,104,075.57)
Payments for benefits	(4,317,651.65)	(4,582,915.22)
Payments for scholarships and fellowships	(6,207,162.53)	(4,055,950.10)
Auxiliary enterprise charges:		
Bookstore	224,673.52	251,034.56
Food services	10,364.31	9,691.79
Net cash used by operating activities	(20,288,072.95)	(17,625,202.80)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	12,627,800.00	13,482,400.00
Gifts and grants received for other than capital or endowment purposes including $96,861.85 from the foundation for the year ended June 30, 2010, and $441,711.31 for the year ended June 30, 2009	11,453,613.21	7,233,301.91
Federal student loan receipts	5,443,738.02	4,985,266.09
Federal student loan disbursements	(5,443,738.02)	(4,985,266.09)
Changes in deposits held for others	200,060.75	(408,825.33)
Other noncapital financing receipts	173,549.60	144,425.40
Net cash provided by noncapital financing activities	24,455,023.56	20,451,301.98
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	906,241.33	-
Capital - state appropriations	96,238.38	450,026.75
Purchases of capital assets and construction	(604,892.26)	(1,099,231.30)
Principal paid on capital debt	(14,323.49)	(13,980.96)
Interest paid on capital debt	(3,523.73)	(3,524.02)
Net cash provided (used) by capital and related financing activities	379,740.23	(666,709.53)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	59,526.26	214,662.32
Net cash provided by investing activities	59,526.26	214,662.32
Net increase in cash	4,606,217.10	2,374,051.97
Cash - beginning of year	15,452,655.78	13,078,603.81
Cash - end of year	$ 20,058,872.88	$ 15,452,655.78

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

		Year Ended June 30, 2010		Year Ended June 30, 2009
Reconciliation of operating loss to net cash used by operating activities:				
Operating loss	$	(21,317,840.11)	$	(20,193,350.22)
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation expense		1,440,452.77		1,433,521.84
Gifts in-kind		-		6,150.00
Other adjustments		17,429.50		17,429.50
Change in assets and liabilities:				
Receivables, net		(271,517.35)		251,409.51
Inventories		(315.81)		494.04
Prepaid/deferred items		(5,063.84)		1,195.41
Other assets		(811.27)		173.32
Accounts payable		(265,407.96)		104,603.35
Accrued liabilities		(78,710.78)		760,136.31
Deferred revenue		137,083.54		55,540.37
Compensated absences		56,628.36		(62,506.23)
Net cash used by operating activities	$	(20,288,072.95)	$	(17,625,202.80)
Noncash investing, capital, and financing activities				
Gifts of capital assets	$	-	$	3,411,150.00
Loss on disposal of capital assets	$	(3,627.69)	$	(9,682.41)

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

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 significant financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*.

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

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 17 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

The college's financial statements have been prepared in 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 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.

Inventories

Inventories are valued at the lower of cost or market. All 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 on 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 intangible assets, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

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 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 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

This classification includes demand deposits and petty cash on hand. At June 30, 2010, cash consisted of $439,939.68 in bank accounts, $3,220.00 of petty cash on hand, $18,718,410.28 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and $897,302.92 in LGIP deposits for capital projects. At June 30, 2009, cash consisted of $351,702.34 in bank accounts, $3,120.00 of petty cash on hand, $14,049,251.85 in LGIP, and $1,048,581.59 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 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.

NOTE 3. INVESTMENTS

Credit Risk

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

Tennessee Board of Regents policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. Prime banker's acceptances are required to be eligible for purchase by the Federal Reserve System. To be eligible, the original maturity must not be more than 270 days, and it must 1) arise out of the current shipment of goods between countries or with the United States, or 2) arise out of storage within the United States of goods under contract of sale or expected to move into the channel or trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

Tennessee Board of Regents policy requires that prime commercial paper shall be limited to that of corporations that meet the following criteria: 1) Senior long-term debt, if any, should have a minimum rating of A1 or equivalent, and short-term debt should have a minimum rating of A1 or equivalent, as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt rating must be A1 by all rating services (minimum of two). 2) The rating should be based on the merits of the issuer or guaranteed by a nonbank. 3) A financial review should be made to ascertain the issuer's financial strength to cover the debt. 4) Commercial paper of a banking institution should not be purchased. Prime commercial paper shall not have a maturity that exceeds 270 days.

As of June 30, 2010, and June 30, 2009, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $19,615,713.20 at June 30, 2010, and $15,097,833.44 at June 30,

2009. LGIP investments are not rated by nationally recognized statistical ratings organizations. The LGIP is part of the State Pooled Investment Fund. The fund's required risks disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at http://www.tn.gov/treasury.

NOTE 4. RECEIVABLES

Receivables included the following:

	June 30, 2010	June 30, 2009
Student accounts receivable	$ 882,952.73	$ 663,084.74
Grants receivable	299,270.33	194,328.78
Notes receivable	11,393.90	11,747.04
State appropriation receivable	22,900.00	32,700.00
Other receivables	201,276.05	186,323.75
Subtotal	1,417,793.01	1,088,184.31
Less allowance for doubtful accounts	(447,788.42)	(383,189.24)
Total receivables	$ 970,004.59	$ 704,995.07

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 986,725.23	$ -	$ -	$ -	$ 986,725.23
Land improvements and infrastructure	2,696,211.86	61,223.00	-	-	2,757,434.86
Buildings	21,242,109.54	99,822.40	-	-	21,341,931.94
Equipment	3,096,103.93	240,053.81	-	75,760.88	3,260,396.86
Library holdings	1,409,362.59	120,218.54	-	164,576.08	1,365,005.05
Intangible assets	1,486,076.90	47,926.19	-	-	1,534,003.09
Projects in progress	46,645.51	35,648.32	-	-	82,293.83
Total	30,963,235.56	604,892.26	-	240,336.96	31,327,790.86

Land improvements and infrastructure	981,461.82	133,655.23	-	-	1,115,117.05
Buildings	10,825,743.65	711,705.65	-	-	11,537,449.30
Equipment	2,008,980.12	272,850.13	-	72,133.19	2,209,697.06
Library holdings	722,421.94	152,958.10	-	164,576.08	710,803.96
Intangible assets	518,301.13	169,283.66	-	-	687,584.79
Total	15,056,908.66	1,440,452.77	-	236,709.27	16,260,652.16
Capital assets, net	$ 15,906,326.90	$ (835,560.51)	$ -	$ 3,627.69	$ 15,067,138.70

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 906,725.23	$ 80,000.00	$ -	$ -	$ 986,725.23
Land improvements and infrastructure	2,696,211.86	-	-	-	2,696,211.86
Buildings	17,304,147.36	3,937,962.18	-	-	21,242,109.54
Equipment	2,917,829.39	247,385.60	-	69,111.06	3,096,103.93
Library holdings	1,453,446.12	139,278.53	-	183,362.06	1,409,362.59
Intangible assets	1,408,518.62	77,558.28	-	-	1,486,076.90
Projects in progress	24,598.80	22,046.71	-	-	46,645.51
Total	26,711,477.38	4,504,231.30	-	252,473.12	30,963,235.56
Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	850,877.62	130,584.20	-	-	981,461.82
Buildings	10,113,875.64	711,868.01	-	-	10,825,743.65
Equipment	1,797,907.53	270,501.24	-	59,428.65	2,008,980.12
Library holdings	746,511.57	159,272.43	-	183,362.06	722,421.94
Intangible assets	357,005.17	161,295.96	-	-	518,301.13
Total	13,866,177.53	1,433,521.84	-	242,790.71	15,056,908.66
Capital assets, net	$ 12,845,299.85	$ 3,070,709.46	$ -	$ 9,682.41	$ 15,906,326.90

NOTE 6. ACCOUNTS PAYABLE

Accounts payable included the following:

	June 30, 2010	June 30, 2009
Vendors payable	$187,628.99	$452,054.95
Other payables	10,682.12	10,807.25
Total accounts payable	$198,311.11	$462,862.20

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 78,099.50	$ -	$ 14,323.49	$ 63,776.01	$ 14,925.07
Commercial paper	-	666,552.72	-	666,552.72	-
Subtotal	78,099.50	666,552.72	14,323.49	730,328.73	14,925.07
Other liabilities:					
Compensated absences	842,696.81	689,546.94	632,918.58	899,325.17	199,907.34
Due to grantors	7,718.86	1,198.81	-	8,917.67	-
Net OPEB obligation	797,351.52	286,156.91	-	1,083,508.43	-
Subtotal	1,647,767.19	976,902.66	632,918.58	1,991,751.27	199,907.34
Total long-term liabilities	$ 1,725,866.69	$ 1,643,455.38	$ 647,242.07	$ 2,722,080.00	$ 214,832.41

Long-term liabilities activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 92,080.46	$ -	$ 13,980.96	$ 78,099.50	$ 14,323.49

Other liabilities:					
Compensated absences	905,203.04	649,499.50	712,005.73	842,696.81	207,277.23
Due to grantors	7,930.36	-	211.50	7,718.86	-
Net OPEB obligation	408,938.00	388,413.52	-	797,351.52	-
Subtotal	1,322,071.40	1,037,913.02	712,217.23	1,647,767.19	207,277.23
Total long-term liabilities	$ 1,414,151.86	$ 1,037,913.02	$ 726,198.19	$ 1,725,866.69	$ 221,600.72

TSSBA Debt - Bonds

Bonds, with interest rates ranging from 4.0% to 4.5%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to 2014 and are secured by pledges of the facilities' revenues to which they relate (see Note 9 for further detail) and certain other revenues and fees of the college, including state appropriations.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total
2011	$ 14,925.07	$ 2,636.50	$ 17,561.57
2012	15,551.93	2,039.50	17,591.43
2013	16,205.11	1,417.42	17,622.53
2014	17,093.90	769.22	17,863.12
Total	$ 63,776.01	$ 6,862.64	$ 70,638.65

TSSBA Debt - Commercial Paper

The Tennessee State School Bond Authority issues commercial paper to finance the costs of various capital projects during their construction phase. When projects are placed in service, long-term, fixed-rate debt is issued by TSSBA to finance the project over its useful payback period and the commercial paper is redeemed. The amount issued for projects at the college was $666,552.72 at June 30, 2010.

For the commercial paper program, the Tennessee State School Bond Authority maintains an interest rate reserve fund. The college contributes amounts to the reserve fund based on the amounts drawn. The principal of the reserve will be contributed to pay off notes or credited back to the college when the notes are converted to bonds. The interest earned on the reserve is used to pay interest due during the month.

More detailed information regarding the bonds and commercial paper can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report is available on the state's website at http://www.comptroller1.state.tn.us/TSSBA/cafr.asp.

NOTE 8. UNRESTRICTED NET ASSETS

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

	June 30, 2010	June 30, 2009
Working capital	$ 94,888.57	$ 58,262.38
Encumbrances	470,991.11	94,103.97
Designated fees	157,129.58	75,019.37
Auxiliaries	2,113,286.13	1,894,720.32
Plant construction	7,655,054.42	3,981,582.03
Renewal and replacement of equipment	6,004,725.48	4,061,225.98
Debt retirement	3,072.83	-
Undesignated	(559,099.28)	311,518.54
Total	$15,940,048.84	$10,476,432.59

NOTE 9. PLEDGED REVENUES

The college has pledged certain revenues and fees, including state appropriations, to repay $63,776.01 in revenue bonds issued in March 2004. Proceeds from the bonds provided financing for a new chiller for the college. The bonds are payable through 2014. Annual principal and interest payments on the bonds are expected to require .07% of available revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2010, is $70,638.65. (See Note 7 for further detail.) Principal and interest paid for 2010 and total available revenues in that year were $17,532.93 and

$26,869,342.27, respectively. Principal and interest paid for 2009 and total available revenues were $17,504.98 and $25,578,579.90, respectively.

NOTE 10. 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 is available on the state's website at http://www.state.tn.us/treasury/tcrs/index.html.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 13.02% 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, 2010, 2009, and 2008 were $913,375.57, $974,068.24, and $1,024,116.49. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA-CREF), ING 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, *and 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 contributions made by the college to the plans were $493,752.21 for the year ended June 30, 2010, and $512,069.44 for the year ended June 30, 2009. Contributions met the requirements for each year.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible college retirees. This program includes two plans available to higher education employees—the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-101, *Tennessee Code Annotated.* Prior to reaching age 65, retirees may participate in the State Employee Group Plan. Members of this plan have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. The POS and HMO options will no longer be available to members after January 1, 2011. Subsequent to age 65, retirees who are also in the state's retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. The state makes on-behalf payments to the Medicare supplement plan for the college's eligible retirees; see Note 15. The plans are reported in the State of Tennessee's *Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

The State of Tennessee is legally responsible for contributions to the Medicare Supplement Plan that covers the retirees of other governmental entities, including Columbia State Community College. The state is the sole contributor for the college retirees that participate in the Medicare Supplement Plan and, therefore, is acting as the employer.

Funding Policy

The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 years but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium.

College's Annual OPEB Cost and Net OPEB Obligation
State Employee Group Plan

	2010	2009
Annual required contribution (ARC)	$ 487,000.00	$619,000.00
Interest on the net OPEB obligation	35,880.82	18,402.21
Adjustment to the ARC	(33,986.25)	(17,910.74)
Annual OPEB cost	488,894.57	619,491.47
Amount of contribution	(202,737.66)	(231,077.95)
Increase in net OPEB obligation	286,156.91	388,413.52
Net OPEB obligation – beginning of year	797,351.52	408,938.00
Net OPEB obligation – end of year	$1,083,508.43	$797,351.52

Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 2010, and June 30, 2009

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2010	State Employee Group Plan	$488,894.57	41.5%	$1,083,508.43
June 30, 2009	State Employee Group Plan	$619,491.47	37.3%	$797,351.52
June 30, 2008	State Employee Group Plan	$612,000.00	33.2%	$408,938.00

Funded Status and Funding Progress

The funded status of the college's portion of the State Employee Group Plan was as follows:

State Employee Group Plan

Actuarial valuation date	July 1, 2009	July 1, 2007
Actuarial accrued liability (AAL)	$4,673,000.00	$5,335,000.00
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$4,673,000.00	$5,335,000.00
Actuarial value of assets as a percentage of the AAL	0.00%	0.00%
Covered payroll (active plan members)	$10,983,448.35	$12,273,264.93
UAAL as percentage of covered payroll	42.55%	43.47%

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6 percent initially, increased to 10 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent in fiscal year 2021. All rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 12. 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 amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years. 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 $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, 2010, and June 30, 2009, are presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated,* Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated,* Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2010, the Risk Management Fund held $114.5 million in cash and cash equivalents designated for payment of claims. At June 30, 2009, the Risk Management Fund held $127.0 million in cash and cash equivalents designated for payment of claims.

At June 30, 2010, the scheduled coverage for the college was $65,394,900 for buildings and $23,180,000 for contents. At June 30, 2009, the scheduled coverage for the college was $63,719,800 for buildings and $21,925,000 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, including the cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 13. 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 $4,711,555.84 at June 30, 2010, and $5,123,936.65 at June 30, 2009.

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 were $2,402.00 for the year ended June 30, 2010. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2010, outstanding commitments under construction contracts totaled $995,412.37 for HVAC projects, Wellness Center renovation, and energy savings projects, of which $165,012.10 will be funded by future state capital outlay appropriations.

NOTE 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses for the year ended June 30, 2010, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,227,432.15	$ 2,518,639.44	$ 3,438,861.77	$ -	$ -	$ 14,184,933.36
Public service	52,195.64	14,385.33	55,255.81	-	-	121,836.78
Academic support	1,347,382.49	490,194.94	(1,166,219.51)	-	-	671,357.92
Student services	1,362,722.08	563,826.51	716,262.99	-	-	2,642,811.58
Institutional support	1,950,366.83	653,887.80	571,319.05	-	-	3,175,573.68
Maintenance & operation	641,882.80	377,799.87	2,270,177.67	-	-	3,289,860.34
Scholarships & fellowships	-	-	-	6,207,162.53	-	6,207,162.53
Auxiliary	-	-	74,971.89	-	-	74,971.89
Depreciation	-	-	-	-	1,440,452.77	1,440,452.77
Total	$ 13,581,981.99	$ 4,618,733.89	$ 5,960,629.67	$ 6,207,162.53	$ 1,440,452.77	$ 31,808,960.85

The college's operating expenses for the year ended June 30, 2009, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,685,742.73	$ 2,806,859.20	$ 2,505,059.31	$ -	$ -	$ 13,997,661.24
Public service	50,511.36	14,541.87	47,532.91	-	-	112,586.14
Academic support	1,448,058.31	536,596.96	(596,281.32)	-	-	1,388,373.95
Student services	1,221,951.80	460,899.38	602,449.38	-	-	2,285,300.56
Institutional support	2,295,279.99	780,409.20	801,384.32	-	-	3,877,073.51
Maintenance & operation	686,389.91	414,809.66	1,437,792.03	-	-	2,538,991.60
Scholarships & fellowships	-	-	-	4,058,236.10	-	4,058,236.10
Auxiliary	-	-	71,078.85	-	-	71,078.85
Depreciation	-	-	-	-	1,433,521.84	1,433,521.84
Total	$ 14,387,934.10	$ 5,014,116.27	$ 4,869,015.48	$ 4,058,236.10	$ 1,433,521.84	$ 29,762,823.79

NOTE 15. ON-BEHALF PAYMENTS

During the year ended June 30, 2010, the State of Tennessee made payments of $17,429.50 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2009, was $17,429.50. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 11. The plan is reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

NOTE 16. VOLUNTARY BUYOUT PROGRAM

The college implemented a Voluntary Buyout Plan in fiscal year 2009 as a strategy to assist the college in addressing budgetary constraints due to several years of state appropriation reductions and potential budget reductions in the forthcoming fiscal years. The college had 16 employees participate in the Voluntary Buyout Plan with eight terminating by June 30, 2009, and eight terminating by December 31, 2009.

Severance pay was payable the month following the employee separation date, between July 2009 and January 2010. Severance pay included:

- Service payment of $750 for each full or partial year of state service as of the employee's separation date.

- Amount equivalent to the employee's next longevity payment based on their years of creditable state service.

The cost for payout of accrued annual leave, compensatory time, or worked holidays for the Voluntary Buyout Plan was $61,325.53. The cost for severance pay was $367,337.25.

NOTE 17. COMPONENT UNIT

The 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 incomes thereon, which the foundation holds and invests, are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

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

During the year ended June 30, 2010, the foundation made distributions of $102,733.04 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2009, the foundation made distributions of $179,637.23 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Bethany Lay, 1665 Hampshire Pike, Columbia, Tennessee 38401.

Fair Value Measurements

The foundation reports certain assets at fair value. Fair value has been determined using quoted prices in active markets for identical assets that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset (Level 2), or significant unobservable inputs (Level 3). The following tables categorize the recurring fair value measurements for assets at June 30, 2010, and June 30, 2009.

	Total Fair Value at June 30, 2010	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
U.S. agencies	$ 462,822.02	$ 462,822.02	$ -	$ -
Corporate stock	894,856.17	894,856.17	-	-
Corporate bonds	686,951.69	686,951.69	-	-
Mutual bond funds	599,755.78	599,755.78	-	-
Mutual equity funds	1,914,441.72	1,914,441.72	-	-
Pledges receivable	346,816.00	-	-	346,816.00
Total assets	$ 4,905,643.38	$ 4,558,827.38	$ -	$ 346,816.00

	Total Fair Value at June 30, 2009	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
U.S. agencies	$ 1,002,926.08	$ 1,002,926.08	$ -	$ -
Corporate stock	642,793.14	642,793.14	-	-
Corporate bonds	634,372.80	634,372.80	-	-
Mutual bond funds	263,755.11	263,755.11	-	-
Mutual equity funds	1,162,072.94	1,162,072.94	-	-
Pledges receivable	655,312.00	-	-	655,312.00
Total assets	$ 4,361,232.07	$ 3,705,920.07	$ -	$ 655,312.00

The following table reconciles beginning and ending balances of all assets valued using Level 3 inputs.

	Beginning Balance	Total Gains/(Losses), Realized and Unrealized	Purchases, Issuances, and Settlements	Transfers In/(Out) of Level 3	Ending Balance
June 30, 2010					
Assets:					
Pledges receivable	$ 655,312.00	$ -	$ (308,496.00)	$ -	$ 346,816.00
June 30, 2009					
Assets:					
Pledges receivable	$ 1,365,548.00	$ -	$ (710,236.00)	$ -	$ 655,312.00

All gains and losses, both realized and unrealized, have been reported on the statements of revenues, expenses, and changes in net assets as investment income (loss). Of this total, $574,315.37 is attributable to the change in unrealized gains or losses relating to those assets still held at June 30, 2010, and $(719,251.87) is attributable to the change in unrealized gains or losses relating to those assets still held at June 30, 2009.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, deposits in the Local Government Investment Pool, and money market funds. The bank balances of deposits at June 30, 2010, and June 30, 2009, were entirely insured.

Investments

Investments are recorded on the date of contribution and are stated at fair value. Unrealized gains and losses are determined by the difference between fair values at the beginning and end of the year.

Investments held at June 30, 2010, were as follows:

	Cost	Fair Value
U.S. agencies	$ 447,709.03	$ 462,822.02
Corporate stock	978,268.43	894,856.17
Corporate bonds	713,339.02	686,951.69
Mutual bond funds	586,813.18	599,755.78
Mutual equity funds	2,149,345.26	1,914,441.72
Total investments	$ 4,875,474.92	$ 4,558,827.38

Investments held at June 30, 2009, were as follows:

	Cost	Fair Value
U.S. agencies	$ 987,709.03	$ 1,002,926.08
Corporate stock	778,768.41	642,793.14
Corporate bonds	737,598.60	634,372.80
Mutual bond funds	259,182.24	263,755.11
Mutual equity funds	1,833,815.26	1,162,072.94
Total investments	$ 4,597,073.54	$ 3,705,920.07

Pledges Receivable

Pledges receivable are summarized below net of the estimated uncollectible allowance of $172,362.00 at June 30, 2010, and $137,782.98 at June 30, 2009.

	June 30, 2010	June 30, 2009
Current pledges	$183,620.00	$229,462.00
Pledges due in one to five years	163,993.00	432,986.00
Subtotal	347,613.00	662,448.00
Less discount to net present value	(797.00)	(7,136.00)
Total pledges receivable, net	$346,816.00	$655,312.00

Capital Assets

Capital assets at June 30, 2010, and June 30, 2009, were as follows:

	June 30, 2010	June 30, 2009
Land	$99,998.99	$99,998.99

Endowments

The Columbia State Community College Foundation's endowment consists of approximately 108 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of

Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law - The Board of Trustees of the Columbia State Community College Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as to require the preservation of the historical dollar value of the original gift. As a result of this interpretation, the Columbia State Community College Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the foundation and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the foundation; and (7) the investment policies of the foundation.

Composition of Endowment by Net Asset Class
As of June 30, 2010

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 4,577,009.52	$ -	$ (912,514.30)	$ 3,664,495.22
Board-designated endowment funds	-	209,475.00	-	209,475.00
Total funds	$ 4,577,009.52	$ 209,475.00	$ (912,514.30)	$ 3,873,970.22

Composition of Endowment by Net Asset Class
As of June 30, 2009

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 4,519,511.52	$ -	$ (1,085,773.98)	$ 3,433,737.54
Board-designated endowment funds	-	209,475.00	-	209,475.00
Total funds	$ 4,519,511.52	$ 209,475.00	$ (1,085,773.98)	$ 3,643,212.54

Changes in Endowment Net Assets
For the Year Ended June 30, 2010

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	$ 4,519,511.52	$ 209,475.00	$ (1,085,773.98)	$ 3,643,212.54
Investment return:				
Investment income	-	-	74,658.83	74,658.83
Net appreciation (realized and unrealized)	-	-	285,300.85	285,300.85
Total investment return	-	-	359,959.68	359,959.68
Contributions	138,998.00	-	-	138,998.00
Appropriations of endowment assets for expenditure	-	-	(186,700.00)	(186,700.00)
Transfers	(81,500.00)	-	-	(81,500.00)
Endowment net assets, end of year	$ 4,577,009.52	$ 209,475.00	$ (912,514.30)	$ 3,873,970.22

Changes in Endowment Net Assets
For the Year Ended June 30, 2009

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	$ 4,201,988.92	$ -	$ (255,709.17)	$ 3,946,279.75
Investment return:				
Investment income	-	-	106,917.84	106,917.84
Net depreciation (realized and unrealized)	-	-	(747,292.65)	(747,292.65)
Total investment return	-	-	(640,374.81)	(640,374.81)
Contributions	124,352.00	-	-	124,352.00
Appropriations of endowment assets for expenditure	-	-	(189,690.00)	(189,690.00)
Transfers	193,170.60	209,475.00	-	402,645.60
Endowment net assets, end of year	$ 4,519,511.52	$ 209,475.00	$ (1,085,773.98)	$ 3,643,212.54

Return objectives and risk parameters - The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that over a ten-year rolling average, net of investment cost, equal to the sum of the spending rate included in the investment policy plus the rate of inflation as measured by the Higher Education Price Index. The foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives - To satisfy its long-term rate-of-return objectives, the foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The foundation targets a diversified asset allocation that established minimum and maximum ranges for equity investments, fixed income investments, and cash and cash equivalents to achieve its long-term return objectives within prudent risk restraints.

Spending policy and how the investment objectives relate - The foundation has a policy of appropriating for distribution each year 5 percent of the average market value of endowment fund investments for the previous three calendar years, to be determined at December 31 of each year. In establishing this policy, the foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the foundation expects the current spending policy to allow its endowment to grow at an average of at least the rate of inflation annually. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Tennessee Board of Regents
Columbia State Community College
Required Supplementary Information
OPEB Schedule of Funding Progress
Unaudited

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
July 1, 2009	State Employee Group Plan	$ -	$4,673,000.00	$4,673,000.00	0%	$10,983,448.35	42.55%
July 1, 2007	State Employee Group Plan	$ -	$5,335,000.00	$5,335,000.00	0%	$12,273,264.93	43.47%

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
SCHEDULES OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2010, AND JUNE 30, 2009

	Year Ended June 30, 2010	Year Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$ 441,042.91	$ 1,158,802.12
Payments to suppliers and vendors	(129,581.55)	(946,832.30)
Payments for scholarships and fellowships	(240,226.65)	(244,786.36)
Payments to Columbia State Community College	(96,861.85)	(441,711.31)
Net cash used by operating activities	(25,627.14)	(474,527.85)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	138,998.00	124,352.00
Other non-capital financing receipts/(payments)	33,089.31	35,885.35
Net cash provided by noncapital financing activities	172,087.31	160,237.35
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,357,065.30	1,250,248.09
Income on investments	91,889.06	152,863.84
Purchases of investments	(1,830,555.92)	(1,800,911.39)
Net cash used by investing activities	(381,601.56)	(397,799.46)
Net decrease in cash	(235,141.39)	(712,089.96)
Cash and cash equivalents - beginning of year	2,366,193.90	3,078,283.86
Cash and cash equivalents - end of year	$ 2,131,052.51	$ 2,366,193.90
Reconciliation of operating loss to net cash provided (used) by operating activities:		
Operating loss	$ (55,294.33)	$ (732,999.77)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Endowment income per spending plan	(186,700.00)	(189,690.00)
Gifts in-kind	(98,000.00)	-
Change in assets and liabilities:		
Receivables, net	308,621.13	741,413.53
Accounts payable	5,746.06	(293,251.61)
Net cash used by operating activities	$ (25,627.14)	$ (474,527.85)
Noncash investing, capital, and financing activities		
Gift of stock	$ 98,000.00	$ -
Unrealized gains (losses) on investments	$ 574,315.37	$ (719,251.87)