AUDIT REPORT

Tennessee Board of Regents
Columbia State Community College

For the Years Ended
June 30, 2008, and June 30, 2007

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

Tennessee Comptroller of the Treasury

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STATE OF TENNESSEE
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September 8, 2009

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
P.O. Box 1315
Columbia, Tennessee 38402-1315

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, 2008, and June 30, 2007. 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 resulted in no audit findings.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/sah
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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, 2008, and June 30, 2007

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.

AUDIT FINDINGS

The audit report contains no findings.

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, 2008, and June 30, 2007

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Columbia State Community College
For the Years Ended June 30, 2008, and June 30, 2007

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, 2006, through June 30, 2008, 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, 2008, and June 30, 2007. 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*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

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, 2008, and June 30, 2007, 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. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

The results of our tests disclosed no instances of noncompliance 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
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DEPARTMENT OF AUDIT
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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 10, 2009

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
P.O. Box 1315
Columbia, Tennessee 38402-1315

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, 2008, and June 30, 2007, and have issued our report thereon dated August 10, 2009. During the year ended June 30, 2008, the college implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

However, we noted certain matters involving the internal control over financial reporting, which we have reported to the college's management in a separate letter.

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 the college's 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.

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/sah

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COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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Independent Auditor's Report

August 10, 2009

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
P.O. Box 1315
Columbia, Tennessee 38402-1315

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, 2008, and June 30, 2007, 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, 2008, and June 30, 2007, 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 the Tennessee Board of Regents, Columbia State Community College, and its discretely presented component unit as of June 30, 2008, and June 30, 2007, 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.

As discussed in Note 13, during the year ended June 30, 2008, the college implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The management's discussion and analysis on pages 11 through 32 and the schedule of funding progress on page 56 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 57 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 10, 2009, 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 read in conjunction with this report in considering the results of our audit.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/sah

Tennessee Board of Regents
Columbia State Community College
Management's Discussion and Analysis
For the Years Ended June 30, 2008, and June 30, 2007

This section of Columbia State Community College's report presents a discussion and analysis of the financial performance of the college during the fiscal years ended June 30, 2008, and June 30, 2007, with comparative information presented for the fiscal year ended June 30, 2006. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the accompanying notes. The financial statements, notes, and this discussion are the responsibility of management.

The college has a discretely presented component unit, the Columbia State Community College Foundation. More detailed information about the college's component unit is included in Note 15 of the financial statements. Information and analysis regarding the component unit are also included in this section.

The college implemented the Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the fiscal year ended June 30, 2008. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit (OPEB) expense and related liabilities, note disclosures, and required supplementary information. The statement was implemented prospectively with a zero net OPEB obligation at transition.

Using This 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 Statement of Net Assets (in thousands of dollars)

	2008	2007	2006
Assets:			
Current assets	$ 7,015	$ 5,770	$ 5,564
Capital assets, net	12,845	12,886	12,880
Other assets	7,039	7,484	7,543
Total assets	**26,899**	**26,140**	**25,987**
Liabilities:			
Current liabilities	3,575	3,236	2,765
Noncurrent liabilities	1,189	789	780
Total liabilities	**4,764**	**4,025**	**3,545**
Net assets:			
Invested in capital assets, net of related debt	12,753	12,780	12,761
Restricted - nonexpendable	-	-	9
Restricted - expendable	328	299	287
Unrestricted	9,054	9,036	9,385
Total net assets	**$22,135**	**$22,115**	**$22,442**

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

2008

- Current assets increased between fiscal years due primarily to an increase in receivables from grants at year end. The most significant of these grants are the Perkins Basic grant and the Spanish Speaking Highway grant. Current assets of the Tennessee Technology Centers at Hohenwald and Pulaski are also included in current assets. Current assets of the technology centers increased significantly between the fiscal years as a result of one-time equipment appropriations that were received in 2008 but remained unspent at June 30, 2008.

- Net capital assets decreased from 2007 to 2008. Sidewalk replacements, 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 decreased from 2007 to 2008. The decrease includes a decrease in noncurrent cash due to plant fund expenditures including sidewalk replacements, metal storage building, parking lot maintenance, and computer replacements.

- Current liabilities decreased between the fiscal years due primarily to a decrease in accounts payable. There were ongoing capital projects which had large accounts payable at the end of the 2007 year. These projects were completed during the 2008 year.

- Noncurrent liabilities increased from 2007 to 2008. The major factor in this increase was the 2008 implementation of GASB 45 and the required accrued liability for postemployment healthcare. Tennessee State School Bond Authority bonds payable decreased from 2007 to 2008; proceeds were used to help replace one of the college chillers. There was a slight increase in the long-term portion of compensated absences.

- The restricted - expendable section of net assets increased between the fiscal years as a result of increased restricted funds in instructional grants.

2007

- Net capital assets increased from 2006 to 2007. HVAC upgrades, improvements to the Walter Nursing Building, renovations of the tennis courts and track, sidewalk replacements, and the purchase of a new voice over Internet protocol (VOIP) telephone system caused increases in net capital assets from 2006 to 2007; recorded depreciation caused a decrease.

- Other assets decreased from 2006 to 2007. The decrease in other assets includes a decrease in noncurrent cash due to plant fund expenditures including sidewalk replacements, tennis courts and track renovations, and the VOIP telephone system.

- Current liabilities increased from 2006 to 2007. The increase was a result of an increase in payables at year end.

- Noncurrent liabilities increased from 2006 to 2007 due to increases in the long- term portion of compensated absences. TSSBA bonds payable are also included in noncurrent liabilities; bonds payable decreased from 2006 to 2007. Proceeds were used to help replace one of the college chillers.

- The restricted - expendable section of net assets increased from 2006 to 2007 as a result of increased restricted funds in instructional grants, specifically a Promise of Nursing Grant.

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

	2008	2007	2006
Assets:			
Current assets	$3,920	$3,169	$2,482
Capital assets, net	100	100	100
Other assets	4,745	3,624	2,699
Total assets	**8,765**	**6,893**	**5,281**
Liabilities:			
Current liabilities	358	123	244
Total liabilities	**358**	**123**	**244**
Net assets:			
Invested in capital assets	100	100	100
Restricted - nonexpendable	3,993	4,186	3,311
Restricted - expendable	1,735	1,191	790
Unrestricted	2,579	1,293	836
Total net assets	**$8,407**	**$6,770**	**$5,037**

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

2008

- The increase in current assets from 2007 to 2008 is due to increased gifts resulting in more short-term investments and to increased pledges. The increases in both gifts and pledges are the result of the component unit's major gifts campaign celebrating the 40^{th} anniversary of the college, which was completed in 2007.

- The increase in other assets from 2007 to 2008 is due to increased gifts and increased pledges. The increase in both gifts and pledges are the result of the component unit's 2007 major gifts campaign celebrating the 40^{th} anniversary of the college.

- The increase in current liabilities between fiscal years resulted from an increase in the payable setup to the college at June 30, 2008. This payable represents transactions occurring between the college and the foundation at year end.

- Restricted - nonexpendable net assets decreased between the two fiscal years due to less favorable market performance in 2007-08.

- Restricted - expendable net assets increased between fiscal years. Increases are the result of the major gifts campaign and increased gifts from donors.

- The increase in unrestricted from 2007 to 2008 is primarily a result of increased unrestricted gifts stemming from the 2007 major gifts campaign celebrating the 40^{th} anniversary of the college.

2007

- The increase in current assets from 2006 to 2007 is due to increased gifts resulting in more short-term investments and to increased pledges. The increases in both gifts and pledges are the result of the component unit's major gifts campaign celebrating the 40^{th} anniversary of the college.

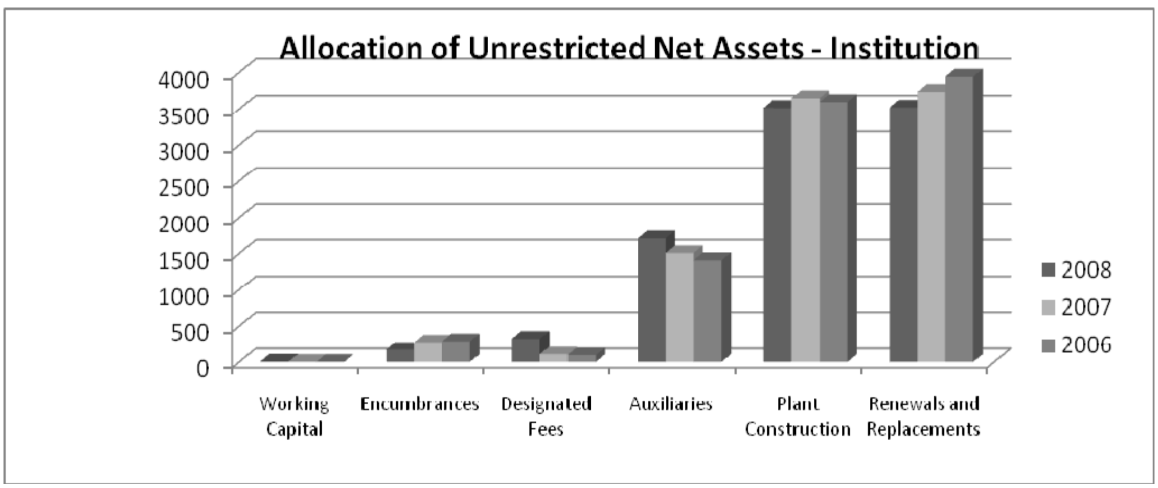
- The increase in other assets from 2006 to 2007 is due to increased gifts and increased pledges. The increases in both gifts and pledges are the result of the component unit's major gifts campaign celebrating the 40^{th} anniversary of the college.

- The decrease in current liabilities from 2006 to 2007 is from payables set up to the college at June 30, 2007, and 2006. This payable represents transactions occurring between the college and the foundation at year end.

- Restricted - nonexpendable net assets increased from 2006 to 2007 as a result of the major gifts campaign and of favorable market performance in 2006-07.

- Restricted - expendable net assets increased from 2006 to 2007 as a result of the major gifts campaign and of favorable market performance in 2006-07.

Many of the college's unrestricted net assets have been designated or reserved for specific purposes such as: encumbrances, designated fees, auxiliaries, capital projects, and repair and replacement of equipment. The following graph shows the allocations:



2008

- Encumbrances decreased from 2007 to 2008 as a result of upcoming reductions in the 2008-09 budget. Departments were encouraged to be conservative in year-end requests in order to conserve funds.

- Designated fees increased from 2007 to 2008. A smaller percentage of available technology access fees was spent during 2008 leaving increased designated fees.

- Auxiliaries increased between the fiscal years reflecting auxiliary revenues primarily due to a new contract for bookstore services.

- Plant construction decreased from 2007 to 2008 as a result of funds being spent for projects. Money was also set aside for future year projects. Projects begun and finished during 2008 include a metal storage building, parking lot maintenance, and land additions. Projects begun in 2007 and completed in 2008 include the Pryor Administration Building renovation and sidewalk replacements. Projects begun in 2008 but not completed include the renovation of the pool and the renovation of the Williamson County - Franklin bookstore.

- Renewals and replacements decreased from 2007 to 2008 primarily as a result of computer replacement expenditures for faculty, staff, and students and additions to the VOIP telecommunication system to enhance classroom security.

2007

- Auxiliaries increased from 2006 to 2007 reflecting auxiliary revenues.

- Projects begun and finished during 2007 include tennis courts and track renovations and HVAC upgrades. Projects begun in 2007 include the Pryor Administration Building renovation and sidewalk replacements.

- During 2007, a new VOIP telephone system and the accompanying wireless infrastructure were purchased, which caused a decrease in renewal and replacement funds.

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

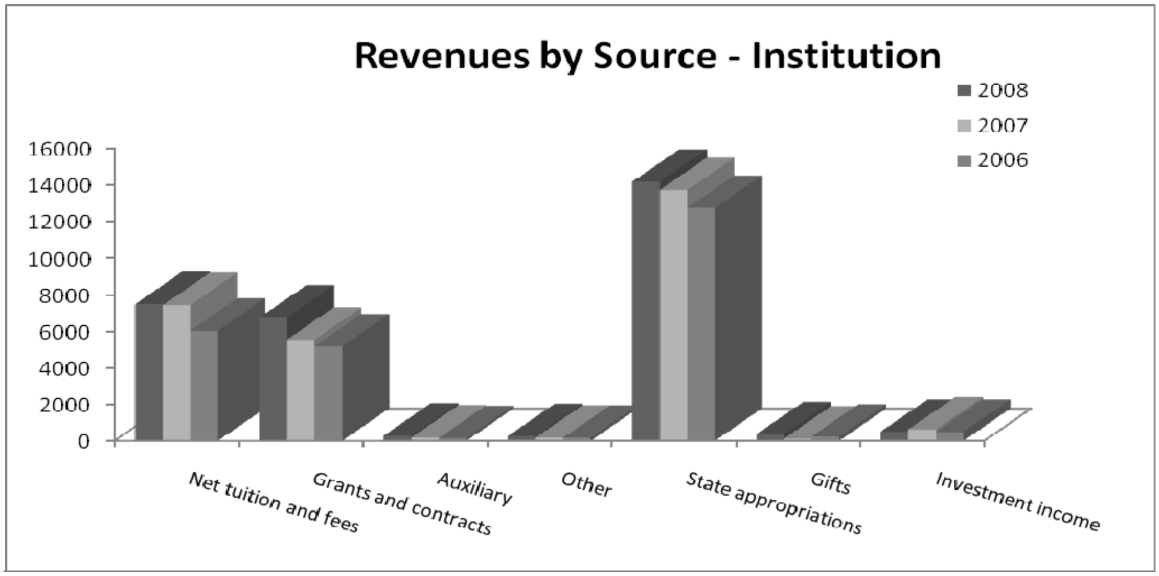
	2008	2007	2006
Operating revenues:			
Net tuition and fees	$ 7,471	$ 7,422	$ 6,020
Grants and contracts	1,065	467	351
Auxiliary	281	180	144
Other	249	175	172
Total operating revenues	**9,066**	**8,244**	**6,687**
Operating expenses	29,757	28,079	23,922
Operating loss	**(20,691)**	**(19,835)**	**(17,235)**
Nonoperating revenues and expenses:			
State appropriations	14,163	13,410	12,416
Gifts	362	123	235
Grants and contracts	5,671	5,059	4,812
Investment income	498	621	488
Other nonoperating revenues and expenses	15	(4)	(4)
Total nonoperating revenues and expenses	**20,709**	**19,209**	**17,947**
Income (loss) before other revenues, expenses, Gains, or losses	**18**	**(626)**	**712**
Other revenues, expenses, gains, or losses:			
Capital appropriations	30	300	315
Other	(28)	(1)	(195)
Total other revenues, expenses, gains, or losses	**2**	**299**	**120**
Increase (decrease) in net assets	**20**	**(327)**	**832**
Net assets at beginning of year	22,115	22,442	21,610
Net assets at end of year	**$22,135**	**$22,115**	**$22,442**

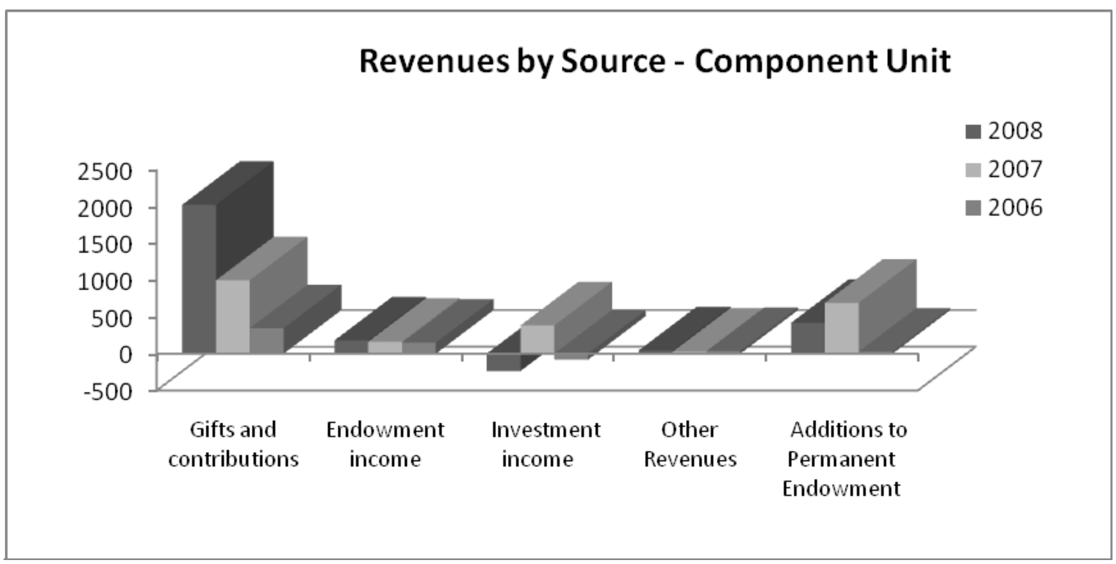
Component Unit
Condensed Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

	2008	2007	2006
Operating revenues:			
Gifts and contributions	$2,028	$1,000	$ 346
Endowment income	179	163	149
Other	-	-	3
Total operating revenues	**2,207**	**1,163**	**498**
Operating expenses	801	534	634
Operating income (loss)	**1,406**	**629**	**(136)**
Nonoperating revenues and expenses:			
Investment income	(237)	384	(80)
Other nonoperating revenues and expenses	47	27	31
Total nonoperating revenues and expenses	**(190)**	**411**	**(49)**
Income (loss) before other revenues, expenses, Gains, or losses	**1,216**	**1,040**	**(185)**
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	421	693	28
Total other revenues, expenses, gains, or losses	**421**	**693**	**28**
Increase (decrease) in net assets	**1,637**	**1,733**	**(157)**
Net assets at beginning of year	6,770	5,037	5,194
Net assets at end of year	**$8,407**	**$6,770**	**$5,037**

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, 2008; June 30, 2007; and June 30, 2006 (amounts are presented in thousands of dollars).


Revenues by Source - Institution
2008
2007
2006
16000
14000
12000
10000
8000
6000
4000
2000
0
Net tuition and fees
Grants and contracts
Auxiliary
Other
State appropriations
Gifts
Investment income


Revenues by Source - Component Unit
2008
2007
2006
2500
2000
1500
1000
500
0
-500
Gifts and contributions
Endowment income
Investment income
Other Revenues
Additions to Permanent Endowment

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

2008

- Net tuition and fees increased from 2007 to 2008 as a result of a 6% fee increase effective fall 2007 and increased scholarship allowances.

- Grants and contracts increased from 2007 to 2008 due to increases in the amount of scholarships from the Tennessee Education Lottery Scholarship Program and the Pell program. Also contributing to the increase were new academic grants received by the college during 2008 (FIPSE Developmental Studies Grant and Community Enhancement Grant) and increases in 2007 grants (Academic Competitive Grant and Access and Diversity Grants).

- State appropriations increased from 2007 to 2008.

2007

- Net tuition and fees increased from 2006 to 2007 as a result of a fee increase of 4.1% effective fall 2006 and decreased scholarship allowances.

- Grants and contracts increased from 2006 to 2007 due to an increase in restricted funds in instructional grants.

- State appropriations increased from 2006 to 2007.

- Investment income increased from 2006 to 2007 due to favorable market performance.

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

2008

- The increase in gifts and contributions from 2007 to 2008 is a result of the component unit's 2007 major gifts campaign celebrating the 40th anniversary of the college.

- The decrease in investment income from 2007 to 2008 is the result of unfavorable market performance in 2008.

- The decrease in additions to permanent endowments from 2007 to 2008 is the result of decreased contributions to permanent endowments. There was a significant increase in additions to permanent endowments in 2007, primarily attributable to the major gifts campaign. The 2008 additions are more reflective of a typical year.

2007

- The increase in gifts and contributions from 2006 to 2007 is a result of the component unit's major gifts campaign celebrating the 40th anniversary of the college.

- The increase in investment income from 2006 to 2007 is the result of both more gifts and contributions to invest and favorable market performance in 2007.

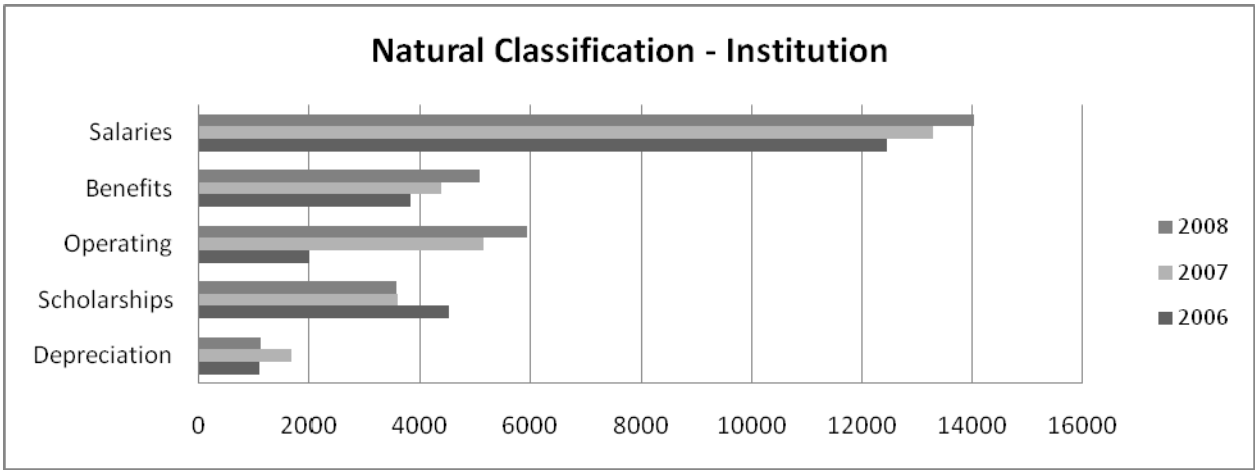
- The increase in additions to permanent endowments from 2006 to 2007 is the result of increased contributions to permanent endowments.

Expenses

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

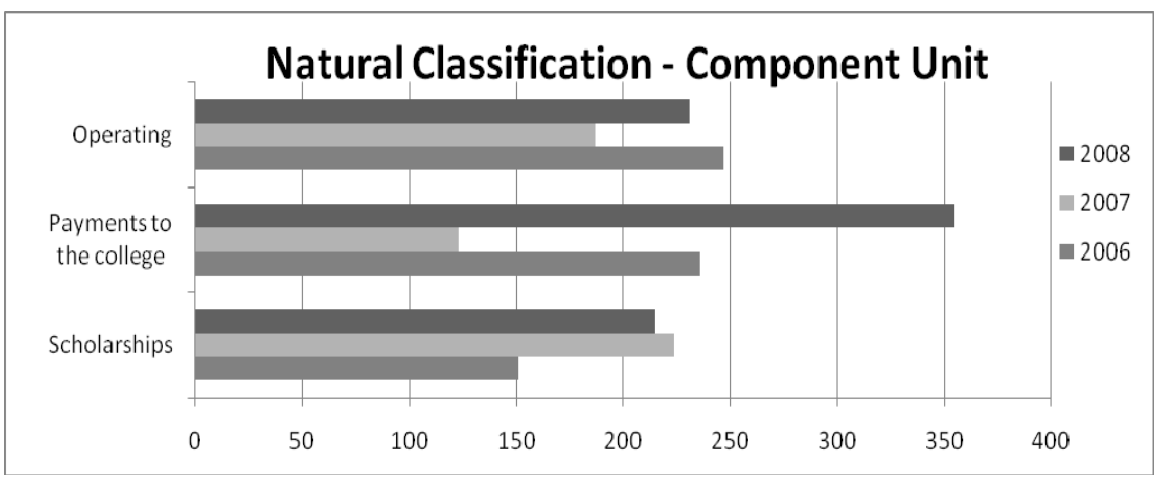
Natural Classification - Institution

Natural Classification	**2008**	**2007**	**2006**
Salaries	$14,042	$13,301	$12,456
Benefits	5,068	4,374	3,823
Operating	5,930	5,143	2,016
Scholarships	3,576	3,580	4,512
Depreciation	1,141	1,681	1,115
Total expenses	**$29,757**	**$28,079**	**$23,922**



Natural Classification - Component Unit

Natural Classification	2008	2007	2006
Operating	$231	$187	$248
Scholarships	215	224	151
Payments to college	355	123	235
Total expenses	$801	$534	$634



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

2008

- The increase in salaries expense between fiscal years is due to a 3% across-the-board pay raise effective July 1, 2007; a Columbia State Community College bonus paid in October 2007; and salary plan equity adjustments effective January 1, 2008.

- Employee benefits expense increased from 2007 to 2008 mainly due to the implementation of GASB 45, which requires recognition of postemployment benefits, and increases in the state's group insurance premiums.

- Operating expenses increased from 2007 to 2008 due to sidewalk replacements, further 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.

- Depreciation decreased between the fiscal years. Six buildings reached their full depreciation in 2007.

2007

- The increase in salary expense from 2006 to 2007 is due to a 4% across-the-board pay raise effective July 1, 2006, and a bonus paid in October 2006. Of the 4% across-the-board pay raise, 2% was passed by the legislature and funded by the state, and 2% was funded by the college. A Title III Strengthening Institutions grant added three new restricted positions during the 2007 year.

- Employee benefits expenses increased from 2006 to 2007 mainly as a result of increases in the state's group insurance premiums and increases in the Tennessee Consolidated Retirement System rates and added benefits for new positions.

- Operating expenses increased from 2006 to 2007 due to student lab replacements, sidewalk replacements, renovations to the Pryor Administration Building, purchase of a VOIP telecommunications system, increases in software maintenance agreements, a lawsuit settlement, and costs of the Strengthening Institutions grant.

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

2008

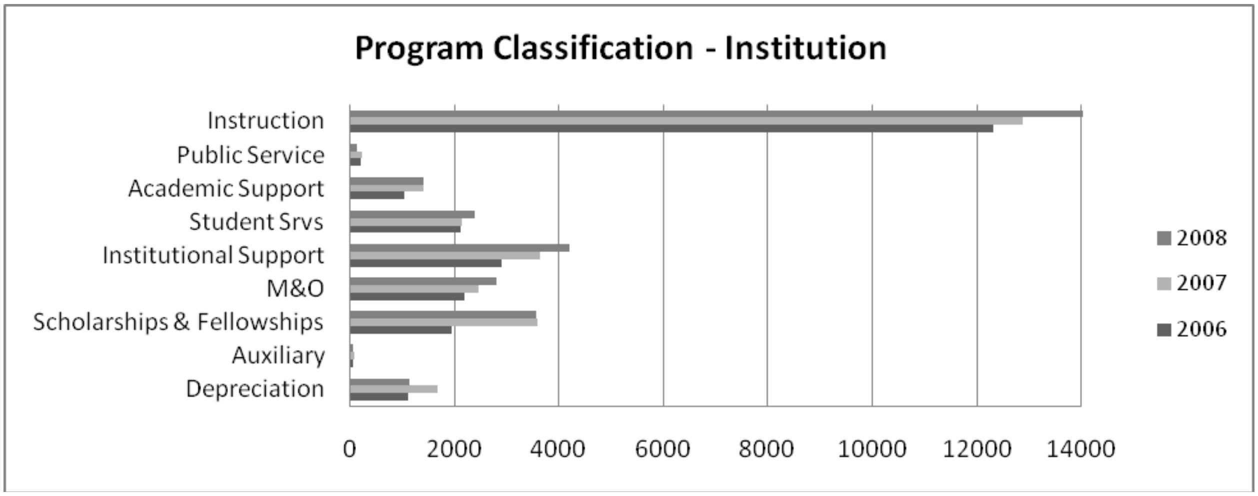
- Operating expenses increased from 2007 to 2008 due to more requests from college departments to purchase items to support college functions.
- Scholarships decreased slightly between the fiscal years due to a decrease in the scholarships awarded.
- Payments to the college increased due to the purchase of emergency care simulator equipment and software for the Nursing Department.

2007

- Operating expenses decreased from 2006 to 2007 due to fewer requests from college departments to purchase items to support college functions.
- Scholarships increased from 2006 to 2007 due to increased contributions designated for scholarships.
- Payments to the college decreased primarily due to completion of renovations to the Nursing Building.

Program Classification – Institution

Program Classification	**2008**	**2007**	**2006**
Instruction	$14,030	$12,880	$12,311
Public service	124	225	218
Academic support	1,412	1,399	1,037
Student services	2,399	2,154	2,118
Institutional support	4,206	3,633	2,915
M & O	2,801	2,454	2,182
Scholarships and fellowships	3,577	3,580	1,955
Auxiliary	67	73	71
Depreciation	1,141	1,681	1,115
Total expenses	**$29,757**	**$28,079**	**$23,922**



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

2008

- The increase in instruction is primarily due to across-the-board pay raises, Columbia State bonuses, salary plan adjustments, faculty promotions, the recognition of post-employment benefits, increases in the state's group insurance premiums, added costs of the Perkins grants, and increased equipment costs for instructional departments that are to be reimbursed from the foundation.

- The increase in student services between fiscal years is primarily due to across-the-board pay raises, Columbia State bonuses, salary plan adjustments, the recognition of postemployment benefits, and increases in the state's group insurance premiums.

- The increase in institutional support from 2007 to 2008 resulted from salary and benefits increases along with the costs associated with the presidential search held during the 2008 year. Salary and benefits increases resulted from the annual leave payout of several employees, including the retiring former president; across-the-board pay raises; Columbia State bonuses; salary plan adjustments; the recognition of postemployment benefits; and increases in the state's group insurance premiums. Costs associated with the presidential search include advertising and travel for candidate interviews. On February 18, 2008, Columbia State Community College welcomed its fourth president.

- The increase between fiscal years in maintenance and operation of physical plant is the result of across-the-board pay raises, Columbia State bonuses, salary plan adjustments, the recognition of postemployment benefits, and increases in the state's group insurance premiums. There were also repair projects during 2008 that were large enough to be unusual in nature; most prominent of these were sewer line repairs.

- The decrease in depreciation between fiscal years is the result of six buildings reaching their full depreciation in 2007.

2007

- The increase in academic support from 2006 to 2007 is the result of increases in software maintenance agreements and the settlement of a lawsuit.

- The increase in institutional support from 2006 to 2007 is the result of added costs of the Strengthening Institutions grant.

- The increase in the maintenance and operation of physical plant from 2006 to 2007 is the result of changing the methodology used for allocating the information technology service account. The new methodology increases the percentage charged to maintenance and operation of physical plant.

- The increase in scholarships and fellowships from 2006 to 2007 resulted from additional scholarships received from the Tennessee Education Lottery Scholarship program and increased Tennessee Student Assistance Corporation scholarships.

The Statement of Cash Flows

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

Columbia State Community College
Condensed Statement of Cash Flows (in thousands of dollars)

	2008	2007	2006
Cash provided (used) by:			
Operating activities	$(19,720)	$(17,573)	$(16,156)
Noncapital financing activities	20,744	18,661	17,779
Capital and related financing activities	(1,098)	(1,405)	(687)
Investing activities	498	621	488
Net increase in cash	**424**	**304**	**1,424**
Cash, beginning of year	**12,654**	**12,350**	**10,926**
Cash, end of year	**$13,078**	**$12,654**	**$12,350**

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

2008

- Cash used for operating activities increased due to salary and benefit increases. Major uses of cash were for payments to suppliers and vendors, payments to employees, and payments for scholarships and fellowships.

- Cash provided by noncapital financing activities increased from 2007 to 2008 as a result of an increase in state appropriations. The changes in deposits held in custody for the Tennessee Technology Centers at Hohenwald and Pulaski, included in noncapital financing activities increased significantly due to one-time equipment replacement funds remaining at June 30, 2008.

- Cash used by capital and related financing activities decreased between the fiscal years as a result of fewer capital projects being committed.

- Cash provided by investing activities decreased from 2007 due to less favorable market performance.

- The college's cash position increased by $424,429 for 2007-08.

2007

- Cash used for operating activities increased due to salary and benefit increases. Major uses of cash were for payments to suppliers and vendors, payments to employees, and payments for scholarships and fellowships.

- Cash provided by noncapital financing activities increased from 2006 to 2007 mainly as a result of an increase in state appropriations and from the awarding of the Strengthening Institutions grant to the college.

- Cash used by capital and related financing activities increased from 2006 to 2007 as the result of more capital projects funded by college funds.

- Cash provided by investing activities increased from 2006 to 2007 due to favorable market performance.

- The college's cash position increased by $304,467 for 2006-07.

Capital Assets and Debt Administration

Capital Assets

Columbia State Community College had $12,845,300 invested in capital assets, net of accumulated depreciation of $13,866,178 at June 30, 2008; $12,885,896 invested in capital assets, net of accumulated depreciation of $12,973,840 at June 30, 2007; and $12,879,894 invested in capital assets, net of accumulated depreciation of $11,514,179 at June 30, 2006. Depreciation charges totaled $1,140,875, $1,680,437, and $1,114,613 for the years ended June 30, 2008; June 30, 2007; and June 30, 2006, respectively. Details of these assets are shown below.

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

	2008	2007	2006
Land	$ 907	$ 885	$ 885
Land improvements & infrastructure	1,845	1,292	1,133
Buildings	7,190	7,603	8,354
Equipment	1,120	1,129	1,063
Library holdings	707	708	699
Software	1,051	991	746
Projects in progress	25	278	-
Total	**$12,845**	**$12,886**	**$12,880**

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

2008

- Land improvements and infrastructure include sidewalk renovations completed in 2008.
- Buildings decreased between fiscal years due to the recording of depreciation.
- Equipment increases from 2007 to 2008 included additions of capital assets of $308,329 and disposals of $145,848.
- Software increased between fiscal years as a result of continued implementation costs and other software to support the ERP system.
- Projects in progress include design work begun on the pool renovation. The sidewalk replacement project was completed in 2008.

2007

- Land improvements and infrastructure include tennis courts and track renovations completed in 2007.
- Buildings decreased from 2006 to 2007 due to the recording of depreciation.

- Equipment increases from 2006 to 2007 included additions of capital assets of $350,987; decreases included depreciation of $272,766 and equipment disposals of $156,181.

- Software increased from 2006 to 2007 as a result of continued implementation costs and other software to support the ERP system.

- Projects in progress include work completed on the sidewalk replacement project. Work was not substantially complete at June 30, 2007.

The college expects to make capital expenditures during fiscal year 2008-09 for the following projects: pool renovation, library basement renovation, and Williamson County/Franklin bookstore renovation. The administrative software implementation 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
(in thousands of dollars)

	2008	2007	2006
Land	$100	$100	$100

Debt

The college had $92,080, $105,727, and $119,047 in debt outstanding at June 30, 2008; June 30, 2007; and June 30, 2006, respectively. All of the debt was bonds payable.

Tennessee State School Bond Authority (TSSBA) bond issues are due serially to 2014 and have interest rates ranging from 2.25% to 4.5%. Proceeds were used, in conjunction with state appropriations, to fund a replacement chiller for the college. Implementation of the chiller was completed in 2003.

TSSBA currently has the following long-term debt ratings: Fitch rating of AA, Moody's Investor's rating of Aa2, and Standard and Poor's rating of AA. The Moody's and Standard and Poor's ratings were upgraded this fiscal year.

More detailed information about the college's long-term liabilities is presented in Note 6 to the financial statements.

Economic Factors That Will Affect the Future

The economic position of Columbia State Community College is closely tied to that of the State of Tennessee. State appropriations are the largest source of funding. Shortfalls in state revenues have caused reductions in the 2008-09 State of Tennessee budget. The college's state appropriations for 2008-09 have been cut by 2.4%. Further changes in the state's economy may cause additional changes in appropriations received.

There are no across-the-board salary increases for state employees budgeted in 2008-09. The state has approved a one-time bonus of $400 for all regular Tennessee Board of Regents employees with three years of creditable service employed as of October 1, 2008. At their June board meeting, the Tennessee Board of Regents approved a 6% fee increase to go into effect fall 2008.

The college is not currently aware of any facts, decisions, or conditions other than state appropriations 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, 2008, AND JUNE 30, 2007

	Institution		Component Unit	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2 and 15)	$ 6,044,127.79	$ 5,175,418.07	$ 976,889.65	$ 481,386.65
Short-term investments (Note 15)	-	-	2,550,724.54	2,510,477.86
Accounts, notes, and grants receivable (net) (Note 4)	963,026.10	584,787.34	42,274.08	78,498.09
Pledges receivable (net) (Note 15)	-	-	350,089.00	99,330.00
Inventories	1,145.77	705.79	-	-
Prepaid expenses and deferred charges	2,037.85	5,122.47	-	-
Accrued interest receivable	3,902.21	4,101.83	-	-
Other assets	541.63	245.24	-	-
Total current assets	7,014,781.35	5,770,380.74	3,919,977.27	3,169,692.60
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 15)	7,034,476.02	7,478,756.85	2,101,394.21	1,963,015.19
Investments (Note 15)	-	-	1,375,875.75	1,163,381.33
Accounts, notes, and grants receivable (net) (Note 4)	4,239.80	4,801.17	-	-
Pledges receivable (net) (Note 15)	-	-	1,015,459.00	245,840.00
Capital assets (net) (Notes 5 and 15)	12,845,299.85	12,885,895.98	99,998.99	99,998.99
Other assets	-	-	252,000.00	252,000.00
Total noncurrent assets	19,884,015.67	20,369,454.00	4,844,727.95	3,724,235.51
Total assets	26,898,797.02	26,139,834.74	8,764,705.22	6,893,928.11
LIABILITIES				
Current liabilities:				
Accounts payable	357,318.82	661,347.78	357,462.07	123,468.74
Accrued liabilities	703,179.21	690,158.84	-	-
Student deposits	28,063.10	53,186.71	-	-
Deferred revenue	487,039.47	470,148.74	-	-
Compensated absences (Note 6)	211,211.70	180,351.55	-	-
Accrued interest payable	654.55	738.70	-	-
Long-term liabilities, current portion (Note 6)	13,980.96	13,646.61	-	-
Deposits held in custody for others	1,773,523.47	1,166,715.74	-	-
Total current liabilities	3,574,971.28	3,236,294.67	357,462.07	123,468.74
Noncurrent liabilities:				
Compensated absences (Note 6)	693,991.34	687,957.35	-	-
Long-term liabilities (Note 6)	78,099.50	92,080.46	-	-
Net OPEB obligation (Notes 6 and 9)	408,938.00	-	-	-
Due to grantor (Note 6)	7,930.36	8,568.64	-	-
Total noncurrent liabilities	1,188,959.20	788,606.45	-	-
Total liabilities	4,763,930.48	4,024,901.12	357,462.07	123,468.74
NET ASSETS				
Invested in capital assets, net of related debt	12,753,219.39	12,780,168.91	99,998.99	99,998.99
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	2,745,721.92	2,428,913.00
Instructional department uses	-	-	314,305.00	211,905.00
Other	-	-	933,099.26	1,545,334.03
Expendable:				
Scholarships and fellowships (Note 15)	-	-	738,470.21	464,022.68
Instructional department uses (Note 15)	79,735.92	102,287.45	346,154.04	330,526.45
Loans	881.15	952.08	-	-
Capital projects (Note 15)	-	-	366,670.43	212,915.45
Other (Note 15)	247,504.52	195,339.05	284,268.87	183,748.10
Unrestricted (Note 7)	9,053,525.56	9,036,186.13	2,578,554.43	1,293,095.67
Total net assets	$ 22,134,866.54	$ 22,114,933.62	$ 8,407,243.15	$ 6,770,459.37

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

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, 2008, AND JUNE 30, 2007

	Institution		Component Unit	
	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2008	Year Ended June 30, 2007
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $2,694,603.67 for the year ended June 30, 2008, and $2,045,550.58 for the year ended June 30, 2007)	$ 7,470,913.68	$ 7,421,599.51	$ -	$ -
Gifts and contributions	-	-	2,028,114.47	1,000,612.53
Endowment income (per spending plan)	-	-	179,543.00	162,427.00
Governmental grants and contracts	1,065,471.73	452,084.82	-	-
Nongovernmental grants and contracts	-	15,000.00	-	-
Sales and services of educational departments	66,341.68	54,205.82	-	-
Auxiliary enterprises:				
Bookstore	268,435.55	165,137.18	-	-
Food service	13,225.34	14,725.74	-	-
Interest earned on loans to students	47.79	20.95	-	-
Other operating revenues	181,891.67	121,154.57	-	-
Total operating revenues	9,066,327.44	8,243,928.59	2,207,657.47	1,163,039.53
EXPENSES				
Operating expenses (Note 12):				
Salaries and wages	14,041,789.15	13,301,423.67	-	-
Benefits	5,067,624.13	4,374,280.05	-	-
Utilities, supplies, and other services	5,929,957.79	5,142,660.55	231,727.59	186,956.01
Scholarships and fellowships	3,576,541.62	3,579,928.51	214,805.40	223,532.90
Depreciation expense	1,140,874.74	1,680,436.87	-	-
Payments to or on behalf of Columbia State Community College (Note 15)	-	-	354,857.23	123,468.74
Total operating expenses	29,756,787.43	28,078,729.65	801,390.22	533,957.65
Operating income (loss)	(20,690,459.99)	(19,834,801.06)	1,406,267.25	629,081.88
NONOPERATING REVENUES (EXPENSES)				
State appropriations	14,163,200.00	13,410,200.00	-	-
Gifts, including $354,857.23 from component unit for the year ended June 30, 2008, and $123,468.74 for the year ended June 30, 2007	362,097.23	123,483.74	-	-
Grants and contracts	5,670,784.32	5,058,594.56	-	-
Investment income (net of investment expense for component unit of $18,360.31 for the year ended June 30, 2008, and $27,358.95 for the year ended June 30, 2007)	497,820.49	620,933.29	(237,242.43)	384,438.32
Interest on capital asset-related debt	(3,735.84)	(4,045.51)	-	-
Other nonoperating revenues (expenses)	18,704.00	-	46,531.41	26,907.94
Net nonoperating revenues	20,708,870.20	19,209,166.08	(190,711.02)	411,346.26
Income (loss) before other revenues, expenses, gains, or losses	18,410.21	(625,634.98)	1,215,556.23	1,040,428.14
Capital appropriations	30,077.39	299,380.53	-	-
Additions to permanent endowments	-	-	421,227.55	693,144.01
Other capital	(28,554.68)	(453.40)	-	-
Total other revenues	1,522.71	298,927.13	421,227.55	693,144.01
Increase (decrease) in net assets	19,932.92	(326,707.85)	1,636,783.78	1,733,572.15
NET ASSETS				
Net assets - beginning of year	22,114,933.62	22,441,641.47	6,770,459.37	5,036,887.22
Net assets - end of year	$ 22,134,866.54	$ 22,114,933.62	$ 8,407,243.15	$ 6,770,459.37

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

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

	Year Ended June 30, 2008	Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 7,562,133.71	$ 7,425,483.72
Grants and contracts	660,435.12	652,440.33
Sales and services of educational activities	67,639.68	52,852.82
Payments to suppliers and vendors	(9,302,452.60)	(7,817,612.91)
Payments to employees	(14,004,366.55)	(13,256,733.78)
Payments for benefits	(4,629,547.19)	(4,382,118.18)
Payments for scholarships and fellowships	(494,886.52)	(538,018.68)
Collection of loans from students and employees	21.37	-
Interest earned on loans to students	27.50	-
Auxiliary enterprise charges:		
Bookstore	241,723.92	143,910.70
Food services	13,225.34	14,725.74
Other receipts (payments)	165,867.42	132,000.62
Net cash used by operating activities	(19,720,178.80)	(17,573,069.62)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	14,158,400.00	13,412,600.00
Gifts and grants received for other than capital purposes, including $124,650.59 from Columbia State Community College Foundation for the year ended June 30, 2008, and $237,758.12 for the year ended June 30, 2007	6,019,103.81	5,184,379.75
Changes in deposits held for others	566,799.26	64,579.18
Net cash provided by noncapital financing activities	20,744,303.07	18,661,558.93
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	30,077.39	299,380.53
Purchases of capital assets and construction	(1,110,129.29)	(1,686,892.02)
Principal paid on capital debt	(13,646.61)	(13,320.27)
Interest paid on capital debt	(3,819.99)	(4,125.45)
Net cash used by capital and related financing activities	(1,097,518.50)	(1,404,957.21)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	497,823.12	620,935.37
Net cash provided by investing activities	497,823.12	620,935.37
Net increase in cash and cash equivalents	424,428.89	304,467.47
Cash and cash equivalents - beginning of year	12,654,174.92	12,349,707.45
Cash and cash equivalents - end of year (Note 2)	$ 13,078,603.81	$ 12,654,174.92

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

	Year Ended June 30, 2008	Year Ended June 30, 2007
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (20,690,459.99)	$ (19,834,801.06)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,140,874.74	1,680,436.87
Change in assets and liabilities:		
Receivables, net	(357,404.78)	156,637.68
Inventories	(439.98)	(210.33)
Prepaid expenses and deferred revenue	3,084.62	(3,605.68)
Other assets	(96.77)	(94.97)
Accounts payable	(290,841.60)	371,307.09
Accrued liabilities	421,958.37	9,701.13
Deferred revenue	16,890.73	13,217.96
Due to grantor	(638.28)	6,856.85
Compensated absences	36,894.14	27,484.84
Net cash used by operating activities	$ (19,720,178.80)	$ (17,573,069.62)
Noncash transactions		
Loss on disposal of capital assets	$ (20,691.52)	$ 11,758.40
Bad debt expense	$ (134,561.04)	$ -
Land transfer from the state	$ 18,704.00	$ -

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The college is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides financial support; the system is discretely presented in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html. 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 15 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

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

Basis of Accounting

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

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

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

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

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

Cash Equivalents

This classification includes instruments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Inventories

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

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

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

Net Assets

The college's net assets are classified as follows:

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

Nonexpendable restricted net assets - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

Expendable restricted net assets - Expendable restricted net assets include resources 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

At June 30, 2008, cash consisted of $539,760.05 in bank accounts, $3,120.00 of petty cash on hand, $11,577,924.26 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and $957,799.50 in LGIP deposits for capital projects. At June 30, 2007, cash consisted of $344,903.26 in bank accounts, $3,120.00 of petty cash on hand, $11,303,893.72 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $1,002,257.94 in LGIP deposits for capital projects.

LGIP deposits for capital projects - Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate Local Government Investment Pool 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 backed by the full faith and credit of the United States, repurchase agreements for United States securities, certificates of deposit in banks and savings and loan associations, bankers' acceptances, commercial paper, money market mutual funds, and the State of Tennessee Local Government Investment Pool (LGIP). Securities are rated using Standard and Poor's, Moody's, and/or Fitch. 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 ratings services that have rated the issuer. The policy further requires that commercial paper must be issued by corporations with 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 must be rated A1 by all rating services (minimum of two). Commercial paper of a banking institution must not be purchased. As of June 30, 2008, and June 30, 2007, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $12,535.723.76 at June 30, 2008, and $12,306,151.66 at June 30, 2007. LGIP investments are not rated by nationally recognized statistical rating organizations.

NOTE 4. RECEIVABLES

Receivables included the following:

	June 30, 2008	June 30, 2007
Student accounts receivable	$ 587,563.66	$566,272.27
Grants receivable	270,203.67	83,185.76
Notes receivable	14,219.80	14,241.17
State appropriation receivable	24,600.00	19,800.00
Other receivables	444,511.17	185,432.50

Subtotal	1,341,098.30	868,931.70
Less allowance for doubtful accounts	(373,832.40)	(279,343.19)
Total receivables	$ 967,265.90	$589,588.51

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 885,521.23	$ 21,204.00	$ -	$ -	$ 906,725.23
Land improvements and infrastructure	2,011,870.55	406,159.65	278,181.66	-	2,696,211.86
Buildings	17,304,147.36	-	-	-	17,304,147.36
Equipment	2,755,347.79	308,329.18	-	145,847.58	2,917,829.39
Library holdings	1,426,599.36	158,090.92	-	131,244.16	1,453,446.12
Software	1,198,067.88	210,450.74	-	-	1,408,518.62
Projects in progress	278,181.66	24,598.80	(278,181.66)	-	24,598.80
Total	25,859,735.83	1,128,833.29	-	277,091.74	26,711,477.38
Less accum. depreciation/amortization:					
Land improvements and infrastructure	720,293.42	130,584.20	-	-	850,877.62
Buildings	9,701,383.63	412,492.01	-	-	10,113,875.64
Equipment	1,626,087.11	289,113.32	-	117,292.90	1,797,907.53
Library holdings	719,286.73	158,469.00	-	131,244.16	746,511.57
Software	206,788.96	150,216.21	-	-	357,005.17
Total	12,973,839.85	1,140,874.74	-	248,537.06	13,866,177.53
Capital assets, net	$12,885,895.98	$ (12,041.45)	$ -	$ 28,554.68	$12,845,299.85

Capital asset activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 885,521.23	$ -	$ -	$ -	$ 885,521.23
Land improvements and infrastructure	1,756,785.52	255,085.03	-	-	2,011,870.55
Buildings	17,018,199.70	285,947.66	-	-	17,304,147.36
Equipment	2,560,541.77	350,986.56	-	156,180.54	2,755,347.79
Library holdings	1,344,233.90	158,719.13	-	76,353.67	1,426,599.36
Software	828,790.90	369,276.98	-	-	1,198,067.88
Projects in progress	-	278,181.66	-	-	278,181.66
Total	24,394,073.02	1,698,197.02	-	232,534.21	25,859,735.83
Less accum. depreciation/amortization:					
Land improvements and infrastructure	623,926.29	96,367.13	-	-	720,293.42
Buildings	8,664,285.12	1,037,098.51	-	-	9,701,383.63
Equipment	1,497,743.18	272,766.07	-	144,422.14	1,626,087.11
Library holdings	645,345.11	150,295.29	-	76,353.67	719,286.73
Software	82,879.09	123,909.87	-	-	206,788.96
Total	11,514,178.79	1,680,436.87	-	220,775.81	12,973,839.85
Capital assets, net	$12,879,894.23	$ 17,760.15	$ -	$ 11,758.40	$12,885,895.98

NOTE 6. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$105,727.07	$ -	$ 13,646.61	$ 92,080.46	$ 13,980.96
Other liabilities:					
Compensated absences	868,308.90	463,778.07	426,883.93	905,203.04	211,211.70
Due to grantor	8,568.64	432.72	1,071.00	7,930.36	-
Net OPEB obligation	-	408,938.00	-	408,938.00	-

Subtotal	876,877.54	873,148.79	427,954.93	1,322,071.40	211,211.70
Total long-term liabilities	$982,604.61	$873,148.79	$441,601.54	$1,414,151.86	$225,192.66

Long-term liabilities activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$119,047.34	$ -	$ 13,320.27	$105,727.07	$ 13,646.61
Other liabilities:					
Compensated absences	840,824.06	414,346.16	386,861.32	868,308.90	180,351.55
Due to grantor	1,711.79	7,117.85	261.00	8,568.64	-
Subtotal	842,535.85	421,464.01	387,122.32	876,877.54	180,351.55
Total long-term liabilities	$961,583.19	$421,464.01	$400,442.59	$982,604.61	$193,998.16

TSSBA Debt - Bonds

Bonds, with interest rates ranging from 2.25% to 4.50%, 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 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, 2008, are as follows:

Year Ending June 30	Principal	Interest	Total
2009	$13,980.96	$ 3,524.02	$ 17,504.98
2010	14,323.49	3,209.44	17,532.93
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
	$92,080.46	$13,596.10	$105,676.56

More detailed information regarding the bonds can be found in the notes to the financial statements in the financial report for the Tennessee State School Bond Authority. That report may be obtained by writing to the Director of Bond Finance, Suite 1600, James K. Polk Building, Nashville, Tennessee 37243-1402, or by calling (615) 401-7872.

NOTE 7. 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, 2008	June 30, 2007
Working capital	$ 3,698.57	$ 42,058.96
Encumbrances	169,347.13	272,681.67
Designated fees	323,566.27	105,156.11
Auxiliaries	1,705,801.57	1,505,147.52
Plant construction	3,514,187.09	3,648,451.25
Renewal and replacement of equipment	3,519,619.43	3,733,450.90
Undesignated	(182,694.50)	(270,760.28)
Total	$9,053,525.56	$9,036,186.13

NOTE 8. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

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

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

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 13.62% 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, 2008, 2007, and 2006 were $1,024,116.49, $995,626.71, and $690,165.20. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

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

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans was $507,928.63 for the year ended June 30, 2008, and $474,846.45 for the year ended June 30, 2007. Contributions met the requirements for each year.

NOTE 9. 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 post-employment 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. Both plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Title 8, Chapter 27, Part 101, *Tennessee Code Annotated*. Prior to reaching age 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members 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 14. The plans are 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.

<u>Funding Policy</u> - The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. In accordance with Section 8-27-205 (b), *Tennessee Code Annotated*, retirees not eligible for Medicare pay a percentage of the total state premium under the State Employee Group Plan based on years of service, leaving a portion of retiree premiums effectively subsidized by contributions to the State Employee Group Plan for active employees. Retirees with 30 years of service pay 20% of the total premium under the State Employee Group Plan. Retirees with 20 but less than 30 years of service pay 30% of the total premium under the State Employee Group Plan. Retirees 55 and older with less than 20 but more than 10 years of service pay 40% of the total premium under the State Employee Group Plan. Contributions for the State Employee Group Plan for the year ended June 30, 2008, were $2,272,715.23, which consisted of $1,864,664.87 from the college and $404,050.45 from the employees.

Annual OPEB Cost and Net OPEB Obligation

	State Employee Group Plan
Annual required contribution (ARC)	$612,000.00
Interest on the net OPEB obligation	-
Adjustment to the ARC	-
Annual OPEB cost	612,000.00
Amount of contribution	(203,062.00)
Increase (decrease) in net OPEB obligation	408,938.00
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$408,938.00

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
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 plan as of June 30, 2008, was as follows:

	State Employee Group Plan
Actuarial valuation date	July 1, 2007
Actuarial accrued liability (AAL)	$ 5,335,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$ 5,335,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$12,273,264.93
UAAL as percentage of covered payroll	43.5%

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, 2007, 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 7 percent initially, increased to 11 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent after 12 years. Both 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 10. INSURANCE-RELATED ACTIVITIES

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. Settled claims have not exceeded this commercial coverage in any 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, 2008, and June 30, 2007, are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Rosa L. Parks Avenue, Nashville, Tennessee 37243-1102, on the state's website at http://tennessee.gov/finance/act/cafr.html, or by calling (615) 741-2140. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated,* Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to $300,000 per person and $1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated,* Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2008, the Risk Management Fund held $123.9 million in cash and cash equivalents designated for payment of claims. At June 30, 2007, the Risk Management fund held $116.7 million in cash and cash equivalents designated for payment of claims.

At June 30, 2008, the scheduled coverage for the college was $60,394,800 for buildings and $13,525,000 for contents. At June 30, 2007, the scheduled coverage for the college was $60,902,200 for buildings and $17,121,000 for contents.

The state has also set aside assets in the Employee Group Insurance Fund, an internal service fund, to provide a program of health insurance coverage for the employees of the state with the risk retained by the state. The college participates in the Employee Group Insurance Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Employees and providers have 13 months to file medical claims.

NOTE 11. COMMITMENTS AND CONTINGENCIES

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was $5,187,135.29 at June 30, 2008, and $5,139,097.88 at June 30, 2007.

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 $1,202.00 for the year ended June 30, 2008, and $1,201.00 for the year ended June 30, 2007. All operating leases are cancelable at the lessee's option.

Contract - In December 2004, the Tennessee Board of Regents system entered into a contract with SungardSCT for the purchase of a comprehensive enterprise resource planning system. The contract includes a multi-year phase-in of administrative software for financial, human resource, and student systems. The college's outstanding liability for this contract is $114,664.51 at June 30, 2007.

NOTE 12. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses by functional classification for the year ended June 30, 2008, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,445,231.89	$2,804,786.49	$2,780,294.11	$ -	$ -	$14,030,312.49
Public service	48,530.49	14,603.27	60,964.00	-	-	124,097.76
Academic support	1,451,105.03	560,908.78	(600,180.44)	-	-	1,411,833.37
Student services	1,215,061.72	502,625.36	681,927.98	-	-	2,399,615.06
Institutional support	2,216,509.94	764,770.13	1,224,582.64	-	-	4,205,862.71
Operation & maintenance	665,350.08	419,930.10	1,715,445.71	-	-	2,800,725.89
Scholar. & fellow.	-	-	-	3,576,541.62	-	3,576,541.62
Auxiliary	-	-	66,923.79	-	-	66,923.79
Depreciation	-	-	-	-	1,140,874.74	1,140,874.74
Total	$14,041,789.15	$5,067,624.13	$5,929,957.79	$3,576,541.62	$1,140,874.74	$29,756,787.43

The college's operating expenses by functional classification for the year ended June 30, 2007, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,137,371.17	$2,461,899.76	$2,281,026.35	$ -	$ -	$12,880,297.28
Public service	110,209.99	38,020.89	76,789.24	-	-	225,020.12
Academic support	1,352,845.10	481,800.08	(435,578.94)	-	-	1,399,066.24
Student services	1,141,356.13	409,848.70	602,651.40	-	-	2,153,856.23
Institutional support	1,929,088.95	630,202.93	1,073,592.09	-	-	3,632,883.97
Operation & maintenance	630,552.33	352,507.69	1,471,084.46	-	-	2,454,144.48
Scholar. & fellow.	-	-	-	3,579,928.51	-	3,579,928.51
Auxiliary	-	-	73,095.95	-	-	73,095.95
Depreciation	-	-	-	-	1,680,436.87	1,680,436.87
Total	$13,301,423.67	$4,374,280.05	$5,142,660.55	$3,579,928.51	$1,680,436.87	$28,078,729.65

NOTE 13. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2008, the college implemented Governmental Accounting Standards Board's Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for the measurement, recognition, and display of OPEB expense and related liabilities, note disclosures, and required supplementary information. The statement was implemented prospectively with a zero net OPEB obligation at transition.

NOTE 14. ON-BEHALF PAYMENTS

During the year ended June 30, 2008, the State of Tennessee made payments of $16,024.25 on behalf of the college for retirees participating in the Medicare Supplement Plan. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 9. 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 15. 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 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.

The foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation reformatting, no modifications have been made to the foundation's financial information in the college's financial statements for these differences.

During the year ended June 30, 2008, the foundation made distributions of $354,857.23 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2007, the foundation made distributions of $123,468.74 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Elaine Kelsey, 1665 Hampshire Pike, Columbia, Tennessee 38401.

<u>Cash and cash equivalents</u> - Cash and cash equivalents consist of demand deposit accounts, deposits in the Local Government Investment Pool, and mutual fund accounts.

<u>Investments</u> - Investments are recorded on the date of contribution and are stated at market value. Unrealized gains and losses are determined by the difference between market values at the beginning and end of the year.

Investments held at June 30, 2008, were as follows:

	Cost	Market Value
U.S. agencies	$ 856,671.34	$ 858,266.22
Corporate stock	472,979.56	507,832.62
Corporate bonds	694,480.42	642,359.75
Mutual fund bonds	277,675.69	278,137.62
Mutual equity funds	1,796,695.00	1,640,004.08
Total investments	$4,098,502.01	$3,926,600.29

Investments held at June 30, 2007, were as follows:

	Cost	Market Value
U.S. Treasury	$ 294,411.24	$ 289,447.56
U.S. agencies	575,699.49	570,821.05
Corporate stock	1,770,754.14	2,280,005.98
Corporate bonds	313,432.90	303,112.72
Mutual fund bonds	5,675.69	5,451.65
Mutual equity funds	209,041.69	225,020.23
Total investments	$3,169,015.15	$3,673,859.19

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

	June 30, 2008	June 30, 2007
Current pledges	$ 357,966.00	$105,191.00
Pledges due in one to five years	1,084,604.00	298,556.00
Subtotal	1,442,570.00	403,747.00
Less discount to net present value	(77,022.00)	(58,577.00)
Total pledges receivable, net	$1,365,548.00	$345,170.00

Capital assets - Capital assets at June 30, 2008, and June 30, 2007, were as follows:

	June 30, 2008	June 30, 2007
Land	$99,998.99	$99,998.99

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

The foundation chooses to spend only a portion of the investment income (including changes in the value of investments) each year. Under the spending plan established by the foundation, 5% of the average market value of endowment fund investments for the previous three years has been authorized for expenditure. The remaining amount, if any, is retained to be used in future years when the amount computed using the spending plan exceeds the investment income. At June 30, 2008, net appreciation of $179,543 is available to be spent, of which $118,326 is included in restricted net assets expendable for scholarships and fellowships, $8,293 is included in restricted net assets expendable for instructional department uses, $20,688 is included in restricted net assets expendable for capital projects, and $32,236 is included in restricted net assets expendable for other. At June 30, 2007, net appreciation of $162,427 is available to be spent, of which $104,711 is included in restricted net assets expendable for scholarships and fellowships, $5,854 is included in restricted net assets expendable for instructional department uses, $20,194 is included in restricted net assets expendable for capital projects, and $31,668 is included in restricted net assets expendable for other.

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)]
7/1/07	State Employee Group Plan	$ -	$5,335,000.00	$5,335,000.00	0%	$12,273,264.93	43.5%

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
SCHEDULES OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2008, AND JUNE 30, 2007

	Year Ended June 30, 2008	Year Ended June 30, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$ 1,007,736.47	$ 655,442.53
Endowment income	179,543.00	162,427.00
Payments to suppliers and vendors	(231,727.59)	(186,956.01)
Payments for scholarships and fellowships	(214,505.40)	(223,832.90)
Payments to or on behalf of Columbia State Community College	(124,650.59)	(237,758.12)
Net cash provided by operating activities	616,395.89	169,322.50
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	461,227.55	653,144.01
Other noncapital financing receipts (payments)	46,531.41	26,907.94
Net cash provided by noncapital financing activities	507,758.96	680,051.95
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,841,404.75	1,229,721.66
Income on investments	438,423.69	177,554.12
Purchases of investments	(3,770,101.27)	(1,536,114.01)
Net cash used by investing activities	(490,272.83)	(128,838.23)
Net increase in cash and cash equivalents	633,882.02	720,536.22
Cash and cash equivalents - beginning of year	2,444,401.84	1,723,865.62
Cash and cash equivalents - end of year	$ 3,078,283.86	$ 2,444,401.84
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,406,267.25	$ 629,081.88
Adjustments to reconcile operating income to net cash provided by operating activities:		
Change in assets and liabilities:		
Receivables, net	(1,023,864.69)	(338,789.90)
Accounts payable	233,993.33	(120,969.48)
Net cash provided by operating activitie	$ 616,395.89	$ 169,322.50
Noncash transactions		
Unrealized gains (losses) on investments	$ (675,955.42)	$ 206,884.20