AUDIT REPORT

Tennessee Board of Regents
Columbia State Community College

For the Years Ended
June 30, 2012, and June 30, 2011

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Department of Audit

Division of State Audit

Tennessee Comptroller of the Treasury

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July 9, 2013

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 340
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
1665 Hampshire Pike
Columbia, Tennessee 38401

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Columbia State Community College, for the years ended June 30, 2012, and June 30, 2011. You will note from the independent auditor's report that unqualified opinions were given on the fairness of the presentation of the financial statements.

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

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

DVL/rrp
13/042

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, 2012, and June 30, 2011

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 FINDING

The College Did Not Ensure That Endowment Amounts Were Adequately Supported or That Amounts Were Properly Reported in the Foundation's Financial Statements and Accompanying Notes to the Financial Statements
The college did not have established procedures for recording gifts to the foundation in the appropriate category of net assets. As a result, the financial statements and notes of Columbia State Community College, including its foundation, which is a discretely presented component unit of the college, contained reporting errors related to endowments. Also, the foundation was unable to provide gift instruments or other records indicating donor intent for some of the funds classified as endowments (page 8).

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

OPINIONS ON THE FINANCIAL STATEMENTS

The opinions on the financial statements are unqualified.

Audit Report
Tennessee Board of Regents
Columbia State Community College
For the Years Ended June 30, 2012, and June 30, 2011

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Tennessee Board of Regents
Columbia State Community College
For the Years Ended June 30, 2012, and June 30, 2011

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.

The State Board of Education approved Columbia State Community College as Tennessee's first community college in 1965. The college was temporarily housed at facilities throughout Columbia until 1967 when it moved 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, 2010, through June 30, 2012, 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, 2012, and June 30, 2011. 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 discretely presented component unit in the *Tennessee Comprehensive Annual Financial Report.*

OBJECTIVES OF THE AUDIT

The objectives of the audit were

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

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

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

4. to recommend appropriate actions to correct any deficiencies.

PRIOR AUDIT FINDING

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The college filed its report with the Department of Audit on October 24, 2011. A follow-up of the prior audit finding was conducted as part of the current audit. The current audit disclosed that the college has corrected the previous audit finding concerning the need to improve its preparation and review procedures to prevent errors in its financial statements and accompanying notes to the financial statements.

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 controls 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 Howenwald 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, 2012, and June 30, 2011, we considered internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. A material weakness, along with the recommendation and management's response, is detailed in the Finding and Recommendation section of this report.

Compliance and Other Matters

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

Fairness of Financial Statement Presentation

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

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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*

June 21, 2013

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 340
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
1665 Hampshire Pike
Columbia, Tennessee 38401

Ladies and Gentlemen:

We have audited the financial statements of Columbia State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2012, and June 30, 2011, and have issued our report thereon dated June 21, 2013. 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

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

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

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

- The college did not ensure that endowment amounts were adequately supported or that amounts were properly reported in the foundation's financial statements and accompanying notes to the financial statements

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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Columbia State Community College in a separate letter.

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

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

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

DVL/rrp

FINDING AND RECOMMENDATION

<u>The college did not ensure that endowment amounts were adequately supported or that amounts were properly reported in the foundation's financial statements and accompanying notes to the financial statements</u>

Finding

The college did not have established procedures for recording gifts to the foundation in the appropriate category of net assets. As a result, the financial statements and notes of Columbia State Community College, including its foundation, which is a discretely presented component unit of the college, contained reporting errors related to endowments. Also, the foundation was unable to provide gift instruments or other records indicating donor intent for some of the funds classified as endowments.

We tested the largest 30 funds classified as endowments to determine if the net assets were properly recorded as restricted nonexpendable, restricted expendable, or unrestricted. Eleven of the 30 funds tested (37%) were not recorded correctly based on the gift instruments or other records provided.

- For nine of the gifts classified as restricted nonexpendable, the original gift instruments provided did not support the classification as an endowment. Four of these gifts resulted in an overstatement of restricted nonexpendable net assets of $401,023; an understatement of restricted expendable net assets of $340,458; and an understatement of unrestricted net assets of $60,565 at June 30, 2012, and June 30, 2011. The board voted after our testwork to create board-designated endowments from these gifts. After our testwork, the Executive Director obtained additional support for the remaining five gifts from the donor indicating the gift was correctly classified as restricted nonexpendable.

- For one of the gifts classified as restricted nonexpendable, board minutes existed stating that the board had moved restricted funds to create the endowment. However, endowments created internally cannot be classified as nonexpendable. As a result, restricted nonexpendable net assets were overstated and restricted expendable net assets were understated by $378,100 at June 30, 2012, and June 30, 2011.

- For one of the gifts classified as restricted nonexpendable, board minutes existed stating that the board had moved unrestricted funds to create the endowment. Therefore, restricted nonexpendable net assets were overstated and unrestricted net assets were understated by $178,000 at June 30, 2012, and June 30, 2011.

The errors noted above in the foundation reporting caused similar errors in the college's 2012 and 2011 note disclosure of changes in endowment net assets for the foundation.

Because of the errors noted in our testwork, management reviewed the remaining 67 funds classified as endowments. Management noted additional errors for 24 of the 67 funds

(36%). For some of these funds, management was unable to provide gift instruments or other records indicating donor intent. Also, some of the gift instruments provided stated the purpose of the gift but did not state that the donor intended the gift to be an endowment. In addition, several items classified as restricted nonexpendable endowments did not meet the necessary criteria to be classified as an endowment. Corrective action, which consisted primarily of obtaining subsequent documentation from the donor or the board voting to classify the gift as a board-designated endowment or to remove it from the endowment fund, was taken by management for each of these funds. The additional errors resulted in restricted nonexpendable net assets being overstated by $333,575; restricted expendable net assets being understated by $318,575; and unrestricted net assets being understated by $15,000 at June 30, 2012. In addition, gifts of $52,588 were removed from the endowment fund at June 30, 2012. Restricted nonexpendable net assets were also overstated by $332,115; restricted expendable net assets were understated by $317,115; and unrestricted net assets were understated by $15,000 at June 30, 2011. The amount of gifts removed from the endowment fund at June 30, 2011, was $51,972.

These reporting errors resulted in significant misclassifications in the college's unaudited component unit note and the Statement of Net Assets for the component unit. These errors were corrected in the audited financial statements and notes. Management is responsible for the fair presentation of the financial statements. Not obtaining gift instruments or other written agreements or not interpreting the gift instrument correctly could result in unreliable information as to whether funds are or are not available for expenditure and in spending donations in violation of the donor's intent.

Recommendation

The Executive Director of the foundation should ensure that written agreements explicitly stating donor intent are obtained for all future endowments. The Executive Director and accounting management staff should also read all gift instruments carefully to ensure the gift is recorded and spent in compliance with the donor's intent. Also, the Executive Director and accounting management staff should establish procedures for recording gifts to the foundation in the appropriate category of net assets.

Management's Comment

We concur with the finding and the recommendation. The issues identified concerning questions of donor intent pre-dated the employment of the current Executive Director of the foundation, and many of the endowments in question were established ten or more years ago. Written agreements explicitly stating donor intent have been obtained for all new endowments in recent years. As noted in the finding, when the issue of endowment classification was identified by our auditors, we undertook an immediate and extensive review of documentation to determine where errors in classification or lack of appropriate documentation existed. While gifts may have been classified in accordance with donor intent when received, there was sometimes insufficient documentation in files to verify the intent of donors, and it was often impossible this far after the fact to obtain documentation supporting the classification as endowments.

The current written agreement format explicitly states donor intent and will be obtained for all future endowment gifts. The agreement document includes fund type and name, background, purpose, guidelines for implementation in concert with Board policies, criteria for use of funds, and signature of the donor, Executive Director, and President of the College. The Executive Director forwards a copy of the executed agreement to the accounting staff for classification validation and assignment of fund number. Written procedures are being established to help ensure that foundation gifts are recorded in the appropriate category of net assets.

Key accounting staff also attended financial reporting training in May 2013 that included significant sessions on endowment accounting.

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Independent Auditor's Report

June 21, 2013

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 340
Nashville, Tennessee 37217
and
Dr. Janet F. Smith, President
Columbia State Community College
1665 Hampshire Pike
Columbia, Tennessee 38401

Ladies and Gentlemen:

We have audited the accompanying basic financial statements of Columbia State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, and its discretely presented component unit as of and for the years ended June 30, 2012, and June 30, 2011, 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, 2012, and June 30, 2011, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Columbia State Community College, and its discretely presented component unit as of June 30, 2012, and June 30, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 35 and the schedule of funding progress on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The accompanying financial information on page 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the college's management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 June 21, 2013, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be considered in assessing the results of our audit.

Sincerely,

Deborah V. Loveless

Deborah V. Loveless, CPA
Director

DVL/rrp

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

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, 2012, and June 30, 2011, with comparative information presented for the fiscal year ended June 30, 2010. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the accompanying notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This 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 college for any lawful purpose of the college.

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

	2012	2011	2010
Assets:			
Current assets	$ 9,205	$ 9,001	$ 8,019
Capital assets, net	20,833	15,269	15,067
Other assets	18,629	17,837	13,666
Total assets	48,667	42,107	36,752
Liabilities:			
Current liabilities	4,186	4,318	3,633
Noncurrent liabilities	3,725	3,621	2,507
Total liabilities	7,911	7,939	6,140
Net assets:			
Invested in capital assets, net of related debt	19,218	13,639	14,337
Restricted – expendable	309	290	335
Unrestricted	21,229	20,239	15,940
Total net assets	$40,756	$34,168	$30,612

Comparison of FY 2012 to FY 2011

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

- Current assets of the college increased between fiscal years primarily due to increases in current cash. Cash assets of the Tennessee Technology Centers at Hohenwald and Pulaski are also included in current assets. Cash for both technology centers decreased from 2011 to 2012. Combined current assets of the college and the technology centers increased between fiscal years primarily because of restricted spending due to the uncertainty of revenues.

- Net capital assets increased from 2011 to 2012. Recorded depreciation caused a decrease; the primary reason for the increase was the Williamson County Liberty Pike land capitalized in 2012 ($6,278,985.75). Also contributing to the increases were the Wellness Center renovation, Library HVAC upgrades, Warf classroom spaces renovations, and software and equipment purchases. More detailed information about the college's capital assets is presented in the Capital Asset and Debt Administration section of this report.

- Other assets increased from 2011 to 2012 primarily because of an increase in noncurrent cash due to transfers from unrestricted net assets to plant fund net assets.

- Current liabilities decreased between the fiscal years primarily due to decreases in the technology centers' deposits held in custody for others.

- Noncurrent liabilities increased between the fiscal years primarily due to increases in the required accrued liability for postemployment healthcare and the noncurrent 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 department uses.

<u>Comparison of FY 2011 to FY 2010</u>

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

- Current assets of the college increased between fiscal years primarily due to increases in current cash. Cash assets of the Tennessee Technology Centers at Hohenwald and Pulaski are also included in current assets. Combined current assets of the college and the technology centers increased between fiscal years primarily because of restricted spending due to the uncertainty of revenues.

- Net capital assets increased from 2010 to 2011. Recorded depreciation caused a decrease. Wellness Center, sidewalk, library, Jones Student Center, Franklin/Williamson County, and Warf classroom spaces renovations; HVAC upgrades; and software and equipment purchases caused increases in net capital assets. More detailed information about the college's capital assets is presented in the Capital Asset and Debt Administration section of this report.

- Other assets increased from 2010 to 2011 primarily because of an increase in noncurrent cash due to transfers from unrestricted net assets to plant fund net assets.

- Current liabilities increased between the fiscal years primarily due to increases in accounts payable.

- Noncurrent liabilities increased between the fiscal years primarily due to the issuance of commercial paper by the Tennessee State School Bond Authority (TSSBA) on behalf of the college for an energy savings project. Increases in the required accrued liability for postemployment healthcare and the noncurrent portion of compensated absences also contributed to the increase between years.

- The restricted-expendable section of net assets decreased between the fiscal years as a result of decreased restricted funds for instructional department uses and other grants. One grant was completed during 2011.

Columbia State Foundation
Net Assets (in thousands of dollars)

	2012	2011	2010
Assets:			
Current assets	$1,029	$1,169	$4,947
Capital assets, net	100	100	100
Other assets	7,240	7,162	2,352
Total assets	8,369	8,431	7,399
Liabilities:			
Current liabilities	26	67	70
Total liabilities	26	67	70
Net assets:			
Invested in capital assets, net of related debt	100	100	100
Restricted – nonexpendable	3,680	3,570	3,345
Restricted – expendable	3,044	2,949	2,809
Unrestricted	1,519	1,745	1,075
Total net assets	$8,343	$8,364	$7,329

Comparison of FY 2012 to FY 2011

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

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

- Restricted-nonexpendable net assets increased between the two fiscal years due to gifts to the foundation. Three new endowments were created during 2012.

- Restricted-expendable net assets increased primarily as a result of gifts to the foundation. Market performance was less favorable in 2012.

- The decrease in unrestricted from 2011 to 2012 is primarily due to less favorable market performance. As required by the Financial Accounting Standards Board, endowments with a fair market value less than the historical dollar value of the investment were reclassified from restricted-nonexpendable to unrestricted net assets. Due to less favorable market conditions, more account balances were reclassified as underwater in 2012. Decreased pledges also contributed to the decrease between years.

Comparison of FY 2011 to FY 2010

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

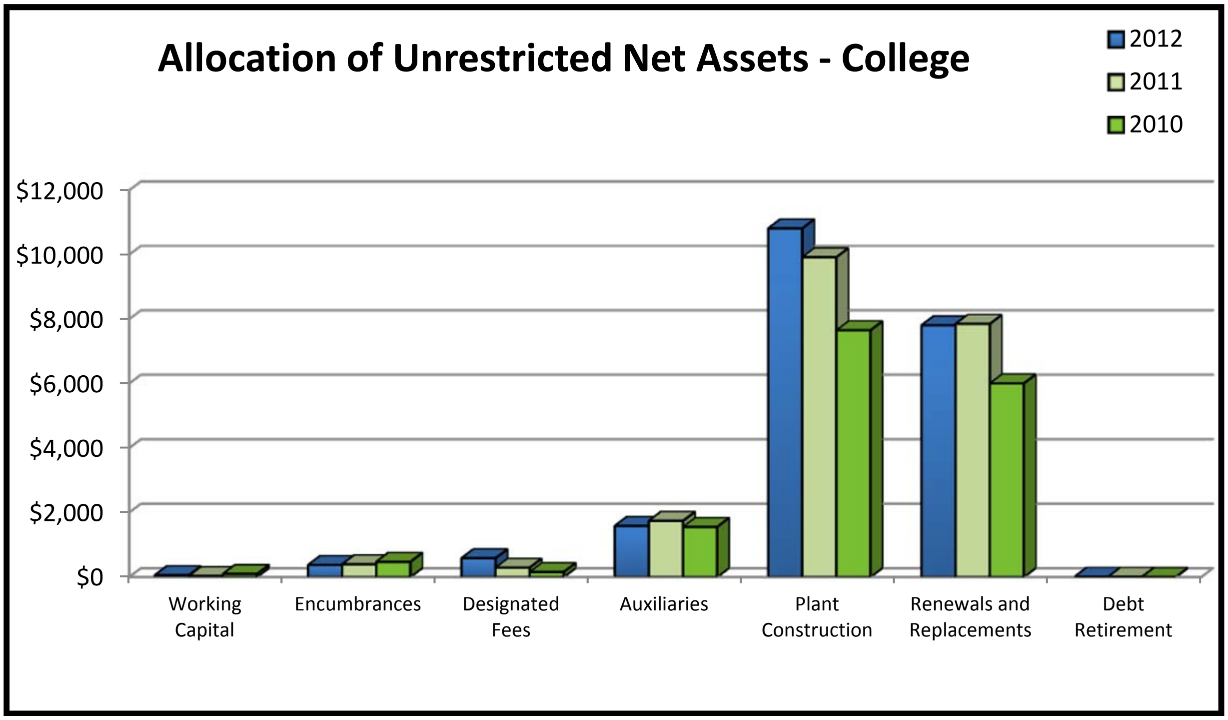
- The increase in other assets is primarily due to an increase in noncurrent pledges receivable and the reclassification of investments from current to noncurrent assets.

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

- Restricted-nonexpendable net assets increased between the two fiscal years due to more favorable market performance in 2011, two large gifts to endowments, and additions to endowments from the last year of a Title III grant.

- The increase in unrestricted from 2010 to 2011 is primarily due to more favorable market performance and increased gifts.

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



Comparison of FY 2012 to FY 2011

- Working capital increased slightly between the fiscal years as a result of increased accounts receivable and prepaid expenses.

- Designated fees increased from 2011 to 2012. Smaller percentages of available Technology Access Fees, Student Activity Fees, and International Fees were spent during 2012 leaving increased designated fees.

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

- Plant construction increased from 2011 to 2012. The renovation of the Warf classroom spaces, first floor, and the Wellness Center renovation were completed in 2012. Design work for Franklin/Williamson County and Jones Student Center renovations were continued but not completed in 2012. Also completed in 2012 were learning support lab spaces, student success spaces, renovation of the Clement auditorium, and digital signage for the campus. Funds were also set aside for future year projects.

- The remaining allocations remained relatively unchanged.

Comparison of FY 2011 to FY 2010

- Working capital decreased slightly between the fiscal years as a result of decreased accounts receivable.

- Encumbrances decreased between fiscal years primarily because 2010 encumbrances were higher than normal. Fiscal year 2010 included encumbrances for distance learning instructional equipment and office furniture and renovations that were the result of a restructure of academic deans and instructional areas effective July 1, 2010. Encumbrances for 2011 were more typical.

- Designated fees increased from 2010 to 2011. A smaller percentage of available Technology Access Fees was spent during 2011, leaving increased designated fees. A designation for international education fees also contributed to the increase. Fiscal year 2011 was the first year for international education fees.

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

- Plant construction increased from 2010 to 2011. The renovation of the Wellness Center and an energy savings project were completed in 2011. Design work for library renovations and Franklin/Williamson County renovations were continued but not completed in 2011. Jones Student Center and Warf classroom spaces renovations were begun in 2011. Funds were also set aside for future year projects.

- Renewals and replacements increased from 2010 to 2011 primarily as a result of funds set aside for future year projects.

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

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

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

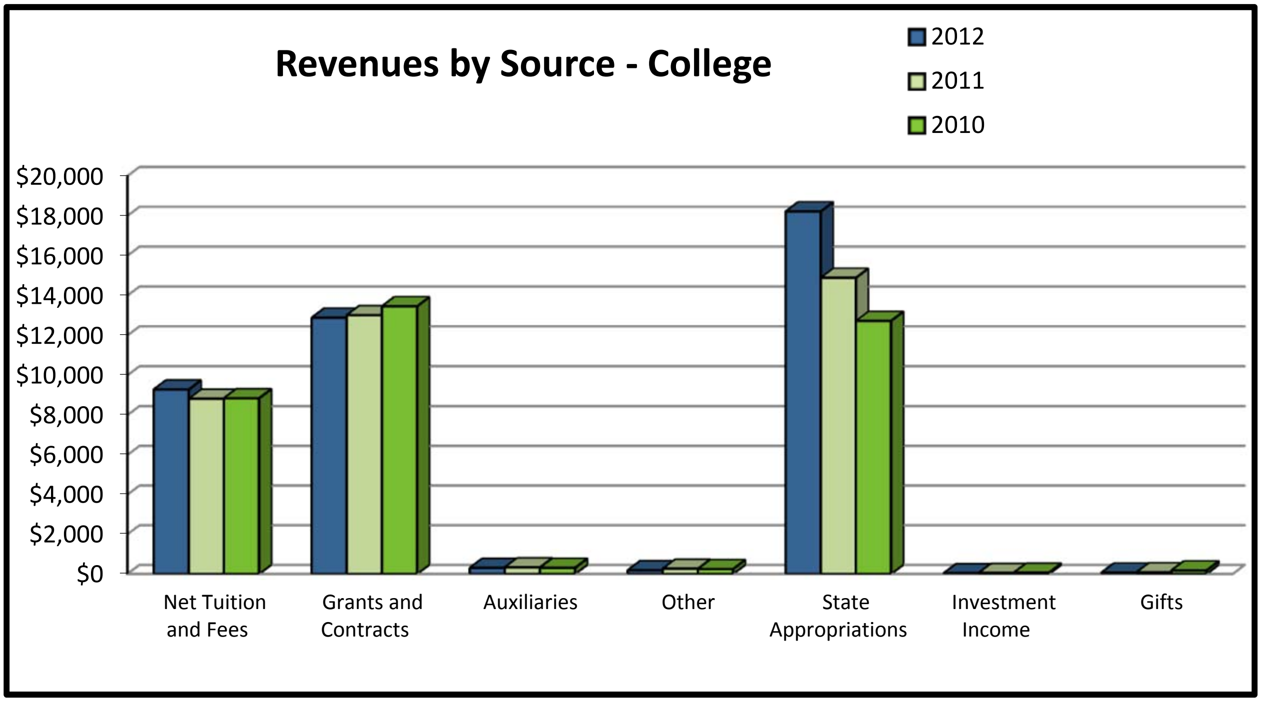
	2012	2011	2010
Operating revenues:			
Net tuition and fees	$ 9,291	$ 8,824	$ 8,848
Grants and contracts	926	1,240	1,254
Auxiliary	303	330	309
Other	224	238	80
Total operating revenues	10,744	10,632	10,491
Operating expenses	34,403	33,902	31,809
Operating loss	(23,659)	(23,270)	(21,318)
Nonoperating revenues and expenses:			
State appropriations	11,632	14,270	12,635
Gifts	66	80	174
Grants and contracts	11,965	11,778	12,208
Investment income	34	49	63
Other revenues and expenses	(40)	24	165
Total nonoperating revenues and expenses	23,657	26,201	25,245
Income (loss) before other revenues, expenses, gains, or losses	(2)	2,931	3,927
Other revenues, expenses, gains, or losses:			
Capital appropriations	6,590	625	96
Total other revenues, expenses, gains, or losses	6,590	625	96
Increase in net assets	6,588	3,556	4,023
Net assets at beginning of year	34,168	30,612	26,589
Net assets at end of year	$ 40,756	$ 34,168	$ 30,612

Columbia State Foundation
Changes in Net Assets (in thousands of dollars)

	2012	2011	2010
Operating revenues:			
Gifts and contributions	$ 274	$ 286	$ 230
Other	188	180	187
Total operating revenues	462	466	417
Operating expenses	431	404	473
Operating income (loss)	31	62	(56)
Nonoperating revenues and expenses:			
Investment income (loss)	(149)	686	187
Other revenues and expenses	63	67	33
Total nonoperating revenues and expenses	(86)	753	220
Income (loss) before other revenues, expenses, gains, or losses	(55)	815	164
Other revenues, expenses, gains, or losses:			
Additions to permanent endowments	34	220	139
Total other revenues, expenses, gains, or losses	34	220	139
Increase (decrease) in net assets	(21)	1,035	303
Net assets at beginning of year	8,364	7,329	7,026
Net assets at end of year	$8,343	$8,364	$7,329

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, 2012; June 30, 2011; and June 30, 2010 (amounts are presented in thousands of dollars).



<u>Comparison of FY 2012 to FY 2011</u>

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

- Net tuition and fees increased from 2011 to 2012. Tuition and fees increased slightly between fiscal years ($15,173.05) and the scholarship allowance decreased ($481,134.69). Fall 2011 enrollment showed a 2.4% decrease in headcount and a 4.3% decrease in full-time equivalents (FTE). A fee increase of 9.3% per credit hour for in-state fees and 8.7% per credit hour for out-of-state tuition fees went into effect fall 2011.

- Grants and contracts decreased slightly from 2011 to 2012 primarily as a result of three grants that ended in 2011.

- State appropriations increased between fiscal years. Non-recurring state appropriations and state-funded maintenance of effort funds received in FY 2011 in replacement of State Fiscal Stabilization Funds were eliminated in 2012. State appropriations for operations decreased significantly ($2,637,888.77) from 2011 to 2012. This decrease was more than offset by an increase in capital appropriations ($5,965,650.10) primarily due to the Williamson County Liberty Pike land. Increases in capital appropriations for the Wellness Center renovation, HVAC upgrades, and Warf classroom updates also contributed to the increase.

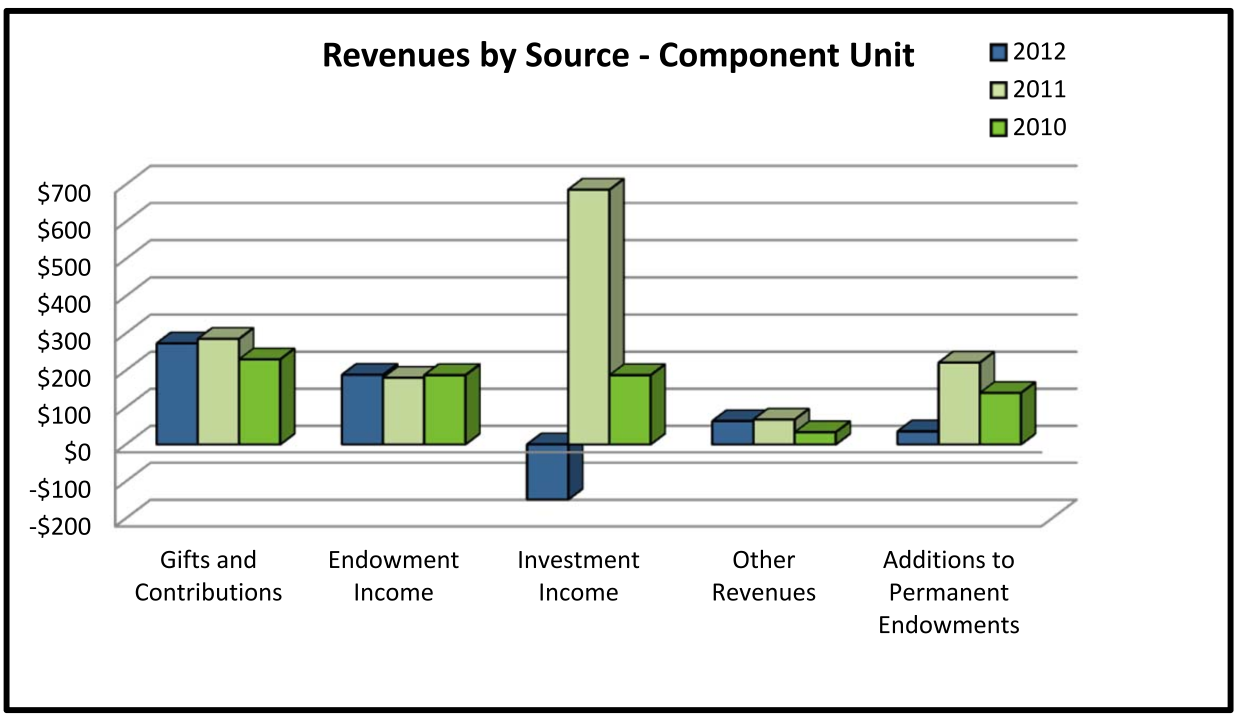
Comparison of FY 2011 to FY 2010

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

- Net tuition and fees decreased slightly from 2010 to 2011. While tuition and fees increased between fiscal years ($1,122,902.98), the increase in the scholarship allowance was greater ($1,146,878.30). Fall 2010 enrollment showed a .2% increase in headcount and a .4% decrease in FTE. A per-credit-hour fee increase of 5.7% went into effect fall 2010.

- Grants and contracts decreased from 2010 to 2011 as a result of a decrease ($1,843,001.83) in State Fiscal Stabilization Funds. Significant increases in Pell grants, Tennessee Student Assistance Corporation scholarships, and a 2011 TRIO grant offset part of the decrease.

- State appropriations increased between fiscal years primarily as a result of non-recurring state appropriations received in 2011 in replacement of State Fiscal Stabilization Funds. Increases in capital appropriations for the Wellness Center renovation, HVAC upgrades, and Warf classroom updates also contributed to the increase.



The component unit had the following significant changes in revenues between 2012 and 2011:

- Gifts and contributions, along with permanent endowments, decreased between fiscal years as a result of decreased gifts to the foundation.

- Investment income decreased significantly from 2011 to 2012 because of unfavorable market performance. During 2011, there were net realized losses of $31,387.43 and net unrealized gains of $778,341.59. During 2012, there were net realized gains of $4,389.30 and net unrealized losses of $119,384.76.

- The decrease in additions to permanent endowments between fiscal years is primarily the result of a decrease in endowment gifts between years. There were two endowment gifts and an increase from a Title III grant in 2011. Three new endowments were created in 2012, but in smaller amounts than in 2011.

The component unit had the following significant changes in revenues between 2011 and 2010:

- Gifts and contributions, along with permanent endowments, increased between fiscal years as a result of gifts to the Foundation. During the previous year there was a decrease in contributions and write-offs of pledges receivable that indicated the donors' inability to pay due to the challenges in the nation's economy.

- Investment income increased significantly from 2010 to 2011 because of more favorable market performance. During 2010, there were net realized losses of $292,908.68 and net unrealized gains $574,315.37. During 2011, there were net realized losses of $31,387.43 and net unrealized gains of $778,341.59.

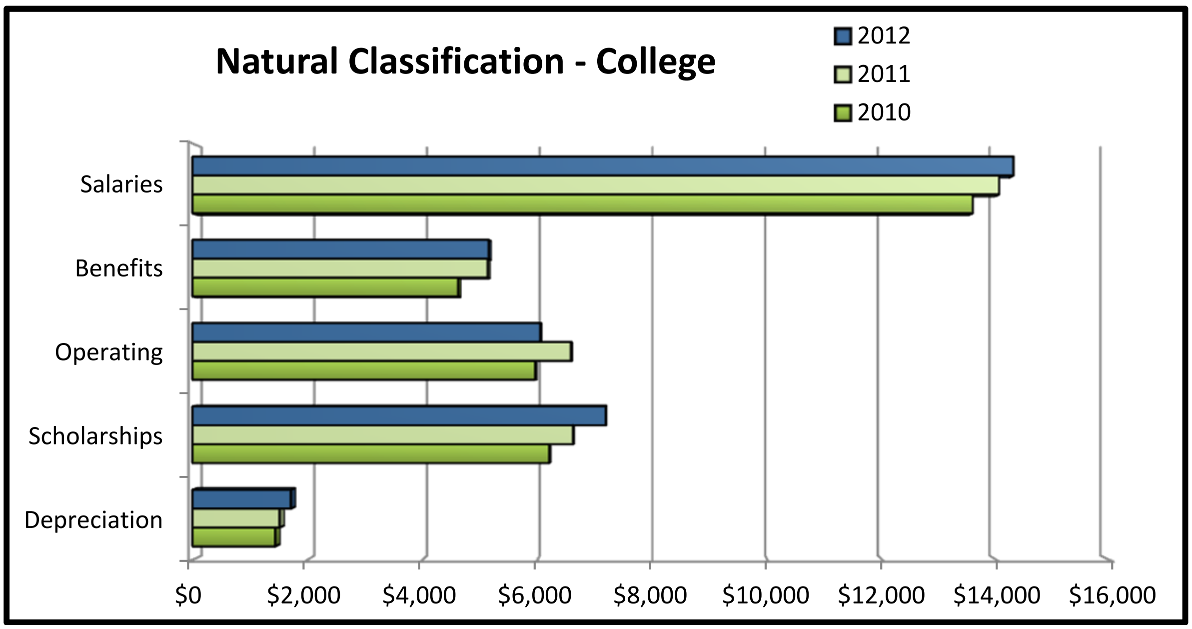
- The increase in additions to permanent endowments between fiscal years is primarily the result of two endowment gifts and an increase from the last year of a Title III grant.

Expenses

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

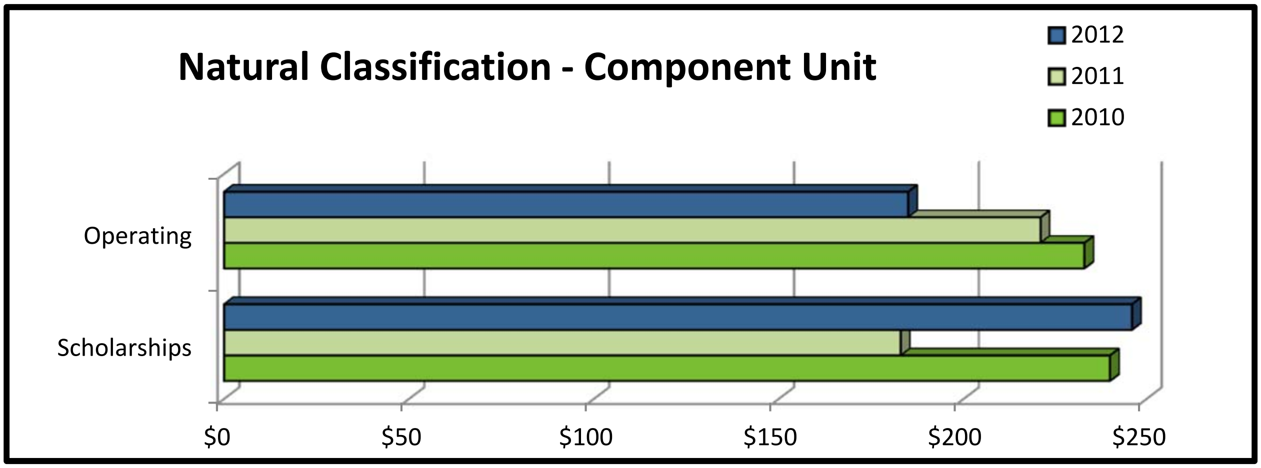
Natural Classification-College

	2012	2011	2010
Salaries	$14,301	$14,049	$13,582
Benefits	5,156	5,135	4,619
Operating	6,047	6,584	5,961
Scholarships	7,188	6,620	6,207
Depreciation	1,711	1,514	1,440
Total expenses	**$34,403**	**$33,902**	**$31,809**



Natural Classification-Component Unit

	2012	2011	2010
Operating	$185	$221	$233
Scholarships	246	183	240
Total expenses	**$431**	**$404**	**$473**



<u>Comparison of FY 2012 to FY 2011</u>

- The increase in salary expense between fiscal years is primarily due to July 1, 2011, salary increases of 3% or $750, whichever was greater. The October 31, 2011, bonuses of $1,000 paid to employees with two years of service as of September 30, 2011, and a slight increase in adjunct salaries also contributed to the increase. There were several retirements during the period; savings from filling these positions at lower salaries and from unfilled positions partially offset the increase in salaries.

- Benefits increased slightly between fiscal years as a result of salary increases and bonuses.

- Operating expenses decreased from 2011 to 2012. Payments of $674,580.41 were made for the energy savings performance contract project during 2011. 2012 costs show a more typical year.

- Scholarships increased between fiscal years primarily as a result of a decrease in scholarship allowances from 2011 to 2012. Increases in Pell grants, Supplemental Educational Opportunity Grants (SEOG), Tennessee Education Lottery Scholarships, and athletic scholarships, as well as the addition of AT&T scholarships in 2012 also contributed to the increase.

Comparison of FY 2011 to FY 2010

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

- The increase in salary expense between fiscal years is due to two new grant positions that were filled in 2011 and increases in adjunct faculty.

- Benefits increased between fiscal years as a result of added grant positions that began in 2011, filled positions, an insurance premium increase effective December 2010, and the 2010 premium holiday for state insurance. The State Insurance Committee voted a two-month premium holiday for employee and employer insurance contributions during the 2010 year. There was no premium holiday in 2011.

- Operating expenses increased from 2010 to 2011. During 2011, payments were made for resurfacing of parking lots, digital signage, the energy savings performance contract project, furnishings for student success spaces, and new furnishings for several classrooms.

- Scholarships increased between fiscal years primarily as a result of increased Pell grants and Tennessee Student Assistance Corporation (TSAC) scholarships.

The component unit had the following significant changes in expenses between 2012 and 2011:

- Operating expenses decreased from 2011 to 2012 primarily as a result of fewer requests from the college for operating expenses.

- Scholarships increased between fiscal years. In 2012, more endowment income was distributed for scholarships and more available scholarships were awarded.

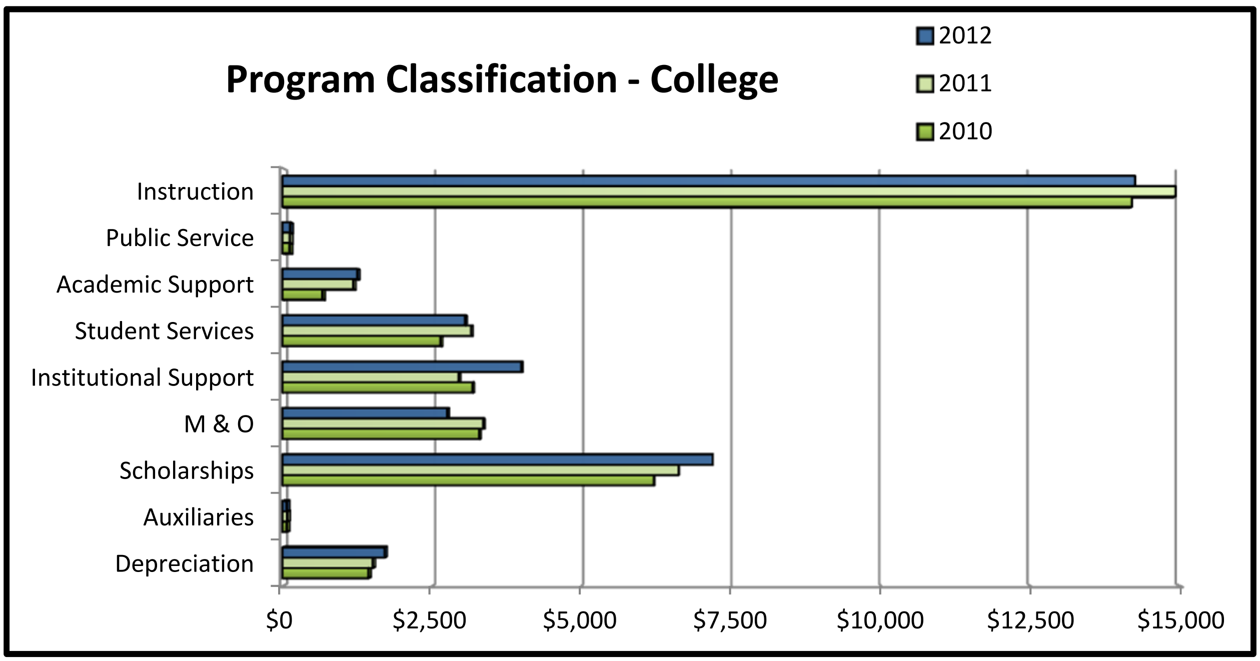
The component unit had the following significant changes in expenses between 2011 and 2010:

- Operating expenses decreased from 2010 to 2011 primarily as a result of fewer requests from the college for operating expenses.

- Scholarships decreased between fiscal years. All available scholarships were not awarded.

Program Classification-College

	2012	**2011**	**2010**
Instruction	$14,242	$14,915	$14,185
Public service	133	125	122
Academic support	1,252	1,187	671
Student services	3,055	3,155	2,643
Institutional support	3,993	2,948	3,176
Maintenance and operation	2,756	3,354	3,290
Scholarships and fellowships	7,188	6,620	6,207
Auxiliary	73	84	75
Depreciation	1,711	1,514	1,440
Total expenses	$34,403	$33,902	$31,809



Comparison of FY 2012 to FY 2011

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

- The decrease in Instruction between fiscal years is primarily a result of decreased operating expenses. Fiscal year 2011 had increased renewals and replacement usage charges for this function. Fiscal year 2012 was a more typical year for operating expenses.

- The slight increase in the Academic Support program between years results from the 3% salary increase effective July 1, 2011. Four positions were transferred from Academic Support to Instruction and Student Services; one Academic Support position was unfilled. These transferred and unfilled positions partially offset the July 1, 2011, salary increase. Benefits decreased because of the transferred positions. The primary cause of a decrease in operating was significant purchases of non-capitalized software in 2011; costs were more typical in 2012.

- The decrease in the Student Services program from 2011 to 2012 is primarily due to decreases in operating expenses. Increased renewals and replacement usage charges for this function were included in 2011, as well as costs for consultants to evaluate and help with the financial aid area. Fiscal year 2012 was a more typical year for operating expenses. Increases in salaries and benefits helped offset the decrease in operating expenses in 2012. One position was transferred from Academic Support to Student Services; four institutional positions and two grant positions were filled for a greater percentage of 2012 than 2011. Benefits increased as a result of the filled positions; the 3% salary increases effective July 1, 2011; and salary bonuses.

- The increase in the Institutional Support program between 2011 and 2012 resulted primarily from increases in operating expense. The main cause of the increase in operating expenses was reduced renewals and replacements usage charges in 2012 and a corresponding reduced allocation in this program. Fiscal year 2012 was a more typical year for operating expenses. Increases in salaries and benefits also added to the program increase. July 1, 2011 salary increases of 3% or $750 helped increase salaries, as well as salary bonuses. Also increasing salaries were the transfer of two faculty salaries from Instruction to Institutional Support. The two faculty members lead the compliance and quality enhancement programs for the Southern Association of Colleges and Schools (SACS) accreditation. Benefits increased because of the salary increases, bonuses, and filled and transferred positions.

- The decrease in Maintenance and Operation is primarily due to payments of $674,580.41 made for the energy savings performance contract project during 2011. Fiscal year 2012 costs show a more typical year.

- Scholarships and Fellowships increased between fiscal years primarily as a result of a decrease in scholarship allowances from 2011 to 2012. Increases in Pell grants, Supplemental Educational Opportunity Grants (SEOG), Tennessee Education Lottery

Scholarships, and athletic scholarships, as well as the addition of AT&T scholarships in 2012 also contributed to the increase.

Comparison of FY 2011 to FY 2010

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

- The increase in Instruction between fiscal years is a result of increased salaries, benefits, and operating expenses. The primary cause of the increase in salaries is an increase in adjunct faculty, a position that was filled in 2011, and an increase in part-time support personnel at the off-campus sites. Benefits increased because of a premium increase effective December 2010, and because of the 2010 two-month premium holiday for state insurance discussed in the natural classification section. The primary cause of the increase in operating expenses was increased renewals and replacements usage charges for this function.

- The increase in the Academic Support program between years results from increased salaries, benefits, and operating expenses in this program. Increased salaries resulted from a position filled in 2011. Benefits increased because of the salary increase, an insurance premium increase effective December 2010, and the 2010 two-month premium holiday for state insurance discussed in the natural classification section. The primary causes of the increase in operating expenses were decreased renewals and replacements usage charges and a corresponding decreased allocation in this program, significant purchases of non-capitalized software, and an increase in costs for administrative software.

- The increase in the Student Services program from 2010 to 2011 is primarily from two 2011 grant-funded positions, two positions filled in 2011, and a change in one position from 50% to 100% in this program. Benefits increased as a result of the added positions, position changes, an insurance increase effective December 2010, and the 2010 two-month premium holiday for state insurance discussed in the natural classification section. Operating expense increases came from increased renewals and replacements usage charges for this function and costs for consultants to evaluate the financial aid department.

- The decrease in the Institutional Support program from 2010 to 2011 resulted primarily from decreases in operating expenses. The primary cause of the reduction in operating expenses was increased renewals and replacements usage charges and a corresponding increased allocation in this program. An increase in benefits offset part of the operating decrease. Benefits increased as a result of an insurance increase effective December

2010, and the 2010 two-month premium holiday for state insurance discussed in the natural classification section.

- Scholarships and Fellowships increased between fiscal years primarily as a result of increased awards, particularly Pell grants and TSAC scholarships.

Capital Assets and Debt Administration

Capital Assets

Columbia State Community College had $20,832,590 invested in capital assets, net of accumulated depreciation of $18,430,715 at June 30, 2012; $15,268,834 invested in capital assets, net of accumulated depreciation of $17,611,674 at June 30, 2011; and $15,067,139 invested in capital assets, net of accumulated depreciation of $16,260,652 at June 30, 2010. Depreciation charges totaled $1,711,153; $1,513,750; and $1,440,453 for the years ended June 30, 2012; June 30, 2011; and June 30, 2010, respectively. Details of these assets are shown below.

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

	2012	2011	2010
Land	$ 7,266	$ 987	$ 987
Land improvements and infrastructure	1,378	1,511	1,642
Buildings	9,736	10,148	9,805
Equipment	1,489	1,231	1,051
Library holdings	351	630	654
Intangible assets	555	704	846
Projects in progress	58	58	82
Total	$20,833	$15,269	$15,067

Comparison of FY 2012 to FY 2011

- The increase in land ($6,278,985.75) is 35.94 acres located at 1228 Liberty Pike, Franklin, Williamson County, received in 2012.

- Equipment increases from 2011 to 2012 included additions of capital assets of $590,127.18 and disposals of $229,965.16.

- The decrease in library holdings is due to a change in accounting estimate. During 2012, it was determined that library subscriptions are more properly expensed. The estimated life of periodicals was changed from ten to zero years, resulting in an adjustment of $331,665.47 in 2012.

- Projects in progress in 2011 and 2012 include design work begun on the Finney Library renovation, Franklin/Williamson County renovation, Jones Student Center renovation, and Warf classroom spaces renovation. Preliminary work for HVAC upgrades for Warf and Finney Library were added in 2012. The first floor Warf classroom spaces renovation was completed during 2012.

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

<u>Comparison of FY 2011 to FY 2010</u>

- Equipment increases from 2010 to 2011 included additions of capital assets of $460,407.64 and disposals of $171,527.58.

- In 2010 and 2011, projects in progress include design work begun on the Franklin/Williamson County renovation and the Finney Library renovation. Also included in 2011 are design work begun on the Jones Student Center renovation and Warf classroom spaces. The Wellness Center renovation was completed in 2011.

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

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

	2012	2011	2010
Land	$100	$100	$100

The college expects to make capital expenditures during fiscal year 2012-13 for the following projects: HVAC upgrades, Finney Library renovation, Franklin/Williamson County renovation, Jones Student Center renovation, and Franklin/Williamson County Liberty Pike buildings. The administrative software expenses will continue into the next fiscal year.

More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

Debt

The college had $1,614,121; $1,629,673; and $730,329 in debt outstanding at June 30, 2012; June 30, 2011; and June 30, 2010, respectively. The table below summarizes these amounts by type of debt instrument.

Schedule of Outstanding Debt
(in thousands of dollars)

	2012	2011	2010
Bonds payable	$ 33	$ 49	$ 64
Commercial paper payable	1,581	1,581	666
Total outstanding debt	$1,614	$1,630	$ 730

Tennessee State School Bond Authority (TSSBA) bond issues are due serially to 2014 and have interest rates ranging from 4.0% to 4.5%. Proceeds were used, in conjunction with state appropriations, to fund a replacement chiller for the college. Implementation of the chiller was completed in 2003.

The TSSBA issued commercial paper for the college during 2010 and 2011 for the energy savings performance project.

The ratings on debt issued by the Tennessee State School Bond Authority at June 30, 2012, were as follows:

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

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

Economic Factors That Will Affect the Future

The economic position of Columbia State Community College is closely tied to that of the State of Tennessee. State appropriations are the largest source of funding. Shortfalls in state revenues caused reductions in the 2009-10 State of Tennessee budget and a corresponding reduction in state appropriations for the college. Appropriations increased during the 2010-11 year. Further changes in the state's economy may cause additional changes in appropriations received.

At its June 2012 board meeting, the Tennessee Board of Regents approved a 4.3% increase in fees to go into effect fall 2012. Cost-of-living allowance (COLA) salary increases of 2.5% or $750, whichever is greater, are budgeted in 2012-13 for employees employed on June 30, 2012.

Funds were received from the American Recovery and Reinvestment Act's (ARRA) State Fiscal Stabilization Funds (SFSF) for public higher education institutions for the years ending 2009 and 2010. In 2011, the State of Tennessee replaced these funds with non-recurring operating appropriations in the amount of $1,593,900. The college also received $634,700 in 2011 from the state under the state-funded maintenance of effort (MOE) program. Replacement and maintenance of effort funding ended in 2011. The college implemented a mission review in 2008-09 in order to identify areas to implement budget reductions in preparation for the reduced funding in 2012.

The Tennessee Higher Education Commission is currently implementing a new outcome-based funding formula for higher education to comply with the Complete College Tennessee Act passed in January 2010. Full implementation of the new funding formula is proposed to occur over a three- to five-year period.

The college is not currently aware of any facts, decisions, or conditions other than state appropriations funding, outcome-based funding formula, and general economic uncertainties of the country and state 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 college'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 of Finance and Administration, 1665 Hampshire Pike, Columbia, Tennessee 38401.

Exhibit A

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2012, AND JUNE 30, 2011

	Columbia State Community College		Component Unit - Columbia State Community College Foundation	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
ASSETS				
Current assets:				
Cash and cash equivalents (Notes 2, 3, and 16)	$ 8,371,719.51	$ 8,166,039.65	$ 990,968.36	$ 957,570.08
Accounts, notes, and grants receivable (net) (Note 4)	775,709.95	793,109.81	8,197.14	39,369.22
Pledges receivable (net) (Note 16)	-	-	28,957.00	172,011.00
Due from primary government	23,400.00	21,400.00	-	-
Inventories	405.84	1,034.25	-	-
Prepaid expenses and deferred charges	27,921.05	14,286.23	-	-
Accrued interest receivable	5,012.69	4,849.29	400.27	-
Other assets	782.52	554.70	-	-
Total current assets	9,204,951.56	9,001,273.93	1,028,522.77	1,168,950.30
Noncurrent assets:				
Cash and cash equivalents (Notes 2, 3, and 16)	18,625,307.61	17,831,951.62	1,399,017.81	1,561,607.58
Investments (Note 16)	-	-	5,569,776.99	5,319,032.96
Accounts, notes, and grants receivable (net) (Note 4)	4,623.40	4,623.40	-	-
Pledges receivable (net) (Note 16)	-	-	19,742.00	29,844.00
Capital assets (net) (Notes 5 and 16)	20,832,590.18	15,268,834.28	99,998.99	99,998.99
Other assets (Note 16)	-	-	252,000.00	252,000.00
Total noncurrent assets	39,462,521.19	33,105,409.30	7,340,535.79	7,262,483.53
Total assets	48,667,472.75	42,106,683.23	8,369,058.56	8,431,433.83
LIABILITIES				
Current liabilities:				
Accounts payable (Note 6)	558,573.73	590,155.61	25,719.58	66,930.37
Accrued liabilities	758,964.58	709,569.22	-	-
Student deposits	48,944.22	26,851.95	-	-
Deferred revenue	715,639.32	727,220.19	-	-
Compensated absences (Note 7)	202,828.95	186,399.55	-	-
Accrued interest payable	493.15	1,089.05	-	-
Long-term liabilities, current portion (Note 7)	16,205.11	15,551.93	-	-
Deposits held in custody for others	1,884,059.62	2,060,896.30	-	-
Total current liabilities	4,185,708.68	4,317,733.80	25,719.58	66,930.37
Noncurrent liabilities:				
Net OPEB obligation (Note 11)	1,378,881.66	1,273,659.26	-	-
Compensated absences (Note 7)	739,508.03	723,746.12	-	-
Long-term liabilities (Note 7)	1,597,915.64	1,614,120.75	-	-
Due to grantors (Note 7)	9,232.70	9,084.20	-	-
Total noncurrent liabilities	3,725,538.03	3,620,610.33	-	-
Total liabilities	7,911,246.71	7,938,344.13	25,719.58	66,930.37
NET ASSETS				
Invested in capital assets, net of related debt	19,218,469.43	13,639,161.60	99,998.99	99,998.99
Restricted for:				
Nonexpendable:				
Scholarships and fellowships	-	-	2,493,916.43	2,392,316.70
Instructional department uses	-	-	467,805.00	467,705.00
Other	-	-	718,171.99	709,576.19
Expendable:				
Scholarships and fellowships	500.00	-	1,432,144.90	1,571,368.69
Instructional department uses	92,822.91	73,115.92	153,859.79	135,543.60
Loans	1,025.85	1,009.36	-	-
Capital projects	-	-	1,010,636.80	938,612.58
Other	214,608.56	215,687.79	447,654.54	303,812.53
Unrestricted (Note 8)	21,228,799.29	20,239,364.43	1,519,150.54	1,745,569.18
Total net assets	$ 40,756,226.04	$ 34,168,339.10	$ 8,343,338.98	$ 8,364,503.46

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

Exhibit B

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012, AND JUNE 30, 2011

	Columbia State Community College		Component Unit - Columbia State Community College Foundation	
	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2012	Year Ended June 30, 2011
REVENUES				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $5,581,579.28 for the year ended June 30, 2012, and $6,062,713.97 for the year ended June 30, 2011)	$ 9,290,215.25	$ 8,824,253.65	$ -	$ -
Gifts and contributions	-	-	273,508.42	286,851.08
Endowment income per spending plan	-	-	187,600.00	179,900.00
Governmental grants and contracts	922,645.58	1,239,841.20	-	-
Nongovernmental grants and contracts	3,000.00	-	-	-
Sales and services of educational activities	39,070.00	34,335.00	-	-
Sales and services of other activities	185,337.45	203,873.64	-	-
Auxiliary enterprises:				
Bookstore	292,296.16	320,120.48	-	-
Food service	10,618.83	9,808.20	-	-
Interest earned on loans to students	413.40	413.40	-	-
Total operating revenues	10,743,596.67	10,632,645.57	461,108.42	466,751.08
EXPENSES				
Operating expenses (Note 14):				
Salaries and wages	14,300,795.41	14,049,414.47	-	-
Benefits	5,155,446.15	5,134,528.67	-	-
Utilities, supplies, and other services	6,047,677.09	6,584,144.76	126,363.84	148,249.85
Scholarships and fellowships	7,187,947.61	6,620,223.53	245,443.54	183,190.87
Depreciation expense	1,711,152.50	1,513,749.78	-	-
Payments to or on behalf of Columbia State Community College	-	-	58,846.68	72,829.31
Total operating expenses	34,403,018.76	33,902,061.21	430,654.06	404,270.03
Operating income (loss)	(23,659,422.09)	(23,269,415.64)	30,454.36	62,481.05
NONOPERATING REVENUES (EXPENSES)				
State appropriations	11,631,728.23	14,269,617.00	-	-
Gifts (college gifts include $58,846.68 from component unit in 2012 and $72,829.31 in 2011)	66,086.68	80,069.31	-	-
Grants and contracts	11,965,229.02	11,778,434.93	-	-
Investment income (loss) (for component unit, net of investment expense of $19,426.76 in 2012 and $18,551.73 in 2011)	33,750.36	48,921.43	(149,170.92)	686,300.44
Interest on capital asset-related debt	(4,454.49)	(6,411.27)	-	-
Bond issuance costs	(4,811.73)	(4,435.21)	-	-
Other nonoperating revenues (expenses)	(30,687.79)	34,403.74	63,252.35	66,559.92
Net nonoperating revenues (expenses)	23,656,840.28	26,200,599.93	(85,918.57)	752,860.36
Income (loss) before other revenues, expenses, gains, or losses	(2,581.81)	2,931,184.29	(55,464.21)	815,341.41
Capital appropriations	6,590,468.75	624,818.65	-	-
Additions to permanent endowments	-	-	34,299.73	219,741.57
Total other revenues	6,590,468.75	624,818.65	34,299.73	219,741.57
Increase (decrease) in net assets	6,587,886.94	3,556,002.94	(21,164.48)	1,035,082.98
NET ASSETS				
Net assets - beginning of year	34,168,339.10	30,612,336.16	8,364,503.46	7,329,420.48
Net assets - end of year	$ 40,756,226.04	$ 34,168,339.10	$ 8,343,338.98	$ 8,364,503.46

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

Exhibit C

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012, AND JUNE 30, 2011

	Year Ended June 30, 2012	Year Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 9,267,520.34	$ 8,946,174.89
Grants and contracts	827,472.07	1,345,635.95
Sales and services of educational activities	39,447.00	36,155.90
Sales and services of other activities	185,337.45	203,873.64
Payments to suppliers and vendors	(6,115,823.82)	(6,231,646.26)
Payments to employees	(14,268,370.98)	(14,048,800.49)
Payments for benefits	(4,985,045.01)	(4,919,054.62)
Payments for scholarships and fellowships	(7,167,240.61)	(6,641,650.53)
Interest earned on loans to students	250.00	230.50
Auxiliary enterprise charges:		
Bookstore	438,851.82	309,253.35
Food service	10,618.83	9,808.20
Net cash used by operating activities	(21,766,982.91)	(20,990,019.47)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	11,608,900.00	14,251,100.00
Gifts and grants received for other than capital or endowment purposes including $103,885.39 from the foundation for the year ended June 30, 2012, and $69,542.56 for the year ended June 30, 2011	12,044,866.15	12,509,173.25
Federal student loan receipts	6,849,352.00	3,148,169.00
Federal student loan disbursements	(6,849,352.00)	(3,148,169.00)
Changes in deposits held for others	(185,916.49)	526,619.51
Other noncapital financing receipts	11,902.92	43,369.83
Net cash provided by noncapital financing activities	23,479,752.58	27,330,262.59
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	-	674,580.41
Capital - state appropriations	6,590,468.75	624,818.65
Purchases of capital assets and construction	(7,317,350.61)	(1,724,244.92)
Principal paid on capital debt	(15,551.93)	(14,925.07)
Interest paid on capital debt	(238.66)	(5,840.02)
Bond issuance costs paid on new debt issue	(4,811.73)	(4,435.21)
Net cash used by capital and related financing activities	(747,484.18)	(450,046.16)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	33,750.36	48,921.43
Net cash provided by investing activities	33,750.36	48,921.43
Net increase in cash	999,035.85	5,939,118.39
Cash - beginning of year	25,997,991.27	20,058,872.88
Cash - end of year	$ 26,997,027.12	$ 25,997,991.27

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012, AND JUNE 30, 2011

	Year Ended June 30, 2012	Year Ended June 30, 2011
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$ (23,659,422.09)	$ (23,269,415.64)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,711,152.50	1,513,749.78
Other adjustments	20,828.23	20,017.00
Changes in assets and liabilities:		
Receivables, net	3,849.41	140,074.29
Inventories	628.41	(66.71)
Prepaid/deferred items	(13,634.82)	(1,329.48)
Other assets	(391.22)	(322.20)
Accounts payable	(409.80)	363,645.65
Accrued liabilities	149,806.03	185,250.53
Deferred revenue	(11,580.87)	47,556.81
Compensated absences	32,191.31	10,820.50
Net cash used by operating activities	$ (21,766,982.91)	$ (20,990,019.47)
Noncash investing, capital, and financing activities		
Loss on disposal of capital assets	$ (42,442.21)	$ (8,799.56)

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

The Columbia State Community College Foundation is considered a component unit of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements. See Note 16 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

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

Basis of Accounting

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

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

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

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

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

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 and sick leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of the liabilities for annual leave and compensatory time and their related benefits are reported in the statement of net assets. There is no liability for unpaid accumulated sick leave since the college's policy is to pay this only if the employee dies or is absent because of illness, injury, or related family death.

Capital Assets

Capital assets, which include property, plant, equipment, library holdings, and intangible assets, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation/amortization. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

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

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

Net Assets

The college's net assets are classified as follows:

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

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

Expendable restricted net assets - Expendable restricted net assets include resources which the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, sales and services of educational departments and other activities, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the college, and may be used at the discretion of the college to meet current expenses for any purpose.

The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the college and the amount that is paid by the student and/or third parties making payments on the student's behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs are recorded as either operating or nonoperating revenues in the college's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the college has recorded a scholarship discount and allowance.

NOTE 2. CASH

This classification includes demand deposits and petty cash on hand. At June 30, 2012, cash consisted of $369,590.52 in bank accounts; $3,220.00 of petty cash on hand; $26,502,979.98 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer; and $121,236.62 in LGIP deposits for capital projects. At June 30, 2011, cash consisted of $439,057.58 in bank accounts; $3,120.00 of petty cash on hand; $25,132,418.08 in LGIP; and $423,395.61 in LGIP deposits for capital projects.

<u>LGIP deposits for capital projects</u> - Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate LGIP account. As expenses are incurred, funds are withdrawn from the LGIP account by the Tennessee Board of Regents and transferred to the Department of Finance and Administration. The funds in the account are not available to the college for any other purpose until the project is completed and the Tennessee Board of Regents releases any remaining funds.

NOTE 3. INVESTMENTS

Credit Risk

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

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

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

As of June 30, 2012, and June 30, 2011, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $26,624,216.60 at June 30, 2012, and $25,555,813.69 at June 30, 2011. LGIP investments are not rated by nationally recognized statistical ratings organizations. The LGIP is part of the State Pooled Investment Fund. The fund's required risk disclosures are presented in the *State of Tennessee's Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

NOTE 4. RECEIVABLES

Receivables included the following:

	June 30, 2012	June 30, 2011
Student accounts receivable	$ 925,605.99	$ 892,105.72
Grants receivable	311,907.17	203,075.43
Notes receivable	11,393.40	11,393.40
Other receivables	59,825.12	209,894.76
Subtotal	1,308,731.68	1,316,469.31
Less allowance for doubtful accounts	(528,398.33)	(518,736.10)
Total receivables	$ 780,333.35	$ 797,733.21

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 986,725.23	$ 6,276,790.75	$ 2,195.00	$ -	$ 7,265,710.98
Land improvements and infrastructure	2,760,285.72	-	-	-	2,760,285.72
Buildings	22,468,778.09	283,336.55	27,872.53	-	22,779,987.17
Equipment	3,549,276.92	590,127.18	-	229,965.16	3,909,438.94
Library holdings	1,489,870.20	101,334.98	-	704,588.45	886,616.73
Intangible assets	1,567,450.88	35,647.50	-	-	1,603,098.38
Projects in progress	58,121.16	30,113.65	(30,067.53)	-	58,167.28
Total	32,880,508.20	7,317,350.61	-	934,553.61	39,263,305.20

Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	1,248,939.98	133,822.93	-	-	1,382,762.91
Buildings	12,320,857.36	723,264.73	-	-	13,044,122.09
Equipment	2,318,527.58	288,935.65	-	187,522.95	2,419,940.28
Library holdings	859,790.99	380,244.10	-	704,588.45	535,446.64
Intangible assets	863,558.01	184,885.09	-	-	1,048,443.10
Total	17,611,673.92	1,711,152.50	-	892,111.40	18,430,715.02
Capital assets, net	$ 15,268,834.28	$ 5,606,198.11	$ -	$ 42,442.21	$ 20,832,590.18

Capital asset activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 986,725.23	$ -	$ -	$ -	$ 986,725.23
Land improvements and infrastructure	2,757,434.86	2,850.86	-	-	2,760,285.72
Buildings	21,341,931.94	1,062,351.94	64,494.21	-	22,468,778.09
Equipment	3,260,396.86	460,407.64	-	171,527.58	3,549,276.92
Library holdings	1,365,005.05	124,865.15	-	-	1,489,870.20
Intangible assets	1,534,003.09	33,447.79	-	-	1,567,450.88
Projects in progress	82,293.83	40,321.54	(64,494.21)	-	58,121.16
Total	31,327,790.86	1,724,244.92	-	171,527.58	32,880,508.20
Less accumulated depreciation/ amortization:					
Land improvements and infrastructure	1,115,117.05	133,822.93	-	-	1,248,939.98
Buildings	11,537,449.30	783,408.06	-	-	12,320,857.36
Equipment	2,209,697.06	271,558.54	-	162,728.02	2,318,527.58
Library holdings	710,803.96	148,987.03	-	-	859,790.99
Intangible assets	687,584.79	175,973.22	-	-	863,558.01
Total	16,260,652.16	1,513,749.78	-	162,728.02	17,611,673.92
Capital assets, net	$ 15,067,138.70	$ 210,495.14	$ -	$ 8,799.56	$ 15,268,834.28

The decrease in library holdings from 2011 to 2012 is due to a change in accounting estimate. During fiscal year 2012, it was determined that periodicals are more appropriately expensed. The estimated useful life of periodicals was decreased from ten years to zero years, resulting in an adjustment of $331,665.47 in 2012.

NOTE 6. ACCOUNTS PAYABLE

Accounts payable included the following:

	June 30, 2012	June 30, 2011
Vendors payable	$ 550,376.59	$ 550,786.39
Other payables	8,197.14	39,369.22
Total accounts payable	$ 558,573.73	$ 590,155.61

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 48,850.94	$ -	$ 15,551.93	$ 33,299.01	$ 16,205.11
Commercial paper	1,580,821.74	-	-	1,580,821.74	-
Subtotal	1,629,672.68	-	15,551.93	1,614,120.75	16,205.11
Other liabilities:					
Compensated absences	910,145.67	715,236.99	683,045.68	942,336.98	202,828.95
Due to grantors	9,084.20	148.50	-	9,232.70	-
Subtotal	919,229.87	715,385.49	683,045.68	951,569.68	202,828.95
Total long-term liabilities	$ 2,548,902.55	$ 715,385.49	$ 698,597.61	$ 2,565,690.43	$ 219,034.06

Long-term liabilities activity for the year ended June 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 63,776.01	$ -	$ 14,925.07	$ 48,850.94	$ 15,551.93
Commercial paper	666,552.72	914,269.02	-	1,580,821.74	-
Subtotal	730,328.73	914,269.02	14,925.07	1,629,672.68	15,551.93
Other liabilities:					
Compensated absences	899,325.17	707,422.87	696,602.37	910,145.67	186,399.55
Due to grantors	8,917.67	166.53	-	9,084.20	-
Subtotal	908,242.84	707,589.40	696,602.37	919,229.87	186,399.55
Total long-term liabilities	$ 1,638,571.57	$ 1,621,858.42	$ 711,527.44	$ 2,548,902.55	$ 201,951.48

TSSBA Debt - Bonds

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

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2012, are as follows:

Year Ending June 30	Principal	Interest	Total
2013	$ 16,205.11	$ 1,417.42	$ 17,622.53
2014	17,093.90	769.22	17,863.12
Total	$ 33,299.01	$ 2,186.64	$ 35,485.65

TSSBA Debt - Commercial Paper

The Tennessee State School Bond Authority issues commercial paper to finance the costs of various capital projects during their construction phase. When projects are placed in service, long-term, fixed-rate debt is issued by TSSBA to finance the project over its useful payback period and the commercial paper is redeemed. The amount issued for projects at the college was $1,580,821.74 at June 30, 2012, and June 30, 2011.

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

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

NOTE 8. UNRESTRICTED NET ASSETS

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

	June 30, 2012	June 30, 2011
Working capital	$ 54,091.00	$ 29,261.52
Encumbrances	373,385.15	392,849.54
Designated fees	583,323.89	291,530.49
Auxiliaries	1,586,467.23	1,743,031.49
Plant construction	10,815,469.74	9,924,034.45
Renewal and replacement of equipment	7,809,011.81	7,851,606.47
Debt retirement	7,050.47	7,050.47
Total	$ 21,228,799.29	$ 20,239,364.43

NOTE 9. PLEDGED REVENUES

The college has pledged certain revenues and fees, including state appropriations, to repay $33,299.01 in revenue bonds issued in March 2004. Proceeds from the bonds provided financing for a new chiller for the college. The bonds are payable through

2014. Annual principal and interest payments on the bonds are expected to require .06% of available revenues. The total principal and interest remaining to be paid on the bonds at June 30, 2012, is $35,485.65. Principal and interest paid for fiscal year 2012 and total available revenues in that year were $17,591.43 and $27,065,539.67, respectively. Principal and interest paid for fiscal year 2011 and total available revenues in that year were $17,561.57 and $29,529,019.42, respectively. See Note 7 for further detail.

NOTE 10. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for SETHEEPP. That report is available on the state's website at www.treasury.tn.gov/tcrs.

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 14.91% 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, 2012, 2011, and 2010 were $1,097,448.40, $1,091,251.69, and $913,375.57. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans

Plan Description - The college contributes to three defined contribution plans: Teachers Insurance and Annuity Association–College Retirement Equities Fund

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

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contributions made by the college to the plans were $495,456.32 for the year ended June 30, 2012, and $480,291.08 for the year ended June 30, 2011. Contributions met the requirements for each year.

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible college retirees. This program includes two plans available to higher education employees—the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-101, *Tennessee Code Annotated.* Prior to reaching age 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) 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 15. The plans are reported in the State of Tennessee's *Comprehensive Annual Financial Report* (CAFR). The CAFR is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

Special Funding Situation

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

Funding Policy

The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants. In accordance with Section 8-27-205(b), *Tennessee Code Annotated*, retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service are subsidized 80%; retirees with 20 years of service but less than 30 years of service, 70%; and retirees with less than 20 years of service, 60%. Retirees in the Medicare Supplement Plan have flat-rate premium subsidies based on years of service. Retirees with 30 years of service receive $50 per month; retirees with 20 years of service but less than 30 years of service, $37.50; and retirees with 15 years of service but less than 20 years of service, $25.

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

	2012	2011
Annual required contribution (ARC)	$ 399,000.00	$ 442,000.00
Interest on the net OPEB obligation	50,946.37	48,757.88
Adjustment to the ARC	(54,078.60)	(46,183.39)
Annual OPEB cost	395,867.77	444,574.49
Amount of contribution	(290,645.37)	(254,423.66)
Increase in net OPEB obligation	105,222.40	190,150.83
Net OPEB obligation – beginning of year	1,273,659.26	1,083,508.43
Net OPEB obligation – end of year	$1,378,881.66	$1,273,659.26

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2012	State Employee Group Plan	$395,867.77	73.4%	$1,378,881.66
June 30, 2011	State Employee Group Plan	$444,574.49	57.2%	$1,273,659.26
June 30, 2010	State Employee Group Plan	$488,894.57	41.5%	$1,083,508.43

Funded Status and Funding Progress

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

State Employee Group Plan

Actuarial valuation date	July 1, 2011	July 1, 2010
Actuarial accrued liability (AAL)	$3,584,000.00	$4,225,000.00
Actuarial value of plan assets	-	-
Unfunded actuarial accrued liability (UAAL)	$3,584,000.00	$4,225,000.00
Actuarial value of assets as a percentage of the AAL	0.00%	0.00%
Covered payroll (active plan members)	$10,816,646.26	$10,983,448.35
UAAL as percentage of covered payroll	33.1%	38.5%

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, 2011, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25% in fiscal year 2012. The rate decreases to 8.75% in fiscal year 2013, and then reduces by decrements to an ultimate rate of 5% in fiscal year 2021. All rates include a 2.5% 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 on July 1, 2007.

NOTE 12. INSURANCE-RELATED ACTIVITIES

It is the policy of the state not to purchase commercial insurance for the risks associated with casualty losses for general liability, automobile liability, professional medical malpractice, 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, builder's risk (for construction projects starting prior to July 1, 2012), and crime and fidelity coverage on the state's officials and employees. The contractor is responsible for acquiring builder's risk insurance for all construction projects after June 30, 2012; thus, builder's risk is no longer covered by the Risk Management Fund. For property coverage, the deductible for an individual state agency is the first $25,000 of losses. The Risk Management Fund is responsible for property losses for the annual aggregate deductible of $10 million for perils other than earthquakes and flood. Purchased insurance coverage is responsible for losses exceeding the $10 million annual aggregate deductible. For earthquake and flood, there is a deductible of $10 million per occurrence. The maximum insurance coverage is $750 million per year for perils other than earthquake and flood. The maximum flood insurance coverage is $50 million per occurrence, except there is only $25 million of coverage in flood zones A and V. The maximum earthquake insurance coverage is $50 million per occurrence. The amounts of settlements have not exceeded insurance coverage for each of the three past fiscal years.

The college participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2012, and June 30, 2011, are presented in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml. 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, 2012, the Risk Management Fund held $97.2 million in cash and cash equivalents designated for payment of claims. At June 30, 2011, the Risk Management Fund held $107.6 million in cash and cash equivalents designated for payment of claims.

At June 30, 2012, the scheduled coverage for the college was $63,719,800 for buildings and $27,725,000 for contents. At June 30, 2011, the scheduled coverage for the college was $64,787,800 for buildings and $25,280,000 for contents.

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

NOTE 13. COMMITMENTS AND CONTINGENCIES

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $4,746,075.48 at June 30, 2012, and $4,735,302.69 at June 30, 2011.

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 $1,201.00 for the year ended June 30, 2012. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2012, outstanding commitments under construction contracts totaled $53,264.41 for the library HVAC upgrade and ADA adaptations, of which $52,479.80 will be funded by future state capital outlay appropriations.

NOTE 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses for the year ended June 30, 2012, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,538,948.14	$ 2,784,857.39	$ 2,917,840.28	$ -	$ -	$ 14,241,645.81
Public service	53,512.07	14,814.15	64,573.01	-	-	132,899.23
Academic support	1,265,497.97	477,647.45	(491,385.89)	-	-	1,251,759.53
Student services	1,624,980.27	688,865.58	741,221.18	-	-	3,055,067.03
Institutional support	2,146,842.26	791,272.61	1,055,120.97	-	-	3,993,235.84
Maintenance & operation	671,014.70	397,988.97	1,687,074.36	-	-	2,756,078.03
Scholarships & fellowships	-	-	-	7,187,947.61	-	7,187,947.61
Auxiliary	-	-	73,233.18	-	-	73,233.18
Depreciation	-	-	-	-	1,711,152.50	1,711,152.50
Total	$ 14,300,795.41	$ 5,155,446.15	$ 6,047,677.09	$ 7,187,947.61	$ 1,711,152.50	$ 34,403,018.76

The college's operating expenses for the year ended June 30, 2011, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,445,379.06	$ 2,741,373.92	$ 3,728,861.49	$ -	$ -	$ 14,915,614.47
Public service	49,643.50	15,469.86	59,894.27	-	-	125,007.63
Academic support	1,400,361.49	583,006.80	(796,646.40)	-	-	1,186,721.89
Student services	1,534,245.82	619,204.71	1,001,593.76	-	-	3,155,044.29
Institutional support	1,955,695.66	758,678.80	233,821.45	-	-	2,948,195.91
Operation & maintenance	664,088.94	416,794.58	2,272,982.75	-	-	3,353,866.27
Scholarships & fellowships	-	-	-	6,620,223.53	-	6,620,223.53
Auxiliary	-	-	83,637.44	-	-	83,637.44
Depreciation	-	-	-	-	1,513,749.78	1,513,749.78
Total	$ 14,049,414.47	$ 5,134,528.67	$ 6,584,144.76	$ 6,620,223.53	$ 1,513,749.78	$ 33,902,061.21

Expenses initially incurred by the academic support function as a result of providing internal services to the other functional classifications were allocated to the other functional areas by reducing the academic support function's operating expenses by the total amount of salaries, benefits, and operating expenses incurred in the provision of these services, and allocating this amount to the other functional areas' operating expenses on the basis of usage. As a result of this process, expenses totaling $1,676,478.99 for the year ended June 30, 2012, and $2,091,570.70 for the year ended June 30, 2011, were reallocated from academic support to the other functional areas and caused academic support operating expenses to appear as a negative amount in the schedule above.

NOTE 15. ON-BEHALF PAYMENTS

During the year ended June 30, 2012, the State of Tennessee made payments of $20,828.23 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2011, was $20,017.00. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 11. The plan is reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

NOTE 16. 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 46-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. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the foundation's financial information in the college's financial statements for these differences.

During the year ended June 30, 2012, the foundation made distributions of $58,846.68 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2011, the foundation made distributions of $72,829.31 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Bethany Lay, 1665 Hampshire Pike, Columbia, TN 38401.

Fair Value Measurements

The foundation reports certain assets and liabilities at fair value. Fair value has been determined using quoted prices in active markets for identical assets and liabilities that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following tables categorize the recurring fair value measurements for assets and liabilities at June 30, 2012, and at June 30, 2011.

	Total Fair Value at June 30, 2012	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Pledges receivable	$ 48,699.00	$ -	$ -	$ 48,699.00
U.S. agencies	20.01	20.01	-	-
Certificates of deposit	354,124.00	-	354,124.00	-
Corporate stock	534,763.04	534,763.04	-	-
Corporate bonds	194,672.00	194,672.00	-	-
Mutual bond funds	1,255,305.73	1,255,305.73	-	-
Mutual equity funds	3,230,892.21	3,230,892.21	-	-
Total assets	$ 5,618,475.99	$ 5,215,652.99	$ 354,124.00	$ 48,699.00

	Total Fair Value at June 30, 2011	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Certificate of deposit shown as cash equivalents on the Statement of Net Assets	$ 100,000.00	$ -	$ 100,000.00	$ -
Pledges receivable	201,855.00	-	-	201,855.00
U.S. agencies	25.98	25.98	-	-
Certificates of deposit	50,000.00	-	50,000.00	-
Corporate stock	721,493.62	721,493.62	-	-
Corporate bonds	384,271.71	384,271.71	-	-
Mutual bond funds	1,112,111.98	1,112,111.98	-	-
Mutual equity funds	3,051,129.67	3,051,129.67	-	-
Total assets	$ 5,620,887.96	$ 5,269,032.96	$ 150,000.00	$ 201,855.00

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, a certificate of deposit, and deposits in the Local Government Investment Pool. The bank balances of deposits at June 30, 2012, and June 30, 2011, were entirely insured.

Investments

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

Investments held at June 30, 2012, were as follows:

	Cost	Fair Value
U.S. agencies	$ 740.28	$ 20.01
Certificates of deposit	350,000.00	354,124.00
Corporate stock	507,270.12	534,763.04
Corporate bonds	197,984.00	194,672.00
Mutual bond funds	1,225,510.18	1,255,305.73
Mutual equity funds	2,945,963.12	3,230,892.21
Total investments	$ 5,227,467.70	$ 5,569,776.99

Investments held at June 30, 2011, were as follows:

	Cost	Fair Value
U.S. agencies	$ 740.28	$ 25.98
Certificates of deposit	50,000.00	50,000.00
Corporate stock	635,196.06	721,493.62
Corporate bonds	377,514.46	384,271.71
Mutual bond funds	1,093,529.04	1,112,111.98
Mutual equity funds	2,700,359.07	3,051,129.67
Total investments	$ 4,857,338.91	$ 5,319,032.96

Pledges Receivable

Pledges receivable are summarized below, net of the estimated uncollectible allowance of $19,493.00 at June 30, 2012, and $63,245.00 at June 30, 2011.

	June 30, 2012	June 30, 2011
Current pledges	$ 28,957.00	$ 172,011.00
Pledges due in one to five years	19,800.00	29,997.00
Subtotal	48,757.00	202,008.00
Less discount to net present value	(58.00)	(153.00)
Total pledges receivable, net	$ 48,699.00	$ 201,855.00

Capital Assets

Capital assets at June 30, 2012, and June 30, 2011, were as follows:

	June 30, 2012	June 30, 2011
Land	$99,998.99	$99,998.99

Other Assets

Other assets consist of a 12% partnership interest in the Brookwood Apartments of Columbia complex donated to the foundation in October 2001. The gift was valued at $252,000 based on an independent appraisal as of the date of the donation and is recorded at its historical value.

Endowments

The Columbia State Community College Foundation's endowment consists of approximately 89 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

Composition of Endowment by Net Asset Class
As of June 30, 2012

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 3,631,678.79	$ 23,802.46	$ (252,644.35)	$ 3,402,836.90
Board-designated endowment funds	-	1,181,159.85	163,945.74	1,345,105.59
Total funds	$ 3,631,678.79	$ 1,204,962.31	$ (88,698.61)	$ 4,747,942.49

Composition of Endowment by Net Asset Class
As of June 30, 2011

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 3,522,379.06	$ 23,102.46	$ (165,831.46)	$ 3,379,650.06
Board-designated endowment funds	-	1,180,215.85	194,740.58	1,374,956.43
Total funds	$ 3,522,379.06	$ 1,203,318.31	$ 28,909.12	$ 4,754,606.49

Changes in Endowment Net Assets
for the Year Ended June 30, 2012

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	$ 3,522,379.06	$ 1,203,318.31	$ 28,909.12	$ 4,754,606.49
Investment return:				
Investment income	-	800.00	138,065.55	138,865.55
Net appreciation (realized and unrealized)	-	-	(68,073.28)	(68,073.28)
Total investment return	-	800.00	69,992.27	70,792.27
Contributions	34,299.73	844.00	-	35,143.73
Appropriations of endowment assets for expenditure	-	-	(187,600.00)	(187,600.00)
Transfers	75,000.00	-	-	75,000.00
Endowment net assets, end of year	$ 3,631,678.79	$ 1,204,962.31	$ (88,698.61)	$ 4,747,942.49

Changes in Endowment Net Assets
for the Year Ended June 30, 2011

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets, beginning of year	$ 4,577,009.52	$ 209,475.00	$ (912,514.30)	$ 3,873,970.22
Net asset adjustment	(1,274,422.03)	989,073.31	253,477.72	(31,871.00)
Endowment net assets, after adjustment	3,302,587.49	1,198,548.31	(659,036.58)	3,842,099.22
Investment return:				
Investment income	-	850.00	102,908.51	103,758.51
Net appreciation (realized and unrealized)	-	-	764,849.50	764,849.50
Total investment return	-	850.00	867,758.01	868,608.01
Contributions	219,741.57	3,920.00	87.69	223,749.26
Appropriations of endowment assets for expenditure	-	-	(179,900.00)	(179,900.00)
Transfers	50.00	-	-	50.00
Endowment net assets, end of year	$ 3,522,379.06	$ 1,203,318.31	$ 28,909.12	$ 4,754,606.49

The net asset adjustment shown above is to reclassify board-designated endowments from permanently restricted to temporarily restricted and unrestricted and to remove gifts incorrectly classified as endowments.

Funds with deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the foundation is required to retain in a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and/or continued appropriation for fees and previously approved budgeted expenditures. At June 30, 2012, and June 30, 2011, deficiencies of this nature totaled $342,264.02 and $224,656.29, respectively.

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

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

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

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

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
July 1, 2011	State Employee Group Plan	$ -	$3,584,000.00	$3,584,000.00	0%	$10,816,646.26	33.1%
July 1, 2010	State Employee Group Plan	$ -	$4,225,000.00	$4,225,000.00	0%	$10,983,448.35	38.5%
July 1, 2009	State Employee Group Plan	$ -	$4,673,000.00	$4,673,000.00	0%	$11,255,833.81	41.5%

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
SCHEDULES OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2012, AND JUNE 30, 2011

	Year Ended June 30, 2012	Year Ended June 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Gifts and contributions	$ 350,009.42	$ 418,462.08
Payments to suppliers and vendors	(110,188.84)	(134,899.85)
Payments for scholarships and fellowships	(245,443.54)	(183,190.87)
Payments to Columbia State Community College	(103,885.39)	(69,542.56)
Net cash provided (used) by operating activities	(109,508.35)	30,828.80
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	69,299.73	184,741.57
Other noncapital financing receipts/(payments)	63,252.35	66,559.92
Net cash provided by noncapital financing activities	132,552.08	251,301.49
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	515,644.03	1,060,222.63
Income on investments	126,120.75	76,779.26
Purchases of investments	(794,000.00)	(1,031,007.03)
Net cash provided (used) by investing activities	(152,235.22)	105,994.86
Net increase (decrease) in cash	(129,191.49)	388,125.15
Cash and cash equivalents - beginning of year	2,519,177.66	2,131,052.51
Cash and cash equivalents - end of year	$ 2,389,986.17	$ 2,519,177.66
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$ 30,454.36	$ 62,481.05
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Endowment income per spending plan	(187,600.00)	(179,900.00)
Gifts in-kind	(60,480.00)	-
Changes in assets and liabilities:		
Receivables, net	149,328.08	151,273.90
Accounts payable	(41,210.79)	(3,026.15)
Net cash provided (used) by operating activities	$ (109,508.35)	$ 30,828.80
Noncash investing, capital, and financing activities		
Gift of stock	$ 60,480.00	$ -
Unrealized gains (losses) on investments	$ (119,384.76)	$ 778,341.59