STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE

Financial and Compliance Audit Report

For the Years Ended June 30, 2014, and June 30, 2013

Justin P. Wilson, Comptroller

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STATE OF TENNESSEE
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July 16, 2015

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable John G. Morgan, Chancellor
Dr. Janet F. Smith, President

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, 2014, and June 30, 2013. You will note from the independent auditor's report that unmodified opinions were given on the fairness of the presentation of the financial statements.

Consideration of the internal control over financial reporting and tests of compliance disclosed a deficiency, which is detailed in the Finding and Recommendation section of this report. The college's management 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

15/045

Audit Report
Tennessee Board of Regents
Columbia State Community College
For the Years Ended June 30, 2014, and June 30, 2013

TABLE OF CONTENTS

State of Tennessee

Audit Highlights

Comptroller of the Treasury — Division of State Audit

Financial and Compliance Audit

Tennessee Board of Regents

Columbia State Community College

For the Years Ended June 30, 2014, and June 30, 2013

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

Management did not design and monitor internal controls in one specific area
Management did not design and monitor internal controls in a specific area. We observed a condition that was in violation of industry-accepted best practices (page 47).

STATE OF TENNESSEE
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Independent Auditor's Report

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable John G. Morgan, Chancellor
Dr. Janet F. Smith, President

Report on the Financial Statements

We have audited the accompanying 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, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements, based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2014, and June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

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, 2014, and June 30, 2013, and the changes in financial position and cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the college implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*, during the year ended June 30, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 and the schedule of funding progress on page 43 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the college's basic financial statements. The schedules of cash flows – component unit on page 44 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of cash flows – component unit are the responsibility of the college's management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of cash flows – component unit are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2015, on our consideration of the college's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the college's internal control over financial reporting and compliance.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
June 11, 2015

Tennessee Board of Regents
COLUMBIA STATE COMMUNITY COLLEGE
Management's Discussion and Analysis

Introduction

This section of Columbia State Community College's financial report presents a discussion and analysis of the financial performance of the college during the fiscal years ended June 30, 2014, and June 30, 2013, with comparative information presented for the fiscal year ended June 30, 2012. 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 financial statements, and the notes to the financial statements.

The college has one discretely presented component unit, the Columbia State Community College Foundation. More detailed information about the foundation is presented in Note 15 to the financial statements. This discussion and analysis focuses on the college and does not include the foundation.

Overview of the Financial Statements

The financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the college as a whole. The full scope of the college's activities is considered to be a single business-type activity and, accordingly, is reported within a single column in the basic financial statements.

The college's financial report includes the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. Notes to the financial statements are also presented to provide additional information that is essential to a full understanding of the financial statements.

The Statement of Net Position

The statement of net position is a point-in-time financial statement. The statement of net position presents the financial position of the college at the end of the fiscal year. To aid the reader in determining the college's ability to meet immediate and future obligations, the statement includes all assets, liabilities, deferred outflows of resources, and net position of the college and segregates the assets and liabilities into current and noncurrent components. Current assets are those that are available to satisfy current liabilities, inclusive of assets that will be converted to cash within one year. Current liabilities are those that will be paid within one year. The statement of net position is prepared under the accrual basis of accounting; assets and liabilities are recognized when goods or services are provided or received despite when cash is actually exchanged.

From the data presented, readers of the statement are able to determine the assets available to continue the operations of the college. They are also able to determine how much the college owes vendors, lenders, and others. Net position represents the difference between the college's assets and liabilities, along with the deferred outflows of resources, and is one indicator of the college's current financial condition.

The statement of net position also indicates the availability of net position for expenditure by the college. Net position is divided into three major categories. The first category, net investment in capital assets, represents the college's total investment in property, plant, and equipment, net of outstanding debt obligations related to these capital assets. To the extent debt or deferred inflows of resources has been incurred but not yet expended for capital assets, such amounts are not included. The next category is restricted net position, which is entirely expendable. Expendable restricted net position is 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 resources. The final category is unrestricted net position. Unrestricted net position is available to the college for any lawful purpose of the college.

The following table summarizes the college's assets, liabilities, deferred outflows of resources, and net position at June 30, 2014; June 30, 2013; and June 30, 2012.

Summary of Net Position
(in thousands of dollars)

	2014	2013	2012
Assets:			
Current assets	$11,717	$ 9,252	$ 9,205
Capital assets, net	21,960	20,829	20,833
Other assets	17,548	18,481	18,629
Total Assets	51,225	48,562	48,667
Deferred Outflows of Resources:			
Deferred amount on debt refunding	-	1	-
Total Deferred Outflows of Resources	-	1	-
Liabilities:			
Current liabilities	5,356	3,820	4,186
Noncurrent liabilities	3,728	3,780	3,725
Total Liabilities	9,084	7,600	7,911
Net Position:			
Net investment in capital assets	21,960	20,813	20,799
Restricted – expendable	549	360	309
Unrestricted	19,632	19,790	19,648
Total Net Position	$42,141	$40,963	$40,756

Comparison of FY 2014 to FY 2013

- Current assets of the college increased between fiscal years primarily due to increases in current cash. Cash assets of the Tennessee Colleges of Applied Technology at Hohenwald and Pulaski are also included in current assets. Cash for both colleges of applied technology increased from 2013 to 2014. Increases in accounts and grants receivable and due from component unit also contributed to the increase in current assets. The main increase in accounts receivable was due to a receivable for an insurance payment from roof damage. Grants receivable increased due to timing differences and the first full year of a grant. The increase in due from component unit is primarily due to funds to be received from the Columbia State Foundation for the new Williamson County campus.
- Net capital assets increased from 2013 to 2014. Recorded depreciation and amortization caused decreases; increases included equipment purchases, as well as the Williamson County Liberty Pike relocation, the Warf HVAC upgrades, and the Jones Student Center renovation additions to projects in progress. Library HVAC upgrades were completed during 2014. More detailed information about the college's capital assets is presented in the Capital Asset and Debt Administration section of this report.
- Other assets decreased from 2013 to 2014 because transfers were made from noncurrent cash for plant fund expenditures.
- Current liabilities increased between the fiscal years primarily due to increases in the colleges of applied technology's deposits held in custody for others ($885,466) and accounts payable ($546,579). The increase in accounts payable was primarily due to payables for classroom teaching stations, renovation of the Jones Student Center building, and roof repairs for the Hickman building. Increases in unearned revenue, which was due to an increase in summer school revenue of approximately $64,000, also contributed to the increase.
- The restricted-expendable section of net position increased between the fiscal years as a result of increased restricted funds in instructional department uses, primarily the Governor's equipment grant.

Comparison of FY 2013 to FY 2012

- Other assets decreased from 2012 to 2013 because transfers were made from noncurrent cash for plant fund expenditures.
- Current liabilities decreased between the fiscal years primarily due to decreases in the colleges of applied technology's deposits held in custody for others.

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

The statement of revenues, expenses, and changes in net position presents the results of operations for the fiscal year. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received. The statement indicates whether the college's financial condition has improved or deteriorated during the fiscal year. The statement presents the revenues received by the college, both operating and nonoperating; the expenses paid by the college, operating and nonoperating; and any other revenues, expenses, gains, or losses received or spent by the college.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the college. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the college. Nonoperating revenues are revenues received for which goods and services are not provided directly to the payor. Although Columbia State Community College is dependent upon state appropriations and gifts to fund educational and general operations, under GASB standards these funding sources are reported as nonoperating revenues, as is investment income. As a result, the college has historically reported an excess of operating expenses over operating revenues, resulting in an operating loss. Therefore, the "increase in net position" is more indicative of overall financial results for the year.

A summary of the college's revenues, expenses, and changes in net position for the year ended June 30, 2014; June 30, 2013; and June 30, 2012, follows.

Summary of Revenues, Expenses, and Changes in Net Position
(in thousands of dollars)

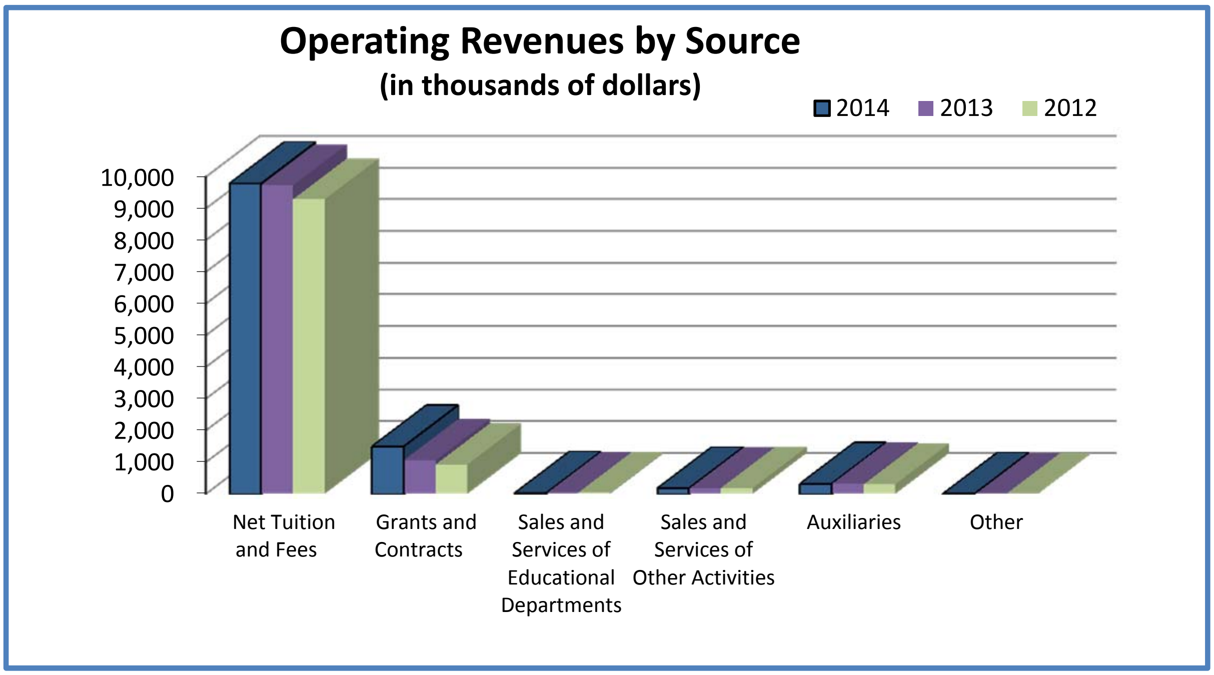
	2014	2013	2012
Operating revenues	$ 11,835	$ 11,354	$ 10,744
Operating expenses	35,986	34,180	34,403
Operating loss	(24,151)	(22,826)	(23,659)
Nonoperating revenues and expenses	24,369	23,001	23,657
Income (loss) before other revenues, expenses, gains, or losses	218	175	(2)
Other revenues, expenses, gains, or losses	960	32	6,590
Increase in net position	1,178	207	6,588
Net position, July 1	40,963	40,756	34,168
Net position, June 30	$ 42,141	$ 40,963	$ 40,756

Operating Revenues

The following summarizes the operating revenues by source that were used to fund operating activities for the last three fiscal years:

Operating Revenues by Source
(in thousands of dollars)

	2014	2013	2012
Net tuition and fees	$ 9,793	$ 9,735	$ 9,291
Grants and contracts	1,504	1,064	926
Sales and services of educational departments	31	38	39
Sales and services of other activities	181	183	185
Auxiliaries	325	333	302
Other	1	1	1
Total Operating Revenues	$11,835	$11,354	$10,744



Comparison of FY 2014 to FY 2013

- Net tuition and fees increased slightly from 2013 to 2014. Tuition and fees increased between fiscal years, and the scholarship allowance also increased. Fall 2013 enrollment showed a 1.8% decrease in headcount and a 0.1% decrease in full-time enrollment (FTE). A fee increase of 3% per credit hour for in-state fees and 3.1% per credit hour for out-of-state tuition fees went into effect fall 2013.

- Grants and contracts increased from 2013 to 2014 primarily as a result of increases in the Rx TN grant and four new grants that started in 2014.

Comparison of FY 2013 to FY 2012

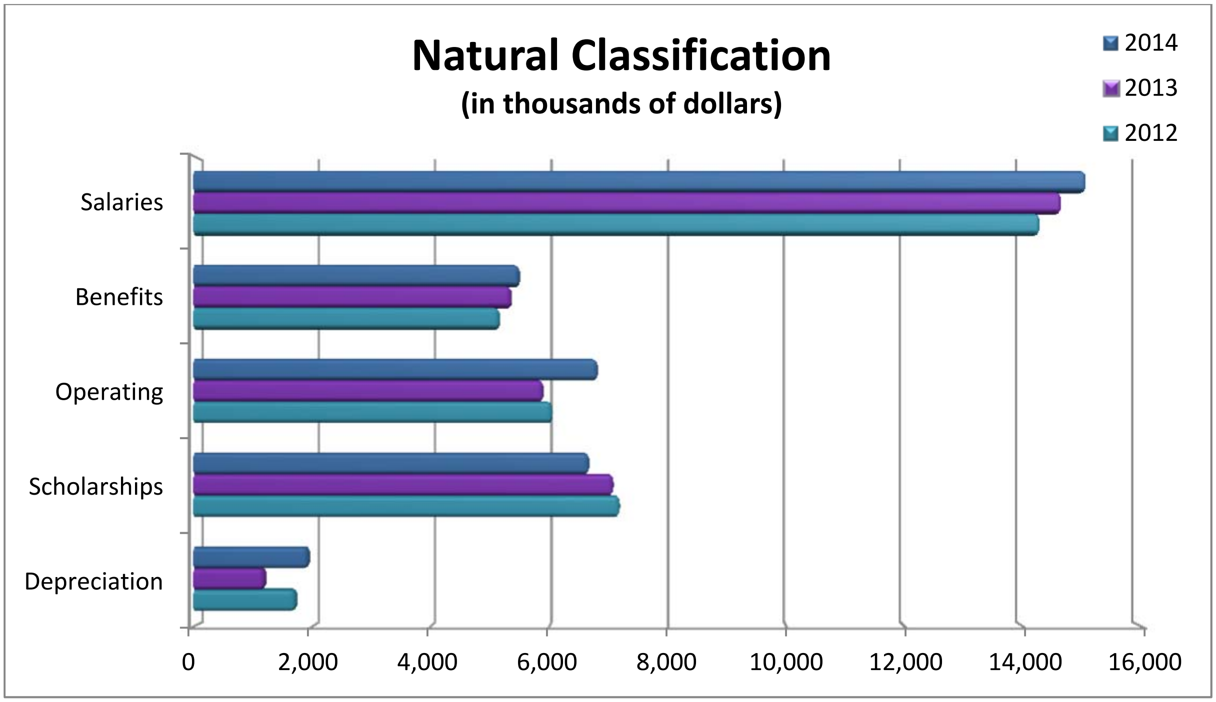
- Net tuition and fees increased from 2012 to 2013. Tuition and fees increased slightly between fiscal years, and the scholarship allowance decreased slightly. Fall 2012 enrollment showed a 2.5% decrease in headcount and a 4.6% decrease in FTE. A fee increase of 4.7% per credit hour for in-state fees and 5.2% per credit hour for out-of-state tuition fees went into effect fall 2012.
- Grants and contracts increased slightly from 2012 to 2013 primarily as a result of increases in three grants and two new grants that started in 2013.

Operating Expenses

Operating expenses may be reported by nature or function. The college has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to the financial statements. The following summarizes the operating expenses by natural classifications for the last three fiscal years:

Natural Classification
(in thousands of dollars)

	2014	2013	2012
Salaries	$15,083	$14,664	$14,301
Benefits	5,493	5,358	5,156
Operating	6,816	5,894	6,047
Scholarships	6,669	7,080	7,188
Depreciation	1,925	1,184	1,711
Total Operating Expenses	$35,986	$34,180	$34,403



Comparison of FY 2014 to FY 2013

- Salary increases included 1.5% increases (minimum of $250) effective July 1, 2013, and January 1, 2014, increases to fund 25% of the gap between current salaries and salaries based on the salary plan. November 30, 2012, bonuses of $1,000 were paid to employees with one year of service as of June 30, 2012. No bonus payments were made during 2014. Savings from unfilled positions partially offset the increase in salaries.
- Benefits increased between fiscal years as a result of salary increases. December 2013 insurance increases for January 2014 coverage also contributed to the increase.
- Operating expenses increased from 2013 to 2014. Costs were elevated during 2014 primarily due to building maintenance due to water damage. Exterior repairs to buildings, increases in grant funding and expenditures, new grants, an increase in the write-off of student account balances, and trips to national tournaments for men's baseball and basketball teams also contributed to the increase. 2013 costs show a more typical year.
- Scholarships decreased between fiscal years. A slight increase in scholarships awarded was offset by an increase in scholarship allowance.
- Depreciation increased between fiscal years due to yearly depreciation and also due to completion of the library HVAC upgrade. 2013 was a more typical year.

Comparison of FY 2013 to FY 2012

- The increase in salary expense between fiscal years is primarily due to July 1, 2012, salary increases of 2.5% or $750, whichever was greater. November 30, 2012, bonuses of $1,000 paid to employees with one year of service as of June 30, 2012, and January 1, 2013, increases to meet the minimum of salary plan guidelines also contributed to the increase. Savings from unfilled positions partially offset the increase in salaries.

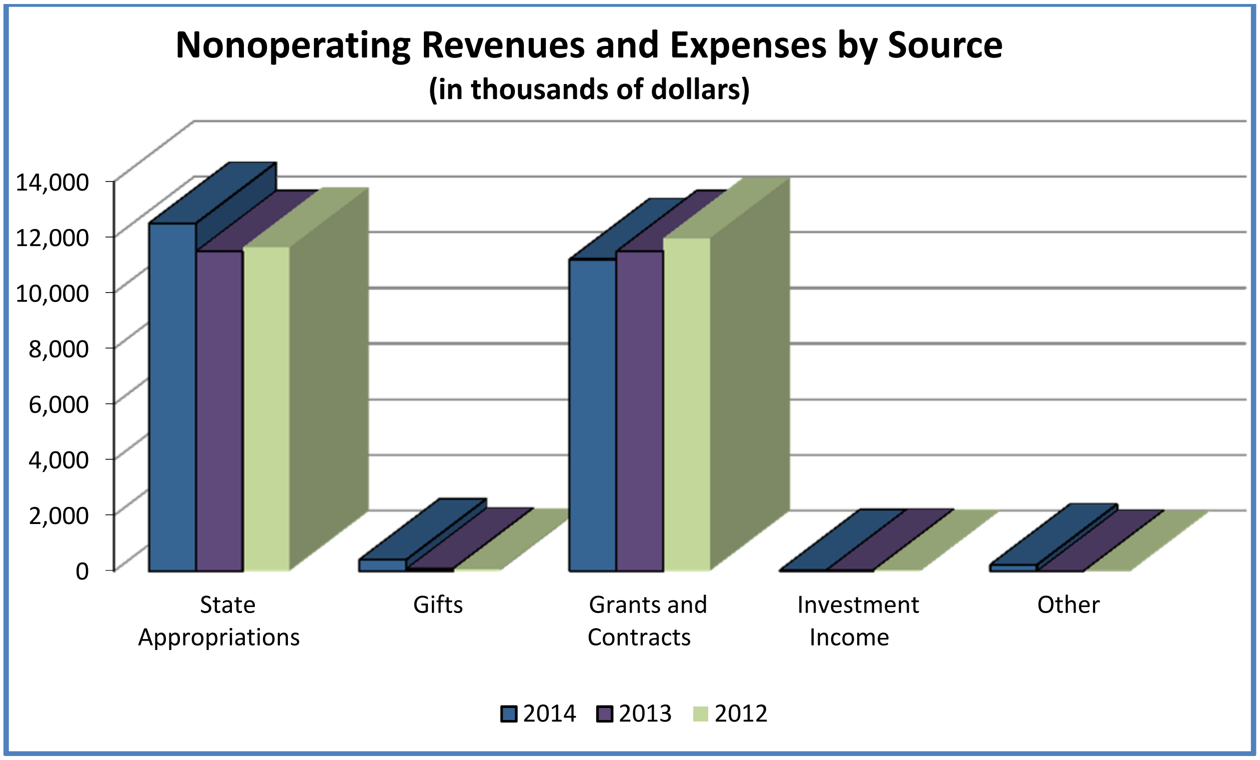
- Benefits increased between fiscal years as a result of salary increases and bonuses. December 2012 insurance increases for January 2013 coverage also contributed to the increase.
- Operating expenses decreased slightly from 2012 to 2013. Costs were elevated during 2012 primarily due to furnishings and renovations for student success spaces, learning support areas, the Wellness Center, and the Ledbetter Auditorium. 2013 costs show a more typical year.
- Scholarships decreased slightly between fiscal years. Decreases in PELL, Supplemental Educational Opportunity Grants (SEOG), and Tennessee Education Lottery Scholarships contributed to the decrease.
- Depreciation decreased between fiscal years primarily due to a 2012 change in the accounting estimate for library holdings. The estimated life of periodicals was changed from ten to zero years, resulting in an adjustment of $331,665 in 2012. 2013 was a more typical year.

Nonoperating Revenues and Expenses

Certain revenue sources that the college relies on to provide funding for operations, including state noncapital appropriations, certain gifts and grants, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the college's nonoperating revenues and expenses for the last three fiscal years:

Nonoperating Revenues and Expenses
(in thousands of dollars)

	2014	2013	2012
State appropriations	$12,503	$11,492	$11,632
Gifts	408	80	66
Grants and contracts	11,206	11,487	11,965
Investment income	25	37	34
Other	227	(95)	(40)
Total Nonoperating Revenues and Expenses	$24,369	$23,001	$23,657



Comparison of FY 2014 to FY 2013

- State appropriations for operations increased from 2013 to 2014 primarily due to an increase in formula outcomes during 2014.
- Decreases in grants and contracts between fiscal years were primarily due to decreases in PELL, Supplemental Educational Opportunity Grants (SEOG), Tennessee Student Assistance Corporation (TSAC), and Tennessee Education Lottery Scholarships.
- Increases in gifts are due primarily to payments from the component unit to the college for the Williamson County relocation.
- Other increases between years are primarily due to insurance payments for water damage to buildings.

Comparison of FY 2013 to FY 2012

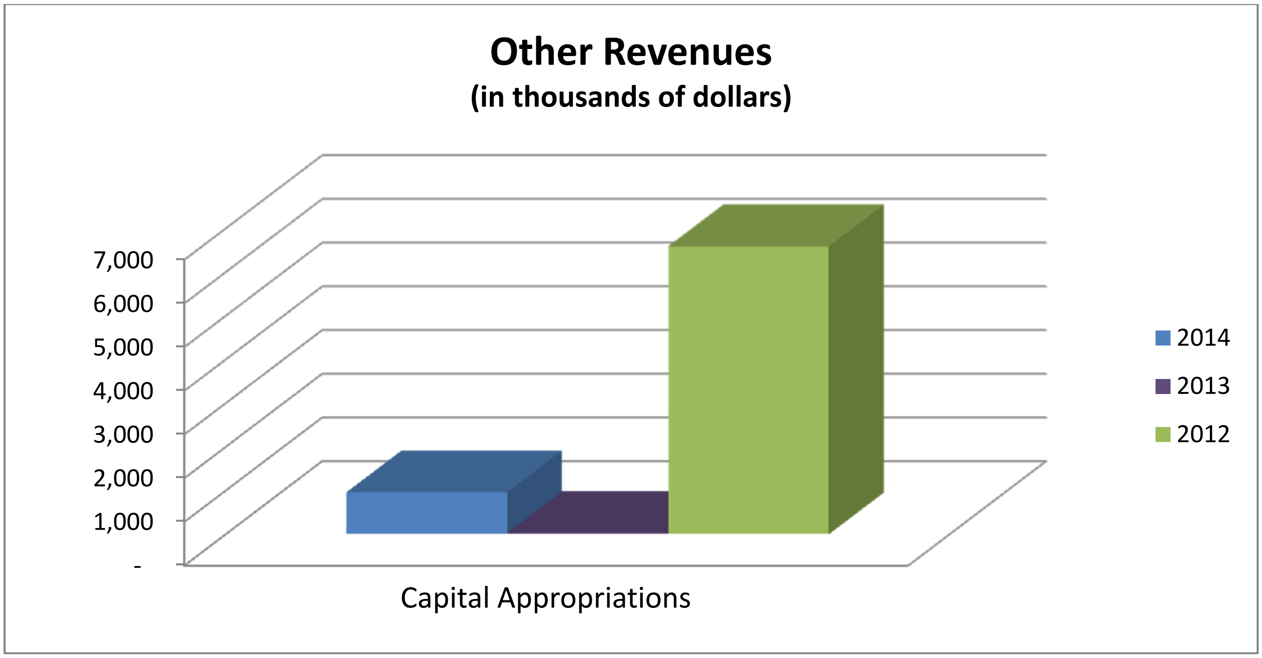
- State appropriations for operations decreased slightly from 2012 to 2013 primarily because of 2012 nonrecurring transition funds and salary increase funds that were not funded in 2013.
- Decreases in grants and contracts between fiscal years were primarily due to decreases in PELL, Supplemental Educational Opportunity Grants (SEOG), and Tennessee Education Lottery Scholarships.

Other Revenues

This category is composed of state appropriations for capital purposes. These amounts were as follows for the last three fiscal years:

Other Revenues
(in thousands of dollars)

	2014	2013	2012
Capital appropriations	$960	$32	$6,590



Comparison of FY 2014 to FY 2013

- 2014 included the completion of the library HVAC upgrade, exterior repairs to several buildings, and the beginning of the Warf HVAC upgrade.

Comparison of FY 2013 to FY 2012

- 2012 included the addition of 35.94 acres of land ($6,278,986) located at 1228 Liberty Pike, Franklin, Williamson County.

Capital Assets and Debt Administration

Capital Assets

Columbia State Community College had $21,959,445 invested in capital assets, net of accumulated depreciation of $20,988,637 at June 30, 2014; $20,829,416 invested in capital assets, net of accumulated depreciation of $19,338,062 at June 30, 2013; and $20,832,590 invested in capital assets, net of accumulated depreciation of $18,430,715 at June 30, 2012. Depreciation charges totaled $1,924,457; $1,184,304; and $1,711,153 for the years ended June 30, 2014; June 30, 2013; and June 30, 2012, respectively.

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

	2014	2013	2012
Land	$ 7,266	$ 7,266	$ 7,266
Land improvements and infrastructure	1,116	1,247	1,378
Buildings	8,749	9,242	9,736
Equipment	1,505	1,462	1,489
Library holdings	319	327	351
Intangible assets	185	370	555
Projects in progress	2,820	915	58
Total	$21,960	$20,829	$20,833

Significant additions to projects in progress occurred in fiscal year 2014. These additions to projects in progress include the Warf HVAC upgrade, the Jones Student Center renovation, and the Williamson County Liberty Pike relocation.

Significant additions to projects in progress also occurred in fiscal year 2013. These additions to projects in progress include the library HVAC upgrade, the library upstairs upgrade, the Jones Student Center renovation, and the Williamson County Liberty Pike relocation.

At June 30, 2014, outstanding commitments under construction contracts totaled $2,096,226 for various renovations and repairs of buildings and infrastructure. Future state capital outlay appropriations will fund $69,869 of these costs.

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

Debt

The college had $1,432,793; $1,534,921; and $1,614,121 in debt outstanding at June 30, 2014; June 30, 2013; and June 30, 2012, respectively. The table below summarizes these amounts by type of debt instrument.

Schedule of Outstanding Debt
(in thousands of dollars)

	2014	2013	2012
Bonds payable	$1,433	$1,535	$ 33
Commercial paper payable	-	-	1,581
Outstanding Debt	$1,433	$1,535	$1,614

The Tennessee State School Bond Authority (TSSBA) issued bonds with interest rates ranging from 2.5% to 5% due serially until 2027 on behalf of Columbia State Community College. The college is responsible for the debt service of these bonds. The current portion of the $1,432,793 outstanding at June 30, 2014, is $70,871.

The ratings on debt issued by the TSSBA at June 30, 2014, were as follows:

Fitch	AA+
Moody's Investor 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. Changes in the state's economy may cause additional changes in appropriations received.

The new Tennessee Promise Program, which offers two years of community or technical college tuition-free, may have an impact on the number of students enrolling in the future.

At their June board meeting, the Tennessee Board of Regents approved 5.8% in-state and 6% out-of-state fee increases to go into effect fall 2014. No cost-of-living allowance (COLA) salary increases are budgeted for 2014-15.

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

Tennessee Board of Regents
COLUMBIA STATE COMMUNITY COLLEGE
Statements of Net Position
June 30, 2014, and June 30, 2013

	Columbia State Community College		Component Unit - Columbia State Community College Foundation	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Assets				
Current assets:				
Cash and cash equivalents (Notes 2 and 15)	$10,308,224.80	$ 8,354,163.28	$ 1,323,963.82	$ 1,037,107.28
Accounts, notes, and grants receivable (net) (Note 4)	1,010,297.54	802,791.39	15,775.98	-
Due from primary government	27,400.00	-	2,851.28	3,117.36
Due from component unit	343,789.72	28,100.63	-	-
Pledges receivable (net) (Note 15)	-	-	205,589.00	211,303.00
Inventories (at lower of cost or market)	1,918.03	490.60	-	-
Prepaid expenses	19,656.88	60,626.66	-	-
Accrued interest receivable	5,379.49	5,196.09	8,663.49	6,080.57
Other assets	514.09	572.39	-	-
Total current assets	11,717,180.55	9,251,941.04	1,556,843.57	1,257,608.21
Noncurrent assets:				
Cash and cash equivalents (Notes 2 and 15)	17,543,275.66	18,476,406.01	1,407,521.75	1,391,029.08
Investments (Notes 3 and 15)	-	-	7,125,079.28	6,318,009.28
Accounts, notes, and grants receivable (net) (Note 4)	4,623.40	4,623.40	215,895.50	-
Pledges receivable (net) (Note 15)	-	-	592,754.00	794,175.00
Capital assets (net) (Notes 5 and 15)	21,959,445.18	20,829,416.31	99,998.99	99,998.99
Other assets (Note 15)	-	-	-	252,000.00
Total noncurrent assets	39,507,344.24	39,310,445.72	9,441,249.52	8,855,212.35
Total assets	51,224,524.79	48,562,386.76	10,998,093.09	10,112,820.56
Deferred outflows of resources				
Deferred amount on debt refunding	-	371.23	-	-
Total deferred outflows of resources	-	371.23	-	-
Liabilities				
Current liabilities:				
Accounts payable (Note 6)	945,750.80	399,171.63	5,023.40	6,715.15
Accrued liabilities	838,141.34	766,336.70	-	-
Due to primary government	-	-	343,789.72	28,100.63
Due to component unit	2,851.28	3,117.36	-	-
Student deposits	44,241.10	63,870.86	-	-
Unearned revenue	756,905.86	696,143.44	-	-
Compensated absences (Note 7)	211,204.01	205,244.62	-	-
Accrued interest payable	9,129.14	9,707.61	-	-
Long-term liabilities, current portion (Note 7)	70,871.00	86,989.00	-	-
Deposits held in custody for others	2,476,554.00	1,589,641.49	-	-
Total current liabilities	5,355,648.53	3,820,222.71	348,813.12	34,815.78
Noncurrent liabilities:				
Net OPEB obligation (Note 10)	1,567,744.15	1,510,036.64	-	-
Compensated absences (Note 7)	789,163.56	812,059.73	-	-
Long-term liabilities (Note 7)	1,361,922.06	1,447,932.14	-	-
Due to grantors (Note 7)	9,564.03	9,398.51	-	-
Total noncurrent liabilities	3,728,393.80	3,779,427.02	-	-
Total liabilities	9,084,042.33	7,599,649.73	348,813.12	34,815.78
Net position				
Net investment in capital assets	21,959,445.18	20,812,600.54	99,998.99	99,998.99
Restricted for:				
Nonexpendable:				
Scholarships and fellowships (Note 15)	-	-	2,589,278.18	2,516,413.00
Instructional department uses (Note 15)	-	-	467,955.00	467,855.00
Other (Note 15)	-	-	741,926.37	734,835.53
Expendable:				
Scholarships and fellowships (Note 15)	4,688.70	-	1,466,387.45	1,498,763.27
Instructional department uses (Note 15)	327,652.44	149,294.75	200,875.28	178,241.28
Loans	1,062.67	1,044.28	-	-
Capital projects (Note 15)	-	-	932,934.21	1,046,027.90
Other (Note 15)	215,047.77	210,151.17	1,526,815.59	677,547.67
Unrestricted	19,632,585.70	19,790,017.52	2,623,108.90	2,858,322.14
Total net position	$42,140,482.46	$40,963,108.26	$10,649,279.97	$10,078,004.78

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

Tennessee Board of Regents
COLUMBIA STATE COMMUNITY COLLEGE
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2014, and June 30, 2013

	Columbia State Community College		Component Unit - Columbia State Community College Foundation	
	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2014	Year Ended June 30, 2013
Revenues				
Operating revenues:				
Student tuition and fees (net of scholarship allowances of $5,480,229.04 for the year ended June 30, 2014, and $5,403,371.22 for the year ended June 30, 2013)	$ 9,792,530.99	$ 9,735,071.81	$ -	$ -
Gifts and contributions	-	-	160,285.92	1,161,815.47
Endowment income (per spending plan)	-	-	133,300.00	201,800.00
Governmental grants and contracts	1,498,004.37	1,064,451.16	2,100.00	-
Nongovernmental grants and contracts	6,115.00	-	-	-
Sales and services of educational activities	31,531.50	38,168.70	-	-
Sales and services of other activities	181,208.81	182,565.09	-	-
Auxiliary enterprises:				
Bookstore	310,301.07	322,622.73	-	-
Food service	14,369.25	10,767.60	-	-
Interest earned on loans to students	413.40	413.40	-	-
Total operating revenues	11,834,474.39	11,354,060.49	295,685.92	1,363,615.47
Expenses				
Operating expenses (Note 13):				
Salaries and wages	15,082,845.30	14,663,585.15	87,557.72	84,882.60
Benefits	5,492,898.49	5,357,610.73	22,613.51	21,617.12
Utilities, supplies, and other services	6,816,176.84	5,894,574.06	169,862.80	93,763.26
Scholarships and fellowships	6,669,258.70	7,079,823.40	198,415.24	176,995.09
Depreciation expense	1,924,457.25	1,184,303.62	-	-
Payments to or on behalf of Columbia State Community College (Note 15)	-	-	389,669.30	69,175.17
Total operating expenses	35,985,636.58	34,179,896.96	868,118.57	446,433.24
Operating income (loss)	(24,151,162.19)	(22,825,836.47)	(572,432.65)	917,182.23
Nonoperating revenues (expenses)				
State appropriations	12,502,726.00	11,492,486.50	-	-
Gifts (including $389,669.30 from component unit for the year ended June 30, 2014, and $69,175.17 for the year ended June 30, 2013)	408,273.00	80,025.17	-	-
Grants and contracts	11,205,328.58	11,486,770.12	-	-
Investment income (expense) (net of investment expense of $23,276.73 for the component unit for the year ended June 30, 2014, and $20,826.88 for the year ended June 30, 2013)	24,770.25	37,094.08	880,710.30	588,244.08
Interest expense	(56,895.31)	(46,807.90)	-	-
Interest on capital asset-related debt	(35.10)	(310.84)	-	-
Bond issuance costs	-	(4,209.28)	-	-
College support (Note 15)	-	-	110,171.23	106,499.72
Other nonoperating revenues (expenses)	284,227.49	(44,259.94)	79,461.13	71,333.20
Net nonoperating revenues (expenses)	24,368,394.91	23,000,787.91	1,070,342.66	766,077.00
Income before other revenues	217,232.72	174,951.44	497,910.01	1,683,259.23
Capital appropriations	960,141.48	31,930.78	-	-
Additions to permanent endowments	-	-	73,365.18	51,406.57
Total other revenues	960,141.48	31,930.78	73,365.18	51,406.57
Increase in net position	1,177,374.20	206,882.22	571,275.19	1,734,665.80
Net position - beginning of year	40,963,108.26	40,756,226.04	10,078,004.78	8,343,338.98
Net position - end of year	$42,140,482.46	$40,963,108.26	$10,649,279.97	$10,078,004.78

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

Tennessee Board of Regents
COLUMBIA STATE COMMUNITY COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2014, and June 30, 2013

	Year Ended June 30, 2014	Year Ended June 30, 2013
Cash flows from operating activities		
Tuition and fees	$ 9,991,017.57	$ 9,634,154.90
Grants and contracts	992,765.87	1,075,145.16
Sales and services of educational activities	32,005.50	38,603.70
Sales and services of other activities	181,208.81	182,565.09
Payments to suppliers and vendors	(6,239,391.91)	(6,025,960.02)
Payments to employees	(15,065,025.25)	(14,598,463.83)
Payments for benefits	(5,373,485.29)	(5,182,736.02)
Payments for scholarships and fellowships	(6,670,690.45)	(7,079,453.40)
Interest earned on loans to students	230.00	230.00
Auxiliary enterprise charges:		
Bookstore	273,726.16	230,829.35
Food services	14,369.25	10,767.60
Net cash used by operating activities	(21,863,269.74)	(21,714,317.47)
Cash flows from noncapital financing activities		
State appropriations	12,451,400.00	11,497,900.00
Gifts and grants received for other than capital or endowment purposes, including $73,714.13 from Columbia State Community College Foundation for the year ended June 30, 2014, and $58,205.64 for the year ended June 30, 2013	11,552,742.35	11,605,363.86
Federal student loan receipts	8,539,618.00	8,138,087.00
Federal student loan disbursements	(8,539,618.00)	(8,138,087.00)
Changes in deposits held for others	867,016.67	(284,571.27)
Proceeds from noncapital debt	-	1,585,132.22
Principal paid on noncapital debt	(69,802.00)	(1,648,219.82)
Interest paid on noncapital debt	(57,463.76)	(30,422.21)
Bond issuance costs paid on new debt issue	-	(4,129.17)
Other noncapital financing receipts (payments)	278,901.78	10,790.63
Net cash provided by noncapital financing activities	25,022,795.04	22,731,844.24
Cash flows from capital and related financing activities		
Proceeds from capital debt	-	85.52
Capital appropriations	960,141.48	31,930.78
Purchase of capital assets and construction	(3,106,273.74)	(1,236,014.51)
Principal paid on capital debt	(17,187.00)	(16,568.76)
Interest paid on capital debt	(45.12)	(431.60)
Bond issuance costs paid on new debt issue	-	(80.11)
Net cash used by capital and related financing activities	(2,163,364.38)	(1,221,078.68)
Cash flows from investing activities		
Income on investments	24,770.25	37,094.08
Net cash provided by investing activities	24,770.25	37,094.08
Net increase (decrease) in cash and cash equivalents	1,020,931.17	(166,457.83)
Cash and cash equivalents - beginning of year	26,830,569.29	26,997,027.12
Cash and cash equivalents - end of year	$ 27,851,500.46	$ 26,830,569.29

Tennessee Board of Regents
COLUMBIA STATE COMMUNITY COLLEGE
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2014, and June 30, 2013

	Year Ended June 30, 2014	Year Ended June 30, 2013
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	$(24,151,162.19)	$(22,825,836.47)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation expense	1,924,457.25	1,184,303.62
Gifts in-kind	3,000.00	2,610.00
Other adjustments (Note 14)	23,926.00	17,986.50
Change in assets and liabilities:		
Receivables, net	(422,825.01)	(96,360.64)
Inventories	(1,427.43)	(84.76)
Prepaid expenses	40,969.78	(39,756.08)
Other assets	(125.10)	26.73
Accounts payable	129,512.15	(151,204.96)
Accrued liabilities	60,762.42	138,527.10
Unearned revenue	546,579.17	(19,495.88)
Compensated absences	(16,936.78)	74,967.37
Net cash used by operating activities	$(21,863,269.74)	$(21,714,317.47)
Noncash investing, capital, or financing transactions		
Loss on disposal of capital assets	$ (51,787.62)	$ (54,884.76)

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

Note 1. Summary of Significant Accounting Policies

Reporting Entity

The college is a part of the State University and Community College System of Tennessee (Tennessee Board of Regents). This system is a component unit of the State of Tennessee because the state appoints a majority of the system's governing body and provides 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 its donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements. See Note 15 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

The college's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America 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 of the provider's eligibility requirements have been met. All significant interfund transactions have been eliminated.

The college has classified its revenues and expenses as either operating or nonoperating according to the following criteria: Operating revenues and expenses are those that have the characteristics of exchange transactions. Operating revenues include (1) tuition and fees, net of scholarship discounts and allowances; (2) certain federal, state, local, and private grants and contracts; (3) sales and services of auxiliary enterprises; and (4) interest on institutional loans. Operating expenses include (1) salaries and wages; (2) employee benefits; (3) utilities, supplies, and other services; (4) scholarships and fellowships; and (5) depreciation.

Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other activities that are defined as nonoperating by GASB Statement 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting*, and GASB Statement 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available for use, it is the college's policy to determine which to use first, depending upon existing facts and circumstances.

Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost or market. Textbooks included in the inventory are recorded on a first-in, first-out basis. All other items are maintained on an average cost or first-in, first-out basis.

Compensated Absences

The college's employees accrue annual 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 position. 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, works of art, historical treasures/collections, and intangible assets, are reported in the statement of net position 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 Position

The college's net position is classified as follows:

Net investment in capital assets – This represents the college's total investment in capital assets, net of accumulated depreciation and net of outstanding debt obligations and deferred outflows of resources 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 net investment in capital assets.

Nonexpendable restricted net position – Nonexpendable restricted net position consists 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 position – Expendable restricted net position includes resources that the college is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted net position – Unrestricted net position represents 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 college's discretion 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, as well as certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. 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.

Accounting Change

The college implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, during the year ended June 30, 2013. The effect on the college was the renaming of the residual of all other elements in the statement of financial position as net position, rather than net assets.

Early Implementation of Accounting Pronouncement

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities; it also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. However, the college has elected to implement the provisions of this statement for fiscal year 2013.

Note 2. Cash

This classification includes demand deposits and petty cash on hand. At June 30, 2014, cash consisted of $254,085.41 in bank accounts, $3,120.00 of petty cash on hand, $25,194,238.37 in the Local Government Investment Pool (LGIP) administered by the State Treasurer, and $2,400,056.68 in LGIP deposits for capital projects. At June 30, 2013, cash consisted of $387,165.05 in bank accounts, $3,120.00 of petty cash on hand, $23,629,399.61 in the LGIP, and $2,810,884.63 in LGIP deposits for capital projects.

The LGIP is part of the State Pooled Investment Fund. The fund's required risk disclosures are presented in the *State of Tennessee Treasurer's Report*. That report is available on the state's website at www.treasury.tn.gov.

LGIP deposits for capital projects – Payments related to the college's capital projects are made by the State of Tennessee's Department of Finance and Administration. The college's estimated local share of the cost of each project is held in a separate LGIP account. As expenses are incurred, the Tennessee Board of Regents withdraws funds from the LGIP account and transfers them 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; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool.

Tennessee Board of Regents policy restricts investments in bankers' acceptances and commercial paper. The policy requires that prime bankers' 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 bankers' 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 that are under contract of sale or are 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 guarantee 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, 2014, and June 30, 2013, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $27,594,295.05 at June 30, 2014, and $26,440,284.24 at June 30, 2013. LGIP investments are not rated by nationally recognized statistical ratings organizations.

Note 4. Receivables

Receivables included the following:

	June 30, 2014	June 30, 2013
Student accounts receivable	$1,357,773.74	$1,218,504.85
Grants receivable	512,497.49	259,493.17
Notes receivable	11,393.40	11,393.40
Other receivables	62,857.74	19,412.15
Subtotal	1,944,522.37	1,508,803.57
Less allowance for doubtful accounts	(929,601.43)	(701,388.78)
Total receivables	$1,014,920.94	$ 807,414.79

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 7,265,710.98	$ -	$ -	$ -	$ 7,265,710.98
Land improvements and infrastructure	2,760,285.72	-	-	-	2,760,285.72
Buildings	22,779,987.17	690,495.78	39,341.60	-	23,509,824.55
Equipment	4,029,649.26	403,608.46	-	214,814.25	4,218,443.47
Library holdings	813,342.66	68,173.06	-	110,855.38	770,660.34
Intangible assets	1,603,098.38	-	-	-	1,603,098.38
Projects in progress	915,403.78	1,943,996.44	(39,341.60)	-	2,820,058.62
Total	40,167,477.95	3,106,273.74	-	325,669.63	42,948,082.06
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	1,513,509.77	130,746.93	-	-	1,644,256.70
Buildings	13,537,452.68	1,223,131.98	-	-	14,760,584.66
Equipment	2,567,667.05	308,627.22	-	163,026.63	2,713,267.64
Library holdings	486,103.95	77,066.03	-	110,855.38	452,314.60
Intangible assets	1,233,328.19	184,885.09	-	-	1,418,213.28
Total	19,338,061.64	1,924,457.25	-	273,882.01	20,988,636.88
Capital assets, net	$ 20,829,416.31	$1,181,816.49	$ -	$ 51,787.62	$ 21,959,445.18

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 7,265,710.98	$ -	$ -	$ -	$ 7,265,710.98
Land improvements and infrastructure	2,760,285.72	-	-	-	2,760,285.72
Buildings	22,779,987.17	-	-	-	22,779,987.17
Equipment	3,909,438.94	321,375.10	-	201,164.78	4,029,649.26
Library holdings	886,616.73	57,402.91	-	130,676.98	813,342.66
Intangible assets	1,603,098.38	-	-	-	1,603,098.38
Projects in progress	58,167.28	857,236.50	-	-	915,403.78
Total	39,263,305.20	1,236,014.51	-	331,841.76	40,167,477.95
Less accumulated depreciation/amortization:					
Land improvements and infrastructure	1,382,762.91	130,746.86	-	-	1,513,509.77
Buildings	13,044,122.09	493,330.59	-	-	13,537,452.68
Equipment	2,419,940.28	294,006.79	-	146,280.02	2,567,667.05
Library holdings	535,446.64	81,334.29	-	130,676.98	486,103.95
Intangible assets	1,048,443.10	184,885.09	-	-	1,233,328.19
Total	18,430,715.02	1,184,303.62	-	276,957.00	19,338,061.64
Capital assets, net	$20,832,590.18	$ 51,710.89	$ -	$ 54,884.76	$ 20,829,416.31

Note 6. Accounts Payable

Accounts payable included the following:

	June 30, 2014	June 30, 2013
Vendors payable	$945,750.80	$399,171.63

Note 7. Long-term Liabilities

Long-term liabilities activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 1,322,974.00	$ -	$ 86,989.00	$ 1,235,985.00	$ 70,871.00
Unamortized bond premium	211,947.14	-	15,139.08	196,808.06	-
Subtotal	1,534,921.14	-	102,128.08	1,432,793.06	70,871.00
Other liabilities:					
Compensated absences	1,017,304.35	792,937.32	809,874.10	1,000,367.57	211,204.01
Due to grantors	9,398.51	165.52	-	9,564.03	-
Subtotal	1,026,702.86	793,102.84	809,874.10	1,009,931.60	211,204.01
Total long-term liabilities	$ 2,561,624.00	$793,102.84	$912,002.18	$ 2,442,724.66	$282,075.01

Long-term liabilities activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 33,299.01	$1,358,873.99	$ 69,199.00	$ 1,322,974.00	$ 86,989.00
Unamortized bond premium	-	227,086.22	15,139.08	211,947.14	-
Commercial paper	1,580,821.74	-	1,580,821.74	-	-
Subtotal	1,614,120.75	1,585,960.21	1,665,159.82	1,534,921.14	86,989.00
Other liabilities:					
Compensated absences	942,336.98	794,614.31	719,646.94	1,017,304.35	205,244.62
Due to grantors	9,232.70	165.81	-	9,398.51	-
Subtotal	951,569.68	794,780.12	719,646.94	1,026,702.86	205,244.62
Total long-term liabilities	$ 2,565,690.43	$2,380,740.33	$2,384,806.76	$ 2,561,624.00	$292,233.62

TSSBA Debt – Bonds

Bonds, with interest rates ranging from 2.5% to 5%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to 2027 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the college, including state appropriations; see Note 8 for further details.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2014, are as follows:

Year Ending June 30	Principal	Interest	Total
2015	$ 70,871.00	$ 56,394.65	$ 127,265.65
2016	74,460.00	52,806.23	127,266.23
2017	78,230.00	49,036.13	127,266.13
2018	82,191.00	45,075.10	127,266.10
2019	86,352.00	40,913.52	127,265.52
2020 – 2024	491,390.00	144,940.21	636,330.21
2025 – 2027	352,491.00	29,307.17	381,798.17
Total	$ 1,235,985.00	$ 418,473.01	$ 1,654,458.01

More detailed information regarding the bonds and revolving credit facility can be found in the notes to the financial statements in the financial report for the TSSBA. That report is available on the state's website at www.comptroller.tn.gov/tssba/cafr.asp.

Refunding of Debt

On August 1, 2012, the state issued $34,127.00 in revenue bonds with an average interest rate of 0.308% to advance refund $33,299.01 of outstanding 2012 Series bonds with an average interest rate of 4.356%. The net proceeds of $34,042.32 (after payment of $84.68 in underwriter's fees and issuance costs) were deposited with an escrow agent to provide for all future debt service payments on the 2012 Series bonds. As a result, the 2012 Series bonds are considered to be defeased, and the liability for those bonds has been removed from the college's long-term liabilities.

Although the advance refunding resulted in the recognition of a deferred loss of $742.47 to be amortized over the next two years, the college in effect reduced its aggregate debt service payments by $1,253.19 over the next two years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $998.71.

Note 8. Pledged Revenues

The college has pledged certain revenues and fees, including state appropriations, to repay $1,235,985.00 in revenue bonds issued August 2012 (see Note 7 for further detail). Proceeds from the bonds provided financing for energy saving measures for the college. The bonds are payable through 2027. Annual principal and interest payments on the bonds are expected to require 0.51% of available revenues. The total principal and interest remaining to be paid on the bonds at June 30, 2014, is $1,654,458.01. Principal and interest paid for fiscal year 2014 and total available revenues were $143,919.41 and $28,219,769.06, respectively. Principal and interest paid for fiscal year 2013 and total available revenues were $116,317.74 and $27,118,394.16, respectively.

Note 9. Pension Plans

Defined Benefit Plans

Tennessee Consolidated Retirement System

Plan description – The State of Tennessee provides a pension plan that covers state and higher education employees. That plan is a part of the Public Employee Retirement Plan, an agent 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.

TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employee Retirement Plan. 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 15.03% of annual covered payroll. Contribution requirements for the college are established and may be amended by TCRS' Board of Trustees.

Annual pension cost – For the years ended June 30, 2014, and June 30, 2013, the college's contributions equaled the annual pension cost of $1,164,589.87 and $1,123,159.11, respectively.

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2014	$1,164,589.87	100%	$0
June 30, 2013	$1,123,159.11	100%	$0
June 30, 2012	$1,097,448.40	100%	$0

Additional information - Information about the funded status of the plan as of the most recent valuation date, information about the actuarial methods and assumptions used in the valuations, and required supplementary information are available in the *Tennessee Comprehensive Annual Financial Report*. A copy of that report is available on the state's website at www.tn.gov/finance/act/cafr.shtml.

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, ING Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company. 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 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 $524,520.14 for the year ended June 30, 2014, and $520,733.89 for the year ended June 30, 2013. Contributions met the requirements for each year.

Note 10. Other Postemployment Benefits

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program that 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*, for the State Employee Group Plan and Section 8-27-701, *Tennessee Code Annotated*, for the Medicare Supplement Plan. Prior to reaching age 65, all members have the option of choosing between the standard or partnership preferred provider organization plan for health care benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement that does not include pharmacy. The state makes on-behalf payments to the Medicare Supplement Plan for the college's eligible retirees; see Note 14. The plans are reported in the *Tennessee Comprehensive Annual Financial Report* (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, which covers the retirees of other governmental entities, including Columbia State Community College. The state is the sole contributor for the college retirees who 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. The plan's claims liabilities are periodically computed using actuarial and statistical techniques to establish premium rates. The plan's administrative costs are allocated to plan participants. Retirees in the State Employee Group Plan pay the same base premium, adjusted for years of service, as active employees. 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

	2014	2013
Annual required contribution (ARC)	$ 331,000.00	$ 403,000.00
Interest on the net OPEB obligation	60,401.47	55,155.27
Adjustment to the ARC	(58,845.59)	(58,546.27)
Annual OPEB cost	332,555.88	399,609.00
Amount of contribution	(274,848.37)	(268,454.02)
Increase in net OPEB obligation	57,707.51	131,154.98
Net OPEB obligation – beginning of year	1,510,036.64	1,378,881.66
Net OPEB obligation – end of year	$1,567,744.15	$1,510,036.64

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2014	State Employee Group Plan	$332,555.88	82.6%	$1,567,744.15
June 30, 2013	State Employee Group Plan	$399,609.00	67.2%	$1,510,036.64
June 30, 2012	State Employee Group Plan	$395,867.77	73.4%	$1,378,881.66

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, 2013
Actuarial accrued liability (AAL)	$2,774,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$2,774,000.00
Actuarial value of assets as a percentage of the AAL	0.0%
Covered payroll (active plan members)	$11,267,993.54
UAAL as percentage of covered payroll	24.6%

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 Required Supplementary Information 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, 2013, 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 7.5% initially. The rate decreased to 7.0% in fiscal year 2015 and then reduces by decrements to an ultimate rate of 4.19% in fiscal year 2044. 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 with July 1, 2007. Payroll is assumed to grow at a rate of 3.0%.

Note 11. 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 year ended June 30, 2014, is presented in the *Tennessee Comprehensive Annual Financial Report* (CAFR). The CAFR 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, Section 9-8-101 et seq., *Tennessee Code Annotated*. 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 Section 50-6-101 et seq., *Tennessee Code Annotated*. Claims are paid through the state's Risk Management Fund. At June 30, 2014, the Risk Management Fund held $116.3 million in cash designated for payment of claims. At June 30, 2013, the Risk Management Fund held $108.5 million in cash designated for payment of claims.

At June 30, 2014, the scheduled coverage for the college was $63,719,800 for buildings and $28,875,000 for contents. At June 30, 2013, the scheduled coverage for the college was $63,719,800 for buildings and $27,925,000 for contents.

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

Note 12. Commitments and Contingencies

Sick Leave

The college records the cost of sick leave when paid. The dollar amount of unused sick leave was $5,215,491.08 at June 30, 2014, and $5,071,506.52 at June 30, 2013.

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 $1,200.00 for the year ended June 30, 2014. The amount for the year ended June 30, 2013, was $2,402.00. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2014, outstanding commitments under construction contracts totaled $2,096,226.45 for the library HVAC upgrade, the Williamson County Center relocation, ADA adaptations, exterior building repairs, the Warf HVAC upgrade, and the Jones Student Center renovation, of which $69,869.02 will be funded by future state capital outlay appropriations.

Note 13. Natural Classification With Functional Classifications

The college's operating expenses for the year ended June 30, 2014, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,904,058.21	$2,959,140.85	$2,788,088.21	$ -	$ -	$14,651,287.27
Public service	71,575.54	21,026.30	73,150.18	-	-	165,752.02
Academic support	1,282,239.50	500,239.66	(538,455.07)	-	-	1,244,024.09
Student services	2,043,676.86	795,056.49	1,015,037.66	-	-	3,853,771.01
Institutional support	2,167,692.14	833,517.06	1,414,382.10	-	-	4,415,591.30
Maintenance & operation	613,603.05	383,918.13	1,989,556.96	-	-	2,987,078.14
Scholarships & fellowships	-	-	-	6,669,258.70	-	6,669,258.70
Auxiliary	-	-	74,416.80	-	-	74,416.80
Depreciation	-	-	-	-	1,924,457.25	1,924,457.25
Total	$15,082,845.30	$5,492,898.49	$6,816,176.84	$6,669,258.70	$1,924,457.25	$35,985,636.58

The college's operating expenses for the year ended June 30, 2013, are as follows:

	Natural Classification					
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 8,636,354.16	$2,805,434.48	$2,689,909.85	$ -	$ -	$14,131,698.49
Public service	69,052.54	21,014.07	67,929.01	-	-	157,995.62
Academic support	1,264,766.53	506,067.21	(553,244.97)	-	-	1,217,588.77
Student services	1,795,607.70	746,700.75	826,843.29	-	-	3,369,151.74
Institutional support	2,249,635.13	884,467.16	1,256,425.74	-	-	4,390,528.03
Maintenance & operation	648,169.09	393,927.06	1,568,626.37	-	-	2,610,722.52
Scholarships & fellowships	-	-	-	7,079,823.40	-	7,079,823.40
Auxiliary	-	-	38,084.77	-	-	38,084.77
Depreciation	-	-	-	-	1,184,303.62	1,184,303.62
Total	$14,663,585.15	$5,357,610.73	$5,894,574.06	$7,079,823.40	$1,184,303.62	$34,179,896.96

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 $1,839,505.58 for the year ended June 30, 2014, and $1,827,156.52 for the year ended June 30, 2013, 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 14. On-behalf Payments

During the year ended June 30, 2014, the State of Tennessee made payments of $23,926.00 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2013, was $17,986.50. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 10. 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 15. Component Unit

The Columbia State Community College Foundation is a legally separate, tax-exempt organization supporting Columbia State Community College. The foundation acts primarily as a fund-raising organization to supplement the resources that are available to the college in support of its programs. The 38-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, 2014, the foundation made distributions of $389,669.30 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2013, the foundation made distributions of $69,175.17 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 table categorizes the recurring fair-value measurements for assets and liabilities at June 30, 2014, and at June 30, 2013.

	Total Fair Value at June 30, 2014	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
U.S. agencies	$ 306.83	$ 306.83	$ -	$ -
Certificates of deposit	303,834.00	-	303,834.00	-
Corporate stocks	193,724.39	193,724.39	-	-
Corporate bonds	200,881.00	200,881.00	-	-
Mutual bond funds	1,577,847.91	1,577,847.91	-	-
Mutual equity funds	4,848,485.15	4,848,485.15	-	-
Pledges receivable	798,343.00	-	-	798,343.00
Total assets	$7,923,422.28	$6,821,245.28	$303,834.00	$798,343.00

	Total Fair Value at June 30, 2013	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
U.S. agencies	$ 110.64	$ 110.64	$ -	$ -
Certificates of deposit	303,875.00	-	303,875.00	-
Corporate stocks	457,860.52	457,860.52	-	-
Corporate bonds	205,702.00	205,702.00	-	-
Mutual bond funds	1,328,566.34	1,328,566.34	-	-
Mutual equity funds	4,021,894.78	4,021,894.78	-	-
Pledges receivable	1,005,478.00	-	-	1,005,478.00
Total assets	$7,323,487.28	$6,014,134.28	$303,875.00	$1,005,478.00

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, money market funds, and deposits in the Local Government Investment Pool. The bank balances of deposits at June 30, 2014, and June 30, 2013, 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, 2014, were as follows*:*

	Cost	Fair Value
U.S. agencies	$ 740.28	$ 306.83
Certificates of deposit	300,000.00	303,834.00
Corporate stock	195,215.78	193,724.39
Corporate bonds	197,984.00	200,881.00
Mutual bond funds	1,565,403.02	1,577,847.91
Mutual equity funds	3,378,375.87	4,848,485.15
Total investments	$5,637,718.95	$7,125,079.28

Investments held at June 30, 2013, were as follows:

	Cost	Fair Value
U.S. agencies	$ 740.28	$ 110.64
Certificates of deposit	300,000.00	303,875.00
Corporate stock	392,078.30	457,860.52
Corporate bonds	197,984.00	205,702.00
Mutual bond funds	1,333,462.87	1,328,566.34
Mutual equity funds	3,244,110.61	4,021,894.78
Total investments	$5,468,376.06	$6,318,009.28

Pledges Receivable

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

	June 30, 2014	June 30, 2013
Current pledges	$205,589.00	$ 211,303.00
Pledges due in one to five years	594,000.00	796,950.00
Subtotal	799,589.00	1,008,253.00
Less discount to net present value	(1,246.00)	(2,775.00)
Total pledges receivable, net	$798,343.00	$1,005,478.00

Capital Assets

Capital assets were as follows:

	June 30, 2014	June 30, 2013
Land	$99,998.99	$99,998.99

Other Assets

Other assets at June 30, 2013, consisted 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. The partnership sold the apartment complex on April 14, 2014. The foundation’s portion of the sale was $240,000.

Endowments

The Columbia State Community College Foundation’s endowments consist of 95 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 accounting principles generally accepted in the United States of America, net position associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, is classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – The Board of Trustees of the Columbia State Community College Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as to require the preservation of the historical dollar value of the original gift. As a result of this interpretation, the Columbia State Community College Foundation classifies as permanently restricted net position (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 position is classified as temporarily restricted net position until the foundation appropriates those amounts for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the foundation and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the foundation; and (7) the investment policies of the foundation.

Composition of Endowment by Net Position Class
As of June 30, 2014

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$3,739,840.54	$ 24,802.46	$ -	$3,764,643.00
Board-designated endowment funds	-	2,267,450.86	253,565.41	2,521,016.27
Total funds	$3,739,840.54	$2,292,253.32	$253,565.41	$6,285,659.27

Composition of Endowment by Net Position Class
As of June 30, 2013

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$3,666,725.36	$ 24,502.46	$ -	$3,691,227.82
Board-designated endowment funds	-	1,439,621.74	253,565.41	1,693,187.15
Total funds	$3,666,725.36	$1,464,124.20	$253,565.41	$5,384,414.97

Changes in Endowment Net Position
for the Fiscal Year Ended June 30, 2014

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$3,666,725.36	$1,464,124.20	$253,565.41	$5,384,414.97
Investment return:				
Investment income	-	73,634.73	-	73,634.73
Net appreciation (realized and unrealized)	-	876,265.72	10,100.00	886,365.72
Total investment return	-	949,900.45	10,100.00	960,000.45
Contributions	73,115.18	550.00	-	73,665.18
Appropriations of endowment assets for expenditure	-	(123,200.00)	(10,100.00)	(133,300.00)
Settlement proceeds	-	878.67	-	878.67
Endowment net position, end of year	$3,739,840.54	$2,292,253.32	$253,565.41	$6,285,659.27

Changes in Endowment Net Position
for the Fiscal Year Ended June 30, 2013

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net position, beginning of year	$3,631,678.79	$1,204,962.31	$(88,698.61)	$4,747,942.49
Investment return:				
Investment income	-	79,607.00	-	79,607.00
Net appreciation (realized and unrealized)	-	349,804.89	342,264.02	692,068.91
Total investment return	-	429,411.89	342,264.02	771,675.91
Contributions	51,406.57	2,750.00	-	54,156.57
Appropriations of endowment assets for expenditure	-	(201,800.00)	-	(201,800.00)
Transfers	(16,360.00)	28,800.00	-	12,440.00
Endowment net position, end of year	$3,666,725.36	$1,464,124.20	$253,565.41	$5,384,414.97

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 established minimum and maximum ranges for equity investments, fixed income investments, and cash and cash equivalents to achieve its long-term return objectives within prudent risk restraints.

Spending policy and how the investment objectives relate – The foundation has a policy of appropriating for distribution each year a percent of the average value of endowment fund investments of the previous twelve quarters, to be determined at September 30 of each year. That percentage was 3% for fiscal year ended June 30, 2014, and 5% for fiscal year ended June 30, 2013. The board reviews the computation of average market value each year and sets a specific spending rate for each year based upon accumulated endowment earnings, economic conditions, and estimated investment earnings for the next 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.

Support From Columbia State Community College

The college paid certain payroll costs for college personnel who also performed services supporting the foundation amounting to $110,171.23 in fiscal year 2014 and $106,499.72 in fiscal year 2013. These supporting costs paid by the college are reflected in the statement of revenues, expenses, and changes in net position as college support, with a like amount included in expenses. The college provides office space and the use of certain common facilities and services to the foundation at no cost. These costs have not been recorded as college support because they are not considered to be significant to the operations of the foundation.

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

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, 2013	State Employee Group Plan	$ -	$2,774,000.00	$2,774,000.00	0%	$11,267,993.54	24.6%
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%

The amount reported here for covered payroll relates to the fiscal year in which the valuations were performed.

Supplementary Information
COLUMBIA STATE COMMUNITY COLLEGE FOUNDATION
Supplementary Schedules of Cash Flows - Component Unit
For the Years Ended June 30, 2014, and June 30, 2013

	June 30, 2014	June 30, 2013
Cash flows from operating activities		
Gifts and contributions	$ 363,586.89	$ 202,811.02
Grants and contracts	840.00	-
Payments to suppliers and vendors	(167,841.54)	(88,331.36)
Payments for scholarships and fellowships	(198,415.24)	(176,995.09)
Payments to Columbia State Community College	(73,714.13)	(58,205.64)
Other receipts (payments)	21,709.54	-
Net cash used by operating activities	(53,834.48)	(120,721.07)
Cash flows from noncapital financing activities		
Private gifts for endowment purposes	73,365.18	51,406.57
Other noncapital financing receipts (payments)	79,461.13	71,333.20
Net cash provided by noncapital financing activities	152,826.31	122,739.77
Cash flows from investing activities		
Proceeds from sales and maturities of investments	488,238.50	491,560.37
Income on investments	41,118.88	53,071.12
Purchases of investments	(325,000.00)	(508,500.00)
Net cash provided by investing activities	204,357.38	36,131.49
Net increase in cash and cash equivalents	303,349.21	38,150.19
Cash and cash equivalents - beginning of year	2,428,136.36	2,389,986.17
Cash and cash equivalents - end of year	$ 2,731,485.57	$ 2,428,136.36
Reconciliation of operating gain (loss) to net cash used by operating activities:		
Operating income (loss)	$ (572,432.65)	$ 917,182.23
Adjustments to reconcile operating gain (loss) to net cash used by operating activities		
Endowment income per spending plan	(133,300.00)	(201,800.00)
Gifts in-kind	110,171.23	106,499.72
Change in assets and liabilities:		
Receivables, net	(24,270.40)	(951,699.22)
Other assets	252,000.00	-
Accounts payable	313,997.34	9,096.20
Net cash used by operating activities	$ (53,834.48)	$ (120,721.07)
Noncash investing, capital, and financing activities		
Unrealized gain on investments	$ 637,727.11	$ 507,323.93

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
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Independent Auditor’s 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*

The Honorable Bill Haslam, Governor
Members of the General Assembly
The Honorable John G. Morgan, Chancellor
Dr. Janet F. Smith, President

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, 2014, and June 30, 2013, and the related notes to the financial statements, which collectively comprise the college’s basic financial statements, and have issued our report thereon dated June 11, 2015. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the college’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the college’s internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies that we consider to be material weaknesses. We did identify a deficiency in internal control, as described below, that we consider to be a significant deficiency.

- Management did not design and monitor internal controls in one specific area.

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 from 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 *Government Auditing Standards*.

Columbia State Community College's Response to Finding

The college's response to the finding identified in our audit is included in the Finding and Recommendation section of this report. The college's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deborah V. Loveless

Deborah V. Loveless, CPA
Director
June 11, 2015

Finding and Recommendation

Management did not design and monitor internal controls in one specific area

Finding

Management did not design and monitor internal controls in a specific area. We observed a condition that was in violation of industry-accepted best practices. Inconsistent implementation of internal controls increases the risk of fraud or error.

The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. We provided the college with detailed information regarding the specific condition we identified, as well as our recommendations for improvement.

Recommendation

Management should ensure that this condition is remedied by the prompt development and consistent implementation of internal controls in one area. Management should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action if deficiencies occur.

Management's Comment

We concur with the finding and recommendation. Management has already begun developing procedures to address the specific area noted in the finding. The additional controls will be in place no later than December 31, 2015, and staff have been assigned responsibility for ongoing monitoring of the risks for this area.

Observation and Comment

Colleges of Applied Technology

Columbia State Community College serves as the lead institution under agreements with the Tennessee College of Applied Technology at Hohenwald and the Tennessee College of Applied Technology at Pulaski. Under these agreements, Columbia State Community College performs the accounting and reporting functions for the colleges. The chief administrative officer of each college 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. Prior to July 1, 2013, these workforce training schools were named Tennessee Technology Centers.