

**Tennessee Board of Regents
Columbia State Community College**

**For the Years Ended
June 30, 1998, and June 30, 1997**

Arthur A. Hayes, Jr., CPA
Director

Charles K. Bridges, CPA
Assistant Director

Edward Burr, CPA
Audit Manager

Carla B. Wayman, CPA
In-Charge Auditor

Erica V. Smith, CPA
Technical Analyst

Osamah Alzoubi
Michael S. Edwards, CPA
Kathy Gabriel
Robyn Probus
Staff Auditors

July 28, 1999

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

The Honorable Charles E. Smith, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and

Dr. Rebecca Hawkins, President
Columbia State Community College
P.O. Box 1315
Columbia, Tennessee 38402-1315

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Columbia State Community College, for the years ended June 30, 1998, and June 30, 1997. You will note from the independent auditor's report that an unqualified opinion was given on the fairness of the presentation of the financial statements.

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

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/klm
99/041

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Columbia State Community College
For the Years Ended June 30, 1998, and June 30, 1997

AUDIT OBJECTIVES

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

INTERNAL CONTROL FINDING

Equipment Policies and Procedures Are Not Adequate

The college's policies and procedures do not require an annual inventory of equipment, and no such inventory was taken during the audit period (page 6).

The reportable condition described above was considered a material weakness.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

OPINION ON THE FINANCIAL STATEMENTS

The opinion on the financial statements is unqualified.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report which contains all findings, recommendations, and management comments, please contact

Comptroller of the Treasury, Division of State Audit
1500 James K. Polk Building, Nashville, TN 37243-0264
(615) 741-3697

Audit Report
Tennessee Board of Regents
Columbia State Community College
For the Years Ended June 30, 1998, and June 30, 1997

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**Tennessee Board of Regents
Columbia State Community College
For the Years Ended June 30, 1998, and June 30, 1997**

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

Columbia State Community College was approved by the State Board of Education as Tennessee’s first community college in 1965. The college was temporarily housed at facilities throughout Columbia until it moved in 1967 to its present location on 204 acres west of downtown Columbia.

The college presently offers the Associate of Science degree, the Associate of Arts degree, and the Associate of Applied Science degree. Also, the college provides technological, preprofessional, and continuing education programs.

ORGANIZATION

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

AUDIT SCOPE

The audit was limited to the period July 1, 1996, through June 30, 1998, and was conducted in accordance with generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 1998, and June 30, 1997. Columbia State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

1. to consider the college's internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements;
 2. to determine compliance with certain provisions of laws, regulations, contracts, and grants;
 3. to determine the fairness of the presentation of the financial statements; and
 4. to recommend appropriate actions to correct any deficiencies.
-

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 1998, and June 30, 1997, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing an opinion on the financial statements, as required by generally accepted government auditing standards. A reportable condition, along with a recommendation and management's response, is detailed in the finding and recommendation. This reportable condition is also considered a material weakness.

Compliance

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Fairness of Financial Statement Presentation

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

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

April 27, 1999

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

Dear Mr. Morgan:

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, as of and for the years ended June 30, 1998, and June 30, 1997, and have issued our report thereon dated April 27, 1999. We conducted our audit in accordance with generally accepted government auditing standards .

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of the college's compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that

The Honorable John G. Morgan
April 27, 1999
Page Two

we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the college's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements.

The following reportable condition was noted:

- Equipment policies and procedures are not adequate

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

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

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

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/klm

FINDING AND RECOMMENDATION

Equipment policies and procedures are not adequate

Finding

The equipment policies and procedures at Columbia State Community College do not require an annual physical inventory of equipment. No physical inventory of equipment was taken in the year ended June 30, 1998, or the year ended June 30, 1997. If an inventory is not taken, items that are lost, stolen, or otherwise disposed of may not be removed from equipment records, and equipment may be overstated in the financial statements.

A sample of 41 equipment items from the equipment listing revealed other weaknesses in established equipment procedures:

- Three of 41 equipment items tested (7%) were either not located or had been cannibalized. The dollar value of these items was \$35,815.
- Five of the remaining 38 equipment items tested (13%) did not have a property tag attached.
- Twelve of the remaining 38 items tested (32%) were not in the location indicated on the equipment listing.

To properly safeguard equipment, items should be tagged and their location properly documented. Also, equipment records must be updated when items are disposed of.

The college has not kept the Comptroller's Office informed of property losses. Section 8-19-501, *Tennessee Code Annotated*, states, "It is the duty of any official of any agency of the state having knowledge of shortages of moneys of the state, or unauthorized removal of state property, occasioned either by malfeasance or misfeasance in office of any state employee, to report the same immediately to the comptroller of the treasury."

The statutory requirement to notify the Comptroller is to encourage adequate control systems designed to prevent losses to the state and to ensure an appropriate investigation is conducted by the reporting agency and/or the Office of the Comptroller.

Recommendation

Management should revise its equipment policies and procedures to require a physical inventory to be performed annually. The property officer should ensure the inventory is taken. Equipment should be tagged by the property officer when received and retagged when original tags are lost. The property officer should also ensure that individuals responsible for equipment items immediately report the transfer, loss, theft, or other disposition of equipment. The property officer should then ensure the prompt reporting of equipment losses to the Comptroller of the Treasury.

Management's Comment

We concur with the finding and the recommendation. Equipment policies and procedures will be revised by August 31, 1999, and will include specific requirements and procedures for annual physical inventories of equipment, tagging of equipment, reporting of transfer, loss, theft or other disposition of equipment, and prompt reporting of equipment losses to the Comptroller of the Treasury. These policies will be disseminated to all employees upon revision and called to their attention periodically thereafter.

While a physical inventory of equipment was not completed for the two years noted, a portion of the equipment inventory was verified in each of the two years. A complete physical inventory of equipment was completed in June 1999.

Independent Auditor's Report

April 27, 1999

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

Dear Mr. Morgan:

We have audited the accompanying balance sheets of Columbia State Community College, an institution of the Tennessee Board of Regents, which is a component unit of the State of Tennessee, as of June 30, 1998, and June 30, 1997, and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the years then ended. These financial statements are the responsibility of the college's management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tennessee Board of Regents, Columbia State Community College, as of June 30, 1998, and June 30, 1997, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the years then ended in conformity with generally accepted accounting principles.

The Honorable John G. Morgan
April 27, 1999
Page Two

As discussed in Note 13 to the financial statements, the college implemented GASB 16 , *Accounting for Compensated Absences*, in conformity with generally accepted accounting principles. Also, as discussed in Note 12, the college changed the threshold for capitalizing equipment.

The Year 2000 Disclosures on page 27 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the college is or will become year 2000 compliant, the college's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the college does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 1999, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Sincerely,

Arthur A. Hayes, Jr., CPA, Director
Division of State Audit

AAH/klm

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1998, AND JUNE 30, 1997

	June 30, 1998	June 30, 1997		June 30, 1998	June 30, 1997
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Current funds:			Current funds:		
Unrestricted:			Unrestricted:		
General:			General:		
Cash and cash equivalents (Notes 2 and 3)	\$ 1,216,380.83	\$ 1,077,180.02	Liabilities:		
Accounts receivable (net of allowance of \$17,757.91 at June 30, 1998, and \$6,333.12 at June 30, 1997)	100,178.17	58,778.17	Accounts payable	\$ 137,596.70	\$ 93,874.94
Inventories	7,452.78	8,502.87	Deferred revenue	479,250.35	342,520.50
Prepaid expenses	3,936.20	4,959.21	Accrued liabilities	474,218.15	490,475.33
Other assets	2,212.05	1,481.47	Compensated absences	490,399.13	455,049.77
Due from restricted current funds	289,200.00	51,700.00	Other liabilities	-	100.00
			Total liabilities	1,581,464.33	1,382,020.54
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for encumbrances	240,308.04	16,205.06
			Allocation for designated appropriations	4,077.70	3,200.00
			Discretionary allocations:		
			Allocation for compensated absences	(490,399.13)	(455,049.77)
			Allocation for subsequent budget	272,000.00	253,500.00
			Allocation for athletics	2,512.81	2,674.98
			Unallocated	9,396.28	50.93
			Total fund balances	37,895.70	(179,418.80)
Total general	1,619,360.03	1,202,601.74	Total general	1,619,360.03	1,202,601.74
Auxiliary enterprises:			Auxiliary enterprises:		
Cash and cash equivalents (Notes 2 and 3)	411,405.37	201,548.57	Liabilities:		
Accounts receivable	59,845.53	52,980.75	Accounts payable	4,583.13	2,408.01
Inventories	182,678.91	235,370.94	Compensated absences	14,056.29	13,360.72
			Total liabilities	18,639.42	15,768.73
			Fund balances:		
			Nondiscretionary allocations:		
			Allocation for working capital	243,224.44	289,051.69
			Discretionary allocations:		
			Allocation for contingencies	64,187.13	56,668.93
			Allocation for compensated absences	(14,056.29)	(13,360.72)
			Unallocated	341,935.11	141,771.63
			Total fund balances	635,290.39	474,131.53
Total auxiliary enterprises	653,929.81	489,900.26	Total auxiliary enterprises	653,929.81	489,900.26
Total unrestricted	2,273,289.84	1,692,502.00	Total unrestricted	2,273,289.84	1,692,502.00
Restricted:			Restricted:		
Cash and cash equivalents (Notes 2 and 3)	129,706.50	12,100.84	Liabilities:		
Accrued interest receivable	315.18	309.72	Accounts payable	110,559.02	51,405.40
Accounts and grants receivable	520,226.89	456,743.69	Compensated absences	66,722.42	58,329.96
			Due to unrestricted current funds	289,200.00	51,700.00
			Total liabilities	466,481.44	161,435.36
			Fund balances	183,767.13	307,718.89
Total restricted	650,248.57	469,154.25	Total restricted	650,248.57	469,154.25
Total current funds	\$ 2,923,538.41	\$ 2,161,656.25	Total current funds	\$ 2,923,538.41	\$ 2,161,656.25

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
BALANCE SHEETS
JUNE 30, 1998, AND JUNE 30, 1997

	June 30, 1998	June 30, 1997		June 30, 1998	June 30, 1997
<u>ASSETS</u>			<u>LIABILITIES AND FUND BALANCES</u>		
Loan funds:			Loan funds:		
Cash and cash equivalents (Notes 2 and 3)	\$ 485.39	\$ 505.91	Fund balances:		
Notes receivable (net of allowance of \$9,370.00 at June 30, 1998, and \$9,420.00 at June 30, 1997)	4,940.17	5,021.66	U.S. government grants refundable	\$ 7,201.07	\$ 7,144.32
Accrued interest receivable (net of allowance of \$4,350.00 at June 30, 1998, and \$4,030.00 at June 30, 1997)	<u>2,575.63</u>	<u>2,410.56</u>	Institutional funds:		
Total loan funds	<u>\$ 8,001.19</u>	<u>\$ 7,938.13</u>	Restricted-matching	<u>800.12</u>	<u>793.81</u>
Endowment and similar funds:			Total loan funds	<u>\$ 8,001.19</u>	<u>\$ 7,938.13</u>
Investments (Note 4)	<u>\$ 12,786.08</u>	<u>\$ 12,786.08</u>	Endowment and similar funds:		
Total endowment and similar funds	<u>\$ 12,786.08</u>	<u>\$ 12,786.08</u>	Fund balance:		
			Endowment	<u>\$ 12,786.08</u>	<u>\$ 12,786.08</u>
Plant funds:			Total endowment and similar funds	<u>\$ 12,786.08</u>	<u>\$ 12,786.08</u>
Unexpended plant:			Plant funds:		
Cash and cash equivalents (Notes 2 and 3)	\$ 200,167.81	\$ 228,047.36	Unexpended plant:		
Accounts receivable	<u>30,304.00</u>	<u>41,566.61</u>	Liabilities:		
Total unexpended plant	<u>230,471.81</u>	<u>269,613.97</u>	Accounts payable	\$ -	\$ 24,980.00
Renewals and replacements:			Total liabilities	<u>-</u>	<u>24,980.00</u>
Cash and cash equivalents (Notes 2 and 3)	<u>829,572.56</u>	<u>674,037.78</u>	Fund balance:		
Total renewals and replacements	<u>829,572.56</u>	<u>674,037.78</u>	Unrestricted	<u>230,471.81</u>	<u>244,633.97</u>
Investment in plant			Total unexpended plant	<u>230,471.81</u>	<u>269,613.97</u>
Land	830,695.23	830,695.23	Renewals and replacements:		
Buildings	8,060,696.93	8,060,696.93	Liabilities:		
Improvements other than buildings	955,116.54	780,752.41	Accounts payable	<u>73,631.84</u>	<u>12,884.00</u>
Equipment	4,928,998.13	5,186,985.24	Fund balance:		
Library books	2,849,424.00	2,907,120.00	Unrestricted	<u>755,940.72</u>	<u>661,153.78</u>
Projects in progress	43,882.47	-	Total renewals and replacements	<u>829,572.56</u>	<u>674,037.78</u>
Other library holdings	<u>1,007,987.00</u>	<u>976,932.00</u>	Investment in plant:		
Total investment in plant	<u>18,676,800.30</u>	<u>18,743,181.81</u>	Fund balance:		
Total plant funds	<u>\$ 19,736,844.67</u>	<u>\$ 19,686,833.56</u>	Net investment in plant	<u>18,676,800.30</u>	<u>18,743,181.81</u>
Agency funds:			Total investment in plant	<u>18,676,800.30</u>	<u>18,743,181.81</u>
Nonfoundation funds:			Total plant funds	<u>\$ 19,736,844.67</u>	<u>\$ 19,686,833.56</u>
Cash and cash equivalents (Notes 2 and 3)	\$ 520,217.09	\$ 479,221.03	Agency funds:		
Total nonfoundation funds	<u>520,217.09</u>	<u>479,221.03</u>	Nonfoundation funds:		
Foundation funds:			Accounts payable	\$ 10,869.90	\$ 17,042.38
Cash and cash equivalents (Notes 2 and 3)	507,854.84	247,900.61	Deposits held in custody for others	<u>509,347.19</u>	<u>462,178.65</u>
Investments (Note 4)	889,766.53	700,125.78	Total nonfoundation funds	<u>520,217.09</u>	<u>479,221.03</u>
Accrued interest receivable	327.95	-	Foundation funds:		
Accounts and notes receivable	<u>-</u>	<u>9,935.32</u>	Accounts payable	11,596.66	25,585.70
Total foundation funds	<u>1,397,949.32</u>	<u>957,961.71</u>	Deposits held in custody for foundation	<u>1,386,352.66</u>	<u>932,376.01</u>
Total agency funds	<u>\$ 1,918,166.41</u>	<u>\$ 1,437,182.74</u>	Total foundation funds	<u>1,397,949.32</u>	<u>957,961.71</u>
			Total agency funds	<u>\$ 1,918,166.41</u>	<u>\$ 1,437,182.74</u>

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

TENNESSEE BOARD OF REGENTS
 COLUMBIA STATE COMMUNITY COLLEGE
 STATEMENT OF CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 1998

	Current Funds				Plant Funds		
	Unrestricted	Restricted	Loan Funds	Endowment and Similar Funds	Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 13,538,359.28	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	1,283,742.57	-	-	-	-	-	-
State appropriations	-	89,700.00	-	-	522,312.96	-	-
Federal grants and contracts	-	4,929,923.96	-	-	-	-	-
State grants and contracts	-	3,416.85	-	-	-	-	-
Private gifts, grants, and contracts	-	30,304.16	-	-	243,186.34	-	-
Investment income	-	396.55	11.51	-	8,285.20	34,444.97	-
Interest on loans receivable	-	-	502.55	-	-	-	-
Endowment income	-	644.76	-	-	-	-	-
Expended for plant facilities (including \$358,768.26 charged to current fund expenditures)	-	-	-	-	-	-	705,475.19
Equipment use charge	-	-	-	-	-	108,300.00	-
Other	-	24,410.33	-	-	-	-	18,684.00
Total revenues and other additions	14,822,101.85	5,078,796.61	514.06	-	773,784.50	142,744.97	724,159.19
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	13,185,062.78	5,084,976.84	-	-	-	-	-
Auxiliary enterprise expenditures	1,105,898.14	-	-	-	-	-	-
Indirect costs recovered	-	110,072.24	-	-	-	-	-
Refunded to grantors	-	7,699.29	163.00	-	-	-	-
Expended for plant facilities	-	-	-	-	265,894.47	80,812.46	-
Expended for noncapital items	-	-	-	-	552,052.19	89,831.14	-
Disposal of plant facilities	-	-	-	-	-	-	89,820.47
Provision for doubtful accounts	-	-	270.00	-	-	-	-
Revaluation of library holdings	-	-	-	-	-	-	102,994.67
Total expenditures and other deductions	14,290,960.92	5,202,748.37	433.00	-	817,946.66	170,643.60	192,815.14
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Mandatory:							
Loan fund matching	18.00	-	(18.00)	-	-	-	-
Nonmandatory:							
Unexpended plant funds	(30,000.00)	-	-	-	30,000.00	-	-
Renewals and replacements	(122,685.57)	-	-	-	-	122,685.57	-
Total transfers	(152,667.57)	-	(18.00)	-	30,000.00	122,685.57	-
Net increase (decrease) for the year	378,473.36	(123,951.76)	63.06	-	(14,162.16)	94,786.94	531,344.05
Fund balances at beginning of year	294,712.73	307,718.89	7,938.13	12,786.08	244,633.97	661,153.78	18,743,181.81
Cumulative effect of change in accounting principle (Note 12)	-	-	-	-	-	-	(597,725.56)
Fund balances at beginning of year as restated	-	-	-	-	-	-	18,145,456.25
Fund balances at end of year	\$ 673,186.09	\$ 183,767.13	\$ 8,001.19	\$ 12,786.08	\$ 230,471.81	\$ 755,940.72	\$ 18,676,800.30

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

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1997

	Current Funds			Endowment and Similar Funds	Plant Funds		
	Unrestricted	Restricted	Loan Funds		Unexpended	Renewals and Replacements	Investment In Plant
REVENUES AND OTHER ADDITIONS							
Unrestricted current fund revenues	\$ 12,502,488.27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Auxiliary enterprise revenues	1,133,378.52	-	-	-	-	-	-
State appropriations	-	92,478.00	-	-	208,131.13	-	-
Federal grants and contracts	-	3,765,525.97	-	-	-	-	-
State grants and contracts	-	2,149.15	-	-	-	-	-
Private gifts, grants, and contracts	-	102,267.48	-	-	22,598.95	-	-
Investment income	-	356.42	8.35	-	10,420.82	40,961.51	-
Interest on loans receivable	-	-	549.92	-	-	-	-
Endowment income	-	645.93	-	-	-	-	-
Expended for plant facilities (including \$255,975.56 charged to current fund expenditures)	-	-	-	-	-	-	413,126.00
Equipment use charge	-	-	-	-	-	127,100.00	-
Revaluation of library holdings	-	-	-	-	-	-	1,660,627.75
Other	-	25,175.88	-	-	-	-	-
Total revenues and other additions	13,635,866.79	3,988,598.83	558.27	-	241,150.90	168,061.51	2,073,753.75
EXPENDITURES AND OTHER DEDUCTIONS							
Educational and general expenditures	12,562,903.99	3,826,267.63	-	-	-	-	-
Auxiliary enterprise expenditures	985,645.27	-	-	-	-	-	-
Indirect costs recovered	-	109,751.00	-	-	-	-	-
Refunded to grantors	-	-	82.00	-	-	-	-
Expended for plant facilities	-	-	-	-	109,659.48	47,490.96	-
Expended for non-capital items	-	-	-	-	255,023.42	153,445.81	-
Disposal of plant facilities	-	-	-	-	-	-	38,876.85
Loan cancellations and write-offs	-	-	627.75	-	-	-	-
Provision for doubtful accounts	-	-	290.00	-	-	-	-
Other	-	17,623.44	-	-	-	-	-
Total expenditures and other deductions	13,548,549.26	3,953,642.07	999.75	-	364,682.90	200,936.77	38,876.85
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS)							
Mandatory:							
Loan fund matching	9.00	-	(9.00)	-	-	-	-
Nonmandatory:							
Unrestricted current funds	56,777.96	-	-	-	-	(56,777.96)	-
Unexpended plant funds	(164,600.00)	-	-	-	164,600.00	-	-
Total transfers	(107,813.04)	-	(9.00)	-	164,600.00	(56,777.96)	-
Net increase (decrease) for the year	(20,495.51)	34,956.76	(450.48)	-	41,068.00	(89,653.22)	2,034,876.90
Fund balances at beginning of year (Note 13)	315,208.24	272,762.13	8,388.61	12,786.08	203,565.97	750,807.00	16,708,304.91
Fund balances at end of year	\$ 294,712.73	\$ 307,718.89	\$ 7,938.13	\$ 12,786.08	\$ 244,633.97	\$ 661,153.78	\$ 18,743,181.81

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

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Restricted	Total
REVENUES			
Tuition and fees	\$ 4,047,070.77	\$ -	\$ 4,047,070.77
State appropriation:	9,068,700.00	71,017.68	9,139,717.68
Federal grants and contract:	115,612.24	4,973,955.20	5,089,567.44
State grants and contracts	-	3,609.85	3,609.85
Private gifts, grants, and contract	-	36,394.11	36,394.11
Sales and services of educational activities	147,511.28	-	147,511.28
Sales and services of auxiliary enterprise	1,283,742.57	-	1,283,742.57
Interest income	110,699.52	-	110,699.52
Other sources	48,765.47	-	48,765.47
Total current revenues	<u>14,822,101.85</u>	<u>5,084,976.84</u>	<u>19,907,078.69</u>
EXPENDITURES AND TRANSFERS			
Educational and general expenditures:			
Instructor	7,262,377.23	114,067.71	7,376,444.94
Public service	9,197.99	3,308,171.47	3,317,369.46
Academic support	1,720,212.72	12,635.23	1,732,847.95
Student services	1,333,183.38	10,830.39	1,344,013.77
Institutional support	1,509,164.92	5,976.29	1,515,141.21
Operation and maintenance of plant	1,218,321.91	17,225.89	1,235,547.80
Scholarships and fellowship	132,604.63	1,616,069.86	1,748,674.49
Total educational and general expenditure	<u>13,185,062.78</u>	<u>5,084,976.84</u>	<u>18,270,039.62</u>
Mandatory transfer:			
Loan fund matching grant	(18.00)	-	(18.00)
Nonmandatory transfers:			
Unexpended plan	30,000.00	-	30,000.00
Renewals and replacement:	106,000.00	-	106,000.00
Total educational and general expenditure: and transfers	<u>13,321,044.78</u>	<u>5,084,976.84</u>	<u>18,406,021.62</u>
Auxiliary enterprises:			
Expenditures	1,105,898.14	-	1,105,898.14
Nonmandatory transfer:	16,685.57	-	16,685.57
Total auxiliary enterprise:	<u>1,122,583.71</u>	<u>-</u>	<u>1,122,583.71</u>
Total expenditures and transfer:	<u>14,443,628.49</u>	<u>5,084,976.84</u>	<u>19,528,605.33</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)			
Excess of transfers to revenues over restricted receipts:	-	(6,180.23)	(6,180.23)
Indirect costs recovered	-	(110,072.24)	(110,072.24)
Refunded to grantor:	-	(7,699.29)	(7,699.29)
Net increase (decrease) in fund balance:	<u>\$ 378,473.36</u>	<u>\$ (123,951.76)</u>	<u>\$ 254,521.60</u>

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

TENNESSEE BOARD OF REGENTS
COLUMBIA STATE COMMUNITY COLLEGE
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 1997

	Unrestricted	Restricted	Total
<u>REVENUES</u>			
Tuition and fees	\$ 3,421,674.54	\$ -	\$ 3,421,674.54
State appropriation:	8,669,700.00	76,997.55	8,746,697.55
Federal grants and contract	114,659.00	3,624,898.60	3,739,557.60
State grants and contracts	-	2,186.01	2,186.01
Private gifts, grants, and contract	1,500.00	122,185.47	123,685.47
Sales and services of educational activities	153,587.09	-	153,587.09
Sales and services of auxiliary enterprise	1,133,378.52	-	1,133,378.52
Interest income	98,990.32	-	98,990.32
Other sources	42,377.32	-	42,377.32
Total current revenues	<u>13,635,866.79</u>	<u>3,826,267.63</u>	<u>17,462,134.42</u>
<u>EXPENDITURES AND TRANSFERS</u>			
Educational and general expenditures:			
Instructor	6,758,291.75	229,033.60	6,987,325.35
Public service	8,384.29	2,210,465.07	2,218,849.36
Academic support	1,615,197.10	11,352.06	1,626,549.16
Student services	1,379,950.17	21,440.92	1,401,391.09
Institutional support	1,488,895.68	2,464.94	1,491,360.62
Operation and maintenance of plant	1,193,692.71	6,257.00	1,199,949.71
Scholarships and fellowship	118,492.29	1,345,254.04	1,463,746.33
Total educational and general expenditure	<u>12,562,903.99</u>	<u>3,826,267.63</u>	<u>16,389,171.62</u>
Mandatory transfer:			
Loan fund matching grant	(9.00)	-	(9.00)
Nonmandatory transfers:			
Unexpended plan	164,600.00	-	164,600.00
Renewals and replacement:	(72,000.00)	-	(72,000.00)
Total educational and general expenditure and transfers	<u>12,655,494.99</u>	<u>3,826,267.63</u>	<u>16,481,762.62</u>
Auxiliary enterprises:			
Expenditures	985,645.27	-	985,645.27
Nonmandatory transfer			
Renewals and replacement	15,222.04	-	15,222.04
Total auxiliary enterprise:	<u>1,000,867.31</u>	<u>-</u>	<u>1,000,867.31</u>
Total expenditures and transfers:	<u>13,656,362.30</u>	<u>3,826,267.63</u>	<u>17,482,629.93</u>
<u>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)</u>			
Excess of restricted receipts over transfers to revenues:	-	162,331.20	162,331.20
Indirect costs recovered	-	(109,751.00)	(109,751.00)
Other (deductions):	-	(17,623.44)	(17,623.44)
Net increase (decrease) in fund balance:	<u>\$ (20,495.51)</u>	<u>\$ 34,956.76</u>	<u>\$ 14,461.25</u>

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

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements
June 30, 1998, and June 30, 1997**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

Basis of Presentation

The financial statements of the college have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The college uses the AICPA College Guide model for accounting and financial reporting.

Basis of Accounting

The financial statements of the college have been prepared on the accrual basis, except that depreciation on plant assets is not recorded and revenues and expenditures of an academic term encompassing more than one fiscal year are reported solely in the fiscal year in which the term is predominantly conducted. All restricted resources are recorded as additions to the fund balances of the appropriate fund groups. Restricted current resources are then recorded as revenues during the period in which they are expended. The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the funds are accounted for as expenditures, for normal replacement of movable equipment and library holdings, and nonmandatory transfers, for all other cases.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of the resources available, the college maintains accounts in accordance with the principles of fund accounting. With this procedure, resources for various purposes are classified for accounting and reporting purposes into funds for specified activities or objectives. Separate accounts are maintained for each fund; however, in the

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

accompanying financial statements, funds with similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds which are allocated to specific purposes by the governing board. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund that owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets, except for income derived from investments of endowment and similar funds. This income is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in unrestricted current funds. All other unrestricted revenue is accounted for in the unrestricted current funds. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Current Funds

Unrestricted current funds consist of those funds over which the college retains full control for use in achieving any of its authorized institutional purposes. Auxiliary enterprises activities are included in unrestricted current funds and include the campus bookstore. Restricted current funds are externally restricted and may be used only in accordance with the purposes established by their source.

Loan Funds

Loan funds consist of resources made available for student loans.

Endowment and Similar Funds

Endowment funds are subject to the restrictions of gift instruments, requiring in perpetuity that the principal be invested and only the income be used.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

Plant Funds

The plant funds group consists of (1) funds set aside for the acquisition of physical properties for institutional purposes, (2) funds set aside for the renewal and replacement of institutional properties, and (3) funds expended for, and thus invested in, institutional properties.

Agency Funds

In handling these funds, the college acts solely as an agent; consequently, transactions of these funds do not affect the college's operating statements.

Inventories

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

Compensated Absences

The college's employees accrue annual leave at varying rates, depending on length of service or classification. The amount of this liability and its related benefits are recorded in the current funds. Since the liability is expected to be funded primarily from future unrestricted and restricted revenue sources, a related allocation has been made to the current fund balances so that these fund balances reflect current available funds.

Allocation for Working Capital

The unrestricted fund balance is allocated for the amount of working capital. "Working capital" is defined as the total of all petty cash, accounts receivable, inventories, and prepaid expenses in the unrestricted fund at the balance sheet date, except for student receivables credited to deferred revenue, accrued interest, and amounts due on federal letters of credit, less the accrued benefits on accrued faculty salaries.

Plant Assets

The physical plant and equipment are stated at cost at date of purchase or at fair value at date of donation. Interest during construction has not been capitalized. Library books are valued at \$48 per volume, and other library holdings are valued at various standardized values which approximate current costs. Depreciation on the physical plant and equipment is not recorded.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

In the case of service departments, the college charges renewal and replacement of plant assets to current expenditures; these charges are also reported as additions to funds for renewals and replacements.

Under a contract with the Tennessee Department of Labor, the college is the administrative entity and grant recipient for the Job Training Partnership Act in service delivery area 11 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the act resides with the U. S. Department of Labor. Therefore, this equipment is not included in the college's plant fund assets.

Columbia State Community College Foundation

The college is the sole beneficiary of the Columbia State Community College Foundation. This private, nonprofit foundation is controlled by a board independent of the college. The financial records, investments, and other financial transactions are handled by the college, and the assets and liabilities of the foundation are included in the agency funds on the college's balance sheet.

NOTE 2. CASH AND CASH EQUIVALENTS

In addition to demand deposits and petty cash on hand, this classification includes instruments which are readily convertible to known amounts of cash and which have original maturities of three months or less. At June 30, 1998, cash and cash equivalents consisted of \$327,866.16 in bank accounts, \$4,720.00 of petty cash on hand, \$3,231,273.14 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$251,931.09 in the Columbia State Community College Foundation investment accounts. At June 30, 1997, cash and cash equivalents consisted of \$247,088.67 in bank accounts, \$4,540.00 of petty cash on hand, \$2,603,245.27 in the State of Tennessee Local Government Investment Pool, and \$65,668.18 in the foundation's money market account.

NOTE 3. DEPOSITS

The bank balances of certain deposits, including accrued interest as of the balance sheet dates, were entirely insured or collateralized with securities held by the college's agent in the college's name. The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

Regents policies require that the market value of collateral pledged equal 105% of the uninsured deposits.

Other deposits are in financial institutions which participate in the bank collateral pool administered by the State Treasurer. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

The college also has deposits in the Local Government Investment Pool (LGIP) administered by the State Treasurer. The LGIP is part of the Pooled Investment Fund. The fund's investment policy and custodial credit risk are presented in the *Tennessee Comprehensive Annual Financial Report*.

NOTE 4. INVESTMENTS

The college is authorized by statute to invest funds in accordance with Tennessee Board of Regents policies. Under the current policy, funds other than endowments may be invested only in obligations of the United States or its agencies backed by the full faith and credit of the United States; repurchase agreements for United States securities; certificates of deposit in banks and savings and loan associations; bankers' acceptances; commercial paper; money market mutual funds; and the State of Tennessee Local Government Investment Pool. The policy requires that investments of endowments in equity securities be limited to funds from private gifts or other sources external to the college and that endowment investments be prudently diversified. The Columbia State Community College Foundation is authorized to invest funds in accordance with its board of directors' policies. At June 30, 1998, all investments permitted to be reported at fair value under GASB Statement 31 are reported at fair value, including those with a maturity date of one year or less at the time of purchase. At June 30, 1997, investments are valued at cost or, in the case of gifts, at fair value on the date of receipt. Certificates of deposit have been included with other deposits in Note 3 to determine the adequacy of collateral security pledged.

The college's/foundation's investments are categorized below to indicate the level of risk assumed by the college/foundation at year-end. Category 1 consists of insured or registered investments, or investments for which the securities are held by the

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

college/foundation or its agent in the college's/foundation's name. Category 2 consists of uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the college's/foundation's name. Category 3 consists of uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the college's/foundation's name.

<u>June 30, 1998</u>	<u>Fair Value</u>	
Category 1:		
U.S. government securities	\$ 810,231.18	
Corporate stocks	29,535.35	
Categories 2 and 3:	-	
Certificates of deposit classified as investments	<u>62,786.08</u>	
Total investments on the balance sheet	<u>\$ 902,552.61</u>	
<u>June 30, 1997</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Category 1:		
U.S. government securities	\$ 655,125.78	\$ 655,785.80
Categories 2 and 3:	-	-
Certificates of deposit classified as investments	<u>57,786.08</u>	<u>57,786.08</u>
Total investments on the balance sheet	<u>\$ 712,911.86</u>	<u>\$ 713,571.88</u>

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

NOTE 5. PLANT FUND ENCUMBRANCES

Plant fund encumbrances outstanding at June 30, 1998, amounted to \$11,130.00 for unexpended plant and \$600.00 for renewals and replacements. Plant fund encumbrances outstanding at June 30, 1997, amounted to \$8,585.34 for unexpended plant and \$22,438.33 for renewals and replacements.

NOTE 6. PENSION PLANS

A. Defined Benefit Plan

During the year ended June 30, 1997, the college implemented GASB Statement 27, *Accounting for Pensions by State and Local Government Employers*. In accordance with that statement, at transition it was determined that a pension liability or asset does not exist for this plan.

Tennessee Consolidated Retirement System

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

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

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 3.65% of annual covered payroll. Contribution requirements for the college are established and may be amended by the TCRS' Board of Trustees. The college's contributions to TCRS for the years ended June 30, 1998, 1997, and 1996 were \$224,714.96,

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

\$466,667.32, and \$388,691.29. Contributions met the requirements for each year.

B. Defined Contribution Plans

Optional Retirement Plans (ORP)

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

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans for the year ended June 30, 1998, was \$228,699.99 and for year ended June 30, 1997, was \$207,470.09. Contributions met the requirements for each year.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

The State of Tennessee administers a group health insurance program which provides post-employment health insurance benefits to eligible college retirees. This benefit is provided and administered by the State of Tennessee. The college assumes no liability for retiree health care programs. Information related to this plan is available at the statewide level in the *Tennessee Comprehensive Annual Financial Report*.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

NOTE 8. OTHER ADDITIONS

The following amounts are included as “other additions” on the Statements of Changes in Fund Balances:

	<u>Year Ended June 30, 1998</u>	<u>Year Ended June 30, 1997</u>
Other Additions		
Restricted current funds: Additions to JTPA unemployment reserve	\$ 23,070.29	\$ 22,762.41

NOTE 9. INSURANCE-RELATED ACTIVITIES

The state purchases commercial insurance for real property losses above \$5 million per year and surety bond coverage on the state’s officials and employees. In the past three fiscal years, the state has not had any claims filed with the commercial insurer. A designation for casualty losses in the amount of \$5 million has been established in the state’s general fund to provide for any property losses not covered by the commercial insurance.

At June 30, 1998, the scheduled coverage for the college was \$24,026,000 for buildings and \$10,133,000 for contents. At June 30, 1997, the scheduled coverage was \$24,026,000 for buildings and \$8,413,000 for contents.

The state has set aside assets for claim settlement in an internal service fund, the Claims Award Fund. This fund services all claims for risk of loss to which the state is exposed, including general liability, automotive liability, professional malpractice, and workers’ compensation. The college participates in the Claims Award 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. Since the college participates in the Claims Award Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Claims Award Fund.

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

NOTE 10. COMMITMENTS AND CONTINGENCIES

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$3,215,229.89 at June 30, 1998, and \$3,078,333.16 at June 30, 1997.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenditures under operating leases for real property were \$142,205.92 for the year ended June 30, 1998. The amount for the year ended June 30, 1997, was \$130,127.00. All operating leases are cancelable at the lessee's option.

NOTE 11. CHANGE IN ESTIMATE OF LIBRARY HOLDINGS STANDARDIZED VALUES

At June 30, 1997, the value for library books was increased from \$20 per volume to \$48 per volume, and the standardized values for other library holdings were also increased/decreased by various amounts. As a result of the revaluation, library books and other library holdings increased by \$1,675,604.00 and \$1,549.00, and net investment in plant, under the investment in plant fund subgroup, increased by \$1,677,153.00 at June 30, 1997.

**Tennessee Board of Regents
Columbia State Community College
Notes to the Financial Statements (Cont.)
June 30, 1998, and June 30, 1997**

NOTE 12. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 1998, the threshold for capitalizing equipment increased from \$500 to \$1,000. As a result of the change, equipment decreased by \$597,725.56. The cumulative effect of this change in accounting principle is reported in the accompanying financial statements as a restatement of the beginning fund balance.

NOTE 13. PRIOR-YEAR RESTATEMENT

The college implemented GASB Statement 16, *Accounting for Compensated Absences*. As a result, the beginning fund balance for unrestricted and restricted current funds on Exhibit C was decreased by \$473,750.89 and \$70,631.37, respectively.

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The year 2000 issue (Y2K) arises because most computer software programs allocate two digits to the data field for year on the assumption that the first two digits will be 19. Such programs will thus interpret the year 2000 as the year 1900, the year 2001 as 1901, etc., absent reprogramming. Y2K affects both computer hardware (i.e., the embedded logic of computer chips) and computer software, and could impact both the ability to enter data into computer programs and the ability of such programs to correctly process data.

Columbia State Community College (CoSCC) has established a Y2K Coordinator to facilitate Y2K remediation efforts. CoSCC has assessed the impact of Y2K on its computer systems and other electronic equipment. Computer systems are defined as both (1) programmed application systems that provide fiscal and administrative services and (2) supporting hardware and software computer systems infrastructure upon which the application systems reside and are processed. Other electronic equipment includes systems and devices other than traditional computer information systems that may utilize embedded chips in their operations.

CoSCC has determined that certain computer systems are mission-critical, certain are critical, and certain are supportive. Mission-critical computer systems are those for which there are no reliable manual alternatives, and for which failure to be in Y2K compliance would prevent CoSCC from fulfilling its mission. Critical computer systems are those for which there are manual alternatives, but CoSCC would unlikely be able to fully or efficiently perform the functions manually, because of the volume of manual activity that would be required. Supportive computer systems are those for which there are manual alternatives and CoSCC expects to be able to perform such functions manually, if necessary.

CoSCC has identified three mission-critical computer application systems: the Financial Records System (FRS), the Human Resource System (HRS), and the Student Information System (SIS). FRS and SIS have completed the validation/testing stage. This stage is defined as validating and testing the changes that were made during the remediation stage. HRS is in the assessment and remediation stages. The assessment stage is defined as identifying the systems and components for which year 2000 compliance work is needed. The remediation stage is defined as making changes to systems and equipment. We expect HRS to complete the validation/testing stage by June 1, 1999.

CoSCC's mid-level computer system provides the supporting computer system infrastructure upon which CoSCC's application systems reside and are processed. The mid-level system represents multiple hardware and software components to include a central processor, work stations, and network operating system. CoSCC determined that these components are currently in the validation/testing stage.

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CoSCC identified other electronic equipment items as critical to conducting operations. CoSCC determined that these systems are currently in the validation/testing stage.

The completion of all stages identified as necessary to address the Y2K issue is not a guarantee that systems and equipment will be year 2000 compliant.

CoSCC's Y2K initiatives did not result in the commitment of significant financial resources as of the end of CoSCC's reporting period. CoSCC is not aware of any circumstances or costs to achieve Y2K compliance that will have a negative impact on the operations or financial status of the institution.