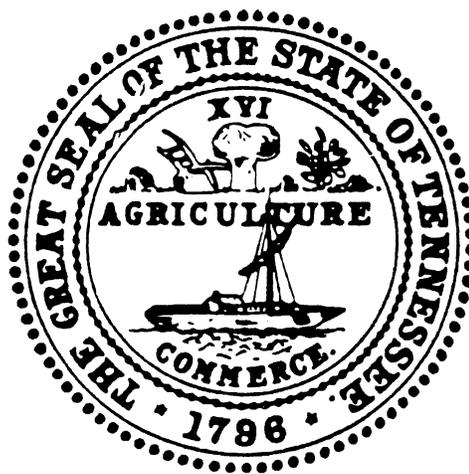


AUDIT REPORT

Tennessee Board of Regents
Roane State Community College

For the Years Ended
June 30, 2005, and June 30, 2004



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

Department of Audit
Division of State Audit



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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

December 29, 2006

The Honorable Phil Bredesen, Governor
and

Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and

The Honorable Charles W. Manning, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217

and

Dr. Gary Goff, President
Roane State Community College
276 Patton Lane
Harriman, Tennessee 37748

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Board of Regents, Roane State Community College, for the years ended June 30, 2005, and June 30, 2004. You will note from the independent auditor's report that unqualified opinions were given on the fairness of the presentation of the financial statements.

Consideration of internal control over financial reporting and tests of compliance resulted in no audit findings.

Sincerely,

John G. Morgan
Comptroller of the Treasury

JGM/sah
06/043

State of Tennessee

A u d i t H i g h l i g h t s

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Roane State Community College
For the Years Ended June 30, 2005, and June 30, 2004

AUDIT OBJECTIVES

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

AUDIT FINDINGS

The audit report contains no findings.

OPINIONS ON THE FINANCIAL STATEMENTS

The opinions on the financial statements are unqualified.

Audit Report
Tennessee Board of Regents
Roane State Community College
For the Years Ended June 30, 2005, and June 30, 2004

TABLE OF CONTENTS

| | <u>Exhibit</u> | <u>Page</u> |
|--|----------------|-------------|
| INTRODUCTION | | |
| Post-Audit Authority | | 1 |
| Background | | 1 |
| Organization | | 1 |
| AUDIT SCOPE | | 2 |
| OBJECTIVES OF THE AUDIT | | 2 |
| PRIOR AUDIT FINDINGS | | 2 |
| OBSERVATIONS AND COMMENTS | | 3 |
| Management's Responsibility for Risk Assessment | | 3 |
| Fraud Considerations | | 3 |
| Technology Centers | | 4 |
| RESULTS OF THE AUDIT | | 4 |
| Audit Conclusions | | 4 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | | 6 |
| FINANCIAL SECTION | | |
| Independent Auditor's Report | | 8 |
| Management's Discussion and Analysis | | 10 |

TABLE OF CONTENTS (CONT.)

| | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| Financial Statements | | |
| Statements of Net Assets | A | 30 |
| Statements of Revenues, Expenses, and Changes in Net Assets | B | 31 |
| Statements of Cash Flows | C | 32 |
| Notes to the Financial Statements | | 34 |
| Supplementary Information | | |
| Statements of Cash Flows - Component Unit | | 54 |

**Tennessee Board of Regents
Roane State Community College
For the Years Ended June 30, 2005, and June 30, 2004**

INTRODUCTION

POST-AUDIT AUTHORITY

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

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

BACKGROUND

The idea for Tennessee’s community college system was conceived in 1957 when the state legislature ordered a study of community college programs, a study which resulted in the Pierce-Albright Report. Acting on the recommendation of the Governor and the Department of Education, the General Assembly authorized the Department of Education to establish several community colleges throughout Tennessee. Roane State Community College was established as a two-year college by the 1969 General Assembly. The first student was admitted in the fall of 1971. The General Assembly vested the governance of the college in the Tennessee Board of Regents on July 1, 1972.

ORGANIZATION

The governance of Roane 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, 2003, through June 30, 2005, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Financial statements are presented for the years ended June 30, 2005, and June 30, 2004. Roane State Community College is an institution of the Tennessee Board of Regents, which is an integral part of state government. As such, the Tennessee Board of Regents has been included as a component unit in the *Tennessee Comprehensive Annual Financial Report*.

OBJECTIVES OF THE AUDIT

The objectives of the audit were

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

PRIOR AUDIT FINDINGS

There were no findings in the prior audit report.

OBSERVATIONS AND COMMENTS

MANAGEMENT'S RESPONSIBILITY FOR RISK ASSESSMENT

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

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

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

FRAUD CONSIDERATIONS

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

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

TECHNOLOGY CENTERS

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

RESULTS OF THE AUDIT

AUDIT CONCLUSIONS

Internal Control

As part of the audit of the college's financial statements for the years ended June 30, 2005, and June 30, 2004, we considered internal control over financial reporting to determine auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Consideration of internal control over financial reporting disclosed no material weaknesses.

Compliance

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

Fairness of Financial Statement Presentation

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



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
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NASHVILLE, TENNESSEE 37243-0264
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FAX (615) 532-2765

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

July 7, 2006

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

Dear Mr. Morgan:

We have audited the financial statements of Roane 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, 2005, and June 30, 2004, and have issued our report thereon dated July 7, 2006. 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. During the year ended June 30, 2005, the college implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. During the year ended June 30, 2004, the college implemented GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or

The Honorable John G. Morgan
July 7, 2006
Page Two

operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Compliance and Other Matters

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

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.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." with a stylized flourish at the end.

Arthur A. Hayes, Jr., CPA
Director

AAH/sah



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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Independent Auditor's Report

July 7, 2006

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

Dear Mr. Morgan:

We have audited the accompanying basic financial statements of Roane 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, 2005, and June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the college's management. Our responsibility is to express opinions on these financial statements, based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions. Tennessee statutes, in addition to audit responsibilities, entrust certain other responsibilities to the Comptroller of the Treasury. Those responsibilities include serving as a member of the board of directors of many agencies, commissions, and component units of the State of Tennessee; managing the state's debt; and making loans to the state's colleges and universities from debt proceeds. Some of the boards of which the

The Honorable John G. Morgan
July 7, 2006
Page Two

Comptroller of the Treasury serves as a member per state statutes include the State Building Commission and the Tennessee Higher Education Commission.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Tennessee Board of Regents, Roane State Community College, and its discretely presented component unit as of June 30, 2005, and June 30, 2004, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended June 30, 2005, the college implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. During the year ended June 30, 2004, the college implemented GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*.

The management's discussion and analysis on pages 10 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information on page 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2006, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sincerely,



Arthur A. Hayes, Jr., CPA
Director

AAH/sah

ROANE STATE COMMUNITY COLLEGE
Management's Discussion and Analysis
For the Years Ended June 30, 2005, and June 30, 2004

This section of Roane State Community College's report presents a discussion and analysis of the financial performance of the college during the fiscal years ended June 30, 2005, and June 30, 2004, with comparative information for the year ended June 30, 2003. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Report

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Roane State Community College as a whole and present a long-term view of the college's finances.

The Statement of Net Assets

The Statement of Net Assets presents the financial position of the college at the end of the fiscal year and includes all assets and liabilities of the college. The difference between total assets and total liabilities—net assets—is an indicator of the current financial condition of the college. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the college's equity in property, plant, and equipment owned by the college. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the college but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

College
Statement of Net Assets (in thousands of dollars)

| | 2005 | 2004 | 2003 |
|---|-------------------|-------------------|-------------------|
| Assets: | | | |
| Current assets | \$ 6,526.0 | \$ 5,752.1 | \$ 5,486.3 |
| Capital assets, net | 36,303.2 | 36,353.1 | 36,848.9 |
| Other assets | 5,390.5 | 3,246.1 | 2,769.0 |
| Total assets | 48,219.7 | 45,351.3 | 45,104.2 |
| Liabilities: | | | |
| Current liabilities | 4,054.3 | 3,558.6 | 3,402.5 |
| Noncurrent liabilities | 1,052.7 | 672.8 | 856.9 |
| Total liabilities | 5,107.0 | 4,231.4 | 4,259.4 |
| Net assets: | | | |
| Invested in capital assets, net of related debt | 35,850.4 | 36,278.1 | 36,692.0 |
| Restricted - nonexpendable | 18.5 | 18.4 | 18.2 |
| Restricted - expendable | 2,618.7 | 793.3 | 1,057.0 |
| Unrestricted | 4,625.1 | 4,030.1 | 3,077.6 |
| Total net assets | \$43,112.7 | \$41,119.9 | \$40,844.8 |

For FY 2005:

- Current assets increased due to a significant increase in cash and cash equivalents provided by auxiliary operations and from increases in Tennessee Technology Centers funds on deposit with the college.
- Capital assets declined due to the excess of depreciation expense over current-year capital additions.
- Increases in other assets were the result of increases in noncurrent cash and cash equivalents reserved for future capital purchases and renewal and replacement of equipment.
- Current liabilities increased due to increases in accounts payable, compensated absences, and deposits held in custody for the Tennessee Technology Centers and decreases in accrued liabilities and deferred revenue.
- Noncurrent liabilities increased significantly due to commercial paper borrowing for license costs for the Banner Enterprise Resource Planning software purchase.

For FY 2004:

- Current assets increased due to a significant increase in accounts, notes, and grants receivable.

- Capital assets declined due to the excess of depreciation expense over current-year capital additions.
- Increases in other assets were the result of increases in noncurrent cash and cash equivalents reserved for future capital purchases and renewal and replacement of equipment.
- Current liabilities increased slightly due to increases in the current portion of compensated absences.
- Noncurrent liabilities declined slightly due to decreases in long-term compensated absences and long-term debt.

**Roane State Community College Foundation
Statement of Net Assets (in thousands of dollars)**

| | 2005 | 2004 | 2003 |
|----------------------------|------------------|------------------|------------------|
| Assets: | | | |
| Current assets | \$ 1,864.1 | \$1,935.1 | \$ 833.1 |
| Capital assets, net | 50.3 | 50.3 | 735.3 |
| Other assets | 5,319.5 | 5,876.7 | 5,007.5 |
| Total assets | 7,233.9 | 7,862.1 | 6,575.9 |
| Liabilities: | | | |
| Current liabilities | 24.3 | 7.0 | 5.1 |
| Noncurrent liabilities | 7.6 | 8.0 | 8.3 |
| Total liabilities | 31.9 | 15.0 | 13.4 |
| Net assets: | | | |
| Invested in capital assets | 50.3 | 50.3 | 735.3 |
| Restricted - nonexpendable | 2,946.3 | 4,598.2 | 2,306.3 |
| Restricted - expendable | 3,626.8 | 2,567.7 | 3,320.4 |
| Unrestricted | 578.6 | 630.9 | 200.5 |
| Total net assets | \$7,202.0 | \$7,847.1 | \$6,562.5 |

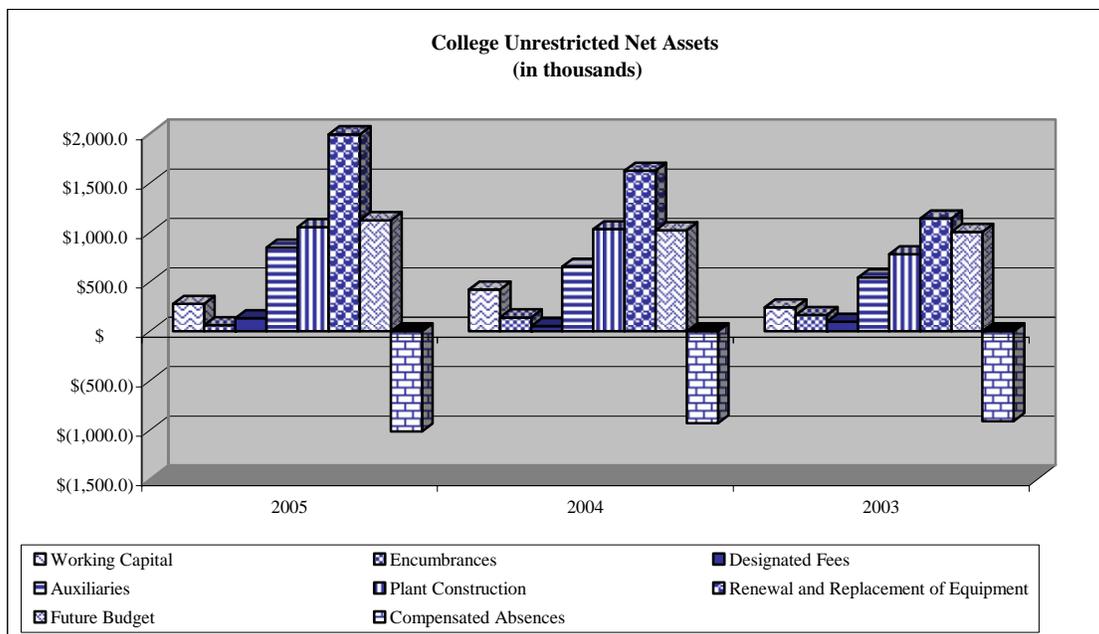
For FY 2005:

- For the Roane State Community College Foundation, current assets decreased slightly due to a significant decline in cash and cash equivalents as a result of transfer of \$2,005,000 to the college for the Campbell County Higher Education Center construction project and a significant increase in pledges receivable due to a pledge received for \$1,200,000 for construction of an off-campus center in Morgan County.
- Other assets decreased significantly due to redemption of investments to cover cash payments to the college.

For FY 2004:

- For the Roane State Community College Foundation, current assets increased significantly due to a \$1,000,000 bequest deposited in money market funds included in cash and cash equivalents.
- Capital assets declined due to the transfer of land to the college.
- Increases in funds invested and pledges receivable resulted in a significant increase in other assets.

Many of the college's unrestricted net assets have been designated or reserved for specific purposes such as repairs and replacement of equipment, capital projects, auxiliaries, future budget needs, encumbrances, and future revenues to cover the liability for compensated absences. The following graph shows the allocations (in thousands of dollars):



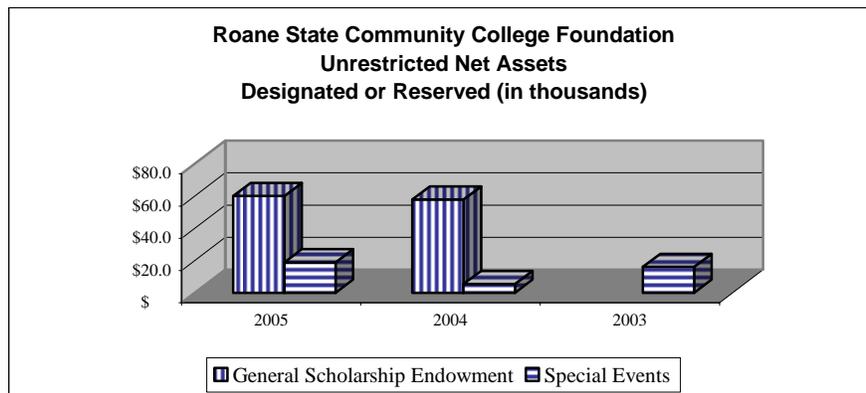
For FY 2005:

- Overall, the college's total unrestricted net assets designated or reserved for specific purposes increased by approximately \$458,000. Significant changes included:
 - A decrease in working capital primarily due to decreases in net general and student receivables.
 - A decrease in funds allocated for outstanding purchase orders.

- An increase in funds allocated for unexpended special fees.
- Increases in auxiliary enterprises balances due to the excess of revenues over expenses.
- Increases in funds reserved for plant construction and renewal and replacement of equipment.
- An increase in funds allocated for the next year's budget.
- An increase in funds allocated for compensated absences.

For FY 2004:

- Overall, the college's total unrestricted net assets designated or reserved for specific purposes increased by over \$950,000. Significant changes included:
 - An increase in working capital primarily due to increases in net general and student receivables.
 - A decrease in funds allocated for unexpended special fees.
 - Increases in auxiliary enterprises balances due to the excess of revenues over expenses.
 - Increases in funds reserved for plant construction and renewal and replacement of equipment.



For FY 2005:

- The Roane State Community College Foundation's total unrestricted net assets designated or reserved for specific purposes increased by approximately \$15,700 primarily due to increases in gifts and contributions reserved for the Oak Ridge Street Painting Festival.

For FY 2004:

- The Roane State Community College Foundation's total unrestricted net assets designated or reserved for specific purposes increased by approximately \$47,000 due to increases in unrestricted pledges from the capital fundraising campaign and the reclassification of the General Scholarship Fund from permanently restricted based on audit recommendation.

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

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

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

| | 2005 | 2004 | 2003 |
|---|-------------------|-------------------|-------------------|
| Operating revenues: | | | |
| Net tuition and fees | \$ 6,957.8 | \$ 6,650.9 | \$ 5,657.9 |
| Grants and contracts | 3,652.3 | 4,081.3 | 9,537.1 |
| Auxiliary enterprises | 220.4 | 194.8 | 201.2 |
| Other | 470.5 | 466.3 | 455.1 |
| Total operating revenues | 11,301.0 | 11,393.3 | 15,851.3 |
| Operating expenses | 36,681.0 | 34,280.0 | 34,379.9 |
| Operating loss | (25,380.0) | (22,886.7) | (18,528.6) |
| Nonoperating revenues and expenses: | | | |
| State appropriations | 16,741.0 | 15,785.1 | 16,049.5 |
| Gifts | 698.3 | 550.7 | 612.3 |
| Grants and contracts | 7,442.7 | 5,572.4 | - |
| Investment income | 193.2 | 73.2 | 104.8 |
| Other nonoperating revenues and expenses | (15.5) | (15.3) | (4.6) |
| Total nonoperating revenues and expenses | 25,059.7 | 21,966.1 | 16,762.0 |
| Loss before other revenues, expenses, gains, or losses | (320.3) | (920.6) | (1,766.6) |
| Other revenues, expenses, gains, or losses: | | | |
| Capital appropriations | 33.2 | 525.4 | 799.1 |
| Capital grants and gifts | 2,282.0 | 671.2 | 190.8 |
| Other | (2.1) | (0.9) | 0.6 |
| Total other revenues, expenses, gains, or losses | 2,313.1 | 1,195.7 | 990.5 |
| Increase (decrease) in net assets | 1,992.8 | 275.1 | (776.1) |
| Net assets at beginning of year | 41,119.9 | 40,844.8 | 41,620.9 |
| Net assets at end of year | \$43,112.7 | \$41,119.9 | \$40,844.8 |

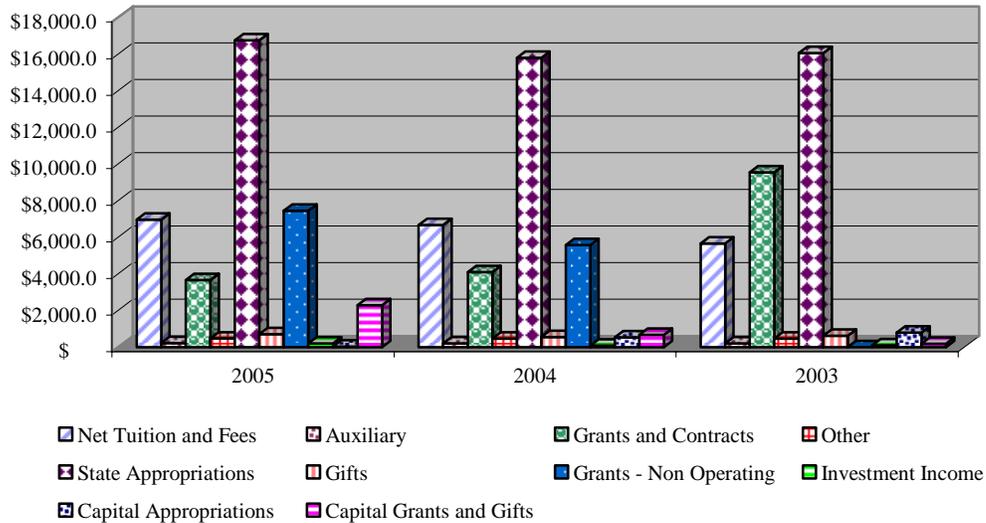
Roane State Community College Foundation
Statement of Revenues, Expenses, and Changes in Net Assets
(in thousands of dollars)

| | 2005 | 2004 | 2003 |
|--|------------------|------------------|------------------|
| Operating revenues: | | | |
| Gifts | \$1,558.6 | \$1,914.8 | \$ 357.0 |
| Total operating revenues | 1,558.6 | 1,914.8 | 357.0 |
| Operating expenses | 2,924.3 | 1,179.4 | 876.7 |
| Operating income (loss) | (1,365.7) | 735.4 | (519.7) |
| Nonoperating revenues and expenses: | | | |
| Gifts | 364.6 | 77.5 | 27.0 |
| Investment income | 320.1 | 482.6 | 173.2 |
| Other nonoperating revenues and expenses | 3.9 | 9.1 | (7.8) |
| Total nonoperating revenues and expenses | 688.6 | 569.2 | 192.4 |
| Income (loss) before other revenues, expenses, gains, or losses | (677.1) | 1,304.6 | (327.3) |
| Other revenues, expenses, gains, or losses: | | | |
| Capital grants and gifts | 32.0 | 25.0 | 705.0 |
| Other | - | (45.0) | - |
| Total other revenues, expenses, gains, or losses | 32.0 | (20.0) | 705.0 |
| Increase (decrease) in net assets | (645.1) | 1,284.6 | 377.7 |
| Net assets at beginning of year | 7,847.1 | 6,562.5 | 6,184.8 |
| Net assets at end of year | \$7,202.0 | \$7,847.1 | \$6,562.5 |

Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which were used to fund the college's operating activities for the years ended June 30, 2005; June 30, 2004; and June 30, 2003 (amounts are presented in thousands of dollars).

**College
Revenues by Source
(in thousands)**



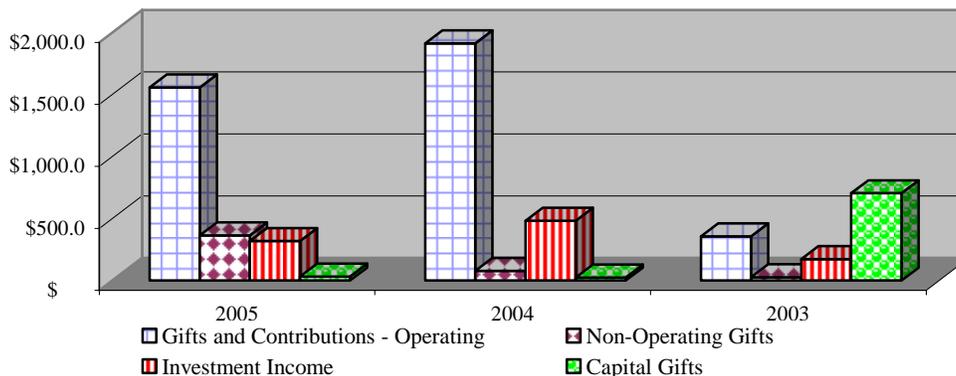
For FY 2005:

- Tuition and fee revenue increased due to a 6.2% increase in mandatory fee rates.
- Operating grant and contract revenue declined due a decrease in funding from the Workforce Investment Act for operation of county offices and career centers in seven counties and a decrease in funding for the Tennessee Early Childhood Training Alliance program.
- State appropriations revenue increased significantly due to funding provided by the state for 1% of a 3% across-the-board salary increase, a state-mandated salary bonus, increases in retirement contribution rates, and increases in group medical insurance benefit premiums.
- Nonoperating grant and contract revenue increased significantly due to the new state lottery scholarship program, reclassification of Tennessee Student Assistance Corporation grants from agency funds to nonoperating grants and contracts, and increases in Pell Grants.
- Investment income increased due to higher interest rates and increases in funds available for investment as a result of contributions received for capital construction projects.
- Capital appropriations declined due to a reduction in funds available and expended for state supported capital projects.
- Capital grants and gifts increased significantly due to contributions from the Roane State Community College Foundation for the Campbell County Higher Education Center construction project.

For FY 2004:

- Tuition and fees revenue increased due to an 18.5% increase in mandatory fee rates.
- Operating and nonoperating grant and contract revenue decreased and increased respectively due to reclassification of the Pell and Supplemental Educational Opportunity Grant programs to nonoperating grant and contract revenue.
- State appropriations revenue declined due to a reduction in base appropriations.
- Investment income declined due to low interest rates.
- Capital appropriations declined due to a reduction in funds expended for state supported capital projects.
- Capital grants and gifts increased due to the donation of land for the Campbell County Higher Education Center from the Roane State Community College Foundation.

**Roane State Community College Foundation
Revenues by Source
(in thousands)**



For FY 2005:

- The Roane State Community College Foundation’s operating gifts and contribution revenue decreased due to a \$400,000 decline in individual gifts received that were in excess of \$500,000.
- Nonoperating gifts and contributions increased due to establishment of five new endowments and significant additions to existing endowments.
- Investment income decreased due to a decline in funds available for investment due to transfer of over \$2 million to the college for capital projects and a decline in unrealized market gains.

For FY 2004:

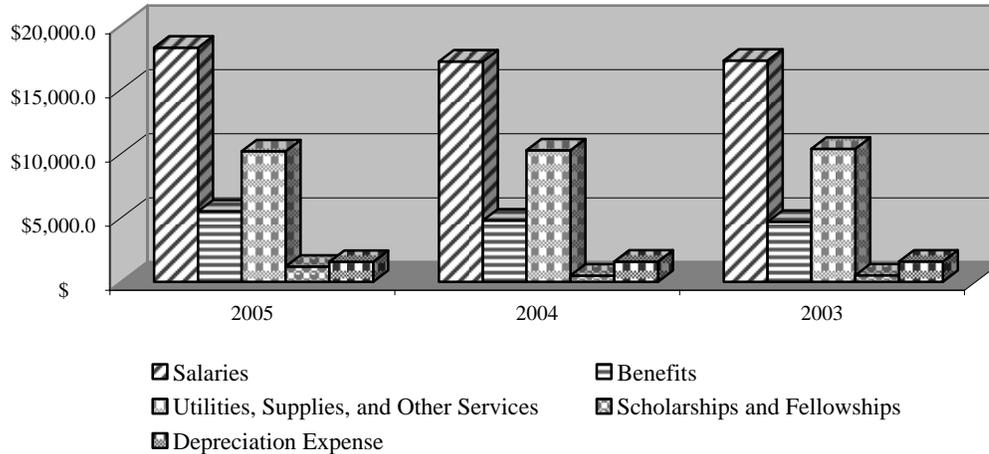
- Operating gifts and contribution revenue increased primarily due a \$1,000,000 bequest for the Campbell County Higher Education Center.
- Investment income increased significantly due to unrealized gains in the market value of investments.
- Capital gifts decreased due to a contribution of land for use as the site for the Campbell County Higher Education Center in FY 2003.

Expenses

Operating expenses can be displayed in two formats, natural classification and functional classification. Both formats are displayed below.

| | 2005 | 2004 | 2003 |
|---|-------------------|-------------------|-------------------|
| Salaries | \$18,266.2 | \$17,186.8 | \$17,249.3 |
| Benefits | 5,492.9 | 4,785.4 | 4,676.4 |
| Utilities, supplies, and other services | 10,177.7 | 10,250.4 | 10,370.5 |
| Scholarships and fellowships | 1,185.9 | 482.3 | 500.8 |
| Depreciation | 1,558.3 | 1,575.1 | 1,582.9 |
| Total operating expenses | \$36,681.0 | \$34,280.0 | \$34,379.9 |

**College
Expenses by Natural Classification
(in thousands)**



For FY 2005:

- Operating expenses increased significantly from 2004.
- Salaries increased significantly due to a 3% across-the-board salary increase in July 2004, a one-time state-mandated bonus of \$70 per year of service up to a maximum of 25 years paid in October 2004, a one-time bonus of 1% or \$300 whichever was greater paid in November 2004, and a 1.5% average salary increase in January 2005.
- Benefits increased due to the recurring and nonrecurring salary increases, an increase in the retirement contribution rate from 7.29% to 10.54% for employees in the Tennessee Consolidated Retirement System, and increases in group medical insurance benefit premiums.
- Utilities, supplies, and other services decreased due to reductions in funds expended for noncapitalized equipment and projects.
- Scholarships and fellowships increased significantly due to the new state lottery scholarship program.

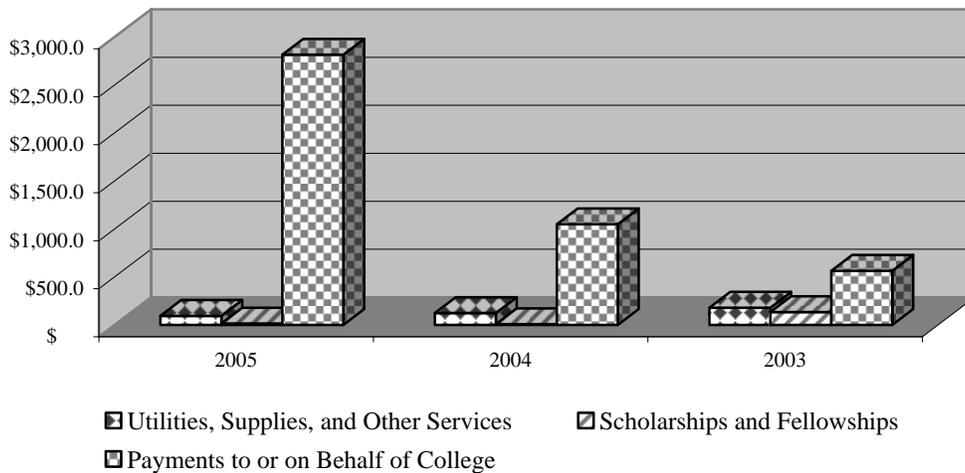
For FY 2004:

- Overall, operating expenses declined slightly from 2003.
- Benefits increased slightly primarily because of increases in group medical insurance benefit costs.
- Utilities, supplies, and other services decreased due to reductions in funds expended for travel due to the loss in 2004 of contract funding for operation of the Families First Program in selected counties in the college's service delivery area and reductions in funds expended for noncapitalized equipment and projects.

**Roane State Community College Foundation
Operating Expenses by Natural Classification
(in thousands of dollars)**

| | 2005 | 2004 | 2003 |
|---|------------------|------------------|----------------|
| Utilities, supplies, and other services | \$ 94.5 | \$ 123.3 | \$ 181.1 |
| Scholarships and fellowships | 14.9 | 8.1 | 131.9 |
| Payments to or on behalf of college | 2,814.9 | 1,048.0 | 563.7 |
| Total operating expenses | \$2,924.3 | \$1,179.4 | \$876.7 |

**Roane State Foundation
Expenses by Natural Classification
(in thousands)**



For FY 2005:

- Payments to or on behalf of the college increased significantly due to the transfer of \$2,005,000 to the college for the Campbell County Higher Education Center construction project, \$70,000 for the Oak Ridge Parking Expansion project, payments totaling \$175,000 to a local contractor for completion of the Scott County Library Expansion project, and payments in excess of \$196,000 to vendors and suppliers for the college's Fentress County Center project.

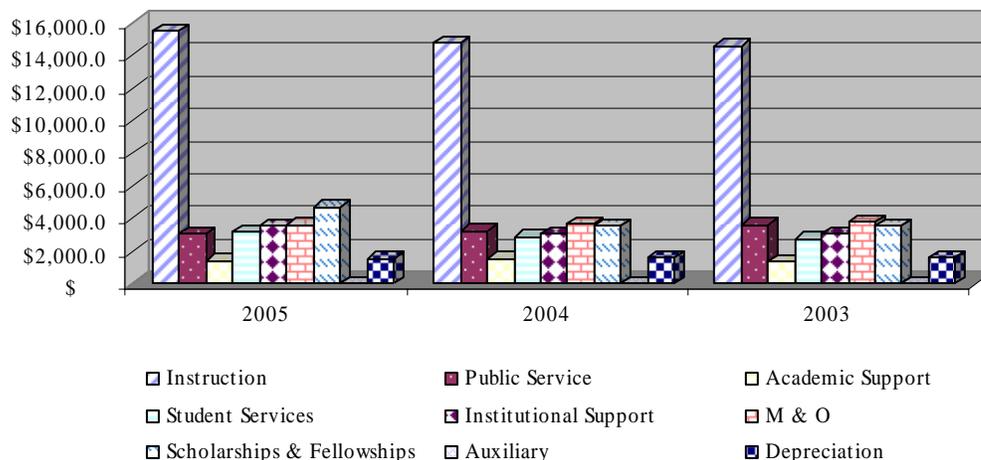
For FY 2004:

- Payments to or on behalf of the college increased primarily due to the transfer of land valued at \$635,000 to the college for use as the site for the Campbell County Higher Education Center in 2004 and a \$231,500 payment in 2003 for design services for the Campbell County Higher Education Center project.

**College
Operating Expenses by Functional Classification
(in thousands of dollars)**

| | 2005 | 2004 | 2003 |
|---------------------------------|-------------------|-------------------|-------------------|
| Instruction | \$15,503.4 | \$14,763.2 | \$14,605.6 |
| Public service | 3,059.3 | 3,220.6 | 3,592.6 |
| Academic support | 1,443.5 | 1,525.7 | 1,336.1 |
| Student services | 3,167.0 | 2,890.1 | 2,779.1 |
| Institutional support | 3,546.6 | 3,054.6 | 3,084.1 |
| Operation and maintenance | 3,639.8 | 3,643.1 | 3,819.6 |
| Scholarships and fellowships | 4,727.9 | 3,570.1 | 3,544.0 |
| Auxiliaries | 35.2 | 37.5 | 35.9 |
| Depreciation | 1,558.3 | 1,575.1 | 1,582.9 |
| Total operating expenses | \$36,681.0 | \$34,280.0 | \$34,379.9 |

**College
Expenses by Functional Classification
(in thousands)**



For FY 2005:

- Instruction increased due to recurring and nonrecurring salary increases, an increase in the retirement contribution rate for employees in the Tennessee Consolidated Retirement System, and increases in group medical insurance benefit premiums.
- Public service decreased due to a decline in Workforce Investment Act funding for operation of county offices and career centers in seven counties.
- Academic support decreased primarily due to a decline in funds expended for technology access fee projects.
- Student services increased due to recurring and nonrecurring salary increases, an increase in the retirement contribution rate for employees in the Tennessee Consolidated Retirement System, increases in group medical insurance benefit premiums, increases in athletic and out-of-state performance scholarships, increases in academic service scholarships, and increases in allocated computer use expenses.
- Institutional support increased due to recurring and nonrecurring salary increases, an increase in the retirement contribution rate for employees in the Tennessee Consolidated Retirement System, increases in group medical insurance benefit premiums, expenses for hosting the March 2005 Tennessee Board of Regents meeting, increases in bad debt expenses, and increases in allocated computer use expenses.
- Maintenance and operations of plant declined overall due to a significant decrease in noncapitalized plant expenses which was partially offset by recurring and nonrecurring salary increases, an increase in the retirement contribution rate for employees in the Tennessee Consolidated Retirement System, increases in group medical insurance benefit premiums, and increases in utilities costs.
- Scholarships and fellowships increased significantly due to the new state lottery scholarship program.

For FY 2004:

- Increased purchases from technology access fee funding caused an increase in academic support.
- Public service declined due to the loss of contract funding for the operation of the Families First Program in selected counties in the college's service delivery area.
- Maintenance and operations of plant declined due to decreases in noncapitalized plant expenses.

The Statement of Cash Flows

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

**College
Statement of Cash Flows
(in thousands of dollars)**

| | 2005 | 2004 | 2003 |
|--|-------------------|-------------------|-------------------|
| Cash provided (used) by: | | | |
| Operating activities | \$(23,207.4) | \$(21,499.0) | \$(16,883.1) |
| Noncapital financing activities | 24,931.9 | 21,649.7 | 17,224.0 |
| Capital and related financing activities | 1,291.9 | 31.1 | 474.3 |
| Investing activities | 211.9 | 73.2 | 104.3 |
| Net increase in cash | 3,228.3 | 255.0 | 919.5 |
| Cash, beginning of year | 7,325.7 | 7,070.7 | 6,151.2 |
| Cash, end of year | \$10,554.0 | \$ 7,325.7 | \$ 7,070.7 |

For FY 2005:

- Major sources of operating cash for the college include:
 - tuition and fees which increased due to increases in maintenance fee rates, and
 - grants and contracts which increased slightly.
- Major uses of operating cash include:
 - payments to employees which increased significantly due to recurring and nonrecurring salary increases,

- payments for benefits which increased due to recurring and nonrecurring salary increases, an increase in the contribution rate for Tennessee Consolidated Retirement System participants, and an increase in group medical insurance benefit costs,
- payments to suppliers and vendors which declined due to reductions in funds expended for noncapitalized equipment and projects, and
- payments for scholarships and fellowships which increased significantly due to the new state lottery scholarship program.
- Cash provided by noncapital financing activities increased due to increases in state appropriations provided for recurring and nonrecurring salary increases and benefit rate changes, increases in gifts and grants due to the new state lottery scholarship program and reclassification of Tennessee Student Assistance Corporation grants from agency funds to nonoperating, and increases in funds held on deposit for the Tennessee Technology Centers.
- Cash provided by capital financing activities increased overall due to capital grants and gifts received for the Campbell County Higher Education Center construction project and proceeds from commercial paper borrowing for the Banner Enterprise Resource Planning project.
- Cash provided by investing activities increased due to an increase in investment income resulting from higher interest rates and increases in funds available for investment.
- Overall, the college's liquidity improved significantly for the year.

For FY 2004:

- Major sources of operating cash for the college are tuition and fees which increased significantly due to increases in maintenance fee and technology access fee rates and grants and contracts which declined significantly due to reclassification of the Pell and Supplemental Educational Opportunity Grant programs to noncapital financing activities.
- Major uses of operating cash include payments to employees, payments for benefits, and payments to suppliers and vendors all of which remained at approximately the same levels as 2003.
- Cash provided by noncapital financing activities increased due to the reclassification of the Pell and Supplemental Educational Opportunity Grant programs to noncapital financing activities and decreases in state appropriations due to a reduction in base funding for 2004.
- Cash provided by capital and related financing activities declined due to reductions in state appropriations for capital additions and other similar projects and increases in purchases of capital assets and construction.
- Cash provided by investing activities decreased due to a reduction in investment income due to low interest rates.
- Overall, the college's liquidity improved slightly for the year.

Capital Assets and Debt Administration

Capital Assets - College

At June 30, 2005, the college had \$36,303,201 invested in capital assets, net of accumulated depreciation of \$19,484,009. At June 30, 2004, the college had \$36,353,069 invested in capital assets, net of accumulated depreciation of \$18,066,611. At June 30, 2003, the college had \$36,848,958 invested in capital assets, net of accumulated depreciation of \$16,657,692. Depreciation charges totaled \$1,558,313 for the current fiscal year; \$1,575,085 for the year ended June 30, 2004; and \$1,582,960 for the year ended June 30, 2003. Details of these assets are shown below.

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

| | 2005 | 2004 | 2003 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Land | \$ 3,397.0 | \$ 3,390.2 | \$ 2,748.5 |
| Land improvements and infrastructure | 414.2 | 451.0 | 487.9 |
| Buildings | 29,952.2 | 30,910.1 | 32,037.0 |
| Equipment | 1,034.2 | 890.7 | 992.8 |
| Library holdings | 562.3 | 573.5 | 582.7 |
| Projects in progress | 943.3 | 137.6 | - |
| Total capital assets, net | \$36,303.2 | \$36,353.1 | \$36,848.9 |

- For FY 2005, net capital assets declined by \$49,868. Major changes for the year included an increase in the Scott County Higher Education Center of \$175,000 for the library expansion; additions to projects in progress totaling \$805,700 for the Campbell County Higher Education Center project, Oak Ridge Parking Expansion project, and the Banner Enterprise Resource Planning software project; capitalized equipment purchases totaling \$408,100; and additions to the college's library holdings totaling \$113,967. Accumulated depreciation increased by \$1,558,313.
- For FY 2004, net capital assets declined by \$495,889. Major changes for the year included a land donation from the Roane State Community College Foundation totaling \$635,000; an increase in projects in progress totaling \$137,608 for the Campbell County Higher Education Center project; capitalized equipment purchases totaling \$190,082; and additions to the college's library holdings totaling \$111,594. Accumulated depreciation increased by \$1,575,085.

- For FY 2006, one new major capital asset addition is projected. The college plans to secure project approval, design, bid, and begin construction of a new off-campus facility in Morgan County. The cost of this project, excluding the land donation, is estimated at \$1.25 million and will be funded from private contributions. The college also plans to complete construction of the Campbell County Higher Education Center and Oak Ridge Parking Expansion projects. These projects, totaling \$2,371,500 and \$380,000, respectively, are also primarily funded from private contributions. A state capital maintenance appropriation totaling \$360,000 was authorized during FY 2005 to reroof the Library Building and Gymnasium. This project has been bid and is expected to be completed during FY 2006. A state capital maintenance appropriation totaling \$400,000 has been authorized for FY 2006 to renovate science laboratories on the Roane County Campus.

More detailed information about the college's capital assets is presented in Note 6 to the financial statements.

Capital Assets - Roane State Community College Foundation

At June 30, 2005, and June 30, 2004, the foundation had \$50,305 invested in capital assets. At June 30, 2003, the foundation had \$735,305 invested in capital assets. There were no depreciation charges for the three fiscal years. Details of these assets are shown below.

**Roane State Community College Foundation
Schedule of Capital Assets (in thousands of dollars)**

| | 2005 | 2004 | 2003 |
|-----------------------------|---------------|---------------|----------------|
| Land | \$ 6.5 | \$ 6.5 | \$641.5 |
| Equipment | - | - | 50.0 |
| Other capital assets | 43.8 | 43.8 | 43.8 |
| Total capital assets | \$50.3 | \$50.3 | \$735.3 |

- For FY 2004, the foundation's capital assets declined by \$685,000 due to transfer of land valued at \$635,000 to the college and disposal of equipment.

More detailed information about the foundation's capital assets is presented in Note 15 to the financial statements.

Debt

At June 30, 2005, the college had \$452,800 in debt outstanding. At June 30, 2004, the college had \$75,000 in debt outstanding. At June 30, 2003, the college had \$156,898 in debt outstanding. The table below summarizes these amounts by type of debt instrument.

College Schedule of Outstanding Debt (in thousands of dollars)

| | 2005 | 2004 | 2003 |
|-------------------------------|----------------|---------------|----------------|
| Loan payable | \$ - | \$ - | \$ 31.9 |
| Commercial paper | 452.8 | 75.0 | 125.0 |
| Total outstanding debt | \$452.8 | \$75.0 | \$156.9 |

- During FY 2005, the college borrowed \$452,800 from the Tennessee State School Bond Authority commercial paper program for the purchase of the Banner Enterprise Resource Planning software system. Indebtedness was reduced by \$75,000 through annual debt service payments.
- During FY 2004, the college did not issue any new debt. Indebtedness was reduced by \$81,898 through annual debt service payments.

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

The Roane State Community College Foundation does not have any outstanding debt.

Economic Factors That Will Affect the Future

While Tennessee's economy has continued to improve, due to other state needs, the Tennessee legislature did not approve an increase in the college's base operating appropriation for FY 2006. The legislature did approve a 3% across-the-board salary increase for college employees effective July 1, 2004, but only provided funding to cover two-thirds of the increase and required the college to cover approximately one-third of the increase from institutional funds. The college's governing board, the Tennessee Board of Regents, approved a 9.7% increase in maintenance and out-of-state tuition fees to cover the college's portion of this increase and other operating needs for FY 2006. This increase is expected to generate approximately \$830,000 in additional operating revenues if enrollment remains at FY 2005 levels.

The Roane State Community College Foundation began the Invest in the Vision Campaign in October 2003 to raise \$5-6 million for scholarships, faculty development, health sciences, and individual campus projects. To date, approximately \$3.9 million has been given or pledged for this campaign.

The college is not aware of any other factors, decisions, or conditions that are expected to have a significant impact on the financial position or results of operations for FY 2006.

Requests for Information

This financial report is designed to provide a general overview of the institution's finances for all those with an interest in the college's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Assistant Vice President for Fiscal and Auxiliary Services, Roane State Community College, 276 Patton Lane, Harriman, Tennessee 37748.

**TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF NET ASSETS
JUNE 30, 2005, AND JUNE 30, 2004**

| | Roane State Community College | | Component Unit Roane State Community College Foundation | |
|---|-------------------------------|-------------------------|--|------------------------|
| | June 30, 2005 | June 30, 2004 | June 30, 2005 | June 30, 2004 |
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents (Notes 2, 3, and 15) | \$ 5,163,543.16 | \$ 4,079,518.70 | \$ 154,162.87 | \$ 1,174,510.55 |
| Short-term investments (Notes 3, 4, and 15) | - | 18,347.55 | 199,134.46 | 510,999.33 |
| Accounts, notes, and grants receivable (net) (Note 5) | 1,334,064.66 | 1,624,204.46 | - | 2,646.52 |
| Pledges receivable (net) (Note 15) | - | - | 1,510,857.01 | 246,959.30 |
| Inventories | 6,551.61 | 10,608.63 | - | - |
| Prepaid expenses and deferred charges | 21,362.48 | 18,514.88 | - | - |
| Accrued interest receivable | - | 368.21 | - | - |
| Other | 500.00 | 500.00 | - | - |
| Total current assets | <u>6,526,021.91</u> | <u>5,752,062.43</u> | <u>1,864,154.34</u> | <u>1,935,115.70</u> |
| Noncurrent assets: | | | | |
| Cash and cash equivalents (Notes 2, 3, and 15) | 5,390,471.34 | 3,246,166.44 | - | - |
| Investments (Note 15) | - | - | 4,899,785.78 | 5,350,146.75 |
| Accounts, notes, and grants receivable (net) | - | - | 66,465.95 | 61,474.12 |
| Pledges receivable (net) (Note 15) | - | - | 353,229.42 | 465,012.28 |
| Capital assets (net) (Notes 6 and 15) | 36,303,201.12 | 36,353,069.05 | 50,305.00 | 50,305.00 |
| Total noncurrent assets | <u>41,693,672.46</u> | <u>39,599,235.49</u> | <u>5,369,786.15</u> | <u>5,926,938.15</u> |
| Total assets | <u>48,219,694.37</u> | <u>45,351,297.92</u> | <u>7,233,940.49</u> | <u>7,862,053.85</u> |
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable | 571,279.82 | 422,920.42 | 22,757.70 | 5,384.00 |
| Accrued liabilities | 958,349.26 | 1,022,505.96 | - | - |
| Deferred revenue | 395,976.87 | 461,054.85 | - | - |
| Compensated absences (Note 7) | 326,028.31 | 259,387.19 | - | - |
| Accrued interest payable | 1,112.31 | 91.25 | - | - |
| Long-term liabilities, current portion (Note 7) | 90,560.00 | 75,000.00 | - | - |
| Deposits held in custody for others | 1,473,691.15 | 1,078,102.68 | - | - |
| Other liabilities (Note 15) | 237,309.07 | 239,528.39 | 1,553.30 | 1,562.38 |
| Total current liabilities | <u>4,054,306.79</u> | <u>3,558,590.74</u> | <u>24,311.00</u> | <u>6,946.38</u> |
| Noncurrent liabilities: | | | | |
| Compensated absences (Note 7) | 687,968.31 | 670,735.01 | - | - |
| Long-term liabilities (Note 7) | 362,240.00 | - | - | - |
| Due to grantor (Note 7) | 2,449.76 | 2,047.72 | - | - |
| Other liabilities (Note 15) | - | - | 7,581.89 | 8,032.17 |
| Total noncurrent liabilities | <u>1,052,658.07</u> | <u>672,782.73</u> | <u>7,581.89</u> | <u>8,032.17</u> |
| Total liabilities | <u>5,106,964.86</u> | <u>4,231,373.47</u> | <u>31,892.89</u> | <u>14,978.55</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 35,850,401.12 | 36,278,069.05 | 50,305.00 | 50,305.00 |
| Restricted for: | | | | |
| Nonexpendable: | | | | |
| Scholarships and fellowships | - | - | 2,399,414.30 | 1,872,525.25 |
| Other | 18,547.55 | 18,447.55 | 546,934.98 | 695,206.24 |
| Expendable: | | | | |
| Scholarships and fellowships (Note 8) | 6,038.47 | 6,680.44 | 524,946.75 | 420,237.36 |
| Instructional department uses | 56,947.81 | 30,989.11 | - | - |
| Loans | 39,810.62 | 39,265.95 | - | - |
| Capital projects | 2,240,127.47 | 553,114.70 | 1,198,250.00 | 1,994,023.54 |
| Debt service | 104,975.98 | 35,195.95 | - | - |
| Other | 170,797.93 | 128,033.38 | 1,903,612.07 | 2,183,971.56 |
| Unrestricted (Note 9) | 4,625,082.56 | 4,030,128.32 | 578,584.50 | 630,806.35 |
| Total net assets | <u>\$ 43,112,729.51</u> | <u>\$ 41,119,924.45</u> | <u>\$ 7,202,047.60</u> | <u>\$ 7,847,075.30</u> |

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

**TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004**

| | Roane State Community College | | Component Unit Roane State Community College Foundation | |
|--|-------------------------------|-----------------------------|--|-----------------------------|
| | Year Ended June 30, 2005 | Year Ended June 30, 2004 | Year Ended June 30, 2005 | Year Ended June 30, 2004 |
| REVENUES | | | | |
| Operating revenues: | | | | |
| Student tuition and fees (net of scholarship allowances of \$3,933,649.06 for the year ended June 30, 2005, and \$3,491,063.49 for the year ended June 30, 2004) | \$ 6,957,837.91 | \$ 6,650,916.07 | \$ - | \$ - |
| Gifts and contributions | - | - | 1,558,649.20 | 1,914,785.24 |
| Governmental grants and contracts | 3,603,149.67 | 4,042,280.60 | - | - |
| Nongovernmental grants and contracts | 49,159.52 | 39,000.00 | - | - |
| Sales and services of educational departments | 5,163.84 | 6,862.51 | - | - |
| Auxiliary enterprises: | | | | |
| Bookstore | 208,738.00 | 182,472.00 | - | - |
| Food service | 11,606.83 | 12,366.16 | - | - |
| Other auxiliaries | 51.82 | - | - | - |
| Interest earned on loans to students | 19.20 | 35.46 | - | - |
| Other operating revenues | 465,342.96 | 459,428.61 | - | - |
| Total operating revenues | <u>11,301,069.75</u> | <u>11,393,361.41</u> | <u>1,558,649.20</u> | <u>1,914,785.24</u> |
| EXPENSES | | | | |
| Operating expenses (Note 14): | | | | |
| Salaries and wages | 18,266,238.45 | 17,186,800.20 | - | - |
| Benefits | 5,492,891.35 | 4,785,441.54 | - | - |
| Utilities, supplies, and other services | 10,177,678.97 | 10,250,401.83 | 94,502.09 | 123,293.44 |
| Scholarships and fellowships | 1,185,926.19 | 482,312.56 | 14,964.47 | 8,079.45 |
| Depreciation expense | 1,558,313.49 | 1,575,085.15 | - | - |
| Payments to or on behalf of Roane State Community College (Note 15) | - | - | 2,814,878.97 | 1,048,048.74 |
| Total operating expenses | <u>36,681,048.45</u> | <u>34,280,041.28</u> | <u>2,924,345.53</u> | <u>1,179,421.63</u> |
| Operating income (loss) | <u>(25,379,978.70)</u> | <u>(22,886,679.87)</u> | <u>(1,365,696.33)</u> | <u>735,363.61</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| State appropriations | 16,741,000.00 | 15,785,100.00 | - | - |
| Gifts, including \$532,878.97 from component unit for the year ended June 30, 2005, and \$388,048.74 for the year ended June 30, 2004) | 698,286.35 | 550,726.99 | 364,662.45 | 77,470.28 |
| Grants and contracts | 7,442,674.38 | 5,572,421.56 | - | - |
| Investment income (net of investment expense of \$30,586.37 for the component unit for the year ended June 30, 2005, and \$30,392.48 for the year ended June 30, 2004) | 193,214.01 | 73,164.76 | 320,117.37 | 482,628.60 |
| Interest on capital asset-related debt | (5,818.16) | (2,309.54) | - | - |
| Other nonoperating revenues (expenses) | (9,623.54) | (13,033.39) | 3,888.81 | 9,120.76 |
| Net nonoperating revenues | <u>25,059,733.04</u> | <u>21,966,070.38</u> | <u>688,668.63</u> | <u>569,219.64</u> |
| Income (loss) before other revenues, expenses, gains, or losses | <u>(320,245.66)</u> | <u>(920,609.49)</u> | <u>(677,027.70)</u> | <u>1,304,583.25</u> |
| Capital appropriations | 33,171.90 | 525,436.48 | - | - |
| Capital grants and gifts, including \$2,282,000.00 from component unit for the year ended June 30, 2005, and \$660,000.00 for the year ended June 30, 2004 | 2,282,000.00 | 671,188.46 | 32,000.00 | 25,000.00 |
| Other | (2,121.18) | (936.83) | - | (45,000.00) |
| Total other revenues | <u>2,313,050.72</u> | <u>1,195,688.11</u> | <u>32,000.00</u> | <u>(20,000.00)</u> |
| Increase (decrease) in net assets | <u>1,992,805.06</u> | <u>275,078.62</u> | <u>(645,027.70)</u> | <u>1,284,583.25</u> |
| NET ASSETS | | | | |
| Net assets - beginning of year | 41,119,924.45 | 40,844,845.83 | 7,847,075.30 | 6,562,492.05 |
| Net assets - end of year | <u>\$ 43,112,729.51</u> | <u>\$ 41,119,924.45</u> | <u>\$ 7,202,047.60</u> | <u>\$ 7,847,075.30</u> |

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

**TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004**

| | Year Ended <u>June 30, 2005</u> | Year Ended <u>June 30, 2004</u> |
|---|------------------------------------|------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Tuition and fees | \$ 7,027,705.40 | \$ 6,631,288.44 |
| Grants and contracts | 3,742,173.99 | 3,685,721.20 |
| Sales and services of educational activities | 5,163.84 | 6,862.51 |
| Payments to suppliers and vendors | (9,764,750.72) | (10,153,170.94) |
| Payments to employees | (18,226,027.36) | (16,866,945.74) |
| Payments for benefits | (5,499,235.54) | (4,969,214.12) |
| Payments for scholarships and fellowships | (1,185,212.82) | (483,067.55) |
| Loans issued to students | (105,686.98) | (63,585.31) |
| Collection of loans from students | 111,127.48 | 59,535.81 |
| Interest earned on loans to students | (129.04) | (166.04) |
| Auxiliary enterprise charges: | | |
| Bookstore | 208,738.00 | 182,472.00 |
| Food services | 11,615.54 | 12,959.44 |
| Other auxiliaries | 46.20 | - |
| Other receipts (payments) | 467,070.45 | 458,369.44 |
| Net cash used by operating activities | <u>(23,207,401.56)</u> | <u>(21,498,940.86)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| State appropriations | 16,736,600.00 | 15,787,300.00 |
| Gifts and grants received for other than capital purposes, including \$275,977.99 from Roane State Community College Foundation for the year ended June 30, 2005, and \$316,953.41 for the year ended June 30, 2004 | 7,816,534.21 | 5,924,993.21 |
| Private gifts for endowment purposes | 100.00 | 225.00 |
| Federal student loan receipts | 200.00 | 251.15 |
| Changes in deposits held for others | 388,160.03 | (50,073.40) |
| Other noncapital financing receipts (payments) | (9,723.54) | (13,033.39) |
| Net cash provided by noncapital financing activities | <u>24,931,870.70</u> | <u>21,649,662.57</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital appropriations | 33,171.90 | 525,436.48 |
| Capital grants and gifts received | 2,072,154.05 | - |
| Proceeds from capital debt | 452,800.00 | - |
| Purchases of capital assets and construction | (1,185,942.39) | (409,709.59) |
| Principal paid on capital debt | (75,000.00) | (81,898.01) |
| Interest paid on capital debt | (4,797.10) | (2,362.89) |
| Deposit with trustee | (1,684.99) | 223.00 |
| Other capital and related financing receipts (payments) | 1,228.98 | (602.92) |
| Net cash provided by capital and related financing activities | <u>1,291,930.45</u> | <u>31,086.07</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 18,347.55 | - |
| Income on investments | 193,582.22 | 73,218.66 |
| Net cash provided by investing activities | <u>211,929.77</u> | <u>73,218.66</u> |
| Net increase in cash | 3,228,329.36 | 255,026.44 |
| Cash - beginning of year | 7,325,685.14 | 7,070,658.70 |
| Cash - end of year | <u>\$ 10,554,014.50</u> | <u>\$ 7,325,685.14</u> |

**TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004**

| | Year Ended <u>June 30, 2005</u> | Year Ended <u>June 30, 2004</u> |
|---|------------------------------------|------------------------------------|
| Reconciliation of operating loss to net cash used by operating activities: | | |
| Operating loss | \$ (25,379,978.70) | \$ (22,886,679.87) |
| Adjustments to reconcile operating loss to net cash used by operating activities: | | |
| Depreciation expense | 1,558,313.49 | 1,575,085.15 |
| Gifts in-kind | 344,370.15 | 174,118.77 |
| Change in assets and liabilities: | | |
| Receivables, net | 270,233.08 | (456,335.80) |
| Inventories | 4,057.02 | (3,069.71) |
| Prepaid/deferred items | (1,162.61) | (2,549.51) |
| Accounts payable | 28,853.17 | 229,396.96 |
| Accrued liabilities | (64,156.70) | (109,917.27) |
| Deferred revenue | (65,077.98) | (23,123.59) |
| Due to grantor | 11,280.90 | 393.25 |
| Compensated absences | 83,874.42 | 22,023.67 |
| Loans to students | 5,440.50 | (4,049.50) |
| Other | (3,448.30) | (14,233.41) |
| Net cash used by operating activities | <u>\$ (23,207,401.56)</u> | <u>\$ (21,498,940.86)</u> |
| NONCASH TRANSACTIONS | | |
| In-kind gifts - operating | \$ 344,370.15 | \$ 174,118.77 |
| In-kind gifts - capital items | \$ 209,854.95 | \$ 671,188.46 |

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

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements
June 30, 2001, and June 30, 2000**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The Roane State Community College Foundation is considered a component unit of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements. See Note 15 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In June 1999, the GASB issued Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This was followed in November 1999 by GASB Statement 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, and in May 2002, by GASB Statement 39, *Determining Whether Certain Organizations Are Component Units*. The financial statement presentation required by those statements provides a comprehensive, entity-wide perspective of the college's, including component unit's, assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant interfund transactions have been eliminated.

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

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

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

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

Cash Equivalents

This classification includes instruments which 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 on a first-in, first-out basis.

Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004

Compensated Absences

The college's employees accrue annual leave at varying rates, depending on length of service or classification. Some employees also earn compensatory time. The amount of these liabilities and their related benefits are reported in the statement of net assets.

Capital Assets

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

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

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

Under a contract with the Tennessee Department of Labor and Workforce Development, the college is a service provider for the Local Workforce Investment Area in workforce investment area 4 of the State of Tennessee. The title to all the equipment purchased by the college under the provisions of the Workforce Investment Act resides with the U.S. government. Therefore, this equipment is not included in the college's capital assets.

Net Assets

The college's net assets are classified as follows:

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

Nonexpendable restricted net assets - Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be expendable or added to principal.

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

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

Scholarship Discounts and Allowances

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

NOTE 2. CASH

At June 30, 2005, cash consisted of \$737,947.58 in bank accounts, \$8,325.00 of petty cash on hand, \$7,614,124.87 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$2,193,617.05 in LGIP deposits for capital projects. At June 30, 2004, cash consisted of \$534,206.48 in bank accounts, \$7,825.00 of petty cash on hand, \$6,689,675.43 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and \$93,978.23 in LGIP deposits for capital projects.

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

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

NOTE 3. DEPOSITS

During the year ended June 30, 2005, the college implemented GASB Statement 40, *Deposit and Investment Risk Disclosures*. That statement modified the custodial credit risk disclosures of GASB Statement 3 to limit required disclosures to deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution's trust department or agent but not in the college's name.

Some of the college's deposits are in financial institutions that 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.

At June 30, 2005, the carrying amount of the college's deposits in financial institutions participating in the collateral pool was \$698,531.34, and the bank balance was \$1,506,776.09. The bank balance was insured. At June 30, 2004, the carrying amount of the college's deposits in financial institutions participating in the collateral pool was \$458,612.55, and the bank balance including accrued interest was \$1,194,907.38. The bank balance was insured.

The laws of the State of Tennessee require that collateral be pledged to secure all uninsured deposits. Tennessee Board of Regents policies require that the market value of collateral pledged equal 115%, 100%, or 90% of the uninsured deposits at financial institutions participating in the collateral pool and 105% of the uninsured

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

deposits at all other financial institutions. The pledge level for financial institutions participating in the collateral pool is based on financial criteria set by the Collateral Pool Board with the financially strongest institutions being eligible for the lowest pledge level.

At June 30, 2005, the carrying amount of the college's deposits was \$737,947.58, and the bank balance was \$1,546,192.33. The bank balance was insured.

For the year ended June 30, 2004, deposits with financial institutions are required to be categorized to indicate the level of risk assumed by the college. Category 1 consists of deposits that are insured or collateralized with securities held by the college or by its agent in the college's name. Category 2 consists of deposits collateralized with securities held by the pledging financial institution's trust department or agent in the college's name. Category 3 deposits are uncollateralized. This category includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the college's name.

At June 30, 2004, the carrying amount of the college's deposits was \$552,554.03, and the bank balance including accrued interest was \$1,289,217.07. The bank balance was category 1.

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 required risks disclosures are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

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'

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

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.

Investments are valued at fair value. The college's investments at June 30, 2004, consisted of a certificate of deposit with an original maturity greater than three months. It has been included with other deposits in Note 3 to determine the custodial credit risk.

NOTE 5. RECEIVABLES

Receivables included the following:

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|--------------------------------------|-----------------------|-----------------------|
| Student accounts receivable | \$ 571,912.14 | \$ 474,882.73 |
| Grants receivable | 886,786.00 | 1,033,793.22 |
| Notes receivable | 15.00 | 5,455.50 |
| State appropriation receivable | 34,700.00 | 30,300.00 |
| Other receivables | <u>254,845.04</u> | <u>389,326.19</u> |
| Subtotal | 1,748,258.18 | 1,933,757.64 |
| Less allowance for doubtful accounts | <u>(414,193.52)</u> | <u>(309,553.18)</u> |
| Total receivables | <u>\$1,334,064.66</u> | <u>\$1,624,204.46</u> |

Federal Perkins Loan Program funds included the following:

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|--------------------------------------|----------------------|----------------------|
| Perkins loans receivable | \$16,904.76 | \$16,956.52 |
| Less allowance for doubtful accounts | <u>(16,904.76)</u> | <u>(16,956.52)</u> |
| Total | <u>\$ -</u> | <u>\$ -</u> |

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Transfers</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|------------------------------|-----------------------|------------------|--------------------|---------------------------|
| Land | \$ 3,390,156.04 | \$ 6,800.00 | \$ - | \$ - | \$ 3,396,956.04 |
| Land improvements and infrastructure | 1,296,315.33 | - | - | - | 1,296,315.33 |
| Buildings | 43,484,487.29 | 175,000.00 | - | - | 43,659,487.29 |
| Equipment | 4,920,033.65 | 408,100.24 | - | 67,931.00 | 5,260,202.89 |
| Library holdings | 1,191,079.67 | 113,966.80 | - | 74,105.77 | 1,230,940.70 |
| Projects in progress | <u>137,608.20</u> | <u>805,699.70</u> | <u>-</u> | <u>-</u> | <u>943,307.90</u> |
| Total | <u>54,419,680.18</u> | <u>1,509,566.74</u> | <u>-</u> | <u>142,036.77</u> | <u>55,787,210.15</u> |
| Less accum. depreciation: | | | | | |
| Land improvements and infrastructure | 845,283.77 | 36,825.88 | - | - | 882,109.65 |
| Buildings | 12,574,444.50 | 1,132,793.75 | - | - | 13,707,238.25 |
| Equipment | 4,029,306.93 | 265,599.77 | - | 68,931.00 | 4,225,975.70 |
| Library holdings | <u>617,575.93</u> | <u>123,094.09</u> | <u>-</u> | <u>71,984.59</u> | <u>668,685.43</u> |
| Total accum. depreciation | <u>18,066,611.13</u> | <u>1,558,313.49</u> | <u>-</u> | <u>140,915.59</u> | <u>19,484,009.03</u> |
| Capital assets, net | <u>\$36,353,069.05</u> | <u>\$ (48,746.75)</u> | <u>\$ -</u> | <u>\$ 1,121.18</u> | <u>\$36,303,201.12</u> |

Capital asset activity for the year ended June 30, 2004, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Transfers</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|-------------------|---------------------------|
| Land | \$ 2,748,542.04 | \$ 641,614.00 | \$ - | \$ - | \$ 3,390,156.04 |
| Land improvements and infrastructure | 1,296,315.33 | - | - | - | 1,296,315.33 |
| Buildings | 43,484,487.29 | - | - | - | 43,484,487.29 |
| Equipment | 4,792,320.42 | 190,082.15 | - | 62,368.92 | 4,920,033.65 |
| Library holdings | 1,184,985.06 | 111,593.70 | - | 105,499.09 | 1,191,079.67 |
| Projects in progress | <u>-</u> | <u>137,608.20</u> | <u>-</u> | <u>-</u> | <u>137,608.20</u> |
| Total | <u>53,506,650.14</u> | <u>1,080,898.05</u> | <u>-</u> | <u>167,868.01</u> | <u>54,419,680.18</u> |

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

| | | | | | |
|--------------------------------------|------------------------|------------------------|-------------|--------------------|------------------------|
| Less accum. depreciation: | | | | | |
| Land improvements and infrastructure | 808,457.89 | 36,825.88 | - | - | 845,283.77 |
| Buildings | 11,447,484.08 | 1,126,960.42 | - | - | 12,574,444.50 |
| Equipment | 3,799,485.02 | 292,190.83 | - | 62,368.92 | 4,029,306.93 |
| Library holdings | <u>602,265.49</u> | <u>119,108.02</u> | <u>-</u> | <u>103,797.58</u> | <u>617,575.93</u> |
| Total accum. depreciation | <u>16,657,692.48</u> | <u>1,575,085.15</u> | <u>-</u> | <u>166,166.50</u> | <u>18,066,611.13</u> |
| Capital assets, net | <u>\$36,848,957.66</u> | <u>\$ (494,187.10)</u> | <u>\$ -</u> | <u>\$ 1,701.51</u> | <u>\$36,353,069.05</u> |

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2005, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|-----------------------------|-----------------------|-----------------------|---------------------|-----------------------|---------------------|
| Payables: | | | | | |
| Commercial paper | <u>\$ 75,000.00</u> | <u>\$ 452,800.00</u> | <u>\$ 75,000.00</u> | <u>\$ 452,800.00</u> | <u>\$ 90,560.00</u> |
| Other liabilities: | | | | | |
| Compensated absences | 930,122.20 | 667,967.91 | 584,093.49 | 1,013,996.62 | 326,028.31 |
| Due to grantor | <u>2,047.72</u> | <u>402.04</u> | <u>-</u> | <u>2,449.76</u> | <u>-</u> |
| Subtotal | <u>932,169.92</u> | <u>668,369.95</u> | <u>584,093.49</u> | <u>1,016,446.38</u> | <u>326,028.31</u> |
| Total long-term liabilities | <u>\$1,007,169.92</u> | <u>\$1,121,169.95</u> | <u>\$659,093.49</u> | <u>\$1,469,246.38</u> | <u>\$416,588.31</u> |

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

Long-term liabilities activity for the year ended June 30, 2004, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Current Portion</u> |
|-----------------------------|------------------------------|---------------------|---------------------|---------------------------|----------------------------|
| Payables: | | | | | |
| Loans | \$ 31,898.01 | \$ - | \$ 31,898.01 | \$ - | \$ - |
| Commercial paper | <u>125,000.00</u> | <u>-</u> | <u>50,000.00</u> | <u>75,000.00</u> | <u>75,000.00</u> |
| Subtotal | <u>156,898.01</u> | <u>-</u> | <u>81,898.01</u> | <u>75,000.00</u> | <u>75,000.00</u> |
| Other liabilities: | | | | | |
| Compensated absences | 908,098.53 | 560,860.55 | 538,836.88 | 930,122.20 | 259,387.19 |
| Due to grantor | <u>1,666.30</u> | <u>381.42</u> | <u>-</u> | <u>2,047.72</u> | <u>-</u> |
| Subtotal | <u>909,764.83</u> | <u>561,241.97</u> | <u>538,836.88</u> | <u>932,169.92</u> | <u>259,387.19</u> |
| Total long-term liabilities | <u>\$1,066,662.84</u> | <u>\$561,241.97</u> | <u>\$620,734.89</u> | <u>\$1,007,169.92</u> | <u>\$334,387.19</u> |

Commercial Paper

The Tennessee State School Bond Authority also authorized the issuance of commercial paper to finance the costs of various capital projects. The amount issued for projects at the college was \$452,800.00 at June 30, 2005, and \$75,000.00 at June 30, 2004.

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

NOTE 8. ENDOWMENTS

If a donor has not provided specific instructions to the college, state law permits the college to authorize for expenditure the earnings of the investments of endowment funds. When administering its power to spend the earnings, the college is required to consider the college's long-term and short-term needs, present and anticipated financial requirements, expected return on its investments, price-level trends, and

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

general economic conditions. Any earnings spent are required to be spent for the purposes for which the endowment was established.

The college chooses to spend only a portion of the investment income each year. Under the spending plan established by the college, accumulated earnings are authorized for expenditure. At June 30, 2005, investment income of \$418.51 is available to be spent. At June 30, 2004, investment income of \$10.48 is available to be spent. These amounts are included in restricted net assets expendable for scholarships and fellowships.

NOTE 9. UNRESTRICTED NET ASSETS

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

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|--------------------------------------|-----------------------|-----------------------|
| Working capital | \$ 276,996.01 | \$ 421,816.15 |
| Encumbrances | 60,828.34 | 140,416.29 |
| Designated fees | 131,678.68 | 51,987.77 |
| Auxiliaries | 847,745.05 | 653,706.18 |
| Plant construction | 1,054,217.18 | 1,032,759.63 |
| Renewal and replacement of equipment | 1,993,895.04 | 1,625,430.66 |
| Unreserved/undesignated | <u>259,722.26</u> | <u>104,011.64</u> |
| Total | <u>\$4,625,082.56</u> | <u>\$4,030,128.32</u> |

NOTE 10. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

Plan Description - The college contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing, multiple-employer, defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement, death,

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

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 10.54% 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, 2005, 2004, and 2003 were \$988,149.34, \$647,020.16, and \$662,901.92. 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

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

the college to the plans was \$594,658.34 for the year ended June 30, 2005, and \$561,903.08 for the year ended June 30, 2004. Contributions met the requirements for each year.

NOTE 11. 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*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140.

NOTE 12. INSURANCE-RELATED ACTIVITIES

It is the policy of the state not to purchase commercial insurance for the risks of losses for general liability, automobile liability, professional malpractice, and workers' compensation. The state's management believes it is more economical to manage these risks internally and set aside assets for claim settlement in its internal service fund, the Risk Management Fund. The state purchases commercial insurance for real property, flood, earthquake, and builder's risk losses and surety bond coverage on the state's officials and employees. The Risk Management Fund is also responsible for claims for damage to state owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from \$25,000 per occurrence, depending on the type of coverage, to an aggregate of \$7.5 million.

The college participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

the claims liabilities for the years ended June 30, 2005, and June 30, 2004, are presented in the *Tennessee Comprehensive Annual Financial Report*. That report may be obtained by writing to the Tennessee Department of Finance and Administration, Division of Accounts, 14th Floor William R. Snodgrass Tennessee Tower, 312 Eighth Avenue North, Nashville, Tennessee 37243-0298, or by calling (615) 741-2140. Since the college participates in the Risk Management Fund, it is subject to the liability limitations under the provisions of the Tennessee Claims Commission Act, *Tennessee Code Annotated*, Section 9-8-101 et seq. Liability for negligence of the college for bodily injury and property damage is limited to \$300,000 per person and \$1,000,000 per occurrence. The limits of liability under workers' compensation are set forth in *Tennessee Code Annotated*, Section 50-6-101 et seq. Claims are paid through the state's Risk Management Fund. At June 30, 2005, the Risk Management Fund held \$114.4 million in cash and cash equivalents designated for payment of claims. At June 30, 2004, the Risk Management Fund held \$101.1 million in cash and cash equivalents designated for payment of claims.

At June 30, 2005, the scheduled coverage for the college was \$53,440,400 for buildings and \$18,862,400 for contents. At June 30, 2004, the scheduled coverage for the college was \$51,585,400 for buildings and \$18,638,700 for contents.

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

NOTE 13. COMMITMENTS AND CONTINGENCIES

Sick Leave - The college records the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee dies or is absent because of illness, injury, or related family death, there is no liability for sick leave at June 30. The dollar amount of unused sick leave was \$5,612,331.81 at June 30, 2005, and \$5,385,315.79 at June 30, 2004.

Operating Leases - The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

operating leases for real property were \$436,872.37 and for personal property were \$121,412.06 for the year ended June 30, 2005. Amounts for the year ended June 30, 2004, were \$431,934.94 and \$103,676.98. The following is a schedule by years of future minimum rental payments required under noncancelable operating leases that have initial or remaining lease terms of more than one year at June 30, 2005:

| Year Ending June 30 | |
|---------------------------------|---------------------|
| 2006 | \$217,790.00 |
| 2007 | 181,947.50 |
| 2008 | <u>170,000.00</u> |
| Total minimum payments required | <u>\$569,737.50</u> |

Construction in Progress - At June 30, 2005, outstanding commitments under construction contracts totaled \$1,854,821.47 for the Campbell County Higher Education Center project, Gym and Library roof repair project, and Oak Ridge Branch parking expansion project, of which \$269,751.52 will be funded by future state capital outlay appropriations.

Litigation - The college is involved in several lawsuits, none of which are expected to have a material effect on the accompanying financial statements.

Contract - In December 2004, the Tennessee Board of Regents system entered into a contract with SungardSCT for the purchase of a comprehensive enterprise resource planning system. The contract includes a multi-year phase-in of administrative software for financial, human resource, and student systems. The college's outstanding liability for this contract is estimated as \$1,133,045.40 at June 30, 2005.

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

NOTE 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses by functional classification for the year ended June 30, 2005, are as follows:

| Functional Classification | Natural Classification | | | | | Total |
|---------------------------|------------------------|-----------------------|------------------------|-----------------------|-----------------------|------------------------|
| | Salaries | Benefits | Other Operating | Scholarships | Depreciation | |
| Instruction | \$10,371,832.13 | \$2,781,956.51 | \$ 2,199,613.25 | \$ 150,060.95 | \$ - | \$15,503,462.84 |
| Public service | 1,446,464.40 | 456,136.20 | 1,155,836.22 | 846.97 | - | 3,059,283.79 |
| Academic support | 1,514,067.25 | 539,834.55 | (621,395.11) | 10,968.71 | - | 1,443,475.40 |
| Student services | 1,579,505.53 | 539,756.05 | 921,026.78 | 126,745.92 | - | 3,167,034.28 |
| Institutional support | 2,126,194.34 | 684,931.09 | 726,690.25 | 8,764.88 | - | 3,546,580.56 |
| Operation & maintenance | 1,039,019.16 | 489,469.10 | 2,110,513.05 | 791.32 | - | 3,639,792.63 |
| Scholar. & fellow. | 189,155.64 | 807.85 | 3,650,153.63 | 887,747.44 | - | 4,727,864.56 |
| Auxiliary | - | - | 35,240.90 | - | - | 35,240.90 |
| Depreciation | - | - | - | - | 1,558,313.49 | 1,558,313.49 |
| Total | \$18,266,238.45 | \$5,492,891.35 | \$10,177,678.97 | \$1,185,926.19 | \$1,558,313.49 | \$36,681,048.45 |

The college's operating expenses by functional classification for the year ended June 30, 2004, are as follows:

| Functional Classification | Natural Classification | | | | | Total |
|---------------------------|------------------------|-----------------------|------------------------|---------------------|-----------------------|------------------------|
| | Salaries | Benefits | Other Operating | Scholarships | Depreciation | |
| Instruction | \$ 9,795,996.82 | \$2,487,031.77 | \$ 2,325,405.91 | \$154,731.86 | \$ - | \$14,763,166.36 |
| Public service | 1,427,706.07 | 396,802.50 | 1,392,886.20 | 3,227.55 | - | 3,220,622.32 |
| Academic support | 1,428,501.29 | 458,243.30 | (379,661.05) | 18,646.92 | - | 1,525,730.46 |
| Student services | 1,428,318.82 | 476,080.98 | 886,736.86 | 98,937.59 | - | 2,890,074.25 |
| Institutional support | 1,961,499.40 | 565,938.84 | 519,445.06 | 7,700.76 | - | 3,054,584.06 |
| Operation & maintenance | 931,957.06 | 400,153.83 | 2,311,040.84 | - | - | 3,643,151.73 |
| Scholar. & fellow. | 212,820.74 | 1,190.32 | 3,157,011.18 | 199,067.88 | - | 3,570,090.12 |
| Auxiliary | - | - | 37,536.83 | - | - | 37,536.83 |
| Depreciation | - | - | - | - | 1,575,085.15 | 1,575,085.15 |
| Total | \$17,186,800.20 | \$4,785,441.54 | \$10,250,401.83 | \$482,312.56 | \$1,575,085.15 | \$34,280,041.28 |

NOTE 15. COMPONENT UNIT

The Roane State Community College Foundation is a legally separate, tax-exempt organization supporting Roane State Community College. The foundation acts primarily as a fund-raising organization to supplement the resources that are available

Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004

to the college in support of its programs. The 25-member board of the foundation is self-perpetuating and consists of graduates and friends of the college. Although the college does not control the timing or amount of receipts from the foundation, the majority of resources, or income thereon, that the foundation holds and invests are restricted to the activities of the college by the donors. Because these restricted resources held by the foundation can only be used by, or for the benefit of, the college, the foundation is considered a component unit of the college and is discretely presented in the college's financial statements.

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

During the year ended June 30, 2005, the foundation made distributions of \$2,814,878.97 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2004, the foundation made distributions of \$1,048,048.74 to or on behalf of the college for both restricted and unrestricted purposes. Complete financial statements for the foundation can be obtained from Roane State Community College Foundation, Inc., 276 Patton Lane, Harriman, Tennessee 37748.

Cash and cash equivalents - Cash and cash equivalents consist of demand deposit accounts and money market funds. Of the bank balances of deposits at June 30, 2005, \$169,000.00 was insured and \$125,162.87 was uninsured. Of the bank balances of deposits at June 30, 2004, \$200,000.00 was insured and \$140,274.18 was uninsured.

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

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

Investments held at June 30, 2005, were as follows:

| | <u>Cost</u> | <u>Market Value</u> |
|---------------------------------------|-----------------------|-----------------------|
| U.S. Treasury bonds | \$ 557,473.46 | \$ 579,422.29 |
| U.S. Treasury notes | 58,616.45 | 58,972.86 |
| Federal Home Loan Banks | 110,091.20 | 110,412.50 |
| Federal Home Loan Mortgage | 139,807.47 | 139,104.47 |
| Federal National Mortgage Association | 137,582.53 | 137,795.42 |
| Certificates of deposit | 140,000.00 | 140,000.00 |
| Corporate stocks | 2,565,884.68 | 3,209,546.75 |
| Corporate bonds | 579,105.93 | 563,912.46 |
| Money market | 117,646.99 | 117,646.99 |
| International stocks | <u>29,274.00</u> | <u>42,106.50</u> |
| Total investments | <u>\$4,435,482.71</u> | <u>\$5,098,920.24</u> |

Investments held at June 30, 2004, were as follows:

| | <u>Cost</u> | <u>Market Value</u> |
|----------------------------|-----------------------|-----------------------|
| Cash and cash equivalents | \$ 87,175.48 | \$ 87,175.48 |
| Equities | 3,045,298.77 | 3,730,272.72 |
| Corporate bonds | 1,023,326.38 | 983,199.29 |
| U.S. government securities | 693,049.49 | 678,117.91 |
| International stocks | 82,856.25 | 115,678.20 |
| Government Money Trust | 72,702.48 | 72,702.48 |
| Certificates of deposit | <u>194,000.00</u> | <u>194,000.00</u> |
| Total investments | <u>\$5,198,408.85</u> | <u>\$5,861,146.08</u> |

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

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|-------------------------------------|---------------------------|-------------------------|
| Current pledges | \$1,510,857.01 | \$246,959.30 |
| Pledges due in one to five years | 388,893.34 | 508,970.69 |
| Pledges due after five years | <u>4,000.00</u> | <u>4,500.00</u> |
| Subtotal | 1,903,750.35 | 760,429.99 |
| Less discounts to net present value | <u>(39,663.92)</u> | <u>(48,458.41)</u> |
| Total pledges receivable, net | <u>\$1,864,086.43</u> | <u>\$711,971.58</u> |

Capital assets - Capital assets at June 30, 2005, and June 30, 2004, were as follows:

| | <u>June 30, 2005</u> | <u>June 30, 2004</u> |
|----------------------|------------------------|------------------------|
| Land | \$ 6,500.00 | \$ 6,500.00 |
| Manly Art Collection | <u>43,805.00</u> | <u>43,805.00</u> |
| Capital assets | <u>\$50,305.00</u> | <u>\$50,305.00</u> |

Long-term liabilities - Long-term liabilities at June 30, 2005, consisted of the following:

| | <u>Ending Balance</u> | <u>Current Portion</u> |
|---|-----------------------|------------------------|
| Other liabilities: | | |
| Liability under split interest agreements | \$9,135.19 | \$1,553.30 |

Long-term liabilities at June 30, 2004, consisted of the following:

| | <u>Ending Balance</u> | <u>Current Portion</u> |
|---|-----------------------|------------------------|
| Other liabilities: | | |
| Liability under split interest agreements | \$9,594.55 | \$1,562.38 |

Endowments - If a donor has not provided specific instructions to the foundation, the foundation's policies and procedures permit the foundation to authorize for expenditure the net appreciation (realized and unrealized) of the investments of endowment funds. When administering its power to spend the net appreciation, the foundation is required to consider the foundation's long-term and short-term needs, present and anticipated financial requirements, expected total return on its

**Tennessee Board of Regents
Roane State Community College
Notes to the Financial Statements (Cont.)
June 30, 2005, and June 30, 2004**

investments, price-level trends, and general economic conditions. Any net appreciation spent is required to be spent for the purposes for which the endowment was established.

The foundation can spend up to the balance in the expendable portion of each individual endowment account. The actual amount to be used is determined by the foundation's executive director and the scholarship committee.

**TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
SUPPLEMENTARY INFORMATION
STATEMENTS OF CASH FLOWS - COMPONENT UNIT
FOR THE YEARS ENDED JUNE 30, 2005, AND JUNE 30, 2004**

| | <u>Year Ended June 30, 2005</u> | <u>Year Ended June 30, 2004</u> |
|---|-------------------------------------|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Gifts and contributions | \$ 291,145.82 | \$ 1,391,282.27 |
| Payments to suppliers and vendors | (389,678.85) | (124,298.56) |
| Payments for scholarships and fellowships | (14,918.47) | (8,079.45) |
| Payments to Roane State Community College | (2,350,977.99) | (316,953.41) |
| Net cash provided (used) by operating activities | <u>(2,464,429.49)</u> | <u>941,950.85</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Private gifts for endowment purposes | 363,300.98 | 68,385.00 |
| Other noncapital financing receipts (payments) | (1,562.38) | (1,598.71) |
| Net cash provided by noncapital financing activities | <u>361,738.60</u> | <u>66,786.29</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Proceeds from sale of capital assets | - | 5,000.00 |
| Net cash provided by capital and related financing activities | <u>-</u> | <u>5,000.00</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sales and maturities of investments | 4,673,744.34 | 2,873,328.17 |
| Income on investments | 100,576.48 | 119,398.26 |
| Purchase of investments | (3,697,797.35) | (2,904,010.76) |
| Other investing receipts (payments) | 5,819.74 | 23,513.02 |
| Net cash provided by investing activities | <u>1,082,343.21</u> | <u>112,228.69</u> |
| Net increase (decrease) in cash | (1,020,347.68) | 1,125,965.83 |
| Cash - beginning of year | 1,174,510.55 | 48,544.72 |
| Cash - end of year | <u>\$ 154,162.87</u> | <u>\$ 1,174,510.55</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | |
| Operating income (loss) | \$ (1,365,696.33) | \$ 735,363.61 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Gifts in-kind | 32,000.00 | 25,000.00 |
| Other adjustment | - | 635,000.00 |
| Change in assets and liabilities: | | |
| Receivables, net | 2,646.52 | (2,600.52) |
| Accounts payable | 17,373.70 | 1,866.73 |
| Pledges receivable | (1,150,753.38) | (452,678.97) |
| Net cash provided (used) by operating activities | <u>\$ (2,464,429.49)</u> | <u>\$ 941,950.85</u> |
| Noncash transactions | | |
| In-kind gifts - operating | \$ 116,750.00 | \$ 70,824.00 |
| In-kind gifts - capital items | \$ 32,000.00 | \$ 25,000.00 |
| Pledges | \$ 1,944,708.94 | \$ 834,051.01 |
| Unrealized gain (loss) on investments | \$ 219,540.89 | \$ 363,230.34 |
| Loss on disposal of capital assets | \$ - | \$ (45,000.00) |
| Transfer of land to Roane State Community College | \$ - | \$ 635,000.00 |
| Changes in value of split interest agreements | \$ 4,991.83 | \$ 14,271.93 |