AUDIT REPORT

Tennessee Board of Regents
Roane State Community College

For the Years Ended
June 30, 2009, and June 30, 2008

STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

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STATE OF TENNESSEE
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April 5, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 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, 2009, and June 30, 2008. You will note from the independent auditor's report that unqualified opinions were given on the fairness of the presentation of the financial statements.

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

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/aj
09/090

State of Tennessee

Audit Highlights

Comptroller of the Treasury Division of State Audit

Financial and Compliance Audit
Roane State Community College
For the Years Ended June 30, 2009, and June 30, 2008

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.

INTERNAL CONTROL FINDING

Roane State Community College Needs Improved Review Procedures to Prevent Errors in the Preparation of the College's Financial Statements
Our audit of the financial statements of Roane State Community College found reporting errors in the financial statements (page 9).

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

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, 2009, and June 30, 2008

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Tennessee Board of Regents
Roane State Community College
For the Years Ended June 30, 2009, and June 30, 2008

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 Executive Director of the Tennessee Higher Education Commission serve *ex officio* on this board. The chief administrative officer of the college is the president, who is assisted and advised by members of the faculty and administrative staff.

AUDIT SCOPE

The audit was limited to the period July 1, 2007, through June 30, 2009, and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. Financial statements are presented for the years ended June 30, 2009, and June 30, 2008. 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 FINDING

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The college filed its report with the Department of Audit on June 25, 2009. A follow-up of the prior audit finding was conducted as part of the current audit. The current audit disclosed that the college has corrected the previous audit finding concerning inadequate segregation of duties in Banner Finance and Banner Human Resources.

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, 2009, and June 30, 2008, we considered internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing opinions on the financial statements, as required by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards. A material weakness, along with the recommendation and management's response, is detailed in the Finding and Recommendation section of this report.

Compliance and Other Matters

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

Fairness of Financial Statement Presentation

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

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

February 24, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Gary Goff, President
Roane State Community College
276 Patton Lane
Harriman, Tennessee 37748

Ladies and Gentlemen:

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, 2009, and June 30, 2008, and have issued our report thereon dated February 24, 2011. During the year ended June 30, 2008, the college implemented GASB Statement 45, *Accounting and*

Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in generally accepted government auditing standards.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified one deficiency in internal control over financial reporting that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the college's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the college's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

We consider the following deficiency to be a significant deficiency in internal control over financial reporting:

- Roane State Community College needs improved review procedures to prevent errors in the preparation of the college's financial statements.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

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

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

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

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/aj

FINDING AND RECOMMENDATION

Roane State Community College needs improved review procedures to prevent errors in the preparation of the college's financial statements

Finding

Our audit of the financial statements of Roane State Community College found a significant misstatement in classification of expenses on the financial statements. The misstatement was caused by a coding error in the college's accounting system. The absence of an adequate review of which accounts within the accounting system are combined for purposes of financial reporting allowed this misstatement to occur.

Expenses for "Utilities, supplies, and other services" on the Statement of Revenues, Expenses, and Changes in Net Assets were overstated by $3,645,627 and $3,396,716 for the years ended June 30, 2009, and June 30, 2008, respectively. Expenses for "Scholarships and fellowships" were understated by the same amounts. These same transactions were also misstated on the Statement of Cash Flows and in the Notes to the Financial Statements. These errors were corrected in the audited financial statements.

After being informed of the misstatement, the Assistant Vice President for Fiscal and Auxiliary Services established new account codes configured to properly report student financial assistance payments as expenses for scholarships and fellowships.

Recommendation

The Assistant Vice President for Fiscal and Auxiliary Services and the Director of Accounting Services should ensure that general ledger accounts are appropriately combined by the accounting system for financial reporting purposes. As changes in the financial reporting requirements are identified, as might result from new accounting standards, account code configurations should be reviewed and modified as needed to ensure the system is accumulating and reporting data as intended.

Management's Comment

We concur with the finding and the recommendation. Beginning immediately, the Assistant Vice President for Fiscal and Auxiliary Services and the Director of Accounting Services will maintain a list of all accounting changes as may be required by GASB reporting standards or Tennessee Board of Regents to be reviewed by the Director of Accounting Services prior to the preparation of the annual financial report to ensure compliance in reporting. The Assistant Vice President for Fiscal and Auxiliary Services will closely review these areas when performing the review of the financial reports as a final review for accuracy. We would like to note that although an error was made, the error had no impact on the net operating income (loss) or on the net assets as reported in the financial statements.

STATE OF TENNESSEE
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Independent Auditor's Report

February 24, 2011

The Honorable Bill Haslam, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and
The Honorable John G. Morgan, Chancellor
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, Tennessee 37217
and
Dr. Gary Goff, President
Roane State Community College
276 Patton Lane
Harriman, Tennessee 37748

Ladies and Gentlemen:

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, 2009, and June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the college's management. Our responsibility is to express opinions on these financial statements, based on our audit.

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

As discussed in Note 1, the financial statements of Roane State Community College, an institution of the Tennessee Board of Regents, are intended to present the financial position, the changes in financial position, and the cash flows of only Roane State Community College. They do not purport to, and do not, present fairly the financial position of the Tennessee Board of Regents, as of June 30, 2009, and June 30, 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Roane State Community College, and its discretely presented component unit as of June 30, 2009, and June 30, 2008, and the respective changes in its financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 11, during the year ended June 30, 2008, the college implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

The management's discussion and analysis on pages 14 through 35 and the schedule of funding progress on page 65 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying financial information on page 66 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with generally accepted government auditing standards, we have also issued our report dated February 24, 2011, on our consideration of the college's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with generally accepted government auditing standards and should be read in conjunction with this report in considering the results of our audit.

Sincerely,

Arthur A. Hayes, Jr.

Arthur A. Hayes, Jr., CPA
Director

AAH/aj

Tennessee Board of Regents
Roane State Community College
Management's Discussion and Analysis
June 30, 2009, and June 30, 2008

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, 2009, and June 30, 2008, with comparative information for the year ended June 30, 2007. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the independent auditor's report, the audited financial statements, and the accompanying notes. The financial statements, notes, and this discussion are the responsibility of management.

Using This Annual 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's Net Assets
(in thousands of dollars)

		2009	2008	2007
Assets:				
Current Assets	$	10,967.4 $	8,993.7 $	6,845.8
Capital Assets, Net		37,666.9	39,331.1	37,057.7
Other Assets		3,197.7	3,324.7	4,143.9
Total Assets	$	51,832.0 $	51,649.5 $	48,047.4
Liabilities:				
Current Liabilities	$	6,275.8 $	5,597.8 $	3,915.6
Non-Current Liabilities		3,518.5	3,144.3	2,576.5
Total Liabilities	$	9,794.3 $	8,742.1 $	6,492.1
Net Assets:				
Invested in Capital Assets, Net of Related Debt	$	37,502.6 $	39,009.1 $	35,007.8
Restricted - Expendable		812.6	877.5	1,620.0
Unrestricted		3,722.5	3,020.8	4,927.5
Total Net Assets	$	42,037.7 $	42,907.4 $	41,555.3

Comparison of FY 2009 to FY 2008:

- Current assets increased significantly due to an increase in cash and cash equivalents provided by auxiliary operations, FY 2008-09 State Fiscal Stabilization Funds of $1,027,500 which were drawn down and receipted but unspent as of June 30, 2009, and increases in Local Government Investment Pool (LGIP) balances resulting from the college's conservative spending due to the uncertainty associated with the state economy and state support. These increases were partially offset by a decrease in net accounts receivables (net of allowance for doubtful accounts) resulting from increases in doubtful accounts and a decrease in funds on deposit for the four Tennessee Technology Centers for which the college provides accounting services.

- Capital assets decreased due to the excess of depreciation expense over capital additions for buildings, equipment, library holdings, and software.

- Based upon guidance provided by the Tennessee Recovery Act Management Office, the total allotment of FY 2008-09 State Fiscal Stabilization Funds of $1,027,500 were drawn down and receipted as of June 30, 2009. It was subsequently determined that institutions would not lose the availability of funds not drawn down at June 30, 2009, and all of these SFSF were returned on July 13, 2009, and are included on the Statement of Net Assets as Due to Primary Government. This resulted in a significant increase in current liabilities. The increases were partially offset by a decrease in Accounts Payable resulting from conservative budget and spending plans in response to uncertainty in the state economy and state support as well as a decrease in deposits held in custody for others due to an decrease in funds on deposit for the four Tennessee Technology Centers for which the college provides accounting services.

- Non-current liabilities increased significantly due to increases in the outstanding liability for Other Post Employment Healthcare Benefits which was partially offset by reductions in long-term debt due to principal payments on outstanding bonds.

- Net capital assets decreased due to increases in accumulated depreciation and a prior-year adjustment to correct accumulated depreciation and write-offs for library holdings. These increases were partially offset by capital additions for equipment, library holdings, and software and principal payments on outstanding capital debt.

- Unrestricted net assets increased significantly, primarily from an increase in unreserved/undesignated balances resulting from the college's conservative budget and spending plans due to the uncertainty associated with the state economy and state support and from an increase in net revenue provided by auxiliary operations.

Comparison of FY 2008 to FY 2007:

- Current assets increased due to a significant increase in cash and cash equivalents provided by auxiliary operations, increases in student and other receivables, and a significant increase in funds on deposit for the four Tennessee Technology Centers for which the college provides accounting services.

- Capital assets increased significantly due to capital additions for the acquisition of the Knox County Health Sciences Center, Morgan County Higher Education Center project, Campbell County Higher Education Center 2nd Floor Completion project, Banner Enterprise Resource Planning System software, and equipment purchases in excess of depreciation expense.

- A significant decrease in other assets was the result of use of non-current cash and cash equivalents for capital and non-capital costs related to capital additions.

- Current liabilities increased due to increases in accounts payable and increases in deposits held in custody for others due to a significant increase in funds on deposit for the four Tennessee Technology Centers for which the college provides accounting services.

- Non-current liabilities increased due to an increase in the compensated absence liability and the accrual of Other Post Employment Healthcare Benefits in excess of reductions in long-term debt due to principal payments on outstanding bonds.

- Invested in capital assets, net of debt increased significantly due to completion of the capital projects referenced above, principal payments on outstanding long-term debt, and reclassification of related long-term debt for the energy-savings performance contracting project from this category to unrestricted net assets.

- Restricted – expendable net assets decreased due to reductions in unexpended balances resulting from completion of capital projects funded from private sources, primarily the Morgan County Higher Education Center project.

- Unrestricted net assets decreased significantly, primarily due to the recognition of Other Post Employment Healthcare Benefit expenses and reclassification of related long-term debt for the energy savings performance contracting project to this category from invested in capital assets, net of related debt.

Roane State Foundation's Net Assets
(in thousands of dollars)

	2009	2008	2007
Assets:			
Current Assets	$ 3,328.7	$ 893.3	$ 675.9
Capital Assets, Net	197.3	197.3	554.3
Other Assets	5,552.6	5,775.1	5,966.1
Total Assets	$ 9,078.6	$ 6,865.7	$ 7,196.3
Liabilities:			
Current Liabilities	$ 15.5	$ 2.6	$ 8.0
Non-Current Liabilities	6.1	6.4	6.6
Total Liabilities	$ 21.6	$ 9.0	$ 14.6
Net Assets:			
Invested in Capital Assets, Net of Debt	$ 197.3	$ 197.3	$ 554.3

Restricted - Expendable	3,728.8	2,949.3	2,902.3
Restricted - Nonexpendable	5,151.8	3,146.6	3,087.4
Unrestricted	(20.9)	563.5	637.7
Total Net Assets	$ 9,057.0	$ 6,856.7	$ 7,181.7

Comparison of FY 2009 to FY 2008:

- For the Roane State Foundation, current assets increased significantly due to increased short-term investments resulting from receipt of final settlement of a $2 million bequeath from an estate as well as accrued interest on the final settlement payment in excess of $445,000.

- Other assets decreased due to unrealized losses on noncurrent investments which were partially offset by increases in pledges receivable primarily related to the Oak Ridge Capital Campaign.

- Restricted – expendable net assets increased significantly due to receipt of the accrued interest on the final settlement payment from a $2 million bequeath, transfer of the balance of an unrestricted prior-year contribution at the donor's request, and transfers of the expendable balances of permanently restricted endowments from restricted – nonexpendable. These increases were offset by increases in realized and unrealized losses on investments, and increases in scholarship expenses for dual-credit high school students taking college-level classes.

- Restricted – nonexpendable net assets increased significantly due to receipt of the $2 million estate settlement.

- Unrestricted net assets decreased significantly due to transfer of the balance of an unrestricted prior-year contribution to restricted – expendable at the donor's request.

Comparison of FY 2008 to FY 2007:

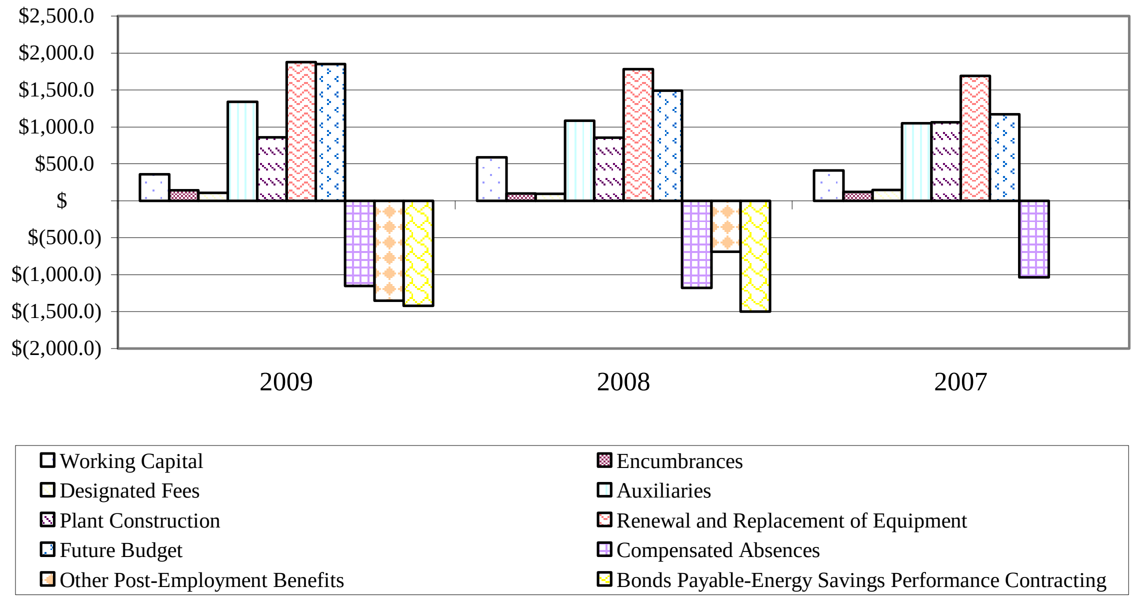
- For the Roane State Foundation, current assets increased due to increases in cash and cash equivalents resulting from reclassification of money market funds held within the foundation's investment account from investments to cash and cash equivalents and a significant increase in pledges receivable resulting from receipt of pledges from Anderson County and UT Battelle for the Oak Ridge Campus campaign.

- Capital assets decreased due to transfer of the land valued at $357,000 for the Morgan County Higher Education Center to the college.

- Other assets decreased due to significant unrealized losses on investments offset partially by the non-current portion of the above-referenced pledges.

Many of the college's unrestricted net assets have been designated or reserved for specific purposes such as repairs and replacement of equipment, future debt service, capital projects, auxiliaries, future budget needs, encumbrances, and allocations of future revenues to cover the liability for compensated absences, other post-employment healthcare benefits, and long-term debt related to an energy-saving performance contracting project. The following graph shows the allocations:

College
Unrestricted Net Assets
(in thousands)



Comparison of FY 2009 to FY 2008:

- Total unrestricted net assets designated or reserved for specific purposes decreased slightly. Significant changes included:

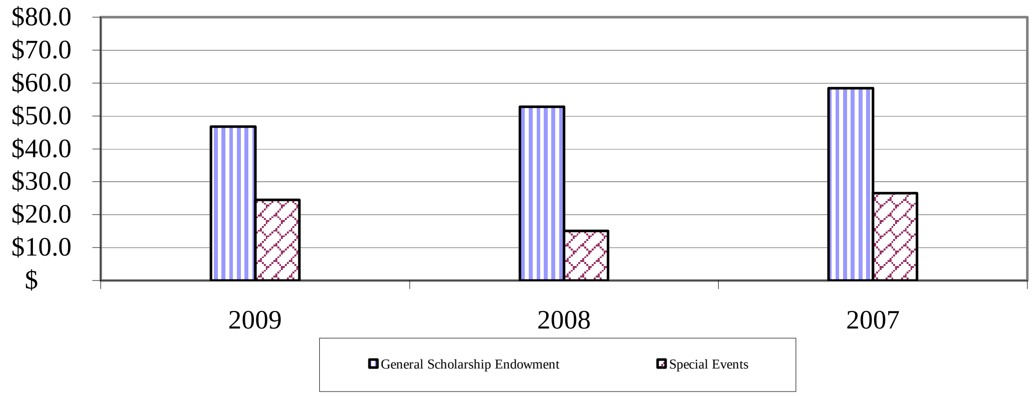
- A decrease in working capital primarily due to a decrease in net student receivables (net of allowance for doubtful accounts) resulting from increases in doubtful accounts
- An increase in funds allocated for auxiliary enterprises balances due to the excess of current-year revenues over expenses
- A significant increase in funds allocated for the 2009-10 budget due to continued uncertainty regarding future state support
- A significant increase in the negative allocation for post-employment healthcare benefits resulting from the second year of implementation of Governmental Accounting Standards Board (GASB) Statement 45

Comparison of FY 2008 to FY 2007:

- Total unrestricted net assets designated or reserved for specific purposes declined by approximately $1,988,000. Significant changes included

  - An increase in working capital primarily due to increases in net general and student receivables
  - A decrease in funds allocated for outstanding purchase orders
  - A decrease in funds reserved for designated fees
  - An increase in funds allocated for auxiliary enterprises balances due to the excess of revenues over expenses
  - A significant decrease in funds reserved for plant construction due to reallocations to restricted construction projects
  - An increase in funds reserved for renewal and replacement of equipment due to the excess of incoming transfers and equipment use charges over funds expended
  - A significant increase in funds allocated for the 2008-09 budget
  - A significant increase in the negative allocation for compensated absences and a new negative allocation for post-employment healthcare benefits resulting from implementation of GASB 45
  - A negative allocation for long-term debt associated with an energy-savings performance contracting project reclassified from invested in capital assets, net of related debt

Roane State Foundation
Unrestricted Net Assets
(in thousands)



Comparison of FY 2009 to FY 2008:

- The Roane State Foundation's total unrestricted net assets designated or reserved for specific purposes increased slightly due to the timing of transfers from the Street Painting Festival special project account to the Oak Ridge Rotary Scholarship Fund.

Comparison of FY 2008 to FY 2007:

- The Roane State Foundation's total unrestricted net assets designated or reserved for specific purposes decreased due to transfers from the Street Painting Festival special project account to the Oak Ridge Rotary Scholarship and a decrease in the General Scholarship Endowment due to reductions in investment income.

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 non-operating revenues and expenses. Annual state appropriations, while budgeted for operations, are considered non-operating revenues according to accounting principles generally accepted in the United States of America.

College's Change in Net Assets
(in thousands of dollars)

	2009	2008	2007
Operating Revenues:			
Net Tuition and Fees	$ 8,834.4	$ 8,464.2	$ 7,890.5
Auxiliary Enterprises	315.2	291.2	224.4
Grants and Contracts	2,032.6	1,776.3	1,838.3
Other	513.5	565.6	664.1
Total Operating Revenues	$ 11,695.7	$ 11,097.3	$ 10,617.3
Operating Expenses	$ 41,886.8	$ 41,594.4	$ 38,809.8
Operating Income (Loss)	$ (30,191.1)	$ (30,497.1)	$ (28,192.5)
Nonoperating Revenues and Expenses:			
State Appropriations	$ 18,354.2	$ 19,231.9	$ 18,171.5
Gifts	620.3	480.8	606.5
Grants and Contracts	10,045.5	8,993.9	7,970.6
Investment Income	135.0	397.7	466.8
Other Revenues and Expenses	(90.6)	(82.0)	(81.3)
Total Nonoperating Revenues and Expenses	$ 29,064.4	$ 29,022.3	$ 27,134.1
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ (1,126.7)	$ (1,474.8)	$ (1,058.4)
Other Revenues, Expenses, Gains, or Losses:			
Capital Appropriations	$ 214.6	$ 2,324.8	$ 336.2
Capital Grants and Gifts	42.4	524.3	1,489.2
Other	-	(22.2)	(10.0)
Total Other Revenues, Expenses, Gains, or Losses	$ 257.0	$ 2,826.9	$ 1,815.4
Increase (Decrease) in Net Assets	$ (869.7)	$ 1,352.1	$ 757.0
Net Assets at Beginning of Period	$ 42,907.4	$ 41,555.3	$ 40,798.3
Net Assets at End of Year	$ 42,037.7	$ 42,907.4	$ 41,555.3

The Statement of Revenues, Expenses, and Changes in Net Assets for the Roane State Foundation presents the operating results of the foundation, as well as the non-operating revenues and expenses.

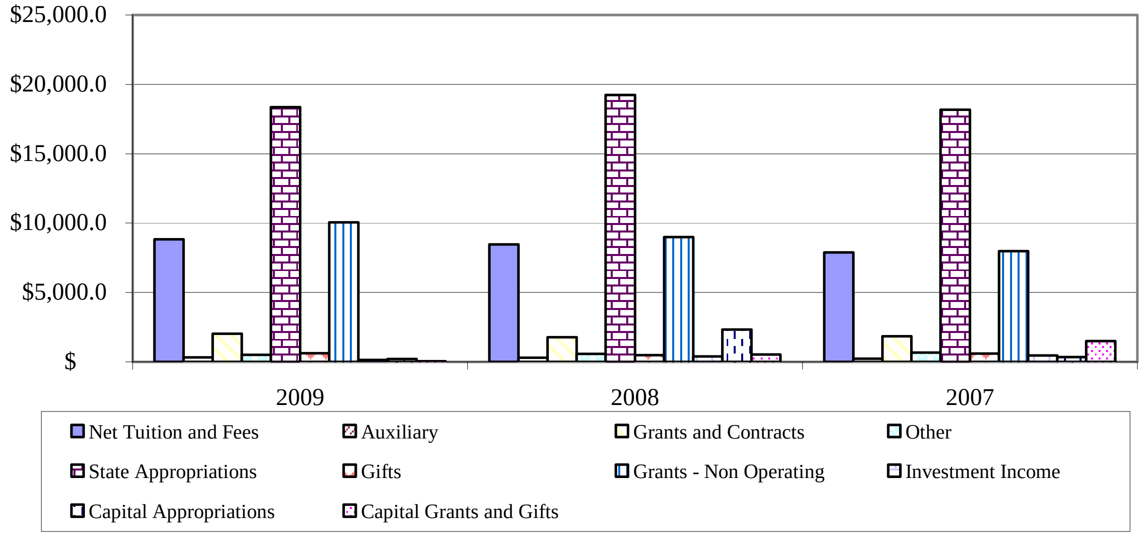
Roane State Foundation's Changes in Net Assets
(in thousands of dollars)

	2009	2008	2007
Operating Revenues:			
Gifts and Contributions	$ 1,499.3	$ 998.4	$ 655.4
Total Operating Revenues	$ 1,499.3	$ 998.4	$ 655.4
Operating Expenses	$ 612.3	$ 1,061.8	$ 2,071.4
Operating Income (Loss)	$ 887.0	$ (63.4)	$ (1,416.0)
Nonoperating Revenues and Expenses:			
Gifts	$ 2,018.1	$ 61.6	$ 54.8
Investment Income	(686.0)	(329.6)	781.4
Other Revenues and Expenses	(18.8)	(10.6)	10.6
Total Nonoperating Revenues and Expenses	$ 1,313.3	$ (278.6)	$ 846.8
Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	$ 2,200.3	$ (342.0)	$ (569.2)
Other Revenues, Expenses, Gains, or Losses:			
Capital Grants and Gifts	$ -	$ 17.0	$ -
Total Revenues, Expenses, Gains, or Losses	$ -	$ 17.0	$ -
Increase (Decrease) in Net Assets	$ 2,200.3	$ (325.0)	$ (569.2)
Net Assets at Beginning of Period	$ 6,856.7	$ 7,181.7	$ 7,750.9
Net Assets at End of Year	$ 9,057.0	$ 6,856.7	$ 7,181.7

Revenues

The following is a graphic illustration of revenues by source (both operating and nonoperating), which are used to fund the college's operating activities for the year ended June 30, 2009, and June 30, 2008 (amounts are presented thousands of dollars).

College
Revenue by Source
(in thousands)



Comparison of FY 2009 to FY 2008:

- Tuition and fees revenue increased due to a 6% increase in tuition fee rates and a 2.2% increase in FTE enrollment for the academic year which was partially offset by significant increases in scholarship allowances.

- Grants and Contracts increased due to receipt of new grants related to international education and increases in the Tennessee Early Childhood Training Alliance contract.

- State appropriation revenue declined, primarily from reductions in base operating appropriations totaling $452,000 and a 3.4% reversion totaling $643,800 because of shortfalls in state tax collections.

- Non-operating gifts increased as a result of increases in Roane State Foundation scholarships for dual-credit high school students taking college-level classes.

- Non-operating grant and contract revenue increased significantly due to increases in Pell grants primarily resulting from an increase in the maximum Pell grant award.

- Investment income declined significantly as a result of declining interest rates on Local Government Investment Pool accounts which fell to less than one percent at the end of the fiscal year.

- Capital appropriations decreased significantly due to reductions in current-year funding received due to completion in FY 2008 of several capital projects including purchase of the Knox County Center for Health Sciences, a project to air condition the gymnasium on the Roane County campus, a project to repair window and doors at the Library Building on the Roane County campus, and special appropriation funding for the Morgan County Higher Education Center project.

- Capital grants and gifts decreased significantly due to reductions in gifts received from the Roane State Foundation for capital projects.

- Net Assets were reduced by a prior-period adjustment to correct accumulated depreciation and write-offs for library holdings.

Comparison of FY 2008 to FY 2007:

- Tuition and fees revenue increased due to a 6% increase in tuition fee rates, a 1.7% increase in FTE enrollment for the academic year, and implementation of new fees for international education and science laboratory consumable supplies.

- State appropriation revenue increased significantly due to funding provided by the state for salary increases, operating improvements, increases in group medical insurance benefit premium costs, and increases in 401K matching.

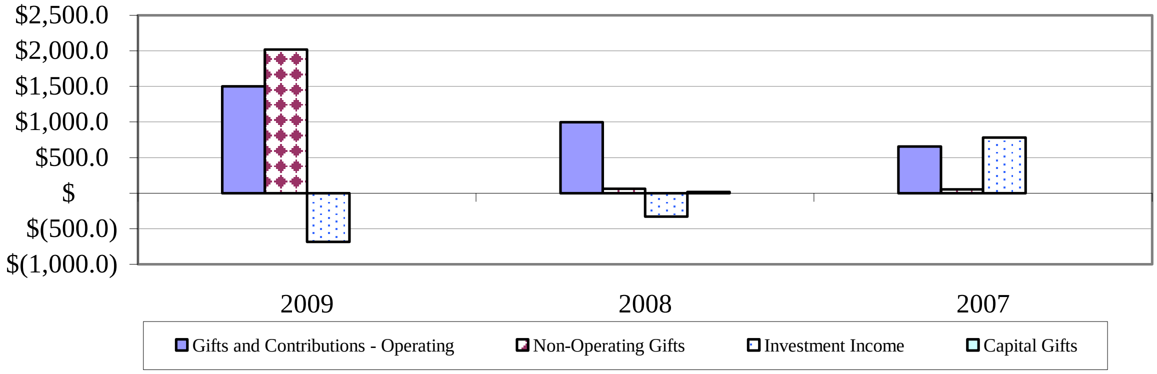
- Non-operating gifts decreased due to reductions in gifts received from the Roane State Foundation for support for a faculty position at the Scott County Higher Education Center, Roane County Library improvements, and Roane State Oak Ridge Branch Campus.

- Non-operating grant and contract revenue increased significantly due to increases in Pell Grants and other federal student aid programs and increases in state lottery and dual-credit scholarships.

- Capital appropriations increased significantly primarily due to funds provided for the purchase of the Knox County Health Sciences Center, funds provided to air condition the gymnasium on the Roane County campus, funds provided for window and door repairs to the Library Building on the Roane County campus, and funds provided for the Morgan County Higher Education Center project.

- Capital grants and gifts decreased significantly due to reductions in gifts received from the Roane State Foundation for capital projects.

Roane State Foundation
Revenues by Source
(in thousands)



Comparison of FY 2009 to FY 2008:

- The Roane State Foundation's operating gifts and contribution revenue increased significantly due to receipt of accrued interest in excess of $445,000 on the final settlement payment from a $2 million estate.

- Non-operating gifts increased due to receipt of the final settlement of a $2 million bequeath.

- Investment income decreased due to increases in realized and unrealized losses on investments due to continuing unfavorable market conditions.

Comparison of FY 2008 to FY 2007:

- The Roane State Foundation's operating gifts and contribution revenue increased significantly due to receipt of a major gift from Anderson County for the Oak Ridge Capital campaign.

- Investment income decreased significantly due to increases in unrealized losses on investments due to unfavorable market conditions.

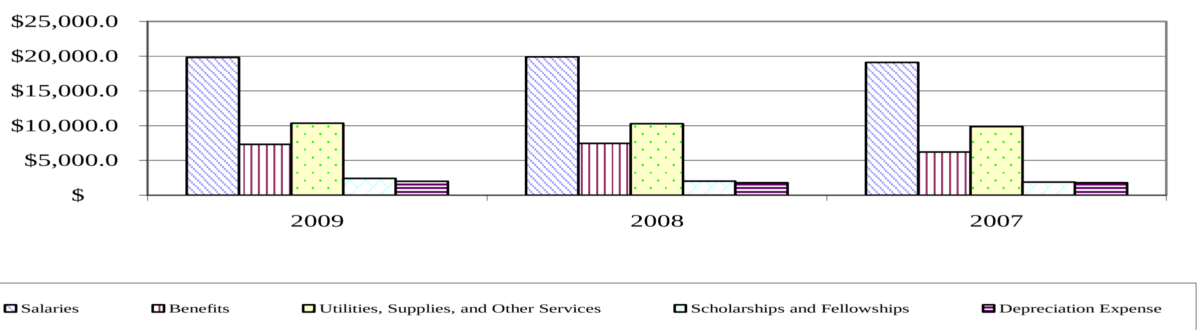
<u>Expenses</u>

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

College
Operating Expenses by Natural Classification
(in thousands)

		2009		2008		2007
Salaries	$	19,812.2	$	19,910.3	$	19,080.8
Benefits	$	7,303.9	$	7,468.7	$	6,203.4
Utilities, Supplies, and Other Services	$	6,714.2	$	6,906.2	$	9,867.6
Scholarships and Fellowships	$	6,054.0	$	5,420.0	$	1,875.5
Depreciation Expense	$	2,002.5	$	1,889.2	$	1,782.4
Total Operating Expenses	$	41,886.8	$	41,594.4	$	38,809.7

College
Expenses by Natural Classification
(in thousands)



Comparison of FY 2009 to FY 2008:

- Overall, operating expenses increased only slightly from FY 2008 as the college exercised caution with regard to spending due to the uncertainty associated with the state economy and state support.

- Scholarships and fellowships increased due to a significant increase in Pell grants primarily resulting from an increase in the maximum Pell grant award, increases in Lottery Scholarships and Dual Credit Scholarships resulting from legislative changes to the lottery program, and from increases in Roane State Foundation scholarships for dual-credit high school students taking college-level classes.

- Depreciation expense increased due to increases in building depreciation related to the Knox County Center for Health Sciences, Morgan County Higher Education Center, and Scott County Higher Education Center buildings.

Comparison of FY 2008 to FY 2007:

- Operating expenses increased by 7.0% from 2007.

- Salaries increased due to a 4% across-the-board salary increase and the addition of several new positions.

- Benefits increased due to salary increases, increases in 401K benefit cost, and increases in group medical insurance benefit premiums, benefits on new positions, and accrual of post-employment healthcare benefit expenses pursuant to implementation of GASB 45.

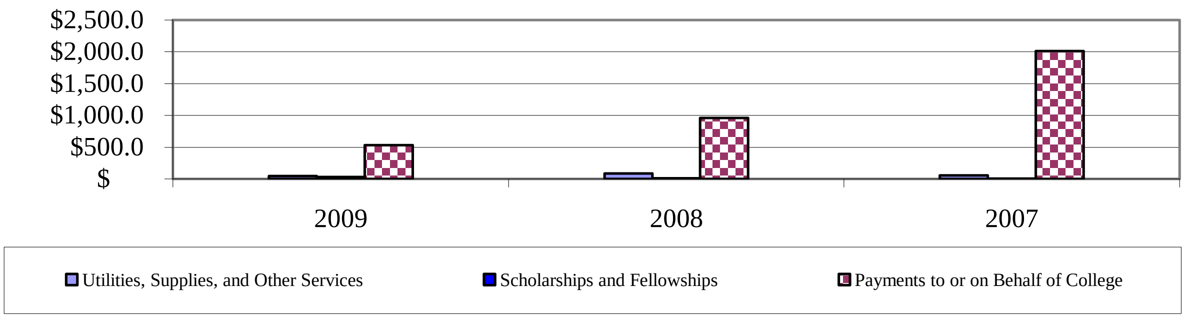
- Utilities, supplies, and other services decreased significantly due to the suggested reclassification by the auditors of Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and Tennessee Student Assistance Grant (TSAC) expenses to scholarships and fellowships.

- Scholarships and fellowships increased significantly due to the reclassification noted above as well as significant increases in Pell Grant, TSAC, and Lottery Scholarship expenses.

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

	2009	2008	2007
Utilities, Supplies, and Other Services	$ 46.1	$ 88.0	$ 55.0
Scholarships and Fellowships	31.2	10.8	6.0
Payments to or on Behalf of College	535.0	963.0	2,010.4
Total Operating Expenses	$ 612.3	$ 1,061.8	$ 2,071.4

Roane State Foundation
Expenses by Natural Classification
(in thousands)



Comparison of FY 2009 to FY 2008:

- Payments to or on behalf of the college decreased significantly due to reductions in transfers to the college for construction projects completed in FY 2008 which were partially offset by increases in scholarship payments for dual-credit students.

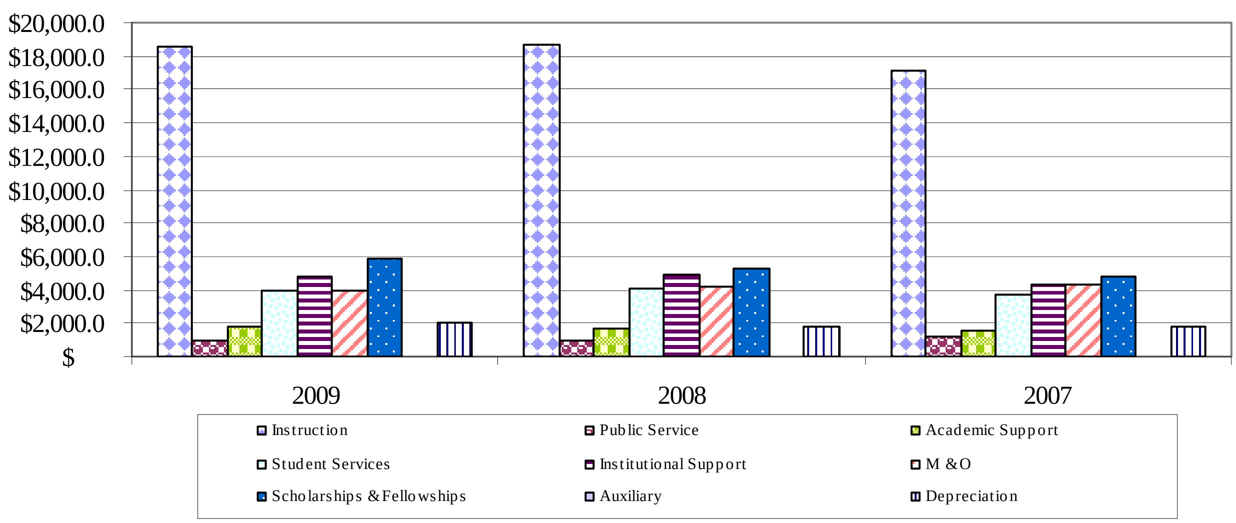
Comparison of FY 2008 to FY 2007:

- Payments to or on behalf of the college decreased significantly due to reductions in transfers to the college for construction projects.

College
Operating Expenses by Functional Classification
(in thousands)

	2009	2008	2007
Instruction	$ 18,548.7	$ 18,669.4	$ 17,177.8
Public Service	974.4	905.2	1,237.3
Academic Support	1,779.3	1,661.6	1,522.6
Student Services	3,969.7	4,098.7	3,699.7
Institutional Support	4,787.4	4,861.5	4,275.7
M & O	3,955.4	4,223.6	4,290.4
Scholarships & Fellowships	5,830.9	5,240.7	4,779.8
Auxiliary	38.5	44.5	44.0
Depreciation	2,002.5	1,889.2	1,782.4
Total Operating Expenses	$ 41,886.8	$ 41,594.4	$ 38,809.7

College
Expenses by Functional Classification
(in thousands)



Comparison of FY 2009 to FY 2008:

- As indicated in the Natural Classification section above, overall, total operating expenses increased only slightly from 2008 as the college exercised caution with regard to spending due to the uncertainty associated with the state economy and state support.

- Academic support increased as a result of expanded staffing of the Articulation/Academic Advising Center and increases in Instructional Development Grants which were previously funded from restricted sources. These increases were partially offset by reclassification of the Grant Development and Administration Office from Academic Support to Institutional Support.

- Operations and maintenance decreased due to a significant decline in non-capitalized plant fund expenses, cancellation of a lease agreement in Oak Ridge for the Computer Training Center, elimination of lease costs for the Knox County Center for Health Sciences which was purchased in FY 2008, and a decrease in maintenance expenses resulting from major cafeteria drainage system and chiller repair costs incurred in FY 2008. These decreases were partially offset by significant increases in utility costs.

- Scholarships and fellowships increased due to a significant increase in Pell grants primarily resulting from an increase in the maximum Pell grant award, increases in Lottery Scholarships and Dual Credit Scholarships resulting from legislative changes to the lottery program, and from increases in Roane State Foundation scholarships for dual-credit high school students.

- Depreciation expenses increased due to increases in building depreciation related to the Knox County Center for Health Sciences, Morgan County Higher Education Center, and Scott County Higher Education Center buildings.

Comparison of FY 2008 to FY 2007:

- Instruction increased due to salary increases, increases in group medical insurance benefit premium costs and 401K matching costs, science laboratory supplies and international education activities, and increases in base operating funding.

- Public service declined significantly due to discontinuation of a contract with the Workforce Investment Act (WIA) for operation of the WIA program in seven counties in September 2006.

- Academic support increased due to salary increases, increases in group medical insurance benefit premium costs and 401K matching costs, and increases in base operating funding.
- Student services increased due to salary increases, increases in group medical insurance benefit premium costs and 401K matching costs, and increases in base operating funding.
- Institutional support increased due to salary increases, increases in group medical insurance benefit premium costs and 401K matching costs, and increases in base operating funding.
- Scholarships and fellowships increased due to increases in Pell grants and other federal aid programs as well as increases in lottery and dual-credit scholarships.

Capital Asset and Debt Administration

Capital Assets

Roane State Community College had $37,666,854 in capital assets, net of accumulated depreciation of $24,489,470 at June 30, 2009, and $39,331,119 in capital assets, net of accumulated depreciation of $22,912,935 at June 30, 2008. Depreciation charges totaled $2,002,534 and $1,889,230 for the years ending June 30, 2009, and June 30, 2008, respectively. Details of these assets are shown below.

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

	2009	2008	2007
Land	$ 4,137.3	$ 4,129.1	$ 3,393.8
Land improvements & infrastructure	621.9	676.8	658.6
Buildings	30,707.1	32,069.0	30,140.5
Equipment	728.3	884.1	1,070.0
Library holdings	489.9	507.7	567.5
Projects in Progress	-	-	191.1
Software	982.4	1,064.4	1,036.2
Total Capital Assets, Net of Depreciation	$ 37,666.9	$ 39,331.1	$ 37,057.7

For FY 2009, net capital assets decreased by $1,664,265. Major changes for the year included equipment purchases totaling $144,805, additions to the college's library holdings totaling $107,930.69, and software additions totaling $58,312. Accumulated depreciation increased by $1,576,535 due to depreciation expense of $2,002,534.

For FY 2008, net capital assets increased by $2,273,418. Major changes for the year included land additions totaling $735,252 for the donation of the site for the Morgan County Higher Education Center and purchase of the Knox County Center for Health Sciences Building site. Building additions totaled $3,169,617 for the Campbell County Higher Education Center second-floor completion, Morgan County Higher Education Center Building project, Knox County Center for Health Sciences Building purchase, and Roane County Gymnasium air conditioning project. Capitalized equipment purchases totaled $137,043 and additions to the college's library holdings totaled $100,177. Software additions totaled $161,312 for the Banner Enterprise Resource Planning (ERP) software project. Accumulated depreciation increased by $884,088.

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

	2009	2008	2007
Land	$ 153.5	$ 153.5	$ 510.5
Other Capital Assets	43.8	43.8	43.8
Total Capital Assets, Net of Depreciation	$ 197.3	$ 197.3	$ 554.3

For FY 2009, the Roane State Foundation's net capital assets remained unchanged.

For FY 2008, the Roane State Foundation's net capital assets decreased by $357,000 due to transfer of the land for the Morgan County Higher Education Center to the college. For FY 2007, the Roane State Foundation's net capital assets increased by $357,000 due to receipt of the donation of six acres of land as the site for the Morgan County Higher Education Center.

For FY 2010, the college anticipates starting construction on the Cumberland Business Incubator project, which will be located on the College's Cumberland County Higher Education Center campus. The cost of this project is estimated at $1.38 million and will be funded with a grant from the U.S. Economic Development Agency totaling $880,000 and contributions of $250,000 each from the City of Crossville and Cumberland County. A state capital maintenance appropriation totaling $420,000 was authorized for FY 2010 to update fire alarm systems in several campus buildings. A state capital maintenance project totaling $1,000,000 was authorized in FY 2009 to repair and replace sections of the roof on the Henry Stafford East Tennessee Agricultural Exposition Center on the Roane County Campus. This project is underway and is expected to be completed during FY 2010.

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

Debt

The College had $1,586,375, $1,822,192, and $2,049,850, in debt outstanding at June 30, 2009; June 30, 2008; and June 30, 2007, respectively. The table below summarizes these amounts by type of debt instrument.

College
Schedule of Outstanding Debt
(in thousands)

	2009	2008	2007
Bonds Payable	$ 1,586.4	$ 1,822.2	$ 2,049.8
Total Outstanding Debt	$ 1,586.4	$ 1,822.2	$ 2,049.8

During FY 2009, use of unexpended proceeds for the Energy Savings Performance Contracting project increased indebtedness by $11,500. Indebtedness was reduced by $247,317 through annual debt service payments. The ratings on long-term debt issued by the Tennessee State School Bond Authority at June 30, 2009, were as follows:

Fitch	AA
Moody's Investor Service	Aa2
Standard & Poor's	AA

During FY 2008, indebtedness was reduced by $227,658 through annual debt service payments.

The Roane State Foundation has no outstanding debt.

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

Economic Factors That Will Affect The Future

Due to continuing declines in state tax collections, the Tennessee Legislature approved a reduction in the college's base operating appropriation for FY 2010 totaling $2,270,200. However, the federal American Recovery and Reinvestment Act of 2009 (ARRA) will provide the college with $1,027,500 for FY 2009, $2,078,800 for FY 2010, and $2,078,800 for FY 2011 to assist the college in dealing with the reduction in state support. The college's governing board, the Tennessee Board of Regents (TBR), approved a 3.74% percent increase in in-state tuition fees effective Fall Semester 2009. The TBR also approved a change in tuition policy to eliminate the cap on tuition at 12 hours. Under the policy change, the college will now charge for each hour taken. Hours above the old cap of 12 will be steeply discounted for FY 2010 with a charge of only $6 per credit hour. The increase in rates and policy change are projected to generate $650,000 in new funds for operations.

The Roane State Foundation began the Invest in the Vision Campaign in October 2003 to raise funds for scholarships, faculty development, health sciences, and individual campus projects. To date, approximately $9.6 million has been given or pledged for this campaign. For FY 2010, the Roane State Foundation will continue this campaign with an emphasis on raising funds for dual-credit scholarships and the Oak Ridge Capital Campaign.

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, 2009, AND June 30, 2008

	Roane State Community College		Component Unit Roane State Community College Foundation	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
ASSETS				
Current assets				
Cash and cash equivalents (Note 2 and 17)	$ 9,942,128.72	$ 7,717,468.79	$ 465,037.99	$ 384,050.32
Short-term investments (Note 17)	-	-	2,504,711.22	268,467.80
Accounts, notes, and grants receivable (net) (Note 5)	1,003,907.48	1,247,799.47	-	-
Pledges receivable (net) (Note 17)	-	-	324,838.61	240,800.40
Inventories (at lower of cost or market)	4,430.49	8,381.50	-	-
Prepaid expenses and deferred charges	16,412.93	19,540.22	-	-
Accrued interest receivable	-	-	34,144.00	-
Other assets	500.00	500.00	-	-
Total current assets	10,967,379.62	8,993,689.98	3,328,731.82	893,318.52
Noncurrent assets				
Cash and cash equivalents (Note 2)	3,174,112.05	3,278,013.78	21,110.00	-
Investments (Note 17)	-	-	4,685,497.67	5,325,778.98
Accounts, notes, and grants receivable (net) (Note 5)	23,651.45	46,672.22	54,258.65	72,140.28
Pledges receivable (net) (Note 17)	-	-	791,744.56	377,195.96
Capital assets (net) (Note 6 and 17)	37,666,854.31	39,331,119.30	197,305.00	197,305.00
Total noncurrent assets	40,864,617.81	42,655,805.30	5,749,915.88	5,972,420.22
Total assets	51,831,997.43	51,649,495.28	9,078,647.70	6,865,738.74
LIABILITIES				
Current liabilities				
Accounts payable	213,742.80	813,680.92	14,273.72	1,301.18
Accrued liabilities	1,088,661.88	771,548.49	-	-
Due to grantors (Note 7)	7,079.40	-	-	-
Due to primary government	1,027,500.00	-	-	-
Deferred revenue	543,569.84	449,995.29	-	-
Compensated absences (Note 7)	318,271.49	298,732.66	-	-
Accrued interest payable	11,307.42	12,974.59	-	-
Long-term liabilities, current portion (Note 7 and 17)	257,703.50	247,316.50	1,284.70	1,294.24
Deposits held in custody for others	2,633,919.21	2,834,513.40	-	-
Other liabilities	173,998.75	168,971.39	-	-
Total current liabilities	6,275,754.29	5,597,733.24	15,558.42	2,595.42
Noncurrent liabilities				
Net OPEB obligation (Note 7 and 11)	1,352,664.07	688,213.99	-	-
Compensated absences (Note 7)	834,433.71	878,501.73	-	-
Long-term liabilities (Note 7 and 17)	1,328,671.50	1,574,875.00	6,079.83	6,448.85
Due to grantors (Note 7)	2,798.35	2,758.36	-	-
Total noncurrent liabilities	3,518,567.63	3,144,349.08	6,079.83	6,448.85
Total liabilities	9,794,321.92	8,742,082.32	21,638.25	9,044.27
NET ASSETS				
Invested in capital assets, net of related debt	37,502,529.31	39,009,092.30	197,305.00	197,305.00
Restricted for				
Nonexpendable				
Scholarships and fellowships	-	-	3,984,776.45	1,985,797.44
Instructional department uses	-	-	366,631.52	328,146.87
Other	-	-	800,404.27	832,602.37
Expendable				
Scholarships and fellowships	14,759.98	35,443.63	1,453,701.95	630,929.65
Instructional department uses	122,940.04	88,527.58	-	-
Loans	34,019.60	35,116.27	-	-
Capital projects	245,138.35	254,846.16	1,960,006.96	828,030.41
Debt service	204,249.44	231,298.79	-	-
Other	191,510.00	232,292.34	315,087.53	1,490,351.11
Unrestricted (Note 8)	3,722,528.79	3,020,795.89	(20,904.23)	563,531.62
Total net assets	$ 42,037,675.51	42,907,412.96	$ 9,057,009.45	$ 6,856,694.47

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

EXHIBIT B

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For The Years Ended June 30, 2009, and June 30, 2008

	Roane State Community College		Component Unit	
	Year Ended	Year Ended	Year Ended	Year Ended
REVENUES	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
Operating revenues				
Student tuition and fees (net of scholarship allowances of $5,562,812.32 for the year ended June 30, 2009, and $4,796,615.50 for the year ended June 30, 2008)	$ 8,834,367.30	$ 8,464,235.86	$ -	$ -
Gifts and contributions	-	-	1,499,296.78	998,424.48
Governmental grants and contracts	1,941,950.92	1,732,096.55	-	-
Non-governmental grants and contracts	90,594.47	44,172.00	-	-
Sales and services of educational departments	3,925.98	3,414.72	-	-
Auxiliary enterprises:				
Bookstore	302,907.77	278,249.87	-	-
Food service	12,317.54	12,951.00	-	-
Interest earned on loans to students	338.24	338.24	-	-
Other operating revenues	509,307.06	561,860.86	-	-
Total operating revenues	11,695,709.28	11,097,319.10	1,499,296.78	998,424.48
EXPENSES				
Operating expenses (Note 14)				
Salaries and wages	19,812,171.39	19,910,305.87	-	-
Benefits	7,303,887.81	7,468,732.79	-	-
Utilities, supplies, and other services	6,714,262.20	6,906,131.01	46,102.01	88,090.40
Scholarships and fellowships	6,053,966.32	5,419,996.75	31,204.78	10,757.90
Depreciation expense	2,002,534.87	1,889,230.30	-	-
Payments to or on behalf of Roane State Community College (Note 17)	-	-	535,013.43	962,992.91
Total operating expenses	41,886,822.59	41,594,396.72	612,320.22	1,061,841.21
Operating income (loss)	(30,191,113.31)	(30,497,077.62)	886,976.56	(63,416.73)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	18,354,241.50	19,231,900.00	-	-
Gifts, including $523,815.48 from component unit for the year ended June 30, 2009, and $438,646.13 for the year ended June 30, 2008	620,251.62	480,764.45	2,018,145.62	61,621.58
Grants and contracts	10,045,538.84	8,993,938.17	-	-
Investment income (net of investment expense of $29,685 for the component unit for the year ended June 30, 2009, and $34,902.99 for the year ended June 30, 2008)	135,000.83	397,658.17	(686,009.89)	(329,616.45)
Interest on capital asset-related debt	(73,732.85)	(81,195.42)	-	-
Other non-operating revenues/(expenses)	(16,918.84)	(820.27)	(18,797.31)	(10,620.11)
Net nonoperating revenues	29,064,381.10	29,022,245.10	1,313,338.42	(278,614.98)
Income before other revenues, expenses, gains, or losses	(1,126,732.21)	(1,474,832.52)	2,200,314.98	(342,031.71)
Capital appropriations	214,598.06	2,324,791.53	-	-
Capital grants and gifts, including $11,197.95 from component unit for the year ended June 30, 2009, and $524,346.78 for the year ended June 30, 2008	42,396.70	524,346.78	-	17,000.00
Other	-	(22,224.88)	-	
Total other revenues	256,994.76	2,826,913.43	-	17,000.00
Increase (decrease) in net assets	(869,737.45)	1,352,080.91	2,200,314.98	(325,031.71)
NET ASSETS				
Net Assets - beginning of year	42,907,412.96	41,555,332.05	6,856,694.47	7,181,726.18
Net Assets - end of year	$ 42,037,675.51	$ 42,907,412.96	$ 9,057,009.45	$ 6,856,694.47

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

EXHIBIT C

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2009, and June 30, 2008

	Year Ended June 30, 2009	Year Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 8,965,156.65	$ 8,359,007.88
Grants and contracts	2,086,671.70	1,846,535.76
Sales and services of educational activities	3,925.98	3,414.72
Payments to suppliers and vendors	(6,837,779.77)	(6,595,593.91)
Payments to employees	(20,062,949.69)	(19,724,770.34)
Payments for benefits	(6,382,867.31)	(6,811,606.09)
Payments for scholarships and fellowships	(6,048,975.64)	(5,420,949.30)
Loans issued to students	57,356.42	10,640.09
Collection of loans from students	(54,711.92)	(15,086.09)
Auxiliary enterprises:		
Bookstore	302,907.77	278,249.87
Food services	12,300.42	12,922.04
Other auxiliaries	(0.13)	7.01
Other receipts (payments)	525,956.23	533,068.87
Net cash flows provided (used) by operating activities	(27,433,009.29)	(27,524,159.49)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
State appropriations	18,346,900.00	19,226,000.00
Gifts and grants received for other than capital or endowment purposes, including $488,861.89 from Roane State Community College Foundation for year ended June 30, 2009, and $387,268.91 for the year ended June 30, 2008	11,670,912.95	9,355,855.03
Changes in deposits held for others	(189,635.81)	1,490,769.20
Other non-capital financing receipts (payments)	(16,918.84)	(820.27)
Net cash flows provided (used) by non-capital financing activities	29,811,258.30	30,071,803.96
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	214,598.06	2,324,791.53
Capital grants and gifts received from Roane State Community College Foundation	-	150,346.78
Proceeds from capital debt	11,500.00	-
Purchase of capital assets and construction	(298,230.88)	(3,940,594.18)
Principal paid on capital debt	(247,316.50)	(227,658.00)
Interest paid on capital debt	(75,400.02)	(82,794.24)
Other capital and related financing receipts (payments)	2,357.70	-
Net cash flows provided (used) by capital and related financing activities	(392,491.64)	(1,775,908.11)
CASH FLOWS FROM INVESTING ACTIVITIES		
Income on investments	135,000.83	397,658.17
Net cash provided (used) by investing activities	135,000.83	397,658.17
Net increase (decrease) in cash and cash equivalents	2,120,758.20	1,169,394.53
Cash and cash equivalents - beginning of year	10,995,482.57	9,826,088.04
Cash and cash equivalents - end of year (Note 2)	$ 13,116,240.77	$ 10,995,482.57

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
STATEMENTS OF CASH FLOWS
For The Years Ended June 30, 2009, and June 30, 2008

RECONCILIATION OF OPERATING INCOME/(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income/(loss)	$	(30,191,113.31)	$	(30,497,077.62)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities				
Depreciation expense		2,002,534.87		1,889,230.30
Gifts in-kind		58,122.45		90,304.23
Other adjustments		14,441.50		-
Change in assets and liabilities				
Receivables, net		231,451.53		(106,608.62)
Inventories		3,951.01		(3,452.60)
Prepaid/deferred items		3,127.29		(2,390.87)
Accounts payable		(615,876.25)		318,996.53
Accrued liabilities		981,563.47		659,434.33
Deferred revenues		93,574.55		(15,744.64)
Compensated absences		(24,529.19)		141,675.22
Due to grantors		3,896.86		(4,075.24)
Loans to students		2,644.50		(4,446.00)
Other		3,201.43		9,995.49
Net cash provided (used) by operating activities	$	(27,433,009.29)	$	(27,524,159.49)
NON-CASH TRANSACTIONS				
In-Kind Gifts - Capital Items	$	42,396.70	$	374,000.00
Loss on disposal of capital assets	$	(1,870.57)	$	22,224.88

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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 17 for more detailed information about the component unit and how to obtain the report.

Basis of Presentation

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

Basis of Accounting

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

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

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

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

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

Cash Equivalents

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

Inventories

Inventories are valued at the lower of cost or market. All items are maintained on a first-in, first-out basis.

Compensated Absences

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

Capital Assets

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

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

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

Net Assets

The college's net assets are classified as follows:

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

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

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

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

Scholarship Discounts and Allowances

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

NOTE 2. CASH

At June 30, 2009, cash consisted of $961,864.44 in bank accounts, $7,680.00 of petty cash on hand, $12,143,505.99 in the State of Tennessee Local Government Investment Pool (LGIP) administered by the State Treasurer, and $3,190.34 in LGIP deposits for capital projects. At June 30, 2008, cash consisted of $1,340,328.15 in bank accounts, $7,680.00 of petty cash on hand, $9,478,342.80 in the State of Tennessee Local Government Investment Pool administered by the State Treasurer, and $169,131.62 in LGIP deposits for capital projects.

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

NOTE 3. DEPOSITS

In accordance with the laws of the State of Tennessee, financial institutions have pledged securities as collateral for college funds on deposit. Financial institutions may participate in the bank collateral pool administered by the State Treasurer. For those financial institutions participating in the bank collateral pool, the required collateral accepted as security for deposits shall be collateral whose fair market value is equal to 115%, 100%, or 90% of the uninsured deposits. The pledge level is based on financial criteria set by the Collateral Pool Board with the financially strongest institutions being eligible for the lowest pledge level. For all other financial institutions, the required collateral accepted as security for deposits shall be collateral whose fair market value is equal to 105% of the uninsured deposits.

At June 30, 2008, $19,073.01 of the college's bank balance of $2,263,556.12 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 19,073.01
Total	$ 19,073.01

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 *State of Tennessee's Treasurer's Report.* That report is available on the state's website at http://www.tn.gov/treasury or by calling (615) 741-2956.

NOTE 4. INVESTMENTS

Credit Risk

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

Securities are rated using Standard and Poor's, Moody's, and/or Fitch's. Tennessee Board of Regents policy restricts investments in banker's acceptances and commercial paper. The policy requires that prime banker's acceptances must be issued by domestic banks with a minimum AA rating or foreign banks with a AAA long-term debt rating by a majority of the rating services that have rated the issuer. The policy further requires that commercial paper must be issued by corporations with a minimum rating of A1 or equivalent as provided by a majority of the rating services that rate the issuer. If there is no long-term debt rating, the short-term debt must be rated A1 by all rating services (minimum of two). Commercial paper of a banking institution must not be purchased. As of June 30, 2009, and June 30, 2008, the college's investments consisted entirely of investments in the Local Government Investment Pool. The fair value of these investments was $12,146,696.33 at June 30, 2009, and $9,647,474.42 at June 30, 2008. LGIP investments are not rated by nationally recognized statistical ratings organizations.

NOTE 5. RECEIVABLES

Receivables included the following:

	June 30, 2009	June 30, 2008
Student accounts receivable	$ 1,208,436.55	$ 1,029,086.19
Grants receivable	397,993.40	440,010.78
Notes receivable	9,740.63	11,284.13
State appropriation receivable	30,200.00	37,300.00
Other receivables	432,773.20	526,578.68
Subtotal	2,079,143.78	2,044,259.78
Less allowance for doubtful accounts	(1,051,584.85)	(749,788.09)
Total receivables	$ 1,027,558.93	$ 1,294,471.69

Federal Perkins Loan Program funds included the following:

	June 30, 2009	June 30, 2008
Perkins loans receivable	$ 10,008.78	$ 10,008.78

Less allowance for doubtful accounts	(10,008.78)	(10,008.78)
Total	$ -	$ -

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 4,129,097.04	$ 8,200.00	$ -	$ -	$ 4,137,297.04
Land improvements and infrastructure	1,718,240.47	-	-	-	1,718,240.47
Buildings	49,349,089.93	28,951.72	-	-	49,378,041.65
Equipment	4,574,147.92	144,805.00	-	330,301.09	4,388,651.83
Library holdings	1,160,870.71	107,930.69	-	105,628.16	1,163,173.24
Software	1,312,608.05	58,312.21	-	-	1,370,920.26
Total	62,244,054.12	348,199.62	-	435,929.25	62,156,324.49
Less accumulated depreciation:					
Land improvements and infrastructure	1,041,407.88	54,911.17	-	-	1,096,319.05
Buildings	17,280,110.60	1,390,891.01	-	-	18,671,001.61
Equipment	3,690,080.93	300,070.15	-	329,813.96	3,660,337.12
Library holdings	653,152.65	116,319.65	-	96,184.85	673,287.45
Software	248,182.76	140,342.19	-	-	388,524.95
Total accumulated depreciation	22,912,934.82	2,002,534.17	-	425,998.81	24,489,470.18
Capital assets, net	$ 39,331,119.30	$ (1,654,334.55)	$ -	$ 9,930.44	$ 37,666,854.31

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

	Beginning Balance	Additions	Transfers	Reductions	Ending Balance
Land	$ 3,393,845.04	$ 735,252.00	$ -	$ -	$ 4,129,097.04

Land improvements and infrastructure	1,645,677.47	72,563.00	-	-	1,718,240.47
Buildings	46,179,473.74	1,049,185.00	2,120,431.19	-	49,349,089.93
Equipment	5,350,599.14	137,042.94	-	913,494.16	4,574,147.92
Library holdings	1,174,567.35	100,176.72	-	113,873.36	1,160,870.71
Software	1,151,296.03	161,312.02	-	-	1,312,608.05
Projects in progress	191,090.13	1,929,341.06	(2,120,431.19)	-	-
Total	59,086,548.90	4,184,872.74	-	1,027,367.52	62,244,054.12
Less accumulated depreciation:					
Land improvements and infrastructure	987,098.92	54,308.96	-	-	1,041,407.88
Buildings	16,038,923.76	1,241,186.84	-	-	17,280,110.60
Equipment	4,280,629.81	306,000.10	-	896,548.98	3,690,080.93
Library holdings	607,065.07	154,681.24	-	108,593.66	653,152.65
Software	115,129.60	133,053.16	-	-	248,182.76
Total accumulated depreciation	22,028,847.16	1,889,230.30	-	1,005,142.64	22,912,934.82
Capital assets, net	$ 37,057,701.74	$ 2,295,642.44	$ -	$ 22,224.88	$ 39,331,119.30

NOTE 7. LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	$ 1,822,191.50	$ 11,500.00	$ 247,316.50	$ 1,586,375.00	$ 257,703.50
Other liabilities:					
Compensated absences	1,177,234.39	884,588.00	909,117.19	1,152,705.20	318,271.49
Due to grantors	2,758.36	7,461.96	342.57	9,877.75	7,079.40
Net OPEB obligation	688,213.99	664,450.08	-	1,352,664.07	-
Subtotal	1,868,206.74	1,556,500.04	909,459.76	2,515,247.02	325,350.89
Total long-term liabilities	$ 3,690,398.24	$ 1,568,000.04	$ 1,156,776.26	$ 4,101,622.02	$ 583,054.39

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Payables:					
TSSBA debt:					
Bonds	2,049,849.50	-	227,658.00	1,822,191.50	247,316.50
Other liabilities:					
Compensated absences	1,035,559.17	829,990.19	688,314.97	1,177,234.39	298,732.66
Due to grantors	2,660.76	446.67	349.07	2,758.36	-
Net OPEB obligation	-	688,213.99	-	688,213.99	-
Subtotal	1,038,219.93	1,518,650.85	688,664.04	1,868,206.74	298,732.66
Total long-term liabilities	$ 3,088,069.43	$ 1,518,650.85	$ 916,322.04	$ 3,690,398.24	$ 546,049.16

TSSBA Debt - Bonds

Bonds, with interest rates ranging from 4.0% to 4.5%, were issued by the Tennessee State School Bond Authority (TSSBA). The bonds are due serially to 2021 and are secured by pledges of the facilities' revenues to which they relate and certain other revenues and fees of the college, including state appropriations (see note 9 for additional information). The bonded indebtedness with the Tennessee State School Bond Authority included in long-term liabilities on the statement of net assets is shown net of assets held by the authority in the debt service reserve and unexpended debt proceeds. The reserve amount was $0.00 at June 30, 2009, and at June 30, 2008. Unexpended debt proceeds were $0.00 at June 30, 2009, and $11,500 at June 30, 2008.

Debt service requirements to maturity for the college's portion of TSSBA bonds at June 30, 2009, are as follows:

Year Ending June 30	Principal	Interest	Total
2010	$ 257,703.50	$ 65,608.17	$ 323,311.67
2011	97,300.00	55,356.22	152,656.22
2012	101,387.00	51,464.22	152,851.22

2013	105,645.00	47,408.74	153,053.74
2014	110,082.00	43,182.94	153,264.94
2015 – 2019	624,094.50	145,723.82	769,818.32
2020 – 2021	290,163.00	19,587.48	309,750.48
Total	$ 1,586,375.00	$ 428,331.59	$ 2,014,706.59

NOTE 8. UNRESTRICTED NET ASSETS

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

	June 30, 2009	June 30, 2008
Working capital	$ 357,997.25	$ 587,269.23
Encumbrances	143,027.03	96,470.46
Designated fees	108,666.30	95,804.58
Auxiliaries	1,341,472.80	1,085,896.29
Plant construction	858,591.36	854,492.53
Renewal and replacement of equipment	1,875,367.77	1,779,909.72
Undesignated	(962,593.72)	(1,479,046.92)
Total	$3,722,528.79	$3,020,795.89

NOTE 9. PLEDGED REVENUES

The college has pledged certain revenues and fees, including state appropriations, to repay $1,586,375.00 in revenue bonds issued in June 2006. Proceeds from the bonds provided financing for administrative computing equipment and associated software and an energy savings performance contracting project. The bonds are payable through 2021 (see note 7 for additional information). Annual principal and interest payments on the bonds are expected to require less than 1% of available revenues. The total principal and interest remaining to be paid on the bonds is $2,014,706.59 at June 30, 2009, and $2,326,136.30 at June 30, 2008. Principal and interest paid for the 2009 fiscal year and total available revenues for that year were $321,049.35 and $33,470,469.67, respectively. Principal and interest paid for the 2008 fiscal year and total available revenues for that year were $308,853.42 and $33,453,835.09, respectively.

NOTE 10. PENSION PLANS

A. Defined Benefit Plan

Tennessee Consolidated Retirement System

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

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

Funding Policy - Plan members are noncontributory. The college is required to contribute an actuarially determined rate. The current rate is 13.02% 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, 2009, 2008, and 2007 were $1,388,832.62, $1,445,935.63, and $1,377,078.10. 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), ING Life Insurance and Annuity Company, and Variable Annuity Life Insurance Company (VALIC). These plans are administered by the Tennessee Department of the Treasury. Each plan provides retirement benefits to faculty and staff who are exempt from the overtime provisions of the Fair Labor Standards Act and who waive membership in the TCRS. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan provisions are established by state statute in Title 8, Chapter 35, Part 4, *Tennessee Code Annotated.* State statutes are amended by the Tennessee General Assembly.

Funding Policy - Plan members are noncontributory. The college contributes an amount equal to 10% of the employee's base salary up to the social security wage base and 11% above the social security wage base. Contribution requirements are established and amended by state statute. The contribution made by the college to the plans was $640,791.62 for the year ended June 30, 2009, and $648,564.10 for the year ended June 30, 2008. Contributions met the requirements for each year.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS

Healthcare is the only "other postemployment benefit" (OPEB) provided to employees. The State of Tennessee administers a group health insurance program which provides postemployment health insurance benefits to eligible college retirees. This program includes two plans — the State Employee Group Plan and the Medicare Supplement Plan. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-201, *Tennessee Code Annotated,* for the State Employee Group Plan and Section 8-27-701, *Tennessee Code Annotated,* for the Medicare Supplement Plan. Prior to reaching age 65, retirees may participate in the State Employee Group Plan. Members of this plan have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, retirees who are also in the state's retirement system may participate in the Medicare Supplement Plan that does not include pharmacy. The state makes on-behalf payments to the Medicare supplement plan for the college's eligible retirees; see Note 16. The plans are reported in the *Tennessee Comprehensive Annual Financial Report*. That report is available on the state's website at http://tennessee.gov/finance/act/cafr.html, or by calling (615) 741-2140.

Special Funding Situation

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

Funding Policy

The premium requirements of members of the State Employee Group Plan are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs of the plan are allocated to participants. Retirees in the State Employee Group Plan pay the same base premium as active employees in the plan adjusted for years of service. Retirees with 30 years of service pay 20% of the total premium. Retirees with 20 but less than 30 years of service pay 30% of the total premium. Retirees with less than 20 years of service pay 40% of the total premium.

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

	2009	2008
Annual required contribution (ARC)	$1,008,000.00	$996,000.00
Interest on the net OPEB obligation	30,969.63	-
Adjustment to the ARC	(30,142.52)	-
Annual OPEB cost	1,008,827.11	996,000.00
Amount of contribution	(344,377.03)	(307,786.01)
Increase (decrease) in net OPEB obligation	664,450.08	688,213.99
Net OPEB obligation – beginning of year	688,213.99	-
Net OPEB obligation – end of year	$1,352,664.07	$688,213.99

Year-end	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year-end
June 30, 2009	State Employee Group Plan	$1,008,827.11	34.1%	$1,352,664.07
June 30, 2008	State Employee Group Plan	$996,000.00	30.9%	$688,213.99

Funded Status and Funding Progress

The funded status of the college's portion of the State Employee Group Plan as of July 1, 2007, was as follows:

	State Employee Group Plan
Actuarial valuation date	July 1, 2007
Actuarial accrued liability (AAL)	$9,191,000.00
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	$9,191,000.00
Actuarial value of assets as a percentage of the AAL	0.00%
Covered payroll (active plan members)	$14,676,753.83
UAAL as percentage of covered payroll	62.6%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7 percent initially, increased to 11 percent in the second year and then reduced by decrements to an ultimate rate of 5 percent after 12 years. Both rates include a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

NOTE 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 amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years. The Risk Management Fund is also responsible for claims for damages to state-owned property up to the amount of the property insurance aggregate deductible amount. The insurance policy deductibles vary from $25,000 per occurrence, depending on the type of coverage, to an aggregate of $5 million.

The college participates in the Risk Management Fund. The fund allocates the cost of providing claims servicing and claims payment by charging a premium to the college based on a percentage of the college's expected loss costs, which include both experience and exposures. This charge considers recent trends in actual claims experience of the state as a whole. An actuarial valuation is performed as of fiscal year-end to determine the fund liability and premium allocation. Information regarding the determination of the claims liabilities and the changes in the balances of the claims liabilities for the years ended June 30, 2009, and June 30, 2008, are presented in the *Tennessee Comprehensive Annual Financial Report*. The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html. 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, 2009, the Risk Management Fund held $127.0 million in cash and cash equivalents designated for payment of claims. At June 30, 2008, the Risk Management fund held $123.9 million in cash and cash equivalents designated for payment of claims.

At June 30, 2009, the scheduled coverage for the college was $131,364,700 for buildings and $28,433,800 for contents. At June 30, 2008, the scheduled coverage for the college was $107,744,900 for buildings and $20,865,600 for contents.

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

NOTE 13. COMMITMENTS AND CONTINGENCIES

Sick Leave

The college records the cost of sick leave when paid. 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 $5,982,777.78 at June 30, 2009, and $5,987,518.60 at June 30, 2008.

Operating Leases

The college has entered into various operating leases for buildings and equipment. Such leases will probably continue to be required. Expenses under operating leases for real property were $108,893.08 and for personal property were $137,611.02 for the year ended June 30, 2009. The amounts for the year ended June 30, 2008, were $208,655.78 and $126,585.81. All operating leases are cancelable at the lessee's option.

Construction in Progress

At June 30, 2009, outstanding commitments under construction contracts totaled $305,062.24 for the ADA Improvement project, Expo Center Roof Repair/Replacement project, and Agriculture Center Update project, all of which will be funded by future state capital outlay appropriations.

NOTE 14. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The college's operating expenses by functional classification for the year ended June 30, 2009, are as follows:

			Natural Classification			
Functional Classification	Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 11,792,754.53	$ 3,990,767.26	$ 2,597,540.31	$ 167,594.56	$ -	$ 18,548,656.66
Public service	537,902.98	162,631.73	270,697.57	3,132.68	-	974,364.96
Academic support	1,810,533.40	779,752.13	(833,613.18)	22,711.92	-	1,779,384.27
Student services	1,825,796.64	740,777.56	1,196,986.16	206,150.32	-	3,969,710.68
Institutional support	2,675,385.34	1,061,125.95	1,048,134.14	2,741.09	-	4,787,386.52
Operation & maintenance	1,001,347.35	568,833.18	2,385,187.90	-	-	3,955,368.43
Scholarships & fellowships	168,451.15	-	10,791.14	5,651,635.75	-	5,830,878.04
Auxiliary	-	-	38,538.16	-	-	38,538.16
Depreciation	-	-	-	-	2,002,534.87	2,002,534.87
Total	$ 19,812,171.39	$ 7,303,887.81	$ 6,714,262.20	$ 6,053,966.32	$ 2,002,534.87	$ 41,886,822.59

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

Functional Classification	Natural Classification Salaries	Benefits	Other Operating	Scholarships	Depreciation	Total
Instruction	$ 11,877,437.92	$ 3,974,800.79	$ 2,689,997.55	$ 127,134.18	$ -	$ 18,669,370.44
Public service	446,229.73	139,085.80	318,278.92	1,591.68	-	905,186.13
Academic support	1,734,830.18	795,373.86	(888,485.88)	19,896.04	-	1,661,614.20
Student services	1,894,844.52	779,730.82	1,250,614.30	173,531.27	-	4,098,720.91
Institutional support	2,655,766.05	1,087,528.64	1,113,041.14	5,172.97	-	4,861,508.80
Operation & maintenance	1,169,682.69	692,170.87	2,360,922.88	795.84	-	4,223,572.28
Scholarships & fellowships	131,514.78	42.01	17,283.69	5,091,874.77	-	5,240,715.25
Auxiliary	-	-	44,478.41	-	-	44,478.41
Depreciation	-	-	-	-	1,889,230.30	1,889,230.30
Total	$ 19,910,305.87	$ 7,468,732.79	$ 6,906,131.01	$ 5,419,996.75	$ 1,889,230.30	$ 41,594,396.72

NOTE 15. CHANGE IN ACCOUNTING PRINCIPLE

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

NOTE 16. ON-BEHALF PAYMENTS

During the year ended June 30, 2009, the State of Tennessee made payments of $14,441.50 on behalf of the college for retirees participating in the Medicare Supplement Plan. The amount for the year ended June 30, 2008, was $11,211.60. The Medicare Supplement Plan is a postemployment benefit healthcare plan and is discussed further in Note 11. That report is available on the state’s website at http://tennessee.gov/finance/act/cafr.html.

NOTE 17. 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 to the college in support of its programs. The 25-member board of the foundation is self-perpetuating and includes the President of the College as an ex-officio member and other outstanding citizens, business, and/or professional men and women. 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, 2009, the foundation made distributions of $535,013.43 to or on behalf of the college for both restricted and unrestricted purposes. During the year ended June 30, 2008, the foundation made distributions of $962,992.91 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, TN 37748.

Fair Value Measurements

The foundation reports certain assets and liabilities at fair value. Fair value has been determined using quoted prices in active markets for identical assets and liabilities that are accessible at the measurement date (Level 1), inputs other than quoted market prices included in Level 1 that are directly or indirectly observable for the asset or liability (Level 2), or significant unobservable inputs (Level 3). The following table categorizes the recurring fair value measurements for assets and liabilities at June 30, 2009.

	Total Fair Value at June 30, 2009	Quoted Prices Level 1	Significant Other Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
U.S. Agency	$ 842,920.52	$ 842,920.52	$ -	$ -
U.S. Treasury	293,842.57	293,842.57	-	-
Corporate stocks	2,935,662.05	2,935,662.05	-	-
Corporate bonds	612,554.44	612,554.44	-	-
Money Market	518.09	518.09	-	-
Pledges receivable	1,116,583.17	-	-	1,116,583.17
Other receivables	54,258.65	-	-	54,258.65
Total assets	5,856,339.49	4,685,497.67	-	1,170,841.82
Liabilities:				
Payable-split interest agreement	7,364.53	-	-	7,364.53
Total liabilities	$ 7,364.53	$ -	$ -	$ 7,364.53

All gains and losses, both realized and unrealized, have been reported on the statement of revenues, expenses, and changes in net assets as investment income. Of this total, $552,082.57 is attributable to the change in unrealized gains or losses relating to those assets and liabilities still held at June 30, 2009.

Cash and Cash Equivalents

Cash and cash equivalents consists of demand deposit accounts and money market funds. Uninsured bank balances totaled $281,589.77 at June 30, 2009, and $230,575.58 at June 30, 2008.

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.

Investments held at June 30, 2009, were as follows:

	Cost	Market Value
Equities	$ 3,436,222.35	$ 2,935,662.05
Corporate bonds	595,853.25	612,554.44
U.S. Treasury	292,689.62	293,842.57
U.S. Agency	814,535.41	842,920.52
Certificates of deposit	2,504,711.22	2,504,711.22
Money market	518.09	518.09
Total investments	$ 7,644,529.94	$ 7,190,208.89

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

	Cost	Market Value
Equities	$ 3,313,666.71	$ 3,443,019.56
Corporate bonds	614,016.02	599,600.38
U.S. Government securities	1,051,357.74	1,064,651.98
International stocks	396,452.69	368,028.34
Tennessee Valley Authority	94,126.91	92,562.12
Freddie Mac Callable	25,000.00	24,888.50
Money Market	1,495.90	1,495.90
Total investments	$ 5,496,115.97	$ 5,594,246.78

Pledges Receivable

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

	June 30, 2009	June 30, 2008
Current pledges	$ 324,838.61	$ 240,800.40
Pledges due in one to five years	838,934.97	412,422.13
Pledges due after five years	1,500.00	2,000.00
Subtotal	1,165,273.58	655,222.53
Less discount to net present value	(48,690.41)	(37,226.17)
Total pledges receivable, net	$1,116,583.17	$ 617,996.36

Capital Assets

Capital assets at June 30, 2009, and June 30, 2008, were as follows:

	June 30, 2009	June 30, 2008
Land	$153,500.00	$153,500.00
Manly Art Collection	43,805.00	43,805.00
Total	$197,305.00	$197,305.00

Long-term Liabilities

Long-term liabilities at June 30, 2009, consisted of the following:

	Ending Balance	Current Portion
Other liabilities:		
Liability under split interest agreements	$ 7,364.53	$ 1,284.70

Long-term liabilities at June 30, 2008, consisted of the following:

	Ending Balance	Current Portion
Other liabilities:		
Liability under split interest agreements	$ 7,743.09	$ 1,294.24

Endowments

The Roane State Community College Foundation's endowment consists of approximately 80 individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and one fund designated by the Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law - The Board of Trustees of the Roane State Community College Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as adopted by Tennessee as requiring the foundation to not spend below 95% of the endowment's historic dollar value except as approved by the Investment Committee. As a result of this interpretation, the Roane State Community College Foundation classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment; (2) the original value of subsequent gifts to the permanent endowment; (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund; and (4) earnings (losses) associated with the endowments through dividend, interest, realized gains (losses), and unrealized gains (losses). These earnings (losses) are recorded in separate individual funds as temporarily restricted net assets until those amounts are appropriated for expenditure by the foundation in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the foundation and the endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the foundation; and (7) the investment policies of the foundation.

Composition of Endowment by Net Asset Class
As of June 30, 2009

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Donor-restricted endowment funds	$ 5,151,812.24	$ 228,847.09	$ -	$ 5,380,659.33

Board-designated endowment funds	-	-	46,811.74	46,811.74
Total funds	$ 5,151,812.24	$ 228,847.09	$ 46,811.74	$ 5,427,471.07

Changes in Endowment Net Assets
for the Fiscal Year Ended June 30, 2009

	Permanently Restricted	Temporarily Restricted	Unrestricted	Total
Endowment net assets beginning of year	$ 3,146,546.68	$ 267,474.81	$ 52,823.73	$ 3,466,845.22
Investment return:				
Investment Income	1,949.75	111,168.95	1,175.31	114,294.01
Net depreciation (realized and unrealized)	(1,236.81)	(476,392.11)	(7,187.30)	(484,816.22)
Total investment return	712.94	(365,223.16)	(6,011.99)	(370,522.21)
Contributions	2,018,145.62	445,805.34	-	2,463,950.96
Appropriations of endowment assets for expenditure		(112,662.00)	-	(112,662.00)
Transfers	5,204.31	(6,547.90)	-	(1,343.59)
Other:				
Change in value split interest agreement	(17,503.07)	-	-	(17,503.07)
Distributions to trust beneficiaries	(1,294.24)	-	-	(1,294.24)
Endowment net assets, end of year	$ 5,151,812.24	$ 228,847.09	$ 46,811.74	$ 5,427,471.07

Return objectives and risk parameters - The foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve and protect its assets by earning a total return for each category of assets (a “Fund”), which is appropriate for each fund’s time horizon, distribution requirements, and risk tolerance. The specific objectives, risk parameters, and asset allocations will vary, as appropriate, from fund to fund. The foundation expects its endowment funds, over time, to provide an average rate of return of approximately 8 percent annually. Actual returns in any given year may vary from this amount.

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

Spending policy and how the investment objectives relate - The foundation has a policy of appropriating for distribution each year a percentage of the 3-year rolling average of the total endowment balance. This percentage is reviewed and revised annually by the Investment Committee. In establishing this policy, the foundation considered the long-term expected return on its endowment. Accordingly, over the long-term, the foundation expects the current spending policy to allow its endowment to grow at an average of 5 percent annually. This is consistent with the foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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

Actuarial Valuation Date	Plan	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c)]
July 1, 2007	State Employee Group Plan	$ -	$9,191,000.00	$9,191,000.00	0%	$14,676,753.83	62.6%

TENNESSEE BOARD OF REGENTS
ROANE STATE COMMUNITY COLLEGE
SUPPLEMENTARY SCHEDULES OF CASH FLOWS - COMPONENT UNIT
For The Years Ended June 30, 2009, and June 30, 2008

	Year Ended June 30, 2009	Year Ended June 30, 2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Gift and contributions	$ 949,695.79	$ 417,687.08
Payments to suppliers and vendors	(33,166.21)	(87,986.98)
Payments for scholarships and fellowships	(31,204.78)	(10,757.90)
Payments to Roane State Community College	(488,861.89)	(537,615.69)
Net cash flows provided (used) by operating activities	396,462.91	(218,673.49)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Private gifts for endowment purposes	2,023,045.00	56,513.63
Other non-capital financing receipts (payments)	(1,294.24)	(1,264.66)
Net cash flows provided (used) by non-capital financing activities	2,021,750.76	55,248.97
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	2,477,259.34	2,710,419.93
Income on investments	141,095.41	455,751.12
Purchase of investments	(4,934,470.75)	(2,603,841.34)
Other investing receipts (payments)	-	(209,854.50)
Net cash provided (used) by investing activities	(2,316,116.00)	352,475.21
Net increase (decrease) in cash and cash equivalents	102,097.67	189,050.69
Cash and cash equivalents - beginning of year	384,050.32	194,999.63
Cash and cash equivalents - end of year (Note 17)	$ 486,147.99	$ 384,050.32
Reconciliation of Operating Income/(Loss) to net cash provided (used) by operating activities:		
Operating income/(loss)	$ 886,976.56	$ (63,416.73)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Gifts-in-kind	-	17,000.00
Other adjustments	-	357,000.00
Change in assets and liabilities:		
Receivables, net	(503,486.19)	(523,831.96)
Accounts payable	12,972.54	(5,424.80)
Net cash provided (used) by operating activities	$ 396,462.91	$ (218,673.49)
NON-CASH TRANSACTIONS		
In-Kind Gifts - Capital items	$ -	$ 17,000.00
Unrealized gains/losses on investments	$ (552,082.57)	$ (785,367.57)