

TRUCKEE MEADOWS COMMUNITY COLLEGE

UNAUDITED FINANCIAL STATEMENTS

JUNE 30, 2006

TRUCKEE MEADOWS COMMUNITY COLLEGE

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**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This section of Truckee Meadows Community College's (TMCC) annual financial statements presents management's discussion and analysis of TMCC's financial activity during the fiscal year that ended on June 30, 2006. The purpose of this section is to assist the reader in understanding significant financial issues that occurred during the year. Since this discussion provides summary level financial information, it should be read in conjunction with TMCC's financial statements and accompanying footnotes, which follow this section. Responsibility for the financial statements, footnotes and this discussion rests with TMCC management.

Included in this report are the financial statements of TMCC and its discretely presented component unit, the TMCC Foundation. The TMCC Foundation is a nonprofit corporation whose mission is to solicit, receive and manage gift revenues for the benefit of TMCC. In this capacity, the Foundation is considered under Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities* to be a component unit of TMCC because its Board of Trustees is appointed by the Nevada System of Higher Education Board of Regents. Accordingly, the Foundation is included in the TMCC financial statements as a discrete component unit. Transactions with the College relate primarily to the disbursement of gifts funds and the reimbursement of expenditures. The Foundation follows the same accounting policies and principals as TMCC. Unless significantly material the disclosures for the Foundation are the same as disclosures for TMCC.

USING THIS REPORT

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These statements focus on the financial condition of TMCC, the results of operations and cash flows of TMCC as a whole.

One of the most important questions asked about College finances is whether TMCC as a whole is better off or worse off as a result of the year's activities. The key to understanding this question is the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. TMCC's net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of TMCC's financial health. Over time, increases or decreases in net assets is one indicator of TMCC's financial health when considered with non-financial facts such as enrollment levels and condition of the facilities.

The Statement of Net Assets includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. All things being equal, a public college's dependency on state appropriations will result in operating deficits. This is because the financial reporting model classifies state appropriations as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is TMCC's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, capital, financing and investing activities.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

FINANCIAL HIGHLIGHTS

Truckee Meadows Community College

- The Redfield High Tech Center opened in August 2005. The Redfield Center located in south Reno, Nevada provides the ability to service one of the fastest growing areas within Washoe County.
- There has been no long-term debt issued during this year. Long-term debt decreased by \$653,000 to \$9,350,000.
- Total net assets increased by \$3,440,000 to \$77,500,000.
- Total operating revenues increased by 3.5% to \$20,507,000 and nonoperating revenues increased by 15.7% to \$36,397,000.
- Total operating expenses increased by 5.8% to \$55,624,000.
- The state appropriation grew by \$4.3 million; the increase in state appropriation reflects the projected growth in college enrollment.
- A state \$1.9 million capital appropriation was approved by the last legislative session for a fire code project and deferred maintenance projects.

Truckee Meadows Community College Foundation

- Total net assets increase by 21.6% from \$281,000 to \$341,000.
- Total operating revenues increased by 255% from \$321,000 to \$1,141,000.
- The endowment grew by 25.5% or \$45,000 to a total of \$223,000.

TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CONDENSED FINANCIAL INFORMATION

Truckee Meadows Community College
Condensed Statement of Net Assets
June 30, 2006 and 2005

	2006	2005	Change	% Change
Current and other assets	\$ 26,760,000	\$ 23,492,000	\$ 3,268,000	13.91%
Capital assets - net	66,887,000	66,258,000	629,000	0.95%
Total assets	<u>93,647,000</u>	<u>89,750,000</u>	<u>3,897,000</u>	<u>4.34%</u>
Current and other liabilities	6,135,000	5,007,000	1,128,000	22.53%
Long-term liabilities	10,012,000	10,683,000	(671,000)	-6.28%
Total liabilities	<u>16,147,000</u>	<u>15,690,000</u>	<u>457,000</u>	<u>2.91%</u>
Net assets				
Invested in capital assets, net of related debt	56,884,000	55,551,000	1,333,000	2.40%
Restricted				
Nonexpendable	3,851,000	3,581,000	270,000	7.54%
Expendable	9,150,000	8,278,000	872,000	10.53%
Unrestricted	7,615,000	6,650,000	965,000	14.51%
Total net assets	<u>\$ 77,500,000</u>	<u>\$ 74,060,000</u>	<u>\$ 3,440,000</u>	<u>4.64%</u>

Total assets increased from \$89.8 million to \$93.6 million. TMCC's largest asset is the investment in its capital assets of \$66.9 million at June 30, 2006. Cash increased by \$1.9 million or 54% primarily due to increase in state appropriation and student enrollment. TMCC's current assets of \$16.7 million were more than sufficient to cover current liabilities of \$6.1 million, as the current ratio was \$2.7 dollars in assets to every \$1 dollar of liabilities.

Liabilities at year-end totaled \$16.1 million, representing an increase of \$1.1 million over last year. Noncurrent liabilities decreased from \$10.7 million to \$10.0 million. This decrease of liabilities is due to principal payments on long-term debt.

TMCC's financial position, as a whole, was stable during the fiscal year ended June 30, 2006. Net assets decreased to \$77.5 million from \$74.1 million. The expendable and unrestricted net assets totaled \$16.8 million, which represents 30% of total operating expenditures during the year ended June 30, 2006. Net assets are divided into three major categories as follows:

Invested in capital assets - Net assets invested in capital assets, net of related debt represents TMCC's capital assets net of accumulated depreciation, outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets and capital lease obligations.

Restricted, nonexpendable/expendable - TMCC's endowment funds consist of both permanent endowments and funds functioning as endowments, or quasi endowments.

Permanent endowments are those funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income which is to be expended for the purposes stipulated by the donor.

Funds functioning as an endowment consist of amounts (restricted gifts or unrestricted funds) that have been allocated by TMCC for long-term investment purposes although amounts are not subject to donor restrictions requiring TMCC to preserve the principal in perpetuity. Programs supported by the endowment include scholarships, fellowships, professorships, research efforts and other important programs and activities.

Unrestricted net assets - Although unrestricted net assets are not subject to externally imposed stipulations, substantially all of TMCC's unrestricted net assets have been designated for various academic and research programs and initiatives as well as capital projects.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Truckee Meadows Community College Foundation
Condensed Statement of Net Assets
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$ 261,000	\$ 150,000	\$ 111,000	74%
Investments	<u>223,000</u>	<u>178,000</u>	<u>45,000</u>	<u>25%</u>
Total assets	<u>484,000</u>	<u>328,000</u>	<u>156,000</u>	<u>48%</u>
Liabilities	143,000	47,000	96,000	204%
Net assets				
Restricted	218,000	181,000	37,000	20%
Unrestricted	<u>123,000</u>	<u>100,000</u>	<u>23,000</u>	<u>23%</u>
Total net assets	<u>341,000</u>	<u>\$ 281,000</u>	<u>\$ 60,000</u>	<u>21%</u>

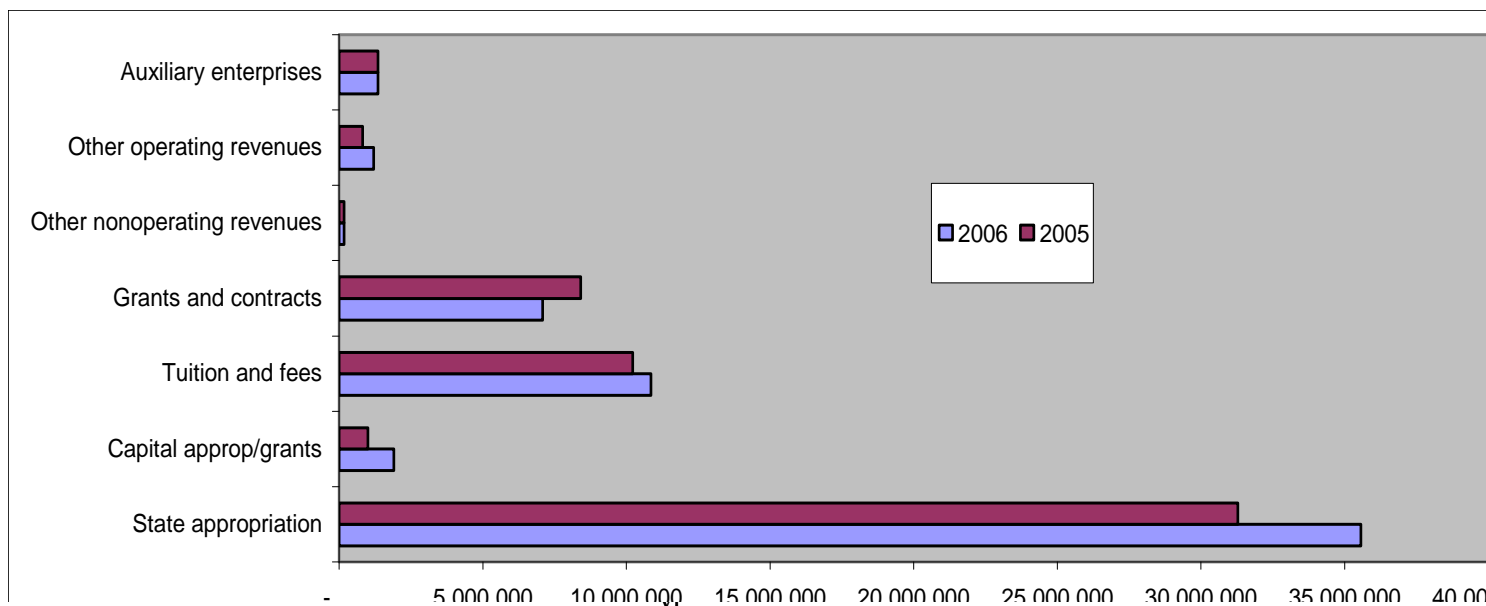
Foundation assets increased by \$156,000. Net assets grew by \$60,000; most of this growth was driven by \$96,000 growth in deferred revenue accounts and unrealized gain on the endowment. Deferred revenue accounts represent future support for college programs, such as, the TMCC 35th Anniversary Gala, Nursing equipment and scholarships.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Truckee Meadows Community College
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005

	2006	2005	Change	% Change
Operating Revenues				
Tuition and fees	\$ 10,853,000	\$ 10,224,000	\$ 629,000	6.15%
Grants and contracts	7,091,000	7,414,000	(323,000)	-4.36%
Auxiliary enterprises	1,354,000	1,351,000	3,000	0.22%
Other operating revenues	1,209,000	820,000	389,000	47.44%
Total Operating revenues	<u>20,507,000</u>	<u>19,809,000</u>	<u>698,000</u>	<u>3.52%</u>
Operating Expenses	<u>55,624,000</u>	<u>52,586,000</u>	<u>3,038,000</u>	<u>5.78%</u>
Operating loss	<u>(35,117,000)</u>	<u>(32,777,000)</u>	<u>(2,340,000)</u>	<u>7.14%</u>
Nonoperating Revenues				
State appropriations	35,570,000	31,286,000	4,284,000	13.69%
Other nonoperating revenues	828,000	181,000	647,000	357.46%
Net nonoperating revenues	<u>36,398,000</u>	<u>31,467,000</u>	<u>4,931,000</u>	<u>15.67%</u>
Income (loss) before other revenue, expenses, gains or losses	1,281,000	(1,310,000)	2,591,000	-197.79%
Capital grants and gifts		1,000,000	(1,000,000)	100.00%
Capital appropriations	1,910,000	-	1,910,000	-100.00%
Additions to permanent endowments	249,000	110,000	139,000	126.36%
Total other revenues	<u>2,159,000</u>	<u>1,110,000</u>	<u>1,049,000</u>	<u>94.50%</u>
Increase (decrease) in net assets	3,440,000	(200,000)	3,640,000	-1820.00%
Net Assets				
Net assets, beginning of year	74,060,000	74,260,000	(200,000)	-0.27%
Net assets, end of year	<u>\$ 77,500,000</u>	<u>\$ 74,060,000</u>	<u>\$ 3,440,000</u>	<u>4.64%</u>

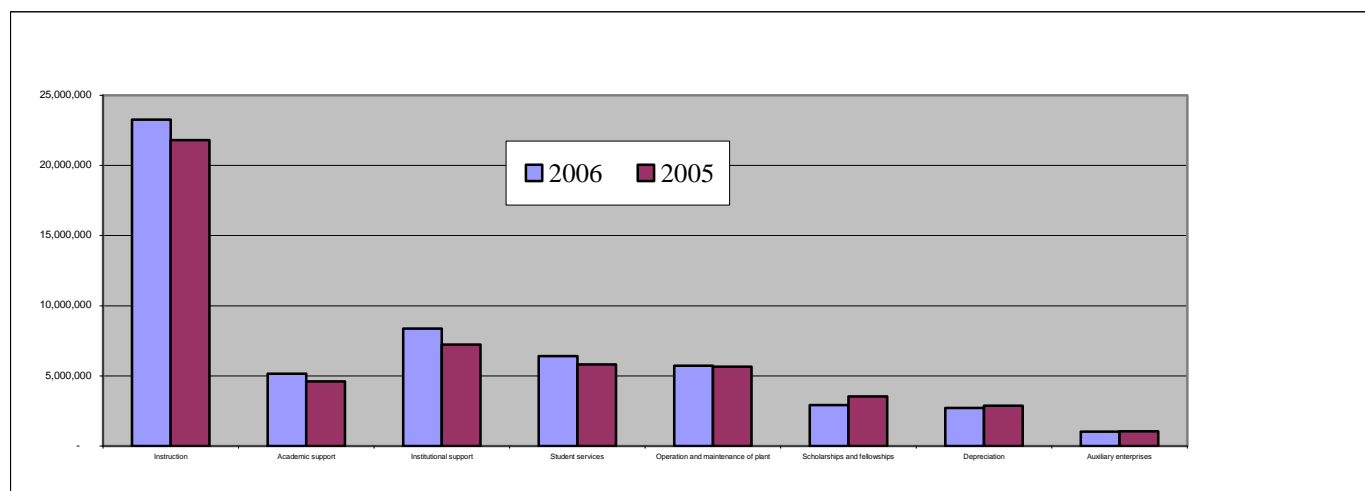


**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

TMCC's total operating and nonoperating revenues increased by over 19% to \$56.9 million. This increase is due primarily to the increase in state operating appropriations of \$4.3 million and a \$1.9 million state capital appropriation for various deferred maintenance projects. Other factors, although not as significant, include a \$.6 million increase in tuition and fee revenues and increase in other income. As illustrated above, the most significant sources of revenue for TMCC come from state appropriations, tuition and fees and grants and contracts.

Truckee Meadows Community College
Operating Expenses
For the Years Ended June 30, 2006 and 2005

	2006	2005	Change	% Change
Operating Expenses				
Instruction	\$ 23,273,000	\$ 21,802,000	\$ 1,471,000	7%
Academic support	5,152,000	4,607,000	545,000	12%
Institutional support	8,380,000	7,236,000	1,144,000	16%
Student services	6,420,000	5,824,000	596,000	10%
Operation and maintenance of plant	5,734,000	5,654,000	80,000	1%
Scholarships and fellowships	2,925,000	3,532,000	(607,000)	-17%
Depreciation	2,705,000	2,883,000	(178,000)	-6%
Auxiliary enterprises	1,035,000	1,048,000	(13,000)	-1%
Total	<u>\$ 55,624,000</u>	<u>\$ 52,586,000</u>	<u>\$ 3,038,000</u>	<u>6%</u>



Operating expenditures, including depreciation of \$2.7 million, totaled \$55.6 million. This is an increase over the prior year of 6%. TMCC's expenses cover a range of services, but are primarily associated with instruction, institutional support and student services.

TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Truckee Meadows Community College Foundation
Condensed Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Donor contributions	\$ 56,000	\$ 78,000	\$ (22,000)	-28%
College support	108,000	98,000	10,000	10%
Scholarships and endowments	364,000	142,000	222,000	156%
Special programs and other	613,000	3,000	610,000	20333%
	<u>1,141,000</u>	<u>321,000</u>	<u>820,000</u>	<u>255%</u>
Operating Expenses	1,119,000	317,000	802,000	253%
Nonoperating Revenues				
Investment income	38,000	25,000	13,000	52%
Additions to permanent endowments	-	89,000	(89,000)	-100%
	<u>\$ 38,000</u>	<u>\$ 114,000</u>	<u>\$ (76,000)</u>	<u>-67%</u>
Increase (decrease) in net assets	\$ 60,000	\$ 118,000	\$ (58,000)	-49%
Net Assets				
Net assets, beginning of year	281,000	163,000	118,000	72%
Net assets, end of year	<u>\$ 341,000</u>	<u>\$ 281,000</u>	<u>\$ 60,000</u>	<u>21%</u>

Donor contributions and scholarships and endowment revenue increased \$820,000 or 255% for the year. Special programs include a one time \$500,000 major gift to establish a Manufacturing Program. College scholarships and endowments grew by \$223,000 or 156% with over \$324,000 to be invested in the Nevada System of Higher Education Endowment Pool.

TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Truckee Meadows Community College
Condensed Statements of Cash Flows
For the Years Ended June 30, 2006 and 2005

	2006	2005
Cash provided by (used in)		
Operating activities	\$ (31,676,000)	\$ (28,766,000)
Noncapital financing activities	35,492,000	31,020,000
Capital and related financing activities	(2,019,000)	(12,732,000)
Investing activities	74,000	(681,000)
Net (decrease) increase in cash and cash equivalents	1,871,000	(11,159,000)
Cash and cash equivalents - beginning of year	5,669,000	16,828,000
Cash and cash equivalents - end of year	\$ 7,540,000	\$ 5,669,000

TMCC's overall liquidity increased during the year, with a net increase in cash and cash equivalents of \$1.8 million. Cash used in operating activities of \$31.7 million increased by \$3.0 million 10.5% when compared to the prior year, due primarily to increased compensation and benefits and payments for supplies and services. Major sources of operating funds were student tuition and fees (\$12.1 million) and grants and contracts (\$6.5 million). Cash provided by noncapital financing activities of \$35.5 million a \$4.5 million increase when compared to the prior year. The major source of noncapital financing activities is the state operating budget appropriation of \$35.6 million. Cash used in capital financing activities of \$2 million decreased \$11.7 million when compared to the prior year, due primarily by lower purchases of capital assets and debt payment activities. Major source of capital financing activities is the state capital appropriation for construction projects, deferred maintenance, and furniture, fixtures and equipment. Cash provided by investing activities increased by \$.6 million when compared to the prior year due primarily to purchases of investments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Truckee Meadows Community College
Capital Assets, Net
For the Years Ended June 30, 2006 and 2005

	2006	2005	Change	% Change
Capital Assets				
Construction in progress	\$ -	\$ 5,400,000	\$ (5,400,000)	-100.00%
Land	2,370,000	2,613,000	(243,000)	-9.30%
Land improvements	1,547,000	1,547,000	-	0.00%
Buildings	82,966,000	74,991,000	7,975,000	10.63%
Machinery and equipment	5,814,000	5,232,000	582,000	11.12%
Library books and media	2,358,000	2,260,000	98,000	4.34%
Total	95,055,000	92,043,000	3,012,000	3.27%
Less accumulated depreciation	(28,168,000)	(25,785,000)	(2,383,000)	9.24%
Net capital assets	\$ 66,887,000	\$ 66,258,000	\$ 629,000	0.95%

As of June 30, 2006, TMCC had recorded \$95.0 million invested in capital assets, \$28.2 million in accumulated depreciation and \$66.9 million in net capital assets. Construction in progress consists of costs incurred as of June 30, 2006 and 2005 for various campus improvements. The largest of the approved projects was the completion of a high technology learning center in August 2005. The college has no major construction projects in progress. The next large project in planning stages is the Spanish Springs education site. Currently, TMCC has no plans to issue additional debt to finance these projects.

TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED FINANCIAL STATEMENTS
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

FACTORS IMPACTING FUTURE PERIODS

While the State of Nevada experiences budget challenges, UCCSN colleges and universities will continue to feel the impact on their budgets. At TMCC several factors will likely impact future periods. They include:

Enrollment Growth – TMCC has witnessed excellent enrollment growth, for fiscal year 2005 enrollment grew by 6%, enrollment for fiscal year 2006 grew by 5% and for fall 2006 enrollment is projected to grow by 4%. Population growth in our service area, increase in our capture rate of local high school students, and combined with growing demands of a diversifying economy should result in continued pressures to serve more students.

Capital Renovation/Maintenance and Expansion. – TMCC has completed its facilities master plan. The Nell J. Redfield Performing Arts Center opened on September 19, 2003. The V.J. Eardley Student Center opened on August 19th, 2004 and the High Tech Center located on the UNR/TMCC/WNCC opened August 8, 2005. During FY 2004, TMCC received a contingent gift of four acres of land in Spanish Springs Valley, north of the city of Sparks, Nevada. This project is currently in the planning stages and has been recommended as a state capital project by the NSHE Board of Regents.

Financial Stability – TMCC's fiscal year 2007 original operating budget for State appropriations and authorized expenditures (the "State Supported Operating Budget") totals \$47.3 million. This budget represents a 6.5% increase in authorized funding levels as compared to the originally approved \$44.4 million budget for fiscal year 2006. State appropriations for fiscal year 2007 total \$38.4 million, representing 81% of the State Supported Operating Budget. This compares to \$ 36.2 million budgeted for fiscal year 2006 and represents a 6% increase. Other budgeted revenue sources, including student fees, tuition, federal funds, indirect cost recovery, auxiliary enterprise funds, and training grants account for the remaining budgeted amount.

The discrete presentation of the TMCC Foundation financial statements as a component unit of TMCC better reflects the total financial picture of TMCC as a whole. This inclusion also is an indication of the future importance of external fund raising activities of the Foundation.

Program Growth and Development - The TMCC anticipates continuing growth in our service area and being a leader in our service area economic diversification. The TMCC is in the process of finalizing its Academic Master Plan. The plan focuses on our ability to meet the growing needs of our service areas and provides a plan to better map and use our resources to meet those needs.

Each of the aforementioned factors presents both a challenge and an opportunity to better serve the residents of Washoe County.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by TMCC, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts which address activities, events or developments TMCC expects or anticipates will or may occur in the future contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. TMCC does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

UNAUDITED FINANCIAL STATEMENTS

**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED STATEMENTS OF NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	TMCC		Foundation	
	2006	2005	2006	2005
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 5,654,000	\$ 3,665,000	\$ 239,000	\$ 142,000
Short-term investments	9,087,000	9,040,000		
Accounts receivable, net	663,000	1,010,000	22,000	8,000
Receivable from U.S. Government	616,000	210,000		
Receivable from State of Nevada	538,000	166,000		
Current portion of loans receivable, net	38,000	36,000		
Inventories and deferred expenditures	25,000	27,000		
Funds Held in Trust by Others	46,000	43,000		
Total current assets	<u>16,667,000</u>	<u>14,197,000</u>	<u>261,000</u>	<u>150,000</u>
Noncurrent Assets				
Cash held by State Treasurer	1,886,000	2,004,000		
Endowment Investments	7,909,000	7,006,000	223,000	178,000
Loans receivable, net	298,000	285,000		
Capital assets, net	66,887,000	66,258,000		
Total noncurrent assets	<u>76,980,000</u>	<u>75,553,000</u>	<u>223,000</u>	<u>178,000</u>
	<u>93,647,000</u>	<u>89,750,000</u>	<u>484,000</u>	<u>328,000</u>
LIABILITIES				
Current Liabilities				
Accounts payable	882,000	995,000	3,000	
Accounts payable for property and equipment				
Accrued payroll and related liabilities	1,095,000	1,043,000		
Due to State of Nevada	255,000	37,000		
Unemployment insurance and workers' compensation liability	253,000	247,000		
Current portion of compensated absences	1,176,000	1,091,000		
Current portion of long-term debt	653,000	627,000		
Current portion of capital lease obligations	-	29,000		
Accrued interest payable	108,000	116,000		
Deferred revenue	1,655,000	752,000	140,000	47,000
Funds held in trust for others	58,000	70,000		
Total current liabilities	<u>6,135,000</u>	<u>5,007,000</u>	<u>143,000</u>	<u>47,000</u>
Noncurrent liabilities				
Compensated absences	398,000	370,000		
Long-term debt	9,350,000	10,003,000		
Obligations under capital leases	-	48,000		
Refundable advances under federal loan program	264,000	262,000		
Total noncurrent liabilities	<u>10,012,000</u>	<u>10,683,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>16,147,000</u>	<u>15,690,000</u>	<u>143,000</u>	<u>47,000</u>
NET ASSETS				
Invested in capital assets, net of related debt	56,884,000	55,551,000		
Restricted for				
Nonexpendable	3,851,000	3,581,000	218,000	181,000
Expendable:				
Scholarships, research and instruction	4,531,000	3,904,000		
Loans	92,000	95,000		
Capital projects	4,608,000	4,368,000		
Debt service	(81,000)	(89,000)		
Unrestricted	7,615,000	6,650,000	123,000	100,000
Total Net Assets	<u>\$ 77,500,000</u>	<u>\$ 74,060,000</u>	<u>\$ 341,000</u>	<u>\$ 281,000</u>

The accompanying notes are an integral part of these financial statements.

TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	TMCC		Foundation	
	2006	2005	2006	2005
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowance of \$2,121,000 and \$2,210,000)	\$ 10,853,000	\$ 10,224,000	\$ -	\$ -
Contributions			999,000	182,000
Federal grants and contracts	5,544,000	5,752,000		
State grants and contracts	1,522,000	1,602,000		
Other grants and contracts	25,000	60,000		
Sales and services of educational departments	718,000	670,000		
Sales and services of auxiliary enterprises	1,354,000	1,351,000		
Campus support			108,000	98,000
Interest earned on loans receivable and Other revenues	491,000	150,000	34,000	41,000
Total operating revenues	<u>20,507,000</u>	<u>19,809,000</u>	<u>1,141,000</u>	<u>321,000</u>
EXPENSES				
Operating Expenses				
Employee compensation and benefits	39,298,000	36,814,000	102,000	96,000
Utilities	1,532,000	1,430,000	2,000	1,000
Supplies and services	9,164,000	7,927,000	37,000	64,000
Scholarships and fellowships	2,925,000	3,532,000		
Depreciation	2,705,000	2,883,000		
Total operating expenses	<u>55,624,000</u>	<u>52,586,000</u>	<u>141,000</u>	<u>161,000</u>
Operating (loss) income	<u>(35,117,000)</u>	<u>(32,777,000)</u>	<u>1,000,000</u>	<u>160,000</u>
NONOPERATING REVENUES (EXPENSES)				
State appropriations	35,570,000	31,286,000		
Transfers to System Administration	(489,000)	(487,000)		
Gifts (including \$661,000, partly deferred, and \$86,000 from the Foundation)	161,000	97,000		
Investment income	1,906,000	1,729,000	38,000	25,000
Other non-operating expense		(540,000)		
Disposal of capital assets and other non-operating revenues	(277,000)	(115,000)		
Interest expense	(473,000)	(503,000)		
Payments to TMCC			(978,000)	(156,000)
Net nonoperating revenues (expenses)	<u>36,398,000</u>	<u>31,467,000</u>	<u>(940,000)</u>	<u>(131,000)</u>
(Loss) income before other revenues, expenses, gains or losses	1,281,000	(1,310,000)	60,000	29,000
Capital grants and gifts		1,000,000		
Capital appropriations	1,910,000			
Additions to permanent endowments (including \$317,000, partly deferred, and \$70,000 from the Foundation)	249,000	110,000		89,000
Total other revenues	<u>2,159,000</u>	<u>1,110,000</u>		<u>89,000</u>
Increase (decrease) in net assets	3,440,000	(200,000)	60,000	118,000
NET ASSETS				
Net assets, beginning of year	74,060,000	74,260,000	281,000	163,000
Net assets, end of year	<u>\$ 77,500,000</u>	<u>\$ 74,060,000</u>	<u>\$ 341,000</u>	<u>\$ 281,000</u>

The accompanying notes are an integral part of these financial statements.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	TMCC	
	2006	2005
Cash flows from operating activities		
Student tuition and fees	\$ 12,103,000	\$ 10,450,000
Grants and contracts	6,531,000	7,745,000
Payments for supplies and services	(9,254,000)	(7,639,000)
Payments for utilities	(1,532,000)	(1,430,000)
Payments for employee compensation and benefits	(39,127,000)	(36,507,000)
Payments for scholarships and fellowships	(2,925,000)	(3,532,000)
Loans issued to students and employees	(173,000)	(175,000)
Collection of loans to students and employees	150,000	151,000
Sales and services of auxiliary enterprises	1,354,000	1,351,000
Sales and services of educational departments	718,000	670,000
Other receipts	479,000	150,000
Net cash used in operating activities	<u>(31,676,000)</u>	<u>(28,766,000)</u>
Cash flows from noncapital financing activities		
State appropriations	35,570,000	31,286,000
Transfers from System Administration	(489,000)	(487,000)
Gifts and grants for other than capital purposes	160,000	97,000
Gifts for endowment purposes	249,000	110,000
Receipts under federal loan programs	4,151,000	4,124,000
Disbursements under federal loan programs	(4,151,000)	(4,124,000)
Perkins transactions	2,000	14,000
Net cash provided in noncapital financing activities	<u>35,492,000</u>	<u>31,020,000</u>
Cash flows from capital financing activities		
Capital grants, gifts, and appropriations	1,910,000	999,000
Purchases of capital assets	(2,053,000)	(12,051,000)
Principal paid on capital debt and leases	(704,000)	(631,000)
Interest paid on capital debt and leases	(473,000)	(509,000)
Other	(699,000)	(540,000)
Net cash used in capital financing activities	<u>(2,019,000)</u>	<u>(12,732,000)</u>
Cash flows from investing activities		
Proceeds from sales and maturities of investments	1,907,000	3,829,000
Purchase of investments	(2,653,000)	(4,724,000)
Interest and dividends on investments	651,000	429,000
Net (increase) decrease in cash equivalents, non current investments	169,000	(215,000)
Net cash used in investing activities	<u>74,000</u>	<u>(681,000)</u>
Net decrease in cash and cash equivalents	1,871,000	(11,159,000)
Cash and cash equivalents, beginning of year	5,669,000	16,828,000
Cash and cash equivalents, end of year	<u>\$ 7,540,000</u>	<u>\$ 5,669,000</u>
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (35,117,000)	\$ (32,777,000)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	2,705,000	2,883,000
Changes in assets and liabilities:		
Accounts receivable and others, net	(495,000)	401,000
Loans receivable, net	(15,000)	(5,000)
Inventories	2,000	5,000
Deferred expenditures	-	(3,000)
Accounts payable	85,000	263,000
Accrued payroll and related liabilities	52,000	135,000
Accrued unemployment and workers' compensation insurance	119,000	15,000
Deferred revenue	903,000	160,000
Compensated absences	85,000	157,000
Net cash used in operating activities	<u>\$ (31,676,000)</u>	<u>\$ (28,766,000)</u>
Supplemental noncash activities information		
Capital assets acquired by incurring capital lease obligations and construction accounts payable	\$ -	\$ 4,146,000
Disposal of capital assets	<u>\$ 277,000</u>	<u>\$ 53,000</u>

The accompanying notes are an integral part of these financial statements

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTES TO THE FINANCIAL STATEMENTS

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 1 – Organization

The accompanying financial statements include the accounts of all Truckee Meadows Community College ("TMCC") and the Truckee Meadows Community College Foundation (the "Foundation") operations. TMCC is one of nine divisions or campuses of the Nevada System of Higher Education (the "System") formerly known as the University and Community College System of Nevada, which also includes:

- University of Nevada, Reno
- University of Nevada, Las Vegas
- Nevada State College at Henderson
- Community College of Southern Nevada
- Great Basin College
- Western Nevada Community College
- Desert Research Institute
- Nevada System of Higher Education Administration

The System is an agency of the State of Nevada (the "State") and TMCC receives significant support from and has significant assets held by the State as set forth in the accompanying financial statements.

The Foundation is a nonprofit corporation whose mission is to solicit, receive and manage gift revenues for the benefit of TMCC. In this capacity, the Foundation is considered to be a component unit of TMCC because its Board of Trustees is appointed by the System Board of Regents. Accordingly, the Foundation is included in the TMCC financial statements as a discretely presented component unit. Transactions with TMCC relate primarily to the disbursement of gifts funds and the reimbursement of expenditures. During the years ended June 30, 2006 and 2005 the Foundation distributed \$978,000 and \$156,000, respectively, to TMCC for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Institutional Advancement Office at TMCC, 7000 Dandini Blvd, Reno, Nevada 89512.

TMCC is not a separate legal entity; it is a campus of the System and is governed by the System's Board of Regents. Certain administrative expenditures of the System are not charged or allocated to TMCC because they are not directly related to TMCC's operations.

NOTE 2 - Summary of Significant Accounting Policies

The significant accounting policies followed by TMCC and the Foundation are described below to enhance the usefulness of the financial statements to the reader.

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"), including Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis of Public Colleges and Universities*.

The financial statements required by Statement No. 35 are the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. Financial reporting requirements also include Management's Discussion and Analysis of TMCC's financial position and results of operations.

Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. Statement No. 37 clarifies guidance to be used in preparing Management's Discussion and Analysis and Statement No. 38 modifies, adds and deletes various note disclosure requirements.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 2 - Summary of Significant Accounting Policies (continued)

BASIS OF PRESENTATION (continued)

TMCC has adopted GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which requires TMCC's legally separate campus foundation to be presented discretely in TMCC's financial statements.

TMCC has adopted GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3. Statement No. 40 modifies or eliminates certain disclosures required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements*.

RECLASSIFICATIONS

Certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation. Such reclassifications had no effect on previously reported total net assets or changes in total net assets.

BASIS OF ACCOUNTING

The financial statements have been prepared on the accrual basis of accounting whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. TMCC has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. TMCC has elected not to apply FASB pronouncements issued after the applicable date.

CASH EQUIVALENTS

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

INVESTMENTS

TMCC

Investments are primarily stated at fair value. Fair value of investments is determined from quoted market prices, quotes obtained from brokers or reference to other publicly available market information. Interests in private equity partnerships are based upon valuations provided by the general partners of the respective partnerships as of March 31, adjusted for cash receipts, cash disbursements and securities distributions through June 30. The System believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because the private equity partnerships are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would have been used had a ready market for such investments existed. Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned.

Foundation

Investments are stated at fair value based on broker quoted market values, and realized and unrealized gains and losses are reflected in the statement of revenues, expenses, and changes in net assets. The investments included in the accompanying statement of net assets represent donated instruments and the Foundation is required to maintain the investment in tact. At such time as it is no longer a productive investment, and upon approval by the Foundation Board and the donor's trust, if available, the stock may be sold. As such, all unrealized appreciation and depreciation in the investments are reflected in the value of the endowment fund and are not available for distribution. Other investment income generated by the investments is available for specific designated scholarship purposes.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 2 - Summary of Significant Accounting Policies (continued)

INVENTORIES

Inventories consist of vending machine inventory and are stated at either cost or lower of estimated cost or market. Cost is calculated on the first-in, first-out method.

CAPITAL ASSETS

Capital assets are defined as assets with an initial unit cost of \$2,000 or more and an estimated useful life in excess of one year. Such assets are stated at cost at the date of acquisition or fair market value at date of donation in the case of gifts. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Accumulated depreciation is computed on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Land improvements	15
Machinery and equipment	5 to 10
Library books	5

DEFERRED REVENUE

TMCC

Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition.

Foundation

Deferred revenue consists of donor contributions received, which are earmarked for specific programs, scholarships and special events.

COMPENSATED ABSENCES

TMCC accrues annual leave for employees at rates based upon length of service and job classification and compensatory time based upon job classification and hours worked. Such accrued expenses have been classified as a component of employee compensation and benefits in the accompanying Statements of Revenues, Expenses and Changes in Net Assets.

FEDERAL REFUNDABLE LOANS

Certain loans to students are administered by TMCC, with funding primarily supported by the federal government. TMCC's Statements of Net Assets include both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

NET ASSETS

Net Assets are classified as follows:

Invested in capital assets, net of related debt: This represents 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.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 2 - Summary of Significant Accounting Policies (continued)

NET ASSETS (continued)

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds 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 purposes of producing present and future income, which may either be expended or added to principal.

Restricted net assets – expendable: Restricted expendable net assets include resources which must be expended in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources that are not subject to externally imposed restrictions. These resources are used for transactions relating to the educational and general operations and may be used to meet current expenses for any purpose.

OPERATING AND NONOPERATING REVENUES AND EXPENSES

TMCC

Revenues and expenses are classified as operating if they result from providing services and producing and delivering goods. They also include other events that are not defined as capital and related financing, noncapital financing, or investing activities. Grants and contracts representing an exchange transaction are considered operating revenues.

Revenues and expenses are classified as nonoperating if they result from capital and related financing, noncapital financing, or investing activities. Appropriations received to finance operating deficits are classified as noncapital financing activities; therefore, they are reported as nonoperating revenues. Grants and contracts representing nonexchange receipts are treated as nonoperating revenues.

Foundation

Donations, gifts and pledges received are recognized as income in the period in which they are received, unless they are received as part of a campaign which is specifically designated as being for a future period. In the latter cases, they are initially recorded as deferred revenue and are then transferred to income in the period for which they are designated.

SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by TMCC, and the amount that is paid by students and/or third parties making payments on the students' behalf. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

GRANTS-IN-AID

Tuition and fees revenue includes grants-in-aid for faculty and staff benefits charged to the appropriate expenditure programs to which the applicable personnel relate. Grants-in-aid for the years ended June 30, 2006 and 2005 totaled \$129,000 and \$119,000 respectively.

TAX EXEMPTION

The System and its discretely presented component units are qualified tax-exempt organizations under the provisions of Section 501(c) (3) of the Internal Revenue Code and are exempt from federal and state income taxes on related income.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 2 - Summary of Significant Accounting Policies (continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

NEW ACCOUNTING PRONOUNCEMENTS

In November 2003, the GASB issued Statement No. 42, *Accounting and Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which requires an evaluation of prominent events or changes in circumstances to determine whether an impairment loss should be recorded and that any insurance recoveries be netted with the impairment loss. The provisions of GASB Statement No. 42 are effective for fiscal years beginning after December 15, 2004.

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, which supersedes the interim guidance included in Statement 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans* and requires specific reporting framework and measurement parameters to be applied for defined benefit plans. The provisions of GASB Statement No. 43 for plans in which the sole or largest employer is a phase 1 government—with annual revenues of \$100 million or more—are effective for fiscal years beginning after December 15, 2005.

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, which requires accrual-based measurement, recognition and disclosure of other postemployment benefit (OPEB) expense, such as retiree medical and dental costs, over the employees' year of service, along with the related liability, net of any plan assets. The provisions of GASB Statement No. 45 for governments that were phase 1 governments for the purpose of implementation of Statement 34—those with annual revenues of \$100 million or more—are effective for fiscal years beginning after December 15, 2006.

In June 2005, the GASB issued Statement No. 47, *Accounting for Termination Benefits*, which specifies when and how the cost of termination benefits should be recognized on accrual-based financial statements. The provisions of GASB Statement No. 47 are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of GASB Statement No. 47 should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, the provisions of GASB Statement No. 47 are effective for financial statements for periods beginning after June 15, 2005.

NOTE 3 - Cash and Cash Equivalents

TMCC

Cash and cash equivalents of the TMCC are stated at cost, which approximates market, and consists of deposits in money market funds, which are not federally insured, and cash in the bank. Substantially all of TMCC's cash and cash equivalents are pooled with that of the other campuses and divisions of the System. At June 30, 2006 and 2005 the System's deposits in money market funds totaled \$139,223,000 and \$67,110,000, respectively, and cash in bank was \$8,133,000 and \$7,366,000, respectively. Of these balances \$100,000 in both years were covered by the Federal Depository Insurance Corporation ("FDIC"), the remaining deposits are uncollateralized and uninsured. Cash held by State Treasurer represents the funds from certain state appropriations, which were enacted to provide the University with the funds necessary for the construction of major assets. Such amounts are controlled by the Nevada Public Works Board. All of the above are included in cash and cash equivalents in the Statement of Cash Flows.

Foundation

The Foundation maintains its cash at one commercial bank. The account is insured by the FDIC up to \$100,000. The Foundation also maintains a money market account at a brokerage firm located in Reno, Nevada. The account is insured by the Securities Investor Protection Corporation (SIPC) up to \$100,000 in cash. Excess balances are uninsured and are thereby exposed

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

to custodial credit risk.

NOTE 4 – Investments

Investments are stated at fair value. At June 30, 2006 and 2005, TMCC’s operating and endowment investments totaled \$16,996,000 and \$16,046,000, respectively, and such investments were maintained in the Systems’ operating and endowment investment pools. At June 30, 2006 and 2005 the System’s operating and endowment investment pools totaled \$618,355,000 and \$449,750,000, respectively, and were comprised of the following:

	2006	2005
Mutual funds	52%	66%
Other partnerships	6%	15%
Private equity partnerships	1%	10%
Stocks	4%	5%
Endowment cash and cash equivalents	24%	3%
Other investments (including corporate and U.S. government bonds)	13%	1%

Mutual funds consist of investments in shares of mutual funds with six separate fund managers. Investments held by the various mutual funds, in the approximate proportion of the System’s ownership of such mutual funds, are summarized as follows:

	2006	2005
Stocks	38%	36%
U.S. government bonds	25%	28%
International securities	24%	23%
Cash and cash equivalents	12%	12%
Corporate bonds	1%	1%

The Board of Regents has established an investment income distribution policy for pooled investments which serve to mitigate earnings fluctuations at the campus level from year to year. In accordance with this policy, during the years ended June 30, 2006 and 2005 System Administration retained \$1,188,000 and \$487,000, respectively, of investment income from TMCC’s operating fund investments. Such amount is included in Net Transfers to System Administration in the financial statements.

As of June 30, 2006 the System had entered into various investment agreements with private equity partnerships. Under the terms of certain of these investment agreements, the System is obligated to make additional investments in the private equity partnerships of \$7,481,000.

For purposes of applying GASB Statement No. 40, certain of the System’s operating and endowment investments are subject to risks as follows:

Credit risk and interest rate risk

Certain securities with fixed income are subject to credit risk which is the risk that an issuer of an investment will not fulfill its obligations. Other securities, including obligations of the U.S. government or those explicitly guaranteed by the U.S. government, are not considered to have credit risk. Credit quality is an assessment of the issuer’s ability to pay interest on the investment, and ultimately, to pay the principal. Credit quality is evaluated by one of the independent rating agencies, for example Moody’s Investors Service or Standard and Poor’s. The System’s policy for reducing its exposure to credit risk is to maintain a weighted average credit rating of AA or better, and never below A, for investments with credit risk within both the endowment and operating investment pools. With regard to the trusts included in endowment investments which are solely attributable to the University of Nevada, Reno, the System is not the trustee of these investments and, therefore, it currently has no policies with regard to credit risk for these investments.

The credit risk profile for the System’s operating and endowment investments at June 30, 2006 is as follows (percentages based on System’s total operating and endowment investments at June 30, 2006 as disclosed above):

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 4 – Investments (continued)

US Government - Guaranteed	0.22%
Corporate Bonds:	
AAA	0.01%
AA	0.05%
A	0.17%
Not Rated	0.00%
Commingled Funds:	
US Bond Funds - Not Rated	17.02%
Non-US Bond Funds - Not Rated	0.66%
Money Market Funds - Not Rated	1.61%

Interest rate risk is the risk that the value of fixed income securities will decline because of changing interest rates. The prices of fixed income securities with a shorter duration to maturity tend to be more sensitive to changes in interest rates, and, therefore, more volatile than those with longer investment lives. The System's policy for reducing its exposure to interest rate risk is to have an average investment life of at least two years for fixed income securities within both the endowment and operating investment pools. With regard to the trusts included in endowment investments which are solely attributable to the University of Nevada, Reno, the System is not the trustee of these investments and, therefore, it currently has no policies with regard to interest rate risk for these investments.

Investments included in the above table have been identified as having interest rate risk and are principally invested in mutual funds. The segmented time distribution for these investments at June 30, 2006 is as follows:

Less than 1 year	26.53%
1 to 5 years	25.80%
6 to 10 years	36.57%
More than 10 years	11.10%

Custodial credit risk

Custodial credit risk is the risk that in the System may not be able to recover the value of the investments that are in the possession of an outside party. The System does not have a formal policy for custodial credit risk. At June 30, 2006, the following securities were held by various custodial banks:

Mutual Funds	3.31%
Stocks	87.79%
International	0.19%
US Government Bonds	4.17%
Corporate Bonds	4.54%

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investments within any one issuer. The System's policy for reducing its exposure to concentration of credit risk is to limit the investments within any one issuer to a maximum of 5% of the System's total operating and endowment investments. At June 30, 2006, there were no investments within any one issuer in an amount that would constitute a concentration of credit risk to the System.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 4 – Investments (continued)

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair market value of an investment. At June 30, 2006 the System had 15.9% of its total investments in international mutual funds subject to foreign currency risk in both the operating and endowment pools. The percentages of international mutual funds organized by the respective foreign currencies are as follows:

Euro	26.88%
British Pound	16.16%
Japanese Yen	17.54%
Swiss Franc	5.11%
South Korean Won	5.64%
Canadian Dollar	4.45%
Taiwan New Dollar	3.11%
Brazilian Real	2.69%
Chinese Renminbi	2.13%
Australian Dollar	1.89%
Other	14.40%

NOTE 5 – Endowment Pool

Approximately \$7,909,000 and \$7,006,000 of TMCC's endowment fund investments at June 30, 2006 and 2005, respectively, are pooled on a unit market value basis with endowment fund investments of the other campuses and divisions of the System.

The endowment pool is comprised of investments in the following:

	<u>2005</u>	<u>2004</u>
Mutual funds	67%	61%
Stocks	8%	10%
Private equity partnerships	21%	22%
Other	4%	7%

Each individual fund acquires or disposes of units on the basis of the market value per unit on the preceding quarterly valuation date. The unit market value at June 30, 2006 and 2005 is \$470.14 and \$432.68, respectively.

The System utilizes a spending rule for its pooled endowments, which determines the endowment income to be distributed currently for spending. For the years ended June 30, 2006 and 2005 the Board of Regents' policy authorized a distribution of 4.5% of the average unit market value for the twenty (20) preceding quarters. Under the provisions of this spending rule, \$17.00 and \$16.75, respectively, was distributed to each time-weighted unit for a total distribution to TMCC of \$279,000 and \$270,000 during the years ended June 30, 2006 and 2005, respectively.

NOTE 6 – Accounts and Loans Receivable

Accounts receivable consists of amounts due from students for tuition and fees and from local and private sources for grant and contract agreements. Accounts receivable are presented on the accompanying Statements of Net Assets net of allowances of \$294,000 and \$212,000 as of June 30, 2006 and 2005, respectively.

TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 6 – Accounts and Loans Receivable (Continued)

Loans receivable bear interest primarily between 3% and 5% per annum and are generally repayable in installments to TMCC over a five to ten year period commencing nine months from the date of separation from TMCC. A provision for possible uncollectible amounts is recorded on the basis of estimated future losses for each item.

The loans receivable and corresponding allowance for uncollectible loans balances as of June 30, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Loans receivable	\$357,000	\$349,000
Less: allowance for doubtful loans	<u>(21,000)</u>	<u>(28,000)</u>
Net loans receivable	336,000	321,000
Less: current portion	<u>(38,000)</u>	<u>(36,000)</u>
Noncurrent loans receivable	<u>\$298,000</u>	<u>\$285,000</u>

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 7 – Capital Assets

Capital asset activity for the years ended June 30, 2006 and 2005 was as follows:

	<u>2006</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 5,400,000	\$428,000	(\$5,828,000)	\$ --
Land	2,613,000	--	(243,000)	2,370,000
Land improvements	<u>1,547,000</u>	<u>--</u>	<u>--</u>	<u>1,547,000</u>
Total capital assets not being depreciated	<u>9,560,000</u>	<u>428,000</u>	<u>(6,071,000)</u>	<u>3,917,000</u>
Capital assets, being depreciated:				
Buildings	74,991,000	7,975,000	--	82,966,000
Machinery and equipment	5,232,000	905,000	(323,000)	5,814,000
Library books and media	<u>2,260,000</u>	<u>132,000</u>	<u>(34,000)</u>	<u>2,358,000</u>
Total capital assets being depreciated	<u>82,483,000</u>	<u>9,012,000</u>	<u>(357,000)</u>	<u>91,138,000</u>
Less accumulated depreciation for:				
Buildings	(20,561,000)	(2,095,000)	--	(22,656,000)
Machinery and equipment	(3,254,000)	(518,000)	289,000	(3,483,000)
Library books and media	<u>(1,970,000)</u>	<u>(92,000)</u>	<u>33,000</u>	<u>(2,029,000)</u>
Total accumulated depreciation	<u>(25,785,000)</u>	<u>(2,705,000)</u>	<u>322,000</u>	<u>(28,168,000)</u>
Total capital assets being depreciated, net	<u>56,698,000</u>	<u>6,307,000</u>	<u>(35,000)</u>	<u>62,970,000</u>
Capital assets, net	<u>\$66,258,000</u>	<u>\$ 6,735,000</u>	<u>(\$6,106,000)</u>	<u>\$66,887,000</u>

	<u>2005</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 15,773,000	\$7,245,000	(\$17,618,000)	\$5,400,000
Land	2,613,000	--	--	2,613,000
Land improvements	<u>1,547,000</u>	<u>--</u>	<u>--</u>	<u>1,547,000</u>
Total capital assets not being depreciated	<u>19,933,000</u>	<u>7,245,000</u>	<u>(17,618,000)</u>	<u>9,560,000</u>
Capital assets, being depreciated:				
Buildings	57,360,000	17,631,000	--	74,991,000
Machinery and equipment	5,062,000	621,000	(451,000)	5,232,000
Library books and media	<u>2,190,000</u>	<u>104,000</u>	<u>(34,000)</u>	<u>2,260,000</u>
Total capital assets being depreciated	<u>64,612,000</u>	<u>18,356,000</u>	<u>(485,000)</u>	<u>82,483,000</u>
Less accumulated depreciation for:				
Buildings	(18,263,000)	(2,298,000)	--	(20,561,000)
Machinery and equipment	(3,111,000)	(479,000)	336,000	(3,254,000)
Library books and media	<u>(1,898,000)</u>	<u>(106,000)</u>	<u>34,000</u>	<u>(1,970,000)</u>
Total accumulated depreciation	<u>(23,272,000)</u>	<u>(2,883,000)</u>	<u>370,000</u>	<u>(25,785,000)</u>
Total capital assets being depreciated, net	<u>41,340,000</u>	<u>15,473,000</u>	<u>(115,000)</u>	<u>56,698,000</u>
Capital assets, net	<u>\$61,273,000</u>	<u>\$ 22,718,000</u>	<u>(\$17,733,000)</u>	<u>\$66,258,000</u>

**TRUCKEE MEADOWS COMMUNITY COLLEGE
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FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 7 – Capital Assets (continued)

Construction in progress at June 30, 2005 includes the costs associated with the construction of the Redfield High Tech Center. The Center was put into service and opened in August 2005.

NOTE 8 – Long-term Debt

Long-term debt at June 30, 2006 and 2005 consists of the following:

			<u>2006</u>					
	Annual	Fiscal	Beginning			Ending		
	<u>Interest Rate</u>	<u>Year Final</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	
Due to State of Nevada	4.00% - 5.25%	2021	\$ 7,630,000	\$ --	\$ (345,000)	\$ 7,285,000	\$355,000	
Student fee revenue bonds	3.80% - 5.70%	2017	845,000	--	(50,000)	795,000	55,000	
Notes payable	4.24%	2013	<u>2,155,000</u>	<u>--</u>	<u>(232,000)</u>	<u>1,923,000</u>	<u>242,000</u>	
Total			<u>\$10,630,000</u>	<u>\$ --</u>	<u>\$ (627,000)</u>	<u>\$10,003,000</u>	<u>\$627,000</u>	

			<u>2005</u>					
	Annual	Fiscal	Beginning			Ending		
	<u>Interest Rate</u>	<u>Year Final</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Current</u>	
Due to State of Nevada	4.00% - 5.25%	2021	\$ 7,960,000	\$ --	\$ (330,000)	\$ 7,630,000	\$345,000	
Student fee revenue bonds	3.80% - 5.70%	2017	895,000	--	(50,000)	845,000	50,000	
Notes payable	4.24%	2013	<u>2,378,000</u>	<u>--</u>	<u>(223,000)</u>	<u>2,155,000</u>	<u>232,000</u>	
Total			<u>\$11,233,000</u>	<u>\$ --</u>	<u>\$ (603,000)</u>	<u>\$10,630,000</u>	<u>\$627,000</u>	

The revenue bonds are collateralized by tuition and fees and certain other revenues of TMCC and the Community College of Southern Nevada as defined in the bond indentures.

There are a number of limitations and restrictions contained in the bond indentures. TMCC is in compliance with the terms, covenants, provisions and conditions of the bond indentures as they relate to the payment of bond interest and principal when due and maintenance of insurance coverage. The most restrictive covenants of the bond indentures require TMCC to maintain minimum levels of revenues, as defined in the indentures.

In July 2002, TMCC purchased two office buildings and vacant parcels of land in Reno, Nevada for \$9,954,000. Associated with this purchase, the State of Nevada issued a general obligation bond on behalf of TMCC in the amount of \$8,500,000. The loan requires TMCC to transfer monthly principal and interest payments to the State of Nevada through 2021.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 8 – Long-term Debt (continued)

In connection with the purchase transaction during 2003, TMCC also issued a note payable to the seller in the amount of \$1,454,000 at an interest rate of 7.5%. This note and a line of credit with Bank of America were retired through the issuance of an uncollateralized note payable to Wells Fargo Bank in the amount of \$2,644,000. The note requires quarterly principal and interest payments beginning on April 1, 2003 and continuing until April 1, 2013.

Scheduled maturities of revenue bonds and notes payable are as follows:

Year ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 652,000	\$ 448,000
2008	678,000	420,000
2009	709,000	390,000
2010	740,000	361,000
2011	767,000	329,000
2012-2016	3,372,000	1,170,000
2017-2021	<u>3,085,000</u>	<u>455,000</u>
	<u>\$10,003,000</u>	<u>\$3,573,000</u>

Total interest expense under long-term debt included in the accompanying financial statements is \$470,000 and \$500,000 for the years ended June 30, 2006 and 2005, respectively.

NOTE 9 – Obligations Under Capital Leases

Included in obligations under capital leases as of June 30, 2005 was capital leases consisting of leases of equipment with annual payments ranging from \$15,000 to \$17,000 and maturities from fiscal 2005 to 2009. During the year ended June 30, 2006 the college has completely paid off the obligations under capital leases.

Obligations under capital leases for the years ended June 30, 2006 and 2005 are as follows:

	<u>2006</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$77,000</u>	<u>\$ --</u>	<u>\$(77,000)</u>	<u>\$ --</u>	<u>\$ --</u>
	<u>2005</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current</u>
Capital lease obligations	<u>\$105,000</u>	<u>\$ --</u>	<u>\$(28,000)</u>	<u>\$77,000</u>	<u>\$ 29,000</u>

The following capital assets included in the accompanying financial statements were leased under capital leases as of June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Machinery and equipment	\$132,000	\$132,000
Less accumulated depreciation	<u>(100,000)</u>	<u>(66,000)</u>
Total	<u>\$ 32,000</u>	<u>\$66,000</u>

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 9 – Obligations Under Capital Leases (continued)

Total interest expense under capital leases included in the accompanying financial statements was \$3,000 and \$3,000 during the years ended June 30, 2006 and 2005, respectively.

Note 10 – Operating Leases

Truckee Meadows Community College has entered into a number of operating leases where it is the lessor in relation to the Meadowood Plaza building, which range in length of three to five years. The future minimum lease income under these leases is as follows:

Year ending June 30,	
2007	\$506,000
2008	340,000
2009	277,000
2010	117,000
2011	83,000
Total	<u>\$1,323,000</u>

TMCC is party to an operating lease for a performing arts theater entered into in October 2002 and ending September 2012. Minimum rental commitments payable in future years under this noncancelable operating lease is as follows:

Year ending June 30,	
2007	\$110,000
2008	112,000
2009	115,000
2010	118,000
2011	121,000
Thereafter	<u>124,000</u>
	<u>\$700,000</u>

Rental expense under operating leases was \$420,000 and \$417,000 for the years ended June 30, 2006 and 2005, respectively.

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 11 – Other Current and Noncurrent Liabilities Activity

TMCC

The activity with respect to other current and noncurrent liabilities of TMCC for the years ended June 30, 2006 and 2005 is as follows:

	<u>2006</u>				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u>
Refundable advances under federal loan program	\$ 262,000	\$ 15,000	\$(13,000)	\$ 264,000	\$ --
Compensated absences	1,461,000	1,534,000	(1,421,000)	1,574,000	1,361,000
Deferred revenue	<u>752,000</u>	<u>1,655,000</u>	<u>(752,000)</u>	<u>1,655,000</u>	<u>1,655,000</u>
Total	<u>\$2,475,000</u>	<u>\$3,204,000</u>	<u>\$(2,186,000)</u>	<u>\$3,493,000</u>	<u>\$3,016,000</u>

	<u>2005</u>				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u>
Refundable advances under federal loan program	\$ 248,000	\$ 21,000	\$(7,000)	\$ 262,000	\$ --
Compensated absences	1,304,000	1,118,000	(961,000)	1,461,000	1,091,000
Deferred revenue	<u>592,000</u>	<u>752,000</u>	<u>(592,000)</u>	<u>752,000</u>	<u>752,000</u>
Total	<u>\$2,144,000</u>	<u>\$1,891,000</u>	<u>\$(1,560,000)</u>	<u>\$2,475,000</u>	<u>\$1,843,000</u>

Foundation

For the Foundation, deferred revenue consists of contributions received, which are earmarked by the donors for specific application. Revenue is recognized only as the funds are expended for their designated purposes. Deferred revenue is available for the following purposes at June 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Scholarships and endowments	\$75,000	\$29,000
Specialized programs	<u>65,000</u>	<u>14,000</u>
	<u>\$140,000</u>	<u>\$43,000</u>

NOTE 12 - Pension Plans

Substantially all permanent employees of the System are covered by retirement plans. Classified employees are covered by the State of Nevada Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employees retirement system. Professional employees are covered under PERS or up to four Alternative Retirement Plans.

All permanent System classified employees are mandated by State law to participate in PERS. Employees who retire with 5 or more years of service at age 65, 10 or more years of service at age 60 or with 30 years or more of service at any age are entitled to a retirement benefit, payable monthly for life, equal to 2.67 percent of the employee's average compensation for each year of service up to 30 years, with a maximum of 75 percent. An employees' average compensation is the average of the employees' highest compensation for 36 consecutive months. A diminished benefit is provided to all eligible employees upon early retirement, if such employees have achieved the years of service required for regular retirement. PERS also provides death and disability benefits. Benefits are established by State statute.

The authority for establishing and amending the obligation to make contributions is provided by statute. Contribution rates are also established by statute. Active employees contribute to PERS at a rate of either 10.5% or 0% of annual covered wages depending on the contribution option selected. The System is required to contribute to PERS at a rate of either 10.5% or

**TRUCKEE MEADOWS COMMUNITY COLLEGE
NOTES TO UNAUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

NOTE 12 - Pension Plans (continued)

20.25% of annual covered wages, depending on the option selected by the employee. The System is not liable for any unfunded liabilities of PERS.

PERS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The report may be obtained by writing to PERS at 693 West Nye Lane, Carson City, NV 89703-1599.

In addition to PERS, certain exempt employees have the option of participating in various retirement plans provided through the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, the American Century Family of Funds, VALIC, and Fidelity Investments. Under these defined contribution plans, the System and participants make annual contributions to purchase individual, fixed or variable annuities equivalent to retirement benefits earned or to participate in a variety of mutual funds.

TMCC's contribution to all retirement plans for the years ended June 30, 2006, 2005, 2004 was approximately \$3,106,000, \$2,873,000, and \$2,712,000, respectively – equal to the required contribution for the year.

NOTE 13 - Contingent Liabilities

TMCC is a defendant or co-defendant in legal actions in several jurisdictions. Based on present knowledge and advice of legal counsel, TMCC management believes any ultimate liability in these matters in excess of insurance coverage will not materially affect the net assets, changes in net assets or cash flows of TMCC.

NOTE 14 – Functional Classification of Expenses

The following is the functional classifications of expenses as reported on the Statements of Revenues, Expenses and Changes in Net Assets for the period ending June 30, 2006 and 2005, as follows:

	<u>2006</u>	<u>2005</u>
Instruction	\$23,273,000	\$21,802,000
Academic support	5,152,000	4,607,000
Institutional support	8,380,000	7,237,000
Student services	6,420,000	5,824,000
Operation and maintenance of plant	5,734,000	5,653,000
Scholarships and fellowships	2,925,000	3,532,000
Auxiliary enterprises	1,035,000	1,048,000
Depreciation	<u>2,705,000</u>	<u>2,883,000</u>
Totals	<u>\$55,624,000</u>	<u>\$52,586,000</u>