

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2004**

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2004**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>DISTRICT OFFICIALS</b>	1
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Statement of Net Assets	14-15
Statement of Revenues, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17-18
Notes to the Basic Financial Statements	19-34
Required Supplemental Information	
Schedule of Funding Progress for Employee Pension Plan	35
<b>SUPPLEMENTAL FINANCIAL INFORMATION</b>	
Combining Balance Sheet	36
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances in compliance with GAAP	37
Reconciliation of Combining Balance Sheet to Statement of Net Assets	38
Reconciliation of Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance to Statement of Revenues, Expenses, and Changes in Net Assets	39-40
Combining, Individual Funds and Other Financial Schedules	
<b>General Fund</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	41
<b>Special Revenue Funds</b>	
Combining Balance Sheet	42
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	43

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2004**

**TABLE OF CONTENTS (continued)**

	<b><u>Page</u></b>
<b>Special Revenue Funds (continued)</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Auxiliary Fund	44
Financial Aid Fund	45
Special Projects Fund	46
Insurance Reserve Fund	47
<b>Debt Service - Bonded Debt Fund</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	48
<b>Capital Projects - Plant Fund</b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	49
<b>Proprietary Funds</b>	
Combining Balance Sheet	50
Combining Schedule of Revenues, Expenses and Changes in Retained Earnings in Compliance with GAAP	51
Combining Schedule of Cash Flows - All Proprietary Fund Types	52-53
Combining Schedule of Revenues, Expenses, and Changes in Retained Earnings - Enterprise Fund	54
Schedule of Revenues, Expenses, and Changes in Retained Earnings - Budget (Non-GAAP Budgetary Basis) and Actual - Internal Service Fund	55
<b>Trust and Agency Fund</b>	
Balance Sheet	56
Schedule of Changes in Assets and Liabilities	57
<b>SUPPLEMENTAL FINANCIAL SCHEDULES</b>	
Combining Balance Sheet - All Enterprise Funds	58
Combining Schedule of Revenues, Expenses & Changes in Retained Earnings - All Enterprise Funds	59
Intercollegiate Athletics	60

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2004**

**TABLE OF CONTENTS (continued)**

<b>AUDIT SECTION</b>	<b><u>Page</u></b>
Auditor's Reports and Audit Comments	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61
Independent Auditor's Comments	62-63
Federal Financial Assistance Program Compliance	
Report on Compliance, Internal Control and Schedule of Expenditures of Federal Awards	64-65
Schedule of Findings and Questioned Costs	66
Schedule of Expenditures of Federal Awards	67-68
Notes to the Schedule of Expenditures of Federal Awards	69

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**DISTRICT OFFICIALS  
As of June 30, 2004**

Harry Abel  
93706 Picket Lane  
Coos Bay, OR 97420

David Bridgham  
PO Box 752  
North Bend, OR 97459

Marcia Jensen  
68001 Rhoadie Lane  
North Bend, OR 97459

Mike Murray  
PO Box 602  
Gold Beach, OR 97444

Carol Oelke  
66470 E. Bay Drive  
North Bend, OR 97459

Clara Radcliffe  
990 South 11<sup>th</sup> Street Apt 8  
Coso Bay, OR 97420

Dan Smith  
2551 Troy Lane  
North Bend, OR 97459

---

Stephen J. Kridelbaugh - President/Clerk

Sheldon Meyer - Dean of Administrative Services

Joe Colo - Business Manager

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

October 15, 2004

To the Governing Body of the Southwestern Oregon Community College District:

We have audited the accompanying basic financial statements of Southwestern Oregon Community College District, as of and for the year ended June 30, 2004, as listed in the table of contents. These basic financial statements are the responsibility of Southwestern Oregon Community College District's management. Our responsibility is to express an opinion on these basic 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

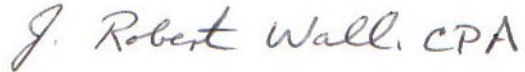
In our opinion, the basic financial statements referred above present fairly, in all material respects, the financial position of Southwestern Oregon Community College District as of June 30, 2004, and the results of its operations and its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in NOTE 1, the College District began capitalizing and depreciating library books at July 1, 2003.

Management's Discussion and Analysis (MD & A) on pages 4 through 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

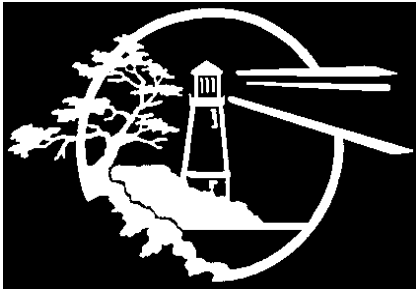
In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2004, on our consideration of Southwestern Oregon Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Financial Information and Supplemental Financial Statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Southwestern Oregon Community College District. The Schedule of Expenditures of Federal Awards, as listed in the Audit Section of the Table of Contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such Supplementary Information and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "J. Robert Wall, CPA". The ink is dark and the handwriting is fluid and legible.

J. Robert Wall, CPA  
Wall & Wall P.C., Certified Public Accountants





**SOUTHWESTERN  
OREGON COMMUNITY  
COLLEGE**  
1988 NEWMARK COOS BAY OR  
97420-2912  
541 888-2525 FAX 541 888-7285  
www.socc.edu

## **Management's Discussion and Analysis**

As management of the Southwestern Oregon Community College District (Southwestern), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ending June 30, 2004. This discussion should be read in conjunction with the financial statements and the notes thereto, which follow this section.

### **New Accounting Standards**

In June 1999 the Government Accounting Standards Board (GASB) released statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". It established a new reporting format for governmental financial statements. Statement No. 34 requires a comprehensive one-line look at the entity as a whole, along with recognition of depreciation on capital assets. In November 1999 GASB issued statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities". It established new reporting standards for public colleges and universities. The College was required to adopt these standards for the fiscal year ending June 30, 2003. This is the first year a comparative analysis is presented in the audited financial statements and this Management's Discussion and Analysis (MD&A).

### **Financial Highlights**

- The assets of Southwestern exceeded its liabilities at the close of fiscal year 2004 by \$13,340,495 (net assets). Of this amount, \$4,140,244 (unrestricted net assets) may be used to meet the college's ongoing obligations to citizens, creditors, and employees.
- The College's total net assets increased by \$1,723,025. This is mainly attributable to the April 15<sup>th</sup> 2003 State appropriation of \$1,865,806 which was delayed until July 15<sup>th</sup> 2003 by legislative action. On a GAAP basis it must be treated as revenue in FY04, while on a budgetary basis it can be considered revenue in FY03.
- Southwestern's governmental funds reported combined ending fund balances of \$14,744,691, an increase of \$10,456,525 over the prior year. Of this amount, \$4,756,583 is available for spending at the College's discretion (unreserved fund balance).
- At the end of the fiscal year, the General Fund had an unreserved fund balance of \$1,459,982.
- Southwestern's total debt increased by \$22,837,104.
- The College's enrollment decreased by 2.0% based upon FTE.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Southwestern's basic financial statements. The College's basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

The government-wide financial statements are designed to provide readers with a broad overview of Southwestern's finances, in a manner similar to a private-sector business. These financial statements differ significantly, in both the form and the accounting principals utilized, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. They are prepared on the full accrual basis of accounting. The government-wide financial statements are comprised of the following:

- The Statement of Net Assets presents information on all of Southwestern's assets and liabilities, with the difference between the two being reported as net assets. Over time, increases or decreases in net assets are indicators of the improvement or erosion of the College's financial health, when considered along with other factors such as enrollment levels or condition of the facilities.
- The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, i.e. the full accrual basis of accounting, regardless of the timing of when the cash is received or disbursed. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation). The utilization of long-lived assets is reflected as depreciation, which amortizes the cost of the capital asset over the expected useful life. Revenues and expenses are reported as either operating or nonoperating, with operating revenues primarily coming from tuition, grants, and contracts. State appropriations and property taxes are classified as nonoperating revenues. Because of the College's dependency on state aid and property tax revenue, this statement presents an operating loss, although net assets remain positive.
- The Statement of Cash Flows presents information on cash flows from operating activities, noncapital financial activities, capital financing activities and investing activities. It provides the net increase or decrease in cash between the beginning and end of the fiscal year. This statement assists in evaluating financial viability and the College's ability to meet financial obligations as they become due.
- The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

The fund financial statements are similar to what Southwestern has presented in the past. A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. Southwestern, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds at Southwestern can be grouped into three categories: governmental, proprietary, and fiduciary.

- **Governmental funds.** These are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Southwestern maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balance for the general fund, special revenue funds, debt service fund, and the plant fund. Individual fund data for each of the special revenue funds is provided in the form of combining statements elsewhere in this report.

Southwestern adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

- **Proprietary funds.** The College maintains two different types of propriety funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Within this fund there are separate cost centers for the Bookstore, Newmark Center Operations, Newmark Center Tenants, Student Housing, Food Service Operations, Conferencing, and Culinary Program. Internal service funds are an accounting device used to accumulate and allocate costs internally among the College's various functions. Southwestern uses internal service funds to account for its print shop, motor pool, and mail center. Because these services predominantly benefit governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.
- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the College. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the College's programs. The accounting used for fiduciary funds is much like that used for propriety funds.

## Financial Analysis of the College as a Whole

### Analysis of the Statement of Net Assets

Southwestern's financial position at June 30, 2004 shows assets of \$49,663,953, liabilities of \$36,323,458, and net assets of \$13,340,495. The largest portion of Southwestern's net assets (62.7%) reflects its investment in capital assets (e.g., land, buildings, and equipment), less any related debt used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to its students, consequently these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<b>2004</b>	<b>2003</b>	<b>% Change</b>
<b>Assets</b>			
Current assets	16,598,413	5,034,685	329.7%
Restricted Cash	833,608	0	-
Net Pension Asset	12,222,011	0	-
Capital assets, net of depreciation	<u>20,009,921</u>	<u>19,776,222</u>	<u>1.2%</u>
Total assets	49,663,953	24,810,907	200.2%
<b>Liabilities</b>			
Current liabilities	3,048,299	2,969,476	2.7%
Long term debt, noncurrent portion	<u>33,275,159</u>	<u>10,486,048</u>	<u>317.3%</u>
Total liabilities	36,323,458	13,455,524	269.9%
<b>Net Assets</b>			
Invested in capital assets, net related debt	8,366,408	8,877,843	(5.8%)
Restricted	833,843	245	-
Unrestricted	<u>4,140,244</u>	<u>2,477,295</u>	<u>167.1%</u>
Total net assets	13,340,495	11,355,383	17.5%

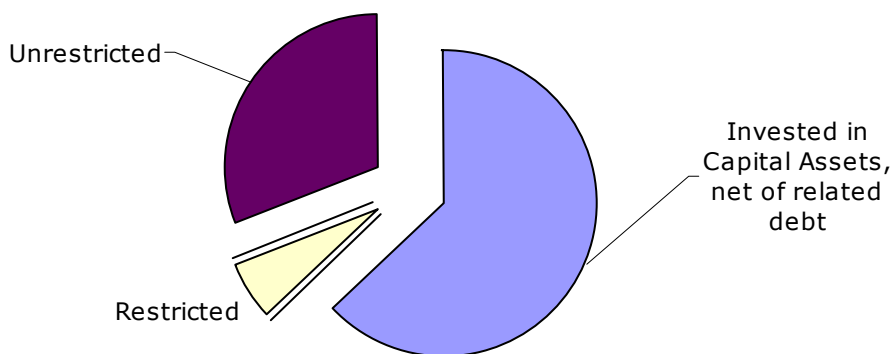
Current assets include cash and investments, accounts receivable from students, the State of Oregon, and others, property taxes, prepaid expenses, and inventory. The College's current assets of \$16,598,413 were sufficient to cover its current liabilities of \$3,048,299. This represents a ratio of 5.45, a key factor looked at by creditors to help determine an institution's creditworthiness. The net pension asset represents a prepayment to PERS on the College's unfunded actuarial liability (UAL). This will result in lower employer payroll rates in the future. Southwestern's largest noncurrent asset is its investment in capital assets of \$20,009,921, net of accumulated depreciation.

Current liabilities consist primarily of accounts payable, payroll and payroll taxes payable, deferred revenues, compensated absences, and the current portion of long term debt.

The College's investment in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets, reflects approximately 62.7% of its total net assets. Those assets are used to provide services to students, consequently they are not available for future spending. Restricted net assets consist of amounts set aside for student financial aid, grants/contracts, and cash earmarked to pay capitalized interest on bonded indebtedness. Unrestricted net assets are available for the continuing operation of the college.

The following graph shows the allocation of net assets at 6/30/04:

### Net Assets as of June 30, 2004



### Analysis of the Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the College as well as the nonoperating revenues and expenses. Annual State reimbursements and property taxes, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles (GAAP).

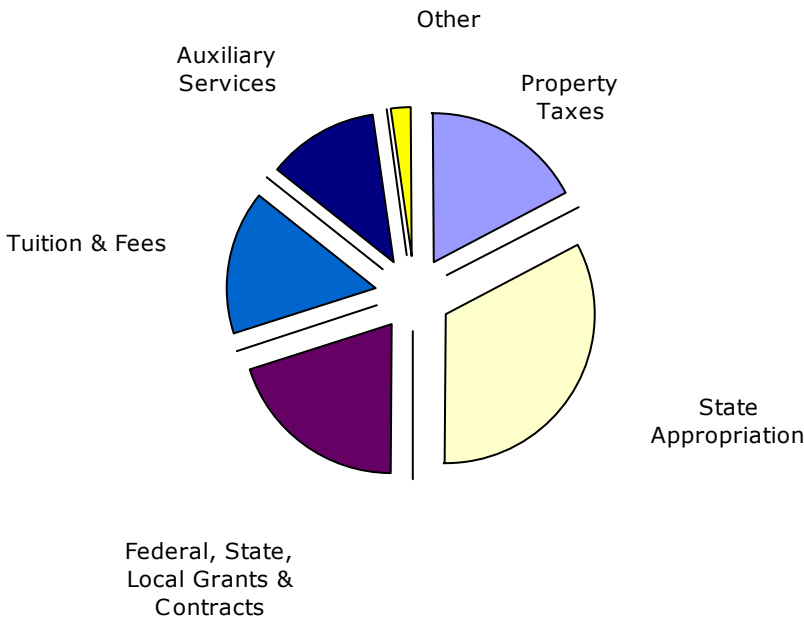
<b>Operating Results for the Year ending June 30</b>	<b>2004</b>	<b>2003</b>	<b>% Change</b>
Operating Revenues			
Tuition & Fees (net of scholarship allowances)	3,814,653	4,407,656	(13.5%)
Federal, State, and Local Grants & Contracts Auxiliary (net of scholarship allowances)	4,919,410	5,700,578	(13.7%)
Other	2,970,442	2,848,889	4.3%
Total Operating Revenues	<u>0</u>	<u>517,773</u>	-
	11,704,505	13,474,896	(13.1%)
Operating Expenses			
Instruction	6,260,136	6,599,845	(5.1%)
Instructional Support	2,345,053	2,529,394	(7.3%)
College Support	2,813,393	2,828,945	(.5%)
Plant Operations & Maintenance	1,098,400	1,171,867	(6.3%)
Student Services	1,414,679	2,554,818	(44.6%)
Community Services	2,741,106	2,770,473	(1.1%)
Financial Aid	2,346,741	1,915,734	22.5%
Auxiliary Enterprises	2,261,419	1,682,961	34.4%
Early Retirement Costs	218,905	318,628	(31.3%)
Depreciation	<u>750,237</u>	<u>758,788</u>	(1.1%)
Total Operating Expenses	22,250,069	23,131,453	(3.8%)
Net Operating Gain (Loss)	(10,545,564)	(9,656,557)	9.2%
Nonoperating Revenues			
State Appropriation	8,006,388	4,646,083	72.3%
Property Taxes	4,333,894	3,710,607	16.8%
Other	<u>578,067</u>	<u>1,079,588</u>	(46.5%)
Total Nonoperating Revenues	12,918,349	9,436,278	36.9%
Nonoperating Expenses	(649,760)	(633,280)	2.6%
Increase (Decrease) in Net Assets	1,723,025	(853,559)	301.9%
Net Assets, Beginning of Year	<u>11,617,470</u>	<u>12,208,942</u>	(4.8%)
Net Assets, End of Year	13,340,495	11,355,383	17.5%

The most significant sources of operating revenues for the College are federal, state, and local grants and contracts (including financial aid), student tuition and fees, and auxiliary services such as Student Housing or the Bookstore. Revenue from grants and contracts (including financial aid) totaled \$4,919,410. Tuition and fees totaled \$3,814,653. Auxiliary services totaled \$2,970,442.

The largest nonoperating revenue source is from the State of Oregon. Annually, the State appropriates funding for community colleges. The College received \$8,006,388 for FTE reimbursement in fiscal year 2004. This was \$3,360,305 more than the College received in fiscal year 2003. The primary difference was from the change in the payment structure of the State FTE reimbursement. The final payment of \$1,865,806 for FY03 was delayed until July 15, 2003 by legislative action, and therefore is included in the College's financial statements for fiscal year 2004. Additional nonoperating revenues of \$4,333,894 were received from property taxes that the College levied.

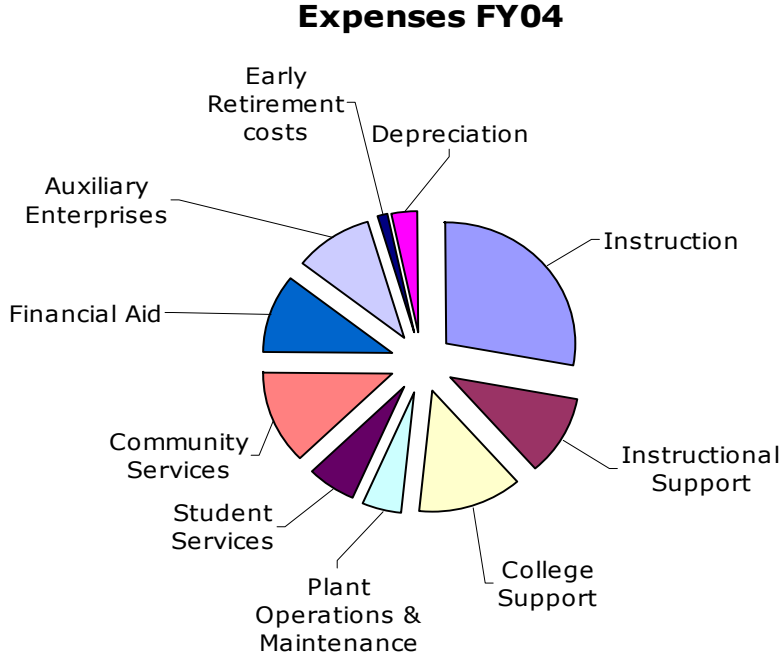
The following graph shows the allocation of revenues, both operating and nonoperating, for the College:

### Revenue Sources for Fiscal Year 2004



Operating expenses totaling \$22,250,069 include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. Instruction and instructional support represent the largest portion of total expenses. The most significant nonoperating expense is interest on long term debt.

The following graph shows the allocation of expenses at the College:



Analysis of the Statement of Cash Flows

This statement provides an assessment of the financial health of the college. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the college during a specific period. The statement of cash flows also helps users assess the ability of the college to meet obligations as they become due and the need for external financing.

	<b>2004</b>	<b>2003</b>
Cash Provided By (Used In):		
Operating Activities	(9,609,802)	(8,762,890)
Noncapital Financing Activities	84,880	8,844,471
Capital Financing Activities	21,844,675	(1,290,247)
Investing Activities	<u>116,239</u>	<u>99,588</u>
Net Increase (Decrease) in Cash	12,435,992	(1,109,078)
Cash - Beginning of Year	<u>2,270,927</u>	<u>3,380,005</u>
Cash - End of Year	14,706,919	2,270,927

The major sources of funds included in operating activities include student tuition and fees, federal/state financial aid, grants and contracts, and auxiliary enterprises. Major uses were payments made to employees and suppliers, and student financial aid. State FTE reimbursement and property taxes are the primary sources of noncapital financing. The new accounting standards require that we reflect these sources of revenue as nonoperating, even though the College's budget depends on these revenues to continue the current level of operations. The main noncapital financing use was the prepayment to PERS of the College's UAL. The primary financing activities were the payment of principal and interest on long term debt, cash received from the sale of pension bonds, revenue bonds, and advance refunding bonds, and cash use to defease old debt.



## **Budgetary Highlights**

Southwestern adopts an annual budget at the fund level, which is under the modified accrual method of accounting for governmental funds, and on the accrual basis of accounting for proprietary and fiduciary funds. Transfers of appropriations between existing budget categories can be authorized by Board resolution. Differences between the original budget and the final amended budget are summarized below:

- General Fund – Approximately \$82,000 of Contingency funds were transferred out to other funds and/or cost centers, primarily the Auxiliary Fund.
- Auxiliary Fund – This fund received \$12,000 of Contingency transfer from the General Fund for excess athletic insurance charges, and \$22,000 for unbudgeted playoff travel for the College's sports teams.
- Special Projects Fund – The College borrowed \$13,075,000 to fund its PERS UAL. Oregon budget law allows us to increase the budget for this.
- Debt Service Fund – The College defeased \$1.3 M of bonds for the Performing Arts Center during a refinancing. Oregon budget law allows us to increase the budget for this.
- Internal Service Fund – This fund received \$29,000 of Contingency transfer from the General Fund to install dual wheels on its 15-passenger vans.
- Enterprise Fund – The College defeased \$8.7 M of bonds for the Newmark Center and Student Housing during a refinancing. Oregon budget law allows us to increase the budget for this, though it was not necessary since in an Enterprise Fund this is not counted as an expenditure, but a cash in/cash out transaction.

## **Capital Assets and Debt Administration**

### Capital Assets

The College's investment in capital assets as of June 30, 2004 amounts to \$20,009,921 net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, equipment, and art & historical treasures. There was not a significant change in capital assets during the year.

### Long Term Debt

At the end of the fiscal year, Southwestern's outstanding long term debt amounted to \$34,386,044. Of this amount, \$1,720,000 represents lease purchase certificates of participation, \$26,044 is notes payable, and \$32,640,000 is bonds payable.

Southwestern borrowed \$13,075,000 during fiscal year 2004 to reduce its unfunded actuarial liability (UAL) with PERS. The monies were promptly given to PERS, and will result in lower employer rates in the future.

The College advance refunded \$8,815,000 of leases payable for the Newmark Center, Student Housing, and the Performing Arts Center in fiscal year 2004 to take advantage of lower long term interest rates.

In June 2004 Southwestern borrowed \$9,855,000 to construct a culinary arts building and a student recreation center. Both projects, when completed, will have independent income streams available to pay principal and interest on the obligations.

Oregon Revised Statutes Chapter 341 limits the amount of general obligation bonds which an Oregon community college may have outstanding at any time to 1.5% of the true cash value of the taxable property within the community college district. Southwestern has no general obligation bonds outstanding at this time. However, it could issue approximately \$90,000,000 of general obligation bonds and stay within the limit. Obligations secured by lease payments and other non-general obligations are not subject to the debt limitations described in this section.

The College has promptly met principal and interest payments on indebtedness when due. Additionally, the College has no authorized but unissued bonds outstanding.

### **Economic Factors and Next Year's Budget**

During one of the five special legislative sessions in calendar year 2002, in an attempt to balance the State budget, the legislature passed SB1022. It cancelled the portion of the appropriation that it had intended to pay to the seventeen community colleges in the last quarter of fiscal year 2003. Southwestern's share was \$1,865,806. The State reappropriated the amount in fiscal year 2004. It was indeed paid to Southwestern on July 15, 2003. According to GAAP, the College must recognize this as revenue in fiscal year 2004, which we did.

Another issue facing the College is the ever-increasing unfunded actuarial liability (UAL) in the Oregon Public Employees' Retirement System (PERS) due to the economic downturn and the declining stock market for the past three years. While Southwestern borrowed \$13,075,000 to pay down its UAL to PERS, the employer rate decreased dramatically. However, rates may continue to rise in the foreseeable future unless the legislature implements some relief for public employers and/or the stock market quickly turns around. It is anticipated that any legislative reforms will be tied up in the court system for years.

After an \$8 tuition increase in the Fall of 2002 (FY03), and another \$6 tuition increase in July 2003 (FY04), the College felt that it had little room for an increase in FY05. The technology fee was increased \$1 to recognize our increasing dependence upon computers and the related infrastructure.

### **Request for Information**

This financial report is designed to provide a general overview of Southwestern Oregon Community College's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to:

Business Manager  
Southwestern Oregon Community College  
1988 Newmark Avenue  
Coos Bay OR 97420

## **BASIC FINANCIAL STATEMENTS**

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**STATEMENT OF NET ASSETS**  
**June 30, 2004**

**ASSETS AND OTHER DEBITS**

Current assets		
Cash and cash equivalents	\$	13,873,311
Receivables		
Taxes		328,527
Accounts		2,184,076
Loans		22,981
Other agencies		39,023
Prepaid expenses		16,351
Inventory		<u>134,144</u>
Total current assets	\$	16,598,413
Noncurrent assets		
Restricted cash - pension and refunding bonds		833,608
Net pension asset		12,222,011
Capital assets (net of accumulated depreciation)		<u>20,009,921</u>
Total noncurrent assets		<u>33,065,540</u>
<b>Total assets and other debits</b>	<b>\$</b>	<b><u><u>49,663,953</u></u></b>

**LIABILITIES**

Current liabilities		
Accounts payable	\$	449,837
Accrued expenses		350,227
Compensated absences payable		447,341
Accrued interest payable		63,990
Due to other agencies		85,057
Early retirement benefits		1,063,506
Current portions of long-term debt		
Notes payable		23,341
Advance refunding bonds		395,000
Revenue bonds		95,000
Capital leases payable		<u>75,000</u>
Total current liabilities	\$	3,048,299
Noncurrent liabilities		
Notes payable	26,044	
Advance refunding bonds	9,710,000	
Pension bonds	13,075,000	
Revenue bonds	9,855,000	
Capital leases payable	<u>1,720,000</u>	34,386,044
Less: current portion of long-term debt		(588,341)
Less: unamortized discounts and issuing costs		<u>(522,544)</u>
Total noncurrent liabilities		<u>33,275,159</u>
<b>Total liabilities</b>		<b><u><u>36,323,458</u></u></b>

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**STATEMENT OF NET ASSETS (continued)**  
**June 30, 2004**

<b>Total liabilities (from previous page)</b>		\$ <u>36,323,458</u>
<b>NET ASSETS</b>		
Net assets invested in capital assets	\$ 20,009,921	
Less: related debt	<u>(11,643,513)</u>	
Investment in capital assets, net		8,366,408
Contributed capital		905,258
Restricted capital assets		
Pension and refunding bonds cash		833,608
Student financial aid grants and loans		235
Unrestricted		<u>3,234,986</u>
<b>Total net assets</b>		<u>13,340,495</u>
<b>Total liabilities and net assets</b>		<u>\$ 49,663,953</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2004**

**OPERATING REVENUES**

Student tuition and fees, net of scholarship allowances of \$150,042	\$ 3,814,653
Federal grants and contracts	4,335,914
State and local government grants and contracts	440,861
Nongovernment grants, contracts, and special fees	142,635
Auxiliary enterprises	
Food services	10,082
Bookstore, net of scholarship allowances of \$55,830	804,030
Student housing, net of scholarship allowances of \$115,148	1,234,332
Newmark center	422,404
Conferences	143,128
Culinary arts, net of scholarship allowances of \$27,915	356,466
	<hr/>
Total operating revenues	11,704,505

**OPERATING EXPENSES**

Education and general	
Instruction	6,260,136
Instructional support	2,345,053
College support	2,813,393
Plant operations and maintenance	1,098,400
Other support services	
Student services	1,414,679
Community services	2,741,106
Student financial aid	2,346,741
Auxiliary enterprises	
Food services	23,662
Bookstore	744,531
Student housing	796,072
Newmark center	200,569
Conferences	105,887
Culinary arts	390,698
Early retirement costs	218,905
Depreciation expense	750,237
	<hr/>
Total operating expenses	22,250,069
Excess (deficiency) of revenues over (under) expenditures	<hr/> (10,545,564)

**NON-OPERATING REVENUES (EXPENSES)**

State FTE reimbursement	8,006,388
Other state sources	481,118
Property taxes	4,333,894
Investment income	95,305
Other income	1,644
Interest expense	(649,760)
	<hr/>
Total net non-operating revenues (expenses)	12,268,589
Net change in fund balance	1,723,025

**NET ASSETS**

Net assets - beginning of the year, as restated	<hr/> 11,617,470
Net assets - end of the year	\$ <hr/> 13,340,495

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 4,565,507
Federal student financial aid grants	1,894,934
Federal grants and contracts	3,419,353
State and local government grants and contracts	623,753
Payments to suppliers for goods and services	(6,049,990)
Payments to employees and payroll taxing agencies	(13,051,319)
Payments for student financial aid and other scholarships	(2,018,415)
Payment for early retirement	(218,905)
Auxiliary enterprises:	
Cash received from customers	3,161,813
Paid to suppliers and employees	(2,341,226)
Other cash receipts	<u>404,693</u>

Net cash provided (used) by operating activities \$ (9,609,802)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Cash received from property taxes	4,052,927
Cash received from State FTE reimbursement	8,006,388
Cash received from other state sources	481,118
Prepayment on pension contribution	(12,455,553)
Transfers from other funds	1,324,850
Transfers to other funds	<u>(1,324,850)</u>

Net cash provided by non-capital financing activities 84,880

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Purchase of capital assets	(694,640)
Cash received from pension bond proceeds	12,990,691
Cash received from advance refunding bonds proceeds	9,810,888
Cash received from revenue bond proceeds	9,654,169
Cash received from debt proceeds	432,827
Capitalized/deferred interest	767,378
Long-term debt defeased and payments to advance bond refunding escrow agent	(9,810,888)
Principal payments on long-term debt	(373,415)
Interest payments on long-term debt	(628,356)
Payments for bond issuance costs	<u>(303,979)</u>

Net cash (used) by capital and related financing activities 21,844,675

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>116,239</u>
-------------------------	----------------

**NET (DECREASE) IN CASH AND CASH EQUIVALENTS** 12,435,992  
**(carried forward to next page)**

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**STATEMENT OF CASH FLOWS (continued)**  
**For the Year Ended June 30, 2004**

<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS (from previous page)</b>	\$ 12,435,992
Cash and cash equivalents, July 1, 2003	<u>2,270,927</u>
Cash and cash equivalents, June 30, 2004	<u><u>\$ 14,706,919</u></u>
<b>RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET ASSETS</b>	
Unrestricted cash and cash equivalents	\$ 13,873,311
Restricted cash and cash equivalents	<u>833,608</u>
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<u><u>\$ 14,706,919</u></u>
<b>RECONCILIATION OF NET INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES</b>	
Operating (loss)	\$ (10,545,464)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	750,237
Amortization	233,542
Change in assets and liabilities	
Prepaid expenses	(189,440)
Inventories	149,646
Accounts payable	19,042
Accrued expenses	110,714
Deposits payable	(10,052)
Compensated absences payable	22,852
Early retirement	<u>(150,879)</u>
Net cash used by operating activities	<u><u>\$ (9,609,802)</u></u>
Supplemental information - Non-cash contributed fixed assets	
Building improvements	<u><u>\$ 28,926</u></u>
Library books capitalized (page 22), GASB Statement No. 34	<u><u>\$ 469,371</u></u>

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



## **NOTES TO THE BASIC FINANCIAL STATEMENTS**

Notes to the basic financial statements consist of a summary of significant accounting policies and all additional information necessary for a fair presentation of the basic financial statements in conformity with generally accepted accounting principles.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2004**

**NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Southwestern Oregon Community College District (College District), a municipal corporation, is a post-secondary institution, which was established in 1961 to provide educational courses and programs to citizens on the south coast of Oregon. The College District currently serves all of Coos County, western Douglas County, and Curry County.

In evaluating how to define the College District for financial reporting purposes, management has considered all potential component units. Based on the application of the criteria established by *Governmental Accounting Standards Board* (GASB), the following is a review of the one potential component unit addressed in defining the District's reporting entity.

Southwestern Oregon Community College Foundation, Inc.: This potential component unit is an Oregon non-profit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and, as such, is a separate legal entity. In order to comply with generally accepted reporting practices throughout the State of Oregon, and in accordance with GASB criteria, this unit is excluded from the College District's reporting entity.

**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 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 College and Universities*, issued in June and November 1999 (NOTE 2). The College District now follows the "business-type activities" reporting requirements of GASB Statement No. 35 that provides a comprehensive one-column look at the College District's financial activities.

**Basis of Accounting**

The basic financial statements are prepared on the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Property taxes are recognized as revenues in the years for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor have been met.

**Use of Estimates**

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

**Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits, the State of Oregon Treasurer's Local Government Investment Pool (LGIP) and short-term investments with original maturities of three months or less from the date of acquisition. The LGIP is stated at cost, which approximates fair value. Fair value of the investment in the LGIP is the same as the value of the pool shares.

**Investments**

Oregon Revised Statutes authorize investment in general obligations of the U.S. government and its agencies, certain bonded obligations of Oregon municipalities, repurchase agreements, and bankers' acceptances. The College District has an investment policy that is more restrictive than the Oregon Revised Statutes. As of June 30, 2004 and for the year then ended, the College District was in compliance with the aforementioned State of Oregon statutes and its internal investment policies. Investments are stated at fair value, which is based on the individual investment's quoted market prices at year-end.

**Receivables**

All accounts, student loans, grants and property taxes receivable are shown net of an allowance for uncollectable accounts.

Property taxes are levied and become a lien on all taxable property as of July 1. Taxes are payable on November 15, February 15 and May 15. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent.

Student loans receivable are recorded as tuition is assessed or as amounts are advanced to students under various federal student financial assistance programs.

Unreimbursed expenses from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenses are incurred. Grant funds received prior to the occurrence of qualifying expenses are recorded as deferred revenue.

**Inventory**

Inventory is stated at the lower of cost or market. Cost is determined by the retail cost method for the Bookstore and first-in/first-out method for all other inventory.

**Capital Assets**

Capital assets include land and land improvements; buildings and building improvements; equipment and machinery; works of art and historical treasures; infrastructure, which includes utility systems; leasehold improvements; and construction in progress. The College District's capitalization threshold is \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Library books are capitalized. Donated capital assets are recorded at fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value or functionality of the assets' lives are not capitalized, but are expensed as incurred.

Buildings, equipment and machinery, infrastructure, leasehold improvements, and land improvements of the College District are depreciated using the straight-line method over the following lives:

Buildings and building improvements	20-60 years
Equipment and machinery	5-25 years
Land improvements	15-30 years
Library books	43 years

**Compensated Absences**

It is the College District's policy to permit employees to accumulate earned but unused vacation and sick pay. There is no liability for unpaid accumulated sick leave since the College District does not have a policy to pay any amounts when employees separate from service. For the government-wide financial reporting, unused vacation pay is recognized as an expense and accrued when earned.

### **Long-term Obligations, Bond Discounts, and Issuance Costs**

Long-term obligations and rebatable arbitrage are reported in the government-wide and proprietary fund financial statements as liabilities. The governmental individual fund financial statements do not report long-term obligations or rebatable arbitrage because they do not require the use of current financial resources.

Bond discounts, and issuance costs are deferred and amortized over the term of the bonds using the bonds-outstanding method in the government-wide and proprietary fund financial statements, but are recognized during the current period in the governmental individual fund financial statements. The bonds-outstanding method does not differ significantly from the effective interest rate method.

Interest accretion on deep discount obligations is calculated based on the initial yield to maturity as set forth in the bond's Official Statement. Accreted interest increases bonds payable and interest expense as reported in the government-wide and proprietary fund financial statements. Interest accretion is not reported in the governmental individual fund financial statements.

### **Operating Revenues and Expenses**

Operating revenues and expenses generally result from providing services to students. Principal operating revenues include tuition, federal and state grants, charges for services and sale of educational material. Operating expenses include the costs of faculty, administration, sales and services for food services and bookstore operations and depreciation. All other revenues, including state educational support, and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Scholarship Allowances**

Financial aid to students is reported in the basic financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the basic financial statements as operating expense, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ration of total aid to the aid not considered to be third party aid.

### **Federal Financial Assistance Program**

The College District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study, Federal Direct Lending, and Perkins Loans programs. Federal programs are audited in accordance with the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and the Compliance Supplement.

### **Net Assets**

GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of College District obligations. Expendable restricted net assets represent funds held in federal loan programs.

The restricted net assets of \$833,608 represents cash from pension and advance refunding bond issuances held in restricted cash accounts (\$408,348 and \$425,260, respectively) to be utilized for debt service.

The unrestricted net asset balance is \$3,234,986 at June 30, 2004.

### **Budgetary Information**

In accordance with Oregon Revised Statutes, the College District adopts annual budgets and makes appropriations on a fund basis, using either the modified accrual or accrual basis of accounting depending on the fund type.

The resolution authorizing appropriations by fund sets the level by which expenditures cannot legally exceed appropriations. The level of budgetary control for appropriations is set at the fund and organization level. Transfers of appropriations may be made between legally authorized appropriations when authorized by Board resolution. In addition, unexpected resources may be added to the budget through the use of a supplemental budget and appropriation resolution. Annual appropriations lapse on June 30.

### **Accounting Change**

To fully comply with the requirements of GASB Statements No. 34 and 35, the College District began capitalizing and depreciating its library books, effective July 1, 2003, instead of expensing their costs at acquisition. The estimated cost of library books on hand at July 1, 2003, was \$469,371 and related accumulated depreciation was \$207,374 for a net increase in beginning retained earnings of \$261,997.

### **NOTE 2. CASH AND CASH EQUIVALENTS**

Cash and cash and cash equivalents are comprised of:

Cash on hand	\$ 4,300
Carrying amount of deposits	1,069,676
Carrying amount of cash with Coos, Curry and Douglas Counties	69,911
State of Oregon Local Government Investment Pool	<u>13,563,032</u>
 Total cash and cash equivalents	 \$ <u>14,706,919</u>
 Cash per Statement of Net Assets	
General Fund	\$ 993,012
Special Revenue Fund	1,803,446
Capital Projects Fund	11,038,946
Enterprise Fund	731,296
Internal Service Fund	24,415
Trust and Agency Fund	<u>115,804</u>
 Total by Funds	 \$ <u>14,706,919</u>

### **NOTE 3. DEPOSITS AND INVESTMENTS**

#### **Deposits**

Deposits with financial institutions are comprised of bank demand deposits and certificates of deposit. As of year ended June 30, 2004, the carrying amount of the College District's deposits in financial institutions was \$13,969,596 and the bank balances were \$14,193,853. All deposits are held in the name of the College District. Of these deposits, all were subject to coverage by federal depository insurance. For deposits in excess of federal depository insurance, Oregon Revised Statutes require the depository institution to maintain on deposit with a collateral pool manager securities having a value not less than 25% of the outstanding certificates of participation issued by the pool manager. All bank balances in excess of federal depository insurance, if any, are collateralized by securities held by an entity other than the financial institution as an agent of the bank. This collateral is held in the name of the bank(s).

#### **Investments**

State statutes authorize the College District to invest primarily in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, certain commercial papers and the State Treasurer's Investment Pool, among others.

The State of Oregon Local Government Investment Pool (Pool) is not registered with the U.S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer for the Pool and is responsible for all funds in the Pool. These funds must be invested and managed, as a prudent investor would, exercising reasonable care, skill and caution. Investments in the fund are further governed by portfolio guidelines issued by the Oregon Short-Term Funds Board, which establish diversification percentages and specify the types and maturities of investments. The Oregon Audits Division of the Secretary of State's Office audits the Pool annually. The Division's report on the Pool as of and for the year ended June 30, 2004 was unqualified.

In addition, the Pool distributes investment income on an amortized cost basis and participants' equity in the pool is determined by the amount of participant deposits, adjusted for withdrawals and distributed income. Fair value of the College District's position in the Pool at June 30, 2004 was 100.1% of the value of the Pool shares. Accordingly, the adjustment to fair value would not represent an expendable increase in the College District's cash position.

The Governmental Accounting Standards Board has adopted generally accepted accounting principles, which include standards to categorize investments to give an indication of the level of credit and market risk assumed by the College District. Category 1 includes investments that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes investments collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes investments uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not the entity's name. Deposits in local government investment pools are not categorized.

The College District's investments are categorized below to give an indication of the level of risk assumed at June 30, 2004. Category 3 includes uninsured and unregistered investments for which securities are held by the counterpart, or by its trust department or agent, but not in the College District's name. All other investments are insured or registered, or securities held by the College District or its agent in the College District's name.

	<u>Category 1</u>	<u>Category 3</u>	<u>Reported Amount Fair Value</u>
Demand Deposits	\$ 681,388	\$ -	\$ -
Certificates of Deposit and Money Market Accounts	<u>3,668,612</u>	<u>10,077,795</u>	<u>-</u>
	<u>\$ 4,350,000</u>	<u>\$ 10,077,795</u>	14,427,795
State of Oregon Treasurer's - Local Government Investment Pool			274,824
Petty Cash			<u>4,300</u>
Total			<u>\$ 14,706,919</u>

### **Concentrations of Credit Risks**

Financial instruments that potentially subject the College District to concentrations of credit risk consist principally of temporary cash investments. The College District places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution while maintaining additional collateral with two certificates of participation in the following amounts and effective dates:

	<u>U.S. Bank</u>	<u>Umpqua Bank</u>
July 1, 2003	\$ 500,000	\$ 5,500,000
November 1	600,000	-
January 1, 2004	-	6,000,000
June 1	-	16,000,000

During the year ended June 30, 2004, the College District had deposits in excess of \$400,000 of Federal Deposit Insurance Corporation (FDIC) coverage, and the above \$6.0 million security certificates' coverages, on the following dates:

	<u>Amounts Undercollateralized</u>
April 14, 2004	\$ 229,806
April 15, 2004	228,055
April 16, 2004	169,212
April 17, 2004	169,212
April 18, 2004	169,212
April 19, 2004	82,519
April 20, 2004	24,244
April 21, 2004	9,541

These instances resulted from funds deposited to the College District's student financial assistance bank accounts on peak days of receiving financial aid reimbursements.

#### NOTE 4. RECEIVABLES

Receivables as of fiscal year end are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Totals</u>
Taxes	\$ 328,527	\$ -	\$ -	\$ -	\$ 328,527
Accounts	1,355,507	771,924	22,501	34,144	2,184,076
Loans	-	22,981	-	-	22,981
Other agencies	29,083	9,940	-	-	39,023
Net total receivables	<u>\$ 1,713,117</u>	<u>\$ 804,845</u>	<u>\$ 22,501</u>	<u>\$ 34,144</u>	<u>\$ 2,574,607</u>

All non-current property taxes receivable are treated as deferred revenue. Intergovernmental receivables are considered to be fully collectible. The General Fund accounts receivable for tuition and fees are net of \$340,118 allowance for uncollectible accounts.

Property taxes are assessed and attach as an enforceable lien on property as of July 1. Taxes are levied on July 1 and are payable on November 15. They may be paid in installments due November 15, February 15, and May 15. Taxes are billed and collected by the County of Coos, County of Douglas, and County of Curry and remittance to the College District is made at periodic intervals. For fiscal year 2003-2004, the College District levied property taxes in the amount of \$3,706,763. After reduction for estimated shared offsets and loss due to constitutional limits of \$46,765, this resulted in a net levy of \$3,659,998. The tax rate for the fiscal year 2003-2004 was \$.7017 per \$1,000 of assessed value before compression due to constitutional limits.

Following is a summary of property tax transactions for the fiscal year ended June 30, 2004:

	<u>Receivable 7/1/2003</u>	<u>2003-2004 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 6/30/04</u>
<b>Coos County</b>				
2003-04	\$ -	\$ 2,157,190	\$ (2,043,019)	\$ 114,171
2002-03	128,257	-	(66,285)	61,972
2001-02	68,000	-	(31,482)	36,518
2000-01	41,579	-	(28,141)	13,438
1999-00	15,100	-	(13,036)	2,064
1998-99	2,353	-	(1,629)	724
1997-98	2,785	-	(2,033)	752
Prior years	5,571	-	(616)	4,955
Total Coos County	<u>263,645</u>	<u>2,157,190</u>	<u>(2,186,241)</u>	<u>234,594</u>

	Receivable 7/1/2003	2003-2004 Net Levy	Collections and Adjustments	Receivable 6/30/04
<b>Curry County</b>				
2003-04	\$ -	\$ 1,277,016	\$ (1,237,987)	\$ 39,029
2002-03	43,150	-	(24,833)	18,317
2001-02	18,645	-	(10,488)	8,157
2000-01	9,882	-	(6,547)	3,335
1999-00	2,912	-	(2,461)	451
1998-99	851	-	(552)	299
1997-98	430	-	(280)	150
Prior years	231	-	(11)	220
Total Curry County	<u>76,101</u>	<u>1,277,016</u>	<u>(1,283,159)</u>	<u>69,958</u>
<b>Douglas County</b>				
2003-04	-	225,792	(214,658)	11,134
2002-03	13,423	-	(7,254)	6,169
2001-02	8,979	-	(4,107)	4,872
2000-01	3,228	-	(2,085)	1,143
1999-00	1,172	-	(966)	206
1998-99	247	-	(113)	134
1997-98	71	-	(30)	41
Prior years	406	-	(130)	276
Total Douglas County	<u>27,526</u>	<u>225,792</u>	<u>(229,343)</u>	<u>23,975</u>
<b>Total</b>	<u>\$ 367,272</u>	<u>\$ 3,659,998</u>	<u>\$ (3,698,743)</u>	<u>\$ 328,527</u>

**NOTE 5. CAPITAL ASSETS**

	Balance July 1, 2003	Restatement/ Adjustment	Net Increases	Decreases	Ending Balance June 30, 2004
Capital assets not being depreciated					
Land	\$ 128,619	\$ -	\$ -	\$ -	\$ 128,619
Construction in progress	-	-	213,513	-	213,513
Art works collection	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,000</u>
Total capital assets not being depreciated	<u>273,619</u>	<u>-</u>	<u>213,513</u>	<u>-</u>	<u>487,132</u>
Capital assets being depreciated					
Land improvements	914,754	-	59,062	-	973,816
Library books	-	469,371	38,836	(7,114)	501,093
Buildings	23,666,830	-	14,456	-	23,681,286
Equipment and vehicles	<u>2,920,236</u>	<u>-</u>	<u>420,304</u>	<u>(200,743)</u>	<u>3,139,797</u>
Total capital assets being depreciated	<u>27,501,820</u>	<u>469,371</u>	<u>532,658</u>	<u>(207,857)</u>	<u>28,295,992</u>
Less accumulated depreciation for					
Land improvements	(681,337)	-	(39,445)	-	(720,782)
Library books	-	(207,374)	(11,653)	3,141	(215,886)
Buildings	(5,388,409)	-	(499,292)	-	(5,887,701)
Equipment and vehicles	<u>(1,929,471)</u>	<u>-</u>	<u>(199,847)</u>	<u>180,484</u>	<u>(1,948,834)</u>
Total accumulated depreciation	<u>(7,999,217)</u>	<u>(207,374)</u>	<u>(750,237)</u>	<u>183,625</u>	<u>(8,773,203)</u>
Total capital assets being depreciated, net	<u>19,502,603</u>	<u>261,997</u>	<u>(217,579)</u>	<u>(24,232)</u>	<u>19,522,789</u>
Total capital assets, net	<u>\$ 19,776,222</u>	<u>\$ 261,997</u>	<u>\$ (4,066)</u>	<u>\$ (24,232)</u>	<u>\$ 20,009,921</u>



**NOTE 6. LONG-TERM DEBT****Limited Tax Bonds**

The College District issues limited tax bonds in governmental and business-type activities. Limited tax bonds include limited tax revenue bonds, full faith and credit obligations, and limited tax pension bonds. The limited tax revenue bonds financed the following:

*Pension Bonds* - The College District issued limited tax pension bonds in February 2004 (the "Pension Bonds"). Net proceeds of the Pension Bonds were deposited into a lump sum payment account at PERS for the benefit of the College District. This Pension Bond was issued as part of a larger pool of pension obligations. The College District's Pension Bonds refinance a portion of the Unfunded Actuarial Liability allocated to the College District in the Oregon Public Employees Retirement System (see "Pension System" herein). The Pension Bonds were issued in the principal amount of \$13,075,000, including capitalized interest of \$456,455 and interest rates varying annually between 3.348% to 5.530%, annually. Such lump sum payment reduced the College District's current payroll contribution rates (see "Pension System" herein), and, if returns on the account exceed the cost of the borrowing, will result in a net benefit to the College District. Payment of debt service on the Pension Bond is primarily from the College District's General Fund, the same fund from which the College District would have made pension plan contributions for the Unfunded Actuarial Liability.

<u>Pension Obligation Bonds</u>	<u>Date Of Issue</u>	<u>Date Of Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2004	2/24/04	6/30/28	\$ 13,075,000	\$ 13,075,000

Limited tax pension bonds financed a portion of the estimated unfunded actuarial liability with the Oregon Public Employees Retirement System. All limited tax bonds are backed by the full faith and credit of the College District, within the limitations of Article XI of the Oregon Constitution, and are to be repaid from existing revenue sources.

The future debt maturity requirements are as follows at June 30, 2004:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 704,189	\$ 704,189
2006	-	704,189	704,189
2007	-	704,189	704,189
2008	-	704,189	704,189
2009	15,000	704,189	719,189
2010-2014	765,000	3,473,088	4,238,088
2015-2019	2,340,000	3,145,206	5,485,206
2020-2024	4,735,000	2,284,813	7,019,813
2025-2028	5,220,000	679,360	5,899,361
Total	\$ 13,075,000	\$ 13,103,412	\$ 26,178,412

*Other Limited Tax Obligations* - The College District issued its other Full Faith and Credit Obligations for a variety of projects as described below:

- (1) *Student Services Center/Bookstore* - Financed by the College District's Full Faith and Credit Obligations, Series 1995 ("Series 1995 Obligations").
- (2) *One-Stop Career Center and Family Center* - Financed by the College District's Full Faith and Credit Obligations, Series 1995B ("Series 1995B Obligations"), partially refunded in 2003. Lease revenues and grants are generated from the One-Stop Center and Family Center.

- (3) *Student Housing Projects* - Were financed by the College District's (i) Full Faith and Credit Obligations, Series 1996 ("Series 1996 Obligations") refunded in 2003; (ii) Full Faith and Credit Obligations, Series 1998 ("Series 1998 Obligations"); and (iii) Full Faith and Credit Obligations, 2000 Series A ("2000 Series A Obligations") refunded in 2003; generate rental income. The College District designated \$230,000 of monies in its Plant Fund as a "safety net" for student housing. Funds from this safety net and other resources available to the College District are expected to be used to offset any negative cash flows derived from student housing projects.
- (4) *Performing Arts Center, Stensland Hall and the Newmark Center* - The College District issued its Full Faith and Credit Obligations, Series 2002 ("Series 2002 Obligations") to finance repairs to Stensland Hall and the Newmark Center and to complete construction of the Performing Arts Center. The portion of the 2000 Series A Obligations and the Series 2002 Obligations used to finance the Performing Arts Center and the repairs to Stensland Hall and the Newmark Center will not generate rental income.
- (5) *Culinary Institute and Student Recreation Center* - The College District is currently issuing its Full Faith and Credit Obligations, Series 2004 to finance a culinary institute and a student recreation center (see "Purpose and Use of Proceeds" herein).

Repayment of principal and interest on the College District's outstanding full faith and credit obligations are secured by lease payments.

Full Faith and Credit Obligations	Date of Issue	Interest Rates (%)	Amount Issued	Ending Balance
Series 1995 Obligations	06/01/95	4.5-5.00%	\$ 315,000	\$ 160,000
1995 Series B Obligations	12/01/95	4.6-5.60%	3,800,000	55,000
Series 1998 Obligations	06/01/98	4.5-5.40%	840,000	715,000
Series 2002 Obligations	01/01/02	4.0-5.25%	910,000	790,000
Series 2003 Refunding Obligations (1)	10/01/03	2.0-4.60%	9,980,000	9,710,000
Series 2004 Obligations	06/01/04	2.0-5.00%	9,855,000	<u>9,855,000</u>
				21,285,000
Series 2004 Pension Bonds	02/24/04	3.348-5.530%	13,075,000	<u>13,075,000</u>
Total Full Faith and Credit Obligations				<u>\$ 34,360,000</u>

- (1) The College District's Full Faith and Credit Refunding Obligations, Series 2003 refunded all of the Series 1996 Obligations and 2000 Series A Obligations in order to realize a savings on debt service payments, (see next page).

Limited Tax Revenue Bonds - The College District also issues bonds where the College District pledges income derived from the acquired or constructed assets to pay debt service. No amounts outstanding at the end of the current fiscal year related to bonds issued in prior years. During the year \$9,855,000 of revenue bonds, including capitalized interest of \$439,733 and interest rates varying between 2.0% and 5.0%, annually, were issued to finance construction projects for the new Culinary Arts facility and construct a new Student Recreation Center facility. Revenue bonds outstanding at year end are as follows:

Purpose	Fund-type	Interest Rates	Amount
Student Recreation Center	Governmental	2.00 - 5.00%	\$ 6,257,925
Culinary Arts Institute	Enterprise	2.00 - 5.00%	<u>3,597,075</u>
Total Government-Wide Business-Type Activity			<u>\$ 9,855,000</u>

The future debt maturity requirements of the limited tax revenue bonds are as follows at June 30, 2004:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 95,000	\$ 449,277	\$ 544,277
2006	120,000	447,377	567,377
2007	135,000	444,378	579,378
2008	150,000	440,665	590,665
2009	170,000	435,790	605,790
2010-2014	1,175,000	2,066,405	3,241,405
2015-2019	1,870,000	1,771,123	3,641,123
2020-2024	2,855,000	1,263,415	4,118,415
2025-2028	3,285,000	427,000	3,712,000
Total	\$ <u>9,855,000</u>	\$ <u>7,745,430</u>	\$ <u>17,600,430</u>

Advance Refundings - The College District issued \$9,980,000 of limited tax full faith and credit refunding obligation bonds to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of previous obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$183,450. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The balance of defeased debt to be retired by the bond escrow agent at June 30, 2004 is \$1,095,000 after \$75,000 was retired by the escrow agent during June 2004. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$568,796 and resulted in an economic gain of \$445,085.

<u>Purpose</u>	<u>Fund-type</u>	<u>Interest Rates</u>	<u>Amount</u>
Performing Arts Center	Governmental	2.00 - 4.60%	\$ 1,286,668
Newmark Center	Enterprise	2.00 - 4.60%	3,379,500
Student Housing	Enterprise	2.00 - 4.60%	5,313,832
Total Government-Wide Business-Type Activity			\$ <u>9,980,000</u>

The future debt maturity requirements of the advance refunding bonds are as follows at June 30, 2004:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 395,000	\$ 339,918	\$ 734,918
2006	475,000	332,017	807,017
2007	485,000	322,518	807,518
2008	500,000	311,605	811,605
2009	520,000	299,105	819,105
2010-2014	2,980,000	1,234,117	4,214,117
2015-2019	2,480,000	676,125	3,156,125
2020-2024	1,645,000	249,305	1,894,305
2025-2028	230,000	10,580	240,580
Total	\$ <u>9,710,000</u>	\$ <u>3,775,290</u>	\$ <u>13,485,290</u>

**NOTE 7. CAPITAL LEASES**

During the fiscal year 2001-2002, the College District financed the completion of the Performing Arts Center, and various building repairs, known as the Dryvit Project and reported in the governmental funds. The College District borrowed \$910,000, with interest payments due every December and June. Principal payments are due in June through the year 2016. The interest rate varies from 4.0% to 5.25%. The future maturities of the debt retirement obligation pertaining to the Dryvit Project at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 36,080	\$ 28,323	\$ 64,403
2006	39,688	26,789	66,477
2007	39,688	25,003	64,691
2008	39,688	23,217	62,905
2009	43,296	21,332	64,628
2010-2014	252,560	71,817	324,377
2015-2016	<u>119,064</u>	<u>9,471</u>	<u>128,535</u>
Total	<u>\$ 570,064</u>	<u>\$ 205,952</u>	<u>\$ 776,016</u>

The future maturities of the debt retirement obligation pertaining to the Performing Arts Center at June 30, 2004, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 13,920	\$ 10,927	\$ 24,847
2006	15,312	10,336	25,648
2007	15,312	9,647	24,959
2008	15,312	8,957	24,269
2009	16,704	8,230	24,934
2010-2014	97,440	27,708	125,148
2015-2016	<u>45,936</u>	<u>3,654</u>	<u>49,590</u>
Total	<u>\$ 219,936</u>	<u>\$ 79,459</u>	<u>\$ 299,395</u>

During the fiscal year 1996-1997, the College District financed the construction of Stensland Hall through a capital lease with the Bank of New York in the amount of \$315,000. The net capitalized cost and accumulated depreciation of this construction project was \$3,533,422 and \$585,292, respectively. The present value of the net minimum lease payments at June 30, 2004 is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2005	\$ 25,000	\$ 9,220	\$ 34,220
2006	25,000	7,845	32,845
2007	25,000	6,445	31,445
2008	25,000	5,020	30,020
2009	30,000	3,570	33,570
2010	<u>30,000</u>	<u>1,800</u>	<u>31,800</u>
Total	<u>\$ 160,000</u>	<u>\$ 33,900</u>	<u>\$ 193,900</u>

Total Government-Wide Business-Type Activities Capital Leases \$ 1,269,311

**NOTE 8. NOTES PAYABLE**

During 1994-1995, the College District borrowed \$110,000 from the Oregon Department of Energy (ODOE) in order to fund a small scale local energy project to conserve energy. The College District is required to remit monthly payments of \$1,272, including interest at 6.9%. The College District granted ODOE a first and prior security interest in the project. Following is a schedule of future debt service requirements for the Oregon Department of Energy:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 14,837	\$ 729	\$ 15,566
2006	<u>2,613</u>	<u>23</u>	<u>2,636</u>
Total	<u>\$ 17,450</u>	<u>\$ 752</u>	<u>\$ 18,202</u>

During 1999-2000, the College District borrowed \$60,000 from Southwestern Oregon Community College Foundation in order to purchase a 47 passenger bus. Payments are to be made annually in the amount of \$10,000 with a 7% interest rate. Following is a schedule of future debt service requirements to Southwestern Oregon Community College Foundation:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ <u>8,594</u>	\$ <u>602</u>	\$ <u>9,196</u>
Total	<u>\$ 8,594</u>	<u>\$ 602</u>	<u>\$ 9,196</u>
Total governmental notes payable	<u>\$ 26,044</u>	<u>\$ 1,354</u>	<u>\$ 27,398</u>

**NOTE 7. CHANGES IN LONG-TERM LIABILITIES**

During the fiscal year ended June 30, 2004, the following changes occurred in the amounts reported in the general long-term debt account group type liabilities:

	Beginning Balance <u>July 1, 2003</u>	<u>Additions</u>	Defeasances/ <u>Reductions</u>	Ending Balance <u>June 30, 2004</u>
<b>Governmental activities:</b>				
Full Faith & Credit Obligations				
Capital leases				
Performing Arts Center	\$ 1,373,856	\$ -	\$ 1,153,920	\$ 219,936
Dyrvit Project	606,144	-	36,080	570,064
Advance Refunding Bonds				
Performing Arts Center	-	1,286,668	95,294	1,191,374
Less: deferred amounts				
Issuance discounts and costs, net of premiums	-	(15,123)	(547)	(14,576)
Revenue Bonds				
Student Recreation Center	-	6,257,925	-	6,257,925
Less: deferred amounts				
Issuance discounts and costs	-	(165,587)	(3,319)	(162,268)

	Beginning Balance July 1, 2003	Additions	Defeasances/ Reductions	Ending Balance June 30, 2004
<b>Governmental activities (continued):</b>				
Full Faith & Credit Obligations				
Pension Bonds (PERS)	\$ -	\$ 13,075,000	\$ -	\$ 13,075,000
Less: deferred amounts				
Issuance discounts and costs	-	(158,756)	(6,350)	(152,406)
Notes payable	48,379	-	22,335	26,044
Early retirement	1,214,385	-	150,879	1,063,506
Compensated absences	424,489	22,852	-	447,341
Total governmental activities long-term liabilities	<u>3,667,253</u>	<u>20,302,979</u>	<u>1,448,292</u>	<u>22,521,940</u>
<b>Enterprise activities:</b>				
Full Faith & Credit Obligations				
Capital leases				
Bookstore - Series 1995	180,000	-	20,000	160,000
Student Housing I	2,690,000	-	2,690,000	-
Student Housing II	740,000	-	25,000	715,000
Student Housing III	2,080,000	-	2,080,000	-
Newmark Center	3,180,000	-	3,125,000	55,000
Advanced Refunding Bonds				
Newmark Center	-	3,379,500	-	3,379,500
Student Housing	-	5,313,832	174,706	5,139,126
Less: deferred amounts				
Issuance discounts and costs, net of premiums	-	(102,174)	(1,545)	(100,629)
Revenue Bonds				
Culinary Institute	-	3,597,075	-	3,597,075
Less: deferred amounts				
Issuance discounts and costs	-	(94,550)	(1,895)	(92,655)
Total enterprise activities long-term liabilities	<u>8,870,000</u>	<u>12,093,683</u>	<u>8,111,266</u>	<u>12,852,417</u>
<b>Grand total government-wide business-type activities long-term liabilities</b>	<u>\$ 12,537,253</u>	<u>\$ 32,396,662</u>	<u>\$ 9,559,558</u>	<u>\$ 35,374,357</u>

**NOTE 10. DEFERRED REVENUE**

Certain payments received for tuition, fees, and student housing represent revenues applicable to future accounting periods and are recorded as deferred items in the fund statements, however, eliminated in the government-wide reporting. As of June 30, 2004, the various funds had deferred revenues recorded in the following amounts:

	General	Special Revenue	Enterprise	Trust & Agency
Property taxes receivable (Note IV)	\$ 328,527	\$ -	\$ -	\$ -
Tuition	523,039	15,124	161,000	-
Grants/Contracts	-	42,512	-	-
Fees	30,253	89,786	-	13,130
Prepaid rent	-	-	126,005	-
Security deposits	-	-	12,750	-
Total deferred revenue	<u>\$ 881,819</u>	<u>\$ 147,422</u>	<u>\$ 299,755</u>	<u>\$ 13,130</u>

**NOTE 11. CONTRIBUTED CAPITAL**

During the fiscal year 2003-2004, the Plant Fund paid \$28,926 for building improvements on behalf of the Enterprise Fund. The following schedule shows the changes in contributed capital.

Balance July 1, 2003	\$ 876,332
Contributed fixed assets	<u>28,926</u>
Balance June 30, 2004	<u>\$ 905,258</u>

The College District's policy is to record and report the construction and improvement of major facilities' projects in the governmental capital projects fund. At the time the building is completed the portion of use attributable to enterprise business-type activities is "contributed" to those respective fund-types from the governmental activity. The respective related debt, however, is recorded and reported, from inception, directly in the enterprise business-type activity due to the intention of debt servicing by fees or user revenue sources. The Culinary Institute facility, with construction in process of \$213,513 at June 30, 2004, recorded related revenue bonded debt of \$3,597,075, less unamortized discounts and costs directly in the Enterprise Fund, resulting in a retained deficit at year end. The government-wide statements, however, match the asset and related long-term debt as one business-type activity under GASB Statements Numbers 34 and 35.

**NOTE 12. TRANSFERS**

The following is a summary of transfers between funds:

Transfers in:	
General Fund	\$ 189,108
Special Revenue Fund	399,058
Debt Service Fund	330,698
Capital Projects Fund	110,972
Enterprise Fund	142,508
Internal Service Fund	148,323
Trust and Agency Fund	<u>4,183</u>
Total transfers in	<u>\$ 1,324,850</u>
Transfers out:	
General Fund	\$ 890,220
Special Revenue Fund	302,161
Enterprise Fund	<u>132,469</u>
Total transfers out	<u>\$ 1,324,850</u>

**NOTE 13. DIFFERENCE IN BUDGETARY BASIS**

Due to various school and college funding issues, the Oregon legislature passed a law allowing college districts that use the accrual basis of accounting to accrue additional budgetary basis State support revenue at June 30, 2003, even though the State was not obligated to pay, or even accrue, such a non-exchange transaction. On the budgetary basis the College District recognized \$1,546,210 for this fourth quarter disbursement received July 15, 2003, with a similar receivable at the beginning of the current period July 1, 2003. For generally accepted accounting principles (GAAP), these amounts do not meet the criteria for accrual and, therefore, are not posted to the government-wide financial statements in accordance with applicable *Governmental Accounting Standards Board (GASB) Statement No. 36, (NOTE 2)*.

## NOTE 14. OTHER INFORMATION

### **Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowable claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the College District expects such amounts, if any, to be immaterial.

The College District is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the College District's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the College District.

### **Risk Management**

The College District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the College District carries commercial insurance. Worker's compensation insurance is also provided through a commercial carrier. There has been no significant reduction in insurance coverage from the prior year and the College District has not been required to pay any settlements in excess of insurance coverage during the past three fiscal years.

### **New Accounting Pronouncement**

In March 2003, the Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards No. 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, effective for periods beginning after June 15, 2004. This Statement addresses disclosure of common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. The College District is reviewing the requirements of this standard. The College District does not expect this standard to affect its financial position or results of operations.

### **Other Post-employment Benefits**

The College District provides health benefits to qualifying employees who retire prior to the mandatory date. These post-employment benefits are at the mutual convenience for the employer and employee. To be eligible, the participant must have reached age 58 with 20 years of service to the College District. It is also an administrative policy that expenditures for each fiscal year would be approximately \$250,000, at Board discretion. Current projections indicate that the College District has estimated contingent liability of \$1,063,506 at June 30, 2004. The costs of such benefits are recognized as expenditures when benefits are paid. There are 45 participants currently eligible to receive benefits. For the fiscal year, the College District incurred \$218,905 in benefits for retired employees which was comprised of health insurance benefits.

### **Retirement Plan**

**Accounting and Reporting Standards:** GASB Statement No. 27, *Accounting for Pension Plans by State and Local Government Employers*, establishes standards for the measurement, recognition, and display of pension expenditures/expense and related liabilities, assets, note disclosures, and required supplementary information in the financial reports of state and local governmental employers. Employers that participate in agent multiple employer defined benefit pension plans (agent employers) measure and disclose and amount for annual pension costs on the accrual basis of accounting, regardless of the amount recognized as pension expenditures/expenses on the modified accrual or accrual basis. The Annual Required Contribution ("ARC") is defined as the employer's required contributions for the year, calculated in accordance with certain parameters. The parameters include requirements for the frequency and timing of actuarial valuations, as well as for the actuarial methods and assumptions that are acceptable for financial reporting. When the methods and assumptions used in determining a plan's funding requirements meet the parameters, the same methods and assumptions are required for financial reporting by both a plan and its participating employers. A Net Pension Obligation ("NPO"), which may be either positive (liability) or negative (asset), is defined as the cumulative difference between annual pension costs and the employer's contributions to a plan, including the pension liability or asset at transition, if any. Starting in fiscal year 2004, the College District began reporting a negative NPO, or a net pension asset, on the statement of net assets as the result of a supplemental employer payment made February 27, 2004 against the estimated unfunded actuarial liability with Oregon Public Employees Retirement System (PERS).



**Funding Policy:** Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the Public Employees Retirement Board. State statutes also required covered employees to contribute 6% of their annual covered salary to the system. The College District's annual required contribution rate, originally 10.24% based on a December 31, 1999 actuarial valuations, was reduced by the Retirement Board to effective March 1, 2004 upon issuance of a pension bond to finance an estimated unfunded actuarial liability of \$12,455,553. Effective March 1, 2004, the College District's rate decreased to 1.97% due to the 2003 Legislative Assembly's adoption of a number of amendments to the benefits structure of PERS.

**Annual Pension Costs:** All PERS participating employers are required by law to submit the contributions as adopted by the Retirement Board. For the fiscal year ended June 30, 2004, the College District's pension expenditures/expense of \$579,821 consisted of the employee contribution of \$494,513, the annual required contribution of \$1,307,877 (6.00% employee and 10.24% employer, of covered payroll, respectively) and \$233,542 in amortization of the net pension asset.

The College District's annual pension cost and net pension asset for the year ended June 30, 2004 were as follows:

Annual required contribution (ARC)	\$ 1,074,335
Interest earned on net pension asset	(326,958)
Adjustment to the ARC	<u>560,500</u>
Annual pension cost	1,307,877
Contributions made	<u>(1,074,335)</u>
Decrease in net pension asset	233,542
Net pension asset, beginning of year	<u>(12,455,553)</u>
Net pension asset, end of year	<u><u>\$ 12,222,011</u></u>

The College District's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial accrued liability is being amortized as a level percentage of projected annual payroll on an open basis over 26 years. The actuarial assumptions include a rate of return on investment of present and future assets of 8% per year, projected wage growth of 4.25% per year, and cost-of-living adjustments of 2% per year for post-retirement benefits. Investment return and projected salary increases include an inflation component of 3.5%.

The actuarial value of PERS assets are reported at fair market value, less a reserve equal to a pro rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses) effective from January 1, 2000 are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

Effective January 1, 1996, the Oregon Legislative Assembly created a second level or "tier" of PERS benefits that modified service and disability retirement allowances payable to persons who established PERS membership on or after January 1, 1996 ("Tier Two" members). Future interest credits are assumed at 8.5% for Tier One and 8.0% for Tier Two members.

For an update on PERS, see the last paragraph in this footnote.

The following table presents four-year trend information for the College District's employee pension plan:

Fiscal Year Ended	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
June 30, 2000	\$ 829,240	\$ 829,240	100%	\$ -
June 30, 2001	822,394	822,394	100%	-
June 30, 2002	823,971	823,971	100%	-
June 30, 2003	1,307,877	1,074,335	82%	-

**Schedule of Funding Progress**

(amounts in Millions of \$)

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Percent</u>	<u>Covered Payroll</u>	<u>UAAL/ Payroll</u>
12/31/95	\$ 5,287.8	\$ 5,648	\$ 359.8	94 %	\$ 1,786.3	20%
12/31/97	7,013.9	7,382	368.3	95 %	1,628.0	23%
12/31/99	14,082.9	14,066	(17.4)	100 %	1,820.7	1%
12/31/01 (Restated)	Pooled	Pooled	(66.7)	Pooled	267.6	(25)%

On August 29, 2003, the Oregon Legislative Assembly passed HB 2020 which creates a successor retirement plan to PERS effective for all new hires after passage of the bill, and to any inactive PERS Tier One or Tier Two members who return to employment following a six month or greater break in services. The new plan, named the Oregon Public Service Retirement Plan (OPSRP), is administered by the OPERS Board and incorporates both a defined benefit and a defined contribution portion within the same plan.

**SUPPLEMENTAL FINANCIAL INFORMATION**

**COMBINING, INDIVIDUAL FUNDS, AND  
OTHER FINANCIAL SCHEDULES**

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**COMBINING BALANCE SHEET**  
**June 30, 2004**

	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
Cash and cash equivalents	\$ 993,012	\$ 1,803,446	\$ -	\$ 11,038,946
Receivables				
Taxes	328,527	-	-	-
Accounts	1,355,507	771,924	-	22,501
Loans	-	22,981	-	-
Other agencies	29,083	9,940	-	-
Prepaid expenses	8,834	4,865	-	-
Inventory	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Total assets and other debits	<u>\$ 2,714,963</u>	<u>\$ 2,613,156</u>	<u>\$ -</u>	<u>\$ 11,061,447</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 138,466	\$ 98,955	\$ -	\$ 43,012
Accrued expenses	234,696	77,524	-	-
Compensated absences payable	-	-	-	-
Accrued interest payable	-	-	-	-
Bonds payable (net of discount)	-	-	-	-
Due to other agencies	-	-	-	-
Deferred revenues	881,819	147,422	-	-
Capital leases payable	-	-	-	-
Total liabilities	<u>1,254,981</u>	<u>323,901</u>	<u>-</u>	<u>43,012</u>
<b>EQUITY AND OTHER CREDITS</b>				
Contributed capital	-	-	-	-
Fund balances (deficit)				
Reserved	-	22,981	-	-
Debt (deficit) - NOTE 11	-	-	-	-
Unreserved and undesignated	<u>1,459,982</u>	<u>2,266,274</u>	<u>-</u>	<u>11,018,435</u>
Total equity and other credits	<u>1,459,982</u>	<u>2,289,255</u>	<u>-</u>	<u>11,018,435</u>
Total liabilities, equity and other credits	<u>\$ 2,714,963</u>	<u>\$ 2,613,156</u>	<u>\$ -</u>	<u>\$ 11,061,447</u>

Enterprise	Internal Service	Trust and Agency	Totals (Memorandum Only)
			June 30, 2004
\$ 731,296	\$ 24,415	\$ 115,804	\$ 14,706,919
-	-	-	328,527
34,144	-	-	2,184,076
-	-	-	22,981
-	-	-	39,023
1,624	1,028	-	16,351
134,144	-	-	134,144
<u>8,936,798</u>	<u>-</u>	<u>-</u>	<u>8,936,798</u>
<u>\$ 9,838,006</u>	<u>\$ 25,443</u>	<u>\$ 115,804</u>	<u>\$ 26,368,819</u>
\$ 141,542	\$ 10,245	\$ 17,617	\$ 449,837
22,809	15,198	-	350,227
23,341	-	-	23,341
42,586	-	-	42,586
11,840,648	-	-	11,840,648
-	-	85,057	85,057
302,505	-	13,130	1,344,876
160,000	-	-	160,000
<u>12,533,431</u>	<u>25,443</u>	<u>115,804</u>	<u>14,296,572</u>
905,258	-	-	905,258
-	-	-	22,981
(3,537,329)	-	-	(3,537,329)
(63,354)	-	-	14,681,337
<u>(2,695,425)</u>	<u>-</u>	<u>-</u>	<u>12,072,247</u>
<u>\$ 9,838,006</u>	<u>\$ 25,443</u>	<u>\$ 115,804</u>	<u>\$ 26,368,819</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES IN COMPLIANCE WITH GAAP**  
**For the Year Ended June 30, 2004**

	General	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>				
Local support	\$ 3,693,280	\$ 364,147	\$ -	\$ -
State support	6,460,178	481,119	-	-
Federal support	104,657	4,231,257	-	-
Tuition and fees	1,874,429	1,438,172	-	-
Other	166,723	888,812	-	9,091
Total revenues	<u>12,299,267</u>	<u>7,403,507</u>	<u>-</u>	<u>9,091</u>
<b>EXPENDITURES</b>				
Personal services	9,186,678	15,446,971	-	-
Materials and services	2,577,484	2,225,817	941	264,605
Capital outlay	20,918	135,850	-	59,879
Debt service	-	-	190,392	-
Depreciation expense	-	-	-	-
Other financial aid	-	1,791,660	-	-
Total expenditures	<u>11,785,080</u>	<u>19,600,298</u>	<u>191,333</u>	<u>324,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>514,187</u>	<u>(12,196,791)</u>	<u>(191,333)</u>	<u>(315,393)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	95,292	-	-	-
Notes proceeds	207,613	-	-	-
Loan proceeds	-	-	189,980	-
Expense reimbursements & misc	-	-	-	-
Interest expense	-	-	(329,345)	-
Total non-operating revenues (expenses)	<u>302,905</u>	<u>-</u>	<u>(139,365)</u>	<u>-</u>
Net income (loss) before operating transfers	<u>817,092</u>	<u>(12,196,791)</u>	<u>(330,698)</u>	<u>(315,393)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Advance refunding bond proceeds	-	-	1,279,097	-
Pension bond proceeds	-	12,990,691	-	-
Revenue bond proceeds	499,669	-	-	9,154,500
Payments to bond escrow agent	-	-	(1,279,097)	-
Operating transfers in	189,108	399,058	330,698	110,972
Operating transfers out	(890,220)	(302,161)	-	-
Total other financing sources (uses)	<u>(201,443)</u>	<u>13,087,588</u>	<u>330,698</u>	<u>9,265,472</u>
Net change in fund balances	615,649	890,797	-	8,950,079
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>844,333</u>	<u>1,375,477</u>	<u>-</u>	<u>2,068,356</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,459,982</u>	<u>\$ 2,266,274</u>	<u>\$ -</u>	<u>\$ 11,018,435</u>

Enterprise Fund	Internal Service Fund	Trust & Agency Fund	Totals before GASB 34 & 35 Adjustments & Reclassifications	GASB 34 & 35 Adjustments		GAAP Basis Totals
				Elimination	Conversion	
\$ -	\$ -	\$ -	\$ 4,057,427	\$ -	\$ 276,467	\$ 4,333,894
-	-	-	6,941,297	-	1,546,210	8,487,507
-	-	-	4,335,914	-	-	4,335,914
575,388	-	86,595	3,974,584	(159,931)	-	3,814,653
<u>2,593,947</u>	<u>339,772</u>	<u>94,258</u>	<u>4,092,603</u>	<u>(538,665)</u>	<u>-</u>	<u>3,553,938</u>
<u>3,169,335</u>	<u>339,772</u>	<u>180,853</u>	<u>23,401,825</u>	<u>(698,596)</u>	<u>1,822,677</u>	<u>24,525,906</u>
595,180	149,069	-	25,377,898	-	(12,350,038)	13,027,860
1,778,571	339,026	185,036	7,371,480	(339,772)	7,429	7,039,137
-	-	-	216,647	-	(216,647)	-
66,546	-	-	256,938	-	(256,938)	-
299,076	-	-	299,076	-	451,161	750,237
-	-	-	1,791,660	(358,824)	-	1,432,836
<u>2,739,373</u>	<u>488,095</u>	<u>185,036</u>	<u>35,313,699</u>	<u>(698,596)</u>	<u>(12,365,033)</u>	<u>22,250,070</u>
<u>429,962</u>	<u>(148,323)</u>	<u>(4,183)</u>	<u>(11,911,874)</u>	<u>-</u>	<u>14,187,710</u>	<u>2,275,836</u>
13	-	-	95,305	-	-	95,305
-	-	-	207,613	-	(207,613)	-
35,234	-	-	225,214	-	(225,214)	-
1,644	-	-	1,644	-	-	1,644
<u>(299,011)</u>	<u>-</u>	<u>-</u>	<u>(628,356)</u>	<u>-</u>	<u>(21,404)</u>	<u>(649,760)</u>
<u>(262,120)</u>	<u>-</u>	<u>-</u>	<u>(98,580)</u>	<u>-</u>	<u>(454,231)</u>	<u>(552,811)</u>
<u>167,842</u>	<u>(148,323)</u>	<u>(4,183)</u>	<u>(12,010,454)</u>	<u>-</u>	<u>13,733,479</u>	<u>1,723,025</u>
-	-	-	1,279,097	-	(1,279,097)	-
-	-	-	12,990,691	-	(12,990,691)	-
-	-	-	9,654,169	-	(9,654,169)	-
-	-	-	(1,279,097)	-	1,279,097	-
142,508	148,323	4,183	1,324,850	(1,324,850)	-	-
<u>(132,469)</u>	<u>-</u>	<u>-</u>	<u>(1,324,850)</u>	<u>1,324,850</u>	<u>-</u>	<u>-</u>
<u>10,039</u>	<u>148,323</u>	<u>4,183</u>	<u>22,644,860</u>	<u>-</u>	<u>(22,644,860)</u>	<u>-</u>
177,881	-	-	10,634,406	-	(8,911,381)	1,723,025
551,199	-	-	4,839,365	-	6,778,105	11,617,470
<u>\$ 729,080</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,473,771</u>	<u>\$ -</u>	<u>\$ (2,133,276)</u>	<u>\$ 13,340,495</u>



**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**RECONCILIATION OF THE COMBINING BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**June 30, 2004**

<b>TOTAL FUND BALANCES, page 37</b>	\$	15,473,771	
Retained deficit for amount to be contributed to enterprise fund (recognizing same amount of related revenue bonds debt from governmental plant/capital projects fund at completion of culinary arts facility construction (NOTE 11).		<u>(3,537,329)</u>	
Net total fund balances	\$		11,936,442
Capital assets that are not financial resources and therefore are not reported in the governmental funds:			
Cost		17,545,855	
Accumulated depreciation		<u>(6,472,732)</u>	11,073,123
Net pension asset expensed in governmental funds prepayment on PERS UAL		12,455,553	
Accumulated amortization		<u>(233,542)</u>	12,222,011
Assets capitalized not expensed during the fiscal year			51,531
The discounts and issuance costs on bonds payable are reported in the governmental funds in the year the bonds are issued. However, these discount and costs amounts are amortized over the life of the bonds in the basic financial statements.			
Pension bonds		152,406	
Advance refunding bonds		<u>176,844</u>	329,250
A portion of the College District's revenues are collected after year-end but are not available soon enough to pay for the current years operations, and therefore, are not reported as revenue in the governmental funds.			1,344,876
Long-term liabilities not payable in the current year are not reported as governmental liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.			
Accrued interest		(21,404)	
Long-term debt			
Pension bonds	\$	(13,075,000)	
Revenue bonds		(6,257,925)	
Advance refunding bonds		(1,191,374)	
Capital leases		(790,000)	
Notes payable		(26,051)	
Other debt payable/capitalized interest, net		<u>(767,478)</u>	(22,107,828)
Compensated absences		(424,000)	
Early retirement		<u>(1,063,506)</u>	<u>(23,616,738)</u>
<b>TOTAL NET ASSETS</b>	<b>\$</b>		<b><u>13,340,495</u></b>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**RECONCILIATION OF THE COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT  
OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
June 30, 2004

**NET CHANGE IN FUND BALANCE, page 37** \$ 10,634,406

Amounts reported for governmental activities in the Statement of Revenues, Expenses and Changes in Net Assets are different because:

Governmental funds report capital outlay as expenditures. However, in the Statement of Revenues, Expenses and Changes in Net Assets the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Expenditures for capital assets	\$ 216,647	
Less current year depreciation	<u>(451,161)</u>	(234,514)

Long-term debt proceeds are reported as other financing sources (along with notes and loans reclassified from non-operating revenues) in governmental funds. In the Statement of Net Assets, however, issuing long-term debt increases liabilities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets:

Debt issued		
Advance refunding limited tax obligation bonds	\$ (1,279,097)	
Pension bonds	(12,990,691)	
Revenue bonds	(9,654,169)	
Notes	(207,613)	
Loans	<u>(225,214)</u>	(24,356,784)
Repayments		
To paying agent		
For bond principal	1,279,097	
Additional amounts - debt service	<u>256,938</u>	<u>1,536,035</u> (22,820,749)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment is a combination of these items:

Compensated absences		(22,852)
Early retirement		150,879
Amortization of advance refunding and pension bonds: discounts, and issuance costs, net of premiums		(7,429)
Accrued interest on bonds		<u>(21,404)</u>
		<u>99,194</u>

**Subtotal carried forward to page 40** (12,321,663)

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**RECONCILIATION OF THE COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT  
OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)**  
**June 30, 2004**

<b>Brought forward from page 39</b>		\$ (12,321,663)
Net pension assets - PERS UAL prepaid (negative NPO, net pension obligation).	\$ 12,455,553	
Amortization expense - pension cost	<u>(233,542)</u>	12,222,011
Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Revenues, Expenses and Changes in Net Assets property taxes are recognized as revenue when levied.		276,467
Governmental funds report as revenues State distributed nonexchange transactions as stipulated by enabling legislation. However, for the full accrual basis of accounting, these revenues did not meet all of the recognition criteria established by GASB, at the beginning of the fiscal year.		<u>1,546,210</u>
<b>CHANGE IN NET ASSETS</b>		<b>\$ <u>1,723,025</u></b>

## **GENERAL FUND**

The general fund is used to account for resources and activities directly associated with carrying out those operations related to the College District's basic educational objectives. Included are all resources and activities which are not required legally or by sound financial management to be accounted for in another fund.

Resources are primarily from State operational support, local property taxes and student tuition and fees. The majority of general fund expenditures are salaries, fringe benefits and supplies used to provide student instruction, instructional support and general operations for the College District.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local support	\$ 3,677,053	\$ 3,677,053	\$ 3,693,280	\$ 16,227
State support	5,997,640	5,997,640	6,460,178	462,538
Federal support	107,000	107,000	104,657	(2,343)
Tuition and fees	2,251,740	2,226,764	1,874,429	(352,335)
Other	234,370	234,370	166,723	(67,647)
Total revenues	<u>12,267,803</u>	<u>12,242,827</u>	<u>12,299,267</u>	<u>56,440</u>
<b>EXPENDITURES</b>				
Personal services	10,127,760	9,814,874	9,186,678	628,196
Materials and services	2,734,600	2,672,389	2,577,484	94,905
Capital outlay	59,790	66,220	20,918	45,302
Contingency	125,000	42,750	-	42,750
Total expenditures	<u>13,047,150</u>	<u>12,596,233</u>	<u>11,785,080</u>	<u>811,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(779,347)</u>	<u>(353,406)</u>	<u>514,187</u>	<u>867,593</u>
<b>NON-OPERATING REVENUES</b>				
Interest income	113,000	113,000	95,292	(17,708)
Lease proceeds	-	-	207,613	207,613
Total non-operating revenues	<u>113,000</u>	<u>113,000</u>	<u>302,905</u>	<u>189,905</u>
Net income (loss) before operating transfers	<u>(666,347)</u>	<u>(240,406)</u>	<u>817,092</u>	<u>1,057,498</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Revenue bonds proceeds	-	-	499,669	499,669
Operating transfers in	597,000	597,000	189,108	(407,892)
Operating transfers out	(466,353)	(892,294)	(890,220)	2,074
Total other financing sources (uses)	<u>130,647</u>	<u>(295,294)</u>	<u>(201,443)</u>	<u>93,851</u>
Net change in fund balance	(535,700)	(535,700)	615,649	1,151,349
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>785,700</u>	<u>785,700</u>	<u>844,333</u>	<u>58,633</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 1,459,982</u>	<u>\$ 1,209,982</u>

## **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for resources and activities that are required legally or by sound financial management to be accounted for in separate funds.

**AUXILIARY** - This fund is used to account for activities that furnish goods or services to students, faculty, or staff. Activity fees and transfers from other funds are the primary revenue sources.

**FINANCIAL AID** - This fund is used to account for federal and state loans, grants, stipends, or other aid to enrolled students. Pell grants, Perkins Loans, SEOG funds and FWS funds are the primary revenue sources.

**SPECIAL PROJECTS** - This fund is used to account for proceeds of specific revenue sources that are legally restricted to specific purposes other than direct student financial aid. Special projects, grants, and other contracts for designated.

**INSURANCE RESERVE** - This fund is used to account for resources set aside to provide additional protection for the College District in case of uninsured losses. Earnings on investments and transfers from other funds are the primary revenue sources.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**SPECIAL REVENUE FUNDS**  
**Combining Balance Sheet**  
**June 30, 2004**

	Auxiliary	Financial Aid	Special Projects
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,783	\$ (11,425)	\$ 876,842
Receivables:			
Accounts	-	13,731	758,193
Loans	-	22,981	-
Other agencies	-	9,940	-
Prepaid expenses	-	-	4,865
Total assets	<u>\$ 20,783</u>	<u>\$ 35,227</u>	<u>\$ 1,639,900</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 10,286	\$ 12,011	\$ 74,411
Accrued expenses	3,198	-	74,326
Deferred revenues	7,299	-	72,574
Total liabilities	<u>20,783</u>	<u>12,011</u>	<u>221,311</u>
<b>FUND BALANCES</b>			
Reserved	-	22,981	-
Unreserved, undesignated	-	235	1,418,589
Total fund balances	<u>-</u>	<u>23,216</u>	<u>1,418,589</u>
Total liabilities and fund balances	<u>\$ 20,783</u>	<u>\$ 35,227</u>	<u>\$ 1,639,900</u>

<u>Insurance Reserve</u>	<u>Totals</u>
\$ 917,246	\$ 1,803,446
-	771,924
-	22,981
-	9,940
-	4,865
<u>917,246</u>	<u>2,613,156</u>
\$ 2,247	\$ 98,955
-	77,524
<u>67,549</u>	<u>147,422</u>
<u>69,796</u>	<u>323,901</u>
-	22,981
<u>847,450</u>	<u>2,266,274</u>
<u>847,450</u>	<u>2,289,255</u>
\$ <u>917,246</u>	\$ <u>2,613,156</u>



**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**SPECIAL REVENUE FUNDS**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2004**

	<u>Auxiliary</u>	<u>Financial Aid</u>	<u>Special Projects</u>
<b>REVENUES</b>			
Local support	\$ -	\$ -	\$ 364,147
State support	-	208,675	272,444
Federal support	-	1,639,835	2,591,240
Tuition and fees	650,347	-	458,770
Other	4,946	13,448	569,883
	<u>655,293</u>	<u>1,861,958</u>	<u>4,256,484</u>
Total revenues			
<b>EXPENDITURES</b>			
Personal services	251,734	70,308	15,124,929
Materials and services	427,049	-	1,556,294
Capital outlay	-	-	121,150
Other financial aid	-	1,791,660	-
	<u>678,783</u>	<u>1,861,968</u>	<u>16,802,373</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>(23,490)</u>	<u>(10)</u>	<u>(12,545,889)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Pension bonds proceeds	-	-	12,990,691
Operating transfers in	28,173	15,457	79,928
Operating transfers (out)	(4,683)	(15,457)	(132,913)
	<u>23,490</u>	<u>-</u>	<u>12,937,706</u>
Total other financing sources (uses)			
Net change in fund balance	-	(10)	391,817
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>245</u>	<u>1,026,772</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 1,418,589</u>

Insurance Reserve	Totals
\$ -	\$ 364,147
-	481,119
182	4,231,257
329,055	1,438,172
<u>300,535</u>	<u>888,812</u>
 <u>629,772</u>	 <u>7,403,507</u>
-	15,446,971
242,474	2,225,817
14,700	135,850
<u>-</u>	<u>1,791,660</u>
 <u>257,174</u>	 <u>19,600,298</u>
 <u>372,598</u>	 <u>(12,196,791)</u>
-	12,990,691
275,500	399,058
<u>(149,108)</u>	<u>(302,161)</u>
 <u>126,392</u>	 <u>13,087,588</u>
498,990	890,797
<u>348,460</u>	<u>1,375,477</u>
 <u>\$ 847,450</u>	 <u>\$ 2,266,274</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**AUXILIARY FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Tuition and fees	\$ 639,579	\$ 661,904	\$ 650,347	\$ (11,557)
Other	11,190	11,190	4,946	(6,244)
Total revenues	<u>650,769</u>	<u>673,094</u>	<u>655,293</u>	<u>(17,801)</u>
<b>EXPENDITURES</b>				
Personal services	275,999	283,234	251,734	31,500
Materials and services	387,270	427,860	427,049	811
Total expenditures	<u>663,269</u>	<u>711,094</u>	<u>678,783</u>	<u>32,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,500)</u>	<u>(38,000)</u>	<u>(23,490)</u>	<u>14,510</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	20,000	45,500	28,173	(17,327)
Operating transfers (out)	(7,500)	(7,500)	(4,683)	2,817
Total other financing sources (uses)	<u>12,500</u>	<u>38,000</u>	<u>23,490</u>	<u>(14,510)</u>
Net change in fund balance	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**FINANCIAL AID FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State support	\$ 375,000	\$ 375,000	\$ 208,675	\$ (166,325)
Federal support	3,415,872	3,415,872	1,639,835	(1,776,037)
Other	<u>28,500</u>	<u>28,500</u>	<u>13,448</u>	<u>(15,052)</u>
Total revenues	<u>3,819,372</u>	<u>3,819,372</u>	<u>1,861,958</u>	<u>(1,957,414)</u>
<b>EXPENDITURES</b>				
Personal services	122,584	122,584	70,308	52,276
Other financial aid	<u>3,727,434</u>	<u>3,727,434</u>	<u>1,791,660</u>	<u>1,935,774</u>
Total expenditures	<u>3,850,018</u>	<u>3,850,018</u>	<u>1,861,968</u>	<u>1,988,050</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(30,646)</u>	<u>(30,646)</u>	<u>(10)</u>	<u>30,636</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	30,646	30,646	15,457	(15,189)
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(15,457)</u>	<u>(15,457)</u>
Total other financing sources (uses)	<u>30,646</u>	<u>30,646</u>	<u>-</u>	<u>(30,646)</u>
Net change in fund balance	-	-	(10)	(10)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>245</u>	<u>245</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 235</u>	<u>\$ 235</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**SPECIAL PROJECTS FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Local support	\$ 450,000	\$ 450,000	\$ 364,147	\$ (85,853)
State support	2,000,000	2,000,000	272,444	(1,727,556)
Federal support	1,900,000	1,900,000	2,591,240	691,240
Tuition and fees	390,000	390,000	458,770	68,770
Other	<u>2,600,000</u>	<u>2,600,000</u>	<u>569,883</u>	<u>(2,030,117)</u>
Total revenues	<u>7,340,000</u>	<u>7,340,000</u>	<u>4,256,484</u>	<u>(3,083,516)</u>
<b>EXPENDITURES</b>				
Personal services	4,220,000	16,675,553	15,124,929	1,550,624
Materials and services	2,653,000	3,202,447	1,556,294	1,646,153
Capital outlay	<u>478,000</u>	<u>478,000</u>	<u>121,150</u>	<u>356,850</u>
Total expenditures	<u>7,351,000</u>	<u>20,356,000</u>	<u>16,802,373</u>	<u>3,553,627</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,000)</u>	<u>(13,016,000)</u>	<u>(12,545,889)</u>	<u>470,111</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Pension bonds proceeds	-	13,075,000	12,990,691	(84,309)
Operating transfers in	79,928	79,928	79,928	-
Operating transfers (out)	<u>(266,846)</u>	<u>(336,846)</u>	<u>(132,913)</u>	<u>203,933</u>
Total other financing sources (uses)	<u>(186,918)</u>	<u>12,818,082</u>	<u>12,937,706</u>	<u>119,624</u>
Net change in fund balance	(197,918)	(197,918)	391,817	589,735
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>680,072</u>	<u>680,072</u>	<u>1,026,772</u>	<u>346,700</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 482,154</u>	<u>\$ 482,154</u>	<u>\$ 1,418,589</u>	<u>\$ 936,435</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**INSURANCE RESERVE FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal support	\$ -	\$ -	\$ 182	\$ 182
Tuition and fees	322,000	322,000	329,055	7,055
Other	93,000	93,000	300,535	207,535
Total revenues	<u>415,000</u>	<u>415,000</u>	<u>629,772</u>	<u>214,772</u>
<b>EXPENDITURES</b>				
Personal services	14,000	14,000	-	14,000
Materials and services	247,000	247,000	242,474	4,526
Capital outlay	130,000	130,000	14,700	115,300
Total expenditures	<u>391,000</u>	<u>391,000</u>	<u>257,174</u>	<u>133,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>24,000</u>	<u>24,000</u>	<u>372,598</u>	<u>348,598</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	500	500	275,500	275,000
Operating transfers (out)	<u>(332,000)</u>	<u>(332,000)</u>	<u>(149,108)</u>	<u>182,892</u>
Total other financing sources (uses)	<u>(331,500)</u>	<u>(331,500)</u>	<u>126,392</u>	<u>457,892</u>
Net change in fund balance	(307,500)	(307,500)	498,990	806,490
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>307,500</u>	<u>307,500</u>	<u>348,460</u>	<u>40,960</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 847,450</u>	<u>\$ 847,450</u>

## **DEBT SERVICE FUND**

Debt service funds are used to account for the accumulation of resources and payment of general long-term debt principal and interest.

**BONDED DEBT** - This fund is used to account for principal and interest on lease indebtedness. The primary source of revenue is transfers from the General Fund.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**BONDED DEBT FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Tuition and fees	\$ -	\$ 443,300	\$ -	\$ (443,300)
Other	620,100	176,800	-	(176,800)
Total revenues	620,100	620,100	-	(620,100)
<b>EXPENDITURES</b>				
Materials and services	-	100	941	(841)
Debt service	836,810	836,710	-	836,710
Interest	-	-	329,345	(329,345)
Principal	-	-	190,392	(190,392)
Total expenditures	836,810	836,810	520,678	316,132
Excess (deficiency) of revenues over (under) expenditures	(216,710)	(216,710)	(520,678)	(303,968)
<b>OTHER FINANCING SOURCES (USES)</b>				
Advance refunding bonds proceeds	-	1,279,000	1,279,097	97
Loan proceeds	-	-	189,980	189,980
Payments to bond escrow agent	-	(1,279,000)	(1,279,097)	(97)
Operating transfers in	216,710	216,710	330,698	113,988
Total other financing sources (uses)	216,710	216,710	520,678	303,968
Net change in fund balance	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -



## **CAPITAL PROJECTS FUND**

Capital projects funds are used to account for the acquisition and construction of major capital facilities.

**PLANT** - This fund is used to account for financial resources to be used to acquisition or construction of major capital facilities, the purchase of major initial equipment, and major remodeling. Borrowed funds, earnings on investments, and transfers from other funds are the primary resources.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**PLANT FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2004**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Other	\$ 1,800,000	\$ 1,800,000	\$ 9,091	\$ (1,790,909)
<b>EXPENDITURES</b>				
Materials and services	1,100,000	1,100,000	264,605	835,395
Capital outlay	<u>13,375,000</u>	<u>13,386,141</u>	<u>59,879</u>	<u>13,326,262</u>
Total expenditures	<u>14,475,000</u>	<u>14,486,141</u>	<u>324,484</u>	<u>14,161,657</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,675,000)</u>	<u>(12,686,141)</u>	<u>(315,393)</u>	<u>12,370,748</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Revenue bonds proceeds	10,500,000	10,500,000	9,154,500	(1,345,500)
Operating transfers in	<u>100,000</u>	<u>111,141</u>	<u>110,972</u>	<u>(169)</u>
Total other financing sources (uses)	<u>10,600,000</u>	<u>10,611,141</u>	<u>9,265,472</u>	<u>(1,345,669)</u>
Net change in fund balance	(2,075,000)	(2,075,000)	8,950,079	11,025,079
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,075,000</u>	<u>2,075,000</u>	<u>2,068,356</u>	<u>(6,644)</u>
<b>FUND BALANCE - END OF YEAR</b>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,018,435</u>	\$ <u>11,018,435</u>

## **PROPRIETARY FUNDS**

**ENTERPRISE FUND** - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent to the College District's board is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the College District's board has decided that periodic determination of net income is appropriate for accountability purposes.

**ENTERPRISE** - This fund is used to account for operations of the College District's Bookstore, the Newmark Center, student housing and food service. Sales of books and supplies and lease rental payments are the primary revenue sources.

**INTERNAL SERVICE FUND** - Internal service funds are used to account for the financing of goods or services provided by one department of the College District to other departments on a cost reimbursement basis.

**INTERNAL SERVICE FUND** - This fund is used to account for revenues, reimbursements, and costs related to the print shop, motor pool, and mail center.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**COMBINING BALANCE SHEET - ALL PROPRIETARY FUNDS**  
**June 30, 2004**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 731,296	\$ 24,415	\$ 755,711
Receivables:			
Accounts	34,144	-	34,144
Prepaid expenses	1,624	1,028	2,652
Inventory	134,144	-	134,144
Fixed assets (net of accumulated depreciation)	<u>8,936,798</u>	<u>-</u>	<u>8,936,798</u>
Total assets	<u>\$ 9,838,006</u>	<u>\$ 25,443</u>	<u>\$ 9,863,449</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 141,542	\$ 10,245	\$ 151,787
Accrued expenses	22,809	15,198	38,007
Compensated absences payable	23,341	-	23,341
Accrued interest payable	42,586	-	42,586
Bonds payable (net of discount)	11,840,648	-	11,840,648
Deferred revenues	302,505	-	302,505
Capital leases payable	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total liabilities	<u>12,533,431</u>	<u>25,443</u>	<u>12,558,874</u>
<b>FUND BALANCES (deficit)</b>			
Contributed capital	905,258	-	905,258
Unreserved, undesignated (deficit)	(63,354)	-	(63,354)
Reserved (deficit) for debt - NOTE 11	<u>(3,537,329)</u>	<u>-</u>	<u>(3,537,329)</u>
Total fund balances	<u>(2,695,425)</u>	<u>-</u>	<u>(2,695,425)</u>
Total liabilities and fund balances	<u>\$ 9,838,006</u>	<u>\$ 25,443</u>	<u>\$ 9,863,449</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**ALL PROPRIETARY FUNDS**  
**Combining Schedule of Revenues, Expenses and Changes**  
**in Retained Earnings in Compliance with GAAP**  
**June 30, 2004**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 575,388	\$ -	\$ 575,388
Other	<u>2,593,947</u>	<u>339,772</u>	<u>2,933,719</u>
Total operating revenues	<u>3,169,335</u>	<u>339,772</u>	<u>3,509,107</u>
<b>OPERATING EXPENSES</b>			
Personal services	595,180	149,069	744,249
Materials and services	1,778,571	339,026	2,117,597
Debt service	66,546	-	66,546
Depreciation	<u>299,076</u>	<u>-</u>	<u>299,076</u>
Total operating expenses	<u>2,739,373</u>	<u>488,095</u>	<u>3,227,468</u>
Operating income (loss)	<u>429,962</u>	<u>(148,323)</u>	<u>281,639</u>
<b>NON-OPERATING REVENUES/EXPENSES</b>			
Interest income	13	-	13
Loan proceeds	35,234	-	35,234
Expense reimbursements & misc	1,644	-	1,644
Interest expense	<u>(299,011)</u>	<u>-</u>	<u>(299,011)</u>
Total non-operating revenues	<u>(262,120)</u>	<u>-</u>	<u>(262,120)</u>
Income (loss) before operating transfers	<u>167,842</u>	<u>(148,323)</u>	<u>19,519</u>
<b>TRANSFER FROM (TO) OTHER FUNDS</b>			
Transfers in	142,508	148,323	290,831
Transfers (out)	<u>(132,469)</u>	<u>-</u>	<u>(132,469)</u>
Total transfers from (to) other funds	<u>10,039</u>	<u>148,323</u>	<u>158,362</u>
Net income	177,881	-	177,881
<b>BEGINNING RETAINED EARNINGS</b>	<u>551,199</u>	<u>-</u>	<u>551,199</u>
<b>ENDING RETAINED EARNINGS</b>	<u>\$ 729,080</u>	<u>\$ -</u>	<u>729,080</u>
<b>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES</b>			
Contributed capital, beginning			<u>(792,434)</u>
Retained earnings, June 30, 2004, (page 36)			<u>\$ (63,354)</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**COMBINING SCHEDULE OF CASH FLOWS - ALL PROPRIETARY FUND TYPES**  
**For the Year Ended June 30, 2004**

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 3,401,673	\$ 339,772	\$ 3,741,445
Cash paid to suppliers and employees	<u>(2,360,161)</u>	<u>(488,213)</u>	<u>(2,848,374)</u>
Net cash provided by operating activities	<u>1,041,512</u>	<u>(148,441)</u>	<u>893,071</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	142,508	148,323	290,831
Transfers to other funds	<u>(132,469)</u>	<u>-</u>	<u>(132,469)</u>
Net cash provided by non-capital financing activities	<u>10,039</u>	<u>148,323</u>	<u>158,362</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Bond issuance costs and discounts	(386,682)	-	(386,682)
Revenue bond proceeds	3,597,075	-	3,597,075
To Plant Fund for construction	(3,597,075)	-	(3,597,075)
Other receipts	1,644	-	1,644
Loan proceeds	35,234	-	35,234
Advance refunding bond proceeds	8,693,332	-	8,693,332
Debt defeased and payments to escrow agent	(8,693,332)	-	(8,693,332)
Principal payments on long-term debt	(20,000)	-	(20,000)
Interest payments on long-term debt	<u>(323,293)</u>	<u>-</u>	<u>(323,293)</u>
Net cash used by capital and related financing activities	<u>(693,097)</u>	<u>-</u>	<u>(693,097)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>13</u>	<u>-</u>	<u>13</u>
Net increase (decrease) in cash and cash equivalents	358,467	(118)	358,349
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2003</b>	<u>372,829</u>	<u>24,533</u>	<u>397,362</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2004</b>	<u>\$ 731,296</u>	<u>\$ 24,415</u>	<u>\$ 755,711</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**COMBINING SCHEDULE OF CASH FLOWS - ALL PROPRIETARY FUND TYPES (continued)**  
**For the Year Ended June 30, 2004**

	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total (Memorandum Only)</u>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 429,962	\$ (148,323)	\$ 281,639
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	299,076	-	299,076
Change in assets and liabilities			
Receivables	7,522	-	7,522
Prepaid expenses	938	(88)	850
Inventories	19,042	-	19,042
Accounts payable	55,295	(404)	54,891
Accrued expenses	2,703	374	3,077
Compensated absences payable	2,158	-	2,158
Deferred revenue	<u>224,816</u>	<u>-</u>	<u>224,816</u>
Net cash provided by operating activities	<u>\$ 1,041,512</u>	<u>\$ (148,441)</u>	<u>\$ 893,071</u>
Supplemental information - Non-cash contributed fixed assets			
Building improvements	<u>\$ 28,926</u>		<u>\$ 28,926</u>
	<u>\$ 28,926</u>		<u>\$ 28,926</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**ENTERPRISE FUND**  
**Combining Schedule of Revenues, Expenses and Changes in Retained Earnings**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Tuition and fees	\$ 653,688	\$ 685,875	\$ 575,388	\$ (110,487)
Other	<u>3,094,398</u>	<u>3,092,231</u>	<u>2,593,947</u>	<u>(498,284)</u>
Total operating revenues	<u>3,748,086</u>	<u>3,778,106</u>	<u>3,169,335</u>	<u>(608,771)</u>
<b>OPERATING EXPENSES</b>				
Personal services	566,459	596,479	595,180	1,299
Materials and services	2,342,798	11,036,130	1,778,571	9,257,559
Capital outlay	32,000	32,000	-	32,000
Debt service				
Interest	494,548	494,548	299,011	195,537
Principal	315,000	315,000	-	315,000
Fees - Admin	5,000	5,000	66,546	(61,546)
Depreciation	<u>-</u>	<u>-</u>	<u>299,076</u>	<u>(299,076)</u>
Total operating expenses	<u>3,755,805</u>	<u>12,479,157</u>	<u>3,038,384</u>	<u>9,440,773</u>
Operating income (loss)	<u>(7,719)</u>	<u>(8,701,051)</u>	<u>130,951</u>	<u>8,832,002</u>
<b>NON-OPERATING REVENUES</b>				
Interest income	-	-	13	13
Loan proceeds	-	-	35,234	35,234
Advance refunding bonds proceeds	-	8,693,332	-	(8,693,332)
Expense reimbursement & misc	<u>-</u>	<u>-</u>	<u>1,644</u>	<u>1,644</u>
Total non-operating revenues	<u>-</u>	<u>8,693,332</u>	<u>36,891</u>	<u>(8,656,441)</u>
Income (loss) before operating transfers	<u>(7,719)</u>	<u>(7,719)</u>	<u>167,842</u>	<u>175,561</u>
Transfers from (to) other funds				
Transfers in	50,039	142,508	142,508	-
Transfers (out)	<u>(82,000)</u>	<u>(174,469)</u>	<u>(132,469)</u>	<u>42,000</u>
Total transfers from (to) other funds	<u>(31,961)</u>	<u>(31,961)</u>	<u>10,039</u>	<u>42,000</u>
Net income	(39,680)	(39,680)	177,881	217,561
Beginning retained earnings	<u>39,680</u>	<u>39,680</u>	<u>551,199</u>	<u>511,519</u>
Ending retained earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 729,080</u>	<u>\$ 729,080</u>



**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**INTERNAL SERVICE FUND**

**Schedule of Revenues, Expenses and Changes in Retained  
Earnings - Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 2,650	\$ -	\$ (2,650)
Other	<u>435,100</u>	<u>435,100</u>	<u>339,772</u>	<u>(95,328)</u>
Total operating revenues	<u>435,100</u>	<u>437,750</u>	<u>339,772</u>	<u>(97,978)</u>
<b>OPERATING EXPENSES</b>				
Personal services	146,606	149,256	149,069	187
Materials and services	<u>359,370</u>	<u>388,670</u>	<u>339,026</u>	<u>49,644</u>
Total operating expenses	<u>505,976</u>	<u>537,926</u>	<u>488,095</u>	<u>49,831</u>
Income (loss) before operating transfers	(70,876)	(100,176)	(148,323)	(48,147)
<b>TRANSFERS FROM (TO) OTHER FUNDS</b>				
Transfers in	<u>70,876</u>	<u>100,176</u>	<u>148,323</u>	<u>48,147</u>
Net income	-	-	-	-
Beginning retained earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Ending retained earnings	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **TRUST AND AGENCY FUND**

**TRUST AND AGENCY FUND** - This fund is used to account for assets held by the College District as an agent for individuals, private organizations, other governmental units, and/or other funds (e.g. student clubs and service organizations). Expenditure of funds is determined by the organization for whom the funds are held. Contributions and club receipts are the primary revenue sources.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**TRUST AND AGENCY FUND**  
**Statement of Changes in Assets and Liabilities**  
**June 30, 2004**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ 111,003	\$ 115,804	\$ 111,003	\$ 115,804
Accounts receivable	7,135	-	7,135	-
Total assets	<u>\$ 118,138</u>	<u>\$ 115,804</u>	<u>\$ 118,138</u>	<u>\$ 115,804</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,887	\$ 14,730	\$ -	\$ 17,617
Due to other agencies	91,243	-	6,186	85,057
Deferred revenue - on-line fees	24,008	-	10,878	13,130
Total liabilities	<u>\$ 118,138</u>	<u>\$ 14,730</u>	<u>\$ 17,064</u>	<u>\$ 115,804</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**TRUST AND AGENCY FUND**  
**Schedule of Revenues, Expenses and Changes in Working Capital -**  
**Budget (Non-GAAP Budgetary Basis) and Actual**  
**For the Year Ended June 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
<b>REVENUES</b>				
Tuition and fees	\$ 5,000	\$ 5,000	\$ 86,595	\$ 81,595
Other	<u>267,000</u>	<u>267,000</u>	<u>94,258</u>	<u>(172,742)</u>
Total revenues	<u>272,000</u>	<u>272,000</u>	<u>180,853</u>	<u>(91,147)</u>
<b>EXPENDITURES</b>				
Personal services	15,000	15,000	-	15,000
Materials and services	201,000	221,000	185,036	35,964
Capital outlay	<u>125,000</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>
Total expenditures	<u>341,000</u>	<u>341,000</u>	<u>185,036</u>	<u>155,964</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,000)</u>	<u>(69,000)</u>	<u>(4,183)</u>	<u>64,817</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	9,000	9,000	4,183	(4,817)
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Total other financing sources (uses)	<u>(11,000)</u>	<u>(11,000)</u>	<u>4,183</u>	<u>15,183</u>
Net change in fund balance	(80,000)	(80,000)	-	80,000
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>80,000</u>	<u>80,000</u>	<u>-</u>	<u>(80,000)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**SUPPLEMENTAL FINANCIAL SCHEDULES**

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS**  
**June 30, 2004**

	<u>Bookstore</u>	<u>Newmark Center Operations</u>	<u>Newmark Center Tenant Services</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 175,550	\$ 250,607	\$ (54,767)
Receivables:			
Accounts	23,228	10,841	75
Prepaid expenses	410	-	-
Inventory	133,764	-	-
Fixed assets (net of accumulated depreciation)	<u>274,112</u>	<u>3,157,362</u>	<u>-</u>
Total assets	<u>\$ 607,064</u>	<u>\$ 3,418,810</u>	<u>\$ (54,692)</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,673	\$ 3,647	\$ 4,650
Accrued expenses	3,399	2,892	5,265
Compensated absences payable	5,558	1,370	1,842
Bonds payable (net of discount)	-	3,070,893	-
Accrued interest payable	768	10,042	-
Deferred revenues	-	-	-
Capital leases payable	<u>160,000</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>172,398</u>	<u>3,088,844</u>	<u>11,757</u>
<b>FUND BALANCES</b>			
Contributed capital	117,687	142,538	-
Debt (deficit)	-	-	-
Retained earnings	<u>316,979</u>	<u>187,428</u>	<u>(66,449)</u>
Total fund balances	<u>434,666</u>	<u>329,966</u>	<u>(66,449)</u>
Total liabilities and fund balances	<u>\$ 607,064</u>	<u>\$ 3,418,810</u>	<u>\$ (54,692)</u>

<u>Student Housing Operations</u>	<u>Student Housing Store</u>	<u>Food Service Operations</u>	<u>Conferences</u>	<u>Culinary Arts</u>	<u>Totals</u>
\$ 272,778	\$ (2,501)	\$ (16,688)	\$ (118,941)	\$ 225,258	\$ 731,296
-	-	-	-	-	34,144
-	-	-	1,214	-	1,624
-	380	-	-	-	134,144
<u>5,355,350</u>	<u>-</u>	<u>149,974</u>	<u>-</u>	<u>-</u>	<u>8,936,798</u>
<u>\$ 5,628,128</u>	<u>\$ (2,121)</u>	<u>\$ 133,286</u>	<u>\$ (117,727)</u>	<u>\$ 225,258</u>	<u>\$ 9,838,006</u>
\$ 95,800	\$ 200	\$ 1,047	\$ 22,650	\$ 10,875	\$ 141,542
8,684	-	-	2,569	-	22,809
8,186	-	-	731	5,654	23,341
5,264,262	-	-	-	3,505,493	11,840,648
18,110	-	-	-	13,666	42,586
126,005	-	-	-	176,500	302,505
-	-	-	-	-	160,000
<u>5,521,047</u>	<u>200</u>	<u>1,047</u>	<u>25,950</u>	<u>3,712,188</u>	<u>12,533,431</u>
465,866	-	179,167	-	-	905,258
(200)	-	-	-	(3,537,129)	(3,537,329)
<u>(358,585)</u>	<u>(2,321)</u>	<u>(46,928)</u>	<u>(143,677)</u>	<u>50,199</u>	<u>(63,354)</u>
<u>107,081</u>	<u>(2,321)</u>	<u>132,239</u>	<u>(143,677)</u>	<u>(3,486,930)</u>	<u>(2,695,425)</u>
<u>\$ 5,628,128</u>	<u>\$ (2,121)</u>	<u>\$ 133,286</u>	<u>\$ (117,727)</u>	<u>\$ 225,258</u>	<u>\$ 9,838,006</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**COMBINING SCHEDULE OF REVENUES, EXPENSES AND  
 CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS**  
June 30, 2004

	<u>Bookstore</u>	<u>New mark Center Operations</u>	<u>New mark Center Tenant Services</u>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ -	\$ -	\$ -
Other			
Sales	859,860	-	-
Building rental	-	325,473	96,931
	<u>859,860</u>	<u>325,473</u>	<u>96,931</u>
Total operating revenues			
	<u>859,860</u>	<u>325,473</u>	<u>96,931</u>
<b>OPERATING EXPENSES</b>			
Personal services	105,264	27,260	58,754
Materials and services	639,267	39,044	65,511
Depreciation	11,719	96,509	-
Debt service			
Interest	10,210	77,766	-
Issuance costs	-	28,701	-
Administration fees	700	1,000	-
	<u>767,160</u>	<u>270,280</u>	<u>124,265</u>
Total expenditures			
	<u>767,160</u>	<u>270,280</u>	<u>124,265</u>
Operating income (loss)	<u>92,700</u>	<u>55,193</u>	<u>(27,334)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	-	-	-
Loan proceeds	-	-	-
Expense reimbursement & misc	604	643	-
	<u>604</u>	<u>643</u>	<u>-</u>
Total non-operating revenues (expenses)			
	<u>604</u>	<u>643</u>	<u>-</u>
Income (loss) before transfers	<u>93,304</u>	<u>55,836</u>	<u>(27,334)</u>
<b>TRANSFERS</b>			
Transfers from other funds	-	50,039	-
Transfers to other funds	(40,000)	-	-
Transfers within the fund	-	(4,469)	44,469
	<u>(40,000)</u>	<u>45,570</u>	<u>44,469</u>
Total transfers			
	<u>(40,000)</u>	<u>45,570</u>	<u>44,469</u>
Net income (loss)	53,304	101,406	17,135
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>263,675</u>	<u>86,022</u>	<u>(83,584)</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 316,979</u>	<u>\$ 187,428</u>	<u>\$ (66,449)</u>



Student Housing Operations	Student Housing Store	Food Service Operations	Conferences	Culinary Arts	Totals
\$ 63,929	\$ -	\$ -	\$ 127,170	\$ 384,289	\$ 575,388
9,863	-	10,082	15,958	92	895,855
<u>1,275,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,698,092</u>
<u>1,349,480</u>	<u>-</u>	<u>10,082</u>	<u>143,128</u>	<u>384,381</u>	<u>3,169,335</u>
178,559	-	-	27,534	197,809	595,180
739,842	3	23,662	78,353	192,889	1,778,571
186,621	-	4,227	-	-	299,076
197,370	-	-	-	13,665	299,011
31,466	-	-	-	1,908	62,075
<u>2,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,471</u>
<u>1,336,629</u>	<u>3</u>	<u>27,889</u>	<u>105,887</u>	<u>406,271</u>	<u>3,038,384</u>
<u>12,851</u>	<u>(3)</u>	<u>(17,807)</u>	<u>37,241</u>	<u>(21,890)</u>	<u>130,951</u>
13	-	-	-	-	13
-	-	-	-	35,234	35,234
<u>436</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39)</u>	<u>1,644</u>
<u>449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,195</u>	<u>36,891</u>
<u>13,300</u>	<u>(3)</u>	<u>(17,807)</u>	<u>37,241</u>	<u>13,305</u>	<u>167,842</u>
-	-	-	-	-	50,039
-	-	-	-	-	(40,000)
<u>(48,000)</u>	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(48,000)</u>	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>-</u>	<u>10,039</u>
(34,700)	(3)	(9,807)	37,241	13,305	177,881
<u>(323,885)</u>	<u>(2,318)</u>	<u>(37,121)</u>	<u>(180,918)</u>	<u>36,894</u>	<u>(241,235)</u>
\$ <u>(358,585)</u>	\$ <u>(2,321)</u>	\$ <u>(46,928)</u>	\$ <u>(143,677)</u>	\$ <u>50,199</u>	\$ <u>(63,354)</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**INTERCOLLEGIATE ATHLETICS**  
**June 30, 2004**

	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Other Men's Sports</u>	<u>Other Women's Sports ***</u>	<u>General &amp; Administrative</u>	<u>Total</u>
<b>REVENUE *</b>						
Gate receipts	\$ 524	\$ 524	\$ -	\$ 73	\$ -	\$ 1,121
Concessions	<u>318</u>	<u>319</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>637</u>
Total revenues	<u>\$ 842</u>	<u>\$ 843</u>	<u>\$ -</u>	<u>\$ 73</u>	<u>\$ -</u>	<u>\$ 1,758</u>
<b>EXPENSES **</b>						
Grants-in-aid	\$ 20,104	\$ 18,424	\$ 97,636	\$ 73,892	\$ -	\$ 210,056
Salaries and benefits	12,851	-	23,198	37,623	178,062	251,734
Travel	13,139	13,034	58,109	47,112	47,232	178,626
Supplies	5,730	5,503	19,979	25,042	8,310	64,564
Other	<u>14,866</u>	<u>9,456</u>	<u>41,598</u>	<u>38,387</u>	<u>11,365</u>	<u>115,672</u>
Total expenditures	<u>\$ 66,690</u>	<u>\$ 46,417</u>	<u>\$ 240,520</u>	<u>\$ 222,056</u>	<u>\$ 244,969</u>	<u>\$ 820,652</u>
Fund 21 - G/L expenses	<u>\$ 46,586</u>	<u>\$ 27,993</u>	<u>\$ 142,884</u>	<u>\$ 148,164</u>	<u>\$ 244,969</u>	<u>\$ 610,596</u>

\* Revenue derived by the institution from the institution's intercollegiate athletic activities.

\*\* Expenses made by the institution for the institution's intercollegiate athletic activities.

\*\*\* Includes Cheer Dance

**AUDIT SECTION**

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Governing Body of  
Southwestern Oregon Community College District, Coos Bay, Oregon:

We have audited the accompanying basic financial statements of the Southwestern Oregon Community College District as of and for the year ended June 30, 2004, and have issued our report thereon dated October 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

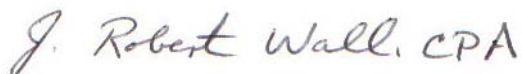
**Compliance**

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

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Southwestern Oregon Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we conveyed recommendations and suggestions for strengthening and improving the Southwestern Oregon Community College District's internal controls in a separate letter to management dated October 15, 2004.

This report is intended for the information and use of management; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties.



J. Robert Wall, CPA  
Wall & Wall P.C., Certified Public Accountants

Coos Bay, Oregon  
October 15, 2004

**Other Supplementary Financial Information and Comments  
and Disclosures Required by State Regulations**

Board of Education  
Southwestern Oregon Community College District  
Coos County, Oregon

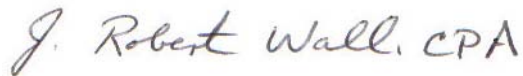
Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon municipal corporations. That other financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements, notes to the financial statements, and supplementary information, as listed in the table of contents, provide that information.

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the College District's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which may have included samples of transactions, to obtain sufficient audit evidence to support the comments that follow:

- As part of our audit of the basic financial statements, we reviewed and tested the College District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. We found the College District's accounting records to be sufficient for audit. Also, the internal control structure was adequate, however, we have made suggestions for strengthening the internal controls in a separate letter to management dated October 15, 2004.
- Other Audit Comments:
  - Accounting Systems And Internal Controls - The Southwestern Oregon Community College District's accounting systems are adequate and the accounting records are properly maintained. The internal controls for the College District are operating as designed and no weaknesses or reportable conditions were noted.
  - Collateral - Balances on deposit with financial institutions were fully secured in accordance with the requirements of ORS 295.015, except for eight days during April, 2004, as discussed in NOTE 3, in amounts ranging from \$9,541 to \$229,806.
  - Indebtedness - The College District has not exceeded its legal debt limitation as provided by ORS 341.675. The College District was in compliance with all debt covenants and all payments were made on a timely basis.
  - Budget - We have reviewed the preparation, adoption, and execution of the budget for the current year and the preparation and adoption of the ensuing year's budget. This College District has complied with the statutory requirements of Local Budget Law. The resolution authorizing appropriations for each fund sets the level at which expenditures cannot legally exceed appropriations. Total personal services, materials and services, capital outlay, debt service, other financial aid, interfund transfers, and contingency are the levels of control.

- Insurance and Fidelity Bonds - We examined insurance policies relating to insurance and fidelity bond coverage and ascertained that such policies appeared to be in force as of that date. We are not competent by training to state whether the insurance policies covering the College District owned property in force at June 30, 2004, are adequate. The College District has complied with all legal requirements regarding the bonding of College District personnel.
- Investments - The College District is in compliance with legal requirements of ORS 294 pertaining to investment of public funds.
- Least Cost Policy For Public Improvements - The College District is in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements.
- Programs Funded From Outside Sources - We selected and tested, to the extent deemed appropriate, transactions, records, and reports relative to programs funded wholly or partially by other governmental agencies. The results of our tests indicate, for the items tested, the College District complied with the laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies, and, for the items tested, financial reports and related data were in agreement with and supported by the accounting records. Separate reports have been issued to report on compliance with appropriate laws and regulations pertaining to Federal Financial Assistance, along with amounts expended by the College District during the year ended June 30, 2004, from federal financial assistance received, are reported in the Single Audit Section on pages 64 through 69 of this report.

This report is intended solely for the information of the State of Oregon, Secretary of State, Division of Audits and other state agencies and is not intended and should not be used by anyone other than these specified parties.



J. Robert Wall, CPA  
Wall & Wall P.C., Certified Public Accountants

October 15, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Governing Body of  
Southwestern Oregon Community College District, Coos Bay, Oregon:

**Compliance**

We have audited the compliance of Southwestern Oregon Community College District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Southwestern Oregon Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southwestern Oregon Community College District's management. Our responsibility is to express an opinion on Southwestern Oregon Community College District's compliance based on our audit.

We conducted our audit of compliance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwestern Oregon Community College District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southwestern Oregon Community College District's compliance with those requirements.

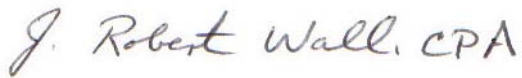
In our opinion, Southwestern Oregon Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

**Internal Control Over Compliance**

The management of Southwestern Oregon Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southwestern Oregon Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider material weaknesses. However, we conveyed recommendations and suggestions for strengthening and improving the Southwestern Oregon Community College District's internal controls in a separate letter to management dated October 15, 2004.

This report is intended solely for the information and use of management; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal audit agencies and is not intended to be an should not be used to anyone other than these specified parties.

A handwritten signature in cursive script that reads "J. Robert Wall, CPA".

J. Robert Wall, CPA  
Wall & Wall P.C., Certified Public Accountants

Coos Bay, Oregon  
October 15, 2004



**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2004**

**Summary Of Audit Results**

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. No reportable conditions were reported in the independent auditor's report on internal control over financial reporting.
3. No instance of noncompliance considered material to the financial statements of the College District was disclosed during the audit.
4. No reportable conditions in internal control over compliance with requirements applicable to major federal awards programs were reported in the independent auditor's report on internal control over compliance.
5. The independent auditor's report on compliance with requirements applicable to major federal awards programs expressed an unqualified opinion.
6. No findings were required to be reported by *OMB Circular A-133*.
7. The College District's major programs were:

<u>Program/Cluster</u>	<u>CFDA Number</u>
Student Financial Assistance Cluster	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work Study Program	84.033
Child Care and Adult Care Food Program	10.558
TRIO Program Cluster	
TRIO - Educational Talent Search	84.044A
TRIO - Student Support Services	84.042A
TRIO - Upward Bound	84.047A

8. A threshold of \$300,000 was used to distinguish between Type A and Type B programs as those terms are defined by *OMB Circular A-133*.
9. The College District qualifies as a low-risk auditee as identified by *OMB Circular A-133*.

**Findings Required to be Reported by *Government Auditing Standards*.**

No matters were reported.

**Findings Required to be Reported by *OMB Circular A-133*.**

No matters were reported.

**Summary Schedule of Prior Audit Findings.**

No matters were reported.

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2004**

Federal Grantor/pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass Through Number	Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Student Financial Assistance Cluster			
Federal Pell Grant Program	84.063		\$ 1,472,154
Federal Supplemental Educational Opportunity Grants	84.007		73,934
Federal Work Study Program	84.033		<u>93,747</u>
Total Student Financial Assistance Cluster			<u>1,639,835</u>
TRIO Program Cluster			
TRIO - Educational Talent Search	84.044A		490,971
TRIO - Student Support Services	84.042A		269,313
TRIO - Upward Bound	84.047A		<u>103,445</u>
Total TRIO Program Cluster			<u>863,729</u>
Other Education Programs			
Higher Education - Institution Aid	84.031A		57,778
Child Care Access Means Parents in Schools	84.335A		<u>10,214</u>
Total other education programs			<u>67,992</u>
Total direct programs			<u>2,571,556</u>
Pass-through Programs from:			
State of Oregon, Department of Education			
Adult Education - State Grant Program	84.002	445	168,301
Even Start - State Educational Agencies	84.213C		276,292
Vocational Education - Basic Grants to States	84.048A		233,241
League for Innovation Organization			
Vocational Education National Center for Career and Technical Education	84.051B		<u>108,403</u>
Total pass-through programs			<u>786,237</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>3,357,793</u>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
Pass-through Programs from:			
State of Oregon Department of Human Resources			
Senior & Disabled Services			
Child Care & Development Block Grant	93.575		25,000
South Coast Business Employment Corporation			
National Family Care Giver Support	93.052		18,352
State of Oregon, Commission on Children and Families			
Pass-through from:			
Coos County, Commission on Children and Families			
Child Care & Development Block Grant	93.575		96,694
Curry County, Commission on Children and Families			
Child Care & Development Block Grant	93.575		10,000

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)**  
**For the Year Ended June 30, 2004**

Federal Grantor/pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass Through Number	Expenditures
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (continued)</b>			
State of Oregon, Employment Department			
Pass-through from:			
Child Care Resource Network			
Child Care & Development Block Grant	93.575		\$ 104,856
State of Oregon, Department of Human Services			
Pass-through from:			
South Coast Business Employment Corporation			
Temporary Assistance to Needy Families	93.558		<u>234,500</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			<u>489,402</u>
<b>OTHER PROGRAMS</b>			
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
Pass-through from:			
Oregon Emergency Management	97.036		182
<b>SMALL BUSINESS ADMINISTRATION</b>			
Pass-through from:			
Lane Community College			
Small Business Development Center	59.037		33,086
<b>U.S. DEPARTMENT OF LABOR</b>			
Pass-through from:			
State of Oregon, Department of Community Colleges and Workforce Development			
WIA - Dislocated Workers	17.260	57	20,971
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Pass-through from:			
State of Oregon, Department of Education			
Child and Adult Care Food Program	10.558	2111	342,614
National Forest - Dependent Rural Communities	10.670		14,901
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Retired Senior Volunteer Program	94.002		<u>61,295</u>
<b>Total Other Programs</b>			<u>473,049</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,320,244</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2004**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwestern Oregon Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 - FEDERAL FAMILY EDUCATION LOAN PROGRAMS**

The amounts of new Federal Family Education Loan Program student loans disbursed by individual outside lending institutions during the year ended June 30, 2004 are as follows:

Federal Stafford Loans	\$	1,103,271
Federal Plus Loans		134,488

Interest subsidies and other costs related to these loans are not listed on the schedule since these amounts go to the lender and not the College District.

**NOTE 3 - LOANS RECEIVABLE**

The College District had \$22,981 in Federal Perkins loans outstanding at June 30, 2004.

**NOTE 4 - SUBRECIPIENTS**

During the year ended June 30, 2004, the College District did not provide any financial awards to subrecipients.

## **MANAGEMENT LETTER**

October 15, 2004

To the Board of Education  
Southwestern Oregon Community College District

In compliance with Oregon Municipal Audit Law, we were engaged to audit the fiscal affairs, accounts and financial statements of the Southwestern Oregon Community College District for the year ended June 30, 2004.

Our audit was designed to comply with the requirements of:

- Generally accepted auditing standards
- Oregon Municipal Audit Law and related administrative rules
- Government Auditing Standards
- Single Audit OMB Circular A-133

Our audit included examining on a test basis evidence supporting the amounts and disclosures in the basic financial statements. We also assessed the accounting principles used by the College District and evaluated the overall financial statement presentation and internal controls.

In your audit report under Auditor's Comments on pages 62 and 63 you will note that the Southwestern Oregon Community College District's accounting system is adequate and the accounting records are properly maintained. The internal control report on pages 61, 64 and 65 noted no material weaknesses.

However, during our audit process we noted several recommendations and suggestions whose implementation could strengthen internal controls and enhance the College District's accounting system.

## **1. Accounting System**

### **a. Fixed Assets Subsidiary Journals**

The College District has continued to expend efforts and make strides in identifying, summarizing, and reconciling individual capital items that are in service at the present time. Annual physical inventories verifying completeness, existence, and additions or deletions of specific fixed asset items, should also continue to be maintained. These procedures, along with accurate depreciation records, are all important with the monitoring of *Governmental Accounting Standards Board's (GASB) Statements No. 34 and 35*.

### **b. Capital Assets Inventory**

The College District should consider a policy to tighten the controls over, and the continuous monitoring of, capital acquisitions and their inventoriable condition. Timely control schedules detailing status, location, availability, and use approval should be accurately maintained, kept, and approved by respective authorized department heads while retained by the business manager's office. Check-in/check-out forms and procedures, containing accurate and complete information at fiscal year end with no personal use, should be closely and thoroughly monitored.

**c. Cash and equivalents controls**

Effective internal controls and careful monitoring of cash activity should continue to be emphasized in the cash funds while maintaining the limited access and security controls. Additionally, adequate certificates of participation, securing deposits at financial institutions, should be maintained to ensure complete and continuous insurance coverage.

**2. Office Management**

**a. Accounting Procedures**

State-wide reduced funding and other budgetary constraints have necessitated reduction in staffing considerations making it even more important for key accounting positions and functions to be continuously and accurately maintained. The College District has excellent and competent personnel and staff within the business department.

The College District should consider more cross-training of accounting personnel in certain accounting procedures. Other qualified additional staff could also become knowledgeable and proficient in the regular specific tasks performed by those in certain accounting positions. Accounting functions within payroll, receivables, the payables office, and other general accounting system procedures should continue to be learned by more than one employee in case of unexpected leave or turnover.

**b. Accounting Manual**

The College District should further develop and update office procedures, specific accounting tasks, checklists, and manuals to further delineate specific processes and detailed requirements, by position. We would be willing to work with the College District on development in these areas.

**c. Other Accounting Matters**

Education should continue to be emphasized in order to maintain knowledge of expertise in current accounting areas. Examples might include applicable governmental standards, budgetary matters, technical accounting issues, and computer update seminars. Continued priority and support to the College District's accounting functions should be emphasized by the Board and Administration especially with the new and existing debt issuances and facility construction projects and continued *Governmental Accounting Standards Board (GASB) Statements No. 34 and 35* requirements.

**3. Other Controls Considerations**

**a. Disaster Plan**

The College District may want to further consider off-site storage for the accounting system and computer records, that are backup, on a continuous and timely basis. The College District's Disaster Plan should further be analyzed, reviewed, enhanced, and documented. Sufficient subsequent on-going monitoring would also be encouraged.

**b. Facility Security**

The mail room and postal department should consider enhancing security and increasing privacy to confidential information. By limiting access to, and more closely monitoring of, mail boxes, the overnight mail bin, packages and other temporarily stored items tighter controls could be achieved. Locking mail boxes may also be considered if cost effectiveness is possible.

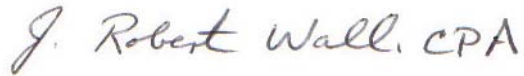
**c. Employee Contracts**

The College District should require, and more closely monitor, employee contracts to ensure that all are completed, signed, returned, and readily available in the College District's designated files.

The Southwestern Oregon Community College District's business department and management should be commended for efforts and steps taken during the year ended June 30, 2004 to improve and maintain the College District's financial recording, reporting, and overall accounting system.

Thank you for your consideration in these matters, which are recommendations and suggestions intended only for the internal use of the Southwestern Oregon Community College District's management, business and finance department personnel, and Board of Education.

Sincerely,

A handwritten signature in cursive script that reads "J. Robert Wall, CPA".

J. Robert Wall, CPA  
Wall & Wall P.C., Certified Public Accountants