

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2006

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2006**

TABLE OF CONTENTS

	<u>Page</u>
COLLEGE DISTRICT OFFICIALS	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-14
Basic Financial Statements	
Statement of Net Assets	15-16
Statement of Revenues, Expenses, and Changes in Net Assets	17-18
Statement of Cash Flows	19-20
Notes to the Basic Financial Statements	21-38
Required Supplemental Information	
Schedule of Funding Progress for Employee Pension Plan	38
SUPPLEMENTAL FINANCIAL INFORMATION	
Combining Balance Sheet	39
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances in Compliance with GAAP	40
Reconciliation of Combining Balance Sheet to Statement of Net Assets	41
Reconciliation of Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance to Statement of Revenues, Expenses, and Changes in Net Assets	42-43
Combining, Individual Funds and Other Financial Schedules	
General Fund	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)	44
Special Revenue Funds	
Combining Balance Sheet	45
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	46

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2006**

TABLE OF CONTENTS (continued)

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

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2006**

TABLE OF CONTENTS (continued)

	<u>Page</u>
SUPPLEMENTAL FINANCIAL SCHEDULES	
Combining Balance Sheet - All Enterprise Funds	60
Combining Schedule of Revenues, Expenses & Changes in Retained Earnings - All Enterprise Funds	61
Intercollegiate Athletics	62
AUDIT SECTION	
Auditor's Reports and Audit Comments	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Independent Auditor's Comments	64-65
Federal Financial Assistance Program Compliance	
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	66-67
Schedule of Findings and Questioned Costs	68
Schedule of Expenditures of Federal Awards	69-71
Notes to the Schedule of Expenditures of Federal Awards	72

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

**COLLEGE DISTRICT OFFICIALS
As of June 30, 2006**

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

Cherie Mitchell
PO Box 1104
Brookings, OR 97415

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

Clara Radcliffe
990 South 11th Street Apt 8
Coos Bay, OR 97420

Lonny Anderson
1075 S. 8th Street # 7
Coos Bay, OR 97420

Dr. Judith Hansen, President/Clerk

Dr. Sheldon Meyer – Vice President of Administrative Services

Joe Colo – Business Manager

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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 (the primary government), as of and for the year ended June 30, 2006, 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 did not audit the financial statements of Southwestern Oregon Community College Foundation, Inc. (the component unit), which represents 5%, 21%, and 2%, respectively, of the assets, net assets, and revenues of the College District. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the College District, is based on the report of the other auditors. The discretely presented component unit's (Southwestern Oregon Community College Foundation, Inc.) financial statements as of, and for the year ended, June 30, 2006, were audited by these other auditors whose report dated August 30, 2006, rendered an unqualified opinion.

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, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Oregon Community College District, and the aggregate discretely presented component unit, as of June 30, 2006, and the results of their operations and cash flows of the primary government for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis (MD & A) on pages 4 through 14 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 September 29, 2006, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

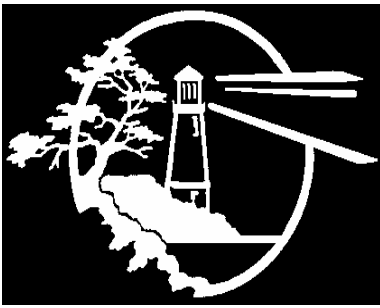
Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Financial Information and Supplemental Financial Schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Southwestern Oregon Community College District. The accompanying 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, by us and the other auditors, in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. Robert Wall, CPA

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

Coos Bay, Oregon
September 29, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS



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, 2006. 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 third 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 2006 by \$11,099,320 (net assets). Of this amount, \$2,476,080 (unrestricted net assets) may be used to meet the college's ongoing obligations to citizens, creditors, and employees.
- The College's total net assets decreased by \$100,399. Increases in tuition, fees, and auxiliary activity were offset by higher personnel, fringe, materials, long-term interest, and depreciation costs.
- Southwestern's governmental funds reported combined ending fund balances of \$3,698,435, a decrease of \$10,298,425 over the prior year. Of this amount, \$3,698,435 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 \$622,469.
- Southwestern's total debt decreased by \$644,255.
- The College's enrollment was essentially unchanged 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, Culinary Program, and Neighborhood Facility building. 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 proprietary funds.

Financial Analysis of the College as a Whole

Analysis of the Statement of Net Assets

Southwestern's financial position at June 30, 2006 shows assets of \$51,252,142, liabilities of \$40,152,822, and net assets of \$11,099,320. The largest portion of Southwestern's net assets (77%) 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.

	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Assets			
Current assets	\$ 6,328,290	\$ 15,450,654	(59.0)
Restricted Cash	75,974	317,290	(76.1)
Net Pension Asset	11,225,567	11,723,789	(4.2)
Capital assets, net of depreciation	<u>33,622,311</u>	<u>24,461,199</u>	<u>37.5</u>
Total assets	<u>51,252,142</u>	<u>51,952,932</u>	<u>(1.3)</u>
Liabilities			
Current liabilities	3,891,068	4,152,948	(6.3)
Long term debt, noncurrent portion	<u>36,261,754</u>	<u>36,600,175</u>	<u>(0.9)</u>
Total liabilities	<u>40,152,822</u>	<u>40,753,123</u>	<u>(3.9)</u>
Net Assets			
Invested in capital assets, net related debt	8,547,266	3,543,175	241.2
Restricted	75,974	317,554	(76.1)
Unrestricted	<u>2,476,080</u>	<u>7,339,080</u>	<u>(66.3)</u>
Total net assets	<u>\$ 11,099,320</u>	<u>\$ 10,183,288</u>	<u>9.0</u>

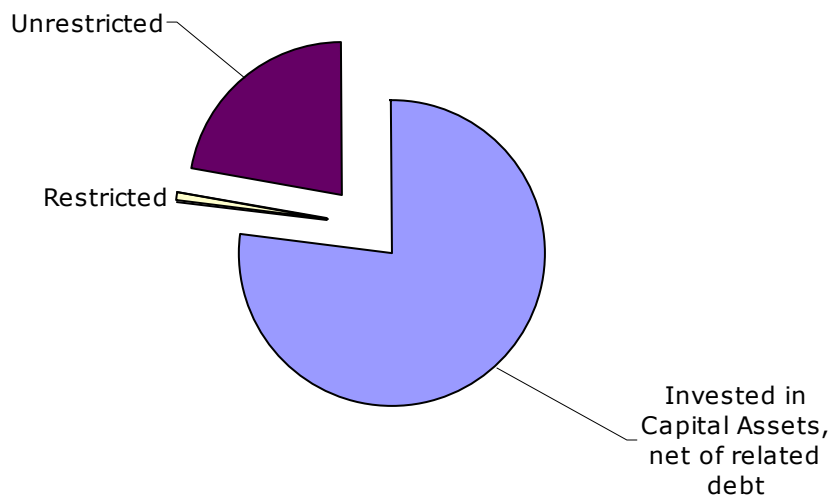
Current assets include cash and investments, accounts receivable from students, the State of Oregon, and others, property taxes, prepaid expenses, and inventory. The College's current assets of \$6,328,290 were sufficient to cover its current liabilities of \$3,891,068. This represents a ratio of 1.63, 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 \$33,622,311 net of accumulated depreciation. During FY06 the College basically traded cash for capital assets, as construction was completed for the Culinary Arts building, Student Housing Phase IV, and the Neighborhood Facility building was purchased.

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 77% 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 6/30/06:

Net Assets as of June 30, 2006



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 appropriations and property taxes, while budgeted for operations, are considered nonoperating revenues according to generally accepted accounting principles (GAAP).

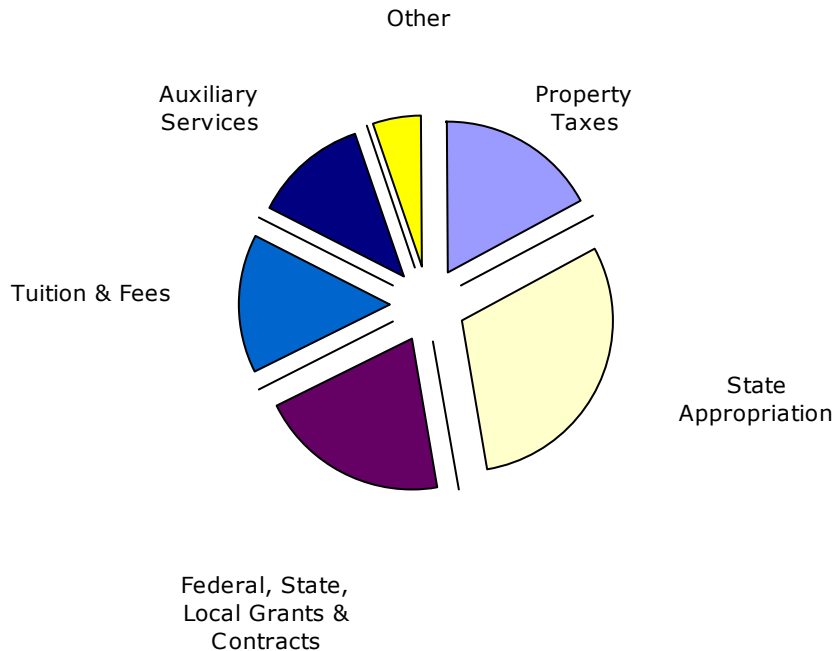
Operating Results for the Year ending June 30	2006	2005	% Change
Operating Revenues:			
Tuition & Fees (net of scholarship allowances)	\$ 4,094,158	\$ 3,768,028	(8.7)
Federal, State, and Local Grants & Contracts	5,621,575	5,632,934	(0.2)
Auxiliary (net of scholarship allowances)	3,349,397	2,923,048	14.6
Other Revenue	226,491	0	100.0
Total Operating Revenues	<u>13,291,621</u>	<u>12,324,010</u>	<u>7.9</u>
Operating Expenses:			
Instruction	7,021,042	7,086,049	(0.9)
Instructional Support	2,715,738	2,377,716	14.2
College Support	2,954,427	2,726,981	8.3
Plant Operations & Maintenance	1,327,744	1,115,574	19.0
Student Services	1,654,904	1,621,983	2.0
Community Services	2,700,571	3,121,723	(13.5)
Financial Aid	2,785,553	2,649,696	5.1
Auxiliary Enterprises	2,899,914	2,856,114	1.5
Early Retirement Costs	213,482	215,615	(1.0)
Depreciation	1,011,851	767,019	31.9
PERS UAL Amortization	498,222	498,222	0.0
Total Operating Expenses	<u>25,783,448</u>	<u>25,036,692</u>	<u>3.0</u>
Net Operating Gain (Loss)	<u>(12,491,827)</u>	<u>(12,712,682)</u>	<u>(1.7)</u>
Nonoperating Revenues:			
State Appropriation	8,252,813	4,623,432	178.5
Property Taxes	4,731,339	4,542,635	4.2
Other	1,243,893	899,062	138.4
Total Nonoperating Revenues	<u>14,228,045</u>	<u>10,065,129</u>	<u>141.1</u>
Nonoperating Expenses	<u>(1,836,617)</u>	<u>(1,673,906)</u>	<u>9.7</u>
Increase (Decrease) in Net Assets	(100,399)	(4,321,459)	97.7
Net Assets, Beginning of Year, as restated	<u>11,199,719</u>	<u>14,504,747</u>	<u>(32.5)</u>
Net Assets, End of Year	<u>\$ 11,099,320</u>	<u>\$ 10,183,288</u>	<u>9.0</u>

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 \$5,621,575. Tuition and fees totaled \$4,942,045. Auxiliary services totaled \$3,349,397.

The largest nonoperating revenue source is from the State of Oregon. Annually, the State appropriates funding for community colleges. The College received \$8,252,813 for FTE reimbursement in fiscal year 2006. This was \$3,629,381 more than the College received in fiscal year 2005. The primary difference was from the change in the payment structure of the State FTE reimbursement. The final payment of \$1,519,718 for FY05 was delayed until July 15, 2005 by legislative action, and therefore is included in the College's financial statements for fiscal year 2006. Also, the College's 4th quarter payment for fiscal year 2003 of \$1,865,806 was likewise delayed until July 15, 2003, and thus was included in fiscal year 2004. Additional nonoperating revenues of \$4,731,339 were received from property taxes that the College levied.

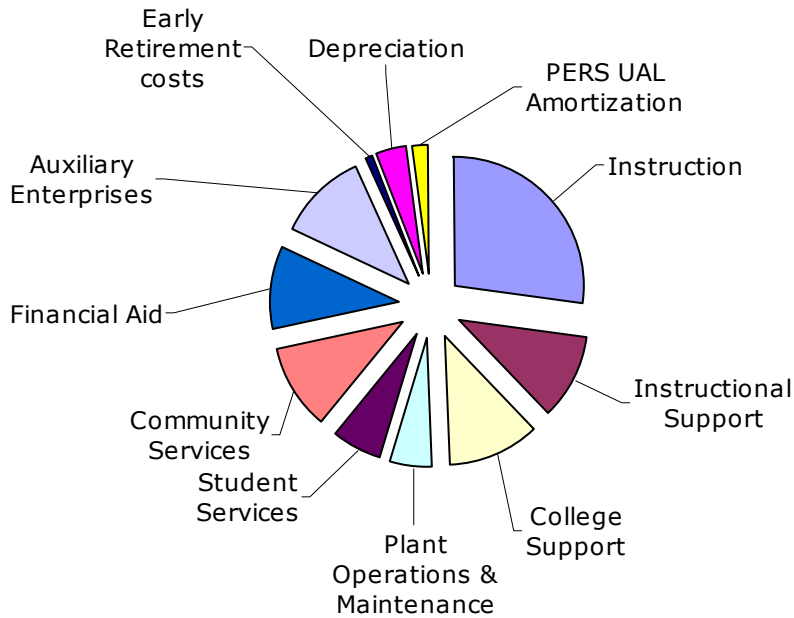
The following graph shows the allocation of revenues, both operating and nonoperating, for the College:

Revenue Sources for Fiscal Year 2006



Operating expenses totaling \$25,783,448 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:

Expenses FY06



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.

	<u>2006</u>	<u>2005</u>
Cash Provided By (Used In):		
Operating Activities	\$ (10,084,849)	\$ (10,168,332)
Noncapital Financing Activities	13,840,777	9,484,658
Capital Financing Activities	(12,856,796)	(1,953,891)
Investing Activities	418,530	307,842
Net Increase (Decrease) in Cash	<u>(8,682,338)</u>	<u>(2,329,723)</u>
Cash – Beginning of Year	12,377,196	14,706,919
Cash – End of Year	<u>\$ 3,694,858</u>	<u>\$ 12,377,196</u>

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 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. There were a few significant differences from the Original Adopted Budget and the Adjusted Budget. Differences of interest between the two are summarized below:

- General Fund – \$415,500 of additional State Appropriation was realized after the fiscal year began. This was quite an unexpected increase! A Supplemental Budget was passed in November 2005 to appropriate the funds to personal services. Also in November 2005 Southwestern decided to self-insure for athletic insurance for its sports programs. Previously that insurance had been paid for in the Auxiliary Fund, and funded with tuition reallocations from the General Fund. So tuition was retained in the General Fund of \$75,000, and appropriated by increasing transfer expense (to the Insurance Reserve) by \$75,000.
- Auxiliary Fund – See General Fund above. Tuition revenue was decreased by \$75,000, and materials & supplies appropriation correspondingly decreased.
- Insurance Reserve – See General Fund above. Transfer revenue was increased by \$75,000 and was appropriated by increasing materials & supplies expense correspondingly. Any remaining balance would be retained. Southwestern realized a \$53,000 gain by self-insuring in 2006.

Capital Assets and Debt Administration

Capital Assets

The College's investment in capital assets as of June 30, 2006 amounts to \$33,622,311 net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, equipment, and art & historical treasures. The main sources of increase this year were the Neighborhood Facility building, \$330,000, the Culinary Arts building, \$2,968,000, and Student Housing Phase IV, \$5,015,000. The balance was from Construction Work in Progress on the Student Recreation Center and Track/Field.

Long Term Debt

At the end of the fiscal year, Southwestern's outstanding long term debt amounted to \$38,150,045. Of this amount, \$1,880,045 represents lease purchase certificates of participation and \$36,270,000 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.

In March 2005 Southwestern borrowed \$4,800,000 to construct Student Housing Phase IV. These new units will allow the College to increase its student population from out of district, and support its strategy of increased enrollments. As with the other student housing borrowings, rental payments from the student occupants will completely pay operations, maintenance, and debt service on the units.

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.

Component Unit

Included in the financial report this year is information for Southwestern Oregon Community College Foundation, Inc. The Foundation was incorporated on January 3, 1962, and registered as a separate non-for-profit corporation with the State of Oregon. Their Articles of Incorporation establish that the purpose of the Foundation is to support the college. The Foundation has a 501 (c) 3 status under the provisions of the Internal Revenue Code, and is exempt from Federal Income Tax. Contributions to the Foundation are tax deductible as defined by the IRS regulations. Bylaws govern the internal affairs of the Foundation. A Board of Directors sets policies for Foundation operations.

The Foundation operates within a written agreement with the College that clearly defines Foundation activities and establishes College support of the Foundation. The Foundation receives, administers, and disposes of property given to benefit the College, coordinates fundraising efforts, and assists in promoting the College to the public.

Financial information for the component unit is found in the financial statements (pages 14-17) in a discrete column. Summary information for the year ended June 30, 2006 is as follows:

Current Assets	\$ 244,895	Operating Revenues	\$ 401,763
Non-current Assets	<u>2,506,920</u>	Operating Expenses	<u>(398,133)</u>
Total Assets	<u>\$ 2,751,815</u>	Operating Gain (Loss)	<u>\$ 3,630</u>
Current Liabilities	\$ 30,498	Non-operating Revenues	\$ 128,288
Restricted Net Assets	1,392,512	Increase in Net Assets	131,918
Unrestricted Net Assets	<u>1,328,805</u>	Net Assets – Beg. of Year	<u>2,589,399</u>
Total Liabilities & Net Assets	<u>\$ 2,751,815</u>	Net Assets – End of Year	<u>\$ 2,721,317</u>

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 2005. Southwestern's share was \$1,519,718. The State reappropriated the amount in fiscal year 2006. It was indeed paid to Southwestern on July 15, 2005. According to GAAP, the College must recognize this as revenue in fiscal year 2006, which we have. The State appropriation has increased significantly for fiscal year 2006 after being drastically cut in fiscal year 2003, but is still only at the level of fiscal year 2001. Southwestern will continue to cultivate its enterprise activities in order to make itself less dependent upon State support.

Another issue facing the College is the 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.

Tuition was increased \$4 per credit for FY06. The technology fee was increased \$2 to recognize our increasing dependence upon computers and the related infrastructure. So far it appears that these increases have not significantly affected enrollments. Tuition is scheduled to increase another \$2 per credit in FY07.

An assortment of student class and registration fees, including the technology fee, are being replaced in FY07 with a new "superfee". This new fee is based upon a combination of \$12 per credit and \$22 per class. It is too soon to evaluate the financial results, but preliminary feedback indicates that students appreciate knowing exactly what their charges will be.

The State of Oregon will be giving Southwestern \$2,300,000 in capital construction monies for an educational facility in Curry County sometime in late FY07 or early FY08. The College has met its match requirements, and is looking forward to this project which will enhance educational opportunities for students in Curry County.

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, 2006

	Primary Government	Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,618,884	\$ 238,895
Receivables		
Taxes	271,054	-
Accounts	2,287,940	-
Pledges	-	1,000
Prepaid expenses	13,472	5,000
Inventory	136,940	-
	6,328,290	244,895
Total current assets		
Noncurrent assets		
Restricted cash - pension and refunding bonds	75,135	-
Restricted cash - enterprise debt	839	-
Long-term investments	-	2,387,796
Net pension asset	11,225,567	-
Capital assets (net of accumulated depreciation)	33,622,311	119,124
	44,923,852	2,506,920
Total noncurrent assets		
Total assets	51,252,142	2,751,815
LIABILITIES		
Current liabilities		
Accounts payable	1,239,841	30,498
Accrued expenses	416,442	-
Compensated absences payable	561,039	-
Accrued interest payable	87,325	-
Due to other agencies	95,327	-
Deferred revenue, deposits	12,753	-
Early retirement benefits	633,341	-
Current portions of long-term debt		
Advance refunding bonds	485,000	-
Revenue bonds	135,000	-
Capital leases payable	225,000	-
	3,891,068	30,498
Total current liabilities	\$ 3,891,068	\$ 30,498

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, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
Total current liabilities (from previous page)	\$ 3,891,068	\$ 30,498
Noncurrent liabilities		
Advance refunding bonds	8,840,000	-
Pension bonds	13,075,000	-
Revenue bonds	14,355,000	-
Capital leases payable	1,880,045	-
Less: current portion of long-term debt	(845,000)	-
Less: unamortized discounts and issuing costs	(536,893)	-
Less: unamortized refunding difference	(506,398)	-
	<u>36,261,754</u>	<u>-</u>
Total liabilities	<u>40,152,822</u>	<u>30,498</u>
NET ASSETS		
Net assets invested in capital assets	33,622,311	-
Less: related debt	<u>(25,075,045)</u>	<u>-</u>
Investment in capital assets, net of relate debt	8,547,266	-
Restricted assets		
Pension and refunding bonds cash	75,135	-
Temporarily restricted	839	943,900
Permanently restricted	-	448,612
Unrestricted	<u>2,476,080</u>	<u>1,328,805</u>
Total net assets	<u>11,099,320</u>	<u>2,721,317</u>
Total liabilities and net assets	<u>\$ 51,252,142</u>	<u>\$ 2,751,815</u>

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

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of \$441,707	\$ 4,094,158	\$ -
Federal grants and contracts	4,860,522	-
State and local government grants and contracts	224,332	-
Nongovernment grants, contracts, and special fees	536,721	-
Auxiliary enterprises		
Food services	25,234	-
Bookstore, net of scholarship allowances of \$170,826	853,101	-
Student housing, net of scholarship allowances of \$407,542	1,310,954	-
Newmark center	417,162	-
Conferences	121,517	-
Culinary arts, net of scholarship allowances of \$200,110	621,429	-
Donations	-	401,155
Other revenues	226,491	608
	<hr/>	<hr/>
Total operating revenues	13,291,621	401,763
OPERATING EXPENSES		
Education and general		
Instruction	7,021,042	-
Instructional support	2,715,738	-
College support	2,954,427	-
Plant operations and maintenance	1,327,744	-
Other support services		
Student services	1,654,904	-
Community services	2,700,571	-
Student financial aid	2,785,553	-
Auxiliary enterprises		
Food services	16,714	-
Bookstore	902,002	-
Student housing	958,491	-
Newmark center	215,611	-
Conferences	123,600	-
Culinary arts	683,496	-
Early retirement costs	213,482	-
Depreciation expense	1,011,851	19,037
Amortization expense	498,222	-
Foundation operating expenses	-	379,096
	<hr/>	<hr/>
Total operating expenses	25,783,448	398,133
Excess (deficiency) of revenues over (under) expenses (carried forward to next page)	\$ (12,491,827)	\$ 3,630

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

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)
For the Year Ended June 30, 2006

	<u>Primary Government</u>	<u>Component Unit</u>
Excess (deficiency) of revenues over (under) expenses (from previous page)	\$ <u>(12,491,827)</u>	\$ <u>3,630</u>
NON-OPERATING REVENUES (EXPENSES)		
State FTE reimbursement	8,252,813	-
Other state sources	825,363	-
Property taxes	4,731,339	-
Interest and investment income	418,530	128,288
Interest expense	<u>(1,836,617)</u>	<u>-</u>
Total net non-operating revenues (expenses)	<u>12,391,428</u>	<u>128,288</u>
Net change in net assets	<u>(100,399)</u>	<u>131,918</u>
NET ASSETS		
Net assets - beginning of the year	10,183,288	2,589,399
Prior period adjustment	<u>1,016,431</u>	<u>-</u>
Net assets - beginning of the year, as restated	<u>11,199,719</u>	<u>2,589,399</u>
Net assets - end of the year	<u>\$ 11,099,320</u>	<u>\$ 2,721,317</u>

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, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 4,361,982	
Federal student financial aid grants	1,748,008	
Federal grants and contracts	3,205,143	
State and local government grants and contracts	761,053	
Payments to suppliers for goods and services	(6,321,611)	
Payments to employees and payroll taxing agencies	(11,903,253)	
Payments for student financial aid and other scholarships	(2,172,172)	
Payment for early retirement	(213,482)	
Auxiliary enterprises:		
Cash received from customers	3,349,397	
Paid to suppliers and employees	<u>(2,899,914)</u>	
Net cash (used) by operating activities		\$ (10,084,849)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash received from property taxes	4,762,601	
Cash received from State FTE reimbursement	8,252,813	
Cash received from other state sources	825,363	
Transfers from other funds	2,101,287	
Transfers to other funds	<u>(2,101,287)</u>	
Net cash provided by non-capital financing activities		13,840,777

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(10,236,184)	
Principal payments on long-term debt	(873,293)	
Interest payments on long-term debt	<u>(1,747,319)</u>	
Net cash (used) by capital and related financing activities		(12,856,796)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments		<u>418,530</u>
-------------------------	--	----------------

NET (DECREASE) IN CASH AND CASH EQUIVALENTS

(8,682,338)

CASH AND CASH EQUIVALENTS, JULY 1, 2005

12,377,196

CASH AND CASH EQUIVALENTS, JUNE 30, 2006

\$ 3,694,858

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2006

RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET ASSETS

Unrestricted cash and cash equivalents	\$	3,618,884
Restricted cash and cash equivalents		<u>75,974</u>
TOTAL CASH AND CASH EQUIVALENTS	\$	<u><u>3,694,858</u></u>

**RECONCILIATION OF NET INCOME TO NET CASH
(USED) BY OPERATING ACTIVITIES**

Operating (loss)	\$	(12,491,827)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation		1,011,151
Amortization		
Prepaid pension asset		498,222
Debt issuance costs		25,698
Debt defeasance difference		60,859
Change in assets and liabilities		
Accounts receivable		440,031
Prepaid expenses		157,931
Inventories		26,810
Accounts payable		(64,715)
Accrued expenses		(12,511)
Deferred revenue		368,273
Compensated absences payable		108,711
Early retirement		<u>(213,482)</u>
Net cash used by operating activities	\$	<u><u>(10,084,849)</u></u>

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, 2006

NOTE 1. SUMMARY OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Southwestern Oregon Community College District (College District) the primary government and 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 one component unit included in the District's reporting entity.

Southwestern Oregon Community College Foundation, Inc.: This component unit is an Oregon non-profit corporation exempt from income tax under Section 501c(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 included in the College District's reporting entity, as a component unit for the year ended June 30, 2006.

In evaluating how to define the College District for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria as established by GASB. The accompanying financial statements present the government and its component unit entity for which the government is considered to be financially accountable. This discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely presented component unit

As mentioned above, the Southwestern Oregon Community College Foundation, Inc. (Foundation) is included as a component unit of the College District for the year ended June 30, 2006. The Foundation's summarized financial activity and financial position for the current fiscal year are presented in a separate column in the College District's basic financial statements; however, GASB does not require a Statement of Cash Flows presentation within the primary government's financial information. The objective and activities of this corporation are to aid and promote the educational, cultural, and recreational needs of citizens of the Southwestern Oregon Community College District. More specific current goals are to provide additional student financial assistance and to provide funds for development and improvement of any Southwestern Oregon Community College program. The College District provides services to the Foundation in the form of processing cash receipts and disbursements, upon approval by the Foundation Executive Director, through the College's Business Manager and the College's Accounts Payable Department.

The Foundation's major sources of revenue are donations and investment income. The Southwestern Oregon Community College Foundation, Inc. is governed by a twenty-four member Board, two of which are College District Board Members.

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. The College District 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, 2006 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 uncollectible 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 \$75,135 represents cash from the pension bond issuance held in restricted cash accounts to be utilized for debt service and \$839 is for enterprise debt service.

The primary government's unrestricted net asset balance is \$2,476,080 at June 30, 2006.

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.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash and cash equivalents of the primary government at June 30, 2006, are comprised of:

Cash on hand	\$	4,550
Restricted cash		839
Carrying amount of deposits		3,365,471
Carrying amount of cash with Coos, Curry and Douglas Counties		59,453
State of Oregon Local Government Investment Pool		189,410
Commercial Paper, Notes, and Bonds		<u>75,135</u>
Total cash and cash equivalents	\$	<u>3,694,858</u>
Cash per Statement of Net Assets		
General Fund	\$	3,514,070
Special Revenue Fund		179,049
Enterprise Fund		<u>1739</u>
Total by Funds - primary government	\$	<u>3,694,858</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, 2006, the carrying amount of the College District's deposits in financial institutions was \$3,694,019 and the bank balances were \$3,841,414. 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

At June 30, 2006, the College District had invested \$189,410 with the Oregon Short-Term Fund (OSTF), which is a cash and investment pool available for use by all state funds and local governments and is maintained by the State Treasurer. The Local Government Investment Pool (LGIP) is an open-ended, no-load diversified portfolio offered to eligible participants, including any municipality, political subdivision, or public corporation of the state. Currently, there are more than 1,500 participants in the Pool. Local government pooled assets are reported as an Investment Trust Fund in Oregon's Comprehensive Annual Financial Report. The Oregon Short-Term Fund Board, established by the Oregon Legislature, advises the Oregon Investment Council and the Oregon State Treasury in the management and investments of the LGIP. The carrying value of this investment (cost) approximates the market value at June 30, 2006. In addition, the College District utilizes three County Treasury Pools for maintaining deposits from property tax collection proceeds (pages 26 and 27).

Credit Risk

The State of Oregon LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. The Oregon Revised Statutes and the Oregon Investment Council govern the Pool's investment policies. The State Treasurer is the investment officer of the Pool and it is responsible for all funds in the Pool. These funds must be invested and the investments 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 of the Pool annually. The Divisions, report on the Pool as of and for the year ended June 30, 2006 was unqualified. The College District's funds on deposit in trust with the three County Treasurers are insured by the County Treasurers, who have responsibility for maintaining collateral on those deposits. In addition, the County Treasurers, who are responsible for the regulatory oversight of 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.

Concentration Risk

The College District had concentrations in the following investments at June 30, 2006: LGIP 76%, County Treasury Pools 24% (also refer to below).

Interest Rate Risk

The College District does not have a formal investment policy that explicitly limits investment maturities as a means of managing its exposure to fair value loss arising from increasing interest rates.

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>US Bank</u>	<u>Umpqua Bank</u>
July 1, 2005	\$ 600,000	\$ 6,000,000
June 14, 2006	600,000	3,500,000
June 19, 2006	1,000,000	3,500,000

During the year ended June 30, 2006, 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 6, 2006 through April 26, 2006	\$ 705,179 to 1,036,700

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 of the primary government as of fiscal year ended June 30, 2006, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Totals</u>
Taxes	\$ 291,456 *	\$ -	\$ -	\$ -	\$ 291,456
Accounts	<u>1,622,733</u>	<u>649,863</u>	<u>22,501</u>	<u>34,062</u>	<u>2,329,159</u>
Net total receivables	<u>\$ 1,914,189</u>	<u>\$ 649,863</u>	<u>\$ 22,501</u>	<u>\$ 34,062</u>	<u>\$ 2,620,615</u>

* Adjusted for basic financial statements GAAP (GASB) basis.

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 \$561,860 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 2005-2006, the College District levied property taxes in the amount of \$4,247,997. After reduction for estimated shared offsets and loss due to constitutional limits of \$177,534, this resulted in a net levy of \$4,070,463. The tax rate for the fiscal year 2005-2006 was \$.7017 per \$1,000 of assessed value before compression due to constitutional limits.

Following is a summary of property tax transactions of the primary government for the fiscal year ended June 30, 2006:

	<u>Receivable 7/1/2005</u>	<u>2005-2006 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 6/30/06</u>
Coos County				
2005-06	\$ -	\$ 2,389,733	\$ (2,276,017)	\$ 113,716
2004-05	111,749	-	(61,280)	50,469
2003-04	51,802	-	(25,838)	25,964
2002-03	32,405	-	(21,214)	11,191
2001-02	13,032	-	(10,957)	2,075
2000-01	2,487	-	(1,397)	1,090
1999-00	1,043	-	(575)	468
Prior years	<u>3,349</u>	<u>-</u>	<u>(256)</u>	<u>3,093</u>
Total Coos County	<u>215,867</u>	<u>2,389,733</u>	<u>(2,397,534)</u>	<u>208,066</u>
Curry County				
2005-06	-	1,433,062	(1,396,923)	36,139
2004-05	37,066	-	(23,168)	13,898
2003-04	16,711	-	(9,016)	7,695
2002-03	8,486	-	(5,124)	3,362
2001-02	2,286	-	(1,889)	397
2000-01	309	-	(77)	232
1999-00	394	-	(95)	299
Prior years	<u>313</u>	<u>-</u>	<u>-</u>	<u>313</u>
Total Curry County	<u>65,565</u>	<u>1,433,062</u>	<u>(1,436,292)</u>	<u>62,335</u>

	Receivable 7/1/2005	2005-2006 Net Levy	Collections and Adjustments	Receivable 6/30/06
Douglas County				
2005-06	\$ -	\$ 239,316	\$ (229,120)	\$ 10,196
2004-05	10,652	-	(5,696)	4,956
2003-04	4,948	-	(2,045)	2,903
2002-03	3,745	-	(1,771)	1,974
2001-02	1,723	-	(1,164)	559
2000-01	231	-	(82)	149
1999-00	85	-	(35)	50
Prior years	317	-	(52)	265
Total Douglas County	<u>21,701</u>	<u>239,316</u>	<u>(239,965)</u>	<u>21,052</u>
Total – all counties	<u>\$ 303,133</u>	<u>\$ 4,062,111</u>	<u>\$ (4,073,791)</u>	<u>\$ 291,453</u>

NOTE 5. CAPITAL ASSETS - Primary Government

	Balance July 1, 2005	Increases	Decreases	Balance June 30, 2006
Capital assets not being depreciated				
Land	\$ 128,619	\$ -	\$ -	\$ 128,619
Construction in progress	5,021,599	5,787,502	(4,705,651)	6,103,450
Art works collection	145,000	-	-	145,000
Total capital assets not being depreciated	<u>5,295,218</u>	<u>5,787,502</u>	<u>(4,705,651)</u>	<u>6,377,069</u>
Capital assets being depreciated				
Land improvements	973,816	-	-	973,816
Library books	510,179	39,679	(23,800)	526,058
Buildings	23,760,810	8,583,249	-	32,344,059
Equipment and vehicles	3,408,999	489,142	(7,137)	3,891,004
Total capital assets being depreciated	<u>28,653,804</u>	<u>9,112,070</u>	<u>(30,937)</u>	<u>37,734,937</u>
Less accumulated depreciation for				
Land improvements	(751,727)	(30,945)	-	(782,672)
Library books	(213,843)	(12,234)	9,979	(216,098)
Buildings	(6,390,970)	(719,873)	-	(7,110,843)
Equipment and vehicles	(2,131,283)	(248,799)	-	(2,380,082)
Total accumulated depreciation	<u>(9,487,823)</u>	<u>(1,011,851)</u>	<u>9,979</u>	<u>(10,489,695)</u>
Total capital assets being depreciated, net	<u>19,165,981</u>	<u>8,100,219</u>	<u>(20,958)</u>	<u>27,245,242</u>
Total capital assets, net	<u>\$ 24,461,199</u>	<u>\$ 13,887,721</u>	<u>\$ (4,726,609)</u>	<u>\$ 33,622,311</u>

NOTE 6. LONG-TERM DEBT - Primary Government

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. 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, 2006:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 704,189	\$ 704,189
2008	-	704,189	704,189
2009	15,000	704,189	719,189
2010	55,000	703,647	758,647
2011	100,000	701,420	801,420
2012-2016	1,320,000	3,388,874	4,708,874
2017-2021	3,180,000	2,879,555	6,059,555
2022-2026	5,995,000	1,733,394	7,728,394
2027-2028	2,410,000	175,578	2,585,578
Total	\$ 13,075,000	\$ 11,695,035	\$ 24,770,035

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.
- (4) *Student Housing Projects* - Series 2005, March 17, 2005, \$4,800,000 Housing Phase IV for new student housing facilities - limited tax full faith and credit revenue bonds.
- (5) *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.

- (6) *Culinary Institute and Student Recreation Center* - The College District issued 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	Amount Due Within 1 Year
Series 1995 Obligations	06/01/95	4.5-5.00%	\$ 315,000	\$ 110,000	\$ 25,000
Series 1998 Obligations	06/01/98	4.5-5.40%	840,000	665,000	25,000
Series 2002 Obligations	01/01/02	4.0-5.25%	910,000	685,000	55,000
Series 2003 Refunding Obligations (1)	10/01/03	2.0-4.60%	9,980,000	8,840,000	485,000
Series 2004 Obligations	06/01/04	2.0-5.00%	9,855,000	9,640,000	135,000
Series 2005 Obligations	03/29/05	3.0-5.00%	4,800,000	4,715,000	120,000
				24,655,000	845,000
Series 2004 Pension Bonds	02/24/04	3.348-5.53%	13,075,000	13,075,000	-
Total Full Faith and Credit Obligations				\$ 37,730,000	\$ 845,000

- (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.

Limited Tax Full Faith & Credit 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. \$9,855,000 of these bonds were issued to finance construction projects for the new Culinary Arts facility and construct a new Student Recreation Center facility. Bonds outstanding at year-end are as follows:

Purpose	Fund-type	Interest Rates	Original Amount	Outstanding Balance at 6/30/06	Amount Due Within 1 Year
Student Recreation Center	Governmental	2.00 - 5.00%	\$ 6,257,925	\$ 6,121,400	\$ 85,725
Culinary Arts Institute	Enterprise	2.00 - 5.00%	3,597,075	3,518,600	49,275
Total Government-Wide Business-Type Activity			\$ 9,855,000	\$ 9,640,000	\$ 135,000

The future debt maturity requirements are as follows at June 30, 2006:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 135,000	\$ 444,378	\$ 579,378
2008	150,000	440,665	590,665
2009	170,000	435,790	605,790
2010	190,000	429,840	619,840
2011	215,000	422,240	637,240
2012-2016	1,420,000	1,968,185	3,388,185
2017-2021	2,220,000	1,598,853	3,818,853
2022-2026	3,365,000	974,075	4,339,075
2027-2028	1,775,000	134,750	1,909,750
Total	\$ 9,640,000	\$ 6,848,776	\$ 16,488,776

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 original reacquisition price exceeded the net carrying amount of the old debt and is being netted against the new debt and amortized over the remaining life of the refunded debt which had remaining payments of 13, 18, and 22 years remaining at defeasance. The amount of the unamortized portion of this exceeded issuance/defeasance difference at June 30, 2006, is \$506,398 with annual amortization expenses, government-wide, totaling \$60,859.

Purpose	Fund-type	Interest Rates %	Amount Issued	Ending Balance	Due Within 1 Year
Performing Arts Center	Governmental	2.00 - 4.60%	\$ 1,286,668	\$ 1,106,972	\$ 42,275
Newmark Center	Enterprise	2.00 - 4.60%	3,379,500	3,006,540	236,655
Student Housing	Enterprise	2.00 - 4.60%	5,313,832	4,726,488	206,070
Total Government-Wide Business-Type Activity			\$ 9,980,000	\$ 8,840,000	\$ 485,000

The future debt maturity requirements are as follows at June 30, 2006:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 485,000	\$ 322,517	\$ 807,517
2008	500,000	311,605	811,605
2009	520,000	299,105	819,105
2010	545,000	284,805	829,805
2011	565,000	267,091	832,091
2012-2016	3,270,000	1,018,894	4,288,894
2017-2021	1,880,000	489,339	2,369,339
2022-2025	1,075,000	110,000	1,185,000
Total	\$ 8,840,000	\$ 3,103,356	\$ 11,943,356

On March 29, 2005, the College District issued \$4,800,000 of Full Faith and Credit Obligations Series 2005 for the purpose of financing capital construction and improvements, including designing, constructing, equipping, and furnishing student housing and facilities, and paying issuance costs. The College District expects to make the financing payments through rent derived from the housing units.

The future maturity of these full faith and credit bonds are as follows at June 30, 2006:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 120,000	\$ 205,165	\$ 325,165
2008	125,000	201,565	326,565
2009	130,000	197,815	327,815
2010	135,000	193,915	328,915
2011	140,000	189,527	329,527
2012-2016	775,000	869,503	1,644,503
2017-2021	955,000	689,575	1,644,575
2022-2026	1,175,000	455,975	1,630,975
2027-2028	1,160,000	148,250	1,308,250
Total	\$ 4,715,000	\$ 3,151,290	\$ 7,866,290

NOTE 7. CAPITAL LEASES - Primary Government

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, 2006, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 39,688	\$ 25,003	\$ 64,691
2008	39,688	23,217	62,905
2009	43,296	21,332	64,628
2010	46,904	19,276	66,180
2011	46,904	16,931	63,835
2012-2016	<u>277,816</u>	<u>45,082</u>	<u>322,898</u>
Total	<u>\$ 494,296</u>	<u>\$ 150,841</u>	<u>\$ 645,137</u>

The future maturities of the debt retirement obligation pertaining to the Performing Arts Center at June 30, 2006, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 15,312	\$ 9,647	\$ 24,959
2008	15,312	8,957	24,269
2009	16,704	8,230	24,934
2010	18,096	7,437	25,533
2011	18,096	6,532	24,628
2012-2016	<u>107,184</u>	<u>17,393</u>	<u>124,577</u>
Total	<u>\$ 190,704</u>	<u>\$ 58,196</u>	<u>\$ 248,900</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 present value of the net minimum lease payments at June 30, 2006 is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 110,000</u>	<u>\$ 16,835</u>	<u>\$ 126,835</u>

On August 19, 2003, the College District financed the acquisition of a telephone system through a capital lease with NEC Financial Services, Inc. in the amount of \$207,612. The net capitalized cost and accumulated depreciation of the phone system was \$207,612 and \$41,522, respectively. The present value of the future net minimum lease payments at June 30, 2006 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 29,332	\$ 6,668	\$ 36,000
2008	31,037	4,963	36,000
2009	32,844	3,156	36,000
2010	34,754	1,246	36,000
2011	<u>2,986</u>	<u>14</u>	<u>3,000</u>
Total	<u>\$ 130,953</u>	<u>\$ 16,047</u>	<u>\$ 147,000</u>

On August 26, 2004, the College District entered into a lease/purchase agreement with a local financial institution to procure equipment for computer network core upgrade. The net capitalized cost and accumulated depreciation of the equipment was \$144,553 and \$14,455, respectively. This lease purchase requires six equal payments of \$26,539, including 4.04% annual interest, secured by the equipment, with the future minimum lease payments at June 30, 2006, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 22,651	\$ 3,888	\$ 26,539
2008	23,566	2,973	26,539
2009	24,518	2,021	26,539
2010	25,508	1,031	26,539
Total	\$ <u>96,243</u>	\$ <u>9,913</u>	\$ <u>106,156</u>

On May 27, 2005, the College District entered into a 48-month dollar buyout lease/purchase agreement with Sysix Technologies, LLC for a new HP Mainframe Computer. This lease purchase requires monthly payments of \$3,467, including interest, with future minimum lease payments at June 30, 2006, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 33,542	\$ 8,062	\$ 41,604
2008	36,322	5,282	41,604
2009	39,333	2,271	41,604
2010	6,865	69	6,934
Total	\$ <u>116,062</u>	\$ <u>15,684</u>	\$ <u>131,746</u>

On January 17, 2006, the College District financed the acquisition of a van through a capital lease agreement with Umpqua Bank Leasing in the amount of \$56,639. The present value of the future net minimum lease payments at June 30, 2006 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 8,703	\$ 1,911	\$ 10,614
2008	10,633	2,104	12,737
2009	11,164	1,573	12,737
2010	11,721	1,016	12,737
2011	12,306	431	12,737
2012	2,112	13	2,125
Total	\$ <u>56,639</u>	\$ <u>7,048</u>	\$ <u>63,687</u>

On August 8, 2005, the College District financed the acquisition of a John Deere tractor and accessories through a capital lease agreement with John Deere Credit in the amount of \$29,716. The present value of the future net minimum lease payments at June 30, 2006 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2007	\$ 9,811	\$ 618	\$ 10,429
2008	10,338	91	10,429
Total	\$ <u>20,149</u>	\$ <u>709</u>	\$ <u>20,858</u>

NOTE 9. CHANGES IN LONG-TERM LIABILITIES - Primary Government

During the fiscal year ended June 30, 2006, the following changes occurred in the amounts reported in the general long-term debt account group type liabilities:

	Beginning Balance 7/1/05	Additions	Reductions	Ending Balance 6/30/06
Governmental activities:				
Full Faith & Credit Obligations				
Capital leases				
Mainframe Computer	\$ -	\$ 142,990	\$ 26,928	\$ 116,062
Turtletop Van	-	56,639	-	56,639
John Deere Tractor	-	29,716	9,568	20,148
Performing Arts Center	206,016	-	15,312	190,704
Dyrvit Project	533,984	-	39,688	494,296
Telephone system	158,673	-	27,720	130,953
Network Core Switch	118,014	-	21,771	96,243
Advance Refunding Bonds				
Performing Arts Center	1,148,894	-	41,922	1,106,972
Less deferred amounts				
Issuance discounts & costs, net of premiums	(10,936)	-	(547)	(10,389)
Revenue Bonds				
Student Recreation Center	6,197,600	-	76,200	6,121,400
Less deferred amounts				
Issuance discounts & costs	(152,687)	-	(6,638)	(146,049)
Pension Bonds (PERS)				
Less deferred amounts	13,075,000	-	-	13,075,000
Issuance discounts & costs	(146,056)	-	(6,351)	(139,705)
Notes payable	2,613	-	2,613	-
Early retirement	846,823	-	213,482	633,341
Compensated absences	452,328	108,711	-	561,039
Total governmental activities long-term liabilities	22,430,266	338,056	461,668	22,306,654
Enterprise activities:				
Full Faith & Credit Obligations				
Capital leases				
Bookstore - Series 1995	135,000	-	25,000	110,000
Student Housing II	690,000	-	25,000	665,000
Advanced Refunding Bonds				
Newmark Center	3,234,886	-	228,346	3,006,540
Student Housing	4,931,220	-	204,732	4,726,488
Less deferred amounts				
Issuance discounts & costs, net of premiums	(128,782)	-	(6,439)	(122,343)
Limited Tax Revenue Bonds				
Student Housing	4,800,000	-	85,000	4,715,000
Less deferred amounts				
Issuance discounts & costs, net of premiums	(35,894)	-	(1,436)	(34,458)
Revenue Bonds				
Culinary Institute	3,562,400	-	43,800	3,518,600
Less deferred amounts				
Issuance discounts & costs	(87,765)	-	(3,816)	(83,949)
Total enterprise activities long-term liabilities	17,101,065	-	600,187	16,500,878
Grand total government-wide business-type activities long-term liabilities	\$ 39,531,331	\$ 338,056	\$ 1,061,855	\$ 38,807,532

NOTE 10. DEFERRED REVENUE - Primary Government

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, some are eliminated in the government-wide reporting. As of June 30, 2006, the various funds had deferred revenues recorded in the following amounts:

	General	Special Revenue	Capital Projects	Enterprise	Trust & Agency
Property taxes receivable (Note III B)	\$ 291,465	\$ -	\$ -	\$ -	\$ -
Tuition	591,976	23,188	-	333,500	-
Grants/Contracts	-	221,332	3,000	-	-
Fees	203,194	8,514	-	-	7,964
Security deposits	-	-	-	12,753	-
Total deferred revenue	<u>\$ 1,086,626</u>	<u>\$ 253,034</u>	<u>\$ 3,000</u>	<u>\$ 346,253</u>	<u>\$ 7,964</u>

NOTE 11. TRANSFERS

The following is a summary of transfers of the primary government between funds:

Transfers in:

General Fund	\$ 858,400
Special Revenue Fund	197,088
Debt Service Fund	618,222
Capital Projects Fund	154,340
Enterprise Fund	106,550
Internal Service Fund	162,677
Trust and Agency Fund	4,010
Total transfers in	<u>\$ 2,101,287</u>

Transfers out:

General Fund	\$ (972,009)
Special Revenue Fund	(1,049,273)
Capital Projects Fund	(67,055)
Enterprise Fund	(8,150)
Trust and Agency Fund	(4,800)
Total transfers out	<u>\$ (2,101,287)</u>

Interfund Receivables, Payables, and Transfers, Principal Purposes

Transfers are routinely made for the following purposes:

- To move revenues from the fund in which statute or budget requires them to be collected to the fund from which statute or budget requires them to be expended;
- To move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due;
- To move unrestricted revenues collected in the General Fund to finance various programs and activities accounted for in other funds in accordance with budgetary authorizations; and
- To move revenues collected from restricted sources to other funds to pay for direct expenses.

During fiscal year 2006 all transfers reported above were made for one of these purposes.

NOTE 12. 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, 2005, even though the State was not obligated to pay, or even accrue, such a non-exchange transaction. On the budgetary basis, the College District did not recognize \$1,519,718 for this fourth quarter disbursement received July 14, 2005. For generally accepted accounting principles (GAAP), these amounts met the criteria for constructive receipt and, therefore, are posted to the government-wide financial statements in accordance with applicable *Governmental Accounting Standards Board* (GASB) Statement No. 36 for the year ended June 30, 2006.

NOTE 13. OTHER INFORMATION - Primary Government**A. 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.

B. 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.

C. New Accounting Pronouncements

In July 2004, the GASB issued Statements No. 43 and 45, addressing Other Postemployment Benefits (OPEB) - *Financial Reporting for Postemployment Benefit Plans Other Than Pensions and Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, respectively. The effective date, phasing in much as GASB Statement No. 34, is for the fiscal year ending June 30, 2009 for the College District.

D. Related Party

A Board of Education Member's Insurance Company (major shareholder, Harry Abel), is also the College District's Insurance Agent of Record, however, he declares a potential conflict of interest and abstains from College decision making involvement in that regard. Amounts paid to the Insurance Company during the fiscal year ended June 30, 2006, for various insurance premiums and coverages, totaled \$171,793 and no amounts were owing as of that date.

E. Prior Period Adjustment

A prior period adjustment was made to the July 1, 2005, net assets for \$1,016,431 of deferred revenue, comprised of \$809,912 tuition, \$37,975 fees, and \$168,544 grants and other revenues, to be recognized as revenue under the full accrual basis of accounting for GASB Statements No. 34 and 35, while being deferred under the modified accrual basis in the fund financial statements (NOTE 10).

F. 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 \$150,000, at Board discretion. Current projections indicate that the College District has estimated contingent liability of \$633,341 at June 30, 2006. 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 \$189,435 in benefits for retired employees, which was comprised of health insurance benefits.

G. Defined Benefit Pension Plan

The College District is a participating employer in the Oregon Public Employees Retirement System (PERS), an agent multiple-employer public employee retirement system established under Oregon Revised Statutes (ORS) 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan (OPSRP) is effective for all new employees hired on or after August 29, 2003, and applies to any inactive PERS members who return to employment following a six month or greater break in service. The new plan consists of a defined benefit program (the Pension Program) and a defined contribution portion (the Individual Account Program "IAP"). The Pension Program portion of OPSRP provides a life pension funded by a formula which takes into account final average salary and years of service.

Beginning in January 1, 2004, all PERS member contributions go in to the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board (OPERB). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, OR 97281-3700; by calling (503) 598-7377; or by accessing the PERS website at www.pers.state.or.us.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system.

In addition to the 6.0% employees' contribution, the College District contributed 5.81% of covered payroll to PERS for the fiscal year ended June 30, 2006. This contribution rate was determined as part of the December 31, 2004 actuarial evaluation and was recalculated to reflect the impact of recently passed legislation (House Bills 2001, 2003 and 2004). The next actuarial valuation is scheduled to be conducted as of December 31, 2005 and was not available at the time these financial statements were completed. This valuation is to be used to establish rates as of July 1, 2007.

Annual Pension Cost

All participating employers are required by law to submit the contributions as adopted by OPERB. For the fiscal year ended June 30, 2006, the College District's annual pension expenditures/expense was \$1,045,194. This amount consisted of the annual required contribution of \$546,972 (5.81% of the annual covered payroll of \$9,438,243) and \$498,222 in amortization of pension assets. The College District's contributions were equal to the annual required contributions, which were less than the annual pension cost as a result of the pension obligation bond amortization.

The College District's annual pension cost and pension assets for the year ended June 30, 2006, were as follows:

Annual required contribution	\$ 546,972
Interest on pension assets	(745,795)
Adjustment to the annual required contribution	<u>1,244,017</u>
Annual pension cost	1,045,194
Contributions made	<u>(546,972)</u>
Decrease in pension assets	498,222
Pension assets, beginning of year	<u>(11,723,789)</u>
Pension assets, end of year	<u>\$ 11,225,567</u>

The College District's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability (UAL) created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuations UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8.0% per year, projected salary increase of 4.25%, health cost inflation graded from 8.5% in 2004 to 5% in 2011, and a consumer price inflation component of 3.25%.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of 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.

The Oregon Legislative Assembly created a second level or "Tier" of OPERS 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 there is no guaranty of future interest credits for Tier Two members.

Due to concerns about the rapidly increasing UAL for the state-wide pension system, the Oregon Legislative Assembly approved significant modifications to the state pension system during their 2003 session. House Bill 2001 addresses crediting the earnings to the Tier One regular accounts. House Bill 2003 addresses the assumed earnings rate, employee contributions and payment of future cost of living adjustments as a means of addressing PERS deficits. House Bill 2004 modifies the actuarial equivalency factor tables. House Bill 2005 makes changes to the PERS board. House Bill 2020 establishes a successor retirement plan called OPSRP. There were also several other bills enacted affecting PERS that do not have a direct impact on the College District or a majority of its employees. A summary of the bills affecting PERS can be found on the PERS web page at:

http://www.pers.state.or.us/Legislation/2003_Legislation/oregon_legislative_summary.htm.

The ultimate resolution of the legislative changes is currently being challenged in court. Several municipality employers are being sued in Evans et al vs. City of Grants Pass et al. An Employers Defense Alliance has been formed to defend the entities with participation by the Oregon School Boards Association, the League of Oregon cities, the Association of Oregon Counties, the Special Districts Association of Oregon, and the Oregon Health Science University.

In addition, a settlement has been reached in the case title "City of Eugene, EWEB, et al vs. State of Oregon PERB". In this settlement, the OPERB has agreed to dismiss its appeal of the trial court decision and credit earnings in accordance with the reform legislation. The full implementation of the reform legislation is still contingent on the outcome of Evans et al vs. City of Grants Pass et, al.

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

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2003	\$ 823,971	\$ 823,971	100%	-
June 30, 2004	1,307,877	1,074,335	82%	-
June 30, 2005	661,130	661,130	100%	-
June 30, 2006	1,045,194	1,045,194	100%	-

**State Community Colleges
Schedule of Funding Progress**
(amounts in Millions of \$)

<u>Actuarial 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>
1995	\$ 5,287.8	\$ 5,648.0	\$ (359.8)	94 %	\$ 1,786.3	20 %
1997	7,013.9	7,382.0	(368.3)	95 %	1,628.0	23 %
1999	14,082.9	14,066.0	17.4	100 %	1,820.7	1 %
2001	1,723.5	1,656.9	66.7	104 %	267.6	(25) %
2003	312.6	328.2	(15.6)	95 %	263.2	6 %
2004	437.8	377.6	60.2	116%	283.6	(21)%

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 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**

THIS PAGE INTENTIONALLY LEFT BLANK

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING BALANCE SHEET

June 30, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS				
Cash and cash equivalents	\$ 3,514,070	\$ 179,049	\$ -	\$ -
Receivables				
Taxes	291,456	-	-	-
Accounts	1,622,733	649,863	-	22,501
Prepaid expenses	8,566	3,810	-	-
Unamortized Issuance Costs	-	-	-	-
Interfund receivables	-	1,293,340	3,000	2,051,003
Inventory	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Total assets	<u>\$ 5,436,825</u>	<u>\$ 2,126,062</u>	<u>\$ 3,000</u>	<u>\$ 2,073,504</u>
LIABILITIES				
Accounts payable	\$ 279,911	\$ 223,630	\$ 3,000	\$ 513,898
Accrued expenses	-	-	-	-
Payroll payable	264,991	-	-	-
Interfund payable	3,181,278	130,037	-	-
Accrued interest payable	-	-	-	-
Due to other agencies	-	-	-	-
Deferred revenues	1,088,176	253,032	-	3,000
Capital leases/bonds payable	-	-	-	-
Total liabilities	<u>4,814,356</u>	<u>606,699</u>	<u>3,000</u>	<u>516,898</u>
EQUITY				
Contributed capital	-	-	-	-
Fund balances (deficit)				
Unreserved and undesignated	<u>622,469</u>	<u>1,519,363</u>	<u>-</u>	<u>1,556,606</u>
Total equity	<u>622,469</u>	<u>1,519,363</u>	<u>-</u>	<u>1,556,606</u>
Total liabilities and equity	<u>\$ 5,436,825</u>	<u>\$ 2,126,062</u>	<u>\$ 3,000</u>	<u>\$ 2,073,504</u>

Enterprise	Internal Service	Trust and Agency	Totals (Memorandum Only)
			June 30, 2006
\$ 1,739	\$ -	\$ -	\$ 3,694,858
-	-	-	291,456
34,062	-	-	2,329,159
-	1,096	-	13,472
188,512	-	-	188,512
-	23,143	112,876	3,483,362
136,940	-	-	136,940
<u>16,764,606</u>	<u>-</u>	<u>-</u>	<u>16,764,606</u>
<u>\$ 17,125,859</u>	<u>\$ 24,239</u>	<u>\$ 112,876</u>	<u>\$ 26,902,365</u>
\$ 185,577	\$ 24,239	\$ 9,585	\$ 1,239,840
38,416	-	-	38,416
30,273	-	-	295,264
172,047	-	-	3,483,362
57,559	-	-	57,559
-	-	95,327	95,327
346,253	-	7,964	1,698,425
<u>15,980,957</u>	<u>-</u>	<u>-</u>	<u>15,980,957</u>
<u>16,811,082</u>	<u>24,239</u>	<u>112,876</u>	<u>22,889,150</u>
545,133	-	-	545,133
<u>(230,357)</u>	<u>-</u>	<u>-</u>	<u>3,468,081</u>
<u>314,776</u>	<u>-</u>	<u>-</u>	<u>4,013,214</u>
<u>\$ 17,125,858</u>	<u>\$ 24,239</u>	<u>\$ 112,876</u>	<u>\$ 26,902,364</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, 2006

	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Local support	\$ 4,033,875	\$ 426,410	\$ -	\$ -
State support	6,733,095	825,363	-	-
Federal support	35,474	4,825,048	-	-
Tuition and fees	2,195,223	1,475,720	-	-
Other	353,211	569,235	595,947	77,253
Total revenues	<u>13,350,878</u>	<u>8,121,776</u>	<u>595,947</u>	<u>77,253</u>
EXPENDITURES				
Personal services	10,583,839	3,460,225	-	-
Materials and services	2,980,374	2,209,714	-	915,203
Capital outlay	52,128	75,412	-	8,627,953
Debt service	-	-	264,890	-
Depreciation expense	-	-	-	-
Other financial aid	-	2,086,556	-	-
Total expenditures	<u>13,616,341</u>	<u>7,831,907</u>	<u>264,890</u>	<u>9,543,156</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(265,463)</u>	<u>289,869</u>	<u>331,057</u>	<u>(9,465,903)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	21,585	138,726	-
Interest expense	-	-	(1,088,005)	-
Total non-operating revenues (expenses)	<u>-</u>	<u>21,585</u>	<u>(949,279)</u>	<u>-</u>
Net income (loss) before operating transfers	<u>(265,463)</u>	<u>311,454</u>	<u>(618,222)</u>	<u>(9,465,903)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	858,400	197,088	618,222	154,340
Operating transfers out	(972,009)	(1,049,273)	-	(67,055)
Total other financing sources (uses)	<u>(113,609)</u>	<u>(852,185)</u>	<u>618,222</u>	<u>87,285</u>
Net change in fund balances	(379,072)	(540,731)	-	(9,378,618)
FUND BALANCES - BEGINNING OF YEAR	<u>1,001,543</u>	<u>2,060,094</u>	<u>-</u>	<u>10,935,223</u>
FUND BALANCES - END OF YEAR	<u>\$ 622,471</u>	<u>\$ 1,519,363</u>	<u>\$ -</u>	<u>\$ 1,556,605</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	
\$ -	\$ -	\$ -	\$ 4,460,285	\$ -	\$ 271,054	\$ 4,731,339
-	-	-	7,558,458	-	1,575,506	9,133,964
-	-	-	4,860,522	-	-	4,860,522
1,023,334	-	26,539	4,720,816	(457,518)	272,567	4,535,865
<u>3,144,794</u>	<u>349,309</u>	<u>120,984</u>	<u>5,210,733</u>	<u>(1,127,787)</u>	<u>11,270</u>	<u>4,094,216</u>
<u>4,168,128</u>	<u>349,309</u>	<u>147,523</u>	<u>26,810,814</u>	<u>(1,585,305)</u>	<u>2,130,397</u>	<u>27,355,906</u>
856,392	171,096	-	15,071,552	(171,096)	393,451	15,293,907
2,190,494	328,909	146,733	8,771,427	(178,213)	33,916	8,627,130
-	11,951	-	8,767,444	-	(8,767,444)	-
5,685	-	-	270,575	-	(270,575)	-
513,812	-	-	513,812	-	498,039	1,011,851
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,086,556</u>	<u>(1,235,996)</u>	<u>-</u>	<u>850,560</u>
<u>3,566,383</u>	<u>511,956</u>	<u>146,733</u>	<u>35,481,366</u>	<u>(1,585,305)</u>	<u>(8,112,613)</u>	<u>25,783,448</u>
-	-	-	-	-	-	-
<u>601,745</u>	<u>(162,647)</u>	<u>790</u>	<u>(8,670,552)</u>	<u>-</u>	<u>10,243,010</u>	<u>1,572,458</u>
1,858	-	-	162,169	-	1,591	163,760
<u>(705,310)</u>	<u>-</u>	<u>-</u>	<u>(1,793,315)</u>	<u>-</u>	<u>(43,302)</u>	<u>(1,836,617)</u>
<u>(703,452)</u>	<u>-</u>	<u>-</u>	<u>(1,631,146)</u>	<u>-</u>	<u>(41,711)</u>	<u>(1,672,857)</u>
<u>(101,707)</u>	<u>(162,647)</u>	<u>790</u>	<u>(10,301,698)</u>	<u>-</u>	<u>10,201,299</u>	<u>(100,399)</u>
106,550	162,677	4,010	2,101,287	(2,101,287)	-	-
<u>(8,150)</u>	<u>-</u>	<u>(4,800)</u>	<u>(2,101,287)</u>	<u>2,101,287</u>	<u>-</u>	<u>-</u>
<u>98,400</u>	<u>162,677</u>	<u>(790)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,307)</u>	<u>30</u>	<u>-</u>	<u>(10,301,698)</u>	<u>-</u>	<u>10,201,299</u>	<u>(100,399)</u>
<u>565,385</u>	<u>(30)</u>	<u>-</u>	<u>14,562,245</u>	<u>-</u>	<u>(3,362,526)</u>	<u>11,199,719</u>
<u>\$ 562,078</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,260,547</u>	<u>\$ -</u>	<u>\$ 6,838,773</u>	<u>\$ 11,099,320</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

RECONCILIATION OF THE COMBINING BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2006

TOTAL FUND BALANCES, page 40		\$ 4,260,547
An adjustment is required to eliminate net trust and agency activity back to the activities. The adjustment related to trust and agency is required in this reconciliation.		12,861
Capital assets that are not financial resources and therefore are not reported in the governmental funds.		
Cost	\$ 24,457,804	
Accumulated depreciation	<u>(7,593,073)</u>	16,864,731
Net pension asset expensed in governmental funds prepayment on PERS UAL.	12,455,553	
Accumulated amortization	<u>(1,229,986)</u>	11,225,567
Assets capitalized not expensed during the fiscal year		102,330
On the budgetary basis, the College District recognized a fourth quarter disbursement received July 14, 2005, from State (FTE) support. For generally accepted accounting principles (GAAP), these amounts do not meet the criteria for accrual and, therefore, are posted to the current fiscal year government-wide financial statements in accordance with applicable <i>Governmental Accounting Standards Board</i> (GASB) Statement No. 36 (NOTE 12).		(1,519,718)
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	139,705	
Advance refunding bonds	<u>156,438</u>	296,143
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.		
Property taxes	291,456	
Tuition	948,664	
Fees	211,708	
Grants & Other	<u>224,332</u>	1,676,160
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	\$ (29,766)	
Long-term debt		
Pension bonds	\$ (13,075,000)	
Revenue bonds	(6,121,400)	
Advance refunding bonds	(1,106,972)	
Capital leases	(1,105,045)	
Refunding defeasance difference	<u>813,262</u>	(20,595,155)
Compensated absences	(561,039)	
Early retirement	<u>(633,341)</u>	<u>(21,819,301)</u>
TOTAL NET ASSETS, page 16		\$ <u>11,099,320</u>

**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
For the Year Ended June 30, 2006**

NET CHANGE IN FUND BALANCE, page 40 \$ (10,301,698)

An adjustment is required to eliminate net trust and agency activity back to the activities. The adjustment related to trust and agency is required in this reconciliation.

12,861

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	\$ 8,733,528	
Less current year depreciation	<u>(498,039)</u>	8,235,489

Certain revenues may not be collected for several months after year end; they are not considered "available" and are deferred in the governmental funds.

Receivables	(39,918)	
Receivables - property taxes	<u>(20,402)</u>	(60,320)

Governmental funds report as revenues State distributed nonexchange transactions as stipulated by enabling legislation. However, for the full accrual basis of accounting, these revenues do not meet all of the recognition criteria established by GASB Statement No. 36 (NOTE 12).

1,519,718

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.

Repayments		
Note principal	2,613	
Capital leases principal	140,986	
To paying agent		
For bond principal	118,122	
For debt administrative costs	<u>8,854</u>	<u>270,575</u>

Subtotal carried forward to page 43 \$ (323,375)

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)**
For the Year Ended June 30, 2006

Brought forward from page 42 \$ (323,375)

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, increase	(108,711)	
Early retirement, decrease	213,482	
Amortization of advance refunding and pension bonds:		
discounts/issuance costs, net of premiums; principal adj.	(13,536)	
Accrued interest on bonds	(29,766)	61,469

Net pension assets - PERS UAL prepaid (negative NPO, net pension obligation).

Amortization expense - pension cost		(498,222)
-------------------------------------	--	-----------

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.

291,456

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.

Tuition	138,752	
Fees	173,733	
Grants & Other	55,788	368,273

CHANGE IN NET ASSETS, page 18 \$ (100,399)

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support	\$ 3,956,000	\$ 3,956,000	\$ 4,033,875	\$ 77,875
State support	6,342,400	6,757,900	6,733,095	(24,805)
Federal support	26,000	26,000	35,474	9,474
Tuition and fees	2,482,410	2,545,523	2,195,223	(350,300)
Other	377,800	457,800	353,211	(104,589)
Total revenues	<u>13,184,610</u>	<u>13,743,223</u>	<u>13,350,878</u>	<u>(392,345)</u>
EXPENDITURES				
Personal services	10,647,534	11,131,217	10,583,839	547,378
Materials and services	3,074,880	3,054,880	2,980,374	74,506
Capital outlay	74,490	74,490	52,128	22,362
Contingency	100,000	88,600	-	88,600
Total expenditures	<u>13,896,904</u>	<u>14,349,187</u>	<u>13,616,341</u>	<u>732,846</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(712,294)</u>	<u>(605,964)</u>	<u>(265,463)</u>	<u>340,501</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	1,120,800	1,120,800	858,400	(262,400)
Operating transfers out	<u>(900,896)</u>	<u>(1,007,226)</u>	<u>(972,009)</u>	<u>35,217</u>
Total other financing sources (uses)	<u>219,904</u>	<u>113,574</u>	<u>(113,609)</u>	<u>(227,183)</u>
Net change in fund balance	(492,390)	(492,390)	(379,072)	113,318
FUND BALANCES - Beginning of Year	<u>742,390</u>	<u>742,390</u>	<u>1,001,543</u>	<u>259,153</u>
FUND BALANCES - End of Year	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 622,471</u>	<u>\$ 372,471</u>

Adjustment to generally accepted accounting principles (GAAP) basis
of presentation for fund balance (NOTE 11).

1,519,718
\$ 2,142,189

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 purposes are the primary revenue sources. Expenditures are restricted to those items designated or stipulated for in the agreements by each grant, project or contract.

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, 2006

	<u>Auxiliary</u>	<u>Financial Aid</u>	<u>Special Projects</u>	<u>Insurance Reserve</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 103,914	\$ 75,135	\$ -	\$ 179,049
Receivables:					
Accounts	-	30,207	619,656	-	649,863
Prepaid expenses	-	-	3,810	-	3,810
Interfund receivables	<u>18,060</u>		<u>655,801</u>	<u>619,479</u>	<u>1,293,340</u>
Total assets	<u>\$ 18,060</u>	<u>\$ 134,121</u>	<u>\$ 1,354,402</u>	<u>\$ 619,479</u>	<u>\$ 2,126,062</u>
LIABILITIES					
Accounts payable	\$ 17,920	\$ 1,805	\$ 203,501	\$ 404	\$ 223,630
Interfund payables	-	130,037			130,037
Deferred revenues	<u>140</u>	<u>834</u>	<u>252,058</u>	<u>-</u>	<u>253,032</u>
Total liabilities	18,060	132,676	455,559	404	606,699
FUND BALANCES					
Unreserved, undesignated	<u>-</u>	<u>1,445</u>	<u>898,843</u>	<u>619,075</u>	<u>1,519,363</u>
Total liabilities and fund balances	<u>\$ 18,060</u>	<u>\$ 134,121</u>	<u>\$ 1,354,402</u>	<u>\$ 619,479</u>	<u>\$ 2,126,062</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, 2006

	Auxiliary	Financial Aid	Special Projects	Insurance Reserve	Totals
REVENUES					
Local support	\$ -	\$ -	\$ 426,410	\$ -	\$ 426,410
State support	-	406,353	419,010	-	825,363
Federal support	-	1,748,008	3,077,040	-	4,825,048
Tuition and fees	680,181	-	298,783	496,756	1,475,720
Other	8,486	18,992	533,123	30,219	590,820
Total revenues	<u>688,667</u>	<u>2,173,353</u>	<u>4,754,366</u>	<u>526,975</u>	<u>8,143,361</u>
EXPENDITURES					
Personal services	315,142	85,616	3,059,467	-	3,460,225
Materials and services	405,751	-	1,729,048	74,915	2,209,714
Capital outlay	-	-	26,881	48,531	75,412
Other financial aid	-	2,086,556	-	-	2,086,556
Total expenditures	<u>720,893</u>	<u>2,172,172</u>	<u>4,815,396</u>	<u>123,446</u>	<u>7,831,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(32,226)</u>	<u>1,181</u>	<u>(61,030)</u>	<u>403,529</u>	<u>311,454</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	36,180	4,078	81,900	74,930	197,088
Operating transfers (out)	<u>(3,954)</u>	<u>(4,078)</u>	<u>(239,841)</u>	<u>(801,400)</u>	<u>(1,049,273)</u>
Total other financing sources (uses)	<u>32,226</u>	<u>-</u>	<u>(157,941)</u>	<u>(726,470)</u>	<u>(852,185)</u>
Net change in fund balance	-	1,181	(218,971)	(322,941)	(540,731)
FUND BALANCES - Beginning of Year	<u>-</u>	<u>264</u>	<u>1,117,814</u>	<u>942,016</u>	<u>2,060,094</u>
FUND BALANCES - End of Year	<u>\$ -</u>	<u>\$ 1,445</u>	<u>\$ 898,843</u>	<u>\$ 619,075</u>	<u>\$ 1,519,363</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tuition and fees	\$ 733,976	\$ 669,634	\$ 680,181	\$ 10,547
Other	10,140	10,140	8,486	(1,654)
Total revenues	<u>744,116</u>	<u>679,774</u>	<u>688,667</u>	<u>8,893</u>
EXPENDITURES				
Personal services	310,906	321,494	315,142	6,352
Materials and services	449,410	405,880	405,751	129
Total expenditures	<u>760,316</u>	<u>727,374</u>	<u>720,893</u>	<u>6,481</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,200)</u>	<u>(47,600)</u>	<u>(32,226)</u>	<u>15,374</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	23,200	54,600	36,180	(18,420)
Operating transfers (out)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(3,954)</u>	<u>3,046</u>
Total other financing sources (uses)	<u>16,200</u>	<u>47,600</u>	<u>32,226</u>	<u>(15,374)</u>
Net change in fund balance	-	-	-	-
FUND BALANCES - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - End of Year	<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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State support	\$ 250,000	\$ 250,000	\$ 406,353	\$ 156,353
Federal support	2,415,880	2,415,880	1,748,008	(667,872)
Other	<u>21,000</u>	<u>21,000</u>	<u>18,992</u>	<u>(2,008)</u>
Total revenues	<u>2,686,880</u>	<u>2,686,880</u>	<u>2,173,353</u>	<u>(513,527)</u>
EXPENDITURES				
Personal services	91,940	91,940	85,616	6,324
Other financial aid	<u>2,594,940</u>	<u>2,594,940</u>	<u>2,086,556</u>	<u>508,384</u>
Total expenditures	<u>2,686,880</u>	<u>2,686,880</u>	<u>2,172,172</u>	<u>514,708</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,181</u>	<u>1,181</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	4,078	4,078
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>(4,078)</u>	<u>(4,078)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	1,181	1,181
FUND BALANCES - Beginning of Year	<u>-</u>	<u>-</u>	<u>264</u>	<u>264</u>
FUND BALANCES - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,445</u>	<u>\$ 1,445</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support	\$ 450,000	\$ 450,000	\$ 426,410	\$ (23,590)
State support	2,000,000	2,000,000	419,010	(1,580,990)
Federal support	1,900,000	1,900,000	3,077,040	1,177,040
Tuition and fees	390,000	390,000	298,783	(91,217)
Other	2,600,000	2,600,000	533,123	(2,066,877)
Total revenues	<u>7,340,000</u>	<u>7,340,000</u>	<u>4,754,366</u>	<u>(2,585,634)</u>
EXPENDITURES				
Personal services	4,240,000	4,240,000	3,059,467	1,180,533
Materials and services	2,623,000	2,623,000	1,729,048	893,952
Capital outlay	478,000	478,000	26,881	451,119
Total expenditures	<u>7,341,000</u>	<u>7,341,000</u>	<u>4,815,396</u>	<u>2,525,604</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,000)</u>	<u>(1,000)</u>	<u>(61,030)</u>	<u>(60,030)</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	81,900	81,900	81,900	-
Operating transfers (out)	<u>(290,000)</u>	<u>(290,000)</u>	<u>(239,841)</u>	<u>50,159</u>
Total other financing sources (uses)	<u>(208,100)</u>	<u>(208,100)</u>	<u>(157,941)</u>	<u>50,159</u>
Net change in fund balance	(209,100)	(209,100)	(218,971)	(9,871)
FUND BALANCES - Beginning of Year	<u>1,088,100</u>	<u>1,088,100</u>	<u>1,117,814</u>	<u>29,714</u>
FUND BALANCES - End of Year	<u>\$ 879,000</u>	<u>\$ 879,000</u>	<u>\$ 898,843</u>	<u>\$ 19,843</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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Tuition and fees	\$ 477,500	\$ 477,500	\$ 496,756	\$ 19,256
Other	93,000	93,000	30,219	(62,781)
Total revenues	<u>570,500</u>	<u>570,500</u>	<u>526,975</u>	<u>(43,525)</u>
EXPENDITURES				
Personal services	314,000	314,000	-	314,000
Materials and services	314,000	388,930	74,915	314,015
Capital outlay	105,000	105,000	48,531	56,469
Total expenditures	<u>733,000</u>	<u>807,930</u>	<u>123,446</u>	<u>684,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(162,500)</u>	<u>(237,430)</u>	<u>403,529</u>	<u>640,959</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	71,300	146,230	74,930	(71,300)
Operating transfers (out)	(843,300)	(843,300)	(801,400)	41,900
Total other financing sources (uses)	<u>(772,000)</u>	<u>(697,070)</u>	<u>(726,470)</u>	<u>(29,400)</u>
Net change in fund balance	(934,500)	(934,500)	(322,941)	611,559
FUND BALANCES - Beginning of Year	<u>934,500</u>	<u>934,500</u>	<u>942,016</u>	<u>7,516</u>
FUND BALANCES - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 619,075</u>	<u>\$ 619,075</u>

THIS PAGE INTENTIONALLY LEFT BLANK.

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 and bonded 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, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tuition and fees	\$ 590,000	\$ 590,000	\$ -	\$ (590,000)
Other	<u>702,989</u>	<u>702,989</u>	<u>734,673</u>	<u>31,684</u>
Total revenues	<u>1,292,989</u>	<u>1,292,989</u>	<u>734,673</u>	<u>(558,316)</u>
EXPENDITURES				
Debt service	<u>1,979,373</u>	<u>1,979,373</u>	<u>1,352,895</u>	<u>626,478</u>
Total expenditures	<u>1,979,373</u>	<u>1,979,373</u>	<u>1,352,895</u>	<u>626,478</u>
Excess (deficiency) of revenues over (under) expenditures	(686,384)	(686,384)	(618,222)	68,162
OTHER FINANCING SOURCES (USES)				
Operating transfers in	<u>686,384</u>	<u>686,384</u>	<u>618,222</u>	<u>(68,162)</u>
Net change in fund balance	-	-	-	-
FUND BALANCES - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 for the 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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other	\$ 23,923,000	\$ 23,923,000	\$ 77,253	\$ (23,845,747)
EXPENDITURES				
Materials and services	2,469,522	2,469,522	915,203	1,554,319
Capital outlay	23,616,000	23,616,000	8,627,953	14,988,047
Total expenditures	26,085,522	26,085,522	9,543,156	16,542,366
Excess (deficiency) of revenues over (under) expenditures	(2,162,522)	(2,162,522)	(9,465,903)	(7,303,381)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	227,000	227,000	154,340	(72,660)
Operating transfers out	(67,478)	(67,478)	(67,055)	423
Total other financing sources (uses)	159,522	159,522	87,285	(72,237)
Net change in fund balance	(2,003,000)	(2,003,000)	(9,378,618)	(7,375,618)
FUND BALANCES - Beginning of Year	2,003,000	2,003,000	10,935,223	8,932,223
FUND BALANCES - End of Year	\$ -	\$ -	\$ 1,556,605	\$ 1,556,605

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, food service, conferencing, and culinary arts. 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.

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING BALANCE SHEET - ALL PROPRIETARY FUNDS
June 30, 2006

	Enterprise	Internal Service	Total
ASSETS			
Cash and cash equivalents	\$ 1,739	\$ -	\$ 1,739
Receivables:			
Accounts	34,062	-	34,062
Interfund receivables	-	23,143	23,143
Prepaid expenses	-	1,096	1,096
Unamortized issuance costs	188,512	-	188,512
Inventory	136,940	-	136,940
Fixed assets (net of accumulated depreciation)	16,764,606	-	16,764,606
Total assets	\$ 17,125,859	\$ 24,239	\$ 17,150,098
LIABILITIES			
Accounts payable	\$ 185,577	\$ 24,239	\$ 209,816
Accrued expenses	38,416	-	38,416
Payroll payable	30,273	-	30,273
Interfund payable	172,047	-	172,047
Accrued interest payable	57,559	-	57,559
Deferred revenues	346,253	-	346,253
Leases/bonds payable	15,980,957	-	15,980,957
Total liabilities	16,811,082	24,239	16,835,321
FUND BALANCES (deficit)			
Contributed capital	545,133	-	545,133
Unreserved, undesignated (deficit)	(230,357)	-	(230,357)
Total fund balances	314,776	-	314,776
Total liabilities and fund balances	\$ 17,125,858	\$ 24,239	\$ 17,150,097

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
For the Year Ended June 30, 2006

	Enterprise	Internal Service	Totals
OPERATING REVENUES			
Tuition and fees	\$ 1,023,334	\$ -	\$ 1,023,334
Other	<u>3,144,794</u>	<u>349,279</u>	<u>3,494,073</u>
Total operating revenues	<u>4,168,128</u>	<u>349,279</u>	<u>4,517,407</u>
OPERATING EXPENSES			
Personal services	856,392	171,096	1,027,488
Materials and services	2,190,494	328,909	2,519,403
Capital outlay	-	11,951	11,951
Debt service	5,685	-	5,685
Depreciation	<u>513,812</u>	<u>-</u>	<u>513,812</u>
Total operating expenses	<u>3,566,383</u>	<u>511,956</u>	<u>4,078,339</u>
Operating income (loss)	<u>601,745</u>	<u>(162,677)</u>	<u>439,068</u>
NON-OPERATING REVENUES/EXPENSES			
Interest income	1,858	-	1,858
Interest expense	<u>(705,310)</u>	<u>-</u>	<u>(705,310)</u>
Total non-operating revenues	<u>(703,452)</u>	<u>-</u>	<u>(703,452)</u>
Income (loss) before operating transfers	<u>(101,707)</u>	<u>(162,677)</u>	<u>(264,384)</u>
TRANSFER FROM (TO) OTHER FUNDS			
Transfers in	106,550	162,677	269,227
Transfers (out)	<u>(8,150)</u>	<u>-</u>	<u>(8,150)</u>
Total transfers from (to) other funds	<u>98,400</u>	<u>162,677</u>	<u>261,077</u>
Net income	(3,307)	-	(3,307)
BEGINNING RETAINED EARNINGS	<u>565,385</u>	<u>-</u>	<u>565,385</u>
ENDING RETAINED EARNINGS	<u>\$ 562,078</u>	<u>\$ -</u>	<u>\$ 562,078</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING SCHEDULE OF CASH FLOWS - ALL PROPRIETARY FUND TYPES
For the Year Ended June 30, 2006

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 4,271,606	\$ 350,335	\$ 4,621,941
Cash paid to suppliers and employees	3,308,678	513,012	3,821,690
Net cash provided/(used) by operating activities	962,928	(162,677)	800,251
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers from other funds	106,550	162,677	269,227
Transfers to other funds	(8,150)	-	(8,150)
Net cash provided by non-capital financing activities	98,400	162,677	261,077
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Bond administrative fees	(5,685)	-	(5,685)
Principal payments on long-term debt	(611,878)	-	(611,878)
Interest payments on long-term debt	(705,310)	-	(705,310)
Net cash used by capital and related financing activities	(1,322,873)	-	(1,322,873)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	1,858	-	1,858
Net increase (decrease) in cash and cash equivalents	(259,687)	-	(259,687)
CASH AND CASH EQUIVALENTS, JULY 1, 2005	261,426	-	261,426
CASH AND CASH EQUIVALENTS, JUNE 30, 2006	\$ 1,739	\$ -	\$ 1,739
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 601,745	\$ -	\$ 601,745
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	513,812	-	513,812
Change in assets and liabilities			
Receivables	74,378	1,056	75,434
Prepaid expenses	2,632	-	2,632
Inventories	26,810	-	26,810
Accounts payable	28,965	(1,056)	27,909
Accrued expenses	13,261	-	13,261
Interfund payables & contributions	(327,775)	-	(327,775)
Deferred revenue	29,100	5	29,105
Net cash provided by operating activities	\$ 962,928	\$ 5	\$ 962,933

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon
ENTERPRISE FUND
Schedule of Revenues, Expenses and Changes in Retained Earnings
For the Year Ended June 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Tuition and fees	\$ 1,824,457	\$ 1,903,259	\$ 1,023,334	\$ (879,925)
Other	<u>3,759,735</u>	<u>3,799,257</u>	<u>3,146,652</u>	<u>(652,605)</u>
Total operating revenues	<u>5,584,192</u>	<u>5,702,516</u>	<u>4,169,986</u>	<u>(1,532,530)</u>
OPERATING EXPENSES				
Personal services	1,066,649	1,184,973	856,392	328,581
Materials and services	3,021,052	3,021,052	2,190,494	830,558
Capital outlay	32,000	32,000	-	32,000
Debt service	<u>1,365,694</u>	<u>1,365,694</u>	<u>1,322,873</u>	<u>42,821</u>
Total operating expenses	<u>5,485,395</u>	<u>5,603,719</u>	<u>4,369,759</u>	<u>1,233,960</u>
Operating income (loss)	98,797	98,797	(199,773)	(298,570)
TRANSFERS FROM (TO) OTHER FUNDS				
Transfers in	125,456	125,456	106,550	(18,906)
Transfers (out)	<u>(322,000)</u>	<u>(322,000)</u>	<u>(8,150)</u>	<u>313,850</u>
Total transfers from (to) other funds	<u>(196,544)</u>	<u>(196,544)</u>	<u>98,400</u>	<u>294,944</u>
Net income	(97,747)	(97,747)	(101,373)	(3,626)
BEGINNING RETAINED EARNINGS	<u>97,747</u>	<u>97,747</u>	<u>565,385</u>	<u>467,638</u>
ENDING RETAINED EARNINGS	<u>\$ -</u>	<u>\$ -</u>	464,012	<u>\$ 464,012</u>
Adjustment to generally accepted accounting principles (GAAP) basis of presentation for fund balance.				
Debt principal			611,878	
Depreciation expense			<u>(513,812)</u>	
ENDING RETAINED EARNINGS (page 54)			<u>\$ 562,078</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Tuition and fees	\$ -	\$ 1,499	\$ -	\$ (1,499)
Charges for services	<u>443,100</u>	<u>443,100</u>	<u>349,279</u>	<u>(93,821)</u>
Total operating revenues	<u>443,100</u>	<u>444,599</u>	<u>349,279</u>	<u>(95,320)</u>
OPERATING EXPENSES				
Personal services	173,654	175,153	171,096	4,057
Materials and services	382,080	370,080	328,909	41,171
Capital outlay	<u>-</u>	<u>12,000</u>	<u>11,951</u>	<u>49</u>
Total operating expenses	<u>555,734</u>	<u>557,233</u>	<u>511,956</u>	<u>45,277</u>
Income (loss) before operating transfers	(112,634)	(112,634)	(162,677)	(50,043)
TRANSFERS FROM (TO) OTHER FUNDS				
Transfers in	<u>112,634</u>	<u>112,634</u>	<u>162,677</u>	<u>50,043</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
Schedule of Changes in Assets and Liabilities
June 30, 2006

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006
ASSETS				
Cash and cash equivalents	\$ 119,044	\$ 193,536	\$ 199,704	\$ 112,876
Prepaid items	<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>
Total assets	<u>\$ 119,094</u>	<u>\$ 193,536</u>	<u>\$ 199,754</u>	<u>\$ 112,876</u>
LIABILITIES				
Accounts payable	\$ 4,804	\$ 9,585	\$ 4,804	\$ 9,585
Due to other agencies	108,188	-	12,861	95,327
Deferred revenue - on-line fees	<u>6,102</u>	<u>14,742</u>	<u>12,880</u>	<u>7,964</u>
Total liabilities	<u>\$ 119,094</u>	<u>\$ 24,327</u>	<u>\$ 30,545</u>	<u>\$ 112,876</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, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tuition and fees	\$ 5,000	\$ 5,000	\$ 26,539	\$ 21,539
Other	<u>227,000</u>	<u>227,000</u>	<u>120,984</u>	<u>(106,016)</u>
Total revenues	<u>232,000</u>	<u>232,000</u>	<u>147,523</u>	<u>(84,477)</u>
EXPENDITURES				
Personal services	15,000	15,000	-	15,000
Materials and services	226,000	226,000	146,733	79,267
Capital outlay	<u>93,000</u>	<u>93,000</u>	<u>-</u>	<u>93,000</u>
Total expenditures	<u>334,000</u>	<u>334,000</u>	<u>146,733</u>	<u>187,267</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(102,000)</u>	<u>(102,000)</u>	<u>790</u>	<u>102,790</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	9,000	9,000	4,010	(4,990)
Operating transfers out	<u>(27,000)</u>	<u>(27,000)</u>	<u>(4,800)</u>	<u>22,200</u>
Total other financing sources (uses)	<u>(18,000)</u>	<u>(18,000)</u>	<u>(790)</u>	<u>17,210</u>
Net change in fund balance	(120,000)	(120,000)	-	120,000
FUND BALANCES - Beginning of Year	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
FUND BALANCES - End of Year	<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, 2006

	<u>Bookstore</u>	<u>Newmark Center Operations</u>	<u>Newmark Center Tenant Services</u>	<u>Student Housing Operations</u>
ASSETS				
Cash and cash equivalents	\$ 312,546	\$ 204,445	\$ (73,872)	\$ (312,464)
Receivables:				
Accounts	22,845	-	4,509	-
Prepaid expenses	-	-	-	200
Unamortized issuance costs	-	27,291	-	105,534
Inventory	136,560	-	-	-
Fixed assets (net of accumulated depreciation)	<u>255,534</u>	<u>2,964,344</u>	<u>-</u>	<u>9,992,096</u>
Total assets	<u>\$ 727,485</u>	<u>\$ 3,196,080</u>	<u>\$ (69,363)</u>	<u>\$ 9,785,366</u>
LIABILITIES				
Accounts payable	\$ 7,723	\$ 2,855	\$ 6,288	\$ 136,466
Accrued expenses	4,909	216	2,105	11,178
Payroll payable	3,558	846	6,028	12,955
Interfund payable	-	-	-	-
Accrued interest payable	537	9,144	-	34,361
Deferred revenues	-	-	-	3
Leases/bonds payable	<u>110,000</u>	<u>2,727,071</u>	<u>-</u>	<u>9,653,549</u>
Total liabilities	<u>126,727</u>	<u>2,740,132</u>	<u>14,421</u>	<u>9,848,512</u>
FUND BALANCES				
Contributed capital	123,087	142,538	-	438,894
Retained earnings	<u>477,671</u>	<u>313,410</u>	<u>(83,784)</u>	<u>(502,040)</u>
Total fund balances	<u>600,758</u>	<u>455,948</u>	<u>(83,784)</u>	<u>(63,146)</u>
Total liabilities and fund balances	<u>\$ 727,485</u>	<u>\$ 3,196,080</u>	<u>\$ (69,363)</u>	<u>\$ 9,785,366</u>

<u>Student Housing Store</u>	<u>Food Service Operations</u>	<u>Conferences</u>	<u>Culinary Arts</u>	<u>Neighborhood Facility Bldg</u>	<u>Totals</u>
\$ (2,501)	\$ (7,751)	\$ (109,606)	\$ 94,806	\$ (275,911)	\$ (170,308)
-	-	-	6,708	-	34,062
-	-	-	-	-	200
-	-	-	55,687	-	188,512
380	-	-	-	-	136,940
<u>-</u>	<u>141,520</u>	<u>-</u>	<u>3,088,758</u>	<u>322,354</u>	<u>16,764,606</u>
<u>\$ (2,121)</u>	<u>\$ 133,769</u>	<u>\$ (109,606)</u>	<u>\$ 3,245,959</u>	<u>\$ 46,443</u>	<u>\$ 16,954,012</u>
\$ -	\$ 1,693	\$ 1,918	\$ 28,634	\$ -	\$ 185,577
-	-	3,086	16,922	-	38,416
-	-	2,931	3,955	-	30,273
200	-	-	-	-	200
-	-	-	13,517	-	57,559
-	-	-	346,250	-	346,253
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,490,337</u>	<u>-</u>	<u>15,980,957</u>
<u>200</u>	<u>1,693</u>	<u>7,935</u>	<u>3,899,615</u>	<u>-</u>	<u>16,639,235</u>
-	179,167	-	(369,172)	30,619	545,133
<u>(2,321)</u>	<u>(47,091)</u>	<u>(117,541)</u>	<u>(284,484)</u>	<u>15,824</u>	<u>(230,356)</u>
<u>(2,321)</u>	<u>132,076</u>	<u>(117,541)</u>	<u>(653,656)</u>	<u>46,443</u>	<u>314,777</u>
<u>\$ (2,121)</u>	<u>\$ 133,769</u>	<u>\$ (109,606)</u>	<u>\$ 3,245,959</u>	<u>\$ 46,443</u>	<u>\$ 16,954,012</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS
For the Year Ended June 30, 2006

	<u>Bookstore</u>	<u>Newmark Center Operations</u>	<u>Newmark Center Tenant Services</u>	<u>Student Housing Operations</u>
OPERATING REVENUES				
Charges for services	\$ <u>1,023,927</u>	\$ <u>309,761</u>	\$ <u>107,401</u>	\$ <u>1,718,496</u>
OPERATING EXPENSES				
Personal services	110,587	21,363	72,384	207,605
Materials and services	791,415	40,485	81,379	750,886
Depreciation	12,259	96,509	-	313,353
Debt service	<u>8,428</u>	<u>116,198</u>	<u>-</u>	<u>422,821</u>
Total expenditures	<u>922,689</u>	<u>274,555</u>	<u>153,763</u>	<u>1,694,665</u>
Operating income (loss)	<u>101,238</u>	<u>35,206</u>	<u>(46,362)</u>	<u>23,831</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	-	441	-	1,196
Loan activity, expense reimbursement & misc income	846	278	-	3,257
Loan activity	<u>-</u>	<u>(28,701)</u>	<u>-</u>	<u>(59,335)</u>
Total non-operating revenues (expenses)	<u>846</u>	<u>(27,982)</u>	<u>-</u>	<u>(54,882)</u>
Income (loss) before transfers	<u>102,084</u>	<u>7,224</u>	<u>(46,362)</u>	<u>(31,051)</u>
TRANSFERS				
Transfers from other funds	-	43,404	55,052	-
Transfers to other funds	-	-	-	(150)
Transfers within the fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,000)</u>
Total transfers	<u>-</u>	<u>43,404</u>	<u>55,052</u>	<u>(8,150)</u>
Net income (loss)	102,084	50,628	8,690	(39,201)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>375,587</u>	<u>262,782</u>	<u>(92,475)</u>	<u>(462,838)</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ <u>477,671</u></u>	<u>\$ <u>313,410</u></u>	<u>\$ <u>(83,785)</u></u>	<u>\$ <u>(502,039)</u></u>

<u>Student Housing Store</u>	<u>Food Service Operations</u>	<u>Conferences</u>	<u>Culinary Arts</u>	<u>Neighborhood Facility Bldg</u>	<u>Totals</u>
\$ <u>-</u>	\$ <u>25,234</u>	\$ <u>121,517</u>	\$ <u>821,539</u>	\$ <u>25,000</u>	\$ <u>4,152,875</u>
-	-	63,469	380,985	-	856,393
-	16,714	60,131	302,511	911	2,044,432
-	4,227	-	79,199	8,265	513,812
-	-	-	163,549	-	710,996
<u>-</u>	<u>20,941</u>	<u>123,600</u>	<u>926,244</u>	<u>9,176</u>	<u>4,125,633</u>
<u>-</u>	<u>4,293</u>	<u>(2,083)</u>	<u>(104,705)</u>	<u>15,824</u>	<u>27,242</u>
-	-	-	221	-	1,858
-	-	-	10,872	-	15,253
-	-	-	(58,024)	-	(146,060)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(46,931)</u>	<u>-</u>	<u>(128,949)</u>
<u>-</u>	<u>4,293</u>	<u>(2,083)</u>	<u>(151,636)</u>	<u>15,824</u>	<u>(101,707)</u>
-	-	-	94	-	98,550
-	-	-	-	-	(150)
-	8,000	-	-	-	-
<u>-</u>	<u>8,000</u>	<u>-</u>	<u>94</u>	<u>-</u>	<u>98,400</u>
-	12,293	(2,083)	(151,542)	15,824	(3,307)
<u>(2,321)</u>	<u>(59,384)</u>	<u>(115,458)</u>	<u>(132,942)</u>	<u>-</u>	<u>(227,049)</u>
\$ <u><u>(2,321)</u></u>	\$ <u><u>(47,091)</u></u>	\$ <u><u>(117,541)</u></u>	\$ <u><u>(284,484)</u></u>	\$ <u><u>15,824</u></u>	\$ <u><u>(230,356)</u></u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

INTERCOLLEGIATE ATHLETICS
For the Year Ended June 30, 2006

	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Other Men's Sports</u>	<u>Other Women's Sports ***</u>	<u>General & Administrative</u>	<u>Total</u>
REVENUE *						
Gate receipts	\$ 404	\$ 404	\$ 290	\$ 473	\$ -	\$ 1,571
Concessions	<u>255</u>	<u>255</u>	<u>186</u>	<u>-</u>	<u>-</u>	<u>696</u>
Total revenues	<u>\$ 659</u>	<u>\$ 659</u>	<u>\$ 476</u>	<u>\$ 473</u>	<u>\$ -</u>	<u>\$ 2,267</u>
EXPENSES **						
Grants-in-aid	\$ 17,640	\$ 15,253	\$ 127,614	\$ 95,460	\$ -	\$ 255,967
Salaries and benefits	9,166	5,367	48,205	50,809	201,514	315,061
Travel	17,042	8,039	66,879	68,850	37,753	198,563
Supplies	4,793	5,012	27,377	26,466	7,396	71,044
Other	<u>8,362</u>	<u>8,638</u>	<u>15,354</u>	<u>15,929</u>	<u>18,980</u>	<u>67,263</u>
Total expenditures	<u>\$ 57,003</u>	<u>\$ 42,309</u>	<u>\$ 285,429</u>	<u>\$ 257,514</u>	<u>\$ 265,643</u>	<u>\$ 907,898</u>
Fund 21 - G/L expenses	<u>\$ 39,363</u>	<u>\$ 27,057</u>	<u>\$ 157,815</u>	<u>\$ 162,054</u>	<u>\$ 265,643</u>	<u>\$ 651,932</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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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, 2006, and have issued our report thereon dated September 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The discretely presented component unit's (Southwestern Oregon Community College Foundation, Inc.) financial statements as of, and for the year ended, June 30, 2006, were audited by other auditors whose report dated August 30, 2006, rendered an unqualified opinion.

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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we conveyed recommendations and suggestions for strengthening and improving the Southwestern Oregon Community College District's internal controls in a separate letter to management dated September 29, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Southwestern Oregon Community College District's 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*. However, we noted certain matters that we reported to management of Southwestern Oregon Community College District, in a separate letter dated September 29, 2006.

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

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

Coos Bay, Oregon
September 29, 2006

**OTHER SUPPLEMENTARY FINANCIAL INFORMATION AND COMMENTS
AND DISCLOSURES REQUIRED BY STATE REGULATIONS**

To the Governing Body
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 September 29, 2006.
- 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 those instances mentioned in NOTE 3 on page 25, which ranged from \$705,179 to \$1,036,700 undercollateralization over twenty days during the fiscal year ended June 30, 2006.
 - 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, 2006, 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, 2006, from federal financial assistance received, are reported in the Single Audit Section on pages 66 through 72 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

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

Coos Bay, Oregon
September 29, 2006

**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, 2006. 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, 2006.

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 September 29, 2006.

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 and should not be used by anyone other than these specified parties.

J. Robert Wall, CPA

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

Coos Bay, Oregon
September 29, 2006

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2006

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
Trio Cluster	
Educational Talent Search	84.044A
Student Support Services	84.042A
Upward Bound	84.047A
Child and Adult Food Program	10.558

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
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor/pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Direct programs:			
Student Financial Assistance			
Federal Pell Grant Program	84.063	P0630052071	\$ 1,579,178
Federal Supplemental Educational Opportunity Grant	84.007	P007A053511	73,934
Federal Work Study Program	84.033	P033A053511	94,896
Total Student Financial Aid Cluster			<u>1,748,008</u>
TRIO Program Cluster			
Educational Talent Search	84.044A		485,040
Student Support Services	84.042A	P044A020652	281,807
Upward Bound	84.047A	P047A030837	211,027
Total TRIO Cluster			<u>977,874</u>
Subtotal direct programs			<u>2,725,882</u>
Pass-through programs from:			
State of Oregon, Department of Education			
Even Start - State Educational Agencies	84.213c		342,528
Vocational Education - Basic Grants to States	84.048A		161,411
Community Colleges & Workforce Development			
Adult Education - State Grant Program	84.002		212,968
League for Innovation in the Community College Consortium			
College and Career Transitions Initiative			
Vocational Education National Program	84.051B		95,180
Subtotal pass-through programs			<u>812,087</u>
Total U.S. Department of Education			<u>3,537,969</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass-through programs from:			
Coos County, Commission on Children and Families			
Child Care & Development Block Grant	93.575		15,000
Curry County, Commission on Children and Families			
Child Care and Development Block Grant	93.575		2,000
Child Care Resource & Referral Network			
Child Care & Development Block Grant	93.575		108,874
Oregon Council on Developmental Disabilities			
Child Care & Development Block Grant	93.575	113988	958
Subtotal pass-through programs (carried forward to next page)			<u>126,832</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2006

<u>Federal Grantor/pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (cont.)			
Pass-through programs from (sub-total carried from prev. pg.):			\$ 126,832
South Coast Business Employment Corporation			
Temporary Assistance to Needy Families	93.558	TANF 05-100	215,387
Nutrition Services & Initiative Program	93.053	AAA#16-05	27,744
Coos County Commission on Children and Families			
Early Learning Fund	93.577		140,686
Oregon Department of Human Services			
Family Support Connections	93.590		<u>38,179</u>
Total U.S. Department of Health & Human Services			<u>548,828</u>
OTHER PROGRAMS			
SMALL BUSINESS ADMINISTRATION			
Pass-through programs from:			
Lane Community College			
Small Business Development Center	59.037		17,997
U.S. DEPARTMENT OF LABOR			
Direct programs:			
Employment & Training Center Administration	17.261	AF-14510-05-60	11,143
Pass-through programs from:			
State of Oregon Department of Community Colleges and Workforce Development			
Workforce Investment Act: Dislocated Worker	17.260	GRNT1015	212,151
Workforce Investment Act: Incentives Grants - Section 503 Grants to States	17.267		62,334
Chemeketa Community College			
Employment & Training, Community-Based Job Training	17.261	556-06	31,843
U.S. DEPARTMENT OF COMMERCE			
Direct programs:			
Public Telecommunications and Facilities Planning and Construction	11.550	41-03-04171	17,035
NATIONAL SCIENCE FOUNDATION			
Direct programs:			
Education and Human Resources	47.076	DUE-0411351	16,984
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through programs from:			
State of Oregon, Department of Education			
Child and Adult Food Program	10.558	2111	319,551
National Forest-Dependent Rural Communities	10.670		<u>9,802</u>
Sub-total other programs (carried forward to next page)			698,840

SOUTHWESTERN OREGON COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

<u>Federal Grantor/pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Expenditures</u>
OTHER PROGRAMS (continued)			
Sub-total other programs (carried from previous page)			\$ 698,840
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct programs:			
Retired Senior Volunteer Program	94.002	05SRPOR003	60,397
Pass-through programs from:			
Oregon Department of Consumer & Business Services			
Medicare Services Research, Demo, & Evaluaiton	93.779		<u>5,975</u>
Total Other Programs			<u>765,212</u>
Total expenditures of federal awards			<u><u>\$ 4,852,009</u></u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2006

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, 2006 are as follows:

Federal Stafford Loans	\$ 1,856,868
Federal Plus Loans	220,254

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 no Federal Perkins loans outstanding at June 30, 2006, as the program was closed out by fiscal year end.

NOTE 4 - SUBRECIPIENTS

During the year ended June 30, 2006, the College District did not provide any financial awards to subrecipients.