

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT**

**For the Year Ended June 30, 2007**

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**COLLEGE DISTRICT OFFICIALS  
As of June 30, 2007**

Lonny Anderson  
Board Chair

Cherie Mitchell  
Board Vice Chair

Harry Abel

David Bridgham

Rick Howell

Marcia Jensen

Carol Oelke

---

Dr. Judith Hansen, President/Clerk

Dr. Sheldon Meyer – Vice President of Administrative Services

Joe Colo – Business Manager through June 30, 2007

Southwestern Oregon Community College  
1988 Newmark Avenue  
Coos Bay, OR 97420

**SOUTHWESTERN OREGON COMMUNITY  
COLLEGE DISTRICT**

**ANNUAL FINANCIAL REPORT  
For the Year Ended June 30, 2007**

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## **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, 2007, 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, 2007, were audited by these other auditors whose report dated October 10, 2007, rendered an unqualified opinion.

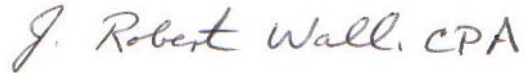
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2007, 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 3 through 13 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 26, 2007, 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.

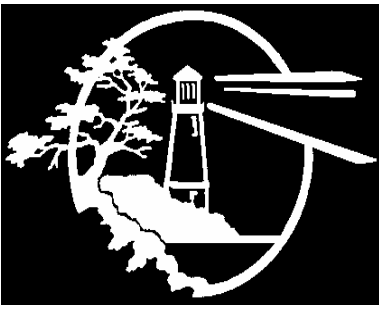
A handwritten signature in cursive script that reads "J. Robert Wall, CPA".

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

Coos Bay, Oregon  
October 26, 2007



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



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

This discussion and analysis of the Southwestern Oregon Community College District's (Southwestern) financial activities for the fiscal year ending June 30, 2007 should be read in conjunction with the financial statements and the notes thereto, which follow this section.

### **Accounting Standards**

The Government Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" requires a comprehensive look at the entity as a whole, along with recognition of depreciation on capital assets. GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" requires that a comparative analysis be presented in the audited financial statements and the Management's Discussion and Analysis (MD&A).

### **Financial Highlights**

- The assets of Southwestern exceeded its liabilities at the close of fiscal year 2007 by \$8,039,397 (net assets). Of this amount, \$611,670 (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 \$3,059,923. This was due to the delayed state funding payment and higher personnel, fringe, materials, long-term interest, and depreciation costs.
- Southwestern's governmental funds reported combined ending fund balances of \$3,867,424, an increase of \$168,985 over the prior year. Of this amount, \$3,867,424 is available for use at the College's discretion (unreserved fund balance).
- At the end of the fiscal year, the General Fund had an unreserved fund balance of \$809,992.
- Southwestern's total debt increased by \$1,603,152 due primarily to capital construction financing.
- The College's enrollment increased 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 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, Student Recreation Center Operations, 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, 2007 shows assets of \$49,511,411, liabilities of \$41,482,014, and net assets of \$8,039,397. 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.

	<b>2007</b>	<b>2006</b>	<b>% Change</b>
<b>Assets</b>			
Current assets	\$ 4,633,053	\$ 6,328,290	(26.8)
Restricted Cash	16,734	75,974	(78.0)
Net Pension Asset	10,727,345	11,225,567	(4.4)
Capital assets, net of depreciation	34,134,279	33,622,311	1.5
Total assets	<u>\$49,511,411</u>	<u>\$51,252,142</u>	(3.4)
<b>Liabilities</b>			
Current liabilities	\$ 3,741,299	\$ 3,891,068	(3.8)
Long term debt, noncurrent portion	37,740,715	36,261,754	4.1
Total liabilities	<u>\$41,482,014</u>	<u>\$40,152,822</u>	3.3
<b>Net Assets</b>			
Invested in capital assets, net related debt	\$ 7,410,993	\$ 8,547,266	(13.3)
Restricted	16,734	75,974	(78.0)
Unrestricted	611,670	2,476,080	(75.3)
Total net assets	<u>\$ 8,039,397</u>	<u>\$11,099,320</u>	(27.6)

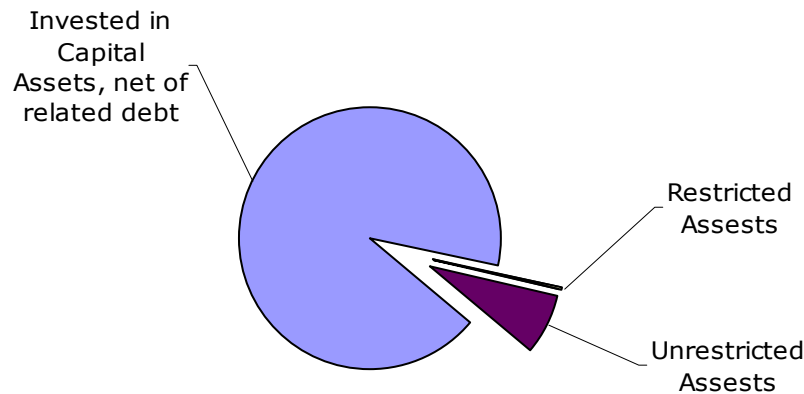
Current assets include cash and investments, accounts receivable from students, the State of Oregon, and others, property taxes, prepaid expenses, and inventory. The College's current assets of \$4,633,053 were sufficient to cover its current liabilities of \$3,741,299. This represents a ratio of 1.24; 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 \$34,134,279 net of accumulated depreciation. During FY07 the College basically traded cash for capital assets, as construction was completed on the Student Recreation Center and the Track and Field facility.

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 69% 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 6/30/07:

### Net Assets as of June 30, 2007



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

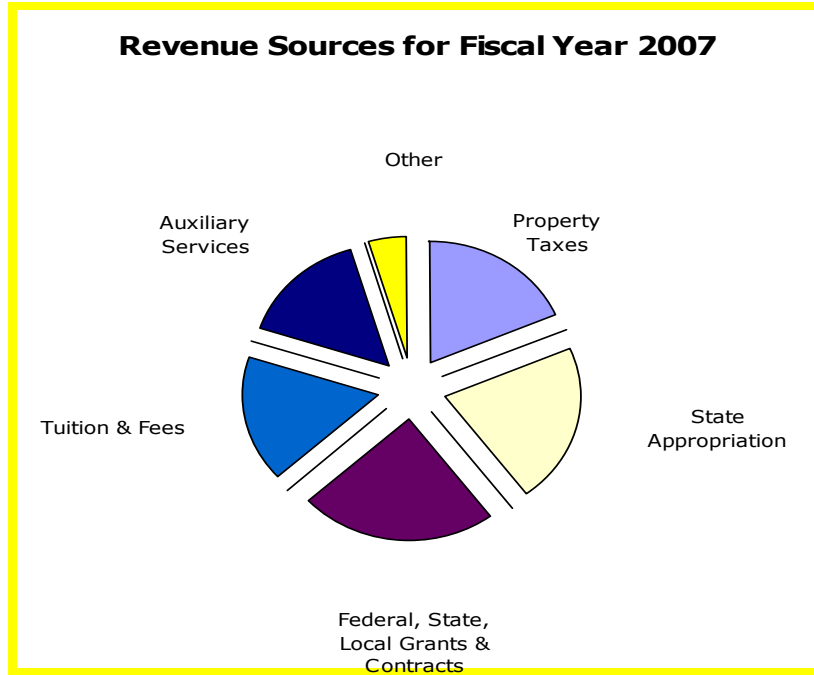
The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the College as well as the nonoperating revenues and expenses. Annual State appropriations and property taxes, while budgeted for operations, are considered nonoperating revenues according to generally accepted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

<b><u>Operating Results for the year ended June 30</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>% Change</u></b>
Operating Revenues:			
Tuition & Fees (net of scholarship allowances)	\$ 4,339,489	\$ 4,094,158	6.0
Federal, State, and Local Grants & Contracts	5,921,569	5,621,575	5.3
Auxiliary (net of scholarship allowances)	3,914,291	3,349,397	16.9
Other Revenue	-	226,491	(100.00)
Total Operating Revenues	<u>14,175,349</u>	<u>13,291,621</u>	6.6
Operating Expenses:			
Instruction	7,424,102	7,021,042	5.7
Instructional Support	2,690,255	2,715,738	(0.9)
College Support	2,836,854	2,954,427	(4.0)
Plant Operations & Maintenance	1,318,139	1,327,744	(0.7)
Student Services	1,727,701	1,654,904	4.4
Community Services	2,510,396	2,700,571	(7.0)
Financial Aid	2,743,384	2,785,553	(1.5)
Auxiliary Enterprises	3,638,647	2,899,914	25.5
Early Retirement Costs	161,964	213,482	(24.1)
Depreciation	1,117,500	1,011,851	10.4
PERS UAL Amortization	498,222	498,222	-
Total Operating Expenses	<u>26,667,164</u>	<u>25,783,448</u>	3.4
Net Operating Gain (Loss)	<u>(12,491,815)</u>	<u>(12,491,827)</u>	0.0
Non-operating Revenues:			
State Appropriation	5,401,294	8,252,813	(34.6)
Property Taxes	4,728,758	4,731,339	(0.1)
Other	1,153,643	1,243,893	(7.3)
Total Non-operating Revenues	<u>11,283,695</u>	<u>14,228,045</u>	(20.7)
Non-operating Expenses	<u>(1,851,803)</u>	<u>(1,836,617)</u>	0.8
Increase (Decrease) in Net Assets	(3,059,923)	(100,399)	2,947.8
Net Assets, Beginning of Year, as restated	<u>11,099,320</u>	<u>11,199,719</u>	(0.9)
Net Assets, End of Year	<u>\$ 8,039,397</u>	<u>\$11,099,320</u>	(27.6)

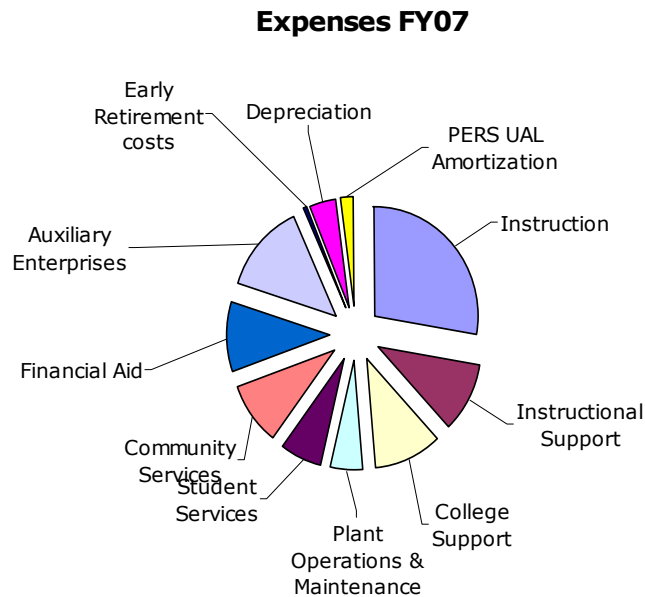
The most significant sources of operating revenues for the College are federal, state, and local grants and contracts (including financial aid), student tuition and fees, and auxiliary services such as Student Housing or the Bookstore. Revenue from grants and contracts (including financial aid) totaled \$5,921,569. Tuition and fees totaled \$4,339,489. Auxiliary services totaled \$3,914,291.

The largest nonoperating revenue source is from the State of Oregon. Annually, the State appropriates funding for community colleges. The College received \$5,401,294 for FTE reimbursement in fiscal year 2007. This was \$2,851,519 less than the College received in fiscal year 2006. 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, 2006 by legislative action, and therefore is included in the College's financial statements for fiscal year 2006. Also, the College's 4<sup>th</sup> quarter payment for fiscal year 2007 of \$1,765,217 was likewise delayed until July 15, 2007, and thus was included in fiscal year 2008. Additional non-operating revenues of \$4,728,758 were received from property taxes that the College levied.

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



Operating expenses totaling \$26,667,164 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 non-operating expense is interest on long term debt. The following graph shows the allocation of expenses at the College:





### Analysis of the Statement of Cash Flows

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

	<u>2007</u>	<u>2006</u>	<u>% Change</u>
Cash Provided By (Used In):			
Operating Activities	\$(11,175,255)	\$(10,778,732)	3.7
Non-capital Financing Activities	11,014,987	13,840,777	(20.4)
Capital Financing Activities	(2,041,786)	(12,162,913)	(83.2)
Investing Activities	250,192	418,530	(40.2)
Net Increase (Decrease) in Cash	(1,951,862)	(8,682,338)	(77.5)
Cash – Beginning of Year	3,694,858	12,377,196	(70.1)
Cash – End of Year	<u>\$ 1,742,996</u>	<u>\$ 3,694,858</u>	(52.8)

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 GASB accounting standards require that we reflect these sources of revenue as non-operating, 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 used 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 no significant differences between the Original Adopted Budget and the Adjusted Budget.

### **Capital Assets and Debt Administration**

#### Capital Assets

The College's investment in capital assets as of June 30, 2007 amounts to \$34,134,279 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 Student Recreation Center building \$6,160,859 and Construction Work in Progress for the Track and Field.

### Long Term Debt

At the end of the fiscal year, Southwestern's outstanding long term debt amounted to \$39,798,286. Of this amount, \$1,858,286 represents lease purchase certificates of participation and \$37,940,000 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 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. Student Housing enables 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 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 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 follows:

	<b>2007</b>		<b>2007</b>
Current Assets	\$ 321,006	Operating Revenues	\$ 402,969
Non-current Assets	<u>2,802,157</u>	Operating Expenses	<u>463,477</u>
Total Assets	<u>\$3,123,163</u>	Operating Gain (Loss)	<u>(60,508)</u>
Current Liabilities	\$ 120,678	Non-operating Revenues	<u>341,676</u>
Restricted Net Assets	1,442,635	Increase in Net Assets	281,168
Unrestricted Net Assets	<u>1,559,850</u>	Net Assets – Beg. of Year	<u>2,721,317</u>
Total Liabilities & Net Assets	<u>\$3,123,163</u>	Net Assets – End of Year	<u>\$3,002,485</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 the fiscal year. This same scenario is repeated at the end of each biennium. The State withheld the final payment for the fiscal year 2007. It was paid to Southwestern on July 15, 2007. According to GAAP, the College must recognize this as revenue in fiscal year 2007, which we have. The State appropriation has increased significantly for fiscal year 2007 after being drastically cut in fiscal year 2003. Southwestern will continue to enhance revenues through enterprise activities in order to provide funding stability to fulfill its mission statement which is **"SOUTHWESTERN PROVIDES QUALITY LEARNING OPPORTUNITIES"**.

Unfunded actuarial liability (UAL) in the Oregon Public Employees' Retirement System (PERS) continues to be an issue. Since 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. It is anticipated that any legislative reforms will be tied up in the court system for years.

A new simplified tuition and fee structure was implemented FY07. This was done to enable students to more accurately estimate the cost of attending Southwestern Oregon Community College while generating approximately the same amount of revenue for the College. Tuition revenues have increased because of increased enrollments in FY07.

An assortment of class and registration fees, including the technology fee, was replaced in FY07 by the new fee structure. This new fee is based upon a combination of \$12 per credit and \$22 per class. Preliminary feedback indicates that students appreciate knowing exactly what their charges will be.

In FY07 the State of Oregon gave Southwestern \$2,300,000 in capital construction monies for an educational facility in Curry County and the State is holding the funds for the College until the facility is constructed. The College has met its match requirement. This project will enhance educational opportunities for students in Curry County.

### **Request for Information**

This financial report is designed to provide an overview of Southwestern Oregon Community College's financial status. 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, 2007**

	Primary Government	Component Unit
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,726,262	\$ 321,006
Receivables		
Taxes	309,972	-
Accounts	2,386,869	-
Refundable deposits	37,080	-
Prepaid expenses	11,757	-
Inventory	161,113	-
Total current assets	4,633,053	321,006
Noncurrent assets		
Restricted cash - pension and refunding bonds	16,734	-
Long-term investments	-	2,731,919
Net pension asset	10,727,345	-
Capital assets (net of accumulated depreciation)	34,134,279	70,238
Total noncurrent assets	44,878,358	2,802,157
<b>Total assets</b>	<b>\$ 49,511,411</b>	<b>\$ 3,123,163</b>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 603,651	\$ 120,678
Accrued expenses	593,738	-
Compensated absences payable	555,625	-
Accrued interest payable	93,600	-
Due to other agencies	95,362	-
Deferred revenue, deposits	81,637	-
Early retirement benefits	638,196	-
Current portions of long-term debt		
Advance refunding bonds	500,000	-
Revenue bonds	335,000	-
Capital leases payable	244,484	-
Total current liabilities	\$ 3,741,293	\$ 120,678

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

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

**STATEMENT OF NET ASSETS (continued)**  
**June 30, 2007**

	<u>Primary Government</u>	<u>Component Unit</u>
<b>Total current liabilities (from previous page)</b>	<b>\$ 3,741,293</b>	<b>\$ 120,678</b>
Noncurrent liabilities		
Advance refunding bonds	8,355,000	-
Pension bonds	13,075,000	-
Revenue bonds	16,510,000	-
Capital leases payable	1,858,286	-
Less: current portion of long-term debt	(1,079,484)	-
Less: unamortized discounts and issuing costs	(581,423)	-
Less: unamortized refunding difference	(406,658)	-
	<u>37,730,721</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>41,472,014</u></b>	<b><u>120,678</u></b>
<b>NET ASSETS</b>		
Net assets invested in capital assets	34,134,279	-
Less: related debt	<u>(26,723,286)</u>	<u>-</u>
Investment in capital assets, net of related debt	7,410,993	-
Restricted assets		
Pension and refunding bonds cash	16,734	-
Temporarily restricted	-	986,659
Permanently restricted	-	455,976
Unrestricted	<u>611,670</u>	<u>1,559,850</u>
<b>Total net assets</b>	<b><u>8,039,397</u></b>	<b><u>3,002,485</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 49,511,411</u></b>	<b><u>\$ 3,123,163</u></b>

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

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2007**

	Primary Government	Component Unit
<b>OPERATING REVENUES</b>		
Student tuition and fees, net of scholarship allowances of \$474,025	\$ 4,339,489	\$ -
Federal grants and contracts	4,656,028	-
State and local government grants and contracts	637,636	-
Nongovernment grants, contracts, and special fees	627,905	-
Auxiliary enterprises		
Food services	16,359	-
Bookstore, net of scholarship allowances of \$191,263	880,060	-
Student housing, net of scholarship allowances of \$482,651	1,429,784	-
Newmark center	564,646	-
Conferences	190,255	-
Culinary arts, net of scholarship allowances of \$255,952	780,781	-
Other auxiliary enterprises	52,406	-
Donations	-	402,516
Other revenues	-	453
Total operating revenues	14,175,349	402,969
<b>OPERATING EXPENSES</b>		
Education and general		
Instruction	7,424,102	-
Instructional support	2,690,255	-
College support	2,836,854	-
Plant operations and maintenance	1,318,139	-
Other support services		
Student services	1,727,701	-
Community services	2,510,396	-
Student financial aid	2,743,384	-
Auxiliary enterprises		
Food services	24,562	-
Bookstore	890,721	-
Student housing	1,294,230	-
Newmark center	250,823	-
Conferences	126,099	-
Culinary arts	877,578	-
Other auxiliary enterprises	174,634	-
Early retirement costs	161,964	-
Depreciation expense	1,117,500	16,078
Amortization expense	498,222	-
Foundation operating expenses	-	447,399
Total operating expenses	26,667,164	463,477
Excess (deficiency) of revenues over (under) expenses (carried forward to next page)	\$ (12,491,815)	\$ (60,508)

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



**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)**  
**For the Year Ended June 30, 2007**

	<u>Primary Government</u>	<u>Component Unit</u>
<b>Excess (deficiency) of revenues over (under) expenses (from previous page)</b>	\$ <u>(12,491,815)</u>	\$ <u>(60,508)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State FTE reimbursement	5,401,294	-
Other state sources	903,451	-
Property taxes	4,728,758	-
Interest and investment income	250,192	341,676
Interest expense	<u>(1,851,803)</u>	<u>-</u>
Total net non-operating revenues (expenses)	<u>9,431,892</u>	<u>341,676</u>
Net change in net assets	(3,059,923)	281,168
<b>NET ASSETS</b>		
Net assets - beginning of the year	<u>11,099,320</u>	<u>2,721,317</u>
Net assets - end of the year	<u>\$ 8,039,397</u>	<u>\$ 3,002,485</u>

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

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

**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2007**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 4,714,585	
Federal student financial aid grants	1,789,511	
Federal grants and contracts	2,866,517	
State and local government grants and contracts	1,265,541	
Payments to suppliers for goods and services	(7,450,688)	
Payments to employees and payroll taxing agencies	(12,072,207)	
Payments for student financial aid and other scholarships	(2,269,718)	
Payment for early retirement	(294,440)	
Auxiliary enterprises:		
Cash received from customers	3,914,291	
Paid to suppliers and employees	<u>(3,638,647)</u>	
Net cash (used) by operating activities		\$ (11,175,255)

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

Cash received from property taxes	4,710,242	
Cash received from State FTE reimbursement	5,401,294	
Cash received from other state sources	903,451	
Transfers from other funds	370,000	
Transfers to other funds	<u>(370,000)</u>	
Net cash provided by non-capital financing activities		11,014,987

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

Purchase of capital assets	(1,608,401)	
Proceeds from long-term debt	2,456,298	
Principal payments on long-term debt	(1,043,484)	
Interest payments on long-term debt	<u>(1,846,199)</u>	
Net cash (used) by capital and related financing activities		(2,041,786)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments		<u>250,192</u>
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**NET (DECREASE) IN CASH AND CASH EQUIVALENTS** (1,951,862)

**CASH AND CASH EQUIVALENTS, JULY 1, 2006** 3,694,858

**CASH AND CASH EQUIVALENTS, JUNE 30, 2007** \$ 1,742,996

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

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

**STATEMENT OF CASH FLOWS (continued)**  
**For the Year Ended June 30, 2007**

**RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET ASSETS**

Unrestricted cash and cash equivalents	\$ 1,726,262
Restricted cash and cash equivalents	<u>16,734</u>

<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>\$ <u><u>1,742,996</u></u></b>
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**RECONCILIATION OF NET INCOME TO NET CASH  
(USED) BY OPERATING ACTIVITIES**

Operating (loss)	\$ (12,491,815)
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Adjustments to reconcile net income to net cash provided by operating activities

Depreciation	1,117,500
Amortization	
Prepaid pension asset	498,222
Debt issuance costs	27,384
Change in assets and liabilities	
Accounts receivable	(98,929)
Refundable deposits	(37,080)
Prepaid expenses	1,715
Inventories	(24,173)
Accounts payable	(413,700)
Accrued expenses	177,296
Deferred revenue	68,884
Compensated absences payable	(5,414)
Early retirement	<u>4,855</u>

Net cash used by operating activities	<b>\$ <u><u>(11,175,255)</u></u></b>
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## **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, 2007**

**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, 2007.

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, 2007. 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, 2007 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 loan receivables 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, and Federal Direct Lending 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 \$16,734 represents cash from the pension bond issuance held in restricted cash accounts to be utilized for debt service.

The primary government's unrestricted net asset balance is \$611,670 at June 30, 2007.

**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, 2007, are comprised of:

Cash on hand	\$ 3,000
Carrying amount of deposits	1,488,715
Carrying amount of cash with Coos, Curry and Douglas Counties	52,799
State of Oregon Local Government Investment Pool	<u>198,482</u>
Total cash and cash equivalents	<u>\$ 1,742,996</u>
<b>Cash per Statement of Net Assets</b>	
General Fund	\$ 1,652,712
Special Revenue Fund	90,034
Enterprise Fund	<u>250</u>
Total by Funds - primary government	<u>\$ 1,742,996</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, 2007, the carrying amount of the College District's deposits in financial institutions was \$1,739,996 and the bank balances were \$1,850,431. 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 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, 2007, the College District had invested \$198,482 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, 2007. 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, 2007 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, 2007: LGIP 79%, County Treasury Pools 21% (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, 2006	\$ 600,000	\$ 3,500,000
September 27, 2006	600,000	5,000,000
June 4, 2007	1,000,000	3,500,000

During the year ended June 30, 2007, 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>High Amounts Undercollateralized</u>
January 2, 2007 through January 9, 2007	\$ 85,007
February 5, 2007 through February 8, 2007	7,176

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, 2007, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Totals</u>
Taxes	\$ 309,972	\$ -	\$ -	\$ -	\$ 309,972
Accounts	<u>3,570,384</u>	<u>457,399</u>	<u>22,501</u>	<u>111,802</u>	<u>4,162,086</u>
Net total receivables	<u>\$ 3,880,356</u>	<u>\$ 457,399</u>	<u>\$ 22,501</u>	<u>\$ 111,802</u>	<u>\$ 4,472,058</u>

All non-current property taxes receivable are treated as deferred revenue. Intergovernmental receivables are considered to be fully collectible. The General Fund accounts receivable for tuition and fees are net of \$625,333 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 2006-2007, the College District levied property taxes in the amount of \$4,513,935. After reduction for estimated shared offsets and loss due to constitutional limits of \$186,481, this resulted in a net levy of \$4,327,454. The tax rate for the fiscal year 2006-2007 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, 2007:

	<u>Receivable 7/1/2006</u>	<u>2006-2007 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 6/30/07</u>
<b>Coos County</b>				
2006-07	\$ -	\$ 2,569,297	\$ (2,446,011)	\$ 123,286
2005-06	113,717	-	(63,737)	49,980
2004-05	50,469	-	(23,332)	27,137
2003-04	25,964	-	(15,499)	10,465
2002-03	11,191	-	(9,616)	1,575
2001-02	2,075	-	(1,198)	877
2000-01	1,090	-	(277)	813
Prior years	<u>3,560</u>	<u>-</u>	<u>(113)</u>	<u>3,447</u>
Total Coos County	<u>208,066</u>	<u>2,569,297</u>	<u>(2,559,783)</u>	<u>217,580</u>
<b>Curry County</b>				
2006-07	-	1,508,141	(1,464,077)	44,064
2005-06	36,139	-	(20,580)	15,559
2004-05	13,898	-	(5,458)	8,440
2003-04	7,695	-	(4,419)	3,276
2002-03	3,362	-	(2,670)	692
2001-02	397	-	(201)	196
2000-01	232	-	(121)	111
Prior years	<u>612</u>	<u>-</u>	<u>(351)</u>	<u>261</u>
Total Curry County	<u>62,335</u>	<u>1,508,141</u>	<u>(1,497,879)</u>	<u>72,599</u>

	Receivable 7/1/2006	2006-2007 Net Levy	Collections and Adjustments	Receivable 6/30/07
<b>Douglas County</b>				
2006-07	\$ -	\$ 250,016	\$ (239,864)	\$ 10,152
2005-06	10,196	-	(5,267)	4,929
2004-05	4,956	-	(2,213)	2,743
2003-04	2,903	-	(1,701)	1,202
2002-03	1,974	-	(1,761)	213
2001-02	559	-	(338)	221
2000-01	149	-	(81)	68
Prior years	315	-	(50)	265
Total Douglas County	<u>21,052</u>	<u>250,016</u>	<u>(251,275)</u>	<u>19,793</u>
<b>Total – all counties</b>	<u>\$ 291,455</u>	<u>\$ 4,327,454</u>	<u>\$ (4,308,937)</u>	<u>\$ 309,972</u>

#### NOTE 5. CAPITAL ASSETS - Primary Government

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 128,619	\$ -	\$ -	\$ 128,619
Construction in progress	6,103,450	1,239,096	(6,160,859)	1,181,688
Art works collection	145,000	-	-	145,000
Total capital assets not being depreciated	<u>6,377,069</u>	<u>1,239,096</u>	<u>(6,160,859)</u>	<u>1,455,307</u>
<b>Capital assets being depreciated</b>				
Land improvements	973,816	7,300	-	981,116
Library books	526,058	31,097	(6,797)	550,358
Buildings	32,344,059	6,202,960	(40,158)	38,506,860
Equipment and vehicles	3,891,004	304,465	(12,218)	4,183,251
Total capital assets being depreciated	<u>37,734,937</u>	<u>6,545,822</u>	<u>(59,173)</u>	<u>44,221,585</u>
<b>Less accumulated depreciation for</b>				
Land improvements	(782,672)	(31,188)	-	(813,859)
Library books	(216,098)	(12,799)	2,789	(226,109)
Buildings	(7,110,843)	(824,902)	40,158	(7,895,587)
Equipment and vehicles	(2,380,082)	(248,611)	21,635	(2,607,058)
Total accumulated depreciation	<u>(10,489,695)</u>	<u>(1,117,500)</u>	<u>64,582</u>	<u>(11,542,613)</u>
Total capital assets being depreciated, net	<u>27,245,242</u>	<u>5,428,322</u>	<u>5,409</u>	<u>32,768,972</u>
Total capital assets, net	<u>\$ 33,622,311</u>	<u>\$ 6,667,418</u>	<u>\$ (6,155,450)</u>	<u>\$ 34,134,279</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, 2007:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	150,000	697,059	847,059
2013-2017	1,630,000	3,324,918	4,954,918
2018-2022	3,655,000	2,709,453	6,364,453
2023-2027	6,705,000	1,403,666	8,108,666
2028	765,000	42,305	807,305
Total	\$ 13,075,000	\$ 10,990,846	\$ 24,065,846

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	\$ 85,000	\$ 25,000
Series 1998 Obligations	06/01/98	4.5-5.40%	840,000	640,000	25,000
Series 2002 Obligations	01/01/02	4.0-5.25%	910,000	630,000	55,000
Series 2003 Refunding Obligations (1)	10/01/03	2.0-4.60%	9,980,000	8,355,000	500,000
Series 2004 Obligations	06/01/04	2.0-5.00%	9,855,000	9,505,000	150,000
Series 2005 Obligations	03/29/05	3.0-5.00%	4,800,000	4,595,000	125,000
Series 2006 Obligations	09/13/06	4.0-4.20%	2,500,000	2,410,000	60,000
				26,220,000	940,000
Series 2004 Pension Bonds	02/24/04	3.348-5.53%	13,075,000	13,075,000	-
<b>Total Full Faith and Credit Obligations</b>				<b>\$ 39,295,000</b>	<b>\$ 940,000</b>

- (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. \$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 6/30/07	Amount Due Within 1 Year
Student Recreation Center	Governmental	2.00 - 5.00%	\$ 6,257,925	\$ 6,035,675	\$ 95,250
Culinary Arts Institute	Enterprise	2.00 - 5.00%	3,597,075	3,469,325	54,750
<b>Total Government-Wide Business-Type Activity</b>			<b>\$ 9,855,000</b>	<b>\$ 9,505,000</b>	<b>\$ 150,000</b>

The future debt maturity requirements are as follows at June 30, 2007:

Fiscal Year Ending June 30	Principal	Interest	Total
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	235,000	414,285	649,285
2013-2017	1,560,000	1,909,870	3,469,870
2018-2022	2,415,000	1,498,458	3,913,458
2023-2027	3,650,000	807,250	4,457,250
2028	920,000	46,000	966,000
<b>Total</b>	<b>\$ 9,505,000</b>	<b>\$ 6,404,398</b>	<b>\$ 15,909,398</b>

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 requisition 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, 2007, is \$406,658.

<u>Purpose</u>	<u>Fund-type</u>	<u>Interest Rates %</u>	<u>Amount Issued</u>	<u>Ending Balance</u>	<u>Due Within 1 Year</u>
Performing Arts Center	Governmental	2.00 - 4.60%	\$ 1,286,668	\$ 1,044,456	\$ 64,462
Newmark Center	Enterprise	2.00 - 4.60%	3,379,500	2,842,319	169,314
Student Housing	Enterprise	2.00 - 4.60%	5,313,832	4,468,225	266,224
<b>Total Government-Wide Business-Type Activity</b>			<b><u>\$ 9,980,000</u></b>	<b><u>\$ 8,355,000</u></b>	<b><u>\$ 500,000</u></b>

The future debt maturity requirements are as follows at June 30, 2007:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 500,000	\$ 311,605	\$ 811,605
2009	520,000	299,105	819,105
2010	545,000	284,805	829,805
2011	565,000	267,093	832,093
2012	595,000	248,730	843,730
2013-2017	3,025,000	897,595	3,922,595
2018-2022	1,950,000	410,725	2,360,725
2023-2025	655,000	61,180	716,180
<b>Total</b>	<b><u>\$ 8,355,000</u></b>	<b><u>\$ 2,780,838</u></b>	<b><u>\$ 11,135,838</u></b>

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, 2007:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	145,000	184,803	329,803
2013-2017	805,000	839,555	1,644,555
2018-2022	995,000	645,490	1,640,490
2023-2027	1,230,000	403,205	1,633,205
2028-2030	890,000	90,250	980,250
<b>Total</b>	<b><u>\$ 4,595,000</u></b>	<b><u>\$ 2,946,125</u></b>	<b><u>\$ 7,541,125</u></b>

On September 13, 2006 the College District issued \$2,500,000 of Full Faith and Credit Obligations Series 2006 for the purpose of financing capital construction and improvements, including completion of a student housing center and a student recreation center, reimbursing the District for costs of acquisition of the existing Neighborhood Facility Building, and payment of the costs of issuance of these series 2006 obligations. The College District's payments are secured by, and payable from, general revenues and other funds that may be available for that purpose and the future maturity of these full faith and credit bonds are as follows at June 30, 2007:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 60,000	\$ 98,585	\$ 158,585
2009	65,000	96,185	161,185
2010	65,000	93,585	158,585
2011	70,000	90,985	160,985
2012	70,000	88,185	158,185
2013-2017	410,000	396,125	806,125
2018-2022	495,000	307,544	802,544
2023-2027	600,000	197,550	797,550
2028-2031	575,000	61,740	636,740
Total	\$ <u>2,410,000</u>	\$ <u>1,430,484</u>	\$ <u>3,840,484</u>

During the 2006-2007 fiscal year \$90,000 principal and \$69,259 of interest was paid on this debt of which 72% was allocated to governmental activity and 28% business-type based on allocation of utilization of the bond proceeds (\$1,800,000 for the student recreation center, governmental, and, \$300,000 for the Neighborhood Facility Building and \$400,000 for student housing, these last two enterprise activities), NOTE 11.

During May of 1998, the College District issued \$840,000 of Full Faith and Credit Obligations Series 1998 for the purpose of financing capital construction and improvements, including constructing, equipping, and furnishing student housing and facilities Phase II, 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, 2007:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 25,000	\$ 33,573	\$ 58,573
2009	30,000	32,385	62,385
2010	30,000	30,945	60,945
2011	30,000	29,475	59,475
2012	35,000	27,975	62,975
2013-2017	190,000	111,675	301,675
2018-2022	245,000	55,845	300,845
2023	55,000	2,970	57,970
Total	\$ <u>640,000</u>	\$ <u>324,843</u>	\$ <u>964,843</u>

#### **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, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	50,512	14,585	65,097
2013-2016	<u>227,304</u>	<u>30,497</u>	<u>257,801</u>
Total	<u>\$ 454,608</u>	<u>\$ 125,838</u>	<u>\$ 580,446</u>

The future maturities of the debt retirement obligation pertaining to the Performing Arts Center at June 30, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	19,488	5,627	25,115
2013-2016	<u>87,696</u>	<u>11,766</u>	<u>99,462</u>
Total	<u>\$ 175,392</u>	<u>\$ 48,549</u>	<u>\$ 223,941</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, 2007 is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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>\$ 85,000</u>	<u>\$ 10,390</u>	<u>\$ 95,390</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, 2007 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 31,037	\$ 4,963	\$ 36,000
2009	32,844	3,156	36,000
2010	34,754	1,246	36,000
2011	<u>5,495</u>	<u>14</u>	<u>5,509</u>
Total	<u>\$ 104,130</u>	<u>\$ 9,379</u>	<u>\$ 113,509</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 of the equipment was \$144,553. 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, 2007, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 23,566	\$ 2,973	\$ 26,539
2009	24,518	2,021	26,539
2010	<u>25,508</u>	<u>1,031</u>	<u>26,539</u>
Total	<u>\$ 73,592</u>	<u>\$ 6,025</u>	<u>\$ 79,617</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, 2007, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 36,322	\$ 5,282	\$ 41,604
2009	39,333	2,271	41,604
2010	<u>6,865</u>	<u>69</u>	<u>6,934</u>
Total	<u>\$ 82,520</u>	<u>\$ 7,622</u>	<u>\$ 90,142</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, 2007 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	<u>2,112</u>	<u>13</u>	<u>2,125</u>
Total	<u>\$ 47,936</u>	<u>\$ 5,137</u>	<u>\$ 53,073</u>

On October 30, 2006, the College District financed the acquisition of an additional van through the same capital lease agreement as above with Umpqua Bank Leasing in the amount of \$53,997. The present value of the future net minimum lease payments on this second van at June 30, 2007 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 10,056	\$ 2,087	\$ 12,143
2009	10,557	1,586	12,143
2010	11,084	1,059	12,143
2011	11,637	506	12,143
2012	<u>4,008</u>	<u>40</u>	<u>4,048</u>
Total	<u>\$ 47,342</u>	<u>\$ 5,278</u>	<u>\$ 52,620</u>

During the fiscal year ended June 30, 2007, total rent payments of \$8,095 were made on this lease comprised of \$6,655 principal and \$1,440 of interest.

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, 2007 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 10,338	\$ 91	\$ 10,429
Total	\$ 10,338	\$ 91	\$ 10,429

On September 29, 2006, the College District entered into a capital lease arrangement with Umpqua Bank Leasing to acquire athletic and fitness equipment for the new student recreation center in the amount of \$137,429. The first of ten annual \$17,532 principal and interest payments servicing the debt were due, and made, before October 1, 2007, and the present value of future net minimum lease payments at June 30, 2007, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2008	\$ 17,532	\$ -	\$ 17,532
2009	10,488	7,044	17,532
2010	11,104	6,428	17,532
2011	11,756	5,776	17,532
2012	12,447	5,085	17,532
2013-2017	74,102	13,558	87,660
Total	\$ 137,429	\$ 37,891	\$ 175,320

Of the total above principal amount \$130,000 was disbursed by the bank for the equipment and \$7,429 represents annual interest accruing at 5.87% from the time of disbursement capitalized through the first payment due date.

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

During the fiscal year ended June 30, 2007, the following changes occurred in the amounts reported in the general long-term debt account group type liabilities:

	Beginning Balance 7/1/06	Additions	Reductions	Ending Balance 6/30/07
<b>Governmental activities:</b>				
Full Faith & Credit Obligations				
Capital leases				
Mainframe Computer	\$ 116,062	\$ -	\$ 33,542	\$ 82,520
Turtletop Van	56,639	53,996	15,358	95,277
John Deere Tractor	20,148	-	9,810	10,338
Performing Arts Center	190,704	-	15,312	175,392
Dyrvit Project	494,296	-	39,688	454,608
Telephone system	130,953	-	26,823	104,130
Network Core Switch	96,243	-	22,651	73,592
Student recreation center fitness equipment	-	137,429	-	137,429
Advance Refunding Bonds				
Performing Arts Center	1,106,972	-	62,516	1,044,456
Less deferred amounts				
Issuance discounts & costs, net of premiums	(10,389)	-	(547)	(9,842)
Revenue Bonds				
Student Recreation Center	6,121,400	1,800,000	150,525	7,770,875
Less deferred amounts				
Issuance discounts & costs	(146,049)	(51,778)	(8,192)	(189,635)
Pension Bonds (PERS)				
Less deferred amounts	13,075,000	-	-	13,075,000
Issuance discounts & costs	(139,705)	-	(6,350)	(133,355)
Early retirement	633,341	4,855	-	638,196
Compensated absences	561,039	-	5,414	555,625
Total governmental activities long-term liabilities	<u>22,306,654</u>	<u>1,944,502</u>	<u>366,550</u>	<u>23,884,606</u>
<b>Enterprise activities:</b>				
Full Faith & Credit Obligations				
Capital leases				
Bookstore - Series 1995	110,000	-	25,000	85,000
Student Housing II	665,000	-	25,000	640,000
Advanced Refunding Bonds				
Newmark Center	3,006,540	-	164,221	2,842,319
Student Housing	4,726,488	-	258,263	4,468,225
Less deferred amounts				
Issuance discounts & costs, net of premiums	(122,343)	-	(6,439)	(115,904)
Limited Tax Revenue Bonds				
Neighborhood Facility Building	-	300,000	10,800	289,200
Less deferred amounts				
Issuance discounts & costs, net of premiums	-	(8,630)	(259)	(8,371)
Student Housing	4,715,000	400,000	134,400	4,980,600
Less deferred amounts				
Issuance discounts & costs, net of premiums	(34,458)	(11,506)	(1,781)	(44,183)
Revenue Bonds				
Culinary Institute	3,518,600	-	49,275	3,469,325
Less deferred amounts				
Issuance discounts & costs	(83,949)	-	(3,816)	(80,133)
Total enterprise activities long-term liabilities	<u>16,500,878</u>	<u>679,864</u>	<u>654,664</u>	<u>16,526,078</u>
Grand total government-wide business-type activities long-term liabilities	<u>\$ 38,807,532</u>	<u>\$ 2,624,366</u>	<u>\$ 1,021,214</u>	<u>\$ 40,410,684</u>

**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, 2007, 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)	\$ 309,972	\$ -	\$ -	\$ -	\$ -
Tuition	593,354	14,845	-	210,000	-
Grants/Contracts	-	132,460	231	-	-
Fees	190,668	10,622	-	180	1,034
Security deposits	-	-	-	12,753	-
Total deferred revenue	<u>\$ 1,093,994</u>	<u>\$ 157,927</u>	<u>\$ 231</u>	<u>\$ 222,933</u>	<u>\$ 1,034</u>

**NOTE 11. CONTRIBUTED CAPITAL**

The College District's policy is to record and report the construction and improvement of major facilities' projects in the governmental capital projects fund. At the time the building is completed the portion of use attributable to the enterprise business-type activities is "contributed" to those respective fund-types from the governmental activity. The respective related debt, however, is recorded and reported, from inception, directly in the enterprise business-type activity due to the intention of debt servicing by fees or user revenue sources. The student housing portion (\$400,000), and the Neighborhood Facility Building portion (\$300,000) of the September, 2006 (less unamortized discounts and issuance costs) \$2.5 million bond issuance (NOTE 8) are recognized in the enterprise fund resulting in a retained deficit at year end until the completed respective assets are "transferred" back from the capital projects fund. The government-wide statements, however, match the asset and related long-term debt as one business-type activity under GASB Statements Numbers 34 and 35.

**NOTE 12. TRANSFERS**

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

<b>Transfers in:</b>	
General Fund	\$ <u>370,000</u>
Total transfers in	\$ <u><u>370,000</u></u>
<b>Transfers out:</b>	
Special Revenue Fund	\$ <u>(370,000)</u>
Total transfers out	\$ <u><u>(370,000)</u></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 revenues collected from restricted sources to other funds to pay for direct expenses.

During fiscal year 2007 all transfers reported above were made for one of these purposes.

### **NOTE 13. DIFFERENCE IN BUDGETARY BASIS**

Due to various school and college funding issues, the Oregon legislature passed a law several years ago allowing college districts that use the accrual basis of accounting to accrue additional budgetary basis State support revenue at June 30, 2007, even though the State was not obligated to pay, or even accrue, such a non-exchange transaction. On the budgetary basis, the College District recognized \$1,765,217 for this fourth quarter disbursement received during July, 2007. For generally accepted accounting principles (GAAP), these amounts did not meet the criteria for constructive receipt and, therefore, are not posted to the government-wide financial statements in accordance with applicable *Governmental Accounting Standards Board* (GASB) Statements No.'s 33 and 36 for the year ended June 30, 2007. Based on formal accounting standards and interpretations this non-exchange transaction does not meet the revenue recognition requirements because it's considered a government mandated distribution resulting from enabling legislation which requires the College District not to record or report the revenues until received in its government-wide financials.

### **NOTE 14. 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 34, is for the fiscal year ending June 30, 2009 for the College District.

#### **D. Related Party**

A College District's Board of Education Member's Insurance Company (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, 2007, for various insurance premiums and coverages, totaled \$144,937 and no amounts were owed as of that date.

## E. 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 \$638,196 at June 30, 2007. 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 \$161,964 in benefits for retired employees, which was comprised of health insurance benefits.

## F. Employee Retirement System

### *Public Employees Retirement System*

**Plan Description.** The College District contributes to the State of Oregon Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Oregon Revised Statutes 238 assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees and State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Oregon Public Employees Retirement System, PO Box 23700, Tigard, Oregon 97281-3700 or by calling (503) 598-7377.

**Funding Policy.** Plan members are required to contribute 6% of their annual covered salary and the College District is required to contribute at an actuarially determined rate. For the School District's portion, the current rate is 5.81% of annual covered payroll for Tier I and Tier II employees. Public employees hired after August 29, 2003, after a six month waiting period, become members of the Oregon Public Service Retirement Plan (ORSRP). The rate for ORSRP is set at 4.46% of annual covered payroll. The contribution requirements of plan members and the College District are established and may be amended by the PERS Board of Trustees and State Legislature. The College District's contributions to PERS for the years ended June 30, 2007, and 2006, and 2005, were \$507,587, and \$1,045,194, and \$661,130, respectively, equal to the required contributions for each year.

The pension liability (asset) was determined in accordance with *Government Accounting Standards Board Statement No. 27*. Since all actuarially determined contributions have been paid, the net pension liability (asset) is zero.

**SUPPLEMENTAL FINANCIAL INFORMATION**

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



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

**COMBINING BALANCE SHEET**  
**June 30, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,652,712	\$ 90,034	\$ -	\$ -
Receivables				
Taxes	309,972	-	-	-
Accounts	3,570,384	478,984	-	22,501
Prepaid expenses	4,997	1,628	-	-
Unamortized Issuance Costs	-	-	-	-
Interfund receivables	-	991,593	-	1,941,546
Deposits (refundable)	37,080	-	-	-
Inventory	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Total assets	<u>\$ 5,575,145</u>	<u>\$ 1,562,239</u>	<u>\$ -</u>	<u>\$ 1,964,047</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 133,705	\$ 228,259	\$ -	\$ 461
Accrued expenses	-	-	-	-
Payroll payable	496,807	-	-	-
Interfund payable	3,037,021	81,142	-	-
Accrued interest payable	-	-	-	-
Due to other agencies	-	-	-	-
Deferred revenues	1,097,620	158,992	-	-
Capital leases/bonds payable	-	-	-	-
Total liabilities	<u>4,765,153</u>	<u>468,393</u>	<u>-</u>	<u>461</u>
<b>EQUITY</b>				
Contributed capital	-	-	-	-
Fund balances (deficit)				
Unreserved and undesignated	<u>809,992</u>	<u>1,093,846</u>	<u>-</u>	<u>1,963,586</u>
Total equity	<u>809,992</u>	<u>1,093,846</u>	<u>-</u>	<u>1,963,586</u>
Total liabilities and equity	<u>\$ 5,575,145</u>	<u>\$ 1,562,239</u>	<u>\$ -</u>	<u>\$ 1,964,047</u>

Enterprise	Internal Service	Trust and Agency	Totals (Memorandum Only)
			June 30, 2007
\$ 250	\$ -	\$ -	\$ 1,742,996
-	-	-	309,972
111,802	-	-	4,183,671
950	2,972	1,210	11,757
248,591	-	-	248,591
54,880	24,997	105,147	3,118,163
-	-	-	37,080
161,113	-	-	161,113
<u>16,260,702</u>	<u>-</u>	<u>-</u>	<u>16,260,702</u>
<u>\$ 16,838,288</u>	<u>\$ 27,969</u>	<u>\$ 106,357</u>	<u>\$ 26,074,045</u>
\$ 204,996	\$ 27,969	\$ 8,261	\$ 603,651
43,283	-	-	43,283
53,648	-	-	550,455
-	-	-	3,118,163
60,313	-	-	60,313
-	-	95,362	95,362
222,933	-	1,034	1,480,579
<u>16,774,669</u>	<u>-</u>	<u>-</u>	<u>16,774,669</u>
<u>17,359,842</u>	<u>27,969</u>	<u>104,657</u>	<u>22,726,475</u>
545,133	-	-	545,133
<u>(1,066,687)</u>	<u>-</u>	<u>1,700</u>	<u>2,802,437</u>
<u>(521,554)</u>	<u>-</u>	<u>1,700</u>	<u>3,347,570</u>
<u>\$ 16,838,288</u>	<u>\$ 27,969</u>	<u>\$ 106,357</u>	<u>\$ 26,074,045</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, 2007**

	General	Special Revenue	Debt Service	Capital Projects
<b>REVENUES</b>				
Local support	\$ 4,247,849	\$ 462,393	\$ -	\$ -
State support	7,166,511	903,451	-	-
Federal support	38,795	4,617,233	-	-
Tuition and fees	2,149,136	1,074,948	703,606	-
Other	386,318	878,210	635,789	172,818
Total revenues	<u>13,988,609</u>	<u>7,936,235</u>	<u>1,339,395</u>	<u>172,818</u>
<b>EXPENDITURES</b>				
Personal services	10,924,180	3,537,275	-	-
Materials and services	3,188,532	2,224,888	-	320,106
Capital outlay	21,300	68,989	-	1,189,241
Debt service	-	-	376,225	-
Depreciation expense	-	-	-	-
Other financial aid	-	2,182,185	-	-
Total expenditures	<u>14,134,012</u>	<u>8,013,337</u>	<u>376,225</u>	<u>1,509,347</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(145,403)</u>	<u>(77,102)</u>	<u>963,170</u>	<u>(1,336,529)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	-	21,585	102,109	-
Interest expense	-	-	(1,135,279)	-
Total non-operating revenues (expenses)	<u>-</u>	<u>21,585</u>	<u>(1,033,170)</u>	<u>-</u>
Net income (loss) before operating transfers	<u>(145,403)</u>	<u>(55,517)</u>	<u>(70,000)</u>	<u>(1,336,529)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance proceeds	32,924	-	-	1,743,510
Operating transfers in	300,000	-	70,000	-
Operating transfers out	-	(370,000)	-	-
Total other financing sources (uses)	<u>332,924</u>	<u>(370,000)</u>	<u>70,000</u>	<u>1,743,510</u>
Net change in fund balances	187,521	(425,517)	-	406,981
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>622,471</u>	<u>1,519,363</u>	<u>-</u>	<u>1,556,605</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 809,992</u>	<u>\$ 1,093,846</u>	<u>\$ -</u>	<u>\$ 1,963,586</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	
\$ -	\$ -	\$ -	\$ 4,710,242	\$ -	\$ 18,516	\$ 4,728,758
-	-	-	8,069,962	-	(1,765,217)	6,304,745
-	-	-	4,656,028	-	-	4,656,028
1,291,269	179,997	24,826	5,423,782	(474,025)	(136,243)	4,813,514
<u>3,570,016</u>	<u>348,241</u>	<u>141,133</u>	<u>6,132,525</u>	<u>(1,278,108)</u>	<u>(22,757)</u>	<u>4,831,660</u>
<u>4,861,285</u>	<u>528,238</u>	<u>165,959</u>	<u>28,992,539</u>	<u>(1,752,133)</u>	<u>(1,905,701)</u>	<u>25,334,705</u>
1,191,841	182,524	-	15,835,820	(201,308)	497,663	16,132,175
2,544,625	326,930	165,959	8,771,040	(146,933)	15,089	8,639,196
-	-	-	1,279,530	-	(1,279,530)	-
5,485	18,784	-	400,494	-	(400,494)	-
503,904	-	-	503,904	-	613,596	1,117,500
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,182,185</u>	<u>(1,403,892)</u>	<u>-</u>	<u>778,293</u>
<u>4,245,855</u>	<u>528,238</u>	<u>165,959</u>	<u>28,972,973</u>	<u>(1,752,133)</u>	<u>(553,676)</u>	<u>26,667,164</u>
<u>615,430</u>	<u>-</u>	<u>-</u>	<u>19,566</u>	<u>-</u>	<u>(1,352,025)</u>	<u>(1,332,459)</u>
645	-	-	124,339	-	-	124,339
<u>(710,920)</u>	<u>-</u>	<u>-</u>	<u>(1,846,199)</u>	<u>-</u>	<u>(5,604)</u>	<u>(1,851,803)</u>
<u>(710,275)</u>	<u>-</u>	<u>-</u>	<u>(1,721,860)</u>	<u>-</u>	<u>(5,604)</u>	<u>(1,727,464)</u>
<u>(94,845)</u>	<u>-</u>	<u>-</u>	<u>(1,702,294)</u>	<u>-</u>	<u>(1,357,629)</u>	<u>(3,059,923)</u>
-	-	-	1,776,434	-	(1,776,434)	-
-	-	-	370,000	(370,000)	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(370,000)</u>	<u>370,000</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,776,434</u>	<u>-</u>	<u>(1,776,434)</u>	<u>-</u>
(94,845)	-	-	74,140	-	(3,134,063)	(3,059,923)
<u>562,078</u>	<u>-</u>	<u>-</u>	<u>4,260,517</u>	<u>-</u>	<u>6,838,803</u>	<u>11,099,320</u>
<u>\$ 467,233</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,334,657</u>	<u>\$ -</u>	<u>\$ 3,704,740</u>	<u>\$ 8,039,397</u>

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

**RECONCILIATION OF THE COMBINING BALANCE SHEET TO STATEMENT OF NET ASSETS**  
**June 30, 2007**

<b>TOTAL FUND BALANCES, page 39</b>	\$	4,334,657	
Retained net amount to be contributed to enterprise fund (recognizing same amount of related net revenue bonded debt from governmental plant/capital projects fund at completion of student housing construction (NOTE 11).		<u>(679,864)</u>	
Net total fund balances	\$		3,654,793
Capital assets that are not financial resources and therefore are not reported in the governmental funds.			
Cost		26,014,900	
Accumulated depreciation		<u>(8,141,323)</u>	17,873,577
Net pension asset expensed in governmental funds prepayment on PERS UAL.		12,455,553	
Accumulated amortization		<u>(1,728,208)</u>	10,727,345
On the budgetary basis, the College district recognized a fourth quarter disbursement received during July of 2007 from State (FTE) support. For generally accepted accounting principles (GAAP), these amounts do not meet the criteria for accrual and, ther			(1,765,217)
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		133,355	
Advance refunding and revenue bonds		<u>199,477</u>	332,832
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		309,972	
Tuition		822,839	
Fees		201,290	
Grants & other		<u>132,691</u>	1,466,792
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	\$	(33,287)	
Long-term debt			
Pension bonds	\$	(13,075,000)	
Revenue bonds		(7,770,875)	
Advance refunding bonds		(1,044,456)	
Capital leases		<u>(1,133,286)</u>	(23,023,617)
Compensated absences		(555,625)	
Early retirement		<u>(638,196)</u>	<u>(24,250,725)</u>
<b>TOTAL NET ASSETS, pages 15 and 17</b>	<b>\$</b>		<b><u>8,039,397</u></b>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Coos Bay, Oregon**  
**RECONCILIATION OF THE COMBINING SCHEDULE OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT**  
**OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2007**

**NET CHANGE IN FUND BALANCE, page 39** \$ 74,140

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

Expenditures for capital assets	\$ 1,279,530	
Less current year depreciation	<u>(613,596)</u>	665,934

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 State

(1,765,217)

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

Bond issuance proceeds		(1,776,434)
Repayments		
Capital leases principal	163,184	
To paying agent		
For bond principal	213,041	
For debt administrative costs	<u>24,269</u>	400,494

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 pr

Compensated absences, decrease	5,414	
Early retirement, increase	(4,855)	
Amortization of advance refunding and pension bonds:		
discounts/issuance costs, net of premiums; principal adj.	(15,089)	
Accrued interest on bonds increase	<u>(5,604)</u>	<u>(20,134)</u>

**Subtotal carried forward to page 42** \$ (2,421,217)

**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, 2007**

<b>Brought forward from page 41</b>		\$ (2,421,217)
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 w		18,516
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	(125,825)	
Fees	(10,418)	
Grants & other	(22,757)	(159,000)
	<u>                    </u>	<u>                    </u>
<b>CHANGE IN NET ASSETS, page 17</b>		<b>\$ <u><u>(3,059,923)</u></u></b>

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## **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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local support	\$ 4,198,700	\$ 4,198,700	\$ 4,247,849	\$ 49,149
State support	7,182,900	7,182,900	7,166,511	(16,389)
Federal support	26,000	26,000	38,795	12,795
Tuition and fees	2,080,992	2,080,992	2,149,136	68,144
Other	1,241,900	1,241,900	386,318	(855,582)
Total revenues	<u>14,730,492</u>	<u>14,730,492</u>	<u>13,988,609</u>	<u>(741,883)</u>
<b>EXPENDITURES</b>				
Personal services	11,412,616	11,412,616	10,924,180	488,436
Materials and services	3,287,086	3,287,086	3,188,532	98,554
Capital outlay	88,990	88,990	21,300	67,690
Contingency	850,000	850,000	-	850,000
Total expenditures	<u>15,638,692</u>	<u>15,638,692</u>	<u>14,134,012</u>	<u>1,504,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(908,200)</u>	<u>(908,200)</u>	<u>(145,403)</u>	<u>762,797</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance proceeds	-	-	32,924	32,924
Operating transfers in	300,000	300,000	300,000	-
Total other financing sources (uses)	<u>300,000</u>	<u>300,000</u>	<u>332,924</u>	<u>32,924</u>
Net change in fund balance	(608,200)	(608,200)	187,521	795,721
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>608,200</u>	<u>608,200</u>	<u>622,471</u>	<u>14,271</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	809,992	<u>\$ 809,992</u>

Adjustment to generally accepted accounting principles  
(GAAP) basis of presentation for fund balance (NOTE 13).

(1,765,217)  
\$ (955,225)

## **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, 2007**

	<u>Auxiliary</u>	<u>Financial Aid</u>	<u>Special Projects</u>	<u>Insurance Reserve</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ 73,300	\$ 16,734	\$ -	\$ 90,034
Receivables:					
Accounts	83	17,619	439,697	-	457,399
Prepaid expenses	-	-	1,628	-	1,628
Interfund receivables	<u>16,699</u>	<u>-</u>	<u>610,764</u>	<u>364,130</u>	<u>991,593</u>
Total assets	<u>\$ 16,782</u>	<u>\$ 90,919</u>	<u>\$ 1,068,823</u>	<u>\$ 364,130</u>	<u>\$ 1,540,654</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 16,782	\$ 6,942	\$ 193,606	\$ 10,929	\$ 228,259
Interfund payables	-	81,142	-	-	81,142
Deferred revenues	<u>-</u>	<u>834</u>	<u>157,927</u>	<u>231</u>	<u>158,992</u>
Total liabilities	16,782	88,918	351,533	11,160	468,393
<b>FUND BALANCES</b>					
Unreserved, undesignated	<u>-</u>	<u>2,001</u>	<u>717,290</u>	<u>352,970</u>	<u>1,072,261</u>
Total liabilities and fund balances	<u>\$ 16,782</u>	<u>\$ 90,919</u>	<u>\$ 1,068,823</u>	<u>\$ 364,130</u>	<u>\$ 1,540,654</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, 2007**

	Auxiliary	Financial Aid	Special Projects	Insurance Reserve	Totals
<b>REVENUES</b>					
Local support	\$ -	\$ -	\$ 462,393	\$ -	\$ 462,393
State support	-	480,207	423,244	-	903,451
Federal support	-	1,789,511	2,827,722	-	4,617,233
Tuition and fees	658,369	-	366,579	50,000	1,074,948
Other	10,286	6,334	837,975	23,615	878,210
Total revenues	<u>668,655</u>	<u>2,276,052</u>	<u>4,917,913</u>	<u>73,615</u>	<u>7,936,235</u>
<b>EXPENDITURES</b>					
Personal services	284,013	93,311	3,152,160	7,791	3,537,275
Materials and services	384,642	-	1,808,317	31,929	2,224,888
Capital outlay	-	-	68,989	-	68,989
Other financial aid	-	2,182,185	-	-	2,182,185
Total expenditures	<u>668,655</u>	<u>2,275,496</u>	<u>5,029,466</u>	<u>39,720</u>	<u>8,013,337</u>
Excess (deficiency) of revenues over (under) expenditures	-	556	(111,553)	33,895	(77,102)
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating transfers (out)	-	-	(70,000)	(300,000)	(370,000)
Net change in fund balance	-	556	(181,553)	(266,105)	(447,102)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>1,445</u>	<u>898,843</u>	<u>619,075</u>	<u>1,519,363</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,001</u>	<u>\$ 717,290</u>	<u>\$ 352,970</u>	<u>\$ 1,072,261</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, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Tuition and fees	\$ 668,923	\$ 668,923	\$ 658,369	\$ (10,554)
Other	<u>26,000</u>	<u>26,000</u>	<u>10,286</u>	<u>(15,714)</u>
Total revenues	<u>694,923</u>	<u>694,923</u>	<u>668,655</u>	<u>(26,268)</u>
<b>EXPENDITURES</b>				
Personal services	295,213	295,213	284,013	11,200
Materials and services	<u>399,710</u>	<u>399,710</u>	<u>384,642</u>	<u>15,068</u>
Total expenditures	<u>694,923</u>	<u>694,923</u>	<u>668,655</u>	<u>26,268</u>
Net change in fund balance	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**FINANCIAL AID FUND**

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State support	\$ 500,000	\$ 500,000	\$ 480,207	\$ (19,793)
Federal support	2,415,872	2,415,872	1,789,511	(626,361)
Other	-	-	4,771	4,771
Perkins loans	-	-	1,563	1,563
Total revenues	<u>2,915,872</u>	<u>2,915,872</u>	<u>2,276,052</u>	<u>(639,820)</u>
<b>EXPENDITURES</b>				
Personal services	91,938	91,938	93,311	(1,373)
Other financial aid	<u>2,823,934</u>	<u>2,823,934</u>	<u>2,182,185</u>	<u>641,749</u>
Total expenditures	<u>2,915,872</u>	<u>2,915,872</u>	<u>2,275,496</u>	<u>640,376</u>
Net change in fund balance	-	-	556	556
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>1,445</u>	<u>1,445</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,001</u>	<u>\$ 2,001</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, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget</b>
<b>REVENUES</b>				
Local support	\$ 500,000	\$ 500,000	\$ 462,393	\$ (37,607)
State support	2,300,000	2,300,000	423,244	(1,876,756)
Federal support	2,008,350	2,008,350	2,827,722	819,372
Tuition and fees	717,000	717,000	366,579	(350,421)
Other	<u>2,591,650</u>	<u>2,591,650</u>	<u>837,975</u>	<u>(1,753,675)</u>
Total revenues	<u>8,117,000</u>	<u>8,117,000</u>	<u>4,917,913</u>	<u>(3,199,087)</u>
<b>EXPENDITURES</b>				
Personal services	4,240,000	4,240,000	3,152,160	1,087,840
Materials and services	3,722,000	3,722,000	1,808,317	1,913,683
Capital outlay	<u>478,000</u>	<u>478,000</u>	<u>68,989</u>	<u>409,011</u>
Total expenditures	<u>8,440,000</u>	<u>8,440,000</u>	<u>5,029,466</u>	<u>3,410,534</u>
Excess (deficiency) of revenues over (under) expenditures	(323,000)	(323,000)	(111,553)	211,447
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers (out)	<u>(70,000)</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Net change in fund balance	(393,000)	(393,000)	(181,553)	211,447
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>393,000</u>	<u>393,000</u>	<u>898,843</u>	<u>505,843</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 717,290</u>	<u>\$ 717,290</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, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Tuition and fees	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
Other	<u>93,000</u>	<u>93,000</u>	<u>23,615</u>	<u>(69,385)</u>
Total revenues	<u>143,000</u>	<u>143,000</u>	<u>73,615</u>	<u>(69,385)</u>
<b>EXPENDITURES</b>				
Personal services	74,000	74,000	7,791	66,209
Materials and services	329,000	329,000	31,929	297,071
Capital outlay	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>503,000</u>	<u>503,000</u>	<u>39,720</u>	<u>463,280</u>
Excess (deficiency) of revenues over (under) expenditures	(360,000)	(360,000)	33,895	393,895
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers (out)	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
Net change in fund balance	(660,000)	(660,000)	(266,105)	393,895
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>660,000</u>	<u>660,000</u>	<u>619,075</u>	<u>(40,925)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,970</u>	<u>\$ 352,970</u>

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## **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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Tuition and fees	\$ 1,106,741	\$ 1,106,741	\$ 703,606	\$ (403,135)
Other	<u>756,189</u>	<u>756,189</u>	<u>635,789</u>	<u>(120,400)</u>
Total revenues	1,862,930	1,862,930	1,339,395	(523,535)
<b>EXPENDITURES</b>				
Debt service	<u>1,862,930</u>	<u>1,862,930</u>	<u>1,409,395</u>	<u>453,535</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(70,000)	(977,070)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>70,000</u>
Net change in fund balance	-	-	-	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State support	\$ 2,300,000	\$ 2,300,000	\$ -	\$ (2,300,000)
Tuition and fees	80,000	80,000	-	(80,000)
Other	<u>9,205,000</u>	<u>9,205,000</u>	<u>172,818</u>	<u>(9,032,182)</u>
Total revenues	11,585,000	11,585,000	172,818	(11,412,182)
<b>EXPENDITURES</b>				
Materials and services	1,384,400	1,384,400	320,106	1,064,294
Capital outlay	<u>12,397,124</u>	<u>12,397,124</u>	<u>1,189,241</u>	<u>11,207,883</u>
Total expenditures	<u>13,781,524</u>	<u>13,781,524</u>	<u>1,509,347</u>	<u>12,272,177</u>
Excess (deficiency) of revenues over (under) expenditures	(2,196,524)	(2,196,524)	(1,336,529)	(23,684,359)
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond issuance proceeds	<u>-</u>	<u>-</u>	<u>1,743,510</u>	<u>1,743,510</u>
Net change in fund balance	(2,196,524)	(2,196,524)	406,981	(21,940,849)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>2,196,524</u>	<u>2,196,524</u>	<u>1,556,605</u>	<u>(639,919)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,963,586</u>	<u>\$ 1,963,586</u>

## **PROPRIETARY FUNDS**

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

**ENTERPRISE** - This fund is used to account for operations of the College District's Bookstore, the Newmark Center, student housing, 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, 2007**

	Enterprise	Internal Service	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 250	\$ -	\$ 250
Receivables:			
Accounts	111,802	-	111,802
Interfund receivables	54,880	24,997	79,877
Prepaid expenses	950	2,972	3,922
Unamortized issuance costs	248,591	-	248,591
Inventory	161,113	-	161,113
Fixed assets (net of accumulated depreciation)	16,260,702	-	16,260,702
Total assets	\$ 16,838,288	\$ 27,969	\$ 16,866,257
<b>LIABILITIES</b>			
Accounts payable	\$ 204,996	\$ 27,969	\$ 232,965
Accrued expenses	43,283	-	43,283
Payroll payable	53,648	-	53,648
Interfund payable	-	-	-
Accrued interest payable	60,313	-	60,313
Deferred revenues	222,933	-	222,933
Leases/bonds payable	16,774,669	-	16,774,669
Total liabilities	17,359,842	27,969	17,387,811
<b>FUND BALANCES (deficit)</b>			
Contributed capital	545,133	-	545,133
Unreserved, undesignated (deficit)	(1,066,687)	-	(1,066,687)
Total fund balances	(521,554)	-	(521,554)
Total liabilities and fund balances	\$ 16,838,288	\$ 27,969	\$ 16,866,257



**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, 2007**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>			
Tuition and fees	\$ 1,291,269	\$ 179,997	\$ 1,471,266
Other	<u>3,570,016</u>	<u>348,241</u>	<u>3,918,257</u>
Total operating revenues	<u>4,861,285</u>	<u>528,238</u>	<u>5,389,523</u>
<b>OPERATING EXPENSES</b>			
Personal services	1,191,841	182,524	1,374,365
Materials and services	2,544,625	326,930	2,871,555
Debt service	5,485	18,784	24,269
Depreciation	<u>503,904</u>	<u>-</u>	<u>503,904</u>
Total operating expenses	<u>4,245,855</u>	<u>528,238</u>	<u>4,774,093</u>
Operating income (loss)	<u>615,430</u>	<u>-</u>	<u>615,430</u>
<b>NON-OPERATING REVENUES/EXPENSES</b>			
Interest income	645	-	645
Interest expense	<u>(710,920)</u>	<u>-</u>	<u>(710,920)</u>
Total non-operating revenues	<u>(710,275)</u>	<u>-</u>	<u>(710,275)</u>
Net income	(94,845)	-	(94,845)
<b>BEGINNING RETAINED EARNINGS</b>	<u>562,078</u>	<u>-</u>	<u>562,078</u>
<b>ENDING RETAINED EARNINGS</b>	467,233	-	467,233
<b>RECONCILIATION OF RETAINED EARNINGS TO FUND BALANCES</b>			
Capital assets	16,260,702	-	16,260,702
Debt payable	(16,774,669)	-	(16,774,669)
Unamortized issuance costs	248,591	-	248,591
Plant fund (NOTE 11)	(700,000)	-	(700,000)
Debt issuance costs	<u>(23,411)</u>	<u>-</u>	<u>(23,411)</u>
Total fund balances (page 52)	<u>\$ (521,554)</u>	<u>\$ -</u>	<u>\$ (521,554)</u>

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

**COMBINING SCHEDULE OF CASH FLOWS - ALL PROPRIETARY FUND TYPES**  
**For the Year Ended June 30, 2007**

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers and users	\$ 4,605,345	\$ 524,500	\$ 5,129,845
Cash paid to suppliers and employees	<u>3,891,461</u>	<u>524,500</u>	<u>4,415,961</u>
Net cash provided/(used) by operating activities	<u>713,884</u>	<u>-</u>	<u>713,884</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Bond issuance proceeds	700,000	-	700,000
Bond administrative fees, issuance costs, and premiums	(17,898)	-	(17,898)
Principal payments on long-term debt	(687,200)	-	(687,200)
Interest payments on long-term debt	<u>(710,920)</u>	<u>-</u>	<u>(710,920)</u>
Net cash used by capital and related financing activities	<u>(716,018)</u>	<u>-</u>	<u>(716,018)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	<u>645</u>	<u>-</u>	<u>645</u>
Net increase (decrease) in cash and cash equivalents	(1,489)	-	(1,489)
<b>CASH AND CASH EQUIVALENTS, JULY 1, 2006</b>	<u>1,739</u>	<u>-</u>	<u>1,739</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30, 2007</b>	<u><u>\$ 250</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 250</u></u>
<b>RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 615,430	\$ -	\$ 615,430
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	503,904	-	503,904
Change in assets and liabilities			
Receivables	(132,620)	(3,730)	(136,350)
Prepaid expenses	(950)	-	(950)
Inventories	(24,173)	-	(24,173)
Accounts payable	19,418	3,730	23,148
Accrued expenses	28,242	-	28,242
Interfund payables	(172,047)	-	(172,047)
Deferred revenue	<u>(123,320)</u>	<u>-</u>	<u>(123,320)</u>
Net cash provided by operating activities	<u><u>\$ 713,884</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 713,884</u></u>

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Tuition and fees	\$ 1,797,349	\$ 1,797,349	\$ 1,291,269	\$ (506,080)
Other	4,294,000	4,294,000	3,570,016	(723,984)
Total operating revenues	<u>6,091,349</u>	<u>6,091,349</u>	<u>4,861,285</u>	<u>(1,230,064)</u>
<b>OPERATING EXPENSES</b>				
Personal services	1,432,492	1,432,492	1,191,841	240,651
Materials and services	3,208,645	3,208,645	2,544,625	664,020
Capital outlay	32,000	32,000	-	32,000
Debt service	1,483,212	1,483,212	1,403,605	79,607
Total operating expenses	<u>6,156,349</u>	<u>6,156,349</u>	<u>5,140,071</u>	<u>1,016,278</u>
Operating income (loss)	<u>(65,000)</u>	<u>(65,000)</u>	<u>(278,786)</u>	<u>(213,786)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Bond issuance proceeds	-	-	700,000	700,000
Bond issuance costs	-	-	(20,136)	(20,136)
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>679,864</u>	<u>679,864</u>
Net income (loss)	(65,000)	(65,000)	401,078	466,078
<b>BEGINNING RETAINED EARNINGS</b>	<u>65,000</u>	<u>65,000</u>	<u>562,078</u>	<u>497,078</u>
<b>ENDING RETAINED EARNINGS</b>	<u>\$ -</u>	<u>\$ -</u>	963,156	<u>\$ 963,156</u>

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

Interest income	645
Debt issued	(700,000)
Debt issuance costs	20,136
Debt principal paid	687,200
Depreciation expense	<u>(503,904)</u>

**ENDING RETAINED EARNINGS (page 53)**

**\$ 467,233**

**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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUES</b>				
Tuition and fees	\$ 177,536	\$ 177,536	\$ 179,997	\$ 2,461
Charges for services	<u>448,100</u>	<u>448,100</u>	<u>348,241</u>	<u>(99,859)</u>
Total operating revenues	<u>625,636</u>	<u>625,636</u>	<u>528,238</u>	<u>(97,398)</u>
<b>OPERATING EXPENSES</b>				
Personal services	215,180	215,180	182,524	32,656
Materials and services	383,900	383,900	326,930	56,970
Debt service	<u>26,556</u>	<u>26,556</u>	<u>18,784</u>	<u>7,772</u>
Total operating expenses	<u>625,636</u>	<u>625,636</u>	<u>528,238</u>	<u>97,398</u>
Net income	-	-	-	-
<b>BEGINNING RETAINED EARNINGS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>ENDING RETAINED EARNINGS</b>	<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 which 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, 2007**

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
<b>ASSETS</b>				
Cash and cash equivalents	\$ 112,876	\$ 193,491	\$ 201,220	\$ 105,147
Prepaid items	<u>-</u>	<u>1,210</u>	<u>-</u>	<u>1,210</u>
Total assets	<u>\$ 112,876</u>	<u>\$ 194,701</u>	<u>\$ 201,220</u>	<u>\$ 106,357</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 9,585	\$ 8,261	\$ 9,585	\$ 8,261
Due to other agencies	95,327	165	130	95,362
Deferred revenue - on-line fees	<u>7,964</u>	<u>5,220</u>	<u>12,150</u>	<u>1,034</u>
Total liabilities	112,876	13,646	21,865	104,657
<b>FUND BALANCE</b>				
	<u>-</u>	<u>1,700</u>	<u>-</u>	<u>1,700</u>
Total liabilities and fund balance	<u>\$ 112,876</u>	<u>\$ 15,346</u>	<u>\$ 21,865</u>	<u>\$ 106,357</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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Tuition and fees	\$ -	\$ -	\$ 24,826	\$ 24,826
Other	241,000	241,000	141,133	(99,867)
Total revenues	<u>241,000</u>	<u>241,000</u>	<u>165,959</u>	<u>(75,041)</u>
<b>EXPENDITURES</b>				
Personal services	15,000	15,000	-	15,000
Materials and services	253,000	253,000	164,259	88,741
Capital outlay	93,000	93,000	-	93,000
Total expenditures	<u>361,000</u>	<u>361,000</u>	<u>164,259</u>	<u>196,741</u>
Net change in fund balance	(120,000)	(120,000)	1,700	(271,782)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,700</u>	<u>\$ 1,700</u>

**SUPPLEMENTAL FINANCIAL SCHEDULES**



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

**COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS**  
**June 30, 2007**

	Bookstore	Newmark Center Operations	Newmark Center Tenant Services	Student Housing Operations	Student Housing Store
<b>ASSETS</b>					
Cash and cash equivalents	\$ 357,025	\$ 101,751	\$ (11,129)	\$ (67,852)	\$ -
Receivables:					
Accounts	42,768	-	-	-	-
Prepaid expenses	-	-	-	-	-
Unamortized issuance costs	-	25,855	-	108,613	-
Inventory	161,113	-	-	-	-
Fixed assets (net of accumulated depreciation)	<u>243,275</u>	<u>2,867,835</u>	<u>-</u>	<u>9,688,651</u>	<u>-</u>
Total assets	<u>\$ 804,181</u>	<u>\$ 2,995,441</u>	<u>\$ (11,129)</u>	<u>\$ 9,729,412</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 11,916	\$ 267	\$ 4,562	\$ 154,106	\$ 2,321
Accrued expenses	6,573	309	2,789	9,687	-
Payroll payable	4,705	914	6,328	25,372	-
Accrued interest payable	2,353	8,614	-	34,956	-
Deferred Revenue	-	-	-	3	-
Leases/bonds payable	<u>85,000</u>	<u>2,517,393</u>	<u>-</u>	<u>9,713,389</u>	<u>-</u>
Total liabilities	<u>110,547</u>	<u>2,527,497</u>	<u>13,679</u>	<u>9,937,513</u>	<u>2,321</u>
<b>FUND BALANCES</b>					
Contributed capital	123,087	142,538	-	438,894	-
Retained earnings	<u>570,547</u>	<u>325,406</u>	<u>(24,808)</u>	<u>(646,995)</u>	<u>(2,321)</u>
Total fund balances	<u>693,634</u>	<u>467,944</u>	<u>(24,808)</u>	<u>(208,101)</u>	<u>(2,321)</u>
Total liabilities and fund balances	<u>\$ 804,181</u>	<u>\$ 2,995,441</u>	<u>\$ (11,129)</u>	<u>\$ 9,729,412</u>	<u>\$ -</u>

Food Service Operations	Conferences	Culinary Arts	Chef Table	La Patisserie	Rec Center	ELI	Neighborhood Facility Bldg	Totals
\$ (11,943)	\$ (58,367)	\$ (98,115)	\$ (3,569)	\$ 1,558	\$ (140,553)	\$ (815)	\$ 30,254	\$ 98,245
789	24,380	335	-	-	-	-	-	68,272
-	-	950	-	-	-	-	-	950
-	-	53,156	-	-	-	-	5,961	193,585
-	-	-	-	-	-	-	-	161,113
<u>137,293</u>	<u>-</u>	<u>3,009,559</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,089</u>	<u>16,260,702</u>
<u>\$ 126,139</u>	<u>\$ (33,987)</u>	<u>\$ 2,965,885</u>	<u>\$ (3,569)</u>	<u>\$ 1,558</u>	<u>\$ (140,553)</u>	<u>\$ (815)</u>	<u>\$ 350,304</u>	<u>\$ 16,782,867</u>
\$ 2,266	\$ 9,918	\$ 17,849	\$ 130	\$ -	\$ 76	\$ 1,585	\$ -	\$ 204,996
-	2,994	17,303	-	-	3,628	-	-	43,283
-	6,486	4,139	-	-	5,704	-	-	53,648
-	-	13,404	-	-	-	-	986	60,313
-	-	222,750	-	-	180	-	-	222,933
<u>-</u>	<u>-</u>	<u>3,442,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>287,478</u>	<u>16,045,607</u>
<u>2,266</u>	<u>19,398</u>	<u>3,717,792</u>	<u>130</u>	<u>-</u>	<u>9,588</u>	<u>1,585</u>	<u>288,464</u>	<u>16,630,780</u>
179,167	-	(369,172)	-	-	-	-	30,619	545,133
<u>(55,294)</u>	<u>(53,385)</u>	<u>(382,735)</u>	<u>(3,699)</u>	<u>1,558</u>	<u>(150,141)</u>	<u>(2,400)</u>	<u>31,221</u>	<u>(393,046)</u>
<u>123,873</u>	<u>(53,385)</u>	<u>(751,907)</u>	<u>(3,699)</u>	<u>1,558</u>	<u>(150,141)</u>	<u>(2,400)</u>	<u>61,840</u>	<u>152,087</u>
<u>\$ 126,139</u>	<u>\$ (33,987)</u>	<u>\$ 2,965,885</u>	<u>\$ (3,569)</u>	<u>\$ 1,558</u>	<u>\$ (140,553)</u>	<u>\$ (815)</u>	<u>\$ 350,304</u>	<u>\$ 16,782,867</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, 2007**

	Bookstore	Newmark Center Operations	Newmark Center Tenant Services	Student Housing Operations	Student Housing Store
<b>OPERATING REVENUES</b>					
Charges for services	\$ 1,071,323	\$ 346,005	\$ 218,641	\$ 1,912,435	\$ -
<b>OPERATING EXPENSES</b>					
Personal services	121,687	13,886	76,282	312,875	-
Materials and services	769,034	84,713	75,942	981,355	-
Depreciation	51,947	96,509	-	303,445	-
Debt service	34,542	110,535	-	426,965	-
Total expenditures	<u>977,210</u>	<u>305,643</u>	<u>152,224</u>	<u>2,024,640</u>	<u>-</u>
Operating income (loss)	<u>94,113</u>	<u>40,362</u>	<u>66,417</u>	<u>(112,205)</u>	<u>-</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest income	-	58	-	337	-
Loan activity, exp. reimbursement & misc income	-	277	-	10,657	-
Loan activity	<u>(1,237)</u>	<u>(28,701)</u>	<u>(7,440)</u>	<u>(43,745)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(1,237)</u>	<u>(28,366)</u>	<u>(7,440)</u>	<u>(32,751)</u>	<u>-</u>
Net income (loss)	92,876	11,996	58,977	(144,956)	-
<b>RETAINED EARNINGS - BEGINNING OF YEAR</b>	<u>477,671</u>	<u>313,410</u>	<u>(83,785)</u>	<u>(502,039)</u>	<u>(2,321)</u>
<b>RETAINED EARNINGS - END OF YEAR</b>	<u>\$ 570,547</u>	<u>\$ 325,406</u>	<u>\$ (24,808)</u>	<u>\$ (646,995)</u>	<u>\$ (2,321)</u>

Food Service Operations	Conferences	Culinary Arts	Chef Table	La Patisserie	Rec Center	ELI	Neighborhood Facility Bldg	Totals
\$ 16,359	\$ 190,255	\$ 1,029,766	\$ 4,443	\$ 2,524	\$ 22,406	\$ -	\$ 30,000	\$ 4,844,157
-	70,770	432,863	6,885	765	155,826	-	-	1,191,839
20,335	55,329	435,607	1,257	201	16,721	2,400	2,087	2,444,981
4,227	-	79,199	-	-	-	-	8,265	543,592
-	-	162,432	-	-	-	-	9,447	743,921
<u>24,562</u>	<u>126,099</u>	<u>1,110,101</u>	<u>8,142</u>	<u>966</u>	<u>172,547</u>	<u>2,400</u>	<u>19,799</u>	<u>4,924,333</u>
<u>(8,203)</u>	<u>64,156</u>	<u>(80,335)</u>	<u>(3,699)</u>	<u>1,558</u>	<u>(150,141)</u>	<u>(2,400)</u>	<u>10,201</u>	<u>(80,176)</u>
-	-	250	-	-	-	-	-	645
-	-	-	-	-	-	-	5,550	16,484
-	-	(18,166)	-	-	-	-	(354)	(99,643)
-	-	(17,916)	-	-	-	-	5,196	(82,514)
(8,203)	64,156	(98,251)	(3,699)	1,558	(150,141)	(2,400)	15,397	(162,690)
<u>(47,091)</u>	<u>(117,541)</u>	<u>(284,484)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,824</u>	<u>(230,356)</u>
<u>\$ (55,294)</u>	<u>\$ (53,385)</u>	<u>\$ (382,735)</u>	<u>\$ (3,699)</u>	<u>\$ 1,558</u>	<u>\$ (150,141)</u>	<u>\$ (2,400)</u>	<u>\$ 31,221</u>	<u>\$ (393,046)</u>

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

**INTERCOLLEGIATE ATHLETICS**  
**For the Year Ended June 30, 2007**

	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Other Men's Sports</u>	<u>Other Women's Sports ***</u>	<u>General &amp; Administrative</u>	<u>Total</u>
<b>REVENUE *</b>						
Gate receipts	\$ 297	\$ 298	\$ -	\$ 298	\$ -	\$ 893
Concessions	<u>254</u>	<u>254</u>	<u>127</u>	<u>253</u>	<u>-</u>	<u>888</u>
Total revenues	<u>\$ 551</u>	<u>\$ 552</u>	<u>\$ 127</u>	<u>\$ 551</u>	<u>\$ -</u>	<u>\$ 1,781</u>
<b>EXPENSES **</b>						
Grants-in-aid	\$ 19,924	\$ 11,098	\$ 131,587	\$ 114,806	\$ -	\$ 277,415
Salaries and benefits	7,283	7,801	41,515	50,938	176,476	284,013
Travel	20,023	9,891	64,907	67,035	14,524	176,380
Supplies	4,886	653	31,384	22,569	9,815	69,307
Other	<u>6,950</u>	<u>5,294</u>	<u>14,518</u>	<u>20,213</u>	<u>13,653</u>	<u>60,628</u>
Total expenditures	<u>\$ 59,066</u>	<u>\$ 34,737</u>	<u>\$ 283,911</u>	<u>\$ 275,561</u>	<u>\$ 214,468</u>	<u>\$ 867,743</u>
Fund 21 - G/L expenses	<u>\$ 39,142</u>	<u>\$ 23,639</u>	<u>\$ 152,324</u>	<u>\$ 160,755</u>	<u>\$ 214,468</u>	<u>\$ 590,328</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 the  
Southwestern Oregon Community College District:

We have audited the accompanying basic financial statements of the Southwestern Oregon Community College District as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. 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, 2007, were audited by other auditors whose report dated October 10, 2007, 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southwestern Oregon Community College District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southwestern Oregon Community College District's internal control over financial reporting.

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

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

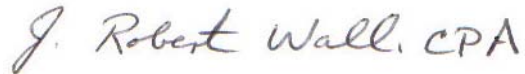
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Southwestern Oregon Community College District in a separate letter dated October 26, 2007.

This report is intended for the information and use of management; the Southwestern Oregon Community College District's Board of Directors; others within the College District; 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.

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

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

Coos Bay, Oregon  
October 26, 2007



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

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

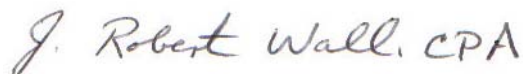
Oregon Administrative Rule (OAR) 162-010-0120 requires certain other financial information considered necessary for full disclosure of the fiscal affairs of Oregon municipal corporations. That other financial information is set forth in OAR 162-010-0130 through 162-010-0190. The basic financial statements,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

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

- As part of our audit of the basic financial statements, we reviewed and tested the College District's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. We found the College District's accounting records to be sufficient for audit. Also, the internal control structure was adequate, however, we have made suggestions for strengthening the internal controls in a separate letter to management dated October 26, 2007.
- 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 24, which ranged from \$7,176 to \$85,007 undercollateralization during twelve days during the fiscal year ended June 30, 2007.
  - 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, 2007, 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, 2007, 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  
Wall & Wall P.C., Certified Public Accountants

Coos Bay, Oregon  
October 26, 2007

**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, 2007. 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.

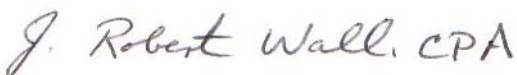
In our opinion, Southwestern Oregon Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

**Internal Control Over Compliance**

The management of Southwestern Oregon Community College District is responsible for establishing and maintaining effective internal control over compliance with the 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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider material weaknesses. However, we conveyed recommendations and suggestions for strengthening and improving the Southwestern Oregon Community College District's internal controls in a separate letter to management dated October 26, 2007.

This report is intended solely for the information and use of management; the Board of Directors; others within the College District; 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.

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

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

Coos Bay, Oregon  
October 26, 2007

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2007**

**Summary Of Audit Results**

1. The independent auditor's report on the financial statements expressed an unqualified opinion.
2. No significant deficiencies 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
Academic Competitiveness Grant	84.375
Federal Work Study Program	84.033
Strengthening Institutions Program – Title III	84.031A

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, 2007**

<b>Federal Grantor/pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass Through Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Direct programs:			
Student Financial Assistance			
Federal Pell Grant Program	84.063	P063P062071	\$ 1,610,632
Federal Supplemental Educational Opportunity Grant	84.007	P007A063511	73,934
Academic Competitiveness Grant	84.375	P375A062071	11,634
Federal Work Study Program	84.033	P033A063511	93,311
Total Student Financial Aid Cluster			<u>1,789,511</u>
TRIO Program Cluster			
Educational Talent Search	84.044A		485,666
Student Support Services	84.042A	P044A020652	268,202
Upward Bound	84.047A	P047A030837	226,478
Total TRIO Cluster			<u>980,346</u>
Strengthening Institutions Program - Title III	84.031A	P031A060194	<u>185,707</u>
Subtotal direct programs			<u>2,955,564</u>
Pass-through programs from:			
State of Oregon, Department of Education			
Even Start - State Educational Agencies	84.213c		227,725
Vocational Education - Basic Grants to States	84.048A		139,983
Community Colleges & Workforce Development			
Adult Education - State Grant Program	84.002		166,832
League for Innovation in the Community College Consortium			
College and Career Transitions Initiative			
Vocational Education National Program	84.051B		73,795
Oregon University System			
Oregon Gear Up Grant	84.334S	PL 105-244	3,614
Subtotal pass-through programs			<u>611,949</u>
Total U.S. Department of Education			<u>3,567,513</u>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</b>			
Pass-through programs from:			
Coos County, Commission on Children and Families			
Child Care & Development Block Grant	93.575		48,656
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		122,254
Oregon Council on Developmental Disabilities			
Child Care & Development Block Grant	93.575	113988	5,693
Subtotal Child Care & Development Block Grant (carried forward to next page)			<u>178,603</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE**  
**Schedule of Expenditures of Federal Awards (continued)**  
**For the Year Ended June 30, 2007**

<b>Federal Grantor/pass-through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass Through Number</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES (continued)</b>			
Pass-through programs from (sub-total carried from previous page):			\$ 178,603
South Coast Business Employment Corporation			
Temporary Assistance to Needy Families	93.558	TANF 05-100	232,887
Nutrition Services & Initiative Program	93.053	AAA#16-05	4,892
Coos County Commission on Children and Families			
Early Learning Fund	93.577		45,263
Oregon Department of Human Services			
Family Support Connections	93.590		42,872
Total U.S. Department of Health & Human Services			<u>504,517</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Pass-through programs from:			
State of Oregon Department of Community Colleges and Workforce Development			
Workforce Investment Act: Dislocated Worker	17.260	GRNT06111	28,329
Workforce Investment Act: Incentives Grants - Section 503 Grants to States	17.267		64,092
Chemeketa Community College			
Employment & Training, Community-Based Job Training	17.261	556-06	102,156
Total U.S. Department of Labor			<u>194,577</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Pass-through programs from:			
State of Oregon, Department of Education			
Child and Adult Food Program	10.558	172110 & 1	265,970
Summer Food Service Program for Children	10.559	162116 & 7	3,012
Commodity Supplemental Food Program	10.565	162114&172114	2,059
Total U.S. Department Agriculture			<u>271,041</u>
<b>OTHER PROGRAMS</b>			
<b>SMALL BUSINESS ADMINISTRATION</b>			
Pass-through programs from:			
Lane Community College			
Small Business Development Center	59.037		40,799
<b>NATIONAL SCIENCE FOUNDATION</b>			
Direct programs:			
Education and Human Resources	47.076	DUE-0411351	5,200
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>			
Direct programs:			
Retired Senior Volunteer Program	94.002	05SRPOR003	64,153
Total Other Programs			<u>110,152</u>
Total expenditures of federal awards			<u>\$ 4,647,800</u>

**SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2007**

**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, 2007 are as follows:

Federal Stafford Loans	\$ 2,184,962
Federal Plus Loans	207,028

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 - SUBRECIPIENTS**

During the year ended June 30, 2007, the College District did not provide any financial awards to subrecipients.



**ATTACHMENT**

Management Letter (SAS 112)

To the Board of Directors and Management  
Southwestern Oregon Community College District

In planning and performing our audit of the financial statements of Southwestern Oregon Community College District (College District) as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, including newly effective American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 112, we considered the College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' internal control.

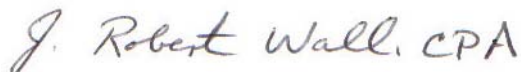
Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies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

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

- Inadequate documentation of the design of internal controls over the College District's capital assets inventory.
- Inadequate design of the effectiveness of internal control over the College District's accounts payable procedures.
- Inadequate internal control design of the College District's documentation of oversight review on bank reconciliations.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that none of the deficiencies constitute a material weakness.

This communication is intended solely for the information and use of management, the Board of Directors and others within the College District, and is not intended to be and should not be used by anyone other than these specified parties.



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

Coos Bay, Oregon  
October 26, 2007