

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2008

**SOUTHWESTERN OREGON COMMUNITY
COLLEGE DISTRICT**

**COLLEGE DISTRICT OFFICIALS
As of June 30, 2008**

Lonny Anderson
Board Chair

Cherie Mitchell
Board Vice Chair

Harry Abel

David Bridgham

Rick Howell

Marcia Jensen

Carol Oelke

Dr. Judith Hansen, President/Clerk
(resigned October of 2008)

Patty Scott, President/Clerk
(started October of 2008)

Dr. Sheldon Meyer,
Vice President of Administrative Services
(retired October of 2008)

Linda Kridelbaugh,
Interim Vice President of Administrative Services
(started October of 2008)

Ron Olson – Business Office Director

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

**SOUTHWESTERN OREGON COMMUNITY
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**ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2008**

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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, 2008, 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 opinions on these basic financial statements based on our audit. We did not audit the financial statements of Southwestern Oregon Community College Foundation, Inc. (the discretely presented component unit), which represents 4.8%, 17.2%, and 1.6%, 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 opinions, insofar as they relate to the amounts included for the College District, are 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, 2008, were audited by these other auditors whose report dated December 4, 2008, 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 opinions.

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, the aggregate discretely presented component unit, and the aggregate remaining fund information, as of June 30, 2008, and the results of their changes in financial position, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2009, 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.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwestern Oregon Community College District's basic financial statements. 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 Financial Schedules, 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.

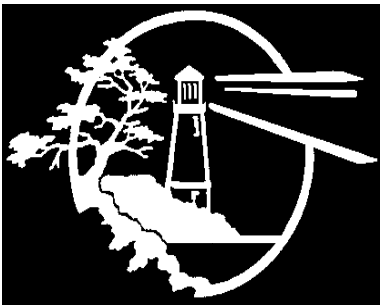
As discussed in NOTE 12 to the financial statements, several reasons are described that a question has arisen about the ability of the Southwestern Oregon Community College District to meet its obligations as they become due. The financial statements do not include any adjustment relating to the amounts and classification of liabilities that might be necessary if Southwestern Oregon Community College District is not able to meet its debts or obligations as they come due.

J. Robert Wall, CPA

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

Coos Bay, Oregon
January 9, 2009

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 or College) financial activities for the fiscal year ended June 30, 2008 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 total assets of Southwestern exceeded its liabilities at the close of fiscal year 2008 by \$12,377,807 (net assets). Of this amount, \$2,906,236 (unrestricted net assets) may be used to meet the College's ongoing obligations to citizens, debt service, creditors, and employees.
- The College's total net assets increased by \$4,338,410. This was due to primarily to a prior period adjustment of \$4,678,465 for the net pension asset.
- Southwestern's governmental funds reported combined ending fund balances of \$2,585,875, a decrease of \$1,281,579 over the prior year.
- At the end of the fiscal year, the General Fund had an unreserved fund balance of \$708,431.
- Southwestern refinanced \$9,290,000 of construction bonds in September 2007 to reduce the interest expense over the life of the bonds. A loan of \$300,000 was received from the Foundation. Principal payments were made during the year. The net effect of these transactions was a net decrease of \$169,478 in total debt.
- 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 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 non-operating, with operating revenues primarily coming from tuition, grants, and contracts. State appropriations and property taxes are classified as non-operating 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 schedule 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 schedule 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 schedule elsewhere in this report.

Southwestern adopts an annual appropriated budget for all of its funds. A budgetary comparison schedule 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, English Language Institute, 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, 2008 shows assets of \$53,877,650, liabilities of \$41,499,843, and net assets of \$12,377,807. The largest portion of Southwestern's net assets 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.

	2008	2007	% Change
Assets			
Current assets	\$ 5,396,065	\$ 4,633,053	16.5
Restricted Cash	17,441	16,734	4.2
Net Pension Asset	13,952,180	10,727,345	30.1
Capital assets, net of depreciation	34,511,964	34,134,279	1.1
Total assets	<u>\$53,877,650</u>	<u>\$49,511,411</u>	8.8
Liabilities			
Current liabilities	\$ 4,774,819	\$ 3,741,293	27.6
Long term debt, noncurrent portion	36,725,024	37,730,721	(2.7)
Total liabilities	<u>\$41,499,843</u>	<u>\$41,472,014</u>	0.0
Net Assets			
Invested in capital assets, net related debt	\$ 8,573,477	\$ 7,410,993	15.7
Restricted	1,646,223	16,734	9737.6
Unrestricted	2,158,107	611,670	252.8
Total net assets	<u>\$12,377,807</u>	<u>\$ 8,039,397</u>	54.0

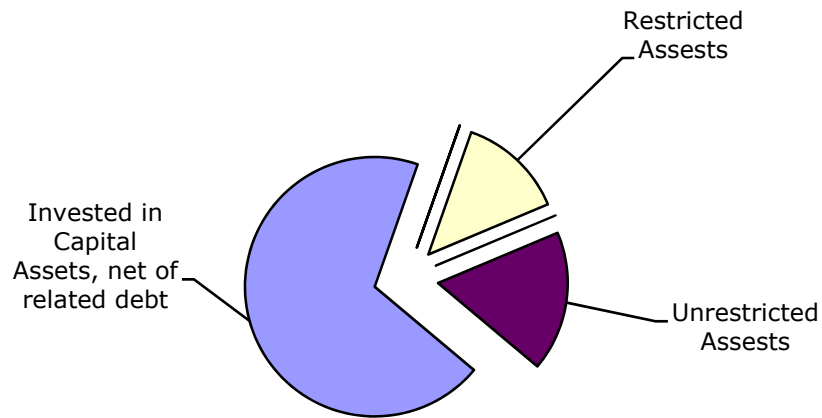
Current assets include cash and investments, accounts receivable from students, the State of Oregon, and others, property taxes, prepaid expenses, and inventory. The College's current assets of \$5,396,065 were sufficient to cover its current liabilities of \$4,774,819. This represents a ratio of 1.13; 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 \$34,511,964 net of accumulated depreciation.

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

The College's investment in capital assets (e.g., land, buildings, and equipment), less any related outstanding debt used to acquire those assets, reflects approximately 64% 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 or accrued 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 6/30/08:

Net Assets as of June 30, 2008



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 non-operating revenues and expenses. Annual State appropriations and property taxes, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles (GAAP).

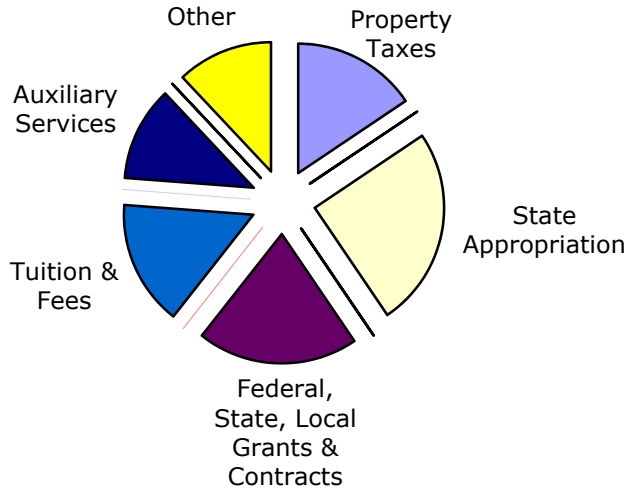
<u>Operating Results for the year ended June 30</u>	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Operating Revenues:			
Tuition & Fees (net of scholarship allowances)	\$ 4,979,782	\$ 4,339,489	14.8
Federal, State, and Local Grants & Contracts	6,411,847	5,921,569	8.3
Auxiliary (net of scholarship allowances)	3,762,438	3,914,291	(3.9)
Donations	124,237	-	100.0
Other Revenue	790,143	-	100.0
Total Operating Revenues	<u>16,068,447</u>	<u>14,175,349</u>	13.4
Operating Expenses:			
Instruction	8,381,382	7,424,102	12.9
Instructional Support	3,560,913	2,690,255	32.4
College Support	4,050,756	2,836,854	42.8
Plant Operations & Maintenance	1,344,394	1,318,139	2.0
Student Services	1,908,292	1,727,701	10.5
Community Services	2,637,778	2,510,396	5.1
Financial Aid	2,673,941	2,743,384	(2.5)
Auxiliary Enterprises	4,336,743	3,638,647	19.2
Early Retirement Costs	173,343	161,964	7.0
Depreciation	1,194,657	1,117,500	6.9
PERS UAL Amortization	-	498,222	(100.0)
Total Operating Expenses	<u>30,262,199</u>	<u>26,667,164</u>	13.5
Net Operating Gain (Loss)	<u>(14,193,752)</u>	<u>(12,491,815)</u>	13.6
Non-operating Revenues:			
State Appropriation	7,955,719	5,401,294	47.3
Property Taxes	4,975,844	4,728,758	5.2
Other	2,915,319	1,153,643	152.7
Total Non-operating Revenues	<u>15,846,882</u>	<u>11,283,695</u>	40.4
Non-operating Expenses	<u>(1,993,185)</u>	<u>(1,851,803)</u>	7.6
Increase (Decrease) in Net Assets	(340,055)	(3,059,923)	(88.9)
Net Assets, Beginning of Year, as originally reported	8,039,397	11,099,320	27.6
Prior period adjustments – net pension asset	4,678,465	-	100.0
Net Assets, Beginning of Year, as restated	<u>12,717,862</u>	<u>11,099,320</u>	14.6
Net Assets, End of Year	<u>\$12,377,807</u>	<u>\$ 8,039,397</u>	54.0

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 \$6,411,847. Tuition and fees totaled \$4,979,782. Auxiliary services totaled \$3,762,438.

The largest non-operating revenue source is from the State of Oregon. Annually, the State appropriates funding for community colleges. The College received \$8,940,321 for FTE reimbursement in fiscal year 2008.

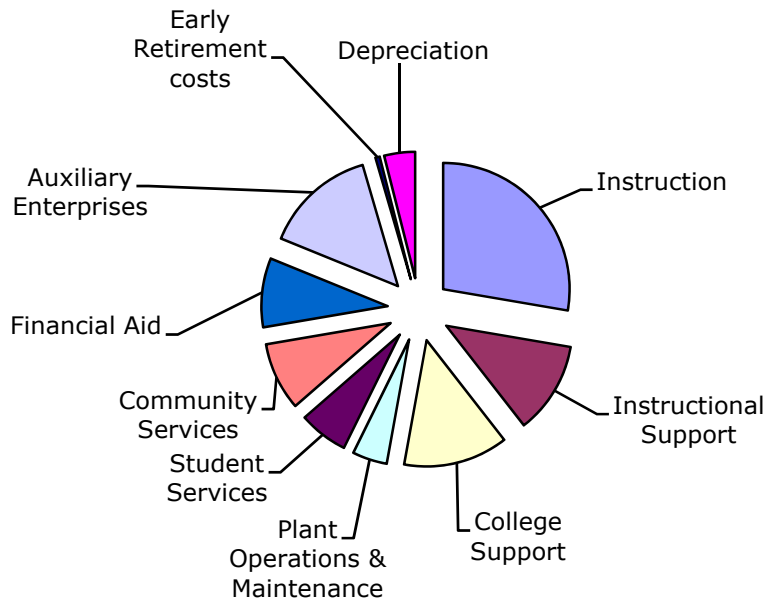
The following graph shows the allocation of revenues, both operating and non-operating, for the College:

Revenue Sources for Fiscal Year 2008



Operating expenses totaling \$30,262,199 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:

Expenses FY08



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>2008</u>	<u>2007</u>	<u>% Change</u>
Cash Provided By (Used In):			
Operating Activities	\$(11,993,503)	\$(11,175,255)	7.3
Non-capital Financing Activities	16,227,545	11,014,987	47.3
Capital Financing Activities	(3,937,598)	(2,041,786)	92.9
Investing Activities	165,500	250,192	(33.9)
Net Increase (Decrease) in Cash	461,944	(1,951,862)	
Cash – Beginning of Year	1,742,996	3,694,858	(52.8)
Cash – End of Year	<u>\$ 2,204,940</u>	<u>\$ 1,742,996</u>	26.5

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 Final Budget.

Capital Assets and Debt Administration

Capital Assets

The College's investment in capital assets as of June 30, 2008 amounts to \$34,511,964 net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, equipment, and art & historical treasures.

Long Term Debt

At the end of the fiscal year, Southwestern's outstanding long term debt amounted to \$36,402,345. Of this amount, \$1,672,065 represents lease purchase certificates of participation, \$36,102,345 is bonds payable, and \$300,000 is payable to the Foundation.

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 were initially intended, in part, to derive income streams to have funds available to pay principal and interest on the obligations, however, the Recreation Center's current income levels are not at an adequate level to do so.

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 are utilized to pay operations, maintenance, and debt service on the units.

The College advance refunded \$9,290,000 of bonds payable for the Culinary Arts building, Student Housing, Student Recreation Center, Dryvit, and the Performing Arts Center in fiscal year 2008 to take advantage of lower long term interest rates. \$9,950,000 of bonds were issued.

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 not-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.

The Foundation's audit report is available at the College District's Business Office.

Financial information for the component unit is found in the financial statements (pages 14-17) in a discrete column. Summary information follows:

	2008		2008
Current Assets	\$ 141,521	Operating Revenues	\$ 478,731
Non-current Assets	<u>2,455,239</u>	Operating Expenses	<u>553,604</u>
Total Assets	<u>\$2,596,760</u>	Operating Gain (Loss)	<u>(74,873)</u>
Current Liabilities	\$ 26,455	Non-operating Revenues	<u>(357,307)</u>
Restricted Net Assets	1,303,107	Increase in Net Assets	<u>(432,180)</u>
Unrestricted Net Assets	<u>1,267,198</u>	Net Assets – Beg. of Year	<u>3,002,485</u>
Total Liabilities & Net Assets	<u>\$2,596,760</u>	Net Assets – End of Year	<u>\$2,570,305</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 2008. It was paid to Southwestern on July 15, 2008. According to GAAP, the College must recognize this as revenue in fiscal year 2008, which we have. The State appropriation has increased significantly for fiscal year 2008 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 FY08.

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. Feedback indicates that students appreciate the fee structure because it is easier to calculate what their charges will be.

In FY07 the State of Oregon reserved \$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 Office Director
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, 2008

	Primary Government	Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,187,161	\$ 41,521
Receivables		
Taxes	362,933	-
Accounts	2,617,789	-
Refundable deposits	37,080	-
Loan	-	100,000
Prepaid expenses	23,146	-
Inventory	167,956	-
Total current assets	5,396,065	141,521
Noncurrent assets		
Restricted cash - pension and refunding bonds	17,441	-
Long-term investments	-	2,247,739
Loan receivable	-	200,000
Net pension asset	13,952,180	-
Capital assets (net of accumulated depreciation)	34,511,964	7,500
Total noncurrent assets	48,481,585	2,455,239
Total assets	\$ 53,877,650	\$ 2,596,760
LIABILITIES		
Current liabilities		
Accounts payable	\$ 1,091,283	\$ 26,455
Accrued expenses	818,233	-
Compensated absences payable	603,392	-
Accrued interest payable	85,790	-
Due to other agencies	108,664	-
Deferred revenue, deposits	116,826	-
Early retirement benefits	601,245	-
Noncurrent liabilities		
Due within one year		
Bonds payable	1,055,000	-
Capital leases payable	194,386	-
Loan payable to component unit	100,000	-
Total current liabilities	\$ 4,774,819	\$ 26,455

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, 2008

	Primary Government	Component Unit
Total current liabilities (from previous page)	\$ <u>4,774,819</u>	\$ <u>26,455</u>
Noncurrent liabilities, net of current portions		
Pension bonds payable	13,075,000	-
Bonds payable, net of unamortized costs	21,972,345	-
Capital leases payable	1,477,679	-
Loan payable	<u>200,000</u>	<u>-</u>
Total noncurrent liabilities, net	<u>36,725,024</u>	<u>-</u>
Total liabilities	<u>41,499,843</u>	<u>26,455</u>
NET ASSETS		
Net assets invested in capital assets	34,511,964	-
Less: net related debt	<u>(25,938,487)</u>	<u>-</u>
Investment in capital assets, net of related debt	8,573,477	-
Restricted assets		
Restricted for pension bond obligations	894,621	-
Restricted for student financial aid	3,473	-
Restricted for capital projects	748,129	-
Temporarily restricted	-	860,348
Permanently restricted	-	442,759
Unrestricted	<u>2,158,107</u>	<u>1,267,198</u>
Total net assets	<u>12,377,807</u>	<u>2,570,305</u>
Total liabilities and net assets	<u>\$ 53,877,650</u>	<u>\$ 2,596,760</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 REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of \$539,477	\$ 4,979,782	\$ -
Federal grants and contracts	5,237,135	-
State and local government grants and contracts	981,083	-
Nongovernment grants, contracts, and special fees	193,629	-
Auxiliary enterprises		
Food services	16,052	-
Bookstore, net of scholarship allowances of \$567,236	637,541	-
Student housing, net of scholarship allowances of \$257,539	1,645,190	-
Newmark center	479,604	-
Conferences	103,136	-
Culinary arts, net of scholarship allowances of \$121,366	801,012	-
Other auxiliary enterprises	79,903	-
Donations	124,237	477,786
Other operating revenues	790,143	945
Total operating revenues	16,068,447	478,731
OPERATING EXPENSES		
Education and general		
Instruction	8,381,382	-
Instructional support	3,560,913	-
College support	4,050,756	-
Plant operations and maintenance	1,344,394	-
Other support services		
Student services	1,908,292	-
Community services	2,637,778	-
Student financial aid	2,673,941	-
Auxiliary enterprises		
Food services	41,705	-
Bookstore	1,086,885	-
Student housing	1,531,786	-
Newmark center	259,288	-
Conferences	87,305	-
Culinary arts	1,095,356	-
Other auxiliary enterprises	234,418	-
Early retirement costs	173,343	-
Depreciation expense	1,194,657	7,407
Foundation operating expenses	-	546,197
Total operating expenses	30,262,199	553,604
Excess (deficiency) of revenues over (under) expenses (carried forward to next page)	\$ (14,193,752)	\$ (74,873)

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, 2008

	<u>Primary Government</u>	<u>Component Unit</u>
Excess (deficiency) of revenues over (under) expenses (from previous page)	\$ <u>(14,193,752)</u>	\$ <u>(74,873)</u>
NON-OPERATING REVENUES (EXPENSES)		
State community college support	7,955,719	-
Other state sources	2,749,819	-
Property taxes	4,975,844	-
Investment loss on net pension asset	(330,670)	-
Interest and investment income (loss)	165,500	(357,307)
Interest expense	<u>(1,662,515)</u>	<u>-</u>
Total net non-operating revenues (expenses)	<u>13,853,697</u>	<u>(357,307)</u>
Net change in net assets	<u>(340,055)</u>	<u>(432,180)</u>
NET ASSETS		
Net assets - beginning of the year (as originally reported)	8,039,397	3,002,485
Prior period adjustment		
Net pension asset	<u>4,678,465</u>	<u>-</u>
Net assets - beginning of the year (as restated)	<u>12,717,862</u>	<u>3,002,485</u>
Net assets - end of the year	<u>\$ 12,377,807</u>	<u>\$ 2,570,305</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, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 5,288,339
Federal student financial aid grants	2,098,055
Federal grants and contracts	3,139,639
State and local government grants and contracts	981,083
Other operating revenue	790,143
Payments to suppliers for goods and services	(5,947,878)
Payments to employees and payroll taxing agencies, for services	(15,986,203)
Payments for student financial aid and other scholarships	(2,548,930)
Payment for early retirement	(173,343)
Auxiliary enterprises:	
Cash received from customers	4,746,258
Paid to suppliers and employees	<u>(4,380,666)</u>

Net cash (used) by operating activities \$ (11,993,503)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Cash received from property taxes	4,922,883
Cash received from State community college support	8,554,843
Cash received from other state sources	<u>2,749,819</u>

Net cash provided by non-capital financing activities 16,227,545

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(1,334,947)
Proceeds from long-term debt	10,295,000
Principal payments on long-term debt	(1,244,338)
Debt defeased/payments to escrow agent	(9,290,000)
Interest payments on long-term debt	(1,658,313)
Bond issuing costs, discounts, and differences	<u>(705,000)</u>

Net cash (used) by capital and related financing activities (3,937,598)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>165,500</u>
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NET (DECREASE) IN CASH AND CASH EQUIVALENTS 461,944

CASH AND CASH EQUIVALENTS, JULY 1, 2007 1,742,996

CASH AND CASH EQUIVALENTS, JUNE 30, 2008 \$ 2,204,940

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2008

RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET ASSETS

Unrestricted cash and cash equivalents	\$ 2,187,161
Restricted cash and cash equivalents	<u>17,441</u>

TOTAL CASH AND CASH EQUIVALENTS **\$ 2,204,602**

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

Operating (loss) \$ (14,193,752)

Adjustments to reconcile net income to net cash provided by operating activities

Depreciation	1,194,657
Amortization	
Debt issuance costs and refunding differences	483,310
Change in assets and liabilities	
Accounts receivable	(230,920)
Prepaid expenses	(11,389)
Inventories	(6,843)
Accounts payable	487,632
Accrued expenses	224,495
Due to other agencies	13,302
Deferred revenue	35,189
Compensated absences payable	47,767
Early retirement	<u>(36,951)</u>

Net cash used by operating activities **\$ (11,993,503)**

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets by donations	\$ 124,237
Acquisition of capital assets through borrowings	121,624
Investment loss on net pension asset	(330,670)
Net pension asset	<u>330,670</u>

Total net noncash capital and related financing activities **\$ 245,861**

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, 2008

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, 2008.

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, 2008. The Foundation's summarized financial activity and financial position for the current fiscal year are discretely presented in a separate column in the College District's basic financial statements; however, GASB does not require a Statement of Cash Flows presentation for the Foundation 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 District's Business Office Director and the College District'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

State statutes authorize the College District to invest in banker’s acceptances; time certificates of deposits; repurchase agreements; obligations of the U.S. Treasury and its agencies; the agencies and instrumentalities of the United States and the States of Oregon, Washington, Idaho, and California; the Oregon State Treasury’s Local Government Investment Pool; demand deposits; and fixed or variable life insurance or annuity contracts for funding deferred compensation. The College District’s investment policy is more restrictive than state statutes.

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 qualified 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, vehicles, 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, vehicles, and machinery, 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, vehicles, 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, net of premiums, 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.

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 wide basis by allocating the cash payments to students, excluding payments for services, on the ratio 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

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the College District (including self-imposed legal mandates) or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

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 financial aid programs. The restricted net assets of \$894,621 represents cash from the pension bond issuance held in restricted cash accounts and PERS side accounts to be utilized for debt service (NOTE 13I). Restricted net assets for capital projects of \$748,129 represents those described for the Curry County Campus below. When both restricted and unrestricted resources are available for use, it is the College District's policy to use restricted resources first, then unrestricted resources as they are needed. The unrestricted net assets may be utilized by the College District to meet its ongoing operations and debt service obligations (page 37).

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Curry County Campus Project

While not formally reserved by the Board of Education, the College District's ending fund balance at June 30, 2008, in the Capital Project's Plant Fund in the amount of \$748,129 was substantially less than what was thought (by several within the College District's management) to be accumulated and designated for future capital construction, expansion, and acquisitions for the existing Curry County, Oregon, campus project (Project).

During the 1996 fiscal period the College District began transferring monies (\$500,000) to the Plant Fund for the Project, and did so again for the same amount, during the ensuing 1997 fiscal year. A school building in Brookings, Oregon was acquired in fiscal 1999 for \$164,500, plus other costs, to house the College District's Curry County operations. During fiscal 2003 the College District received State of Oregon Department of Community Colleges and Workforce Development (CCWD) funding of \$960,000, which was deposited within the Plant Fund for the stated purpose of the Curry County Project. With various other costs, expenses, and interest revenues allocated by the College District to the Curry County Project during the twelve fiscal years since the initial transfer for the Project, the accumulated balance recorded in the College District's ledgers within the Plant Fund for the Curry County Campus Project was \$1,813,418 as of July 1, 2007, which was \$150,168 within the total Plant Fund's reported fund balance of \$1,963,586, as of the beginning of the current fiscal year under audit. As of June 30, 2008, the restricted net assets for Capital Projects (Curry Campus) are considered by the College District to be the \$748,129 balance described in the preceding paragraph.

At the audit report date the CCWD has \$2,300,000 designated and earmarked for the Curry County Campus Project, however, the College District first must provide evidence to CCWD documenting such costs have been incurred on the Project by the College District prior to disbursement of funds.

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.

A budget is prepared for all College District funds in the main categories required by Oregon Local Budget Law – personal services, materials and services, capital outlay, other financing uses, and debt service. However, the College District’s legal spending authority is defined by a resolution passed by the Board of Education making the appropriations and adopting the budget. The legally adopted appropriations are by function, such as Instruction and Instructional Support.

The College District budgets and accounts for its funds using the current financial resources measurement focus and the modified accrual basis of accounting, consistent with Oregon Local Budget Law. The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, consistent with GAAP. Schedules comparing actual to budget on the budget basis are provided for all funds.

The College District begins its budget process each year with the establishment of the budget committee. Recommendations are developed through early spring and the budget committee approves the budget in late spring. Public notices of the budget committee meetings and the public hearing prior to adoption are published in accordance with Oregon Local Budget Law. The Board of Education may amend the budget prior to adoption; however, budgeted expenditures for each fund may not be increased by more than ten percent. The budget is then adopted, appropriations are made, and the tax levy is declared no later than June 30.

Expenditures cannot legally exceed the appropriation levels, which are adopted by Board resolution. The Board of Education can change the budget throughout the year by appropriation transfers between levels of control and supplemental budgets as authorized by Oregon Revised Statutes. The budget basis financial schedules reflect the original budget plus all approved supplemental appropriations and appropriation transfers. Annual appropriations lapse at fiscal year end on June 30.

During the fiscal year ended June 30, 2008 the following appropriation overexpenditures occurred within the College District’s budgetary financial statements:

General Fund	
Other financing uses	
Payments to escrow agent	\$ (332,402)
Financial Aid Fund	
Personal services	(4,527)

Also, for the ensuing 2008-2009 budget year adoption, several of the resource and requirements’ amounts budgeted appeared excessive or unduly inflated. See also NOTE 14B for additional 2008-2009 budget information and deficiencies noted.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash and cash equivalents of the primary government at June 30, 2008, are comprised of:

Cash on hand	\$ 3,850
Carrying amount of deposits	1,293,738
Carrying amount of cash with Coos, Curry and Douglas Counties	48,087
State of Oregon Local Government Investment Pool	<u>858,927</u>
Total cash and cash equivalents	<u>\$ 2,204,602</u>
Cash per Statement of Net Assets	
General Fund	\$ 2,074,875
Special Revenue Fund	127,198
Enterprise Fund	<u>2,529</u>
Total by Funds - primary government	<u>\$ 2,204,602</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, 2008, the carrying amount of the College District's deposits in financial institutions and the County Treasurers was \$2,200,752 and the bank balances were \$2,376,030. 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).

Custodial credit risk for deposits is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The College District does not have a policy for deposits custodial credit risk.

Investments

At June 30, 2008, the College District had invested \$858,927 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, 2008. In addition, the College District utilizes three County Treasury Pools for maintaining deposits from property tax collection proceeds (pages 26 and 27). The Oregon Short-Term Fund does not receive credit quality ratings from nationally recognized statistical rating organizations.

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, 2008 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, 2008: LGIP 95%, County Treasury Pools 5% (also refer to below).

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Oregon Short-Term Fund manages this risk by limiting the maturity of the investments held by the fund. Weighted average maturities of investments in the Oregon Short-Term Fund at June 30, 2008 were: 77% mature within 93 days, 3% mature from 94 days to one year, and 20% mature from one to three years.

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, 2007 through June 30, 2008	\$ 1,000,000	\$ 3,500,000

During the year ended June 30, 2008, 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 16, 2008 through February 7, 2008	\$ 526,498
April 9, 2008 through May 1, 2008	225,515

These instances resulted primarily 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, 2008, are as follows:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Totals</u>
Taxes	\$ 362,933	\$ -	\$ -	\$ -	\$ 362,933
Accounts	<u>1,917,578</u>	<u>616,555</u>	<u>22,501</u>	<u>61,151</u>	<u>2,617,785</u>
Net total receivables	<u>\$ 2,280,511</u>	<u>\$ 616,555</u>	<u>\$ 22,501</u>	<u>\$ 61,151</u>	<u>\$ 2,980,718</u>

The College District increased accounts receivable at the beginning of the fiscal year in the Special Projects Fund by \$21,585.

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 \$824,715 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 2007-2008, the College District levied property taxes in the amount of \$4,560,700. After reduction for estimated shared offsets and loss due to constitutional limits of \$53,065, this resulted in a net levy of \$4,507,635. The tax rate for the fiscal year 2007-2008 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, 2008:

	<u>Receivable 7/1/2007</u>	<u>2007-2008 Net Levy</u>	<u>Collections and Adjustments</u>	<u>Receivable 6/30/08</u>
Coos County				
2007-08	\$ -	\$ 2,675,802	\$ (2,523,561)	\$ 152,241
2006-07	123,286	-	(61,549)	61,737
2005-06	49,980	-	(20,879)	29,101
2004-05	27,137	-	(16,891)	10,246
2003-04	10,465	-	(8,979)	1,486
2002-03	1,575	-	(531)	1,044
2001-02	877	-	(235)	642
Prior years	4,260	-	(181)	4,079
Total Coos County	<u>217,580</u>	<u>2,675,802</u>	<u>(2,632,806)</u>	<u>260,576</u>
Curry County				
2007-08	-	1,574,218	(1,523,980)	50,238
2006-07	44,064	-	(26,743)	17,321
2005-06	15,559	-	(7,276)	8,283
2004-05	8,440	-	(5,084)	3,356
2003-04	3,275	-	(2,636)	639
2002-03	693	-	(215)	478
2001-02	196	-	(9)	187
Prior years	372	-	(6)	366
Total Curry County	<u>72,599</u>	<u>1,574,218</u>	<u>(1,565,949)</u>	<u>80,868</u>
Douglas County				
2007-08	-	257,615	(245,445)	12,170
2006-07	10,152	-	(5,443)	4,709
2005-06	4,930	-	(2,225)	2,705
2004-05	2,743	-	(1,630)	1,113
2003-04	1,201	-	(967)	234
2002-03	213	-	(86)	127
2001-02	222	-	(55)	167
Prior years	332	-	(68)	264
Total Douglas County	<u>19,793</u>	<u>257,615</u>	<u>(255,918)</u>	<u>21,489</u>
Total – all counties	<u>\$ 309,972</u>	<u>\$ 4,507,635</u>	<u>\$ (4,454,673)</u>	<u>\$ 362,933</u>

NOTE 5. CAPITAL ASSETS - Primary Government

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated				
Land	\$ 128,619	\$ 640,320	\$ -	\$ 768,939
Construction in progress	1,181,688	291,761	(1,230,887)	242,562
Art works collection	145,000	-	-	145,000
Total capital assets not being depreciated	<u>1,455,307</u>	<u>932,081</u>	<u>(1,230,887)</u>	<u>1,156,501</u>
Capital assets being depreciated				
Land improvements	981,116	27,405	-	1,008,521
Library books	550,358	44,937	(4,094)	591,201
Buildings	38,506,860	1,461,996	-	39,968,856
Equipment and vehicles	4,183,251	331,025	(61,037)	4,453,239
Total capital assets being depreciated	<u>44,221,585</u>	<u>1,865,363</u>	<u>(65,131)</u>	<u>46,021,817</u>
Less accumulated depreciation for				
Land improvements	(813,859)	(32,102)	-	(845,961)
Library books	(226,109)	(13,749)	1,680	(238,178)
Buildings	(7,895,587)	(877,488)	-	(8,773,075)
Equipment and vehicles	(2,607,058)	(257,576)	55,494	(2,809,140)
Total accumulated depreciation	<u>(11,542,613)</u>	<u>(1,180,915)</u>	<u>57,174</u>	<u>(12,666,354)</u>
Total capital assets being depreciated, net	<u>32,768,972</u>	<u>684,448</u>	<u>(7,957)</u>	<u>33,445,463</u>
Total capital assets, net	<u>\$ 34,134,279</u>	<u>\$ 1,616,529</u>	<u>\$ (1,238,844)</u>	<u>\$ 34,511,964</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, 2008:

Fiscal Year Ending June 30	Principal	Interest	Total
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	200,000	690,228	890,228
2014-2018	1,970,000	3,244,347	5,214,347
2019-2023	4,175,000	2,511,933	6,686,933
2024-2028	6,410,000	1,033,834	7,443,834
Total	\$ <u>13,075,000</u>	\$ <u>10,286,657</u>	\$ <u>23,361,657</u>

Other Limited Tax Obligations - The College District originally issued 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
Series 1995 Obligations	06/01/95	4.5-5.00%	\$ 315,000
Series 1998 Obligations	06/01/98	4.5-5.40%	840,000
Series 2002 Obligations	01/01/02	4.0-5.25%	910,000
Series 2003 Refunding Obligations (1)	10/01/03	2.0-4.60%	9,980,000
Series 2004 Obligations	06/01/04	2.0-5.00%	9,855,000
Series 2005 Obligations	03/29/05	3.0-5.00%	4,800,000
Series 2006 Obligations	09/13/06	4.0-4.20%	2,500,000
Series 2007 Refunding Obligations (2)	09/17/07	4.0-4.30%	9,995,000
			<u>39,195,000</u>
Series 2004 Pension Bonds	02/24/04	3.348-5.53%	<u>13,075,000</u>
Total Full Faith and Credit Obligations			<u>\$52,270,000</u>

Full Faith and Credit Obligations	Beginning Balance 7/1/07	(Defeased)/ Advance Refunding (2)	Principal Paid	Ending Balance 6/30/08	Amount Due Within 1 Year
Series 1995 Obligations	\$ 85,000	\$ -	\$ 25,000	\$ 60,000	\$ 30,000
Series 1998 Obligations	640,000	(615,000)	25,000	-	-
Series 2002 Obligations	630,000	(385,000)	55,000	190,000	60,000
Series 2003 Refunding Obligations (1)	8,355,000	-	500,000	7,855,000	520,000
Series 2004 Obligations	9,505,000	(6,305,000)	150,000	3,050,000	170,000
Series 2005 Obligations	4,595,000	(1,985,000)	125,000	2,485,000	130,000
Series 2006 Obligations	2,410,000	-	60,000	2,350,000	65,000
Series 2007 Refunding Obligations (2)	-	9,995,000	165,000	9,830,000	65,000
	<u>26,220,000</u>	<u>705,000</u>	<u>1,105,000</u>	<u>25,820,000</u>	<u>1,040,000</u>
Series 2004 Pension Bonds	<u>13,075,000</u>	<u>-</u>	<u>-</u>	<u>13,075,000</u>	<u>15,000</u>
Total Full Faith and Credit Obligations	<u>\$39,295,00</u>	<u>\$ 705,000</u>	<u>\$1,105,000</u>	<u>\$ 38,895,000</u>	<u>\$ 1,055,000</u>

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

(2) The College District's Full Faith and Credit Refunding Obligations, Series 2007 refunded all or portions of the Series 1998, 2002, 2004, and 2005 Obligations in order to realize a savings on debt service payments.

Advance Refundings - The College District issued \$9,995,000 (No. 2, above) of limited tax full faith and credit refunding obligation bonds during September of 2007 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 of \$(9,290,000), above, are considered to be defeased and the liability has been removed from the business-type activities column of the statement of net assets with a total refunding difference of \$705,000 and net difference after costs of \$553,355, of which \$18,044 was amortized during the current period.

Of these bonds, \$165,000 of principal was paid during June of 2008, so the future maturity of these advance refunding bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 65,000	\$ 401,138	\$ 466,138
2010	60,000	398,537	458,537
2011	60,000	396,138	456,138
2012	140,000	393,737	533,737
2013	145,000	388,138	533,138
2014-2018	800,000	1,854,087	2,654,087
2019-2023	3,145,000	1,515,488	4,660,488
2024-2028	4,810,000	787,477	5,597,477
2029-2030	605,000	39,345	644,345
Total	\$ 9,830,000	\$ 6,174,085	\$ 16,004,085

Limited Tax Full Faith & Credit Revenue Bonds - The College District also originally issued 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 6/30/08	Amount Due Within 1 Year
Student Recreation Center	Governmental	2.00 - 5.00%	\$ 6,257,925	\$ 1,936,750	\$ 107,950
Culinary Arts Institute	Enterprise	2.00 - 5.00%	3,597,075 *	1,113,250	62,050
Total Government-Wide Business-Type Activity			\$ 9,855,000	\$ 3,050,000	\$ 170,000

The future debt maturity requirements are as follows at June 30, 2008:

Fiscal Year Ending June 30	Principal	Interest	Total
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	255,000	405,120	660,120
2014-2018	1,710,000	1,844,408	3,554,408
2019	275,000	321,635	596,635
Total	\$ 3,050,000 *	\$ 4,273,318	\$ 7,323,318

*Note – (2) \$6,305,000 of this debt was defeased September 17, 2007.

Purpose	Fund-type	Interest Rates %	Amount Issued	Ending Balance	Due Within 1 Year
Performing Arts Center	Governmental	2.00 - 4.60%	\$ 1,286,668	\$ 1,021,591	\$ 67,040
Newmark Center	Enterprise	2.00 - 4.60%	3,379,500	2,522,725	176,087
Student Housing	Enterprise	2.00 - 4.60%	5,313,832	4,310,684	276,873
Total Government-Wide Business-Type Activity			\$ 9,980,000	\$ 7,855,000	\$ 520,000

The future debt maturity requirements are as follows at June 30, 2008:

Fiscal Year Ending June 30	Principal	Interest	Total
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	620,000	227,905	847,905
2014-2018	2,765,000	783,125	3,548,125
2019-2023	1,800,000	327,420	2,127,420
2024-2025	445,000	31,050	476,050
Total	\$ <u>7,855,000</u>	\$ <u>2,469,233</u>	\$ <u>10,324,233</u>

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, 2008:

Fiscal Year Ending June 30	Principal	Interest	Total
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	150,000	179,728	329,728
2014-2018	835,000	806,807	1,641,807
2019-2023	950,000	600,528	1,550,528
Total	\$ <u>2,485,000</u> *	\$ <u>2,353,123</u>	\$ <u>4,838,123</u>

*Note – (2) \$1,985,000 of this debt was defeased September 17, 2007.

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, 2008:

Fiscal Year Ending June 30	Principal	Interest	Total
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	75,000	85,385	160,385
2014-2018	425,000	379,925	804,925
2019-2023	515,000	287,356	802,356
2024-2028	625,000	172,703	797,703
2029-2031	440,000	37,590	477,590
Total	\$ <u>2,350,000</u>	\$ <u>1,331,899</u>	\$ <u>3,681,899</u>

During the 2007-2008 fiscal year \$60,000 principal and \$98,585 of interest was paid on this debt of which 72% was previously 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).

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 of the \$640,000 debt balance at July 1, 2007, \$615,000 (2) was defeased on September 17, 2007, and \$25,000 of principal was paid to retire the obligation in total.

Note Payable

On November 1, 2007, the College District borrowed \$300,000 from the Southwestern Oregon Community College Foundation, its discretely presented component unit, for the purpose of acquiring vacant real property. Total cost of the lot was \$495,000, including all fees. This no interest loan is to be repaid at a rate of \$100,000 per year, over the next three fiscal periods, beginning November 1, 2008. The note was not discounted due to immaterial results.

The payoff schedule is as follows:

<u>Payment Date</u>	<u>Payment Amount</u>	<u>Balance Amount</u>
		\$ 300,000
11/1/2008	\$ 100,000	200,000
11/1/2009	100,000	100,000
11/1/2010	100,000	-

NOTE 7. LEASES - Primary Government

A. Capital Leases

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

The future maturities of the debt retirement obligation pertaining to the Dryvit Project at June 30, 2008, are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 43,296	\$ 21,332	\$ 64,628
2010	46,904	19,276	66,180
2011	46,904	16,931	63,835
Total	\$ 137,104*	\$ 57,539	\$ 194,643

*Note – (2) \$277,816 of this debt was defeased September 17, 2007.

The future maturities of the debt retirement obligation pertaining to the Performing Arts Center at June 30, 2008, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 16,704	\$ 8,230	\$ 24,934
2010	18,096	7,437	25,533
2011	18,096	6,532	24,628
Total	\$ <u>52,896*</u>	\$ <u>22,199</u>	\$ <u>75,095</u>

*Note – (2) \$107,184 of this debt was defeased September 17, 2007.

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, 2008 is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 30,000	\$ 3,570	\$ 33,570
2010	30,000	1,800	31,800
Total	\$ <u>60,000</u>	\$ <u>5,370</u>	\$ <u>65,370</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, 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 32,689	\$ 3,311	\$ 36,000
2010	34,591	1,409	36,000
2011	5,958	42	6,000
Total	\$ <u>73,238</u>	\$ <u>4,762</u>	\$ <u>78,000</u>

On August 26, 2004, the College District entered into a lease/purchase agreement with a local financial institution to procure equipment for computer network core upgrade. The net capitalized cost 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, 2008, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 24,518	\$ 2,021	\$ 26,539
2010	25,508	1,031	26,539
Total	\$ <u>50,026</u>	\$ <u>3,052</u>	\$ <u>53,078</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, 2008, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 39,333	\$ 2,271	\$ 41,604
2010	6,865	69	6,934
Total	\$ <u>46,198</u>	\$ <u>2,340</u>	\$ <u>48,538</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, 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 11,164	\$ 1,573	\$ 12,737
2010	11,721	1,016	12,737
2011	12,306	431	12,737
2012	2,111	13	2,124
Total	<u>\$ 37,302</u>	<u>\$ 3,033</u>	<u>\$ 40,335</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, 2008 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2009	\$ 10,557	\$ 1,586	\$ 12,143
2010	11,084	1,059	12,143
2011	11,637	506	12,143
2012	4,008	39	4,047
Total	<u>\$ 37,286</u>	<u>\$ 3,190</u>	<u>\$ 40,476</u>

During the fiscal year ended June 30, 2008, total rent payments of \$12,143 were made on this lease comprised of \$10,055 principal and \$2,088 of interest.

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, 2008, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	13,177	4,355	17,532
2014-2017	60,925	9,203	70,128
Total	<u>\$ 119,897</u>	<u>\$ 37,891</u>	<u>\$ 157,788</u>

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.

B. Operating Leases

1. The College District leases office and common space facilities (of which the total base monthly lease amounts include a \$5,151 payment for utilities and custodial fees) to the State of Oregon Department of Human Services. The agreement of which continues through December of 2011 and includes the following future rent schedule:

Fiscal Year Ending June 30	Net Rents	Base Expenses	Total Base Rents
2009	\$ 221,658	\$ 61,808	\$ 283,466
2010	225,920	61,808	287,728
2011	230,183	61,808	291,991
2012	116,157	30,904	147,061
Total	\$ <u>793,918</u>	\$ <u>216,328</u>	\$ <u>1,010,246</u>

During the fiscal year ended June 30, 2008, total rental income of \$279,203 was recognized by the College District, as lessor, under this arrangement. If lessee is not in default at the end of the above lease term options exist for two year, then five year, renewals with adjusted rent schedules.

2. The College District leases office and warehouse space to Oregon Coast Community Action (ORCCA) recognizing \$3,129 monthly rent payments for the first half of the current fiscal period and \$4,212 per month for the second six months for an annual total rent income of \$25,272 recorded under this operating lease. The future rent payments schedule is as follows:

Fiscal Year Ending June 30	Total Rents
2009	\$ 50,544
2010	50,544
Total	\$ <u>101,088</u>

Various other provisions are also stipulated within the lease agreement including lease improvement allowances, lessor providing additional available space, options to extend, and other contract provisions.

3. Various other office spaces within the College District's Newmark Center Facility are rented to various agencies and the City of Coos Bay under month to month arrangements, and/or leases that expired June 30, 2008.

NOTE 8. CHANGES IN LONG-TERM LIABILITIES - Primary Government

During the fiscal year ended June 30, 2008, the following changes occurred in the amounts reported in the general long-term debt account group type liabilities:

	Beginning Balance 7/1/07	Additions	Reductions	Ending Balance 6/30/08
Governmental activities:				
Full Faith & Credit Obligations				
Capital leases/refunded				
Mainframe Computer	\$ 82,520	\$ -	\$ 36,322	\$ 46,198
Turtletop Vans	95,277	-	20,688	74,589
John Deere Tractor	10,338	-	10,338	-
Performing Arts Center	175,392	-	122,496	52,896
Refunding bonds 10/07	-	115,152	1,903	113,249
Dryvit Project	454,608	-	317,504	137,104
Refunding bonds 10/07	-	299,064	4,934	294,130
Telephone system	104,130	-	30,892	73,238
Network Core Switch	73,592	-	23,566	50,026
Student rec. center fitness equip. (transferred)	137,429	-	* 137,429	-
Advance Refunding Bonds				
Performing Arts Center (PAC)	1,044,456	20,241	43,106	1,021,591
Less deferred amounts (Dryvit and PAC)				
Issuance discounts & costs, net of premiums	(9,842)	(6,228)	(3,982)	(12,088)
Revenue Bonds				
Student Recreation Center	7,770,875	4,307,506	4,213,234	7,865,147
Less deferred amounts				
Issuance discounts & costs	(189,635)	(64,765)	(68,758)	(185,642)
Pension Bonds (PERS)				
Less deferred amounts	13,075,000	-	-	13,075,000
Issuance discounts & costs	(133,355)	-	(6,350)	(127,005)
Loan payable – Foundation	-	300,000	-	300,000
Early retirement	638,196	-	36,951	601,245
Compensated absences	555,625	47,767	-	603,392
Total governmental activities long-term liabilities	<u>23,884,606</u>	<u>5,018,737</u>	<u>4,920,273</u>	<u>23,983,070</u>
Enterprise activities:				
Full Faith & Credit Obligations				
Capital leases/refunded				
Student rec. center fitness equip. (transferred)	-	* 137,429	17,532	119,897
Bookstore - Series 1995	85,000	-	25,000	60,000
Student Housing II	640,000	-	640,000	-
Refunding bonds 10/07	-	661,671	10,923	650,748
Advanced Refunding Bonds				
Newmark Center	2,842,319	-	319,594	2,522,725
Student Housing	4,468,225	-	157,541	4,310,684
Less deferred amounts				
Issuance discounts & costs, net of premiums	(115,904)	(32,110)	(50,370)	(97,644)
Limited Tax Revenue Bonds				
Neighborhood Facility Building	289,200	-	7,200	282,000
Less deferred amounts				
Issuance discounts & costs, net of premiums	(8,371)	-	(364)	(8,007)
Student Housing	4,980,600	2,135,638	2,154,856	4,961,382
Less deferred amounts				
Issuance discounts & costs, net of premiums	(44,183)	(9,948)	(36,127)	(18,004)
Revenue Bonds				
Culinary Institute	3,469,325	2,475,968	2,396,949	3,548,344
Less deferred amounts				
Issuance discounts & costs	(80,133)	(37,227)	(54,187)	(63,173)
Total enterprise activities long-term liabilities	<u>16,526,078</u>	<u>5,331,421</u>	<u>5,588,547</u>	<u>16,268,952</u>
Grand total government-wide business-type activities long-term liabilities	<u>\$ 40,410,684</u>	<u>\$ 10,350,158</u>	<u>\$ 10,508,820</u>	<u>\$ 40,252,022</u>

NOTE 9. 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, most are eliminated in the government-wide reporting. As of June 30, 2008, the various funds had deferred revenues recorded in the following amounts:

	General	Special Revenue	Enterprise	Trust & Agency
Property taxes receivable (Note 4)	\$ 362,933	\$ -	\$ -	\$ -
Tuition	677,565	17,387	292,500	-
Grants/Contracts	-	145,210	-	-
Fees	243,086	15,556	51	5,914
Security deposits	-	-	12,750	-
Total deferred revenue	<u>\$ 1,283,584</u>	<u>\$ 178,153</u>	<u>\$ 305,301</u>	<u>\$ 5,914</u>

NOTE 10. 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 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 11. 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, 2008, 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, during the previous fiscal 2006-2007 period as a receivable, \$1,765,217 for the fourth quarter disbursement received during July, 2007. For generally accepted accounting principles (GAAP) purposes, however, 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, 2008. Based on formal accounting standards and interpretations this non-exchange transaction does meet the current fiscal year revenue recognition requirements because it's considered a government mandated distribution resulting from enabling legislation which requires the College District to record and report the revenues when received in its government-wide financials.

NOTE 12. GOING CONCERN

The College District incurred substantial short-term borrowing (NOTE 14A) immediately subsequent to the fiscal year ended June 30, 2008, primarily to meet payroll obligations and address significant cash shortages. Two loans were incurred by the College District with a local financial institution (not to exceed \$1.5 million each over a three month period) due in part to an overspending trend during the 2007-2008 fiscal year. Attempting to return the College District to conservative fiscal management reductions in force and other 2008-2009 budget limitations have been implemented. During November of 2008 the College District also declared a state of financial exigency (emergency). The College District will also increase fee revenue in two business-type activity areas (Housing and Culinary) beginning July 1, 2009, and is addressing various staffing restructuring models and internal controls. The College District has already increased the per credit incidental fees effective initially for the 2008-2009 winter term.

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

The amounts of grant revenue reflected in the financial statements are subject to audit and adjustment by grantor agencies, principally the federal government. Any costs which are questioned or recommended to be disallowed which ultimately result in disallowed claims may become a liability of the College District.

Various claims are pending against the College District in the opinion of the College District management, after consultation with previous legal counsel, the potential loss on these claims will not materially affect the College District's financial position.

B. Commitments

The College District has a contract with a private firm to provide food service. Under the contract, the College District reimburses the contractor for all direct food service costs, plus a management fee based on the number of meals served.

C. 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.

D. Current Vulnerability Due to Certain Concentrations

The College District's operations are concentrated in Coos, Douglas, and Curry Counties within Oregon. In addition, a significant portion of the College District's revenues for continuing operations are from federal, state, and local government agencies. In the normal course of operations, the College District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

E. Economic Dependency

The State Community College Support funding provided by the State of Oregon to all community colleges in Oregon is based on the State allocation formula and other factors. The State of Oregon provided \$7,955,719 (government-wide accounting basis, NOTE 11, from the State Office of Community College Services) to the College District for this support which represents approximately 25.08% of the College District's total general revenues for the year. Due to continued funding uncertainties at the State level, future funding for the College District may be reduced. The ultimate effect of this possible reduction in funding on the College District's future operations is not yet determinable.

F. 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.

In December 2004, the GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation* to enhance the usefulness and comparability of net asset information reported by state and local governments by clarifying the meaning of the phrase “legally enforceable” as it applies to restrictions imposed on net asset use by enabling legislation and by specifying the accounting and financial reporting requirements for those restricted net assets. The amount of the primary government’s net assets at the end of the reporting period that are restricted by enabling legislation should be disclosed in the notes to the financial statements.

G. Related Party

A College District’s Board of Education Member (Harry Abel) is a principal in the Insurance Agency that is the College District’s Insurance Agent of Record, however, he declares a potential conflict of interest and abstains from College District decision making involvement in that regard. Amounts paid to the Insurance Agency and carriers during the fiscal year ended June 30, 2008, for various insurance premiums, coverages, and commissions totaled \$229,417 and no amounts were owed as of that date.

H. 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 \$601,245 at June 30, 2008. The costs of such benefits are recognized as expenditures when benefits are paid. There are participants currently eligible to receive benefits. For the fiscal year, the College District incurred \$173,343 in benefits for retired employees, which was comprised of health insurance benefits.

I. 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; by calling (503) 598-7377; or online at <http://oregon.gov/PERS/>.

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 College District’s portion, the current rate is 4.66% 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 7.13% of annual covered payroll. The contribution requirements of plan members and the College District are established by ORS 238 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, 2008, and 2007, and 2006, were \$535,118, \$507,587, and \$1,045,194, respectively, equal to the required contributions for each year.

Net Pension Asset. As a result of the issuance of the limited tax pension obligation bonds discussed in NOTE 6, the College District has reported a Net Pension Asset in the Statement of Net Assets. The Net Pension Asset is equal to the initial payments made to PERS from the bond proceeds, less amounts contributed to the cost sharing plan thereby reducing the College District contribution rate, plus investment earnings. During the 2007-2008 fiscal year, changes in the Net Pension Asset were as follows:

Net Pension Asset balance - July 1, 2007	\$ 15,405,810
Investment loss on pension asset	(330,670)
Contribution to cost sharing plan - bonds portion	<u>(1,122,960)</u>
Net Pension Asset balance - June 30, 2008	<u>\$ 13,952,180</u>

Prior Period Restatement

Government Auditing Standards Board (GASB) concurs that since these assets are maintained in a separate account by PERS that it is now proper to recognize the investment earnings, the side account's costs, and contributions from the separate account to the cost-sharing PERS plan pool (that accounts for other Oregon community colleges issuing pension bonds such as the College District) as expenses to the government-wide basic financial statements in accordance with GASB Statement Nos. 34 and 35, as amended.

In prior years, as is the case with the majority of other community colleges within Oregon that issued pension bonds at the same time the College District did, the pension asset had been amortized on a straight-line basis over the life of the pension obligations bonds (NOTE 6, pages 28 and 29). Investment earnings and net reductions for contributions, reserve transfers, and costs maintained by the College District's PERS side account, on the asset had not been accounted for; however, generally at inception this approximated the amount of amortization. The prior period adjustment incorporates net investment earnings and accumulated costs and contributions within the PERS side account since issuance of the bonds by affecting the value of the net pension asset by \$4,656,880.

Provided by PERS and actuarial services this PERS side account information was made available to the auditors initially for the fiscal year ended June 30, 2008.

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

NOTE 14. SUBSEQUENT EVENTS

A. Short-term Borrowings

Subsequent to the year ended June 30, 2008, the College District entered into short-term financing credit agreements with a local financial institution (the first in July and the second in September, 2008) to incur credit line debt not to exceed \$1.5 million, each primarily to meet payroll obligations due to cash shortages experienced by the College District. The first loan was paid back to the bank in August, 2008, in the amount of \$1,002,326, including \$1,946 of accrued interest, and the second short-term loan was paid back by the College District during October, 2008, in the amount of \$1,502,588 including \$2,588 of accrued interest. See also NOTE 14B.

B. 2008-2009 Budget

The following deficiencies were noted regarding the College District's 2008-2009 ensuing fiscal year's budget process:

- A complete budget document was not available to the budget committee members at the first budget committee meeting nor filed in the office of the governing body of the College District directly following that first meeting.

- Complete estimated expenditures by “object” and resource detail sheets were not part of the budget document that was presented at the first budget committee meeting.
- Subsequent to the fiscal year ended June 30, 2008, a complete resolution was not properly or timely authorized by the College District’s Board of Education approving the first short-term borrowing for the fiscal year 2008-2009 (NOTE 14A).
- Subsequent to the 2007-2008 year end, an appropriation transfer resolution was incorrectly compiled and authorized for 2008-2009 payroll adjustments. It appears the intent of the College District was to cover wage increases in various funds when only the General Fund was mentioned within the resolution.
- Several resource and requirement levels of control adopted appeared to be excessive for the 2008-2009 fiscal year. Subsequent to June 30, 2008, a College Committee convened to revisit and reduce several originally appropriated estimates.

C. Internal Review

Amidst a number of complaints and concerns of its own pertaining to on-going operations and previous leadership of the College District, the Board of Education commissioned the Oregon School Boards Association (OSBA) to conduct an internal review encompassing interviews and a review of documents, policies, and procedures of the College District. The College President of the past several fiscal years resigned effective October 8, 2008. The OSBA’s final report (of which some was considered privileged, confidential information), containing certain findings, comments, and recommendations was issued to the College District on October 15, 2008. Since the auditors were not availed the complete report’s contents, nor were audit procedures performed thereon, no assurances are given by the auditors, nor opinions rendered by them, regarding the OSBA report.

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SUPPLEMENTAL FINANCIAL INFORMATION

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

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING BALANCE SHEET
June 30, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS				
Cash and cash equivalents	\$ 2,074,875	\$ 127,198	\$ -	\$ -
Receivables				
Taxes	362,933	-	-	-
Accounts	1,917,578	616,559	-	22,501
Prepaid expenses	21,946	1,200	-	-
Unamortized issuance costs	-	-	-	-
Interfund receivables	-	1,060,502	-	833,462
Deposits (refundable)	37,080	-	-	-
Inventory	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Total assets	<u>\$ 4,414,412</u>	<u>\$ 1,805,459</u>	<u>\$ -</u>	<u>\$ 855,963</u>
LIABILITIES				
Accounts payable	\$ 498,784	\$ 299,469	\$ -	\$ 107,834
Deposits held in custody	5,009	-	-	-
Payroll payable	705,165	-	-	-
Interfund payable	1,213,439	177,491	-	-
Accrued interest payable	-	-	-	-
Due to other agencies	-	-	-	-
Deferred revenues	1,283,584	178,153	-	-
Capital leases/bonds payable	-	-	-	-
Total liabilities	<u>3,705,981</u>	<u>655,113</u>	<u>-</u>	<u>107,834</u>
EQUITY				
Contributed capital	-	-	-	-
Fund balances (deficit)				
Unreserved and undesignated	<u>708,431</u>	<u>1,150,346</u>	<u>-</u>	<u>748,129</u>
Total equity	<u>708,431</u>	<u>1,150,346</u>	<u>-</u>	<u>748,129</u>
Total liabilities and equity	<u>\$ 4,414,412</u>	<u>\$ 1,805,459</u>	<u>\$ -</u>	<u>\$ 855,963</u>

			Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	June 30, 2008
\$ 2,529	\$ -	\$ -	\$ 2,204,602
-	-	-	362,933
61,151	-	-	2,617,789
-	-	-	23,146
170,717	-	-	170,717
-	33,157	122,221	2,049,342
-	-	-	37,080
167,956	-	-	167,956
<u>15,870,835</u>	<u>-</u>	<u>-</u>	<u>15,870,835</u>
<u>\$ 16,273,188</u>	<u>\$ 33,157</u>	<u>\$ 122,221</u>	<u>\$ 23,504,400</u>
\$ 144,396	\$ 33,157	\$ 7,643	\$ 1,091,283
99,067	-	-	104,076
113,068	-	-	818,233
658,412	-	-	2,049,342
53,514	-	-	53,514
-	-	108,664	108,664
305,301	-	5,914	1,772,952
<u>16,455,780</u>	<u>-</u>	<u>-</u>	<u>16,455,780</u>
<u>17,829,538</u>	<u>33,157</u>	<u>122,221</u>	<u>22,453,844</u>
545,133	-	-	545,133
<u>(2,101,483)</u>	<u>-</u>	<u>-</u>	<u>505,423</u>
<u>(1,556,350)</u>	<u>-</u>	<u>-</u>	<u>1,050,556</u>
<u>\$ 16,273,188</u>	<u>\$ 33,157</u>	<u>\$ 122,221</u>	<u>\$ 23,504,400</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES IN COMPLIANCE WITH GAAP
For the Year Ended June 30, 2008

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
REVENUES				
Local support	\$ 4,436,831	\$ 486,052	\$ -	\$ -
State support	8,940,321	873,653	-	-
Federal support	32,580	5,311,985	-	-
Tuition and fees	2,109,886	1,224,857	820,028	-
Other	325,869	808,483	687,455	3,809
	<u>15,845,487</u>	<u>8,705,030</u>	<u>1,507,483</u>	<u>3,809</u>
Total revenues				
EXPENDITURES				
Personal services	12,425,191	3,672,439	-	-
Materials and services	3,641,330	2,335,914	-	405,923
Capital outlay	6,018	235,671	-	1,113,343
Debt service	-	-	450,966	-
Depreciation expense	-	-	-	-
Other financial aid	-	2,548,930	-	-
	<u>16,072,539</u>	<u>8,792,954</u>	<u>450,966</u>	<u>1,519,266</u>
Total expenditures				
Excess (deficiency) of revenues over (under) expenditures	<u>(227,052)</u>	<u>(87,924)</u>	<u>1,056,517</u>	<u>(1,515,457)</u>
NON-OPERATING REVENUES (EXPENSES)				
Donations	-	124,237	-	-
Interest income	125,491	20,187	-	-
Loss on net pension asset	-	-	-	-
Interest expense	-	-	(1,056,517)	-
	<u>125,491</u>	<u>144,424</u>	<u>(1,056,517)</u>	<u>-</u>
Total non-operating revenues (expenses)				
Net income (loss) before operating transfers	<u>(101,561)</u>	<u>56,500</u>	<u>-</u>	<u>(1,515,457)</u>
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	-	-	300,000
Advance refunding bonds proceeds	332,402	-	-	-
Bond issuance costs	(70,992)	-	-	-
Payments to escrow agent	(261,410)	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
Total other financing sources (uses)				
Net change in fund balances	(101,561)	56,500	-	(1,215,457)
FUND BALANCES - BEGINNING OF YEAR	<u>809,992</u>	<u>1,093,846</u>	<u>-</u>	<u>1,963,586</u>
FUND BALANCES - END OF YEAR	<u>\$ 708,431</u>	<u>\$ 1,150,346</u>	<u>\$ -</u>	<u>\$ 748,129</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	
\$ -	\$ -	\$ -	\$ 4,922,883	\$ -	\$ 52,961	\$ 4,975,844
-	-	-	9,813,974	-	1,765,217	11,579,191
-	-	-	5,344,565	-	-	5,344,565
1,146,508	120,708	32,551	5,454,538	(539,477)	64,721	4,979,782
<u>3,549,099</u>	<u>387,014</u>	<u>128,763</u>	<u>5,890,492</u>	<u>(1,333,155)</u>	<u>(12,519)</u>	<u>4,544,818</u>
<u>4,695,607</u>	<u>507,722</u>	<u>161,314</u>	<u>31,426,452</u>	<u>(1,872,632)</u>	<u>1,870,380</u>	<u>31,424,200</u>
1,304,074	191,933	-	17,593,637	(191,933)	635,554	18,037,258
3,032,669	315,789	161,314	9,892,939	(195,081)	67,722	9,765,580
-	-	-	1,355,032	-	(1,355,032)	-
4,435	-	-	455,401	-	(455,401)	-
527,295	-	-	527,295	-	667,362	1,194,657
<u>-</u>	<u>-</u>	<u>-</u>	<u>2,548,930</u>	<u>(1,485,618)</u>	<u>-</u>	<u>1,063,312</u>
<u>4,868,473</u>	<u>507,722</u>	<u>161,314</u>	<u>32,373,234</u>	<u>(1,872,632)</u>	<u>(439,795)</u>	<u>30,060,807</u>
<u>(172,866)</u>	<u>-</u>	<u>-</u>	<u>(946,782)</u>	<u>-</u>	<u>2,310,175</u>	<u>1,363,393</u>
-	-	-	124,237	-	-	124,237
19,822	-	-	165,500	-	-	165,500
-	-	-	-	-	(330,670)	(330,670)
<u>(598,911)</u>	<u>-</u>	<u>-</u>	<u>(1,655,428)</u>	<u>-</u>	<u>(7,087)</u>	<u>(1,662,515)</u>
<u>(579,089)</u>	<u>-</u>	<u>-</u>	<u>(1,365,691)</u>	<u>-</u>	<u>(337,757)</u>	<u>(1,703,448)</u>
<u>(751,955)</u>	<u>-</u>	<u>-</u>	<u>(2,312,473)</u>	<u>-</u>	<u>1,972,418</u>	<u>(340,055)</u>
-	-	-	300,000	-	(300,000)	-
-	-	-	332,402	-	(332,402)	-
-	-	-	(70,992)	-	70,992	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(261,410)</u>	<u>-</u>	<u>261,410</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
<u>(751,955)</u>	<u>-</u>	<u>-</u>	<u>(2,012,473)</u>	<u>-</u>	<u>1,672,418</u>	<u>(340,055)</u>
<u>467,233</u>	<u>-</u>	<u>-</u>	<u>4,334,657</u>	<u>-</u>	<u>8,383,205</u>	<u>12,717,862</u>
<u>\$ (284,722)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,322,184</u>	<u>\$ -</u>	<u>\$ 10,055,623</u>	<u>\$ 12,377,807</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

RECONCILIATION OF THE COMBINING BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2008

TOTAL FUND BALANCES, page 44		\$ 2,322,184
<p>Capital assets that are not financial resources and therefore are not reported in the governmental funds.</p>		
Capital assets	\$ 27,378,896	
Accumulated depreciation	<u>(8,727,758)</u>	18,651,138
Net pension asset - prepayment on PERS UAL		13,952,180
<p>The discounts, issuance costs, and refunding differences on refunding bonds payable are reported in the governmental funds in the year the bonds are issued. However, these discount, premiums, issuance costs, and differences amounts are amortized over the life of the bonds in the basic financial statements.</p>		
Refunding and revenue bonds discounts, premiums, and issuance costs, net		324,735
<p>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.</p>		
Property taxes	362,933	
Tuition	694,952	
Fees	264,556	
Grants & other	<u>145,210</u>	1,467,651
<p>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.</p>		
Accrued interest		(32,276)
Long-term debt		
Pension bonds	\$ (13,075,000)	
Revenue and refunding bonds	(9,294,117)	
Capital leases	(434,051)	
Payable to Foundation (component unit)	<u>(300,000)</u>	(23,103,168)
Compensated absences		(603,392)
Early retirement		<u>(601,245)</u>
		<u>(24,340,081)</u>
TOTAL NET ASSETS, pages 15 and 17		\$ <u>12,377,807</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

**RECONCILIATION OF THE COMBINING SCHEDULE OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO STATEMENT
OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**
For the Year Ended June 30, 2008

NET CHANGE IN FUND BALANCE, page 44

\$ (2,012,473)

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

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

Expenditures for capital assets	\$ 1,355,032	
Less current year depreciation	<u>(667,362)</u>	687,670
Capital assets disposals, net		(7,857)

Governmental funds did not report as revenues July, 2007, State distributed nonexchange transactions as stipulated by enabling legislation. However, for the full accrual basis of accounting, these revenues met all of the recognition criteria established by GASB Statement No.'s 33 and 36 (NOTE 11).

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 repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Advance refunding bond proceeds		(332,402)
Loan proceeds from Foundation (component unit)		(300,000)
Repayments		
Capital leases principal	121,806	
To paying agent		
For bond principal	314,504	
For debt administrative costs	(8,098)	
For refunding difference	261,410	
For debt issuance costs	<u>70,992</u>	<u>760,614</u>

Subtotal carried forward to page 47**\$ 560,769**

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, 2008

Brought forward from page 46 \$ 560,769

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

Compensated absences, increase	\$ (47,767)	
Early retirement, decrease	36,951	
Amortization of advance refunding and pension bonds:		
Discounts/issuance costs, net of premiums; refund difference	(40,854)	
Accrued interest on bonds decrease	1,011	
Defeased debt unamortized discounts/issuance costs written off at refunding	<u>(99,820)</u>	(150,479)

Net pension asset (PERS side account)

Activity not recorded or reported in the governmental budgetary fund financial statements:

Loss on investments, contributions, and amortization	(855,408)
--	-----------

Property taxes that do not meet the measurable and available criteria are not recognized as revenue in the current year in the governmental funds. In the Statement of Revenues, Expenses and Changes in Net Assets property taxes are recognized as revenue when levied.

52,961

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	127,887	
Fees	(63,266)	
Grants & other	<u>(12,519)</u>	<u>52,102</u>

CHANGE IN NET ASSETS, page 17 \$ (340,055)

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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, 2008

	<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>		
REVENUES				
Local support	\$ 4,417,500	\$ 4,417,500	\$ 4,436,831	\$ 19,331
State support	8,766,500	8,766,500	8,940,321	173,821
Federal support	25,000	25,000	32,580	7,580
Tuition and fees	2,282,200	2,282,200	2,109,886	(172,314)
Other	1,297,600	1,297,600	451,360	(846,240)
Total revenues	<u>16,788,800</u>	<u>16,788,800</u>	<u>15,970,978</u>	<u>(817,822)</u>
EXPENDITURES				
Personal services	12,493,716	12,493,716	12,425,191	68,525
Materials and services	3,748,984	3,748,984	3,641,330	107,654
Capital outlay	46,100	46,100	6,018	40,082
Contingency	500,000	500,000	-	500,000
Total expenditures	<u>16,788,800</u>	<u>16,788,800</u>	<u>16,072,539</u>	<u>716,261</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(101,561)</u>	<u>(101,561)</u>
OTHER FINANCING SOURCES (USES)				
Advance refunding bonds proceeds	-	-	332,402	332,402
Bond issuance costs	-	-	(70,992)	(70,992)
Payments to bond escrow agent	-	-	(261,410)	(261,410)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(101,561)	(101,561)
FUND BALANCE - BEGINNING OF YEAR	<u>800,000</u>	<u>800,000</u>	<u>809,992</u>	<u>9,992</u>
FUND BALANCE - END OF YEAR	<u>\$ 800,000</u>	<u>\$ 800,000</u>	708,431	<u>\$ (91,569)</u>

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

1,765,217
\$ 2,473,648

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, 2008

	<u>Auxiliary</u>	<u>Financial Aid</u>	<u>Special Projects</u>	<u>Insurance Reserve</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ -	\$ 113,607	\$ 13,591	\$ -	\$ 127,198
Receivables:					
Accounts	-	71,049	545,510	-	616,559
Prepaid expenses	-	-	1,200	-	1,200
Interfund receivables	<u>20,577</u>	<u>-</u>	<u>606,888</u>	<u>433,037</u>	<u>1,060,502</u>
Total assets	<u>\$ 20,577</u>	<u>\$ 184,656</u>	<u>\$ 1,167,189</u>	<u>\$ 433,037</u>	<u>\$ 1,805,459</u>
LIABILITIES					
Accounts payable	\$ 20,577	\$ 2,692	\$ 268,000	\$ 8,200	\$ 299,469
Interfund payables	-	177,491	-	-	177,491
Deferred revenues	<u>-</u>	<u>1,000</u>	<u>177,153</u>	<u>-</u>	<u>178,153</u>
Total liabilities	20,577	181,183	445,153	8,200	655,113
FUND BALANCES					
Unreserved, undesignated	<u>-</u>	<u>3,473</u>	<u>722,036</u>	<u>424,837</u>	<u>1,150,346</u>
Total liabilities and fund balances	<u>\$ 20,577</u>	<u>\$ 184,656</u>	<u>\$ 1,167,189</u>	<u>\$ 433,037</u>	<u>\$ 1,805,459</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

SPECIAL REVENUE FUNDS

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2008

	<u>Auxiliary</u>	<u>Financial Aid</u>	<u>Special Projects</u>	<u>Insurance Reserve</u>	<u>Totals</u>
REVENUES					
Local support	\$ -	\$ -	\$ 486,052	\$ -	\$ 486,052
State support	-	546,592	327,061	-	873,653
Federal support	-	2,098,055	3,213,930	-	5,311,985
Tuition and fees	694,505	-	530,352	-	1,224,857
Other	<u>5,115</u>	<u>2,282</u>	<u>861,800</u>	<u>83,710</u>	<u>952,907</u>
Total revenues	<u>699,620</u>	<u>2,646,929</u>	<u>5,419,195</u>	<u>83,710</u>	<u>8,849,454</u>
EXPENDITURES					
Personal services	296,297	96,527	3,271,415	8,200	3,672,439
Materials and services	403,323	-	1,928,948	3,643	2,335,914
Capital outlay	-	-	235,671	-	235,671
Other financial aid	<u>-</u>	<u>2,548,930</u>	<u>-</u>	<u>-</u>	<u>2,548,930</u>
Total expenditures	<u>699,620</u>	<u>2,645,457</u>	<u>5,436,034</u>	<u>11,843</u>	<u>8,792,954</u>
Net change in fund balance	-	1,472	(16,839)	71,867	56,500
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>2,001</u>	<u>717,290</u>	<u>352,970</u>	<u>1,072,261</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 3,473</u>	700,451	<u>\$ 424,837</u>	1,128,761
Prior period adjustment (NOTE 4):					
Accounts receivable			<u>21,585</u>		<u>21,585</u>
FUND BALANCE - Page 43			<u>\$ 722,036</u>		<u>\$ 1,150,346</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tuition and fees	\$ 747,469	\$ 747,469	\$ 694,505	\$ (52,964)
Other	<u>24,450</u>	<u>24,450</u>	<u>5,115</u>	<u>(19,335)</u>
Total revenues	<u>771,919</u>	<u>771,919</u>	<u>699,620</u>	<u>(72,299)</u>
EXPENDITURES				
Personal services	368,179	368,179	296,297	71,882
Materials and services	<u>403,740</u>	<u>403,740</u>	<u>403,323</u>	<u>417</u>
Total expenditures	<u>771,919</u>	<u>771,919</u>	<u>699,620</u>	<u>72,299</u>
Net change in fund balance	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

FINANCIAL AID FUND

**Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State support	\$ 533,000	\$ 533,000	\$ 546,592	\$ 13,592
Federal support	2,416,000	2,416,000	2,098,055	(317,945)
Other	-	-	2,282	2,282
Total revenues	<u>2,949,000</u>	<u>2,949,000</u>	<u>2,646,929</u>	<u>(302,071)</u>
EXPENDITURES				
Personal services	92,000	92,000	96,527	(4,527)
Other financial aid	<u>2,857,000</u>	<u>2,857,000</u>	<u>2,548,930</u>	<u>308,070</u>
Total expenditures	<u>2,949,000</u>	<u>2,949,000</u>	<u>2,645,457</u>	<u>303,543</u>
Net change in fund balance	-	-	1,472	1,472
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>2,001</u>	<u>2,001</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,473</u>	<u>\$ 3,473</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local support	\$ 486,052	\$ 486,052	\$ 486,052	\$ -
State support	2,191,569	2,191,569	327,061	(1,864,508)
Federal support	2,793,754	2,793,754	3,213,930	420,176
Tuition and fees	369,543	369,543	530,352	160,809
Other	951,901	951,901	861,800	(90,101)
Total revenues	<u>6,792,819</u>	<u>6,792,819</u>	<u>5,419,195</u>	<u>(1,373,624)</u>
EXPENDITURES				
Personal services	4,560,846	4,560,846	3,271,415	1,289,431
Materials and services	2,014,154	2,014,154	1,928,948	85,206
Capital outlay	375,000	375,000	235,671	139,329
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>7,000,000</u>	<u>7,000,000</u>	<u>5,436,034</u>	<u>1,563,966</u>
Net change in fund balance	(207,181)	(207,181)	(16,839)	190,342
FUND BALANCE - BEGINNING OF YEAR	<u>207,181</u>	<u>207,181</u>	<u>717,290</u>	<u>510,109</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,451</u>	<u>\$ 700,451</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tuition and fees	\$ 50,000	\$ 50,000	\$ -	\$ (50,000)
Other	<u>15,000</u>	<u>15,000</u>	<u>83,710</u>	<u>68,710</u>
Total revenues	<u>65,000</u>	<u>65,000</u>	<u>83,710</u>	<u>18,710</u>
EXPENDITURES				
Personal services	14,000	14,000	8,200	5,800
Materials and services	<u>355,000</u>	<u>355,000</u>	<u>3,643</u>	<u>351,357</u>
Total expenditures	<u>369,000</u>	<u>369,000</u>	<u>11,843</u>	<u>357,157</u>
Net change in fund balance	(304,000)	(304,000)	71,867	375,867
FUND BALANCE - BEGINNING OF YEAR	<u>304,000</u>	<u>304,000</u>	<u>352,970</u>	<u>48,970</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,837</u>	<u>\$ 424,837</u>

DEBT SERVICE FUND

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

BONDED DEBT - This fund is used to account for principal and interest on lease 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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Tuition and fees	\$ 1,134,000	\$ 1,134,000	\$ 820,028	\$ (313,972)
Other	<u>706,200</u>	<u>706,200</u>	<u>687,455</u>	<u>(18,745)</u>
Total revenues	1,840,200	1,840,200	1,507,483	(332,717)
EXPENDITURES				
Debt service	<u>1,840,200</u>	<u>1,840,200</u>	<u>1,507,483</u>	<u>332,717</u>
Net change in fund balance	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CAPITAL PROJECTS FUND

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

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

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

PLANT FUND

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
State support	\$ 2,300,000	\$ 2,300,000	\$ -	\$ (2,300,000)
Other	<u>12,630,000</u>	<u>12,630,000</u>	<u>3,809</u>	<u>(12,626,191)</u>
Total revenues	<u>14,930,000</u>	<u>14,930,000</u>	<u>3,809</u>	<u>(14,926,191)</u>
EXPENDITURES				
Materials and services	980,000	980,000	405,923	574,077
Capital outlay	<u>15,750,000</u>	<u>15,750,000</u>	<u>1,113,343</u>	<u>14,636,657</u>
Total expenditures	<u>16,730,000</u>	<u>16,730,000</u>	<u>1,519,266</u>	<u>15,210,734</u>
Excess (deficiency) of revenues over (under) expenditures	(1,800,000)	(1,800,000)	(1,515,457)	284,543
OTHER FINANCING SOURCES (USES)				
Loan proceeds	<u>-</u>	<u>-</u>	<u>300,000</u>	<u>300,000</u>
Net change in fund balance	(1,800,000)	(1,800,000)	(1,215,457)	584,543
FUND BALANCE - BEGINNING OF YEAR	<u>1,800,000</u>	<u>1,800,000</u>	<u>1,963,586</u>	<u>163,586</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 748,129</u>	<u>\$ 748,129</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

ALL PROPRIETARY FUNDS
Combining Balance Sheet
June 30, 2008

	Enterprise	Internal Service	Total
ASSETS			
Cash and cash equivalents	\$ 2,529	\$ -	\$ 2,529
Receivables:			
Accounts	61,151	-	61,151
Interfund receivables	-	33,157	33,157
Prepaid expenses	-	-	-
Unamortized issuance costs	170,717	-	170,717
Inventory	167,956	-	167,956
Fixed assets (net of accumulated depreciation)	15,870,835	-	15,870,835
Total assets	\$ 16,273,188	\$ 33,157	\$ 16,306,345
LIABILITIES			
Accounts payable	\$ 144,396	\$ 33,157	\$ 177,553
Due to other agencies	99,067	-	99,067
Payroll payable	113,068	-	113,068
Interfund payable	658,412	-	658,412
Accrued interest payable	53,514	-	53,514
Deferred revenues	305,301	-	305,301
Leases/bonds payable	16,455,780	-	16,455,780
Total liabilities	17,829,538	33,157	17,862,695
FUND BALANCES (deficit)			
Contributed capital	545,133	-	545,133
Unreserved, undesignated (deficit)	(2,101,483)	-	(2,101,483)
Total fund balances	(1,556,350)	-	(1,556,350)
Total liabilities and fund balances	\$ 16,273,188	\$ 33,157	\$ 16,306,345

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, 2008

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals</u>
OPERATING REVENUES			
Tuition and fees	\$ 1,146,508	\$ 120,708	\$ 1,267,216
Other	<u>3,568,921</u>	<u>387,014</u>	<u>3,955,935</u>
Total operating revenues	<u>4,715,429</u>	<u>507,722</u>	<u>5,223,151</u>
OPERATING EXPENSES			
Personal services	1,304,074	191,933	1,496,007
Materials and services	3,032,669	315,789	3,348,458
Debt service	4,435	-	4,435
Depreciation	<u>527,295</u>	<u>-</u>	<u>527,295</u>
Total operating expenses	<u>4,868,473</u>	<u>507,722</u>	<u>5,376,195</u>
Operating income (loss)	<u>(153,044)</u>	<u>-</u>	<u>(153,044)</u>
NON-OPERATING REVENUES/EXPENSES			
Interest income	-	-	-
Interest expense	<u>(598,911)</u>	<u>-</u>	<u>(598,911)</u>
Total non-operating revenues	<u>(598,911)</u>	<u>-</u>	<u>(598,911)</u>
Net income	(751,955)	-	(751,955)
BEGINNING RETAINED EARNINGS	<u>467,233</u>	<u>-</u>	<u>467,233</u>
ENDING RETAINED EARNINGS (page 40)	(284,722)	-	(284,722)
RECONCILIATION OF RETAINED EARNINGS TO FUND BALANCES			
Capital assets	16,260,702	-	16,260,702
Debt payable	(16,774,669)	-	(16,774,669)
Due to funds	(658,412)	-	(658,412)
Due to other agencies	(99,067)	-	(99,067)
Debt costs	<u>(182)</u>	<u>-</u>	<u>(182)</u>
Total fund balances, page 43	<u>\$ (1,556,350)</u>	<u>\$ -</u>	<u>\$ (1,556,350)</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

ALL PROPRIETARY FUNDS
Combining Schedule of Cash Flows
For the Year Ended June 30, 2008

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 5,654,586	\$ 499,562	\$ 6,154,148
Cash paid to suppliers and employees	4,321,665	499,562	4,821,227
Net cash provided by operating activities	1,332,921	-	1,332,921
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Bond issuance proceeds	5,410,706	-	5,410,706
Bond administrative fees, issuance costs, and premiums	(446,107)	-	(446,107)
Principal payments on long-term debt	(5,709,353)	-	(5,709,353)
Interest payments on long-term debt	(605,710)	-	(605,710)
Net cash used by capital and related financing activities	(1,350,464)	-	(1,350,464)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	19,822	-	19,822
Net increase (decrease) in cash and cash equivalents	2,279	-	2,279
CASH AND CASH EQUIVALENTS, JULY 1, 2007	250	-	250
CASH AND CASH EQUIVALENTS, JUNE 30, 2008	\$ 2,529	\$ -	\$ 2,529
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (153,044)	\$ -	\$ (153,044)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	527,295	-	527,295
Change in assets and liabilities			
Receivables	50,651	(8,160)	42,491
Interfund receivables	54,880	-	54,880
Prepaid expenses	950	2,972	3,922
Inventories	(6,843)	-	(6,843)
Accounts payable	(60,600)	5,188	(55,412)
Deposits	99,067	-	99,067
Accrued expenses	69,785	-	69,785
Interfund payables	658,412	-	658,412
Deferred revenue	82,368	-	82,368
Net cash provided by operating activities	\$ 1,322,921	\$ -	\$ 1,322,921

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUES				
Tuition and fees	\$ 1,743,259	\$ 1,743,259	\$ 1,146,508	\$ (596,751)
Other	4,244,913	4,244,913	3,568,921	(675,992)
Total operating revenues	<u>5,988,172</u>	<u>5,988,172</u>	<u>4,715,429</u>	<u>(1,272,743)</u>
OPERATING EXPENSES				
Personal services	1,445,583	1,445,583	1,304,074	141,509
Materials and services	3,037,501	3,037,501	3,032,669	4,832
Capital outlay	30,000	30,000	-	30,000
Debt service	1,475,088	1,475,088	1,411,374	63,714
Total operating expenses	<u>5,988,172</u>	<u>5,988,172</u>	<u>5,748,117</u>	<u>240,055</u>
Net income (loss)	-	-	(1,032,688)	(1,032,688)
BEGINNING RETAINED EARNINGS	<u>-</u>	<u>-</u>	<u>963,156</u>	<u>963,156</u>
ENDING RETAINED EARNINGS	<u>\$ -</u>	<u>\$ -</u>	(69,532)	<u>\$ (69,532)</u>
Adjustment to generally accepted accounting principles (GAAP) basis of presentation for fund balance.				
Refunding debt issued			(5,410,706)	
Debt defeased			4,901,325	
Debt issuance costs			13,458	
Debt principal paid			808,028	
Depreciation expense			<u>(527,295)</u>	
ENDING RETAINED EARNINGS (page 58)			<u>\$ (284,722)</u>	

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

INTERNAL SERVICE FUND

**Schedule of Revenues, Expenses and Changes in Retained
Earnings - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		
OPERATING REVENUES				
Tuition and fees	\$ 245,623	\$ 245,623	\$ 120,708	\$ (124,915)
Charges for services	<u>355,750</u>	<u>355,750</u>	<u>387,014</u>	<u>31,264</u>
Total operating revenues	<u>601,373</u>	<u>601,373</u>	<u>507,722</u>	<u>(93,651)</u>
OPERATING EXPENSES				
Personal services	216,421	216,421	191,933	24,488
Materials and services	345,052	345,052	315,789	29,263
Debt service	<u>39,900</u>	<u>39,900</u>	<u>-</u>	<u>39,900</u>
Total operating expenses	<u>601,373</u>	<u>601,373</u>	<u>507,722</u>	<u>93,651</u>
Net income (loss)	-	-	-	-
BEGINNING RETAINED EARNINGS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING RETAINED EARNINGS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TRUST AND AGENCY FUND

TRUST AND AGENCY FUND - This fund is used to account for assets held by the College District as an agent for individuals, private organizations, other governmental units, and/or other funds (e.g. student clubs and service organizations). Expenditure of funds is determined by the organization for 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, 2008

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008
ASSETS				
Cash and cash equivalents	\$ 105,147	\$ 236,071	\$ 218,997	\$ 122,221
Prepaid items	<u>1,210</u>	<u>-</u>	<u>1,210</u>	<u>-</u>
Total assets	<u>\$ 106,357</u>	<u>\$ 236,071</u>	<u>\$ 220,207</u>	<u>\$ 122,221</u>
LIABILITIES				
Accounts payable	\$ 8,261	\$ 7,643	\$ 8,261	\$ 7,643
Due to other agencies	95,362	216,260	202,958	108,664
Deferred revenue - on-line fees	<u>1,034</u>	<u>12,168</u>	<u>7,288</u>	<u>5,914</u>
Total liabilities	104,657	236,071	218,507	122,221
FUND BALANCE	<u>1,700</u>	<u>-</u>	<u>1,700</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 106,357</u>	<u>\$ 236,071</u>	<u>\$ 220,207</u>	<u>\$ 122,221</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget</u>
REVENUES				
Tuition and fees	\$ -	\$ -	\$ 32,551	\$ 32,551
Other	<u>240,000</u>	<u>240,000</u>	<u>128,763</u>	<u>(111,237)</u>
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>161,314</u>	<u>(78,686)</u>
EXPENDITURES				
Personal services	15,000	15,000	-	15,000
Materials and services	245,000	245,000	161,314	83,686
Capital outlay	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>360,000</u>	<u>360,000</u>	<u>161,314</u>	<u>198,686</u>
Net change in fund balance	(120,000)	(120,000)	-	120,000
FUND BALANCE - BEGINNING OF YEAR	<u>120,000</u>	<u>120,000</u>	<u>-</u>	<u>(120,000)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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SUPPLEMENTAL FINANCIAL SCHEDULES

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

Combining Balance Sheet - All Enterprise Funds
June 30, 2008

	<u>Bookstore</u>	<u>Newmark Center Operations</u>	<u>Newmark Center Tenant Services</u>	<u>Student Housing Operations</u>	<u>Food Service Operations</u>
ASSETS					
Cash and cash equivalents	\$ 506,838	\$ 55,579	\$ (65,565)	\$ (462,528)	\$ (36,920)
Receivables:					
Accounts	35,086	-	-	1,154	-
Prepaid expenses	-	-	-	-	-
Unamortized issuance costs	-	24,418	-	102,417	-
Inventory	167,956	-	-	-	-
Fixed assets (net of accumulated depreciation)	<u>231,016</u>	<u>2,771,326</u>	<u>-</u>	<u>9,389,301</u>	<u>133,066</u>
Total assets	<u>\$ 940,896</u>	<u>\$ 2,851,323</u>	<u>\$ (65,565)</u>	<u>\$ 9,030,344</u>	<u>\$ 96,146</u>
LIABILITIES					
Accounts payable	\$ 74,434	\$ 413	\$ 4,792	\$ 25,091	\$ 2,153
Deposits held in custody	-	-	-	90,648	-
Payroll payable	12,745	1,343	9,635	41,924	-
Accrued interest payable	298	8,013	-	32,645	-
Deferred Revenue	(249)	-	-	-	-
Leases/bonds payable	<u>60,000</u>	<u>2,297,230</u>	<u>-</u>	<u>9,347,053</u>	<u>-</u>
Total liabilities	<u>147,228</u>	<u>2,306,999</u>	<u>14,427</u>	<u>9,537,361</u>	<u>2,153</u>
FUND BALANCES					
Contributed capital	123,087	142,538	-	438,894	179,167
Retained earnings	<u>670,581</u>	<u>401,786</u>	<u>(79,992)</u>	<u>(945,911)</u>	<u>(85,174)</u>
Total fund balances	<u>793,668</u>	<u>544,324</u>	<u>(79,992)</u>	<u>(507,017)</u>	<u>93,993</u>
Total liabilities and fund balances	<u>\$ 940,896</u>	<u>\$ 2,851,323</u>	<u>\$ (65,565)</u>	<u>\$ 9,030,344</u>	<u>\$ 96,146</u>

<u>Conferences</u>	<u>Culinary Arts</u>	<u>Chef Table</u>	<u>La Patisserie</u>	<u>Rec Center</u>	<u>ELI</u>	<u>Neighborhood Facility Bldg</u>	<u>Totals</u>
\$ (20,566)	\$ (317,221)	\$ (3,590)	\$ 1,544	\$ (327,397)	\$ (2,431)	\$ 39,481	\$ (632,776)
-	(306)	-	-	-	-	-	35,934
-	-	-	-	-	-	-	-
-	38,141	-	-	-	-	5,741	170,717
-	-	-	-	-	-	-	167,956
-	<u>2,930,360</u>	-	-	<u>109,943</u>	-	<u>305,824</u>	<u>15,870,836</u>
<u>\$ (20,566)</u>	<u>\$ 2,650,974</u>	<u>\$ (3,590)</u>	<u>\$ 1,544</u>	<u>\$ (217,454)</u>	<u>\$ (2,431)</u>	<u>\$ 351,046</u>	<u>\$ 15,612,667</u>
\$ 12,700	\$ 24,434	\$ -	\$ -	\$ 588	\$ -	\$ -	\$ 144,605
-	8,419	-	-	-	-	-	99,067
4,289	26,418	-	-	17,144	-	-	113,498
-	12,129	-	-	-	-	962	54,047
-	305,250	-	-	300	-	-	305,301
-	<u>3,393,811</u>	-	-	<u>119,897</u>	-	<u>280,350</u>	<u>15,498,341</u>
<u>16,989</u>	<u>3,770,461</u>	-	-	<u>137,929</u>	-	<u>281,312</u>	<u>16,214,859</u>
-	(369,172)	-	-	-	-	30,619	545,133
<u>(37,555)</u>	<u>(750,315)</u>	<u>(3,590)</u>	<u>1,544</u>	<u>(355,383)</u>	<u>(2,431)</u>	<u>39,115</u>	<u>(1,147,325)</u>
<u>(37,555)</u>	<u>(1,119,487)</u>	<u>(3,590)</u>	<u>1,544</u>	<u>(355,383)</u>	<u>(2,431)</u>	<u>69,734</u>	<u>(602,192)</u>
<u>\$ (20,566)</u>	<u>\$ 2,650,974</u>	<u>\$ (3,590)</u>	<u>\$ 1,544</u>	<u>\$ (217,454)</u>	<u>\$ (2,431)</u>	<u>\$ 351,046</u>	<u>\$ 15,612,667</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, 2008**

	<u>Bookstore</u>	<u>Newmark Center Operations</u>	<u>Newmark Center Tenant Services</u>	<u>Student Housing Operations</u>	<u>Food Service Operations</u>
OPERATING REVENUES					
Charges for services	\$ 1,192,597	\$ -	\$ -	\$ 107,374	\$ 16,052
OPERATING EXPENSES					
Personal services	134,189	10,832	80,123	384,867	-
Materials and services	952,696	71,477	96,856	1,146,919	41,705
Depreciation	12,259	96,509	-	299,350	4,227
Debt service	5,599	103,098	-	366,598	-
Total expenditures	<u>1,104,743</u>	<u>281,916</u>	<u>176,979</u>	<u>2,197,734</u>	<u>45,932</u>
Operating income (loss)	<u>87,854</u>	<u>(281,916)</u>	<u>(176,979)</u>	<u>(2,090,360)</u>	<u>(29,880)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	-	209	-	732	-
Loan activity, exp. reimbursement & misc income	12,180	358,087	121,794	1,795,355	-
Loan activity	-	-	-	-	-
Total non-operating revenues (expenses)	<u>12,180</u>	<u>358,296</u>	<u>121,794</u>	<u>1,796,087</u>	<u>-</u>
Net income (loss)	100,034	76,380	(55,185)	(294,273)	(29,880)
RETAINED EARNINGS - BEGINNING OF YEAR	<u>570,547</u>	<u>325,406</u>	<u>(24,807)</u>	<u>(651,638)</u>	<u>(55,294)</u>
RETAINED EARNINGS - END OF YEAR	<u>\$ 670,581</u>	<u>\$ 401,786</u>	<u>\$ (79,992)</u>	<u>\$ (945,911)</u>	<u>\$ (85,174)</u>

<u>Conferences</u>	<u>Culinary Arts</u>	<u>Chef Table</u>	<u>La Patisserie</u>	<u>Rec Center</u>	<u>ELI</u>	<u>Neighborhood Facility Bldg</u>	<u>Totals</u>
\$ <u>101,054</u>	\$ <u>898,873</u>	\$ <u>160</u>	\$ <u>-</u>	\$ <u>49,840</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,365,950</u>
50,081	426,306	5,554	3,510	208,611	-	-	1,304,073
37,224	659,986	-	-	23,673	31	2,103	3,032,670
-	79,199	-	-	27,486	-	8,265	527,295
-	115,495	-	-	750	-	11,806	603,346
<u>87,305</u>	<u>1,280,986</u>	<u>5,554</u>	<u>3,510</u>	<u>260,520</u>	<u>31</u>	<u>22,174</u>	<u>5,467,384</u>
<u>13,749</u>	<u>(382,113)</u>	<u>(5,394)</u>	<u>(3,510)</u>	<u>(210,680)</u>	<u>(31)</u>	<u>(22,174)</u>	<u>(3,101,434)</u>
-	188	-	-	-	-	5	1,134
2,082	14,345	5,503	3,497	5,437	-	30,063	2,348,343
-	-	-	-	-	-	-	-
<u>2,082</u>	<u>14,533</u>	<u>5,503</u>	<u>3,497</u>	<u>5,437</u>	<u>-</u>	<u>30,068</u>	<u>2,349,477</u>
15,831	(367,580)	109	(13)	(205,243)	(31)	7,894	(751,957)
<u>(53,385)</u>	<u>(382,735)</u>	<u>(3,699)</u>	<u>1,557</u>	<u>(150,141)</u>	<u>(2,400)</u>	<u>31,221</u>	<u>(395,368)</u>
\$ <u><u>(37,554)</u></u>	\$ <u><u>(750,315)</u></u>	\$ <u><u>(3,590)</u></u>	\$ <u><u>1,544</u></u>	\$ <u><u>(355,384)</u></u>	\$ <u><u>(2,431)</u></u>	\$ <u><u>39,115</u></u>	\$ <u><u>(1,147,325)</u></u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

INTERCOLLEGIATE ATHLETICS
For the Year Ended June 30, 2008

	Men's Basketball	Women's Basketball	Other Men's Sports	Other Women's Sports ***	General & Administrative	Total
REVENUE *						
Gate receipts	\$ 404	\$ 404	\$ 290	\$ 473	\$ -	\$ 1,571
Concessions	<u>255</u>	<u>255</u>	<u>186</u>	<u>-</u>	<u>-</u>	<u>696</u>
Total revenues	<u>\$ 659</u>	<u>\$ 659</u>	<u>\$ 476</u>	<u>\$ 473</u>	<u>\$ -</u>	<u>\$ 2,267</u>
EXPENSES **						
Grants-in-aid	\$ 1,255	\$ 392	\$ 1,394	\$ 3,389	\$ -	\$ 6,430
Salaries and benefits	12,720	9,015	41,604	57,218	177,348	297,905
Travel	21,720	18,553	80,612	83,827	7,814	212,526
Supplies	6,318	6,278	22,500	22,832	12,173	70,101
Other	<u>6,686</u>	<u>5,323</u>	<u>15,091</u>	<u>17,109</u>	<u>15,649</u>	<u>59,858</u>
Total expenditures	<u>\$ 48,699</u>	<u>\$ 39,561</u>	<u>\$ 161,201</u>	<u>\$ 184,375</u>	<u>\$ 212,984</u>	<u>\$ 646,820</u>
Fund 21 - G/L expenses	<u>\$ 47,444</u>	<u>\$ 39,169</u>	<u>\$ 159,807</u>	<u>\$ 180,986</u>	<u>\$ 212,984</u>	<u>\$ 640,390</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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Southwestern Oregon Community College District, as of and for the year ended June 30, 2008, which collectively comprise the Southwestern Oregon Community College District's basic financial statements and have issued our report thereon dated January 9, 2009. 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, 2008, were audited by other auditors whose report dated December 4, 2008, 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.

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

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 Southwestern Oregon Community College District'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 Southwestern Oregon Community College District's financial statements that is more than inconsequential will not be prevented or detected by the Southwestern Oregon Community College District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting referenced as numbers 2008-1 through 2008-10 within the schedule.

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 Southwestern Oregon Community College District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We believe that six of the significant deficiencies described above to be material weaknesses, referenced as numbers 2008-1, 2008-3, 2008-4, 2008-5, 2008-9, and 2008-10.

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 three instances of noncompliance and other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2008-4, 2008-6, and 2008-9.

We noted certain matters that we reported to the Board of Education and management of the Southwestern Oregon Community College District in a separate letter dated January 9, 2009.

Southwestern Oregon Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Southwestern Oregon Community College District's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management; the Southwestern Oregon Community College District's Board of Education; others within the College District; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J. Robert Wall, CPA

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

Coos Bay, Oregon
January 9, 2009

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

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

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

Oregon Administrative Rule (OAR) 162-010-0200 requires comments and disclosures relating to our audit of the College District's fiscal affairs and compliance with legal requirements as set forth in OAR 162-010-0210 through 162-010-0320. We performed procedures, which 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 after certain material corrections and significant revisions were made. These findings of significant deficiencies are described within pages 74 through 90 of this audit report. The internal control structure was not adequate and we have also made suggestions for strengthening the internal controls in a separate letter to management dated January 9, 2009.
- Other Audit Comments:
 - Accounting Systems and Internal Controls - The Southwestern Oregon Community College District's accounting systems were generally found to be adequate and the accounting records were properly maintained except as noted within the significant deficiencies as detailed and described in the Findings Schedule and the separate management letter referred to above.
 - Collateral - Balances on deposit with financial institutions were insured in accordance with the requirements of ORS 295.015, except for those instances mentioned in NOTE 3 on page 26, which ranged from \$9,597 to \$526,498 undercollateralization during eighteen days during the fiscal year ended June 30, 2008.
 - Indebtedness - The College District has not exceeded its legal debt limitation as provided by ORS 341.675. The College District was in compliance with debt covenants and payments were made on a timely basis.

- Budget - We have reviewed the preparation, adoption, and execution of the 2007-2008 budget for the current year and the preparation and adoption of the ensuing year's 2008-2009 budget. The following appropriation overexpenditures were noted for the year ended June 30, 2008:

General Fund	
Other financing uses	
Payments to escrow agent	\$ (332,402)
Financial Aid Fund	
Personal services	(4,527)

Additionally the College District incorrectly budgeted for loan and bond proceeds within the governmental funds as Other Revenue rather than Other Financing Sources.

Several resource and requirement levels of control appropriations appeared to be excessive for the 2007-2008 budget period.

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 uses, interfund transfers, and contingency are the levels of control.

The following deficiencies were noted regarding the College District's 2008-2009 ensuing fiscal year's budget process:

- A complete budget document was not available to the budget committee members at the first budget committee meeting nor filed in the office of the governing body of the College District directly following that first meeting, as required by Oregon Local Budget Law.
- Complete estimated expenditures by "object" and resource detail sheets were not part of the budget document that was presented at the first budget committee meeting.
- Subsequent to the fiscal year ended June 30, 2008, a timely and complete resolution was not properly or timely authorized by the College District's Board of Education approving the first short-term borrowing for the fiscal year 2008-2009 (NOTES 14A and 14B).
- Subsequent to the 2007-2008 year end an appropriation transfer resolution was incorrectly compiled and authorized for 2008-2009 payroll adjustments. The intent of the College District was to cover wage increases in various funds when only the General Fund was mentioned within the resolution.

Several resource and requirement levels of control originally adopted appeared to be excessive for the 2008-2009 fiscal year. Subsequent to June 30, 2008, a College Committee convened to revisit and reduce several originally appropriated estimates.

- 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, 2008, are adequate. The College District has complied with 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 appears to be in compliance with the provisions of ORS 279 pertaining to the awarding of public contracts and the construction of public improvements. The College District did, however, enter into real property purchase agreements, one for \$495,000 for bare land and the other for \$140,000 total cost of acquiring a parking lot in Curry County, without first seeking full Board approval or having a formal authorized resolution executed prior to acquisition. Certain College District Board Policies pertaining to these capital real property acquisitions also appear to have been violated.
- 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, 2008, from federal financial assistance received, are reported in the Single Audit Section on pages 72 through 93 of this report.

This report is intended solely for the information and use of management; the Board of Education; others within the College District; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J. Robert Wall, CPA

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

Coos Bay, Oregon
January 9, 2009

**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, 2008. 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.

As described in items 2008-11 and 2008-12 in the accompanying schedule of findings and questioned costs, Southwestern Oregon Community College District, did not comply with requirements regarding documentation filings and reportings that are applicable to its Student Financial Aid Cluster. Compliance with such requirements is necessary, in our opinion, for the Southwestern Oregon Community College District, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2008.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwestern Oregon Community College District's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-11 and 2008-12 to be significant deficiencies.

A *material weakness* is a significant deficiency, combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider none to be a material weakness.

Southwestern Oregon Community College District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Southwestern Oregon Community College District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management; the Board of Education; others within the College District; the State of Oregon, Secretary of State, Division of Audits; and cognizant and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J. Robert Wall, CPA

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

Coos Bay, Oregon
January 9, 2009

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Southwestern Oregon Community College District.
2. Ten significant deficiencies disclosed during the audit of the financial statements are reported in the independent auditor's report on internal control over financial reporting. Six of the conditions are reported as material weaknesses.
3. Two instances of noncompliance material to the financial statements of Southwestern Oregon Community College District were disclosed during the audit.
4. Two significant deficiencies in internal control over major federal award programs disclosed during the audit are reported in the independent auditor's report on internal control over compliance. These conditions were not considered material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Southwestern Oregon Community College District expresses a qualified opinion on one major federal program as two significant deficiencies were noted regarding noncompliance (items 2008-11 and 2008-12 on pages 88 through 90).
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

<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	84.376
Federal Work Study Program	84.033
TRIO Program Cluster	
Talent Search Program	84.044A
Student Support Services	84.042A
Upward Bound	84.047A

8. A threshold for distinguishing Types A and B programs was \$300,000.
9. Southwestern Oregon Community College District was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT**SIGNIFICANT DEFICIENCY (Material Weakness)****2008-1. Accounts Payable**

CONDITION: Accounts payable were initially materially misstated as of the fiscal year ended June 30, 2008. A detailed list of unrecorded and/or misrecorded accounts payable liabilities for proposed journal entry was given to the College District by the audit firm, and made by the College District, in the amount of \$101,998 to the 2007-2008 books of record in order to avoid a material departure in accordance with generally accepted accounting principles (GAAP).

CRITERIA: Statement on Auditing Standards (SAS) No. 112 includes a presumption that the discovery of financial statement misstatements in the course of an audit indicates a deficiency in internal control exists. The College District should have adequate, comprehensive, and documented accounting, reconciliation and review procedures in place to record transactions and financial activity, and prepare and report financial statements, in compliance with generally accepted accounting principles (GAAP).

CAUSE OF CONDITION: During, and just prior to, the fiscal year under audit the accounting department underwent significant change relating to the loss of key business department staff, including the elimination of the Business Manager position.

EFFECT OF CONDITION: Liabilities were initially significantly and materially misstated within the College District's books of record, in accordance with GAAP.

RECOMMENDATION: We recommend the College District review and document its fiscal year end policies and procedures to ensure accruals are correctly and accurately recorded and reported for all goods received and/or services provided in accordance with GAAP. We also recommend accounts payable be thoroughly reviewed by someone other than the preparer, and this second review properly documented upon approval.

CLIENT RESPONSE: Inaccurate accounts payable records were the result of the convergence of multiple factors. They include:

- 1) The ubiquitous use of check requests instead of purchase orders. Check requests have been used to pay bills from vendors that have been sent directly to employees who contracted for services or supplies without initiating a purchase order (PO). If the employee held the bill instead of processing it for payment, the Business Office had no record of the account payable. To remedy this, the College is implementing an integrated online purchase order system in its Enterprise Resource Planning system that will immediately encumber the funds, provide oversight for accounts to be charged and automatically pass the PO to the next signing authority. POs will continue to specify that all billings are to be directed to the Business Office. Additionally, the policies on check requests will be modified to severely restrict and reduce the use of check requests in lieu of purchase orders. This restriction will be monitored and enforced through an extremely restrictive approval process (already implemented) for all purchases; only four key individuals in the organization now have the authority to approve purchases. Prior to this change, every budget manager had a minimum signing authority; below that threshold, no additional approval or oversight was required.
- 2) Known cash flow shortages that caused some key employees to intentionally hold bills (initiated without purchase orders) that were due and payable instead of forwarding them to the Business Office for payment in a timely manner. The College will modify its policies and procedures to clarify the responsibility and timing for the forwarding of check requests to the Business Office for timely payment (concurrent with severely restricting the use of check requests in lieu of purchase orders).

- 3) Failure of vendors to bill in a timely manner (with no follow-up from the purchase initiator) and/or employees to forward bills (initiated without a purchase order) for payment in a timely manner due to oversight and/or inconsistent enforcement of existing policies and procedures. The College will modify its policies and procedures to clarify the responsibility and timing for the forwarding of check requests and travel reimbursements to the Business Office for timely payment (concurrent with severely restricting the use of check requests in lieu of purchase orders).
- 4) Inadequate oversight of Business Office operations. The termination of the Business Manager position at the start of FY08 coupled with the Vice President of Administrative Services' lack of a fiscal background resulted in a reduction in staff time to complete tasks and inadequate oversight of Business Office operations. Prior to elimination of the Business Manager, the Business Office operated for several years with only four full time positions; although tightly staffed, this was adequate to perform accounting tasks correctly and completely and prepare for the annual audit in a timely manner. However, the Business Office was not allowed to backfill the lost Business Manager position with any support staff until FY08 was nearly ended, leaving the Business Office severely understaffed for the year (25% short). Consequently, the single remaining management position in the Business Office was left with the insurmountable task of performing two jobs for the entire fiscal year. The College has now backfilled the Business Manager position and will review the long term accounting and management requirements of the Business Office to assure adequate staffing and support to remediate deficiencies identified during the FY08 audit. The College has budgeted and will hire adequate professional staff or consulting expertise prior to the FY09 audit to assure deficiencies are corrected.
- 5) Inadequate policies and procedures or adherence to existing policies and procedures for year end close-out. The College will review and document its fiscal year-end policies and procedures to assure accruals are correctly and accurately recorded and reported for all goods received and/or services provided in accordance with GAAP. Additionally, accounts payable at year-end will be reviewed by a qualified person other than the preparer and this second review will be properly documented upon approval. Additionally, Business Office staff will participate quarterly in a review of Business Office policies and procedures to improve compliance.

SIGNIFICANT DEFICIENCY

2008-2. Vendor Receivables

CONDITION: Vendor receivables were initially understated as of the fiscal year ended June 30, 2008. A detailed list for consideration in completely recognizing all outstanding vendor credits at year end for journal entry was provided to the College District by the audit firm. A necessary journal entry totaling \$8,283 to correct credit balances and receivables was made by the College District in order to report and present these accounts in accordance with GAAP.

CRITERIA Statement on Auditing Standards No. 112 includes a presumption that the discovery of financial statement misstatements in the course of an audit indicates a deficiency in internal control exists. The College District should have adequate accounting, reconciliation and review procedures in place to record financial activity and prepare financial statements in compliance with GAAP.

CAUSE OF CONDITION: The vendor credits were not maintained on a complete or reconciled basis in the general ledger accounting program by the College District for the fiscal year ended June 30, 2008.

EFFECT OF CONDITION: Assets were understated as of June 30, 2008.

RECOMMENDATION: We recommend the College District review and document its fiscal year end policies and procedures to insure vendor receivables for credit balances on all applicable accounts are complete, reconciled, and then recorded in accordance with GAAP. This second person's required, qualified and thorough review should be documented and signed off on upon approval.

CLIENT RESPONSE: The understatement of receivables (Bookstore credits from vendors) was the result of inadequate oversight of Business Office operations, inadequate adherence to existing policies and procedures and inadequate procedures for year-end close-out. The College has budgeted and will hire adequate professional staff or consulting expertise prior to the FY09 audit to assure adequate oversight of Business Office operations and year-end close-out activities. The College will review and document its fiscal year-end policies and procedures to assure credit balances on applicable accounts are complete, reconciled and recorded in accordance with GAAP. Additionally, receivables at year-end will be reviewed by a qualified person other than the preparer and this second review will be properly documented upon approval. Additionally, Business Office staff will participate quarterly in a review of Business Office policies and procedures to improve compliance.

SIGNIFICANT DEFICIENCY (Material Weakness)

2008-3. Capital Assets and Depreciation

CONDITION: Capital assets and depreciation were initially materially understated as of and for the year ended June 30, 2008. The auditors proposed correcting adjusting journal entries for the College District to correct material misstatements discovered during the course of the audit of the financial statements as of, and for the year ended, June 30, 2008. The College District represents that it has not performed a physical inventory of its fixed assets for at least three years. A detailed list of donated capital assets (\$124,237) and depreciation (\$13,343) that were not initially recorded and reported by the College District, and the related auditor proposed journal entry were provided by the audit firm and made by the College District. Related donation revenues were also required to be posted in the amounts of \$124,237 to both the budgetary/fund and government-wide financial statements.

CRITERIA: Statements on Auditing Standards (SAS's) include a presumption that the discovery of financial statement misstatements in the course of an audit indicates a deficiency in internal control exists.

CAUSE OF CONDITION: The Business Manager position was eliminated effective July 1, 2007, the start of the current audit fiscal year. The business office staff was significantly understaffed during the entire fiscal year ended June 30, 2008, and up through the audit report date of January, 2009. Adequate and complete fixed asset records and ledgers had not been maintained since the prior year's audit.

EFFECT OF CONDITION: Significant misstatements may be of the magnitude initially that would have affected a reasonable user's decisions about the College District's financial position and results. Capital assets, depreciation, and donation revenues were significantly and materially initially understated.

RECOMMENDATION: We recommend the College District establish written policies and procedures to ensure safeguarding of assets and enable fiscal responsibility. The business department should review these policies and procedures to make certain all required adjustments and journal entries are recorded. These policies also should provide for properly designed and effective internal controls that are all monitored and maintained. We further recommend the College District begin performing a regular detailed fiscal inventory of all fixed assets on hand. We recommend that capital assets' records and financial reporting be accurately and timely maintained and be reviewed by someone other than the preparer. This thorough, required, second review should be adequately documented and substantiated.

CLIENT RESPONSE: The material misstatement occurred because the Business Office had inadequate knowledge of the donation of two significant capital assets (a truck/trailer combination and an ambulance) to be used in instructional programs. Consequently, the donations were not recorded as revenue, they were not added to the capital asset inventory and the related depreciation was not recorded. The College has a policy (#3.008 - Gifts, Donations and Solicitation of Funds) that all donations are to be received by the Southwestern Oregon Community College Foundation, not the College; this policy was not followed by the persons responsible for accepting the donations. The Foundation has a detailed policy for the evaluation of proposed gifts, including consultation with the College about its current and future needs, prior to acceptance of any tangible assets for the benefit of the College. The Foundation maintains a comprehensive list of all items (capital and consumable) that are donated to the College each fiscal year in preparation for its own annual audit. Had the donations followed policy, the College Business Office would have received notification of the receipt of donated capital assets from the Foundation and would have been able to record them appropriately.

It is obvious that some staff members are not knowledgeable about the College's policy that all donations are to be received by the Foundation. To ensure that this does not occur again, all College staff will be informed about the policy for donations (and other important Business Office policies and procedures) through a series of financial in-service trainings throughout each year. The College will review and document its policies and procedures to ensure safeguarding of assets and accurate fiscal reporting in accordance with GAAP. Additionally, the capital asset inventory and depreciation schedule will be reviewed by a qualified person other than the preparer and this second review will be properly documented upon approval. Further, Business Office staff will participate quarterly in a review of Business Office policies and procedures to improve compliance.

The College also has not performed a physical inventory of fixed assets for at least three years. Prior to FY 2006, a physical inventory was conducted at least every other year. Each office/department received a printout of capital assets that were physically located in that area and staff verified the existence and condition of each asset. The College re-instituted this practice in winter 2008. Additionally, the requirement for an annual physical inventory of fixed assets has been added to the College's fiscal policies and procedures, which will be reviewed each quarter by Business Office staff.

SIGNIFICANT DEFICIENCY (Material Weakness)

2008-4. Internal Accounting Controls Design

CONDITION: Lack of Internal Accounting Controls and Lack of Documented Efficient and Effective Design. There is a lack of documented or well designed internal accounting controls within the College District. The College District lacks significant written accounting policies, procedures and manuals. Limited formal internal written procedures and policies exist for reviewing and approving transactions in key financial areas such as purchasing, cash reconciliation, capital assets, liabilities, financial reporting and budgeting, and cash projections and forecasting.

CRITERIA Segregation of duties and strong internal controls are critically important to a financial system in an institution of higher learning such as the College District. Efficient and effective internal controls require the establishment of a system of controls that are well designed in order to minimize the possibility of loss or misappropriation of assets, operational failure, or violations of law. Well designed controls enhance fiscal responsibility and facilitate the safeguarding of assets.

CAUSE OF CONDITION: Reconfiguring of the College Districts organizational structure, including eliminated positions and force reductions, resulted in minimal and ineffective monitoring and oversight along with the lack of effective internal controls. Lack of and/or under staffing, training, or technical knowledge was noted within the College District. Some personnel are in positions and expected to perform tasks that, in some cases, are outside their capabilities. There are minimal and/or incomplete written policies, procedures and manuals for employees to adhere to.

EFFECT OF CONDITION: Lack of effective and full communication existed within the College District accounting and financial recording/reporting environment. Violations of budget law occurred. Material misstatements in financial statements were noted. Incomplete and untimely information was provided for audit purposes. Incorrect reportings and recordings were noted.

RECOMMENDATION: The College District should develop, devise and adhere to complete and well written and documented procedures, policies and manuals.

CLIENT RESPONSE: The College had operated under the same internal controls and limited written accounting policies for nearly two decades without related audit findings prior to June 30, 2005. A change of administration, the subsequent elimination of key personnel in the Business Office and serious breaches of fiscal integrity and accountability by top administrators have revealed significant deficiencies in the documentation and design of internal controls, inadequate written policies and procedures for some fiscal practices and inadequate monitoring of adherence to existing policies, procedures and local budget law. The College is committed to developing and implementing a series of checks and balances that will protect the fiscal stability of the College and assure accurate and timely financial reporting.

During FY2009, the Business Office will review, and modify as necessary, all current fiscal policies and procedures and develop and implement additional appropriate policies and procedures. Key functions to be addressed include purchasing, cash reconciliation, capital assets, liabilities, financial reporting, budgeting and cash flow projections. These policies and procedures will be written, compiled into a comprehensive Business Office manual and regularly reviewed with Business Office and College staff. Additionally, the College Board of Education is moving to a new governance model that assures greater oversight of the College president's actions and has already implemented a Finance subcommittee to provide additional monitoring of College finances at the Board level.

SIGNIFICANT DEFICIENCY (Material Weakness)

2008-5. Advanced Refunding Debt/Defeasance

CONDITION: The unamortized portion of net debt issuance costs, underwriter's fees, and premiums of debt defeased by advanced refunding during the fiscal year ended June 30, 2008, were initially materially misstated in the government-wide and certain fund financial statements. These allocable remaining amounts were not correctly or timely accounted for and/or written off upon defeasance. The complete official signed refunding bond transcript, (September 2007), was not retrievable from the College District until December of 2008. Proposed journal entries prepared by an outside retained CPA firm during November of 2008 to properly report and record this activity for the business-type activities were provided to, and made by, the College District during December 2008 in the amounts of \$117,312. Also, during December of 2008, the audit firm provided the governmental funds' government-wide adjustments totaling \$99,820.

CRITERIA: Professional audit standards include a presumption that the discovery of financial statement misstatements, including those considered material in nature, in the course of an audit indicates that a deficiency in internal controls exists.

CAUSE OF CONDITION: The business manager position was eliminated effective July 1, 2007, the start of the current audit fiscal period. The business office staff was significantly understaffed during the entire fiscal year ended June 30, 2008, up through the audit report date of January, 2009. Advanced refunding debt financial activity was not initially timely, completely, or accurately recorded and reported for fiscal year ended June 30, 2008. The complete official signed refunding final bond transcript (September, 2007), including the verification summary schedule, was also not readily or timely available.

EFFECT OF CONDITION: Significant misstatements may be of the magnitude that would affect a reasonable user's decisions about financial position. Debt "contra" liability accounts were initially significantly and materially misstated.

RECOMMENDATION: The business department should review policies and procedures to ensure all required adjustments and journal entries are recorded including those required at fiscal year end. The College District should continuously maintain all permanent records in orderly files that would be completely retrievable and readily available for audit purposes.

CLIENT RESPONSE: The accounting associated with debt defeasance by advanced refunding is relatively complex and was unfamiliar to the current Business Office staff; in prior years it was prepared by the Business Manager, before the position was eliminated by administration. The College should have hired consulting expertise in a more timely manner to prepare the necessary journal entries prior to audit; however the prior administration (replaced in mid-October 2008), did not seek qualified assistance. The new administration immediately contracted for external expertise to correctly account for the defeasance transactions. In the future, additional professional staff or consulting expertise will be secured to prepare accurate journal entries in a timely manner.

The complete and official signed bond refunding transcript could not be located by the prior administration. The new administration secured a copy for audit. All documents related to bond issuance (POS, OS, board resolutions, TEPHRA hearings, debt service schedules, etc.) will be retained in the office of the Vice President for Administrative Services in the future. This practice will be incorporated into the policies and procedures of the Business Office.

Additionally, the College will review and document its fiscal year-end policies and procedures to assure all required adjustments and journal entries are identified and recorded in a timely manner. These entries at year-end will be reviewed by a qualified person other than the preparer and this second review will be properly documented upon approval. Additionally, Business Office staff will participate quarterly in a review of Business Office policies and procedures to improve compliance.

SIGNIFICANT DEFICIENCY

2008-6. Budget

CONDITION: A complete budget document for 2008-2009 was not available to the budget committee members at the first budget committee meeting nor filed in the office of the governing body of the College District directly following that first meeting as required by the State of Oregon's Local Budget Law. Significant appropriation overexpenditures were noted for the fiscal year ended June 30, 2008.

Complete estimated expenditures by "object" and resource detail sheets were not part of the 2008-2009 budget document that was presented at the first budget committee meeting held May 12, 2008.

Subsequent to the fiscal year ended June 30, 2008, a timely and complete resolution was not timely authorized by the College District's Board of Education approving the short-term borrowing for the fiscal year 2008-2009.

Subsequent to the 2007-2008 year end an appropriation transfer resolution was incorrectly compiled and authorized for payroll adjustments. It appears the intent was to cover wage increases in various funds for the 2008-2009 fiscal year within the College District when only the General Fund was mentioned within the resolution.

CRITERIA: (Note: ORS – Oregon Revised Statute 294 – Local Budget Law)

ORS 294.352 Estimates of expenditures required; form and contents. (1) Each municipal corporation shall prepare estimates of expenditures for the ensuing year or ensuing budget period.

(2) The estimates required by subsection (1) of this section shall be prepared by organizational unit or by program.

(3) Estimates required by subsection (1) of this section and prepared by organizational unit shall be detailed under separate object classifications of personal services, materials and services and capital outlay. Separate estimates shall be made for special payments, debt service, interfund revenue transfers, operating expenses and general capital outlays which cannot reasonably be allocated to an organizational unit.

(4) Estimates required by subsection (1) of this section and prepared by program shall be arranged for each activity of a program. Estimates under each activity shall be detailed under separate object classifications of personal services, materials and services and capital outlay. Separate estimates shall be made for each program for special payments, debt service, interfund revenue transfers, operating expenses and general capital outlays which cannot reasonably be allocated to an activity within a function. For common and union high school districts and community colleges, estimates required by this subsection shall be further detailed by object within each object classification.

ORS 294.311 Definitions for ORS 294.305 to 294.565.

(27) "Object" means, as used in expenditure classification, articles purchased including, but not limited to, land, buildings, equipment and vehicles, or services obtained including, but not limited to, administrative services, clerical services, professional services, property services and travel, as distinguished from the results obtained from expenditures.

(28) "Object classification" means a grouping of expenditures on the basis of goods or services purchased, including, but not limited to, personal services, materials, supplies and equipment.

ORS 294.361 Contents of estimate of budget resources. (1) Each municipal corporation shall estimate in detail its budget resources for the ensuing year or ensuing budget period by funds and sources.

Appropriations can be transferred within a fund from an existing appropriation to another existing appropriation. OAR 150-294.450(3)

ORS 294.401 Budget committee meeting; distribution of budget message and document; copies of document to be available. (1) The budget committee shall hold one or more meetings for the following purposes:

(a) Receiving the budget message and the budget document; and

(b) Providing members of the public with an opportunity to ask questions about and comment upon the budget document.

(2) When more than one meeting of the budget committee is held under subsection (1) of this section, the first meeting shall be the meeting at which the budget message and the budget document are received by the budget committee. The budget committee may provide members of the public with an opportunity to ask questions about and comment upon the budget document at the first meeting of the budget committee. If such opportunity is not provided at the first meeting, the budget committee shall provide the public with the opportunity to ask questions and make comments upon the budget document at subsequent meetings.

(7) Except when copies of the budget document were provided to the members of the budget committee under subsection (6) of this section, the budget officer shall submit to the members of the budget committee the budget document at the first meeting held under subsection (1) of this section for their use and consideration.

(8) The budget officer shall file a copy of the budget document in the office of the governing body of the municipal corporation immediately following presentation of the budget document to the members of the budget committee under subsection (6) or (7) of this section. The copy shall become a public record of the municipal corporation.

(9) The governing body shall either provide the means of duplicating the budget or part thereof, in those situations where the budget document or portion thereof may be quickly reproduced, or shall provide copies of the budget document or part thereof so that a copy of the budget document or part thereof may be readily obtained by any individual interested in the affairs of the municipal corporation.

CAUSE OF CONDITION: Lack of knowledge and awareness of Oregon Local Budget Law, Oregon Revised Statutes (ORS 294) requirements and provisions.

EFFECT OF CONDITION: Procedures required by Oregon Local Budget Law were not completely adhered to or always followed by the College District. Resolutions authorizing appropriation transfers did not comply with provisions of required statutes and ordinances (ORS and Oregon Administrative Rules or OAR's).

RECOMMENDATION: We recommend the College District obtain the knowledge necessary to comply with budget law requirements. College District personnel should consider attending the February Budget Workshop conducted annually by the Oregon Department of Revenue – Local Budget Unit and held on the College District's campus.

CLIENT RESPONSE: The staff remaining in the Business Office after elimination of the Business Manager position had the knowledge and experience to comply with Oregon Local Budget Law and the Oregon Revised Statutes. However, the chronic short-staffing of the Office throughout FY08, the lack of fiscal knowledge and oversight by the Vice President of Administrative Services, and the resistance of the previous President to staff recommendations related to compliance with local budget law caused procedural lapses to occur in the budget development process. Specific deficiencies identified in the budget documents and the budget process could have been avoided if Business Office staff had adequate time and had been allowed to complete tasks in accordance with local budget law. However, to assure compliance in the future, key personnel in the Business Office will attend appropriate professional development activities and acquire additional knowledge prior to development of the FY10 budget. Additionally, the College is sending appropriate personnel to the Oregon Department of Revenue's Local Budget Unit workshops in February 2009. If the College finds it does not have the requisite internal expertise to develop a budget in compliance with local budget law and the ORS, it will hire appropriate external expertise.

The College acknowledges that significant appropriation over-expenditures occurred in the FY08 budget. These expenditures were authorized and allowed by the prior administration and reveal significant deficiencies in the documentation and design of internal controls, inadequate written policies and procedures for some fiscal practices and inadequate monitoring of adherence to existing policies, procedures and local budget law. During FY2009, the Business Office will review, and modify as necessary, all current fiscal policies and procedures and develop and implement additional appropriate policies and procedures. Additionally, an extremely restrictive approval process has already been implemented for all expenditures; only four key individuals (and the Board of Education) in the organization now have the authority to approve expenditures. Further, the College has already implemented a powerful new financial reporting tool (FRX) to aid in the daily monitoring of accounts receivable, accounts payable and cash flow.

Additionally, the College Board of Education is moving to a new governance model that assures greater oversight of the College president's actions and has already implemented a Finance subcommittee to provide additional monitoring of College finances at the Board level.

SIGNIFICANT DEFICIENCY

2008-7. Audit Information Delays

CONDITION: Certain information requested by auditors for fiscal year ended June 30, 2008 audit procedures was not always available and/or completely provided on a timely basis by the College District.

This delayed or incomplete information and requested data included:

1. September, 2007, Advance Bond Refunding final complete signed bond transcript.
2. Fair values of material and significant capital assets (and related depreciation expense and revenues) donated to the College District during the fiscal year.

3. Complete and full detailed OSBA report issued October 15, 2008.
4. Accurate and materially correct advanced bond refunding transaction entries (unamortized balances of defeased debt costs).
5. Whether the land had actually been donated to the District for the Curry County campus, and if so details regarding description and valuations along with supporting documentation.
6. Accurate and complete accounts payable listings with full backup documentation for the year ended June 30, 2008.
7. Fully reconciled and complete capital asset and depreciation schedules, including accurate July 1, 2007 balances.
8. General ledger for the year ended June 30, 2008 was provided to the auditors initially in November, 2008 and revised/corrected through January 9, 2009.
9. Public Employees Retirement System (PERS) valuations and side account information.

CRITERIA: There is a lack of written and documented, and/or well designed, internal accounting controls within the College District. The College District lacks significant written accounting policies, procedures, and manuals. Limited adequate internal procedures exist and/or financial policies while strong internal controls are critically important to a financial system in an institution of higher learning such as the College District. Efficient and effective internal controls require the establishment of a system of controls that are properly designed, maintained, and monitored.

CAUSE OF CONDITION: The business manager position was eliminated effective July 1, 2007 the start of the current fiscal period under audit. The business office staff was significantly understaffed during the entire fiscal year ended June 30, 2008, up through the audit report date of January, 2009. Reconfiguring of the College Districts organizational structure, including eliminated positions and staff reductions, resulted in minimal and ineffective monitoring along with oversight and lack of effective internal controls. Lack of staffing, training, or technical knowledge was noted within the College District. Some College District personnel are in positions and performing tasks that are, at times and/or in some cases, outside their capabilities. There are minimal and/or incomplete written policies, procedures, and manuals for employees to properly adhere to.

EFFECT OF CONDITION: Evidence of lack of full and/or effective communication within the College District was noted. Delayed completion of the audit process and filings of the College District's audit report resulted.

RECOMMENDATION: The business department of the College District should thoroughly review policies and procedures to ensure all required adjustments and journal entries are complete, accurate, and recorded including those necessary and required at fiscal year end.

CLIENT RESPONSE: The extensive list of materials and information that were not provided accurately or timely during the audit are the result of multiple deficiencies previously identified in these findings. They include: 1) inadequate policies or adherence to policies for retention of documents related to bond issuance, 2) inadequate policies or adherence to policies regarding donation of assets to the College, 3) failure to retain qualified external assistance for complex journal entries regarding advanced refunding and bond defeasance, 4) inadequate policies or adherence to policies and procedures to accurately account for accounts payable and receivable, 5) inadequate policies or adherence to policies to assure accurate capital asset and depreciation schedules, 6) inadequate review of year-end accounting transactions by a qualified second person and 7) failure to retain qualified external assistance for valuations required by GAAP.

To ameliorate these deficiencies, during FY09 the College will review, and modify as necessary, all current fiscal policies and procedures and develop and implement additional appropriate policies and procedures. Additionally, the College will review the long term accounting and management requirements of the Business Office to assure adequate staffing and support to remediate deficiencies identified during the FY08 audit. The College has budgeted and will hire adequate professional staff or consulting expertise prior to the FY09 audit to assure deficiencies are corrected.

SIGNIFICANT DEFICIENCY

2008-8. Going Concern

CONDITION: Financial statements are prepared based on the assumption that the entity to which they relate will continue as a going concern, according to the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standard (SAS) No. 59. Professional audit standards address potential contradictions of the going concern presumption to the College District's inability to continue to meet its obligations as they become due without substantial disposition of assets, the restructuring of debt, forced and/or necessary revisions of its operations (including reductions in force), the experience of cash shortages, or other actions.

CRITERIA: The College District has incurred substantial short-term borrowing immediately subsequent to the audit fiscal year ended June 30, 2008, to meet payroll and address significant cash shortages. Subsequent to the year ended June 30, 2008, the College District instituted limited budgetary and spending criteria, reduced staffing and personnel levels, and declared a state of financial exigency (emergency).

CAUSE OF CONDITION:

- Overspending was apparent during fiscal year 2007-2008. Limited accurate cash projections were not calculated and/or were not provided on a timely basis, and improper related monitoring of cash flows, were noted.
- Recurring operating losses in certain Enterprise Funds were evidenced.
- Elimination of the business manager's position at the inception of the audit year ended June 30, 2008, and failure to replace this position's responsibilities and tasks with technically qualified personnel. This situation was further aggravated by severe understaffing in the remaining business/accounting department throughout, and subsequent to, the fiscal year ended June 30, 2008.

With these severe personnel shortages in key positions not only were job duties not always performed, but performance standards were not always completely and/or adequately maintained. The safeguarding of assets against waste, loss, unauthorized use, and misappropriation requires the implementation and maintenance of a strong and effective internal control system. When key managerial positions were eliminated, in certain instances, there was a minimal, and/or no, supervisory layer available to ensure procedures were being performed and/or accomplished correctly, including those within key accounting functions and financial areas. Without a complete and continuous chain of command, not only was there a loss of knowledge, there was not a formal documented system for which to communicate and report breakdowns (both occurring and/or potential) in the internal controls.

Examples of insufficient controls can be seen where there are no or minimal existence of separation of duties; transactions occurring without proper authorization; inadequate evidential matter or documentation; lack of adequate and/or thorough reviews by supervisors; no or incomplete periodic inventories; and lack of or nonexistent adequate, timely internal audits. Employees need training, professional development, and guidance both written and oral to perform their expected tasks at the highest level. Although not meant to be all inclusive, the tone for effective internal controls is set at the top of the organizations' management through clear, open, and full communication of core ethical values, integrity, clearly defined expectations, and competence.

The College District has not designed, documented, written, or tested sufficiently complete policies and procedures in order for an effective internal accounting control program to efficiently, timely, and completely monitor its financial activity, reporting, and recording.

EFFECT OF CONDITION: Short term borrowing was necessary to meet financial obligations of the College District and pay or meet legally incurred liabilities without otherwise disposing of assets. There have been recent significant reductions in force to address and reduce cash shortages. Subsequent to the fiscal year, the College District declared a financial exigency (emergency).

RECOMMENDATION: We recommend the College District consider reinstating the Business Manager and/or Finance Director position and adequately staff the accounting department with qualified personnel. We recommend the College District establish complete and documented effective written internal control policies and procedures over financial accounting. With fewer people performing tasks, along with an insufficient internal accounting control structure, the College District is more vulnerable as more opportunities for fraud, waste, and abuse may exist. Providing clear and concise expectations and responsibilities in a well designed internal control program will enhance and improve the environment at the College District as a more enjoyable place to work and teach.

We recommend more Board involvement in financial oversight to ensure fiscal responsibility, enhance stewardship, and improve financial accountability. We also recommend that the College District develop, implement, improve, and/or maintain immediate and long-term financial planning including more accurate and timely cash flow projections, capital projects budgeting, and financial monitorings.

CLIENT RESPONSE: Overspending in excess of approved budgets (or realized revenues) was authorized by the prior administration. These over-expenditures occurred in all funds, but may have been most egregious in the Plant Fund. The new administration has returned to conservative fiscal management in which expenditures will be less than revenues each fiscal year. Additionally, an extremely restrictive approval process has already been implemented for all expenditures; only four key individuals (and the Board of Education) in the organization now have the authority to approve expenditures. Further, the College has already implemented a powerful new financial reporting tool (FRX) to aid in the daily monitoring of accounts receivable, accounts payable and cash flow.

Expenditures in the Plant Fund will not be made unless adequate resources are already identified and available. Deficiencies in internal controls and Board of Education oversight that allowed overspending have been identified and will be addressed by revision or development of appropriate policies and procedures and the Board's new Finance subcommittee.

Accurate cash projections were not developed or were not developed in a timely manner under the prior administration. Receivables, payables and cash are now monitored daily by the Vice President of Administrative Services and the President. An external consultant has been hired to develop long term budgeting and cash flow projections for the purpose of securing adequate bridge financing while the College rebuilds its cash balances.

Enterprise funds realized operating losses under the previous administration for a combination of reasons: 1) failure to increase rates despite the increasing cost of providing services (OCCI, student housing, Newmark Center), 2) failure to increase enrollment consistent with the business plan for the enterprise (OCCI, student housing), 3) putting certain activities that had no reasonable expectation of being self-supporting in the Enterprise Fund (e.g. the Student Recreation Center), 4) renegotiating leases for rates that are significantly less than the actual cost of services (Newmark Center), 5) failure to include escalation clauses in leases that have significant variable costs (Newmark Center) and charging unbudgeted expenditures to the Enterprises (Newmark Center, Student Housing, OCCI and Student Recreation Center). While some of these problems cannot be quickly remedied (leases at the Newmark Center), others can be and have already been addressed. Significant fee increases in Student Housing and OCCI and additional recruitment will put them in a positive cash flow position. The Student Recreation Center will move to the General Fund since it was never intended to be self-supporting. Adequate budget transfers from the General Fund will be made to backfill the shortfalls created in the Newmark Center accounts by renegotiation of leases at less than cost by the prior administration.

The elimination of the Business Manager position (without backfilling with support staff) resulted in a severe shortage of staff time in FY08 that contributed to deficiencies in local budget law compliance, lack of adequate cash flow projections and inaccurate, incomplete or untimely journal entries. The lack of fiscal knowledge of the Vice President for Administrative Services precluded adequate oversight of Business Office functions. Support staff has now been hired in the Business Office; any deficiencies in knowledge and experience that contributed to audit findings will be addressed in the future through the hiring of additional professional staff or consulting expertise.

Deficiencies in internal controls, policies and procedures have been identified through the audit and will be addressed in FY09 through a comprehensive review of existing Business Office policies and procedures and revision or development of appropriate additional policies. Deficiencies in Board of Education oversight of College finances are being addressed through revision of the Board's governance model and formation of the Finance subcommittee.

SIGNIFICANT DEFICIENCY (Material Weakness)

2008-9. Accounting Procedures

CONDITION: The College District does not have adequate and documented accounting, reconciliation, and review procedures in place to prepare financial statements in compliance with GAAP (generally accepted accounting principles). During the current fiscal year significant and material audit adjustments were made to certain accounts (accounts payable and related expenditures, capital fixed assets, depreciation, and debt obligations and related contra-accounts to accurately reflect balances at year-end) in accordance with GAAP. The nature of these accounts require qualified review and analysis to correctly record, reconcile and report this activity and account balances in the year-end financial statements in accordance with GAAP.

CRITERIA: Several material adjustments were required to be made as a result of the audit in order to report and present the fund and basic financial statements in accordance with GAAP, and the audit firm compiled the basic financial statements, note disclosures, and required schedules for the 2007-2008 audit year.

CAUSE OF CONDITION: The College District does not have adequate or documented accounting, reconciliation and review procedures in place nor qualified personnel to record the certain required transactions in compliance with GAAP. This became more pronounced with the elimination and understaffing of key accounting positions at the start of, during, and subsequent to the fiscal year under audit.

EFFECT OF CONDITION: Year end government-wide and some budgetary/fund financial statements were not initially in compliance with GAAP, and the audit firm compiled required financial statements, schedules, and note disclosures.

RECOMMENDATION: We encourage management to take special precaution to ensure that all accounts are reviewed, reconciled, and appropriately adjusted as needed throughout the year. We also recommend a staffing needs assessment of the business office to determine that it has adequate resources and the expertise needed to proactively manage the College District's finances.

CLIENT RESPONSE: The College acknowledges that the elimination of the Business Manager position at the start of FY08 created a deficiency of knowledge, experience or staffing in the Business Office that was not adequately backfilled by the hiring of additional staff or consulting expertise. Additionally, there are inadequate policies and procedures or adherence to policies and procedures to assure the timely and accurate completion of necessary journal entries to comply with GAAP.

During FY09, the Business Office will fully review all policies and associated procedures, modifying existing policies and creating additional as needed. Year-end schedules developed for the audit will be reviewed, approved and documented by a second qualified person other than the preparer. The College will conduct financial in-service training for all College staff and attendance will be required by all staff with budget responsibilities; this has already begun with grant managers. Business Office staff will review policies and procedures quarterly. Management is evaluating the current organizational structure and staffing requirements of the Business Office, acknowledging the impact of the elimination of the Business Manager position. The College has budgeted for additional professional staff or consulting expertise for FY09 to assure the significant deficiencies noted in this audit report are not repeated.

SIGNIFICANT DEFICIENCY (Material Weakness)

2008-10. Real Property Acquisitions

CONDITION: The College District entered into a Newmark Avenue land purchase agreement, and related loan from the College Foundation, without first seeking full board approval and a formal authorized resolution. The amount of the land purchase was for \$495,000 and the related loan from the component unit was for \$300,000. The date of the loan resolution, signed by the College Board's President, was October 13, 2007. The date of check issued by the College District for the full land purchase price was dated September 27, 2007.

The College also entered into a land purchase agreement with the United States Department of Agriculture for real property in Brookings, Oregon without first obtaining full board approval and formal authorized resolution. The check authorization was only signed by the College District's Vice-President who had \$10,000 purchasing authority.

CRITERIA: Purchases over \$25,000, by the College President need full board approval and Board Policies state that the College President shall not indebted the College in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 60 days, except by Board-approved conditions.

CAUSE OF CONDITION: Unknown

EFFECT OF CONDITION: Unauthorized capital asset acquisition, unauthorized borrowings, and cash shortages.

CLIENT RESPONSE: The College acknowledges that the prior administration (President and Vice President for Administrative Services) entered into real property purchase agreements or expended funds for purchase of real property that violated Board of Education policy, College policy and procedures and the Executive Limitations of the President. Board policy #304 states that the College President shall not "Authorize the expenditure of funds exceeding \$25,000 without the prior approval of the Board of Education." The Vice President of Administrative Services' purchasing authority (under College procedures) was limited to \$10,000.

College and Board of Education policies and procedures did not adequately safeguard the College. Purchasing limitations in College policy were not enforced or complied with by the College President. The Board of Education did not monitor or enforce Board policy #304 regarding the President's purchasing authority.

The President is responsible for enforcing College policies and procedures for all staff and the Board has oversight of the President's actions. Although staff was aware of violations of College policy and Oregon Local Budget Law (overstatement of revenues, understatement of known expenditures, over-expenditures of budgets, spending beyond approved limits, looming cash flow shortages), there was no formal mechanism for staff to make the Board of Education aware of these violations. The current College administration is committed to fully complying with College and Board of Education policies; however, there must be additional oversight to monitor compliance. The Board of Education has established a Finance subcommittee made up of two Board of Education members and two budget committee members to provide additional oversight of the President and financial management of the College; the committee will meet at least quarterly. The full Board will meet with the College auditors (without the College President present) to review the audit each year. Additionally, the Board is committed to following its own procedure for evaluation of the College President which includes a 360° evaluation every other year to actively solicit feedback from College employees on the performance of the President.

FINDING – FEDERAL AWARDS OMB CIRCULAR A-133

2008-11. Federal Financial Assistance

CONDITION: Financial Aid procedures/Document Deficiencies

The student notification of disbursement letters did not specify the date of financial aid disbursements. In our sample of students receiving financial aid, the error rate was at 50% of our sample.

CRITERIA: § 668.165 Notices and authorizations.

(a) *Notices.*

- (1) Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and *how and when those funds will be disbursed*. If those funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans.
- (2) If an institution credits a student's account at the institution with Direct Loan, FFEL, or Federal Perkins Loan Program funds, the institution must notify the student, or parent of –
 - (i) The date and amount of the disbursement;
 - (ii) The student's right, or parent's right to cancel all or a portion of that loan or loan disbursement and have the loan proceeds returned to the holder of that loan. However, the institution does not have to provide this information with regard to FFEL Program funds unless the institution received the loan funds from a lender through an EFT payment or master check; and
 - (iii) The procedures and the time by which the student or parent must notify the institution that he or she wishes to cancel the loan or loan disbursement.
- (3) The institution must send the notice described in paragraph (a)(2) of this section in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution.

CAUSE OF CONDITION: Due to a computer programming error the letter was pulling another field into the date field of the letters. The Financial Aid Department said when they discovered the error additional letters were sent out to students. However, these letters were not filed in the student financial aid files.

EFFECT OF CONDITION: Noncompliance with federal regulations for financial aid programs.

RECOMMENDATION: We recommend testing and proofing notifications before they are sent to students to verify the program is providing the required information. We also recommend the College District look into the best methods of record maintenance to provide required records are available in a systematic organized fashion that comply with the Department of Education requirements. The College District might further want to compare costs of filing and maintenance of hard copies versus the costs of programs and equipment to maintain electronic copies.

CLIENT RESPONSE: The College acknowledges that for a short period of time, financial aid disbursement letters were sent out to students without specifying the date of the disbursement. The merged letters pulled an incorrect data field and it was not caught by staff until after letters had been sent. Corrected letters were sent out, but copies of the corrected letters were not retained in the students' files.

Financial Aid Office procedures have been revised to require that a second person, other than the preparer, review merged letters before they are mailed out. Additionally, procedures have been revised to require copies of any corrected communications with students to be retained in student files. The College continues to research document management options for the entire College to improve workflow and reduce storage of paper documents.

FINDING – FEDERAL AWARDS OMB CIRCULAR A-133

2008-12. SFA Cluster – Clery Report

CONDITION: An outside consultant was hired by the College District to review Student Housing Practices. This report issued on November 24, 2008 revealed some problems with timely reporting and the methodology used to report crime statistics, resulting in under-reported and over-reported statistics in the required annual Clery report. Not all the parties who helped compile and issue the report were available to our audit team.

The College District did not notify all current and prospective students and employees of the availability of its annual Clery report, nor did it do so during the period we audited.

CRITERIA: 34 CFR 668.46, HEA Sec. 485(f), 20 U.S.C. 1092(f)

By October 1 of each year, a school must publish and distribute its annual security report. It must be distributed to all enrolled students and current employees in one of two ways—directly by publications and mailings, including giving each individual a copy, or direct mailing to each individual through the U.S. Postal Service, campus mail, or electronic mail, or a combination of these methods.

The Clery Act and federal regulations require eligible postsecondary educational institutions to compile crime statistics in accordance with the definitions established by the Uniform Crime Reporting Program of the Federal Bureau of Investigation. Definitions for crimes reportable under the Clery Act can be found in both federal regulations and the FBI's *Uniform Crime Reporting Handbook*. The U.S. Department of Education may impose civil penalties, suspend or terminate an institution's eligibility for federal student aid funding.

The Clery Act requires institutions to collect crime statistics from campus security authorities and make a good faith effort to obtain such information from local police agencies. Because local police may be responsible for responding to certain types of crimes or patrolling designated noncampus and public property areas, institutions may need such information to accurately file their annual reports.

CAUSE OF CONDITION: Staff turnover

EFFECT OF CONDITION: Non compliance with federal regulations.

RECOMMENDATION: To ensure compliance with the Clery Act, Southwestern Oregon Community College District should establish procedures to ensure that the campus community is informed of the availability of the annual report. The College District should establish procedures for maintaining a complete crime log, checklists for compiling information for the report, and written procedures for reporting and dissemination of required information. This regulation is tied to the Federal Student Aid participation and, therefore, it is our recommendation that the College District involve the Financial Aid Director in maintaining its compliance. We further recommend the College District take the necessary steps to amend the Clery report, making the necessary corrections and provide the required notice to its College community.

CLIENT RESPONSE: The College acknowledges that there were inconsistencies in the methodology used to aggregate and report crime statistics and that the report was filed late and notifications of availability were not made.

The crimes to be reported under the Clery Act do not match the way the College has collected and quantified crime statistics. The College will establish procedures for maintaining the Public Safety crime log that parallel reporting requirements for the Clery Act. These procedures will be shared with Public Safety staff on a regular basis and the crime log will be monitored by the supervisor of the Public Safety staff to assure compliance. The College will develop a guide to reporting requirements of crimes committed on adjacent property and communicate these requirements to Coos Bay, North Bend and other community police departments to correctly aggregate information for the annual report.

Under the new administration, nearly 20 college personnel have already attended a webinar on the Clery Act. Additionally, the Vice President of Administrative Services is assembling a committee, which includes the Financial Aid Director, to develop a procedure and timeline for annual aggregation of crime statistics, completing the report and disseminating it to all required persons in a timely manner.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

Federal Grantor/pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass Through Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct programs:			
Student Financial Aid			
Federal Pell Grant Program	84.063	P063P062071	\$ 1,898,644
Federal Supplemental Educational Opportunity Grant	84.007	P007A063511	80,000
Academic Competitiveness Grant	84.376	P375A062071	22,884
Federal Work Study Program	84.033	P033A063511	<u>96,527</u>
Total Student Financial Aid Cluster			<u>2,098,055</u>
TRIO Program Cluster			
Talent Search Program	84.044A		504,034
Student Support Services	84.042A	P044A020652	289,357
Upward Bound	84.047A	P047A030837	<u>240,045</u>
Total TRIO Cluster			<u>1,033,436</u>
Strengthening Institutions Program - Title III	84.031A	P031A060194	<u>472,619</u>
Subtotal direct programs			<u>3,604,110</u>
Pass-through programs from:			
State of Oregon, Department of Education			
Even Start	84.213		219,315
Career and Technical Education - Basic Grants to States	84.048		139,028
State of Oregon Dept. of Community Colleges & Workforce Development			
Adult Education - Basic Grants to States	84.002A		147,099
League for Innovation in the Community College Consortium			
College and Career Transitions Initiative			
Vocational National Programs	84.051B		23,801
Oregon University System			
Gaining Early Awareness and Readiness for Undergraduate Programs (GearUp)	84.334S	PL 105-244	<u>15,648</u>
Subtotal pass-through programs			<u>544,891</u>
Total U.S. Department of Education			<u>4,149,001</u>
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass-through programs from:			
Coos County, Commission on Children and Families			
Child Care & Development Block Grant	93.575		24,998
Curry County, Commission on Children and Families			
Child Care and Development Block Grant	93.575		1,000
Child Care Resource & Referral Network			
Child Care & Development Block Grant	93.575		<u>115,204</u>
Subtotal Child Care & Development Block Grant (carried forward to next page)			<u>\$ 141,202</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2008

Federal Grantor/pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass Through Number	Expenditures
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES (continued)			
Pass-through programs from (sub-total carried from previous page):			\$ 141,202
South Coast Business Employment Corporation			
Temporary Assistance for Needy Families	93.558	TANF 05-100	250,671
State of Oregon Department of Human Services			
Community-Based Child Abuse Prevention Grants	93.590		<u>100,850</u>
Total U.S. Department of Health & Human Services			<u>492,723</u>
U.S. DEPARTMENT OF LABOR			
Pass-through programs from:			
State of Oregon Department of Community Colleges and Workforce Development			
Workforce Investment Act: Dislocated Worker Incentives Grants - WIA	17.260	GRNT06111	10,485
Section 503	17.267		62,108
Chemeketa Community College			
WIA Pilots Demonstrations and Research Projects	17.261	556-06	<u>91,499</u>
Total U.S. Department of Labor			<u>164,092</u>
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through programs from:			
State of Oregon, Department of Education			
Child and Adult Care Food Program	10.558	0619002	266,399
Commodity Supplemental Food Program	10.565	0619006	<u>29,205</u>
Total U.S. Department Agriculture			<u>295,604</u>
U.S. DEPARTMENT OF COMMERCE			
Direct programs:			
Public Telecommunications and Facilities Planning and Construction	11.550	41-03-04171	<u>35,313</u>
OTHER PROGRAMS			
SMALL BUSINESS ADMINISTRATION			
Pass-through programs from:			
Lane Community College			
Small Business Development Center	59.037		29,980
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct programs:			
Retired and Senior Volunteer Program	94.002	05SRPOR003	<u>67,606</u>
Total Other Programs			<u>97,586</u>
Total expenditures of federal awards			<u>\$ 5,234,319</u>

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

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, 2008 are as follows:

Federal Stafford Loans	\$ 2,582,174
Federal Plus Loans	152,380

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, 2008, the College District did not provide any financial awards to subrecipients.