SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2009

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT

COLLEGE DISTRICT OFFICIALS
As of June 30, 2009

Lonny Anderson
Board Chair
2008 State Street
North Bend, OR 97459

Cherie Mitchell
Board Vice Chair
PO Box 1104
Brookings, OR 97415

Harry Abel
93706 Pickett Lane
Coos Bay, OR 97420

David Bridgham
PO Box 752
North Bend, OR 97459

Rick Howell
94442 Carlson Heights Lane
North Bend, OR 97459

Marcia Jensen
68001 Rhoadie Lane
North Bend, OR 97459

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

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,
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 COLLEGE DISTRICT

ANNUAL FINANCIAL REPORT
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FINANCIAL SECTION

J. ROBERT WALL, C.P.A.
KAREN S. WALL, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities, and the aggregate remaining fund information of Southwestern Oregon Community College District (the primary government), as of and for the year ended June 30, 2009, which collectively comprise the College District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Southwestern Oregon Community College District's (College District) 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 4.6%, 20.6%, and 1.1%, 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, 2009, were audited by these other auditors whose report dated November 24, 2009, 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 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the aggregate remaining fund information of Southwestern Oregon Community College District, as of June 30, 2009, and respective 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 December 16, 2009, on our consideration of Southwestern Oregon Community College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. 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 considered in assessing 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 accounting principles generally accepted in the United States of America. 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.

750 CENTRAL AVENUE, SUITE 102 COOS BAY, OR 97420 (541) 269-1358 FAX: (541) 269-0202

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 required supplemental information, 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. 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 also 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.

J. Robert Wall, CPA

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

Coos Bay, Oregon
December 16, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTHWESTERN
OREGON COMMUNITY COLLEGE
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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, 2009 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

- A reduction in funding from the Community College Support Fund and other budgetary considerations necessitated a mid-year budget strategy revision. A small reduction in personnel and reduced spending for materials and services resulted in the College ending the year in a relatively strong financial position.

- The total assets of Southwestern exceeded its liabilities at the close of fiscal year 2009 by $8,475,912 (net assets). Of this amount, $(342,455) (unrestricted net assets deficit) may be built up and used to meet the College's ongoing obligations to citizens, creditors, and employees. This deficit results primarily from current losses in the PERS Side Account net pension asset of almost $2.9 million which is generally outside of the control of the College District.

- The College's total net assets decreased by $4,503,142. This was due to primarily to a prior period adjustment of $601,245 for the early retirement obligation.

- Southwestern's governmental funds reported combined ending fund balances of $4,381,271, an increase of $1,774,365 over the prior year.

- At the end of the fiscal year, the General Fund had an unreserved fund balance of $1,979,340. $1,400,000 of the fund balance is designated for repayment of the College's operating loan.

- The College's enrollment increased 6% 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, 2009 shows assets of $49,872,662, liabilities of $41,396,750, and net assets of $8,475,912. 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.

	2009	2008 As Restated	% Change
Assets			
Current assets	$ 5,060,608	$ 5,214,598	(3.0)
Restricted cash	5,837	17,441	(66.5)
Taxes receivable	218,549	181,467	20.4
Net Pension Asset	10,144,000	13,952,180	(27.2)
Capital assets, net of depreciation	34,443,668	34,511,964	(0.1)
Total assets	$49,872,662	$53,877,650	(7.4)
Liabilities			
Current liabilities	$ 6,038,698	$ 4,774,819	26.4
Long term debt, noncurrent portion	35,358,052	36,725,024	(3.7)
Total liabilities	$41,396,750	$41,499,843	(0.2)
Net Assets			
Invested in capital assets, net related debt	$10,714,743	$ 8,573,477	24.9
Restricted (deficit)	(1,896,376)	1,646,223	(215.1)
Unrestricted (deficit)	(342,455)	2,158,107	(174.4)
Total net assets	$ 8,475,912	$12,377,807	(31.5)

Current assets include cash and investments, accounts receivable from students, the State of Oregon, and others, property taxes, prepaid expenses, and inventory. The College's current assets of $5,060,608 were not sufficient to cover its current liabilities of $6,683,428. This represents a ratio of .76; a key factor looked at by creditors to help determine an institution's creditworthiness. The net pension asset of $10,144,000 represents a net 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 $34,443,668 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.

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).

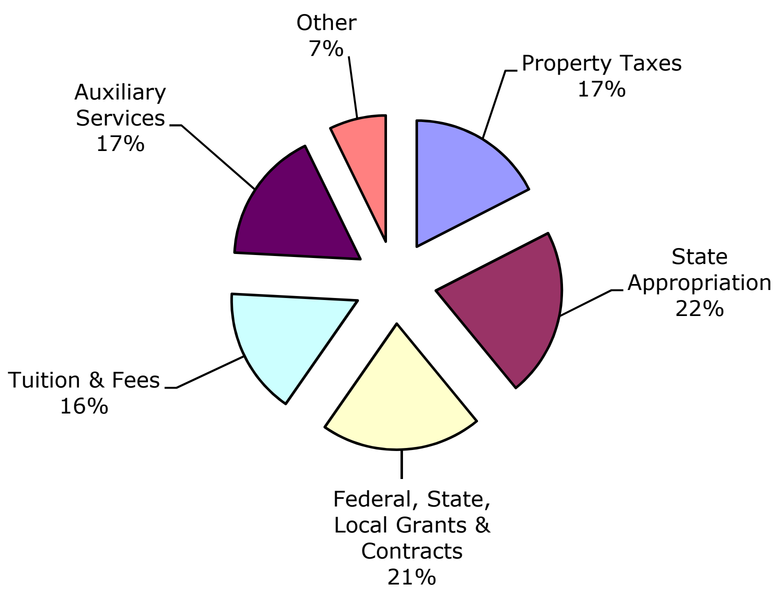
Operating Results for the year ended June 30	**2009**	**2008**	**% Change**
Operating Revenues:			
Tuition & Fees (net of scholarship allowances)	$ 4,760,480	$ 4,979,782	(4.4)
Federal, State, and Local Grants & Contracts	6,072,309	6,411,847	(5.2)
Auxiliary (net of scholarship allowances)	4,984,243	3,762,438	32.4
Donations	-	124,237	(100.0)
Other Revenue	-	790,143	(100.0)
Total Operating Revenues	$15,817,032	16,068,447	(1.5)
Operating Expenses:			
Instruction	8,722,834	8,381,382	4.0
Instructional Support	1,865,563	3,560,913	(47.6)
College Support	3,183,345	4,050,756	(21.4)
Plant Operations & Maintenance	2,401,262	1,344,394	78.6
Student Services	2,865,948	1,908,292	50.2
Community Services	2,680,627	2,637,778	1.6
Financial Aid	1,506,549	2,673,941	(43.6)
Auxiliary Enterprises	4,495,214	4,336,743	3.6
Early Retirement Costs	317,674	173,343	83.2
Depreciation	1,193,755	1,194,657	0.0
Total Operating Expenses	29,232,771	30,262,199	(3.4)
Net Operating Gain (Loss)	(13,415,739)	(14,193,752)	5.4
Non-operating Revenues:			
State Appropriation	6,357,357	7,955,719	(20.0)
Property Taxes	5,145,330	4,975,844	3.4
Other	2,132,459	2,915,319	(26.8)
Total Non-operating Revenues	13,635,146	15,846,882	(13.9)
Non-operating Expenses	(4,722,547)	(1,993,185)	136.9
Increase (Decrease) in Net Assets	(4,503,140)	(340,055)	(1224.2)
Net Assets, Beginning of Year, as originally reported	12,377,807	8,039,397	53.9
Prior period adjustments	601,245	4,678,465	(87.1)
Net Assets, Beginning of Year, as restated	12,979,052	12,717,862	2.0
Net Assets, End of Year	$ 8,475,912	$12,377,807	(31.5)

The most significant sources of operating revenues for the College are federal, state, and local grants and contracts (including financial aid), student tuition and fees, and auxiliary services such as Student Housing or the Bookstore. Revenue from grants and contracts (including financial aid) totaled $6,072,309. Tuition and fees totaled $4,760,480. Auxiliary services totaled $4,984,243.

The largest non-operating revenue source is from the State of Oregon. Annually, the State appropriates funding for community colleges. The College received $8,620,088 for FTE reimbursement in fiscal year 2009. A decrease of $320,233 from fiscal year 2008.

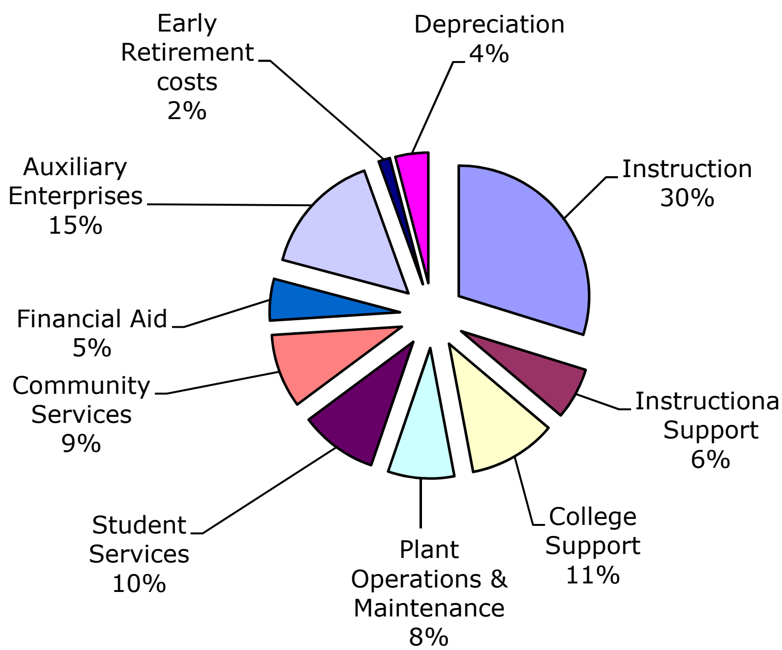
The following graph shows the allocation of revenues, both operating and non-operating, for the College:

Revenue Sources for Fiscal Year 2009



Operating expenses totaling $29,232,771 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 for Fiscal Year 2009



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.

	2009	2008	% Change
Cash Provided By (Used In):			
Operating Activities	$(12,295,822)	$(11,993,503)	(2.5)
Non-capital Financing Activities	13,496,416	16,227,545	(16.8)
Capital Financing Activities	(2,604,281)	(3,937,598)	33.8
Investing Activities	57,273	165,500	(65.3)
Net Increase (Decrease) in Cash	(1,346,414)	461,944	(391.4)
Cash – Beginning of Year	2,204,940	1,742,996	26.5
Cash – End of Year	$ 858,526	$ 2,204,940	(61.0)

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.

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, 2009 amounts to $34,443,668 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 $39,275,456. Of this amount, $1,446,329 represents lease purchase certificates of participation, $36,147,043 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 have independent income streams available to pay principal and interest on the obligations.

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

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 the previous fiscal year 2008 to take advantage of lower long term interest rates. Bonds in the amount of $9,950,000 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:

	2009		**2009**
Current Assets	$ 396,433	Operating Revenues	$ 672,053
Non-current Assets	2,033,237	Operating Expenses	(657,595)
Total Assets	$2,429,670	Operating Gain (Loss)	14,458
Current Liabilities	$ 229,286	Non-operating Expenses	(384,379)
Restricted Net Assets	1,168,385	Decrease in Net Assets	(369,921)
Unrestricted Net Assets	1,031,999	Net Assets – Beg. of Year	2,570,305
Total Liabilities & Net Assets	$2,429,670	Net Assets – End of Year	$2,200,384

Economic Factors and Next Year's Budget

When the 2009 Oregon state legislative session ended, the Oregon Community College Association (OCCA) successfully lobbied and received $450.5 million for community college funding in the next biennium which is greater than the $428 million upon which Southwestern's 2009-10 budget was built. However, this increase in state funding is predicated on two events: 1. the state economy will rebound resulting in more jobs and therefore more taxes (state revenue) and 2. the proposed tax increase measures will be approved by voters in January 2010. Furnished with this information the Board and administration did not feel it prudent to base the 2009-2010 budget on this increase until these two possible sources of state revenue have been confirmed. This conservative approach is fiscally appropriate and is founded in fact and state precedence. If the economic downturn continues or worsens, or the proposed tax initiatives fail, it is highly likely that the State may reduce our funding mid-biennium. October 2009, CCWD included the three-year FTE look back in the funding formula (also called CCSF Distribution formula); this resulted in a decrease to Southwestern from the projected amount in August 2009 of $267,841.

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 2009. It was paid to Southwestern on July 15, 2009. According to GAAP, the College must recognize this as revenue in fiscal year 2009, which we have. The State appropriation was decreased significantly for fiscal year 2009. Funding fluctuations from the Community College Support Fund create budgeting challenges. 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 will rise in the foreseeable future because of PERS investments and stock market fluctuations.

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. An assortment of class and registration fees, including the technology fee, was replaced in FY07 by the new fee structure. Feedback has indicated that students appreciate the fee structure because it is easier to calculate what their charges will be.

Tuition and fees have been increased because of economic pressures on the College. Tuition increased to from $62 to $69 per credit. The per credit fee increased from $12 to $17 per credit. The per course fee increased from $22 to $25.

In FY07 the State of Oregon gave Southwestern $2,300,000 in capital construction monies for an educational facility in Curry County and the State is holding the funds for the College until the facility is constructed. 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, 2009

	Primary Government	Component Unit
ASSETS		
Current assets		
Cash and cash equivalents	$ 852,689	$ 286,033
Receivables		
Taxes	218,550	-
Accounts	3,699,931	-
Refundable deposits	37,080	-
Loan to primary government	-	102,400
Interest	-	8,000
Prepaid expenses	42,491	-
Inventory	209,867	-
Total current assets	5,060,608	396,433
Noncurrent assets		
Restricted cash - pension and refunding bonds	5,837	-
Long-term investments	-	1,823,687
Taxes receivable	218,549	-
Loan receivable from primary government	-	200,000
Net pension asset	10,144,000	-
Capital assets (net of accumulated depreciation)	34,443,668	9,550
Total noncurrent assets	44,812,054	2,033,237
Total assets	$ 49,872,662	$ 2,429,670
LIABILITIES		
Current liabilities		
Accounts payable	$ 974,780	$ 229,286
Accrued expenses	673,457	-
Compensated absences payable	548,258	-
Accrued interest payable	83,492	-
Due to other agencies	110,664	-
Deferred revenue and deposits	713,078	-
Accrued obligations early retirement benefits	189,096	-
Noncurrent liablitites		
Due within one year		
Bonds payable	1,145,000	-
Capital leases payable	100,873	-
Short-term loan payable to bank	1,400,000	-
Loan payable to component unit	100,000	-
Accrued obligations early retirement - net of current portion	-	-
Total current liabilities	$ 6,038,698	$ 229,286

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF NET ASSETS (continued)
June 30, 2009

	Primary Government	Component Unit
Total current liabilities (from previous page)	$ 6,038,698	$ 229,286
Noncurrent liabilities, net of current portions		
Pension bonds payable	13,005,000	-
Bonds payable, net of unamortized costs	22,018,727	-
Capital leases payable	134,325	-
Loan payable to component unit	200,000	-
Total noncurrent liabilities, net	35,358,052	-
Total liabilities	41,396,750	229,286
NET ASSETS		
Net assets invested in capital assets	34,443,668	-
Less: net related debt	(23,728,925)	-
Investment in capital assets, net of related debt	10,714,743	-
Restricted assets		
Restricted for pension bond obligations (deficit)	(2,916,000)	-
Restricted for capital projects	1,019,624	-
Temporarily restricted	-	709,726
Permanently restricted	-	458,659
Unrestricted (deficit)	(342,455)	1,031,999
Total net assets	8,475,912	2,200,384
Total liabilities and net assets	$ 49,872,662	$ 2,429,670

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

	Primary Government	Component Unit
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of $857,596	$ 4,760,480	$ -
Federal grants and contracts	5,426,854	-
State and local government grants and contracts	479,500	-
Nongovernment grants, contracts, and special fees	165,955	-
Auxiliary enterprises, including tuition fees		
Food services	110,485	-
Bookstore, net of scholarship allowances of $178,958	1,054,380	-
Student housing, net of scholarship allowances of $434,708	1,805,016	-
Newmark center	446,889	-
Conferences	142,714	-
Culinary arts, net of scholarship allowances of $262,662	1,082,566	-
Student recreation center	252,153	-
Other auxiliary enterprises	90,040	-
Donations	-	671,297
Other operating revenues	-	756
Total operating revenues	15,817,032	672,053
OPERATING EXPENSES		
Education and general		
Instruction	8,722,834	-
Instructional support	1,865,563	-
College support	3,183,345	-
Plant operations and maintenance	2,401,262	-
Other support services		
Student services	2,865,948	-
Community services	2,680,627	-
Student financial aid	1,506,549	-
Auxiliary enterprises		
Food services	21,084	-
Bookstore	998,799	-
Student housing	1,605,042	-
Newmark center	253,804	-
Conferences	130,012	-
Culinary arts	1,196,373	-
Student recreation center	230,593	-
Other auxiliary enterprises	59,507	-
Early retirement costs	317,674	-
Depreciation expense	1,193,755	-
Foundation operating expenses	-	657,595
Total operating expenses	29,232,771	657,595
Excess (deficiency) of revenues over (under) expenses (carried forward to next page)	$ (13,415,739)	$ 14,458

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (continued)
For the Year Ended June 30, 2009

	Primary Government	Component Unit
Excess (deficiency) of revenues over (under) expenses (from previous page)	$ (13,415,739)	$ 14,458
NON-OPERATING REVENUES (EXPENSES)		
State community college support	6,357,357	-
Other state sources	2,075,186	-
Property taxes	5,145,330	-
Investment loss on net pension asset	(2,894,096)	-
Disposal loss	(33,794)	-
Interest and net investment income (loss)	57,273	(384,379)
Interest expense	(1,794,657)	-
Total net non-operating revenues (expenses)	8,912,599	(384,379)
Net change in net assets	(4,503,140)	(369,921)
NET ASSETS		
Net assets - beginning of the year (as previously reported)	12,377,807	2,570,305
Restatement for accrued early retirement obligations	601,245	-
Net assets - beginning of the year (as restated)	12,979,052	2,570,305
Net assets - end of the year	$ 8,475,912	$ 2,200,384

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 5,923,969	
Federal student financial aid grants	2,515,724	
Federal grants and contracts	2,911,130	
State and local government grants and contracts	479,500	
Payments to suppliers for goods and services	(5,438,445)	
Payments to employees and payroll taxing agencies for services	(15,916,828)	
Payments for student financial aid and other scholarships	(3,240,473)	
Payment for early retirement	(419,861)	
Auxiliary enterprises:		
Cash received from customers	4,125,953	
Paid to suppliers and employees	(4,150,575)	
Net cash (used) by operating activities		$ (13,209,906)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Cash received from property taxes	5,071,164	
Cash received from State community college support	6,357,357	
Cash received from other state sources	2,684,577	
Net cash provided by non-capital financing activities		14,113,098
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(767,207)	
Proceeds from short-term debt	3,897,630	
Principal payments on long-term debt	(1,183,749)	
Principal payments on short-term debt	(2,497,630)	
Interest payments on long-term debt	(1,755,923)	
Net cash (used) by capital and related financing activities		(2,306,879)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		57,273
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,346,414)
CASH AND CASH EQUIVALENTS, JULY 1, 2008		2,204,940
CASH AND CASH EQUIVALENTS, JUNE 30, 2009		$ 858,526

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2009

RECONCILIATION TO AMOUNTS SHOWN ON STATEMENT OF NET ASSETS	
Unrestricted cash and cash equivalents	$ 845,026
Restricted cash and cash equivalents	13,500
TOTAL CASH AND CASH EQUIVALENTS	$ 858,526
RECONCILIATION OF NET INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating (loss)	$ (13,415,739)
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	1,193,755
Change in assets and liabilities	
Accounts receivable	(1,082,142)
Prepaid expenses	(19,345)
Inventories	(41,911)
Accounts payable	(431,962)
Accrued expenses	(144,776)
Due to other agencies	2,000
Deferred revenue	596,252
Compensated absences payable	(55,134)
Early retirement	189,098
Net cash used by operating activities	$ (13,209,904)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets through borrowings	315,459
Investment loss on net pension asset	(2,894,096)
Net pension asset	2,894,096
Total net noncash capital and related financing activities	$ 315,459

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, 2009

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.

The College District's basic financial statements have applied all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements. The College District has elected not to follow subsequent private-sector guidance.

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, 2009.

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, 2009. 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-two member Board plus two College District Board Members who serve as non-voting exofficio members of the Foundation's Board.

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, 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, 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, Federal Stafford and Plus loans, the Federal Work-Study program, Federal Supplemental Educational Opportunity grants, and Academic Competitiveness grants. 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 laws 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 $5,837 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 $1,019,624 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.

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, 2009, in the Capital Project’s Plant Fund in the amount of $1,019,624 was 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 accounted for 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 thirteen 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 $1,484,507 as of June 30, 2009, which was $(464,883) shy of the total Plant Fund’s reported fund balance of $1,019,624, as of the end of the current fiscal year under audit.

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. Also, subsequent to the year ended June 30, 2009, during December of 2009, the land for the Curry County Campus was in the process of being donated to the College District by Borax, Inc. (NOTE 14).

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, as further discussed on page 69 of this report.

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, as further discussed on page 69 of this report.

2008-2009 Budget

The following deficiencies were noted regarding the College District's 2008-2009 fiscal year's budget which resulted from the budget process occurring primarily during the previous 2007-2008 fiscal year, and resolutions that did, or should have, occurred through September of 2008:

- A complete budget document was not available to the budget committee members at the first budget committee meeting, during the Spring of 2008, 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 that first budget committee meeting during 2008.

- A timely and complete resolution was not properly or timely authorized by the College District's Board of Education during July or August of 2008, approving the first short-term borrowing for the fiscal year 2008-2009 (NOTE 7B).

- An appropriation transfer resolution was incorrectly compiled and authorized for 2008-2009 payroll adjustments by previous Administration during September of 2008. 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. During the early months of the June 30, 2009 fiscal period, a College Committee convened to revisit and reduce several originally appropriated estimates.

No deficiencies were noted with the ensuing 2009-2010 fiscal year's budget process or budget documentation that took place primarily during the year ended June 30, 2009.

NOTE 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the primary government at June 30, 2009, are comprised of:

Cash on hand	$	3,850
Carrying amount of deposits		774,476
Carrying amount of cash with Coos, Curry, and Douglas Counties		63,171
State of Oregon Local Government Investment Pool		17,029
Total cash and cash equivalents	$	858,526
Cash per Statement of Net Assets		
General Fund	$	520,913
Special Revenue Fund		334,998
Enterprise Fund		2,615
Total by Funds - primary government	$	858,526

NOTE 3. DEPOSITS AND INVESTMENTS

Deposits

The Governmental Accounting Standards Board has adopted accounting principles generally accepted in the United States of America (GAAP), which include standards to categorize deposits to give an indication of the level of custodial credit risk assumed by the College District at June 30, 2009. If bank deposits at year end are not entirely insured or collateralized with securities held by the College District or by its agent in the College District's name, the College District must disclose the custodial credit risk (below) that exists. Deposits with financial institutions are comprised of bank demand deposits. For deposits in excess of federal depository insurance, Oregon Revised Statutes require depository institutions to be in compliance with ORS 295. For the fiscal year ended June 30, 2009, the carrying amounts of the College District deposits in various financial institutions were $854,676 and the bank balances were $1,149,892. All deposits are held in the name of the College District. At June 30, 2009 the College District's deposits were covered by federal depository insurance and certifications of participation.

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

Effective July 1, 2008, House Bill 2901 created a shared liability structure for participating bank depositories in Oregon. Barring any exceptions, a qualifying bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of the quarter-end public fund deposits if they are adequately capitalized, or 110% of the quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public bank depositories is available to repay the deposits of public funds of governmental entities.

Investments

The College District has invested funds in the State Treasurer's Oregon Short-term Fund Local Government Investment Pool during fiscal year 2009. The Oregon Short-term Fund is the local government investment pool for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. The investments are regulated by the Oregon Short-term Fund Board and approved by the Oregon Investment Council (ORD 294.805 to 294.895). Local Government Investment Pool (LGIP) is an external investment pool managed by the State Treasurer's office, which allow governments within the state to pool their funds for investment purposes. The amounts invested in the pool are not classified by risk categories because they are not evidenced by securities that exist in physical or book entry form as defined by GASB Statement No. 40.

In addition, the Oregon State Treasury LGIP 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. Accordingly, the adjustment to fair value would not represent an expendable increase in the College District's cash position.

Investments in the Oregon State Treasury LGIP are made under the provisions of ORS 194.180. These funds are held in the College District's name and are not subject to collateralization requirements or ORS 295.015. Investments are stated at amortized cost, which approximated fair value.

State of Oregon statutes restrict the types of investments in which the College District may invest. Authorized investments include obligations of the United States Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, time certificates of deposit, certain commercial paper, and the State of Oregon Treasurer's Local Government Investment Pool. As of June 30, 2009 and for the year then ended, the College District was in compliance with the aforementioned State of Oregon statutes.

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 the Pool annually. The Divisions, report on the Pool as of and for the year ended June 30, 2009 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 is required to provide information about the concentration of credit risk associated with its investments in one issuer that represents 5 percent or more of the total investments, excluding investments in external investment pools or those issued and explicitly guaranteed by the U.S. Government. The College District had concentrations in the following investments at June 30, 2009: LGIP 20%, County Treasury Pools 80% (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, 2009 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.

NOTE 4. RECEIVABLES

Receivables of the primary government as of fiscal year ended June 30, 2009, are as follows:

	General	Special Revenue	Capital Projects	Enterprise	Totals
Taxes	$ 437,098	$ -	$ -	$ -	$ 437,098
Accounts	2,627,345	562,419	481,055	29,112	3,699,931
Net total receivables	$ 3,064,443	$ 562,419	$ 481,055	$ 29,112	$ 4,137,029

Historical data indicates that approximately 50% of property taxes receivable at June 30, 2009 can reasonably be expected to be collected within the next year. Accordingly, 50% of such property taxes receivable are classified as current assets.

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 $830,680 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 2008-2009, the College District levied property taxes in the amount of $4,897,521. After reduction for estimated discounts, uncollected amounts, and loss due to constitutional limits of $222,198, this resulted in a net levy of $4,675,323. The tax rate for the fiscal year 2008-2009 was $.7017 per $1,000 of assessed value before compression due to constitutional limits.

Property taxes are recorded on the accrual basis in the basic financial statements. No allowance for uncollectible property taxes is shown in the financial statements since unpaid property taxes are a permanent lien and the amount of property taxes ultimately not collected is immaterial. Interest on delinquent property taxes is recognized when received.

Following is a summary of property tax transactions of the primary government for the fiscal year ended June 30, 2009:

	Receivable 7/1/2008	**2008-2009 Net Levy**	**Collections and Adjustments**	**Receivable 6/30/09**
Coos County				
2008-09	$ -	$ 2,782,405	$ (2,610,612)	$ 171,793
2007-08	152,241	-	(81,711)	70,530
2006-07	61,737	-	(27,907)	33,830
2005-06	29,101	-	(15,802)	13,299
2004-05	10,246	-	(8,252)	1,994
2003-04	1,486	-	(743)	743
2002-03	1,043	-	(456)	587
Prior years	4,721	-	(925)	3,796
Total Coos County	260,575	2,782,405	(2,746,408)	296,572
Curry County				
2008-09	-	1,626,181	(1,553,287)	72,894
2007-08	50,239	-	(24,821)	25,418
2006-07	17,321	-	(6,547)	10,774
2005-06	8,283	-	(3,502)	4,781
2004-05	3,356	-	(2,542)	814
2003-04	639	-	(119)	520
2002-03	478	-	(164)	314
Prior years	552	-	(181)	371
Total Curry County	80,868	1,626,181	(1,591,163)	115,886

	Receivable 7/1/2008	2008-2009 Net Levy	Collections and Adjustments	Receivable 6/30/09
Douglas County				
2008-09	-	266,737	(252,850)	13,887
2007-08	12,170	-	(6,303)	5,867
2006-07	4,709	-	(1,765)	2,944
2005-06	2,705	-	(1,513)	1,192
2004-05	1,113	-	(974)	139
2003-04	234	-	(76)	158
2002-03	127	-	(38)	89
2001-02	431	-	(67)	364
Total Douglas County	21,489	266,737	(263,586)	24,640
Total – all counties	$ 362,750	$ 4,675,323	$ (4,601,157)	$ 437,098

NOTE 5. CAPITAL ASSETS - Primary Government

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets not being depreciated				
Land	$ 768,939	$ -	$ -	$ 768,939
Construction in progress	242,562	793,132 *	(326,641)	709,053
Art works collection	145,000	-	-	145,000
Total capital assets not being depreciated	1,156,501	793,132	(326,641)	1,622,992
Capital assets being depreciated				
Land improvements	1,008,521	-	-	1,008,521
Library books	591,201	38,106	(5,533)	623,774
Buildings	39,968,856	-	(7,080)	39,961,776
Equipment and vehicles	4,453,239	654,656	(274,374)	4,833,521
Total capital assets being depreciated	46,021,817	692,762	(286,987)	46,427,592
Less accumulated depreciation for				
Land improvements	(845,961)	(21,758)	-	(867,719)
Library books	(238,178)	(14,506)	2,228	(250,456)
Buildings	(8,773,075)	(877,133)	1,770	(9,648,438)
Equipment and vehicles	(2,809,140)	(280,358)	249,195	(2,840,303)
Total accumulated depreciation	(12,666,354)	(1,193,755)	253,193	(13,606,916)
Total capital assets being depreciated, net	33,445,463	(500,993)	(33,794)	32,820,676
Total capital assets, net	$ 34,511,964	$ 292,139	$ (360,435)	$ 34,443,668

*Includes a $76,587 restatement/adjustment to the capital asset balance at July 1, 2008.

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 refinanced 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.

Pension Obligation Bonds	Date Of Issue	Date Of Maturity	Amount Issued	Amount Outstanding
Series 2004	2/24/04	6/30/28	$ 13,075,000	$ 13,060,000

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, 2009:

Fiscal Year Ending June 30	Principal	Interest	Total
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	260,000	680,734	940,734
2015-2019	2,340,000	3,145,206	5,485,206
2020-2024	4,735,000	2,284,813	7,019,813
2025-2028	5,220,000	679,361	5,899,361
Total	$ 13,060,000	$ 9,582,468	$ 22,642,468

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 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
			38,355,000
Series 2004 Pension Bonds	02/24/04	3.348-5.53%	13,075,000
Total Full Faith and Credit Obligations			$51,430,000

Full Faith and Credit Obligations	Beginning Balance 7/1/08	Principal Paid	Ending Balance 6/30/09	Amount Due Within 1 Year
Series 1995 Obligations	$ 60,000	$ 30,000	$ 30,000	$ 30,000
Series 2002 Obligations	190,000	60,000	130,000	65,000
Series 2003 Refunding Obligations (1)	7,855,000	520,000	7,335,000	545,000
Series 2004 Obligations	3,050,000	170,000	2,880,000	190,000
Series 2005 Obligations	2,485,000	130,000	2,355,000	135,000
Series 2006 Obligations	2,350,000	65,000	2,285,000	65,000
Series 2007 Refunding Obligations (2)	9,830,000	65,000	9,765,000	60,000
	25,820,000	1,040,000	24,780,000	1,090,000
Series 2004 Pension Bonds	13,075,000	15,000	13,060,000	55,000
Total Full Faith and Credit Obligations	$ 38,895,000	$1,055,000	$ 37,840,000	$ 1,145,000

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

(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) 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, $65,000 of principal was paid during June of 2009, so the future maturity of these advance refunding bonds are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 60,000	$ 398,538	$ 458,538
2011	60,000	396,137	456,137
2012	140,000	393,738	533,738
2013	145,000	388,137	533,137
2014	145,000	382,338	527,338
2015-2019	1,095,000	1,822,088	2,917,088
2020-2024	3,395,000	1,389,687	4,784,687
2025-2029	4,415,000	588,955	5,003,955
2030	310,000	13,330	323,330
Total	$ 9,765,000	$ 5,772,948	$ 15,537,948

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 6/30/09	Amount Due Within 1 Year
Student Recreation Center	Governmental	2.00 - 5.00%	$ 6,257,925	$ 1,828,800	$ 120,650
Culinary Arts Institute	Enterprise	2.00 - 5.00%	3,597,075	1,051,200	69,350
Total Government-Wide Business-Type Activity			**$ 9,855,000**	**$ 2,880,000**	**$ 190,000**

The future debt maturity requirements are as follows at June 30, 2009:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 190,000	$ 120,580	$ 310,580
2011	215,000	112,980	327,980
2012	235,000	105,025	340,025
2013	255,000	95,860	350,860
2014	280,000	85,660	365,660
2015-2019	1,705,000	224,823	1,929,823
Total	$ 2,880,000	$ 744,928	$ 3,624,928

Purpose	Fund-type	Interest Rates %	Amount Issued	Ending Balance	Due Within 1 Year
Performing Arts Center	Governmental	2.00 - 4.60%	$ 1,286,668	$ 945,481	$ 70,250
Newmark Center	Enterprise	2.00 - 4.60%	3,379,500	2,483,631	184,537
Student Housing	Enterprise	2.00 - 4.60%	5,313,832	3,905,888	290,213
Total Government-Wide Business-Type Activity			**$ 9,980,000**	**$ 7,335,000**	**$ 545,000**

The future debt maturity requirements are as follows at June 30, 2009:

Fiscal Year Ending June 30	Principal	Interest	Total
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	655,000	205,585	860,585
2015-2019	2,480,000	676,125	3,156,125
2020-2024	1,645,000	249,305	1,894,305
2025	230,000	10,580	240,580
Total	$ 7,335,000	$ 2,170,128	$ 9,505,128

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, 2009:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 135,000	$ 96,090	$ 231,090
2011	140,000	91,703	231,703
2012	145,000	86,977	231,977
2013	150,000	81,903	231,903
2014	155,000	76,427	231,427
2015-2019	500,000	290,410	790,410
2020-2024	885,000	189,878	1,074,878
2025	245,000	10,657	255,657
Total	$ 2,355,000	$ 924,045	$ 3,279,045

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, 2009:

Fiscal Year Ending June 30	Principal	Interest	Total
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	80,000	82,385	162,385
2015-2019	440,000	363,125	803,125
2020-2024	535,000	266,231	801,231
2025-2029	650,000	146,723	796,723
2030-2031	300,000	19,110	319,110
Total	$ 2,285,000	$ 1,235,714	$ 3,520,714

During the 2008-2009 fiscal year $65,000 principal and $96,185 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).

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 4% annual interest loan is to be repaid at a rate of $100,000 principal per year, plus accrued interest, 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:

Payment Date	Principal	Interest	Total
11/1/2009	$ 100,000	$ 12,000	$ 112,000
11/1/2010	100,000	8,000	108,000
11/1/2011	100,000	4,000	104,000
Total	$ 300,000	$ 24,000	$ 324,000

Short-term Borrowings

During the current fiscal year ended June 30, 2009, 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.

Also, later in the current fiscal year ended June 30, 2009, $1,400,000 was borrowed by the College District under these arrangements. Subsequent to the fiscal year end the following short-term borrowing transactions took place:

July 7, 2009	$ 850,000	Borrowed
July 17, 2009	2,261,172	Paid back (interest paid $8,422, fees $2,750)
August 5, 2009	1,200,000	Borrowed
August 17, 2009	1,202,100	Paid back (interest paid $2,100), no fees on credit line (fee paid in July of 2009). Others were each different loans.

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 2011. 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, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 46,904	$ 4,691	$ 51,595
2011	46,904	2,345	49,249
Total	$ 93,808	$ 7,036	$ 100,844

The future maturities of the debt retirement obligation pertaining to the Performing Arts Center at June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 18,096	$ 1,809	$ 19,905
2011	18,096	905	19,001
Total	$ 36,192	$ 2,714	$ 38,906

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, 2009 is as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 30,000	$ 1,800	$ 31,800

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, 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 34,591	$ 1,409	$ 36,000
2011	5,958	42	6,000
Total	$ 40,549	$ 1,451	$ 42,000

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, 2009, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 25,508	$ 1,031	$ 26,539

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, 2009, as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 6,865	$ 69	$ 6,934

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, 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 11,721	$ 1,016	$ 12,737
2011	12,306	431	12,737
2012	2,111	13	2,124
Total	$ 26,138	$ 1,460	$ 27,598

On October 30, 2006, the College District financed the acquisition of an additional van through the same capital lease agreement as the capital lease on the previous page 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, 2009 are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2010	$ 11,084	$ 1,059	$ 12,143
2011	11,637	506	12,143
2012	4,008	39	4,047
Total	$ 26,729	$ 1,604	$ 28,333

During the fiscal year ended June 30, 2009, total rent payments of $12,143 were made on this lease comprised of $10,557 principal and $1,586 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 present value of future net minimum lease payments at June 30, 2009, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
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	13,946	3,586	17,532
2015-2017	46,979	5,617	52,596
Total	$ 109,409	$ 30,847	$ 140,256

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 (College District as Lessor)

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
2010	$ 225,920	$ 61,808	$ 287,728
2011	230,183	61,808	291,991
2012	116,157	30,904	147,061
Total	$ 572,260	$ 154,520	$ 726,780

During the fiscal year ended June 30, 2009, total rental income of $283,466 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
2010	$ 50,544
Total	$ 50,544

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, 2009.

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

During the fiscal year ended June 30, 2009, the following changes occurred in the amounts reported in the general long-term debt account group type liabilities:

	Beginning Balance 7/1/08	Additions	Reductions	Ending Balance 6/30/09
Governmental activities:				
Full Faith & Credit Obligations				
Capital leases/refundings				
Mainframe Computer	$ 46,198	$ -	$ 39,333	$ 6,865
Turtletop Vans	74,589	-	21,721	52,868
Performing Arts Center	52,896	-	16,704	36,192
Refunding bonds 10/07	113,249	-	750	112,499
Dryvit Project	137,104	-	43,296	93,808
Refunding bonds 10/07	294,130	-	1,944	292,186
Telephone system	73,238	-	32,689	40,549
Network Core Switch	50,026	-	24,518	25,508
Advance Refunding Bonds				
Performing Arts Center (PAC)	1,021,591	-	44,394	977,197
Less deferred amounts (Dryvit and PAC)				
Issuance discounts & costs, net of premiums	(12,088)	-	(735)	(11,353)
Revenue Bonds				
Student Recreation Center	7,865,147	-	182,763	7,682,384
Less deferred amounts				
Issuance discounts & costs	(185,642)	-	(11,290)	(174,352)
Pension Bonds (PERS)				
Less deferred amounts	13,075,000	-	15,000	13,060,000
Issuance discounts & costs	(127,005)	-	(6,350)	(120,655)
Loan payable – Foundation	300,000	-	-	300,000
Early retirement (NOTES 13 J and 13 K)	601,245	189,096	601,245	189,096
Compensated absences	603,392	-	55,134	548,258
Total governmental activities long-term liabilities	23,983,070	189,096	1,061,116	23,111,050
Enterprise activities:				
Full Faith & Credit Obligations				
Capital leases/refunded				
Student rec. center fitness equip.	119,897	-	10,488	109,409
Bookstore - Series 1995	60,000	-	30,000	30,000
Refunding bonds 10/07	650,748	-	4,303	646,445
Advanced Refunding Bonds				
Newmark Center	2,522,725	-	259,938	2,262,787
Student Housing	4,310,684	-	215,668	4,095,016
Less deferred amounts				
Issuance discounts & costs, net of premiums	(97,644)	-	(5,938)	(91,706)
Limited Tax Revenue Bonds				
Neighborhood Facility Building	282,000	-	7,800	274,200
Less deferred amounts				
Issuance discounts & costs, net of premiums	(8,007)	-	(487)	(7,520)
Student Housing	4,961,382	-	154,289	4,807,093
Less deferred amounts				
Issuance discounts & costs, net of premiums	(18,004)	-	(1,095)	(16,909)
Revenue Bonds				
Culinary Institute	3,548,344	-	78,152	3,470,192
Less deferred amounts				
Issuance discounts & costs	(63,173)	-	(3,842)	(59,331)
Total enterprise activities long-term liabilities	16,268,952	-	749,276	15,519,676
Grand total government-wide business-type activities long-term liabilities	$ 40,252,022	$ 189,096	$ 1,810,392	$ 38,630,726

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, 2009, the various funds had deferred revenues recorded in the following amounts:

	General	Special Revenue	Enterprise	Trust & Agency
Property taxes receivable (NOTE 4)	$ 437,099	$ -	$ -	$ -
Tuition	836,443	6,018	543,500	-
Grants/Contracts	-	91,070	-	-
Fees	358,889	17,893	50	11,978
Security deposits	-	-	12,750	-
Total deferred revenue	$ 1,632,431	$ 114,981	$ 556,300	$ 11,978

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. During recent fiscal periods the contributed capital within the proprietary funds has remained at $545,132.

NOTE 11. DIFFERENCE IN BUDGETARY BASIS

Due to various College 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, 2009, 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 current fiscal 2008-2009 period as a receivable, $2,261,731 for the fourth quarter disbursement received during July, 2009. 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, 2009. 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 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. 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 College 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.

C. Commitments

The College District had a contract during the entire current fiscal year ended June 30, 2009, with a private firm to provide food service. Under the contract, the College District reimbursed the contractor for all direct food service costs, plus a management fee based on the number of meals served. Effective September 1, 2009, the College District became its own service provider having its Culinary Arts program provide these services (NOTE 14).

D. 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.

E. 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.

F. 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 $8,620,088 (budgetary accounting basis, NOTE 11, from the State Office of Community College Services) to the College District for this support which represents approximately 25.8% 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.

G. New Accounting Pronouncements

Effective initially for the College District for the year ended June 30, 2011, will be Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* which will significantly change how this information is reported. This statement intends to improve the usefulness of amounts reported in fund balance by providing more structured classifications. This statement also clarifies the definition of existing governmental fund types.

H. 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, 2009, for various insurance premiums, coverages, and commissions totaled $132,005 and no amounts were owed as of that date.

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 $10,305,636 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, 2009, and 2008, and 2007, were $435,080, $535,118, and $507,587, 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 2008-2009 fiscal year, changes in the Net Pension Asset were as follows:

Net Pension Asset balance - July 1, 2008	$	13,952,180
Administrative fees		(1,000)
Investment loss on pension asset		(2,894,096)
Contributions to reserves		(913,084)
Net Pension Asset balance - June 30, 2009	$	10,144,000

J. Other Post-employment Benefits

Plan Description. Southwestern Oregon Community College District participates in the Oregon Educators Benefits Board (OEBB), a state-wide agent multi-employer benefit plan, to provide post retirement health benefits program. This program covers all full-time certified, classified, and eligible administrative personnel of the College District. This program was established in accordance with Oregon Revised Statutes (ORS) 243.303, which requires that all eligible retirees be allowed to continue receiving health insurance benefits, at their cost, until age 65 or they become otherwise eligible for Medicare. ORS stipulate that for the purpose of establishing healthcare premiums, the rate must be based upon all plan members, including active members and retirees. Due to medical premium rates being determined by blending both active employee and retiree experience, there is an implicit medical benefit to retirees because the medical premium rates charged for coverage typically are less than actual expected retiree claim costs. Qualified spouses, domestic partners, and children may qualify for coverage. There are currently 236 people enrolled in this program. The College District does not issue a stand alone report for this plan.

The Other Post Employment Benefit (OPEB) Plan and Stipend Plan are comprised of two agreements between the College District and separate groups of employees. The first agreement covers those employees hired before March 1, 2002 ("the 1997 Plan"), and the second agreement covers all other employees ("the 2002 Plan").

Funding Policy. The College District pays for all the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2009 the College District recognized, on a budgetary basis, expenditures of approximately $91 thousand for the post-employment healthcare benefits and on government-wide accrual basis approximately $197 thousand. Each policy stipulates a cap limiting the total amount of early retiree healthcare benefits the College District will pay each year. Annual healthcare benefits for the 1997 Plan shall not exceed $150,000. Similarly, annual healthcare benefits for the 2002 Plan are capped at $250,000. Benefits paid for sick leave hours are not counted toward Plan caps. Requests for early retirement under an early retirement policy will not be granted if the total annual healthcare benefits are expected to exceed the policy's cap in the next academic year. Requests are considered in order based on years of service.

1997 Plan - $150,000 Annual Cap on Healthcare Benefits

Eligibility

For employees hired prior to July 1, 1997

- Age 55 with 10 years of employment with the College District at 0.5 FTE or more; and
- Eligible to retire under PERS.

For employees hired between July 1, 1997 and March 1, 2002

- Age 58 with 20 years of full-time employment with the College District; and
- Eligible to retire under PERS.

Medical Benefits

Benefit before age 65

Payment for full medical, dental, and vision for retiree, spouse, and eligible children until retiree turns 65 or dies. Payment limited to 75% of cost if hired after July 1, 1997.

Benefit after age 65

Payment of up to $62 each per month for retiree and spouse until age 70 or retiree's death. Retiree and spouse must show proof of Medicare Supplemental insurance.

2002 Plan - $250,000 Annual Cap on Healthcare Benefits

Eligibility

- Hired on or after March 1, 2002; and
- Age 58 with 20 years of full-time employment with the College District; or
- 30 years of full-time employment with the College District.

Medical Benefits *Benefit before age 65*

Contribution toward family medical and vision insurance until retiree turns age 65 or dies. Contribution amounts below are as of the 2002 Calendar year. Contribution amounts are increased each year on January 1 by 3% or the July-June Portland Consumer Price Index, whichever is less.

Requirement	Contribution
20-25 YOS or 41,600-51,999 hours	$250/month
25-30 YOS or 52,000-62,399 hours	$300/month
30+ YOS or 62,400+ hours	$350/month

Benefit after age 65

Payment of up to $62 per month until retiree turns 70 or dies. Retiree must show proof of Medicare Supplemental insurance.

Annual OPEB Cost and Net OPEB Obligation. The College District's annual other postemployment benefit (OPEB) cost (expense) is reflected on the Statement of Net Assets on the accrual basis, and is calculated on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed 30 years. The following table shows the components of the College District's annual OPEB cost for the year ending June 30, 2009, the amount actually contributed to the plan, and changes in the College District's net OPEB obligation.

Annual required contribution (ARC) and annual OPEB cost (expense)		
1997 Plan	$ 175,740	
2002 Plan	21,836	$ 197,576
Less: Contributions made (1997 Plan, only)		(91,487)
Increase in net OPEB obligation		106,089
Net OPEB obligation – beginning of year*		-
Net OPEB obligation – end of year		$ 106,089

*GASB Statement No. 45 stipulates that the College District may elect to have the beginning balance of the OPEB obligation to start at zero for the year of implementation, and present prospectively, rather than adjust retroactively (NOTE 13 K on page 47).

The College District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 are:

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 197,576	46.3%	$ 106,089

Actuarial Assumptions. Part of the long-term assumption regarding the future cost of the retiree health plan is that it will retain its current relationship to the cost of the active plan, and that the active plan cost will maintain a reasonable relationship to direct compensation. Key assumptions include the following:

1. Investment Return Assumption (Interest Discount): 3.5%.
2. Medical Premium Annual Trend Rate: 11% initial increase, reducing to 5.0% over 12 years.
3. Dental and Vision Premium Annual Trend Rate: 9% initial increase, reducing to 3.0% over 12 years.
4. Annual Cost-of-living Increase: 2.5%

The investment return assumption is the estimated long-term investment yield on the assets that are expected to be used to finance the payment of benefits. Since the Plan is currently unfunded, the investment return assumption is set equal to the expected long-term return on the College District's own investment funds. The assumption is that 3.5% is a reasonable proxy for that investment return over the long-term.

Disability Rates	Disability rates are assumed to be immaterial for purposes of this OPEB actuarial valuation.
Covered Spouse	50% of future retirees are assumed to cover a spouse, and male spouses are assumed to be 3 years older than female spouses when date of birth is not provided.
Sick Leave Accrual	Employees are assumed to use 50% of the sick leave that they accrue each year.

Entry Age Normal Method

The Entry Age Normal Cost Method is used to determine the Actuarial Accrued Liability and the Normal Cost.

Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level dollar basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the Plan's Normal Cost for the valuation year.

The present value of benefits for current retirees plus the accumulated value of all prior Normal Costs is the Actuarial Accrued Liability. The excess of the Actuarial Accrued Liability over Plan Assets is the Unfunded Actuarial Accrued Liability (UAAL). The UAAL for the OPEB and Stipend Plans is amortized over a 30-year open amortization period.

Under this method, the actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability while leaving the Normal Cost unchanged.

Actuarial Method, Funding, and Expense. The Entry Age Normal (EAN) method is used to develop an annual required contribution (ARC) in accordance with accepted actuarial methods.

The ARC is the basic building block of cost recognition and is equal to the sum of the Normal Cost and a payment to amortize the Unfunded Actuarial Accrued Liability over a period not to exceed 30 years. Total annual contributions may or may not be equal to the Annual Required Contribution in any given year. In the event that the College District contributes more or less than the Annual OPEB/Pension Cost in any year, a credit or debit is made to an interest bearing OPEB/Pension funding account. The balance in the funding account is either a net asset or a net liability on the College District's balance sheet and amortized through a corresponding increase or decrease to the ARC in the following valuation. An "unfunded liability" is calculated as the excess of the Actuarial Accrued Liability over Plan Assets (see below).

Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, however, the June 30, 2009 is the only valuation prepared to date.

For the College District's initial valuation the Projected Unit Credit Method was the valuation method used to determine the College District's OPEB liability. The Projected Unit Credit Method is comprised of two components: normal cost and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries and medical premiums) is allocated in equal proportion over the participant's years of service from hire to expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In addition, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

Funding Status and Funding Progress. As of June 30, 2009 the actuarial accrued liability for benefits was $2.28 million, and the actuarial value of assets was $0, resulting in a UAAL of $2.28 million. The covered payroll (annual payroll of active employees covered by the plan) was $10.23 million for fiscal year 2009 and the ratio for the UAAL to the covered payroll was 22.29%. Using a 30-year amortization period the Annual Required Contribution (ARC) for 2009 has been actuarially determined to be $197.6 thousand.

Plan Description. The College District also provides a single-employer defined benefit early retirement supplement (Stipend) program. This program covers certain eligible retirees or personnel of the College District as stipulated under both 1997 and 2002 Plans (see page 41). There are currently 236 people enrolled in this program comprised of 134 active in the 1997 Plan and 102 active in the 2002 Plan. The College District does not issue a stand alone report for this plan.

1997 Plan

Stipend Benefits Payout of ½ of unused sick leave at the rate of pay at date of retirement. Payment may be made with final paycheck or in 12 monthly installments. FICA taxes apply to this benefit.

Spouse Benefits If a retiree over 70 has a spouse younger than 70, the College District will continue to make the payments described above for the spouse until the spouse turns 70 or the retiree dies.

All benefits to the spouse end upon the retiree's death. Spouse may continue coverage on a self-pay basis.

2002 Plan

Stipend Benefits Payout of ½ of unused sick leave at the rate of pay at date of retirement, multiplied by the adjustment rate below. Payment may be made with final paycheck or in 12 monthly installments. FICA taxes apply to this benefit.

Continuous employment with the College District	Adjustment Rate
20 but less than 25	50%
25 but less than 30	75%
30+ YOS	100%

Funding Policy. The College District pays for all the benefits. The contributions are financed on a pay-as-you-go basis. During fiscal year 2009 the College District recognized, on a budgetary basis, expenditures of approximately $37 thousand for the early retirement supplement program and approximately $120 thousand for the government-wide full accrual basis financial statements.

Annual Pension Cost and Net Pension Obligation. The College District's annual pension cost (expense) is reflected on the Statement of Net Assets on the accrual basis, and is calculated on the annual required contribution of the employer (ARC), and amount actuarially determined in accordance with the parameters of GASB Statement No. 27. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 20 years. An amortization base of 20 years was used due to the large number retirees currently receiving a stipend benefit. Given the current population, the College District expects that number to decrease in future years. In addition, current College District contributions (benefit payments) are fairly large in comparison to the overall liability, and amortizing over the 30 years allowed would result in a negative net pension obligation as of January 1, 2009. The following table shows the components of the College District's annual pension cost for the year ending June 30, 2009, the amount actually contributed to the plan, and changes in the College District's net pension obligation.

	Total
Annual required contribution (ARC) and annual OPEB cost (expense)	$ 120,098
Less: Contributions made	(37,091)
Increase in net pension obligation	83,007
Net pension obligation – beginning of year*	-
Net pension obligation – end of year	$ 83,007

*GASB Statement No. 45 stipulates that the College District may elect to have the beginning balance of the OPEB obligation to start at zero for the year of implementation, and present prospectively, rather than adjust retroactively (NOTE 13 K on page 47).

The College District's annual pension cost, the percentage of annual pension cost contributed to the plan and the net pension obligation for 2009 are:

Fiscal Year	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
2009	$ 120,098	30.9%	$ 83,007

Actuarial Assumptions. Part of the long-term assumption regarding the future cost of the retiree health plan is that it will retain its current relationship to the cost of the active plan, and that the active plan cost will maintain a reasonable relationship to direct compensation. Key assumptions include the following:

1. Investment Return Assumption (Interest Discount): 3.5%.
2. Medical Premium Annual Trend Rate: 11% initial increase, reducing to 5.0% over 12 years.
3. Dental and Vision Premium Annual Trend Rate: 9% initial increase, reducing to 3.0% over 12 years.
4. Annual Cost-of-living Increase: 2.5%

The investment return assumption is the estimated long-term investment yield on the assets that are expected to be used to finance the payment of benefits. Since the Plan is currently unfunded, the investment return assumption is set equal to the expected long-term return on the College District's own investment funds. The assumption is that 3.5% is a reasonable proxy for that investment return over the long-term.

Disability Rates	Disability rates are assumed to be immaterial for purposes of this OPEB actuarial valuation.
Covered Spouse	50% of future retirees are assumed to cover a spouse, and male spouses are assumed to be 3 years older than female spouses when date of birth is not provided.
Sick Leave Accrual	Employees are assumed to use 50% of the sick leave that they accrue each year.

Entry Age Normal Method

The Entry Age Normal Cost Method is used to determine the Actuarial Accrued Liability and the Normal Cost.

Under this method, the actuarial present value of the projected benefits of each active employee included in the valuation is allocated on a level dollar basis over the service of the active employee between assumed entry age (date of hire) and assumed exit age(s). The portion of this actuarial present value allocated to the valuation year is called the normal cost for that active employee. The sum of these individual normal costs is the Plan's Normal Cost for the valuation year.

The present value of benefits for current retirees plus the accumulated value of all prior Normal Costs is the Actuarial Accrued Liability. The excess of the Actuarial Accrued Liability over Plan Assets is the Unfunded Actuarial Accrued Liability (UAAL). The UAAL for the OPEB and Stipend Plans is amortized over a 30-year open amortization period.

Under this method, the actuarial gains (losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability while leaving the Normal Cost unchanged.

Actuarial Method, Funding, and Expense. The Entry Age Normal (EAN) method is used to develop an annual required contribution (ARC) in accordance with accepted actuarial methods.

The ARC is the basic building block of cost recognition and is equal to the sum of the Normal Cost and a payment to amortize the Unfunded Actuarial Accrued Liability over a period not to exceed 30 years. Total annual contributions may or may not be equal to the Annual Required Contribution in any given year. In the event that the College District contributes more or less than the Annual OPEB/Pension Cost in any year, a credit or debit is made to an interest bearing OPEB/Pension funding account. The balance in the funding account is either a net asset or a net liability on the College District's balance sheet and amortized through a corresponding increase or decrease to the ARC in the following valuation. An "unfunded liability" is calculated as the excess of the Actuarial Accrued Liability over Plan Assets (see below).

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plan assets is increasing or decreasing over time relative to actuarial accrued liabilities for benefits. The schedule of funding progress is required to report the last three actuarial valuations, however, the July 1, 2008 is the only valuation prepared to date.

For the College District's initial valuation the Projected Unit Credit Method was the valuation method used to determine the College District's pension liability. The Projected Unit Credit Method is comprised of two components: normal cost and amortization payments. In its application of this method the expected accrued benefit of each participant at benefit commencement (reflecting future expected increases in salaries) is allocated in equal proportion over the participant's years of service from hire the expected retirement. The normal cost is the present value of benefits expected to accrue in the current year.

The present value of benefits accrued in as of the valuation date is called the accrued liability. The difference between the accrued liability and the actuarial value of plan assets is called the unfunded actuarial accrued liability (UAAL). All changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial data are amortized separately. In addition, all gains or losses may be amortized each year. The UAAL is being amortized as a level percentage of payroll over future open periods.

Funded Status and Funding Progress. As of June 30, 2009 the actuarial accrued liability for benefits was $1.28 million, and the actuarial value of assets was $0, resulting in a UAAL of $1.28 million. The covered payroll (annual payroll of active employees covered by the plan) was $10.23 million for fiscal year 2009 and the ratio of the UAAL to the covered payroll was 12.47%. Using a 20-year amortization period the Annual Required Contribution (ARC) for 2009 has been actuarially determined to be $120.1 thousand.

The OPEB's Schedule of Funding Progress is presented as Required Supplemental Information on page 48 of this report.

K. Prior Period Restatement

At June 30, 2008, the Statement of Net Assets included a liability for the present value of early retirement benefits due in future years to employees who had retired at the date. Implementation of GASB Statement No. 45, described in Part J above, changed the accounting for that obligation. As a result the beginning July 1, 2008, balances were adjusted as follows:

	Obligations for Early Retirement	Total Net Assets
July 1, 2008, as previously reported	$ (601,245)	$ 12,377,807
Adjustment for GASB 45 implementation	601,245	601,245
July 1, 2008, as restated (pages 42 and 45)	$ -	$ 12,979,052

NOTE 14. SUBSEQUENT EVENTS

Financial Accounting Standards Board (FASB) *Statement No. 165* requires evaluation and disclosures of significant events affecting the College District that take place subsequent to the current fiscal year ended June 30, 2009. As of December 16, 2009 (the issuance date of the financial statements), other than the two items mentioned below, there were no such occurrences noted whose non disclosure would render the current fiscal year's financial statements to be misleading.

Subsequent to the fiscal year ended June 30, 2009, the College District:

- Became its own food service provider, effective September 1, 2009, having its Culinary Arts program provide these services.
- Was in the process of receiving the land donation from Borax, Inc. for the Curry County Campus Project (NOTE 1 on page 23), as of the audit report date.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Plan Assets	(EAN) Actuarial Accrued Liability (Entry Age)*	(UAAL) Unfunded Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Medical Plan:						
6/30/2009	$ -	$ 2,279,427	$ 2,279,427	0%	$ 10,227,564	22.29%
6/30/2010	-	2,335,368	2,335,368	0%	10,227,564	22.83%
Stipend Plan:						
6/30/2009	-	1,275,723	1,275,723	0%	10,227,554	12.47%
6/30/2010	-	1,375,312	1,375,312	0%	10,227,554	13.45%

*The annual required contribution is calculated using the aggregate actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan. The June 30, 2009 actuarial valuation is the first year this information was available.

SUPPLEMENTAL FINANCIAL INFORMATION

COMBINING, INDIVIDUAL FUNDS, AND OTHER FINANCIAL SCHEDULES

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

COMBINING BALANCE SHEET
June 30, 2009

	General	Special Revenue	Debt Service	Capital Projects
ASSETS				
Cash and cash equivalents	$ 520,913	$ 334,998	$ -	$ -
Receivables				
Taxes	437,099	-	-	-
Accounts	4,890,076	562,419	-	481,055
Prepaid expenses	28,300	8,291	1,670	-
Unamortized issuance costs	-	-	-	-
Interfund receivables	-	1,144,316	-	961,862
Deposits (refundable)	37,080	-	-	-
Inventory	-	-	-	-
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	-
Total assets	$ 5,913,468	$ 2,050,024	$ 1,670	$ 1,442,917
LIABILITIES				
Accounts payable	$ 200,423	$ 242,947	$ -	$ 423,293
Deposits held in custody	6,375	-	-	-
Payroll payable	563,305	-	-	-
Interfund payable	1,531,594	307,714	1,670	-
Accrued interest payable	-	-	-	-
Due to other agencies	-	-	-	-
Deferred revenues	1,632,431	117,056	-	-
Capital leases/bonds payable	-	-	-	-
Total liabilities	3,934,128	667,717	1,670	423,293
EQUITY				
Contributed capital (NOTE 10)	-	-	-	-
Fund balances (deficit)				
Unreserved and undesignated	1,979,340	1,382,307	-	1,019,624
Total equity	1,979,340	1,382,307	-	1,019,624
Total liabilities and equity	$ 5,913,468	$ 2,050,024	$ 1,670	$ 1,442,917

Enterprise	Internal Service	Trust and Agency	Totals (Memorandum Only) June 30, 2009
$ 2,615	$ -	$ -	$ 858,526
-	-	-	437,099
29,112	-	-	5,962,662
2,271	1,358	601	42,491
175,466	-	-	175,466
-	22,966	128,492	2,257,636
-	-	-	37,080
209,867	-	-	209,867
15,366,536	-	-	15,366,536
$ 15,785,867	$ 24,324	$ 129,093	$ 25,347,363
$ 77,342	$ 24,324	$ 6,451	$ 974,780
148,328	-	-	154,703
110,152	-	-	673,457
416,658	-	-	2,257,636
52,107	-	-	52,107
-	-	110,664	110,664
556,300	-	11,978	2,317,765
15,695,143	-	-	15,695,143
17,056,030	24,324	129,093	22,236,255
545,132	-	-	545,132
(1,815,295)	-	-	2,565,976
(1,270,163)	-	-	3,111,108
$ 15,785,867	$ 24,324	$ 129,093	$ 25,347,363

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, 2009

	General	Special Revenue	Debt Service	Capital Projects
REVENUES				
Local support	$ 4,533,946	$ 537,218	$ -	$ -
State support	8,620,088	1,331,769	-	736,126
Federal support	25,925	5,400,929	-	-
Tuition and fees	2,465,059	358,414	822,400	674,147
Other	218,433	587,951	705,620	-
Total revenues	15,863,451	8,216,281	1,528,020	1,410,273
EXPENDITURES				
Personal services	12,565,019	3,163,505	-	-
Materials and services	3,380,521	1,474,644	-	579,038
Capital outlay	69,360	114,270	-	559,740
Debt service	2,497,630	-	423,112	-
Depreciation expense	-	-	-	-
Other financial aid	-	3,240,473	-	-
Total expenditures	18,512,530	7,992,892	423,112	1,138,778
Excess (deficiency) of revenues over (under) expenditures	(2,649,079)	223,389	1,104,908	271,495
NON-OPERATING REVENUES (EXPENSES)				
Interest income	40,967	8,572	-	-
Loss on capital assets	-	-	-	-
Loss on net pension asset	-	-	-	-
Interest expense	(18,609)	-	(1,104,908)	-
Total non-operating revenues (expenses)	22,358	8,572	(1,104,908)	-
Net income (loss) before other financing sources (uses)	(2,626,721)	231,961	-	271,495
OTHER FINANCING SOURCES (USES)				
Loan proceeds	3,897,630	-	-	-
Net change in fund balances	1,270,909	231,961	-	271,495
FUND BALANCES - BEGINNING OF YEAR	708,431	1,150,346	-	748,129
FUND BALANCES - END OF YEAR	$ 1,979,340	$ 1,382,307	$ -	$ 1,019,624

Enterprise Fund	Internal Service Fund	Trust & Agency Fund	Totals before GASB 34 & 35 Adjustments & Reclassifications	GASB 34 & 35 Adjustments		GAAP Basis Totals
				Elimination	Conversion	
$ -	$ -	$ -	$ 5,071,164	$ -	$ 74,166	$ 5,145,330
-	-	-	10,687,983	-	(2,262,731)	8,425,252
-	-	-	5,426,854	-	-	5,426,854
2,057,795	108,550	33,766	6,520,131	(857,596)	265,549	5,928,084
3,795,656	346,758	92,193	5,746,611	(1,223,086)	(54,140)	4,469,385
5,853,451	455,308	125,959	33,452,743	(2,080,682)	(1,977,156)	29,394,905
1,480,461	188,304	-	17,397,289	(188,304)	1,048,046	18,257,031
3,015,041	267,004	125,959	8,842,207	(158,454)	(408,317)	8,275,436
-	-	-	743,370	-	(743,370)	-
3,719	-	-	2,924,461	-	(2,924,461)	-
504,299	-	-	504,299	-	689,456	1,193,755
-	-	-	3,240,473	(1,733,924)	-	1,506,549
5,003,520	455,308	125,959	33,652,099	(2,080,682)	(2,338,646)	29,232,771
849,931	-	-	(199,356)	-	361,490	162,134
7,734	-	-	57,273	-	-	57,273
-	-	-	-	-	(33,794)	(33,794)
-	-	-	-	-	(2,894,096)	(2,894,096)
(653,656)	-	-	(1,777,173)	-	(17,484)	(1,794,657)
(645,922)	-	-	(1,719,900)	-	(2,945,374)	(4,665,274)
204,009	-	-	(1,919,256)	-	(2,583,884)	(4,503,140)
-	-	-	3,897,630	-	(3,897,630)	-
204,009	-	-	1,978,374	-	(6,481,514)	(4,503,140)
(284,722)	-	-	2,322,184	-	10,656,868	12,979,052
$ (80,713)	$ -	$ -	$ 4,300,558	$ -	$ 4,175,354	$ 8,475,912

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

RECONCILIATION OF THE COMBINING BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2009

TOTAL FUND BALANCES, page 50			$ 4,300,558
Capital assets that are not financial resources and therefore are not reported in the governmental funds.			
Capital assets		$ 28,251,161	
Accumulated depreciation		(9,174,031)	19,077,130
Net pension asset - prepayment on PERS UAL			10,144,000
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.			
Refunding and revenue bonds discounts, premiums, and issuance costs, net			306,360
A portion of the College District's revenues are collected after year-end but are not available soon enough to pay for the current years operations, and therefore, are not reported as revenue in the governmental funds.			
Property taxes		437,099	
Tuition		842,461	
Fees		388,760	
Grants & other		91,070	1,759,390
State appropriation accrued for governmental funds at June 30, 2009 is not receivable under the economic resources measurement focus and is not reported in the Statement of Net Assets.			(2,262,731)
Long-term liabilities not payable in the current year are not reported as governmental liabilities. Interest on long-term debt is not accrued in the governmental funds, but rather is recognized as an expenditure when due.			
Accrued interest		(31,385)	
Loan payable to bank	$ (1,400,000)		
Long-term debt			
Pension bonds	(13,060,000)		
Revenue and refunding bonds	(8,951,767)		
Capital leases	(368,289)		
Payable to Foundation (component unit)	(300,000)	(24,080,056)	
Compensated absences		(548,258)	
Early retirement		(189,096)	(24,848,795)
TOTAL NET ASSETS, pages 15 and 17			$ 8,475,912

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, 2009

NET CHANGE IN FUND BALANCE, page 50		$ 1,978,374
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	$ 1,151,797	
Less current year depreciation	(689,456)	462,341
Capital assets disposals, net		(33,794)
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).		(2,262,731)
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.		
Proceeds from short-term borrowings		(3,897,630)
Repayments		
Capital leases principal	179,011	
To paying agent		
For bond principal	229,116	
For short-term loan principal	2,516,334	2,924,461
Subtotal carried forward to page 53		$ (828,979)

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, 2009

Brought forward from page 52		$ (828,979)
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, decrease	$ 55,133	
Early retirement, increase	(189,095)	
Amortization of advance refunding and pension bonds:		
Discounts/issuance costs, net of premiums; refund difference	(18,375)	
Accrued interest on bonds decrease	891	
Defeased debt unamortized discounts/issuance costs	(110)	(151,556)
Net pension asset (PERS side account)		
Activity not recorded or reported in the governmental budgetary fund financial statements:		
Loss on investments, contributions, and amortization		(3,808,180)
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.		74,166
A portion of the College District's revenues are collected after year-end but are not available soon enough to pay for the current year's operations, and therefore, are not reported as revenue in the		
Tuition	147,509	
Fees	118,040	
Grants & other	(54,140)	211,409
CHANGE IN NET ASSETS, page 17		$ (4,503,140)

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Local support	$ 4,604,483	$ 4,604,483	$ 4,533,946	$ (70,537)
State support	8,574,725	8,574,725	8,620,088	45,363
Federal support	41,500	41,500	25,925	(15,575)
Tuition and fees	3,289,734	3,289,734	2,465,059	(824,675)
Other	1,258,727	1,258,727	259,400	(999,327)
Total revenues	17,769,169	17,769,169	15,904,418	(1,864,751)
EXPENDITURES				
Personal services	12,858,031	13,192,818	12,565,019	627,799
Materials and services	4,049,963	3,980,017	3,380,521	599,496
Debt Service	-	2,535,326	2,516,239	19,087
Capital outlay	44,400	79,400	69,360	10,040
Contingency	816,775	481,988	-	481,988
Total expenditures	17,769,169	20,269,549	18,531,139	1,738,410
Excess (deficiency) of revenues over (under) expenditures	-	(2,500,380)	(2,626,721)	(126,341)
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	2,500,380	3,897,630	1,397,250
Net change in fund balance	-	-	1,270,909	1,270,909
FUND BALANCE - BEGINNING OF YEAR	800,000	800,000	708,431	(91,569)
FUND BALANCE - END OF YEAR	$ 800,000	$ 800,000	1,979,340	$ 1,179,340
Adjustment to generally accepted accounting principles (GAAP) basis of presentation for fund balance (NOTE 11).			(2,262,731)	
			$ (283,391)	

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.

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, 2009

	Financial Aid	Special Projects	Insurance Reserve	Totals
ASSETS				
Cash and cash equivalents	$ 329,161	$ 5,837	$ -	$ 334,998
Receivables:				
Accounts	6,364	554,788	1,267	562,419
Prepaid expenses	-	8,291	-	8,291
Interfund receivables	-	702,409	441,907	1,144,316
Total assets	$ 335,525	$ 1,271,325	$ 443,174	$ 2,050,024
LIABILITIES				
Accounts payable	$ 24,095	$ 218,852	$ -	$ 242,947
Interfund payables	307,714	-	-	307,714
Deferred revenues	3,716	113,340	-	117,056
Total liabilities	335,525	332,192	-	667,717
FUND BALANCES				
Unreserved, undesignated	-	939,133	443,174	1,382,307
Total liabilities and fund balances	$ 335,525	$ 1,271,325	$ 443,174	$ 2,050,024

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, 2009

	Financial Aid	Special Projects	Insurance Reserve	Totals
REVENUES				
Local support	$ -	$ 537,218	$ -	$ 537,218
State support	804,195	527,574	-	1,331,769
Federal support	2,515,724	2,885,205	-	5,400,929
Tuition and fees	-	358,414	-	358,414
Other	590	562,851	33,082	596,523
Total revenues	3,320,509	4,871,262	33,082	8,224,853
EXPENDITURES				
Personal services	83,509	3,079,996	-	3,163,505
Materials and services	-	1,459,899	14,745	1,474,644
Capital outlay	-	114,270	-	114,270
Other financial aid	3,240,473	-	-	3,240,473
Total expenditures	3,323,982	4,654,165	14,745	7,992,892
Net change in fund balance	(3,473)	217,097	18,337	231,961
FUND BALANCES - BEGINNING OF YEAR	3,473	722,036	424,837	1,150,346
FUND BALANCES - END OF YEAR	$ -	$ 939,133	$ 443,174	$ 1,382,307

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
State support	$ 733,000	$ 733,000	$ 804,195	$ 71,195
Federal support	2,703,000	2,703,000	2,515,724	(187,276)
Other	-	-	590	590
Total revenues	3,436,000	3,436,000	3,320,509	(115,491)
EXPENDITURES				
Personal services	94,000	94,000	83,509	10,491
Other financial aid	3,342,000	3,342,000	3,240,473	101,527
Total expenditures	3,436,000	3,436,000	3,323,982	112,018
Net change in fund balance	-	-	(3,473)	(3,473)
FUND BALANCE - BEGINNING OF YEAR	-	-	3,473	3,473
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Local support	$ 1,537,218	$ 1,537,218	$ 537,218	$ (1,000,000)
State support	2,191,969	2,191,969	527,574	(1,664,395)
Federal support	5,189,846	5,189,846	2,885,205	(2,304,641)
Tuition and fees	369,543	369,543	358,414	(11,129)
Other	969,690	969,690	562,851	(406,839)
Total revenues	10,258,266	10,258,266	4,871,262	(5,387,004)
EXPENDITURES				
Personal services	5,858,988	5,858,988	3,079,996	2,778,992
Materials and services	3,666,459	3,666,459	1,459,899	2,206,560
Capital outlay	890,000	890,000	114,270	775,730
Contingency	50,000	50,000	-	50,000
Total expenditures	10,465,447	10,465,447	4,654,165	5,811,282
Net change in fund balance	(207,181)	(207,181)	217,097	424,278
FUND BALANCE - BEGINNING OF YEAR	207,181	207,181	722,036	514,855
FUND BALANCE - END OF YEAR	$ -	$ -	$ 939,133	$ 939,133

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Other	$ 70,000	$ 70,000	$ 33,082	$ (36,918)
EXPENDITURES				
Personal services	15,000	15,000	-	15,000
Materials and services	235,000	235,000	14,745	220,255
Capital outlay	204,000	204,000	-	204,000
Total expenditures	454,000	454,000	14,745	439,255
Net change in fund balance	(384,000)	(384,000)	18,337	402,337
FUND BALANCE - BEGINNING OF YEAR	384,000	384,000	424,837	40,837
FUND BALANCE - END OF YEAR	$ -	$ -	$ 443,174	$ 443,174

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Tuition and fees	$ 1,308,000	$ 1,308,000	$ 822,400	$ (485,600)
Other	706,200	706,200	705,620	(580)
Total revenues	2,014,200	2,014,200	1,528,020	(486,180)
EXPENDITURES				
Debt service	2,014,200	2,014,200	1,528,020	486,180
Net change in fund balance	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
State support	$ 2,300,000	$ 2,300,000	$ 736,126	$ (1,563,874)
Tuition and fees	16,180,000	16,180,000	674,147	(15,505,853)
Total revenues	18,480,000	18,480,000	1,410,273	(17,069,727)
EXPENDITURES				
Materials and services	1,080,000	1,080,000	579,038	500,962
Capital outlay	19,200,000	19,200,000	559,740	18,640,260
Total expenditures	20,280,000	20,280,000	1,138,778	19,141,222
Net change in fund balance	(1,800,000)	(1,800,000)	271,495	2,071,495
FUND BALANCE - BEGINNING OF YEAR	1,800,000	1,800,000	748,129	(1,051,871)
FUND BALANCE - END OF YEAR	$ -	$ -	$ 1,019,624	$ 1,019,624

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, 2009

	Enterprise	Internal Service	Total
ASSETS			
Cash and cash equivalents	$ 2,615	$ -	$ 2,615
Receivables:			
Accounts	29,112	-	29,112
Interfund receivables	-	22,966	22,966
Prepaid expenses	2,271	1,358	3,629
Unamortized issuance costs	175,466	-	175,466
Inventory	209,867	-	209,867
Fixed assets (net of accumulated depreciation)	15,366,536	-	15,366,536
Total assets	$ 15,785,867	$ 24,324	$ 15,810,191
LIABILITIES			
Accounts payable	$ 77,342	$ 24,324	$ 101,666
Deposits held in custody	148,328	-	148,328
Payroll payable	110,152	-	110,152
Interfund payable	416,658	-	416,658
Accrued interest payable	52,107	-	52,107
Deferred revenues	556,300	-	556,300
Leases/bonds payable	15,695,143	-	15,695,143
Total liabilities	17,056,030	24,324	17,080,354
FUND BALANCES (deficit)			
Contributed capital	545,132	-	545,132
Unreserved, undesignated (deficit)	(1,815,295)	-	(1,815,295)
Total fund balances	(1,270,163)	-	(1,270,163)
Total liabilities and fund balances	$ 15,785,867	$ 24,324	$ 15,810,191

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, 2009

	Enterprise	Internal Service	Totals
OPERATING REVENUES			
Tuition and fees	$ 2,057,795	$ 108,550	$ 2,166,345
Other	3,795,656	346,758	4,142,414
Total operating revenues	5,853,451	455,308	6,308,759
OPERATING EXPENSES			
Personal services	1,480,461	188,304	1,668,765
Materials and services	3,015,041	267,004	3,282,045
Debt service	3,719	-	3,719
Depreciation	504,299	-	504,299
Total operating expenses	5,003,520	455,308	5,458,828
Operating income (loss)	849,931	-	849,931
NON-OPERATING REVENUES/EXPENSES			
Interest income	7,734	-	7,734
Interest expense	(653,656)	-	(653,656)
Total non-operating revenues	(645,922)	-	(645,922)
Net income	204,009	-	204,009
BEGINNING RETAINED EARNINGS	(284,722)	-	(284,722)
ENDING RETAINED EARNINGS (page 50)	(80,713)	-	(80,713)
RECONCILIATION OF RETAINED EARNINGS TO FUND BALANCES			
Capital assets	15,366,536	-	15,366,536
Debt payable	(15,695,143)	-	(15,695,143)
Due to funds	(416,658)	-	(416,658)
Contributed capital	(212,242)	-	(212,242)
Unamortized debt discounts	13,330	-	13,330
Refunding difference	(245,273)	-	(245,273)
Total equity, page 49	$ (1,270,163)	$ -	$ (1,270,163)

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

ALL PROPRIETARY FUNDS
Combining Schedule of Cash Flows
For the Year Ended June 30, 2009

	Enterprise Fund	Internal Service Fund	Total (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	$ 6,185,750	$ 465,499	$ 6,651,249
Cash paid to suppliers and employees	4,855,127	465,499	5,320,626
Net cash provided by operating activities	1,330,623	-	1,330,623
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Capital contributed	79,741	-	79,741
Bond administrative fees, issuance costs, and premiums	(3,719)	-	(3,719)
Principal payments on long-term debt	(760,637)	-	(760,637)
Interest payments on long-term debt	(653,656)	-	(653,656)
Net cash used by capital and related financing activities	(1,338,271)	-	(1,338,271)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	7,734	-	7,734
Net increase (decrease) in cash and cash equivalents	86	-	86
CASH AND CASH EQUIVALENTS, JULY 1, 2008	2,529	-	2,529
CASH AND CASH EQUIVALENTS, JUNE 30, 2009	$ 2,615	$ -	$ 2,615
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income	$ 849,931	$ -	$ 849,931
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	504,299	-	504,299
Change in assets and liabilities			
Receivables	32,039	10,191	42,230
Prepaid expenses	(2,271)	(1,358)	(3,629)
Inventories	(41,911)	-	(41,911)
Accounts payable	(67,054)	(8,833)	(75,887)
Deposits	49,261	-	49,261
Accrued expenses	(2,916)	-	(2,916)
Interfund payables	(241,754)	-	(241,754)
Deferred revenue	250,999	-	250,999
Net cash provided by operating activities	$ 1,330,623	$ -	$ 1,330,623

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
OPERATING REVENUES				
Tuition and fees	$ 1,992,926	$ 1,992,926	$ 2,057,795	$ 64,869
Other	4,380,890	4,380,890	3,803,390	(577,500)
Total operating revenues	6,373,816	6,373,816	5,861,185	(512,631)
OPERATING EXPENSES				
Personal services	1,643,737	1,643,737	1,480,461	163,276
Materials and services	3,217,291	3,217,291	3,015,041	202,250
Capital outlay	30,000	30,000	-	30,000
Debt service	1,522,788	1,522,788	1,418,012	104,776
Total operating expenses	6,413,816	6,413,816	5,913,514	500,302
Net income (loss)	(40,000)	(40,000)	(52,329)	(12,329)
BEGINNING RETAINED EARNINGS	40,000	40,000	(69,532)	(109,532)
ENDING RETAINED EARNINGS	$ -	$ -	(121,861)	$ (121,861)

Adjustment to generally accepted accounting principles (GAAP) basis of presentation for fund balance.	
Contributed capital	(212,241)
Debt issuance costs	(2,949)
Debt principal paid	760,637
Depreciation expense	(504,299)
ENDING RETAINED EARNINGS (page 63)	$ (80,713)

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
OPERATING REVENUES				
Tuition and fees	$ 208,016	$ 208,016	$ 108,550	$ (99,466)
Charges for services	367,550	367,550	346,758	(20,792)
Total operating revenues	575,566	575,566	455,308	(120,258)
OPERATING EXPENSES				
Personal services	193,151	193,151	188,304	4,847
Materials and services	342,515	342,515	267,004	75,511
Debt service	39,900	39,900	-	39,900
Total operating expenses	575,566	575,566	455,308	120,258
Net income (loss)	-	-	-	-
BEGINNING RETAINED EARNINGS	-	-	-	-
ENDING RETAINED EARNINGS	$ -	$ -	$ -	$ -

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, 2009

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
ASSETS				
Cash and cash equivalents	$ 122,221	$ 175,446	$ 169,175	$ 128,492
Accounts receivable	-	601	-	601
Total assets	$ 122,221	$ 176,047	$ 169,175	$ 129,093
LIABILITIES				
Accounts payable	$ 7,643	$ 6,451	$ 7,643	$ 6,451
Due to other agencies	108,664	2,000	-	110,664
Deferred revenue - on-line fees	5,914	24,830	18,766	11,978
Total liabilities	122,221	33,281	26,409	129,093
FUND BALANCE	-	-	-	-
Total liabilities and fund balance	$ 122,221	$ 33,281	$ 26,409	$ 129,093

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, 2009

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget
REVENUES				
Tuition and fees	$ -	$ -	$ 33,766	$ 33,766
Other	240,000	240,000	92,193	(147,807)
Total revenues	240,000	240,000	125,959	(114,041)
EXPENDITURES				
Personal services	15,000	15,000	-	15,000
Materials and services	245,000	245,000	125,959	119,041
Capital outlay	100,000	100,000	-	100,000
Total expenditures	360,000	360,000	125,959	234,041
Net change in fund balance	(120,000)	(120,000)	-	120,000
FUND BALANCE - BEGINNING OF YEAR	120,000	120,000	-	(120,000)
FUND BALANCE - END OF YEAR	$ -	$ -	$ -	$ -

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

NOTES TO THE BUDGETARY COMPARISON SCHEDULES
June 30, 2009

NOTE I - BUDGETS AND BUDGETARY ACCOUNTING

The budget comparison schedules prepared for individual funds are presented on the modified accrual basis method of accounting with debt principal paid being budgeted for, but not depreciation expense. Under this method revenue is recorded when earned, except for property taxes, and disbursements are recorded when obligations are incurred. This method of accounting is not consistent with generally accepted accounting principles (GAAP) but is in compliance with Oregon Local Budget Law.

Oregon Local Budget Law establishes standard procedures relating to the preparation, adoption, and execution of the annual budget. The budgetary fiscal period coincides with the annual reporting period (July 1 through June 30). Appropriated budgets are adopted by the executive body and, accordingly, used as a management control device for all funds. The College District follows these procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. The administrator (budget officer) submits to the budget committee a proposed operating budget for the fiscal year commencing the following July 1. The operating budget included proposed expenses and the means of financing them, along with estimates for the current year, and actual data for the two preceding years. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The resolution authorizing appropriations for each fund sets the level by which disbursements cannot legally exceed appropriations. The College District has appropriated by personal services, materials and services, capital outlay, special payments, debt service, transfers, and operating contingency. The original budget document contains more specific, detailed information for these disbursements categories.

2. The Budget Committee submits to the Board of Directors an approved operating budget for the ensuing fiscal year.

3. Public hearings are conducted to obtain taxpayer and other interested parties' comments.

4. Prior to July 1, the budget is legally adopted and expenditures are appropriated through the passage of a resolution. The Board of Directors does have the authority to make certain limited changes in the budget figures approved by the Budget Committee when it adopts the budget.

5. Any revisions of appropriations, whether within a fund or between funds, require Board approval in the form of a resolution or ordinance by the Board. Supplemental budgets are prepared and adopted in the same manner as the regular budget in order to have the budget authority to make disbursements from unanticipated receipts. The presented budgetary information has been amended.

6. Budgets are adopted for each fund on the modified accrual basis in compliance with Oregon Local Budget Law, under which revenues and related assets are recognized when earned, and expenses are recognized when the obligation is incurred, but is not intended to be in accordance with generally accepted accounting principles. Since accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the basic government-wide financial statements, a reconciliation of resultant differences in net assets as of June 30, 2009, is presented in the GASB 34 reconciling schedules on pages 49-53 for the governmental funds and at the bottom of each respective budgetary schedules for the proprietary enterprise funds.

7. Formal budget integration is employed for all the funds. All annual appropriations lapse at fiscal year end.

8. The College District's annual budgets are also discussed further on page 24 of this report.

SUPPLEMENTAL FINANCIAL SCHEDULES

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

Combining Balance Sheet - All Enterprise Funds
June 30, 2009

	Bookstore	Newmark Center Operations	Newmark Center Tenant Services	Student Housing Operations	Food Service Operations
ASSETS					
Cash and cash equivalents	$ 706,635	$ (20,314)	$ (65,745)	$ (444,391)	$ 42,127
Receivables:					
Accounts	252	-	-	934	-
Prepaid expenses	571	-	603	500	-
Unamortized issuance costs	-	22,982	-	97,304	-
Inventory	209,867	-	-	-	-
Fixed assets (net of accumulated depreciation)	218,757	2,674,817	-	9,099,204	128,839
Total assets	$ 1,136,082	$ 2,677,485	$ (65,142)	$ 8,753,551	$ 170,966
LIABILITIES					
Accounts payable	$ (1,805)	$ 313	$ 4,150	$ 25,807	$ 1,661
Deposits held in custody	-	-	-	128,888	-
Payroll payable	7,835	1,045	10,035	38,994	-
Accrued interest payable	150	7,332	-	31,794	-
Deferred Revenue	-	-	-	-	-
Leases/bonds payable	30,000	2,064,279	-	9,008,478	-
Total liabilities	36,180	2,072,969	14,185	9,233,961	1,661
FUND BALANCES					
Contributed capital	123,087	142,538	-	438,893	179,167
Retained earnings	976,815	461,978	(79,327)	(919,303)	(9,862)
Total fund balances	1,099,902	604,516	(79,327)	(480,410)	169,305
Total liabilities and fund balances	$ 1,136,082	$ 2,677,485	$ (65,142)	$ 8,753,551	$ 170,966

Conferences	Projects/ Conferences	Culinary Arts	Rec Center	ELI	Neighborhood Facility Bldg	Totals
$ (23,427)	$ 7,034	$ (109,141)	$ (325,734)	$ (150)	$ 48,533	$ (184,573)
7,405	-	31	438	500	-	9,560
-	-	597	-	-	-	2,271
-	-	36,329	-	-	5,521	162,136
-	-	-	-	-	-	209,867
-	-	2,851,161	96,200	-	297,559	15,366,537
$ (16,022)	$ 7,034	$ 2,778,977	$ (229,096)	$ 350	$ 351,613	$ 15,565,798
$ 622	$ 6,415	$ 39,686	$ 207	$ -	$ -	$ 77,056
-	300	19,140	-	-	-	148,328
2,482	6,045	26,767	16,599	350	-	110,152
-	-	11,895	-	-	936	52,107
-	-	556,250	50	-	-	556,300
-	-	3,322,723	109,409	-	272,621	14,807,510
3,104	12,760	3,976,461	126,265	350	273,557	15,751,453
-	-	(369,172)	-	-	30,619	545,132
(19,126)	(5,726)	(828,312)	(355,361)	-	47,437	(730,787)
(19,126)	(5,726)	(1,197,484)	(355,361)	-	78,056	(185,655)
$ (16,022)	$ 7,034	$ 2,778,977	$ (229,096)	$ 350	$ 351,613	$ 15,565,798

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, 2009

	Bookstore	Newmark Center Operations	Newmark Center Tenant Services	Student Housing Operations	Food Service Operations
OPERATING REVENUES					
Charges for services	$ 1,222,758	$ -	$ 114,552	$ 104,868	$ 110,485
OPERATING EXPENSES					
Personal services	135,998	13,556	84,390	357,870	-
Materials and services	862,801	51,264	104,594	1,247,172	21,084
Depreciation	12,259	96,509	-	290,097	4,227
Debt service	4,123	95,791	-	392,324	-
Total expenditures	1,015,181	257,120	188,984	2,287,463	25,311
Operating income (loss)	207,577	(257,120)	(74,432)	(2,182,595)	85,174
NON-OPERATING REVENUES (EXPENSES)					
Interest income	-	30	-	362	-
Loan activity, exp. reimbursement & misc income	10,580	257,240	75,097	2,133,856	-
Grants/contracts	-	-	-	1,000	-
Total non-operating revenues (expenses)	10,580	257,270	75,097	2,135,218	-
Net income (loss)	218,157	150	665	(47,377)	85,174
RETAINED EARNINGS - BEGINNING OF YEAR	670,581	401,786	(79,992)	(945,911)	(85,174)
RETAINED EARNINGS - END OF YEAR	$ 888,738	$ 401,936	$ (79,327)	$ (993,288)	$ -

Conferences	Projects/ Conferences	Culinary Arts	Chef Table	La Patisserie	Rec Center	ELI	Neighborhood Facility Bldg	Totals
$ 42,778	$ 92,778	$ 1,303,848	$ 3,590	$ -	$ 243,901	$ 59,977	$ -	$ 3,299,535
26,354	62,318	561,804	-	-	217,430	20,741	-	1,480,461
5,154	36,186	632,823	-	1,746	13,163	36,805	1,961	3,014,753
-	-	79,199	-	-	13,743	-	8,265	504,299
-	-	145,828	-	-	7,794	-	11,516	657,376
31,508	98,504	1,419,654	-	1,746	252,130	57,546	21,742	5,656,889
11,270	(5,726)	(115,806)	3,590	(1,746)	(8,229)	2,431	(21,742)	(2,357,354)
-	-	19	-	-	-	-	1	412
7,158	-	37,790	-	202	8,252	-	30,063	2,560,238
-	-	-	-	-	-	-	-	1,000
7,158	-	37,809	-	202	8,252	-	30,064	2,561,650
18,428	(5,726)	(77,997)	3,590	(1,544)	23	2,431	8,322	204,296
(37,554)	-	(750,315)	(3,590)	1,544	(355,384)	(2,431)	39,115	(1,147,325)
$ (19,126)	$ (5,726)	$ (828,312)	$ -	$ -	$ (355,361)	$ -	$ 47,437	$ (943,029)

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Coos Bay, Oregon

INTERCOLLEGIATE ATHLETICS
For the Year Ended June 30, 2009

	Men's Basketball	Women's Basketball	Other Men's Sports	Other Women's Sports ***	General & Administrative	Total
REVENUE *						
Gate receipts	$ 607	$ 607	$ -	$ -	$ -	$ 1,214
EXPENSES **						
Grants-in-aid	$ -	$ 4,462	$ 5,036	$ 9,295	$ -	$ 18,793
Salaries and benefits	8,929	9,412	40,278	56,315	176,796	291,730
Travel	13,910	14,907	85,193	82,864	61,728	258,602
Supplies	5,828	4,456	23,026	16,609	9,297	59,216
Other	9,847	8,113	17,431	19,176	14,000	68,567
Total expenditures	$ 38,514	$ 41,350	$ 170,964	$ 184,259	$ 261,821	$ 696,908
Fund 21 - G/L expenses	$ 38,514	$ 36,888	$ 165,928	$ 174,963	$ 261,821	$ 678,114

* 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

WALL & WALL, P.C. CERTIFIED PUBLIC ACCOUNTANTS

J. ROBERT WALL, C.P.A.
KAREN S. WALL, C.P.A.

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, 2009, which collectively comprise the Southwestern Oregon Community College District's basic financial statements and have issued our report thereon dated December 16, 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, 2009, were audited by other auditors whose report dated November 24, 2009, 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 opinions 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 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 deficiency described in the accompanying schedule of findings and questioned costs to be significant deficiency in internal control over financial reporting referenced as number 2009-1 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.

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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 the significant deficiency described above to be a material weakness, referenced as number 2009-1.

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 an instance 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 item 2009-1.

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 December 16, 2009.

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

This report is intended solely 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
December 16, 2009

WALL & WALL, P.C. CERTIFIED PUBLIC ACCOUNTANTS

J. ROBERT WALL, C.P.A.
KAREN S. WALL, C.P.A.

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 corrections and revisions were made. The current and prior findings of significant deficiencies are described within pages 78 through 98 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 December 16, 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 during the fiscal year ended June 30, 2009.

  - 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 – Statutory provisions were complied with in the preparation, adoption, and execution of the 2008-2009 budget for the current year and the preparation and adoption of the ensuing year's 2009-2010 budget, except for deficiencies listed below regarding 2008-2009 budget process discrepancies noted.

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

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The following deficiencies were noted regarding the College District's 2008-2009 fiscal year's budget which resulted from the budget process occurring primarily during the previous 2007-2008 fiscal year, and resolutions that did, or should have, occurred through September of 2008:

- A complete budget document was not available to the budget committee members at the first budget committee meeting, during the Spring of 2008, 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 that first budget committee meeting during 2008.

- A timely and complete resolution was not properly or timely authorized by the College District's Board of Education during July or August of 2008, approving the first short-term borrowing for the fiscal year 2008-2009 (NOTE 7B).

- An appropriation transfer resolution was incorrectly compiled and authorized for 2008-2009 payroll adjustments by previous Administration during September of 2008. 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. During the early months of the June 30, 2009 fiscal period, a College Committee convened to revisit and reduce several originally appropriated estimates.

No deficiencies were noted with the ensuing 2009-2010 fiscal year's budget process or budget documentation that took place primarily during the year ended June 30, 2009.

- 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, 2009, 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.

- 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, 2009, from federal financial assistance received, are reported in the Single Audit Section on pages 78 through 101 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
December 16, 2009

WALL & WALL, P.C. CERTIFIED PUBLIC ACCOUNTANTS

J. ROBERT WALL, C.P.A.
KAREN S. WALL, C.P.A.

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, Coos Bay, Oregon, 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, 2009. Southwestern Oregon Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southwestern Oregon Community College District's management. Our responsibility is to express an opinion on Southwestern Oregon Community College District's compliance based on our audit.

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

In our opinion, Southwestern Oregon Community College District, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

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.

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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.

A *material weakness* is a significant deficiency, or 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.

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

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
December 16, 2009

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

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. One significant deficiency disclosed during the audit of the financial statements is reported in the independent auditor's report on internal control over financial reporting. This condition is also reported as a material weakness.

3. This instance of noncompliance was considered material to the financial statements of Southwestern Oregon Community College District and was disclosed during the audit.

4. No significant deficiencies in internal control over compliance with major federal award programs were disclosed during the audit or reported in the independent auditor's report on internal control over compliance. There were also no material weaknesses in these areas.

5. The auditor's report on compliance with the major federal award programs for Southwestern Oregon Community College District expresses an unqualified opinion on major federal programs and also no significant deficiencies were noted regarding noncompliance.

6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 or that are reported in this Schedule.

7. The programs tested as major programs included:

Program/Cluster	CFDA Number
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
Higher Education – Institutional Aid	
Strengthening Institutions Program – Title III	84.031

8. A threshold for distinguishing Types A and B programs was $300,000.

9. Southwestern Oregon Community College District did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT – YEAR ENDED JUNE 30, 2009

SIGNIFICANT DEFICIENCY (Material Weakness)

2009-1. Accounting Procedures

CONDITION: The College District does not have adequate and documented accounting, reconciliation, and review procedures in place, nor technical accounting personnel on staff, to prepare accurate financial statements and note disclosures and schedules in compliance with GAAP (generally accepted accounting principles) and GASB (*Government Accounting Standards Board*) Statement No. 34 requirements. During the current fiscal year significant and material audit adjustments were required to be made to certain accounts such as the PERS Side Account, the net prepaid pension asset, the pension bonded debt and obligations, the GASB Statement No. 45 implementation requirements for the new other postemployment benefits (OPEB) presentations schedules and disclosures, and other required financial statement preparation procedures in order for the College District's government-wide recording and reporting to be in compliance with GAAP and GASB provisions. The complex nature of these procedures and accounts require qualified review and analysis to correctly record, present, disclose, reconcile and report these activities and account balances in the year-end financial statements in accordance with GAAP and GASB requirements.

CRITERIA: Several material adjustments were required to be made as a result of the audit in order to report and present the basic financial statements in accordance with GAAP, and the audit firm also compiled the basic financial statements, note disclosures, and required schedules for the 2008-2009 audit year.

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

EFFECT OF CONDITION: The College District retained the services of an outside CPA firm to assist with their GASB Statement Numbers 34 and 35 conversion and government-wide financial presentation requirements and certain necessary schedules, however, year end government-wide financial statements were not initially in full compliance with GAAP or GASB requirements, and the audit firm compiled required financial statements, schedules, and note disclosures.

RECOMMENDATION: The audit firm encourages management to take special precaution to ensure that all accounts are reviewed, reconciled, and appropriately adjusted as required and needed throughout the fiscal year. We also recommend a further staffing needs' assessment of the business office to determine that it has adequate resources, knowledge, staff, training, and expertise needed to proactively manage and report the College District's required financial and reporting activity.

CLIENT RESPONSE: In the guidance materials, American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standard (SAS) No. 112 stipulates that the College may execute the option of hiring a third party (not the auditor) to prepare the required financial statements. Alternately, SAS 112 specifies that the College could opt to have the auditor prepare the financial statements knowing that it will result in a finding.

The College acknowledges that the elimination of the Business Manager position at the start of FY08 (July 2007) 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. 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 will continue to engage consultants (for example, CPA firm and actuarial firm) to add specific expertise as needed to address GAAP and GASB requirements.

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Summary Schedule of Prior Audit Findings – For the Year Ended June 30, 2008
As of and For the Year Ended June 30, 2009

PRIOR AUDIT FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding 2008-1. Accounts Payable

Accounts payable were initially significantly and materially misstated within the College District's books of record in accordance with generally accepted accounting principles (GAAP).

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The College has implemented the corrective action as stated. The ubiquitous use of check requests has ceased; the College requires staff to submit purchase orders for expenditures which has essentially eliminated check requests. The purchase order process has moved from paper to electronic. College policy requires staff to submit purchase orders and the related receipts in a timely manner. The online system automatically populates the order with the required signing authorities and encumbers the funds. No purchase orders are processed until all signing authorities have approved the order. To further increase oversight, four senior staff members have the final approval for all purchase orders. The online system is working well and the staff appreciates having current expenditure information available on each budget. All College units have been trained by the Business Office and are using the online system. The system includes the audit's recommended checks and balances with the multiple signing authorities and Business Office oversight. A new policy requires travel requests to be processed through the online system and travel reimbursement requests to be submitted within 15 days.

As stated in the corrective action, the staffing level has been restored to the previous level by adding the fourth management position to the Business Office resulting in adequate (however lean) staffing. The new VP of Administrative Services understands the financial system and works closely with the Business Office. The oversight and operations of the College's financial system have been restored; the current personnel have the knowledge, skills, and experience necessary to perform financial tasks, create policy changes, and exercise oversight authority. Consultants are hired to add specific expertise as needed.

Finding 2008-2. Vendor Receivables

Vendor receivables were initially understated as of the fiscal year ended June 30, 2008. The College District did not have adequate accounting, reconciliation and review procedures in place to record financial activity and prepare financial statements in compliance with GAAP. 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.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The College has followed the corrective action as stated. Working with bookstore staff, the Business Office developed additional policies, procedures, and training to insure that all vendor receivables are correctly stated. Vendor credits are entered immediately upon receipt as a voucher with a credit balance to insure vendor receivables for credit balances on all applicable accounts are complete, reconciled, and recorded in accordance with GAAP. These internal controls were implemented in FY09.

Finding 2008-3. Capital Assets and Depreciation

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 and depreciation 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 to both the budgetary/fund and government-wide financial statements. 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. 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.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The College has implemented the corrective action as stated. Managers, supervisors, and grant managers have been informed and trained on the existing policy #3.008 – *Gifts, Donations, and Solicitation of Funds*. In this policy, donations are submitted to the Foundation. Non-cash gifts are evaluated by the Foundation through a comprehensive procedure before acceptance. The College's policy and the Foundation's evaluation procedure will be reviewed in winter 2010.

College assets are safeguarded by tagging and recording in the fixed asset module of the accounting system. Assets with a value of less than five thousand dollars are entered in the system by Mail Services staff as they are received. All other fixed assets are entered by Business Office staff for complete documentation, capitalization, and depreciation.

The physical inventory was conducted in summer 2008 and again in winter 2009. The College has re-instituted the annual physical audit to be performed every spring. Part of the physical audit process will be to inform all staff of Policy # 3.008 – *Gifts, Donation, and Solicitation of Funds* to insure complete and accurate recording of assets.

Finding 2008-4. Internal Accounting Controls Design

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.
Reconfiguring of the College District's 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. 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.

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

CORRECTIVE ACTION – previously reported: 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.

UPDATE: In fall 2008, the College faced unprecedented challenges including the FY08 Financial Audit; administration took the audit findings very seriously. The current administration and management are committed to transparency and accountability. Upon receiving the audit in February 2009, Administrative Services and the Business Office immediately began planning the necessary corrective actions. Additionally, the departments decided to take this opportunity to review all internal controls and procedures not cited in the audit report. In the following pages you will find the detailed working grid used to implement the corrective actions. As many of the findings addressed the same issue, the chart lists the corrective action (middle) with a check mark indicating the Finding Number addressed. As of November 2009, all corrective actions were completed with the exception of finalizing the Business Services Handbook and subsequent staff trainings; the expected completion date is late spring 2010.

Findings 1 – 10 addressed:

I. Business Services Internal Controls and Procedures Review
II. Business Services Handbook
III. Training for Users
IV. Reporting Data
V. Assess Business Services Staffing Level

Finding 11 addressed:

VI. Financial Aid Documentation

Finding 12 addressed:

VII. Clery Reporting Process

Audit Finding FY08												Objective/Activity	Start Date	End Date	Status
1	2	3	4	5	6	7	8	9	10	11	12				
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			***I. Internal Controls-Procedures Review***			
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			Establish Leadership Committee	12/08	1/09	C
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			Identify controls	12/08	1/09	C
-	-	-	-	-	-	-	-	-	-	-	-	Accounts Payable Topics	-	-	-
✓	✓		✓			✓		✓	✓			Requisitions	12/08	5/09	C
✓	✓		✓			✓		✓				Purchase Orders	12/08	5/09	C
✓	✓		✓			✓		✓	✓			Check Requests	1/09	5/09	C
✓	✓		✓			✓		✓				Invoices	1/09	5/09	C
✓	✓		✓			✓		✓				Credit memos	1/09	5/09	C
✓	✓		✓			✓		✓				Credit Card Purchases	1/09	5/09	C
✓	✓		✓			✓		✓				Receiving of Goods or Services	3/09	3/09	C
			✓			✓		✓				Payroll	3/09	5/09	C
			✓			✓		✓				Payroll Withholdings	3/09	5/09	C
			✓			✓		✓				Pay Advances	3/09	5/09	C
			✓		✓			✓				Budget Development Process	11/08	5/09	C
		✓	✓					✓				Federal, State, and Local Grants	2/09	4/09	C
			✓					✓				Motor pool Interface	2/09	4/09	C
			✓					✓				IMC Interface	2/09	4/09	C
	✓		✓					✓				Bookstore Charging	2/09	2/09	C
✓			✓					✓				Petty Cash	2/09	2/09	C
✓			✓		✓		✓	✓				Cash Flow – Daily, Monthly, YTD	11/08	3/09	C
			✓					✓				Bank Account Reconciliation	11/08	11/08	C
-	-	-	-	-	-	-	-	-	-	-	-	Accounts Receivable Topics	-	-	-
✓	✓		✓			✓		✓				Excess Checks	2/09	4/09	C
✓	✓		✓			✓	✓	✓				Billings	2/09	4/09	C
✓	✓		✓			✓		✓				Receipts and Payments	2/09	4/09	C
✓	✓		✓			✓		✓				Cash Receipts	2/09	4/09	C
✓	✓		✓			✓		✓				Credit Card Payments	2/09	4/09	C
✓	✓		✓			✓		✓				Web Payments	2/09	4/09	C
✓			✓			✓		✓				Balancing and Review of Receipts	2/09	4/09	C
			✓	✓		✓		✓				Journal Entries	3/09	3/09	C
-	-	-	-	-	-	-	-	-	-	-	-	Transfer of Funds Topics	-	-	-
			✓		✓			✓				LGIP	11/08	11/08	C
			✓		✓			✓				Umpqua Bank	11/08	11/08	C
			✓		✓			✓				US Bank	11/08	11/08	C
			✓		✓		✓	✓				Draw downs	11/08	11/08	C
			✓	✓	✓	✓	✓	✓				Loans and Bonds	11/08	11/08	C
	✓	✓	✓	✓		✓		✓				Capital Assets	11/08	7/09	C
			✓					✓				Student Body Funds	11/08	12/08	C
			✓			✓		✓				File Storage and Destruction	11/08	12/08	C
			✓					✓				Personal Services Agreement	11/08	12/08	C
			✓				✓	✓				Student Housing Charges	11/08	5/09	C
✓			✓					✓				Travel Requests	11/08	7/09	C
-	-	-	-	-	-	-	-	-	-	-	-	Year-End Processing Topics	-	-	-
✓	✓		✓	✓	✓	✓		✓				Audit prep	1/09	8/09	C
✓	✓		✓	✓	✓	✓		✓				1098T	12/08	1/09	C
✓	✓		✓	✓	✓	✓		✓				1099-Misc	12/08	1/09	C
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			***II. Business Services Handbook***			
✓	✓		✓					✓				Establish Leadership Committee	3/09	3/09	C
✓	✓		✓					✓				Determine Content and Format	3/09	11/09	IP
✓	✓		✓					✓				Create Paper & Online Handbook	3/09	11/09	IP
✓	✓		✓					✓				Business Services Webpage	7/09	8/09	C
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			***III. Training for Users***			
✓	✓		✓	✓	✓	✓		✓				Establish Leadership Committee	3/09	3/09	C
✓	✓		✓	✓		✓		✓				FRX Training	11/08	12/08	C
✓	✓		✓	✓				✓				Fund Accounting Workshops	1/09	1/09	C
✓	✓	✓	✓	✓	✓	✓	✓	✓				Oregon Budget Law Workshop	2/09	2/09	C
✓	✓	✓	✓		✓			✓				Grant Managers Committee	11/08	3/09	C
			✓					✓				Internal Budget Committee	9/08	6/09	C
✓	✓	✓	✓	✓	✓			✓				Internal Controls Workshops	4/09	11/09	C
✓	✓	✓	✓									Business Services Handbook Workshops	4/09	11/09	IP
✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			***IV. Reporting Data***			
✓	✓	✓	✓	✓	✓	✓	✓	✓				Establish Leadership Committee	2/09	2/09	C
-	-	-	-	-	-	-	-	-	-	-	-	Identify User Needs Topics	-	-	-
		✓	✓		✓		✓	✓				Board of Education	1/09	5/09	C

Audit Finding FY08												***Objective***/Activity	Start Date	End Date	Status
1	2	3	4	5	6	7	8	9	10	11	12				
		✓	✓		✓		✓	✓				Administration	1/09	7/09	C
		✓	✓				✓	✓				Unit Managers	1/09	7/09	C
		✓	✓				✓	✓				Grant Managers	11/08	7/09	C
		✓	✓		✓	✓	✓	✓				Develop report request processes	5/09	11/09	D
✓	✓	✓	✓	✓	✓	✓	✓	✓				***V. Assess Business Services Staffing Level***			
✓	✓	✓	✓	✓	✓	✓	✓	✓				Establish Leadership Committee	12/08	12/08	C
✓	✓	✓	✓	✓	✓	✓	✓	✓				Determine operation requirements	9/08	10/09	C
✓	✓	✓	✓	✓	✓	✓	✓	✓				Evaluate current technical skills	2/09	10/09	C
✓	✓	✓	✓	✓	✓	✓	✓	✓				Recommend corrective action if necessary	4/09	10/09	C
										✓		***VI. Financial Aid Documentation***			
										✓		Modify award letter-generation process	11/08	3/09	C
										✓		File all correspondence in student file	11/08	3/09	C
										✓		Determine method to store generated letters	5/08	1/09	C
											✓	***VII. Clery Reporting Process***			
											✓	Establish Leadership Committee	1/09	1/09	C
											✓	Overview Workshop / Webinar	1/09	1/09	C
											✓	Review data collection procedure	1/09	8/09	C
											✓	Review data processing procedure	1/09	09/09	C
											✓	Review data reporting procedure	1/09	09/09	C

Status: S-started, C-completed, IP-in progress, D-dropped

Finding 2008-5. Advanced Refunding Debt/Defeasance

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. Also, during December of 2008, the audit firm provided the governmental funds' additional government-wide adjustments. 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. 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.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: As stated in the Corrective Action, all fiscal year-end policies and procedures have been reviewed and modified as needed to assure all required adjustments and journal entries are identified and recorded in a timely manner. Additionally, the College had an outside CPA review the journal entries and document their accuracy. All documents related to bond issuance are retained in the office of the Vice President of Administrative Services.

Finding 2008-6. Budget

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. 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).

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The College has implemented the corrective action as stated. Current staff are fully aware of the legal requirements. The budget documents developed for the 2009-2010 budget followed all of the requirements of Oregon Budget Law; supplemental documents were supplied to the Board Budget Committee to give more transparency and to provide additional information to the committee members. The members of the Board Budget Committee were pleased with the clarity of the documents and presentation of the 2009-2010 budget.

The Business Office staff and many others attended an all-day workshop on Oregon Budget Law and the College hosted in-service workshops on fund accounting, specifically oriented to Southwestern's financial system. The previous business manager presented three fund accounting workshops which were attended by staff from multiple areas. The College invited all employees to attend these workshops as part of an effort to increase the understanding of the College financial system by staff.

The Board of Education has acted on multiple fronts to ensure against such an action recurring. The Board has decided to move away from policy-based governance (Carver Model) to a traditional board governance model. The Board has created two subcommittees: Policy and Finance.

The Board Policy Subcommittee is reviewing and revamping the College Board Policies with assistance from an Oregon College Board Association (OSBA) policy expert. The new board policies/procedures will give the Board additional authority and oversight requirements. Included in the new policies/procedures are clear presidential evaluation procedures, confidential procedures for staff to file complaints with the Board Chair, and new board member orientation.

The Board Finance Subcommittee reviews the monthly financial reports, may request additional information/data, has increased the monthly financial reports to the Board, interacts directly with the College financial auditor, meets with staff, and reports back to the full board. The Board's objective is to be more proactive and have a deeper level of understanding of the financial system.

The current administration fully intends to adhere to Oregon Budget Law, Oregon Revised Statues, and College Board policies. As shown in great detail in Finding 2008-4 above, internal controls have been modified to assure adequate monitoring of adherence to policies, procedures, and the law.

Finding 2008-7. Audit Information Delays

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.

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. 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. 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.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The College has implemented the corrective action as stated. The VP of Administrative Services and the Business Office conducted an in-depth study and upgrading of current internal controls, related procedures and policies, user handbook, user trainings, and other assessments. See the above Finding 2008-4 for a detailed list of the College's corrective actions in response to the 2008 Audit.

The Board of Education Finance Subcommittee, administration, and managers have made the 2009 audit a priority by having multiple organizational meetings and communication with the auditing firm. The College and the auditing firm mutually respect each other's responsibility and time. The increased communication has resulted in data and information prepared as requested.

Finding 2008-8. Going Concern

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. 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).

- 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. 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).

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The College has implemented the corrective action as stated. In fall 2008, the College faced an unprecedented convergence of challenges including the FY08 Financial Audit, three years of a pattern of over-estimating revenues and overspending budgets, a flawed FY09 budget, and unfavorable external economic conditions. The aggregate impact of the internal budget problems and external economic problems has placed the College in the situation of having a cash flow shortage resulting in borrowing to meet its financial obligations. During FY09, the new administration resolved the internal budgetary problems with significant reductions in expenditures and workforce. The external economic problems remain which resulted in a severe reduction of state support. Administration is monitoring the budget closely and will make adjustments as needed.

The College has been diligent and proactive in restoring the financial health of the institution. The College had an external consultant prepare an in-depth, two-year cash flow analysis. Other activities include daily cash flow statements, online purchase orders with only four senior administrators having final signing authority, full revamping of internal controls, increases in tuition, fees, housing rates, and OCCI rates, increased budget monitoring, and increased Board oversight.

As stated in the corrective action, the staffing level has been restored to the previous level by adding the fourth management position to the Business Office resulting in adequate (however lean) staffing. The new VP of Administrative Services understands the financial system and works closely with the Business Office. The oversight and operations of the College's financial system have been restored; the current personnel have the knowledge, skills, and experience necessary to perform financial tasks, create policy, and exercise oversight authority. Consultants are hired to add specific expertise as needed.

The administration took the FY08 audit findings very seriously. The current administration and management are committed to transparency and accountability. Upon receiving the audit in February 2009, Administrative Services and the Business Office immediately began planning the necessary corrective actions. Additionally, the departments decided to take this opportunity to review all internal controls and procedures not cited in the audit report. See Finding 2008-4 Update for the detailed working grid used to implement the corrective actions taken by the College. As of November 2009, all corrective actions were completed with the exception of finalizing the Business Services Handbook and subsequent staff trainings; the expected completion date is late spring 2010.

Finding 2008-9. Accounting Procedures

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. 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. 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. 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.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The Corrective Action was implemented as stated. The Business Office has taken this as an opportunity to review all internal controls and procedures as shown in the corrective action work grid in Finding 2008-4 above. As stated in the corrective action, the staffing level was restored to previous level with the adding the fourth position to the Business Office resulting in adequate (however lean) staffing. The new VP of Administrative Services understands the financial system and works closely with the department. The oversight and the operations of the College's financial system has been restored; the current personnel have the knowledge, skills, and experience necessary to perform the financial tasks, create policy changes, and have oversight authority. Consultants (CPA firm and actuarial firm) are hired to add specific expertise as needed to address GAAP and GASB requirements.

In the guidance materials, SAS 112 stipulates that the College may execute the option of hiring a third party (not the auditor) to prepare the required financial statements. Alternately, SAS 112 specifies that the College could opt to have the auditor prepare the financial statements knowing that it will result in a finding.

Finding 2008-10. Real Property Acquisitions

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. Purchases over $25,000, by the College President need full board approval and Board Policies state that the College President shall not indebt the College in an amount greater than can be repaid by certain, otherwise unencumbered revenues within 60 days, except by Board-approved conditions. Unauthorized capital asset acquisition, unauthorized borrowings, and cash shortages were affected.

CORRECTIVE ACTION – previously reported: 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 360º evaluation every other year to actively solicit feedback from College employees on the performance of the President.

UPDATE: The College has implemented the stated corrective action. The Board of Education has acted on multiple fronts to ensure against such an action recurring. The Board has decided to move away from policy-based governance (Carver Model) to a traditional board governance model. The Board has created two subcommittees, policy and finance.

The Board Policy Subcommittee is reviewing and revamping the College Board Policies with the assistance from an Oregon College Board Association (OSBA) policy expert. The new board policies/procedures will give the Board additional authority and oversight requirements. Included in the new policies/procedures are clear presidential evaluation procedures, confidential procedure for staff to make a complaint to the Board Chair, and new board member orientation.

The Board Finance Subcommittee reviews the monthly financial reports, may request additional information/data, has increased the monthly financial reports to the Board, interacts directly with the College financial auditor, meets with staff, and reports back to the full Board of Education. The Board's objective is to be more proactive and have a deeper level of understanding of the financial system.

The current administration fully intends to adhere to Oregon Budget Law, Oregon Revised Statues, and College Board policies. As shown in great detail in Finding 2008-4 above, internal controls have been modified to assure adequate monitoring of adherence to policies, procedures, and the law.

The College has implemented an online purchase order system which immediately populates the order with the required signing authorities and encumbers the funds. In addition, all purchase orders greater than $25,000 require the attachment of the signed Board of Education Resolution explicitly for that purchase before being processed. The Business Office has been given the authority to hold purchase orders without the associated resolution.

PRIOR AUDIT FINDINGS – FEDERAL AWARDS OMB CIRCULAR A-133

Finding 2008-11. Federal Financial Assistance

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. Noncompliance with federal regulations for financial aid programs were affected.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The corrective action stated above has been completed. An error in an automatic word processing fill-in field in a letter caused information to be omitted. To remedy this, the Financial Aid Department requires a second staff member to review letters sent to applicants. A copy of this letter is saved in the applicant's file. Additionally, the department has created a process to digitally store correspondence between the department and the applicants. No comparable errors have occurred since these new policies and procedures were implemented.

Finding 2008-12. SFA Cluster – Clery Report

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. Non compliance with federal regulations was affected.

AUDITOR 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.

CORRECTIVE ACTION – previously reported: 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.

UPDATE: The proposed corrective action was followed as stated. Under the VP of Administrative Services leadership, about 20 employees attended a webinar on the Clery Act. The webinar was comprehensive and reviewed foundational information, modifications in the law, data collection, crime reporting, and the annual reporting requirements. The College uses an incident reporting software system that is Clery Act compliant. The Office of Administrative Services revamped the policies and procedures required by Clery, tabulated the collected data, and produced the annual report for the College. The annual report meets all Clery requirements, was submitted on time, and is available on our website. The Administrative Services Office has begun reviewing the new Higher Education Opportunities Act requirements and plans to revise the report and data collection procedures accordingly.

SOUTHWESTERN OREGON COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

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 Assistance Programs			
Federal Pell Grant Program	84.063	P063P062071	$ 2,345,721
Federal Supplemental Educational Opportunity Grant	84.007	P007A063511	67,868
Academic Competitiveness Grant	84.376	P375A062071	16,159
Federal Work Study Program	84.033	P033A063511	85,976
Total Student Financial Assistance Programs			2,515,724
TRIO Program Cluster			
Talent Search Program	84.044A		518,161
Student Support Services	84.042A	P044A020652	273,614
Upward Bound	84.047	P047A030837	246,743
Total TRIO Program Cluster			1,038,518
Higher Education - Institutional Aid			
Strengthening Institutions Program - Title III	84.031A	P031A060194	405,285
Subtotal direct programs			3,959,527
Pass-through programs from:			
State of Oregon Department of Education			
Even Start - State Educational Agencies	84.213		181,177
Career and Technical Education - Basic Grants to States	84.048		142,260
State of Oregon Dept. of Community Colleges & Workforce Development			
Adult Education - Basic Grants to States	84.002A		139,962
Title II - Leadership	84.002		600
Subtotal pass-through programs			463,999
Total U.S. Department of Education			4,423,526
U.S. SMALL BUSINESS ADMINISTRATION			
Pass-through programs from:			
Lane Community College			
Small Business Development Centers	59.037		28,996
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES			
Pass-through programs from:			
Coos County, Commission on Children and Families			
Child Care and Development Block Grant	93.575		27,002
Child Care Resource & Referral Network			
Child Care and Development Block Grant	93.575		118,307
Oregon Council on Developmental Disabilities			
Child Care and Development Block Grant	93.575		13,000
Subtotal Child Care & Development Block Grant			$ 158,309

(carried forward to next page)

SOUTHWESTERN OREGON COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended June 30, 2009

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):			$ 158,309
South Coast Business Employment Corporation			
Temporary Assistance for Needy Families	93.558	TANF 05-100	244,918
State of Oregon Department of Human Services			
Community-Based Child Abuse Prevention Grants	93.590		111,026
Total U.S. Department of Health & Human Services			514,253
U.S. DEPARTMENT OF LABOR			
Direct program:			
Community-Based Job Training Grants			
Employment and Training Administration	17.269		25,465
Pass-through programs from:			246,743
State of Oregon Department of Community Colleges			
and Workforce Development			
Incentives Grants - WIA Section 503	17.267		59,191
Chemeketa Community College			
WIA Pilots, Demonstrations, and Research Projects	17.261	556-06	9,502
Del Norte Workforce Center			
Community Based Job Training Grants	17.269		2,048
Subtotal pass-through programs			70,741
Total U.S. Department of Labor			96,206
U.S. DEPARTMENT OF AGRICULTURE			
Pass-through programs from:			
State of Oregon Department of Education			
Child and Adult Care Food Program	10.558	0619002	299,394
Commodity Supplemental Food Program	10.565	0619006	1,637
Summer Food Service Program for Children	10.559		4,036
Total U.S. Department Agriculture			305,067
OTHER PROGRAMS			
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Direct programs:			
Retired and Senior Volunteer Program	94.002	95SROIR993	55,772
Total expenditures of federal awards			$ 5,423,820

SOUTHWESTERN OREGON COMMUNITY COLLEGE DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2009

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, 2009 are as follows:

Federal Stafford Loans	$ 3,407,381
Federal Plus Loans	228,193

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, 2009, the College District did not provide any financial awards to subrecipients.