

Clatsop Community College
Clatsop County, Oregon

Independent Auditor's
Report on Audit of Financial Statements

June 30, 2005

Clatsop Community College
Clatsop County, Oregon

Annual Financial Statements

Year Ended June 30, 2005



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**Clatsop Community College
Clatsop County, Oregon**

Annual Financial Statements

Year Ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clatsop Community College
Astoria, Oregon

We have audited the accompanying statement of net assets of Clatsop Community College (College) as of June 30, 2005, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Clatsop Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clatsop Community College as of June 30, 2005, and the changes in financial position and cash flows 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 our report dated September 16, 2005 on our consideration of Clatsop Community College's internal control over financial reporting and 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.

The Management's Discussion and Analysis and Supplemental Information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the Management's Discussion and Analysis, 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. The Supplementary Information has been subjected to the auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements of Clatsop Community College taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.



For Moss Adams LLP
Eugene, Oregon
September 16, 2005
(except for Note 11, as to
which the date is January 10, 2006)

Management's Discussion and Analysis

Introduction

This section of Clatsop Community College's annual audit presents an analysis of the financial activities of the College for the fiscal year ended June 30, 2005 and is designed to focus on current activities, resulting changes and current known facts. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with them. Consequently, management assumes responsibility for the completeness and reliability of all information presented in this report.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Clatsop Community College's basic financial statements, which are comprised of entity-wide financial statements prepared in accordance with the accrual basis of accounting and notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The entity-wide financial statements are designed to provide readers with a broad overview of the College's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the College's assets and liabilities, with the difference between the two 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 non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. All changes in net assets are reported under accrual basis of accounting, or as soon as the underlying event giving rise to the change occurs, regardless of the timing 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. The utilization of long-lived assets is reflected in the financial statements 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.

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 Financial Statements provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

In May 2002, the Government Accounting Standards Board (GASB) issued Statement No. 39, "Determining Whether Certain Organizations are Component Units." This Statement amends Statement No. 14, "The Financial Reporting Entity", to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. Generally, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit. Beginning in the year ended June 30, 2003, the College elected to include the Clatsop Community College Foundation (the Foundation) in its financial statements as a component unit. The Foundation qualifies for this

treatment because it raises funds for the direct benefit of Clatsop Community College students. The College has not identified any other organizations that might be considered additional component units under GASB Statement No. 39.

The Marine and Environmental Research and Training Station (MERTS) is included as a component unit under GASB Statement 14, "The Financial Reporting Entity."

Financial Analysis of the College as a Whole

Analysis of the Statement of Net Assets As of June 30, 2005

The Statement of Net Assets includes all assets and liabilities of the College using the accrual basis of accounting, which is similar to the accounting presentation used by most private colleges. Net assets is the difference between assets and liabilities, and is one measure of the financial condition of the College.

	2005	2004	% change 2005-2004	2003	% change 2004-2003
ASSETS					
Current Assets	\$ 3,613,138	\$ 4,020,712	-10%	\$ 3,693,070	9%
Non-Current Assets					
Other non-current assets	8,197,430	-	-	-	-
Capital Assets, Net of Depreciation	4,140,912	2,977,445	39%	3,011,636	-1%
Total Assets	\$ 15,951,480	\$ 6,998,157	128%	\$ 6,704,706	4%
LIABILITIES					
Current Liabilities	\$ 1,544,475	\$ 1,445,269	7%	\$ 2,670,804	-46%
Long-term debt, non-current portion	7,955,414	297,986	2570%	317,241	-6%
Total Liabilities	9,499,889	1,743,255	445%	2,988,045	-42%
Net Assets					
Investment in Capital Assets	3,319,587	2,645,055	26%	2,646,289	0%
Restricted	1,089,968	947,599	15%	952,659	-1%
Unrestricted	2,042,036	1,662,248	23%	117,713	1312%
Total Net Assets	6,451,591	5,254,902	23%	3,716,661	41%
Total Liabilities and Net Assets	\$ 15,951,480	\$ 6,998,157	128%	\$ 6,704,706	4%

Fiscal year 2005 compared to 2004. At June 30, 2005, the College's assets were approximately \$15.9 million. The College's current assets of \$4.5 million were sufficient to cover current liabilities of \$1.5 million. This represents a current ratio of 2.95, slightly higher than the prior year. Cash of \$2.3 million makes up most of the current assets while \$2.2 million is made up of receivables from property taxes, governmental receivables and student receivables. The College prepaid its unfunded actuarial liability to the PERS system for pension obligations, thus creating a non-current asset of \$7.2 million. The College's investment in capital assets is \$4.1 million, net of accumulated depreciation and related debt.

The College's current liabilities consist primarily of payroll, various payables for operations, and the current portion of long-term debt: waterline to MERTS, pension bond obligations, and management information system loan. The pension obligation and the management information system loan occurred during fiscal year 2005 causing the increase in current and non-current liabilities. Non-current liabilities consist of long-term debt: waterline to MERTS, pension bond obligations, management information system loan, and a mortgage on property in downtown Astoria.

Within net assets, the “investment in capital assets” amounts to \$3.3 million. This represents the College’s plant and equipment less accumulated depreciation and related debt. The \$1.0 million temporarily restricted amount is restricted for student housing and pension bond obligations. Unrestricted net assets of \$2.0 million consist of amounts for the continuing operation of the College. They increased for several reasons: 1) the College is anticipating a reduction in funding from the State for FY06 and 2) the College budgeted for an anticipated expense in its PERS contribution, but did not reallocate the savings to other expenditures when the actual contribution rate was determined.

Fiscal year 2004 compared to 2003. At June 30, 2004, the College’s assets were approximately \$6.9 million. The College’s current assets of \$4.0 million were sufficient to cover current liabilities of \$1.4 million. This represents a current ratio of 2.86. Cash of \$2.8 million makes up most of the current assets while \$1.2 is made up of receivables from property taxes, governmental receivables and student receivables. The College’s investment in capital assets is \$2.9 million, net of accumulated depreciation.

The College’s current liabilities consist primarily of payroll, various payables for operations, and the current portion of long-term debt. At June 30, 2003 the College owed \$1.1 million for operations through the Oregon School Boards Association (OSBA) tax anticipation note program due to a deferred State payment. The liability was paid in January 2004 causing the decrease in current liabilities. Non-current liabilities consist of long-term debt for an energy grant and the installation of the waterline at MERTS.

Within net assets, the “investment in capital assets” amounts to \$2.6 million. This represents the College’s plant and equipment less accumulated depreciation. The \$0.9 million restricted amount is restricted for student housing. Unrestricted net assets of \$1.6 million consist of amounts for the continuing operation of the College and increased for several reasons: 1) a quarterly payment from the State was deferred from April 2002 to July 2003, and 2) the College budgeted for an anticipated expense in its PERS contribution, but did not reallocate the savings to other expenditures when the actual contribution rate was determined.

Analysis of the Statement of Revenues, Expenses, and Change in Net Assets For the Year Ended June 30, 2005

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

	2005	2004	% change 2005-2004	2003	% change 2004-2003
Total operating revenues	\$ 7,145,819	\$ 6,208,210	15%	\$ 6,188,630	0%
Total operating expenses	13,262,506	12,918,938	3%	12,859,195	0%
Operating loss	(6,116,687)	(6,710,728)	-9%	(6,670,565)	1%
Non-operating revenues, net	7,313,376	8,248,969	-11%	6,659,426	24%
Total increase (decrease) in net assets	1,196,689	1,538,241	-22%	(11,139)	-13910%
Net assets, beginning of year	5,254,902	3,716,661	41%	3,727,800	0%
Net assets, end of year	\$ 6,451,591	\$ 5,254,902	23%	\$ 3,716,661	41%

Fiscal year 2005 compared to 2004.

Revenues

The most significant sources of operating revenue for the College are tuition and fees, financial aid, grants and contracts from Federal, State, and local sources, and auxiliary services. Tuition and fees includes all amounts paid for educational purposes and totaled \$2.0 million, net of scholarship allowances. Federal financial aid, grants and contracts totaled approximately \$3.5 million. Auxiliary services consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They consist of food services, bookstore, and vessel/vehicle operations. Auxiliary services revenue amounted to \$0.3 million. Local sources included \$.8 million invested in the facilities of the College.

The largest non-operating revenue the College receives is from County property taxes and timber revenues. The College received \$3.6 million from this source. Annually, the State of Oregon appropriates funding for K-16 education. The College received \$3.5 million for FTE reimbursement allocation in this fiscal year.

Expenses

Operating expenses totaling \$13.2 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is for direct and indirect instruction (36%). Student services expenses (15%) provide support to students for activities that occur outside the classroom and include enrollment services, counseling, and financial aid assistance. The institutional support represents the operational aspects of the college including the administration, business office, and computer services. Student financial aid includes federal, state, and institutional aid to students to pay the costs of educations. The greatest increase is in Other which represents expenditures associated with the physical plant upgrades at the Jerome Avenue campus. The following chart shows the percentage of expenses for the College:

	<u>2005</u>		<u>2004</u>		<u>2003</u>	
	Actual Expense in Dollars	Actual Expense in Dollars	% change 2005-2004	Actual Expense in Dollars	% change 2004-2003	
Educational and general						
Instruction	\$ 3,733,747	\$ 3,719,597	0%	\$ 3,686,004	1%	
Instructional support	1,153,662	1,078,830	7%	1,089,581	-1%	
Student services	2,118,599	2,064,976	3%	2,251,219	-8%	
Institutional support	2,065,941	2,198,186	-6%	1,975,709	11%	
Operation and maintenance of plant	742,238	727,694	2%	874,487	-17%	
Auxiliary enterprises	428,972	444,714	-4%	568,641	-22%	
Community services	58,524	44,361	32%	50,901	-13%	
Student financial aid	1,972,766	2,016,075	-2%	2,205,294	-9%	
Other expense	801,664	434,671	84%	-		
Depreciation expense	186,393	189,834	-2%	143,448	32%	
Total operating expenses	<u>\$ 13,262,506</u>	<u>\$ 12,918,938</u>	3%	<u>\$ 12,845,284</u>	1%	

Fiscal year 2004 compared to 2003.

Revenues

The most significant sources of operating revenue for the College are tuition and fees, financial aid, grants and contracts from Federal, State, and local sources, and auxiliary services. Tuition and fees includes all amounts paid for educational purposes and totaled \$1.9 million, net of scholarship allowances. Federal financial aid, grants and contracts totaled approximately \$3.2 million. Auxiliary services consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They consist of food services, bookstore, and vessel/vehicle operations. Auxiliary services revenue amounted to \$0.4 million.

The largest non-operating revenue the College receives is from County property taxes and timber revenues. The College received \$3.7 million from this source. Annually, the State of Oregon appropriates funding for K-16 education. The College received \$4.5 million for FTE reimbursement allocation in this fiscal year. State legislation required the deferral of one quarter of the payment from FY03 until the FY04 fiscal year.

Expenses

Operating expenses totaling \$12.9 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is for direct and indirect instruction (37.2%). Student services expenses (16.0%) provide support to students for activities that occur outside the classroom and include enrollment services, counseling, and financial aid assistance. The institutional support represents the operational aspects of the college including the administration, business office, and computer services. Student financial aid includes federal, state, and institutional aid to students to pay the costs of educations.

The category with the greatest increase was in the institutional support area. Most of these increases were due to the increased cost of fringe benefits for employees and operational increases including insurance, leased lines for computer connections and contracted services for some staffing needs.

Analysis of the Statement of Cash Flows for the Year ended June 30, 2005

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 period. The Statement of Cash Flows also helps users assess the ability to meet obligations as they come due and the need for external financing.

	2005	2004	% change 2005-2004	2003	% change 2004-2003
Cash Provided by (used in):					
Operating Activities	\$ (5,897,800)	\$ (6,647,350)	-11%	\$ (6,103,077)	9%
Noncapital Financing Activities	6,252,689	8,481,667	-26%	6,101,878	39%
Capital Financing Activities	(824,371)	(1,267,065)	-35%	1,027,527	-223%
Investing Activities	73,492	53,878	36%	30,343	78%
Net increase (decrease) in cash	(395,990)	621,130	-164%	1,056,671	-41%
Cash - Beginning of year	2,745,733	2,124,603	29%	1,067,932	99%
Cash - End of year	\$ 2,349,743	\$ 2,745,733	-14%	\$ 2,124,603	29%

Fiscal year 2005 compared to 2004. Operating Activities: The major sources of funds included in operating activities include student tuition and fees, federal financial aid, grants and contracts and auxiliary enterprises. Major uses were payments made to employees and suppliers, and for student financial aid and other scholarships. The College used \$5.8 million in cash this year to sustain its operations, a decrease of 11% over 2004.

Noncapital Financing Activities: State FTE reimbursements and property taxes are the primary sources of non-capital financing. Accounting standards require that these sources of revenue be reported as non-operating even though the College depends on these revenues to continue the current level of operations.

Capital Financing Activities: The College used cash to fund capital expenditures. It also borrowed and received cash to pay its unfunded actuarial liability to PERS.

Investing Activities: The College earns interest on bank balances and funds invested in the long-term governmental investment pool.

Fiscal year 2004 compared to 2003. The major sources of funds included in operating activities include student tuition and fees, federal financial aid, grants and contracts and auxiliary enterprises. Major uses were payments made to employees and suppliers, and for student financial aid and other scholarships. The College is dependent on noncapital financing sources to cover operating activities.

State reimbursements and property taxes are the primary source of non-capital financing. The new accounting standards require that these sources of revenue be shown as non-operating even though the College's budget depends on these revenues to continue operations.

The College repaid borrowing for short-term operations in January 2004. This borrowing was required due to the legislatively mandated deferral of the fourth quarterly payment to the College.

Budgetary Highlights

Clatsop Community College adopts an annual budget at the fund level, which is under the modified accrual basis of accounting for governmental funds. Differences between the original budget and the final amended budget were required in the unexpended plant fund and the debt service fund. These were necessary due to unknown circumstances at the time the budgets were originally prepared. The College adhered to the requirements of the supplemental budget process to increase the resources and increase appropriations. For more information, please refer to the budgetary schedules as Supplementary information in the Financial Section of this report.

Capital Assets and Debt

The College's investment in capital assets as of June 30, 2005, amounts to \$3.3 million, net of accumulated depreciation. Investment in capital assets includes land, buildings, improvements, machinery and equipment, and library books. While there were no significant retirements of capital assets, the College has been working on improving the Jerome Avenue campus. Significant additions included renovating the restrooms in Fertig Hall to make them accessible, redoing the HVAC system in the Art Building, and renovating space for the nursing program so it can meet board certification requirements. Additional information on the College's capital assets can be found in the footnotes of the report.

The College has loans for a waterline for the MERTS property, energy improvements, management information system upgrades, mortgage on property in downtown Astoria, and PERS pension obligations. Total debt outstanding at June 30, 2005 was \$8.1 million.

Economic Factors and Next Year's Budget

The Oregon Legislature's biennial session again lasted beyond the June 30 deadline for budgeting. Community colleges' funding was better than originally expected, but still significantly below where it needs to be.

In addition to the immediate funding issues, the community college presidents worked diligently to develop a longer-term plan for the distribution of State support funds for the next six years. The goal for this long-term plan is to achieve "funding equity" for all students at all of the 17 community colleges. Because Clatsop Community College currently receives greater-than-average public support, our 6-year State funding support trend is a negative one, showing a continuing decrease in funding from public resources of about 4% from FY05 through FY11, assuming steady enrollment. In order to achieve this "equity", any benefit we would derive from county property taxes will be off-set by corresponding reductions in State support.

The College decided to reduce its unfunded actuarial liability (UAL) in the Oregon Public Employee's Retirement System (PERS) caused by the economic downturn and the declining stock market for the past three years. A favorable rate was obtained for the borrowing and the resulting rate to be charged on employee accounts was 6.67%, considerably less than the 15.73% to be charged had the College not funded the liability. PERS rates will remain at 6.67% through June 30, 2006 at which time the rates will change. The College is taking a conservative approach to this by providing for a reserve to offset required increases in the FY08 budget.

The College continues to pursue facility improvements on a short-term and long-term basis. Short-term activities include improving the Jerome Avenue campus, and long-term activities include recognizing the need to move from Jerome Avenue campus from its current location.

Budget years will continue to be extremely challenging for the College, but with improvements we have made in planning processes, we are better able to foresee the challenges ahead.

Requests for Information

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

Vice President, College Services
Clatsop Community College
1653 Jerome Avenue
Astoria, OR 97103

Clatsop Community College
Statement of Net Assets
June 30, 2005

	Component Units		
	Primary Government	Clatsop Community College Foundation	MERTS, Inc.
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,259,775	\$ 80,519	\$ 189
Restricted cash and investments	132,538	2,472,246	-
Receivables:			
Property taxes	359,950	-	-
Governmental	1,455,562	-	-
Student receivables, net	293,152	-	-
Contributions		17,770	-
Inventories	83,787	400	-
Other	28,374	-	-
Total current assets	<u>3,613,138</u>	<u>2,570,935</u>	<u>189</u>
Non-current Assets			
Restricted cash and investments	957,430	-	-
Net pension asset	7,240,000	-	-
Capital assets - net	4,140,912	-	6,151,829
Total non-current assets	<u>12,338,342</u>	<u>-</u>	<u>6,151,829</u>
TOTAL ASSETS	<u>\$ 15,951,480</u>	<u>\$ 2,570,935</u>	<u>\$ 6,152,018</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 189,774	\$ 30,839	\$ -
Payroll liabilities	904,476	-	-
Miscellaneous deposits	1,853	-	-
Unearned revenue	306,470	-	-
Other current liabilities	32,857	-	-
Current portion of long-term debt	109,045	-	-
Total current liabilities	<u>1,544,475</u>	<u>30,839</u>	<u>-</u>
Noncurrent liabilities			
Note payable: less current portion of long-term debt	<u>7,955,414</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Net assets invested in capital assets	4,140,912	-	6,152,018
Less: Related debt	(821,325)	-	-
Investment in capital assets, net	<u>3,319,587</u>	<u>-</u>	<u>6,152,018</u>
Temporarily restricted	1,089,968	1,848,582	-
Permanently restricted	-	579,765	-
Unrestricted	<u>2,042,036</u>	<u>111,749</u>	<u>-</u>
Total net assets	<u>6,451,591</u>	<u>2,540,096</u>	<u>6,152,018</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,951,480</u>	<u>\$ 2,570,935</u>	<u>\$ 6,152,018</u>

The accompanying notes are an integral part of these financial statements.

Clatsop Community College
Statement of Revenues, Expenses, and Changes in Net Assets
For the year Ended June 30, 2005

	Primary Government	Component Units	
		Clatsop Community College Foundation	MERTS
OPERATING REVENUES			
Student tuition and fees, net of scholarship allowances of \$143,741	\$ 2,013,614	\$ -	\$ -
Federal student financial aid grant	1,922,701	-	-
Federal grants and contracts	1,386,414	-	-
State and local government grants and contracts	261,019	-	-
Other local sources	1,186,572	325,728	-
Auxiliary enterprises	375,499	-	-
Total operating revenues	<u>7,145,819</u>	<u>325,728</u>	<u>-</u>
OPERATING EXPENSES			
Educational and general			
Instruction	3,733,747	-	-
Instructional support	1,153,662	-	-
Student services	2,118,599	-	-
Institutional support	2,065,941	-	-
Operation and maintenance of plant	742,238	-	-
Auxiliary enterprises	428,972	-	-
Community services	58,524	-	-
Student financial aid	1,972,766	-	-
Other expense	801,664	285,961	-
Depreciation expense	186,393	-	319,452
Total operating expenses	<u>13,262,506</u>	<u>285,961</u>	<u>319,452</u>
Operating income (loss)	<u>(6,116,687)</u>	<u>39,767</u>	<u>(319,452)</u>
NONOPERATING REVENUES (EXPENSES)			
State FTE reimbursement	3,506,090	-	-
Property taxes and timber revenues	3,661,780	-	-
Investment income	202,874	-	-
Bond issuance costs	2,420	-	-
Interest expense	(19,623)	-	-
Other expense	(40,165)	-	-
Net nonoperating revenues	<u>7,313,376</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	1,196,689	39,767	(319,452)
NET ASSETS			
Net assets - beginning of year	<u>5,254,902</u>	<u>2,500,329</u>	<u>6,471,470</u>
Net assets - end of year	<u>\$ 6,451,591</u>	<u>\$ 2,540,096</u>	<u>\$ 6,152,018</u>

The accompanying notes are an integral part of these financial statements.

Clatsop Community College
Statement of Cash Flows
For the Year Ended June 30, 2005

	Component Units		
	Primary Government	Clatsop Community College Foundation	MERTS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Tuition and fees	\$ 1,677,769	\$ -	\$ -
Paid to students	(1,524,003)	-	-
Grants and contracts	1,704,521	-	-
Aid received for students	2,090,338	-	-
Payments to vendors	(6,048,033)	-	-
Payments to employees	(3,760,878)	-	-
Other	(17,626)	(118,205)	-
Auxiliary enterprises	(19,888)	-	-
Net cash used by operating activities	<u>(5,897,800)</u>	<u>(118,205)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Local property taxes and timber revenues	3,613,107	-	-
State appropriations and other payments	2,639,582	-	-
	<u>6,252,689</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,190,440)	-	-
Loan and bond proceeds	7,580,581	-	-
Cost of borrowing	(68,784)	-	-
Bond proceeds remitted to PERS	(7,120,177)	-	-
Interest	(25,551)	-	-
	<u>(824,371)</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment securities	-	1,887,810	-
Purchase of investment securities	-	(1,845,106)	-
Interest earned	73,492	-	-
	<u>73,492</u>	<u>42,704</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(395,990)	(75,501)	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,745,733	156,020	189
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,349,743	\$ 80,519	\$ 189

The accompanying notes are an integral part of these financial statements.

Clatsop Community College
Statement of Cash Flows – continued
For the Year Ended June 30, 2005

Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities

Operating gain (loss)	\$ (6,116,687)	\$ 39,767	\$ (319,452)
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Adjustments to reconcile net income (loss) to net cash provided (used by operating activities):

Depreciation	186,393	-	319,452
Realized and unrealized (gain) loss on investments	-	(145,257)	-
Changes in assets and liabilities			
Receivables (net)	4,660	(13,044)	-
Inventories	(13,204)	(400)	-
Other assets	13,339	-	-
Accounts payable	(45,055)	729	-
Payroll liabilities	3,973	-	-
Miscellaneous deposits	348	-	-
Deferred revenues	63,831	-	-
Other current liabilities	4,602	-	-

Net cash used by operation activities	<u>\$ (5,897,800)</u>	<u>\$ (118,205)</u>	<u>\$ -</u>
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Reconciliation to Statement of Net Assets

Cash and cash equivalents	\$ 1,259,775
Restricted cash and investments	<u>1,089,968</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,349,743</u></u>

The accompanying notes are an integral part of these financial statements.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Clatsop Community College is a public, two-year co-educational institution. The College is a municipal corporation governed under the laws prescribed by the State of Oregon, charged with educating students. A seven-member Board of Directors is locally elected and is authorized to establish policies governing the operations of the College. It is legally separate and fiscally independent from all other state and local governments. The College is not included in any other governmental reporting entity.

In May 2002, the Government Accounting Standards Board (GASB), issued Statement No. 39, "Determining Whether Certain Organizations are Component Units". This Statement amends Statement No. 14, "The Financial Reporting Entity", to provide additional guidance to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. In general, it requires reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit.

As defined by GASB Statements No.14 and No. 39, the College includes two component units in its financial statements: the Marine and Environmental Research and Training Station, Inc. (MERTS) and the Clatsop Community College Foundation (hereinafter referred to as "the Foundation"). MERTS is a nonprofit, nongovernmental organization, whose purpose is to promote high quality educational opportunities in environmental, marine industries, and maritime studies. MERTS qualifies as a component unit because all members of the governing body of the College also serve as members of the MERTS Board of Directors and facilities built using proceeds obtained by MERTS are used primarily by the College. Copies of the unaudited MERTS financial statements may be obtained from the MERTS treasurer at 1653 Jerome Avenue, Astoria, Oregon 97103.

The Foundation is a nonprofit, nongovernmental organization, whose purpose is to provide support for scholarships and programs for the College. Copies of the Foundation's audited financial statements may be obtained from the Foundation treasurer at 1653 Jerome Avenue, Astoria, OR 97103.

The College has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected to not apply FASB pronouncements issued after the applicable date.

Significant Accounting Policies

The accounting policies of Clatsop Community College conform to accounting principles generally accepted in the United States of America as applicable to colleges and universities. The following is a summary of the more significant policies.

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. All significant intra-agency transactions have been eliminated.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Cash and Cash Equivalents

Cash consists of petty cash, cash on deposit with banks and funds invested with the Oregon State Treasurer's Local Government Investment Pool (LGIP), all carried at cost, which approximates fair market value.

Restricted Cash and Investments

Restricted cash for the College consist of funds invested with the Oregon State Treasurer's Investment Pool (LGIP), all carried at cost, which approximates fair market value. Investments for the Foundation consist of stocks and mutual funds. Investments are valued at fair value in accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." Unrealized and realized gains and losses are allocated to the unrestricted and temporarily restricted net assets based upon the restrictions in the underlying investments. Unrealized losses are allocated to temporarily restricted net assets only up to the point of previously recognized unrealized gains.

Inventories

Inventories consist of items held for resale by the bookstore, cafeteria, and print shop. They are stated at cost determined on a first-in, first-out method.

Receivables

All accounts receivable related to student tuition and fees are shown net of an allowance for uncollectible accounts.

Property, Buildings, and Equipment

Property, buildings, and equipment with an acquisition cost in excess of \$5,000 are capitalized at cost or estimated historical cost if purchased, or estimated fair market value at the time received in the case of gifts.

Depreciation on College buildings and equipment is recorded using the straight-line method over the following useful lives:

Computers and other technical equipment	3 years
Vehicles and all other equipment	7 years
Library materials	10 years
Building and improvements	40 years

Accrued Wages and Payroll Costs

Contracts for faculty begin in September and end in mid-June. All other employee contracts begin July 1 for the ensuing fiscal year and end June 30. Faculty have the option of receiving their salary in ten or twelve equal payments. The salary amounts due for payment in July and August are included in accrued liabilities. Benefit payments for July and August are not accrued but rather expensed as paid. The accrued wages at June 30, 2005 were \$179,644.

Compensated Absences

Sick leave accumulates, but does not vest until illness occurs. Neither the leave days nor monetary compensation is available upon termination of employment; therefore, no liability for unused sick leave is recorded in the financial statements.

Effective July 1, 2004, classified employees may only carry forward the number of hours they have accrued in the previous year. As a one-time exception, on July 1, 2004, those employees

CLATSOP COMMUNITY COLLEGE

Notes to the Financial Statements

who had in excess of one year's accrual were able to "bank" the excess. The amount "banked" could not exceed the previous 320 hour limit minus the carry-over, and the "banked" amount must be exhausted by June 30, 2007. The amount of accrued vacation for classified employees at June 30, 2005 was \$54,851.

Effective July 1, 2005, the same requirement was made for service and supervisory and administrative employees, and the "banked" amount must be used by June 30, 2008. The amount of accrued vacation for service and supervisory employees at June 30, 2005 was \$154,516.

The College accrues the expense for accumulated vested vacation leave and recognizes the liability as of the end of the fiscal year. The total accumulated vacation liability is included with accrued liabilities on the Statement of Net Assets and was \$209,367 at June 30, 2005.

The President and part-time regular employees are paid for any unused vacation accrued on the last pay day in June each year. Payments for unused vacation for these employees totaled \$9,608.

Tuition and Fees and Unearned Revenue

Tuition and fees includes all assessments to students for educational and general purposes. It is stated net of institutional aid provided to students. The College's fiscal year begins with summer term and ends with spring term. Tuition and fees received prior to July 1, 2005 for the College's 2005-2006 summer term are recorded as unearned revenue. Unearned revenue from tuition and fees was \$176,431 at June 30, 2005.

Retirement Plans

The College offers several retirement options to qualifying employees: 1) the Oregon State Public Employees Retirement System (PERS), and 2) 403(b) tax-sheltered annuity plans. The expense and liability for contributions to these plans are recorded in the fiscal year in which they are withheld from employees.

Special Retirement Benefits

Until July 1, 2004, the College offered post-employment stipends under a voluntary early retirement program to faculty and classified employees who met certain criteria. In addition, effective July 1, 2005, the post-employment stipend is no longer available to service and supervisory and administrative employees. The College continues to accrue the expense and liability for post-employment stipends for those employees retiring prior to July 1, 2004 or July 1, 2005 respectively. The amount of the accrual for the post-employment stipend is \$354,114.

Premium costs of post-employment health insurance are also subsidized; however, effective July 1, 2004, the amount is capped at the medical premium college paid amount for faculty and classified employees at the time of retirement. This same provision is effective for service and supervisory and administrative employees as of July 1, 2005. Post-employment subsidies of premiums for health insurance are expensed as paid and no liability is recorded.

Faculty or classified employees hired on or after July 1, 2004 are not eligible to apply for or receive any benefits under this provision. Service and supervisory employees hired on or after July 1, 2005 are not eligible to apply for or receive any benefits under this provision.

Budgetary Basis

The financial operations of the various funds of the College on a budgetary basis are presented in individual Schedules of Revenues, Expenditures and Changes in Fund Balance Compared with Budget, in the Required Supplemental Information section of the financial statements.

CLATSOP COMMUNITY COLLEGE

Notes to the Financial Statements

Net Assets

The College's net assets are classified as follows:

Investment in capital assets – This represent the College's total investment in capital assets, net of accumulated depreciation and related debt.

Restricted – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Unrestricted – This includes resources derived from student tuition and fees, state appropriations, and sales and services or educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the College's policy is to first apply the expense towards restricted resources, and then toward unrestricted resources.

Federal Financial Assistance Programs

The College participates in federally funded Pell Grants, Supplemental Educational Opportunity Grants, Federal Work-Study, Federal Family Education Loans, and TRIO Programs.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed costs may constitute a liability of the applicable funds. Such amounts, if any, cannot be determined at this time and, accordingly, no liability is reflected in the financial statements.

Classification of Revenues

Operating revenue includes activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, and (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances. Non-operating revenue includes activities that have the characteristics of non-exchange transactions (a transaction in which the College receives value without directly giving equal value in return). This includes (1) local property taxes, (2) state appropriations (3) most Federal, state and local grants and contracts and federal appropriations, and (4) gifts and contributions.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ.

Future GASB Pronouncements Issued:

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2005

Statement No. 45 Accounting and Financial Reporting by Employees for Postemployment Benefits Other Than Pensions

Statement No. 47 Accounting for Termination Benefits

The College will implement the new GASB pronouncements in the fiscal year no later than the required effective date

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

As mandated by Oregon Statutes, a budget was prepared by the College administration and budget officer. The budget committee, with public input, considered and approved the budget for transmittal to the Board of Directors on June 9, 2004. After public notices and a hearing, the final budget was adopted, appropriations made and a tax levy declared by the Board of Directors on June 24, 2004.

Expenditures, as amended, are appropriated at the following levels of control for each fund:

	General	Restricted	Auxiliary	Unexpended Plant/Debt Service	Debt Service Fund	Clubs & Organizations
Total Instruction	X	X	X			
Total Support Services	X	X	X			
Total Enterprise and Community Services	X		X			
Total Other Uses	X	X		X	X	X
Total Contingencies						
Total All Other	X	X		X		X
Ending Fund Balance	X			X		

Expenditures and transfers cannot legally exceed appropriations except in the case of grants that cannot be estimated at the time of budget adoption.

Supplemental budgets were advertised as required. After public hearings these budgets were approved by the Board. Other budget adjustments not requiring public hearings were also approved by the Board. Expenditures and transfers were within budgeted appropriations.

AUXILIARY FUND LOAN ACTIVITIES

The Auxiliary Fund overdraw its cash by \$197,195. These amounts are considered advance deposits and are loans between the Plant Fund and the General and Auxiliary Funds. This is a budget violation of ORS 294.460, which does not allow loans between funds without authorization from the governing body. Because the new reporting model does not present each fund separately, these advance deposits are included in the net cash and cash equivalents reported on the Statement of Net Assets. The College's auxiliary food service has had a deficit fund balance for a number of years. Effective July 1, 2004 the College outsourced the food service with an independent contractor in an attempt to eliminate this deficit operation.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 3: DEPOSITS AND INVESTMENTS

Total cash and investments at June 30, 2005 are comprised of the following:

	<u>Component Units</u>		
	Total Primary Government	Clatsop Community	
		College Foundation	MERTS, Inc.
Cash and cash equivalents			
Cash on hand	\$ 3,900	\$ -	\$ -
Deposits	240,960	80,519	189
Investments	1,014,916	-	-
	<u>\$ 1,259,776</u>	<u>\$ 80,519</u>	<u>\$ 189</u>
Restricted cash and investments	<u>\$ 1,089,968</u>	<u>\$ 2,472,246</u>	<u>\$ -</u>

Policies – The College has adopted an investment policy that states investments will be in accordance with Oregon Revised Statutes.

Interest Rate Risk – The College reports the following investments and maturities at June 30, 2005:

	<u>Fair Value</u>	<u>180 Days</u>
Local government investment pool	<u>\$ 2,104,883</u>	<u>\$ 2,104,883</u>

Custodial Credit Risk - Deposits - Custodial credit risk on deposits is the risk that in the event of a bank failure, the College's deposits may not be returned to it. In order to minimize this risk, statute requires cash on deposit in any one bank not exceed federal depository insurance without procuring collateral certificates of participation from the bank's pool manager. State law requires each certificate of participation be collateralized with eligible securities up to 25% of the amount of the certificate. At June 30, 2005, the College had no bank balances exposed to custodial credit risk.

Concentration of Credit Risk – College investments are entirely maintained in the local government investment pool.

Concentration of credit risk for the Foundation investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The Foundation's assets are invested in consultation with a professional investment management consultant and in accordance with a written investment policy. The written policy provides that the Foundation's assets shall be diversified to minimize the risk of large losses. Currently, the Foundation's assets are invested with several fund managers whose performance is monitored by the independent investment management consultant and the Investment Committee of the Foundation. All Foundation investments are held in the Foundation's name. The Foundation's investments at June 30, 2005 were 100% in equities.

Local Government Investment Pool – The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund (OSTF), of which the Local Government Investment Pool (LGIP) is a part. The OSTF is a cash and investment pool available for use by all state funds and eligible local governments. The OSTF is managed by the Investment Division of the Oregon State

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Treasury within the guidelines established in the OSTF Portfolio Rules. The LGIP is an open-ended, no-load diversified portfolio offered to eligible participants who by law are made custodian of, or have control over, any public funds. At June 30, 2005, the fair value of College deposits with LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be obtained at www.ost.state.or.us

Note 4: RECEIVABLES

Property taxes - Clatsop County assesses and collects all property taxes for the College. Taxes are assessed on all taxable property in the County. Property taxes are levied and also become a lien on July 1. Collection dates are November 15, February 15 and May 15. Discounts are allowed if the tax is paid in full prior to November 15; taxes unpaid and outstanding after May 16 are considered delinquent. Due to the fact that property may be seized and sold to satisfy any unpaid taxes, all taxes receivable at year-end are considered collectible. Property taxes receivables were as follows:

Levy Year	Balance 6/30/04	Levy	Discounts, Interest and Adjustments	Collections	Balance 6/30/05
2004-2005	\$ -	\$ 2,858,697	\$ (91,168)	\$ 2,635,091	132,438
2003-2004	151,691		(4,783)	81,069	65,839
2002-2003	75,344		(1,031)	30,799	43,514
2001-2002	47,706		(2,192)	23,430	22,084
2000-2001	19,728		(2,226)	13,730	3,772
1999-2000	5,798		(1,998)	1,518	2,282
Prior	6,600		(1,948)	1,118	3,534
Total	\$ 306,867	<u>2,858,697</u>	<u>(105,346)</u>	<u>2,786,755</u>	\$ 273,463
Cash in hands of County Agent at June 30		<u>68,655</u>			<u>86,487</u>
Taxes receivable	\$ <u>375,522</u>				\$ <u>359,950</u>

Governmental – The governmental receivables include \$246,618 in County timber revenues, \$866,508 for the fourth quarterly deferred State appropriation and \$342,436 in various federal and state grants or contracts. It is expected that all funds will be received so no allowance for doubtful accounts is included.

Student – This account includes two kinds of receivables: amounts owed by students and agencies for tuition and fees (\$177,805) and amounts owed by agencies (\$122,149) for other services provided by the College. Amounts owed by agencies are considered to be fully collectible. An estimated bad debt allowance is included (\$6,802). Net student accounts receivable as of June 30, 2005 was \$293,152.

MERTS and the Foundation had no receivables at June 30, 2005.

Note 5: RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 6: PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

PERS

The College contributes to the Oregon Public Employees Retirement Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Oregon Public Employees Retirement System (PERS). PERS provides retirement and disability benefits, post employment healthcare benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries.

PERS is administered under Oregon Revised Statutes (ORS) Chapter 238. ORS 238.620 establishes the Public Employees Retirement Board as the governing body of PERS. PERS issues a publicly available financial report, which can be obtained by writing to PERS, P.O. Box 23700, Tigard, Oregon 97281-3700 or by calling 503-598-7377.

Members of PERS are required to contribute 6% of their salary covered under the plan. In addition, the College is required to contribute at an actuarially determined rate. The current rate for state agencies and community colleges at June 30, 2004 is 10.24% of salary covered under the plan. The contribution requirements for plan members are established by ORS Chapter 238 and may be amended by an act of the Oregon Legislature.

During 2003, PERS reform legislation essentially created a new retirement plan for employees hired after the effective date of the legislation. These employees become members of the Oregon Public Service Retirement Plan (OPSRP) and a new employer contribution rate for OPSRP as of August 29, 2003 at 8.04% of covered salaries, became effective in January 2004.

Issuance of bonds during 2005 has created a negative net pension obligation, and amortization begins in 2006.

The College's contribution rate was scheduled to increase to 15.73% as of July 1, 2005, due to its unfunded actuarial liability of approximately \$6,989,424. The College issued PERS bonds to pay this UAL so that its contribution rate was revised to 6.67% as of July 1, 2005.

Four-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed
6/30/2002	\$ 478,950	100%
6/30/2003	\$ 467,622	100%
6/30/2004	\$ 479,884	100%
6/30/2005	\$ 488,795	100%

Tax Sheltered Annuities

Voluntary tax sheltered 403(b) annuity plans are available to College employees. Regular, full-time employees are eligible to participate. The maximum contribution for calendar year 2004 was \$13,000 and the maximum contribution for calendar year 2005 was \$14,000, with higher levels for employees over age 50.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Early Retirement Plan/Post-employment benefits

Prior to July 1, 2004, the College offered early retirement stipends to its regular employees. A regular employee is an administrative, service/supervisory or classified staff member who works a minimum of 20 hours per week over a 12 month period, or the equivalent. Faculty members are also considered regular employees. This plan is not automatic and must be mutually agreed to by the individual retiree and the Board of Directors.

To be eligible an employee must be eligible to receive PERS retirement benefits and have been employed as a regular employee a minimum of ten consecutive years immediately preceding application for early retirement benefits.

Effective July 1, 2004, the early retirement stipend is no longer available to faculty and classified employees. Effective July 1, 2005, the early retirement stipend is no longer available to service and supervisory and administrative employees.

The College accrues the expense and liability for the cost of providing early retirement stipends. The cost of the early retirement stipend for 2004-2005 was \$102,993 for 34 employees.

Premium costs of post-employment health insurance are also subsidized; however, effective July 1, 2004, the amount is capped at the medical premium college paid amount for faculty and classified employees at the time of retirement. This same provision is effective for service and supervisory and administrative employees as of July 1, 2005. Coverage may also include dependents and spouses. Post-employment subsidies of premiums for health insurance are expensed as paid and no liability is recorded.

The cost of the post-employment health insurance for 2004-2005 was \$158,804.

Faculty or classified employees hired on or after July 1, 2004 are not eligible to apply for or receive any early retirement benefits. Service and supervisory and administrative employees hired on or after July 1, 2005 are not eligible to apply for or receive any early retirement benefits. The College has not had an actuarial valuation made of the plan to ascertain the unfunded liability for retirement benefits.

Note 7: RESTRICTED NET ASSETS

Primary Government

The College has received funds from a settlement of a lawsuit related to student housing issues. These funds and earnings on them are to be used to provide or supplement student housing for Clatsop Community College students. During FY 2004-05 the accumulated balance earned \$21,127 of interest of which \$11,296 was used as rent subsidies for students. As of June 30, 2005, the balance of \$957,430 is included in restricted cash and investments.

MERTS, Inc.

Restricted Net Assets (Fund Balance) consist of assets restricted by a Federal grant for the construction of buildings and other facilities. As of June 30, 2005, the balance was \$6,152,018.

Clatsop Community College Foundation

Temporarily restricted net assets (\$1,848,582) and permanently restricted net assets (\$579,765) in the Foundation are primarily for scholarships.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 8: PROPERTY, BUILDINGS AND EQUIPMENT

Primary Government

The College established an inventory of property, buildings and equipment at estimated historical cost, from College records and efforts of an appraisal firm, as of June 30, 1988. The following changes occurred in property, buildings and equipment owned by the College between June 30, 2004 and 2005:

	June 30, 2004	Additions	Deletions	June 30, 2005
Capital assets not being depreciated:				
Land & improvements	\$ 85,535	\$ -	\$ -	\$ 85,535
Capital assets being depreciated:				
Buildings	5,083,383	618,202	-	5,701,585
Equipment	1,889,319	86,628	34,653	1,941,294
Software project in progress	-	593,468	-	593,468
Library books	151,396	15,089	-	166,485
Total capital assets being depreciated	7,124,098	1,313,387	34,653	8,402,832
Less accumulated depreciation for:				
Buildings	2,336,275	96,834	-	2,433,109
Equipment	1,801,718	72,911	71,126	1,803,503
Library books	94,195	16,648	-	110,843
Total accumulated depreciation	4,232,188	186,393	71,126	4,347,455
Total capital assets being depreciated net	2,891,910	1,126,994	(36,473)	4,055,377
Capital assets - net	\$ 2,977,445	\$ 1,126,994	\$ (36,473)	\$ 4,140,912

MERTS, Inc.

Property, plant, and equipment for MERTS, Inc. consists of buildings, equipment, and vehicles purchased with Federal grant funds. At June 30, 2005 property, plant, and equipment totals \$8,011,855 less accumulated depreciation of \$1,860,026 for net capital assets of \$6,151,829.

CCC Foundation

The Foundation has no property, plant, and equipment as of June 30, 2005.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 9: LONG TERM DEBT

The College has the following long-term debt arrangements:

Notes Payable – Physical Plant

Note payable to Oregon Department of Energy for \$54,133 at 7.90% for energy conservation improvements, dated August 6, 1990, with monthly payments of \$500, scheduled maturity date of September 2005. The note is secured by the improvements.

Balance, June 30, 2004	\$	6,886
Less: principal payments, 2004-2005		(5,687)
Balance, June 30, 2005	\$	1,199

Note payable to the City of Astoria for \$331,657 at 5.01% for MERTS waterline improvements, dated May 13, 1999, with semi-annual payments of \$13,223, scheduled maturity date of November 2018. The note is secured by the improvements.

Balance, June 30, 2004	\$	270,693
Less: principal payments, 2004-2005		(13,068)
Balance, June 30, 2005	\$	257,625

Note payable to Oregon School Boards Association for \$391,000 for purchase of software upgrade and improvements, dated October 1, 2004, with one payment of \$80,000 (interest rate of 2.10%) and three payments of \$85,000 (interest rates of 2.35%, 2.60% and 2.90%), scheduled maturity date of June 1, 2009. The note is secured by the general funds of the College.

Balance, June 30, 2004	\$	-
Amount borrowed, October 1, 2004		391,000
Less: principal payments, 2004-2005		(56,000)
Balance, June 30, 2005	\$	335,000

Note payable to Shorebank Enterprise Group, Pacific for \$188,350 at 4.5% for purchase of property at 1829 Exchange Street, dated June 22, 2005 with monthly interest payments of \$700, until July 1, 2007 at which time the principal of \$188,350 is due. The note is secured by the property.

Balance, June 30, 2004	\$	-
Amount borrowed, June 22, 2005		188,350
Balance, June 30, 2005	\$	188,350

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

PERS Bonds

PERS bonds are direct obligations that pledge the full faith and credit of the College. Funds provided by the PERS bonds were used to prepay the College's pension unfunded actuarial liability (UAL). Payments are secured by an intragovernmental agreement whereby payments are taken from the quarterly State appropriation prior to receipt by the College.

PERS Bond

Bond payable to Wells Fargo, Trustee, for \$7,240,000 at 4.6% for paying PERS unfunded actuarial liability, dated June 9, 2005, with scheduled interest and principal payments due semi-annually through June 30, 2028.

Balance, June 30, 2004	\$ -
Amount borrowed, June 9, 2005	<u>7,240,000</u>
Balance, June 30, 2005	<u><u>\$ 7,240,000</u></u>

The schedule of future requirements for payment of principal and interest on these obligations are as follows:

	Total		City of Astoria Water line		Oregon Dept of Energy Energy Loan		Shorebank Mortgage		PERS PERS Bonding		OSBA Software	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 94,951	\$ 376,767	\$ 13,752	\$ 12,694	\$ 1,199	\$ 17	\$ -	\$ 8,400	\$ -	\$ 347,303	\$ 80,000	\$ 8,353
2007	287,799	364,054	14,449	11,997	-	-	188,350	-	-	345,384	85,000	6,673
2008	110,182	361,323	15,182	11,264	-	-	-	-	10,000	345,384	85,000	4,675
2009	130,952	357,879	15,952	10,494	-	-	-	-	30,000	344,920	85,000	2,465
2010	66,762	353,212	16,762	9,685	-	-	-	-	50,000	343,527	-	-
2011-2015	767,458	1,692,511	97,458	34,772	-	-	-	-	670,000	1,657,739	-	-
2016-2020	1,654,070	1,433,376	84,070	8,483	-	-	-	-	1,570,000	1,424,893	-	-
2021-2025	2,890,000	936,972	-	-	-	-	-	-	2,890,000	936,972	-	-
2026-2028	2,020,000	175,848	-	-	-	-	-	-	2,020,000	175,848	-	-
	<u>\$ 8,022,174</u>	<u>\$ 6,051,942</u>	<u>\$ 257,625</u>	<u>\$ 99,389</u>	<u>\$ 1,199</u>	<u>\$ 17</u>	<u>\$ 188,350</u>	<u>\$ 8,400</u>	<u>\$ 7,240,000</u>	<u>\$ 5,921,970</u>	<u>\$ 335,000</u>	<u>\$ 22,166</u>

Capital Leases

The College is financing the purchase of its phone system through Graybar Financial, under a capital lease. The economic substance of the lease is that the College is financing the acquisition of the asset through the lease, and accordingly, it is recorded in the College's assets and liabilities. The lease includes a buyout provision of ten percent (10%) of the amount leased.

The following is an analysis of the leased asset included in property and equipment:

	June 30, 2005
Equipment	\$ 92,875
Less accumulated depreciation	<u>(55,725)</u>
Total	<u><u>\$ 37,150</u></u>

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

The following is a schedule by years of future minimum payment required under the lease.

Year ending June 30		
	2006	15,660
	2007	15,660
	2008	15,663
Total minimum lease payments		46,983
Less amount representing interest		4,698
Present value of minimum lease payments		\$ 42,285

Changes in Long-Term Liabilities

A summary of long-term liability activity is as follows:

	July 1, 2004			June 30, 2005	
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 277,579	\$ 579,350	\$ 74,755	\$ 782,174	\$ 14,951
Bonds payable	-	7,240,000	-	\$ 7,240,000	80,000
Capital lease obligations	54,811	-	12,526	\$ 42,285	14,094
	\$ 332,390	\$ 7,819,350	\$ 87,281	\$ 8,064,459	\$ 109,045

Note 10: BOARD CONFLICT OF INTEREST

The College's Board is made up of seven elected members. The College did not purchase any supplies from any of the Board members during FY 2004-05.

Note 11: RELATED PARTIES AND COMPONENT UNITS

MERTS, Inc.

The mission of the Marine and Environmental Research and Training Station, Inc. (MERTS), a component unit of Clatsop Community College, is to promote high quality research and education – produced by other entities – in environmental, marine, and marine industrial fields. These entities provide educational opportunities for students from high school through graduate school, and training from entry-level positions in industry through graduate-level research. MERTS itself does not offer educational programs nor undertake research, but rather seeks and implements grants for equipment, facilities, and limited staffing to facilitate the collaborative efforts of its affiliates. Accordingly, maintenance activities on MERTS facilities are totally budgeted for and performed by Clatsop Community College. The College, in turn, works with other organizations that regularly use the facilities to ensure costs are shared in an equitable fashion. Because the only financial activity for 2004-2005 was the depreciation of fixed assets, the financial statements were not audited.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

CLATSOP COMMUNITY COLLEGE FOUNDATION

The Foundation, a nonprofit, nongovernmental organization, exists for the purpose of providing assistance to the College for its instructional and student financial aid programs. Funds are invested and proceeds are used as directed by the donors. The College paid the salary of the part-time Executive Director and assistant and was reimbursed for one-half the amount paid (\$42,519). In addition, the College provided accounting services and office space for the Foundation. Total donated services from the College for the year ended June 30, 2005 were \$6,428. The Foundation owed the College \$30,695 as of June 30, 2005.

Note 12: SUBSEQUENT EVENTS

On January 10, 2006, members of the Board of MERTS, Inc., voted to dissolve MERTS, Inc. and its associated Board of Directors. The College has been actively pursuing full educational partnerships with Oregon University System schools, and these partnerships transcend the intent and capacity of the facilities-only agreement that was the basis for MERTS, Inc. According to the Articles of Incorporation, all assets on dissolution are to be distributed to Clatsop Community College.

Clatsop Community College
Clatsop County, Oregon

Supplemental Information

Clatsop Community College
Balance Sheet
June 30, 2005

	Current Funds		Plant Funds				Clubs and Organizations Fund	Total All Primary Funds (Memorandum only)
	Unrestricted	Restricted	Unexpended	Retirement of Indebtedness	Investment in Plant	Debt Service Fund		
Assets								
Cash and investments	\$ 11,217	\$ 50,470	\$ 2,295,495	\$ -		\$ 132,538	\$ 57,218	\$ 2,546,938
Cash overdrawn - Auxiliary	\$ (197,195)							\$ (197,195)
Receivables:								-
Property taxes	359,950							359,950
Governmental	1,455,562							1,455,562
Student receivables								-
(less allowance for doubtful accounts)	293,152							293,152
Inventories	83,787							83,787
Property, buildings, and equipment:								-
Land and improvements					85,535			85,535
Buildings					5,701,585			5,701,585
Accumulated Depreciation					(2,433,109)			(2,433,109)
Equipment					1,941,294			1,941,294
Accumulated Depreciation					(1,803,503)			(1,803,503)
Library Books					166,485			166,485
Accumulated Depreciation					(110,843)			(110,843)
Software Project in Progress					593,468			593,468
Other assets	18,406		9,968			7,240,000		7,268,374
Total assets	\$ 2,024,879	\$ 50,470	\$ 2,305,463	\$ -	\$ 4,140,912	\$ 7,372,538	\$ 57,218	\$15,951,480
0								
Liabilities and Fund Balances								
	Unrestricted	Restricted	Unexpended	Retirement of Indebtedness	Investment in Plant	Long-Term Debt	Expendable Trust Fund	Total All Primary Funds (Memorandum only)
Liabilities:								
Accounts payable	\$ 189,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 189,774
Accrued liabilities	904,476							904,476
Miscellaneous deposits	1,853							1,853
Due to student groups and agencies	30,000							30,000
Deferred revenues	182,077	50,470	16,705				57,218	306,470
Other miscellaneous liabilities	5,991							5,991
Long term debt:								
Phone lease					42,285			42,285
Energy loan note					1,199			1,199
Mortgage payable					188,350			188,350
Software Migration note payable					335,000			335,000
Bond payable						7,240,000		7,240,000
Waterline improvement note to City of Astoria					257,625			257,625
Total liabilities	1,314,171	50,470	16,705	-	824,459	7,240,000	57,218	9,503,023
Fund balances:								
Unrestricted	710,708		1,331,328					2,042,036
Restricted			957,430					1,089,968
Net investment in plant					3,316,453			3,316,453
Total fund balances	710,708	-	2,288,758	-	3,316,453	132,538	-	6,448,457
Total liabilities and fund balances	\$ 2,024,879	\$ 50,470	\$ 2,305,463	\$ -	\$ 4,140,912	\$ 7,372,538	\$ 57,218	\$ 15,951,480

Clatsop Community College
Schedule of Changes in Fund Balances - All Fund Types
Year Ended June 30, 2005

	Current Funds			Plant Funds				Clubs and Organizations Fund	Total All Funds (Memorandum only)
	Unrestricted	Restricted	Total	Unexpended	Retirement of Indebtedness	Investment in Plant	Long-term Debt		
Revenues:									
Local sources	\$ 3,171,364	\$ 9,830	\$ 3,181,194	490,416					3,671,610
State appropriations	3,506,090	261,019	3,767,109						3,767,109
Government grants and contracts	1,760	3,357,420	3,359,180						3,359,180
Tuition and fees	1,964,529	29,100	1,993,629	163,726					2,157,355
Investment income	51,629		51,629	21,127			130,118		202,874
Auxiliary revenue	375,499		375,499						375,499
Other	227,497	19,390	246,887	-		860,925	7,060,627	18,865	8,187,304
Total revenues and other additions	9,298,368	3,676,759	12,975,127	675,269	-	860,925	7,190,745	18,865	21,720,931
Expenditures and mandatory transfers:									
Educational and general expenditures -									
Instruction	3,567,022	166,725	3,733,747						3,733,747
Instructional support	970,802	182,860	1,153,662						1,153,662
Student services	823,766	1,294,833	2,118,599						2,118,599
Institutional support (administration)	1,960,969	104,972	2,065,941						2,065,941
Operation and maintenance of plant	742,238		742,238						742,238
Auxiliary enterprises	428,972		428,972						428,972
Community services	53,856	4,668	58,524						58,524
Depreciation expense						186,393			186,393
Expended for equipment and facilities				726,912	74,752				801,664
Interest Expense					19,623				19,623
Other							7,058,207	40,165	7,098,372
Financial aid	143,741	1,972,766	2,116,507						2,116,507
Total educational and general expenditures	8,691,366	3,726,824	12,418,190	726,912	94,375	186,393	7,058,207	40,165	20,524,242
Mandatory transfers -									
College matching portion of government grants		(50,065)	(50,065)	73,225					23,160
Debt service			0		(94,375)				(94,375)
Total expenditures and mandatory transfers	8,691,366	3,676,759	12,368,125	800,137	-	186,393	7,058,207	40,165	20,453,027
Other transfers:									
Nonmandatory transfers, net	92,515		92,515					(21,300)	71,215
Other									-
Net increase (decrease) in fund balances	\$ 514,487	\$ -	\$ 514,487	(124,868)	-	674,532	132,538	-	\$ 1,196,689
Fund Balance, June 30, 2004									
Unrestricted	196,221	-	196,221	1,466,027					1,662,248
Restricted				947,599			-		947,599
Net Investment in Plant						2,645,055			2,645,055
Fund Balance, June 30, 2005	\$ 710,708	\$ -	\$ 710,708	\$ 2,288,758	\$ -	\$ 3,319,587	\$ 132,538	\$ -	\$ 6,451,591

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2005**

General Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgetary Basis Budget	Over (Under) Budget
Revenues:					
State sources	\$ 3,506,090		\$ 3,506,090	\$ 3,531,559	\$ (25,469)
Federal sources	1,760		1,760	13,500	(11,740)
Local sources			-		
Current year property taxes	3,171,364		3,171,364	2,649,604	521,760
Prior years property taxes			-	170,000	(170,000)
County timber sales/WOST			-	345,000	(345,000)
Tuition and fees	1,964,529		1,964,529	1,905,483	59,046
All other	279,126		279,126	198,784	80,342
Total revenues	8,922,869	-	8,922,869	8,813,930	108,939
Expenditures:					
Instruction	3,567,022	30,779	3,597,801	3,702,292	(104,491)
Support Services	4,497,775	25,831	4,523,606	4,743,685	(220,079)
Public Service	53,856		53,856	57,419	(3,563)
All Other	143,741		143,741	147,098	(3,357)
Total expenditures	8,262,394	56,610	8,319,004	8,650,494	(331,490)
Excess (deficiency) of revenues over expenditures	660,475	(56,610)	603,865	163,436	440,429
Other financing sources (uses)					
Transfers net	(92,515)	-	(92,515)	(88,436)	(4,079)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	567,960	(56,610)	511,350	75,000	436,350
Fund balance, beginning	354,807	(131,305)	1,010,225	500,000	510,225
Fund balance, ending	\$ 922,767	\$ (187,915)	\$ 1,521,575	\$ 575,000	\$ 946,575

GAAP adjustments are the annual accruals for compensated absences and early retirement stipends not budgeted by the College, plus the one-time deferral of State appropriations into the next fiscal year.

General Fund

The **General Fund** accounts for all current financial resources not required to be accounted for in other funds. The major sources of revenues are property taxes, timber revenues, state school support, and tuition and fees. The major expenditures are personnel and related costs, materials and services, and capital improvements.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2005**

Auxiliary Enterprises Fund	Actual	Budget	Over (Under) Budget
Revenues:			
Cafeteria sales	\$ 1,722	\$ 5,000	\$ (3,278)
Bookstore sales	307,772	471,826	(164,054)
All other	66,005	117,274	(51,269)
Total revenues	375,499	594,100	(218,601)
Expenditures:			
Total Instruction	66,471	72,000	(5,529)
Total Support Services	344,562	485,796	(141,234)
Total Public Service	17,939	36,304	(18,365)
Total expenditures	428,972	594,100	(165,128)
Excess (deficiency) of revenues over expenditures	(53,473)	-	(53,473)
Fund balance, beginning	(126,580)	-	(126,580)
Fund balance, ending	\$ (180,053)	\$ -	\$ (180,053)

Auxiliary Enterprises Fund

The ***Auxiliary Enterprises Fund*** accounts for transactions of substantially self-supporting auxiliary activities that perform services primarily to students, faculty, and staff. These activities are financed and operated in a manner similar to private business enterprises where the intent of the governing body is to ensure that costs are financed primarily through user charges. The College uses the auxiliary enterprises fund to account for the operations of a bookstore, cafeteria, Marine Vessel Forerunner, and a research vessel.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2005**

Restricted	Actual	Budget	Over (Under) Budget
Revenues:			
Federal sources	\$ 3,357,420	\$ 3,447,312	\$ (89,892)
State sources	261,019	600,807	(339,788)
Local sources	9,830	34,099	(24,269)
Tuition and fees	29,100		
Private sources			-
Admin services fee			-
Loan repayments			-
Other	19,390	69,329	(49,939)
Total revenues	3,676,759	4,151,547	(503,888)
Expenditures:			
Total Instruction	166,725	191,094	(24,369)
Total Support Services	1,582,665	1,682,648	(99,983)
Total Public Service	4,668	4,700	(32)
Total All Other Expenditures	1,972,766	2,322,795	(350,029)
Total All Other Expenditures	3,726,824	4,201,237	(474,413)
Excess (deficiency) of revenues over expenditures	(50,065)	(49,690)	(375)
Other financing sources (uses)			
Transfers in	50,065	49,690	375
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	-	-	-
Fund Balance, beginning	-	-	-
Fund Balance, ending	\$ -	\$ -	\$ -

Restricted Fund

The ***Restricted Fund*** consists of student financial aid programs and special grant projects. State and federal funding is received to support student financial aid programs. These programs include Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Direct and Need Based Loans, and Federal Work Study. Resources, in support of special grant projects, are received from federal, state, and local sources and expended for specific grant requirements.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2005**

Unexpended Plant/Retirement of Indebtedness	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budget	Over (Under) Budget
Revenues:					
Investment income	\$ 21,127	-	21,127	\$ 15,000	\$ (6,127)
Timber sales	490,416	-	490,416	500,459	10,043
Other	163,726	-	163,726	186,000	22,274
Total revenues	<u>675,269</u>		<u>675,269</u>	<u>701,459</u>	<u>(26,190)</u>
Expenditures:					
Total Other Uses	-	-	-		-
Total All Other Expenditures	821,287	(186,393)	634,894	1,153,947	(519,053)
Total expenditures	<u>821,287</u>	<u>(186,393)</u>	<u>634,894</u>	<u>1,153,947</u>	<u>(519,053)</u>
Excess (deficiency) of revenues over expenditures	(146,018)	186,393	40,375	(452,488)	492,863
Other financing sources (uses)					
Transfers in (out)	21,150	-	21,150	17,446	3,704
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(124,868)	186,393	61,525	(435,042)	496,567
Fund Balance, beginning	<u>2,413,626</u>	<u>347,193</u>	<u>2,760,819</u>	<u>2,068,459</u>	<u>692,360</u>
Fund Balance, ending	<u>\$ 2,288,758</u>	<u>\$ 533,586</u>	<u>\$ 2,822,344</u>	<u>\$ 1,615,971</u>	<u>\$ 1,206,373</u>

GAAP adjustments represent current year depreciation expense not budgeted by the College.

Unexpended Plant Fund/Retirement of Indebtedness

The *Unexpended Plant/Retirement of Indebtedness Funds* account for resources available to finance the acquisition, construction, or improvement of plant assets for the College and for the payment of principal, interest, and other debt service charges, including contributions for sinking funds relating to debt incurred in financing College plant assets.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2005**

Debt Service Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budget	Over(Under) Budget
Revenues:					
Investment income	\$ 130,118	\$ -	\$ 130,118	\$ -	\$ 130,118
Total revenues	130,118	-	130,118	-	130,118
Expenditures:					
Total Other Uses	(2,420)	7,060,627	7,063,047	7,240,000	(176,953)
Total expenditures	(2,420)	7,060,627	7,063,047	7,240,000	(176,953)
Excess (deficiency) of revenues over expenditures	132,538	(7,060,627)	(6,928,089)	(7,240,000)	311,911
Other financing sources (uses)					
Bond proceeds	-	7,060,627	7,060,627	7,240,000	(179,373)
Fund Balance, beginning	-	-	-	-	-
Fund Balance, ending	\$ 132,538	\$ -	\$ 132,538	\$ -	\$ 132,538

Debt Service Fund

The **Debt Service Fund** accounts for resources used to pay for debt incurred by the College not related to physical plant borrowings.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2005**

Clubs and Organizations Fund	Actual	Budget	Over (Under) Budget
Revenues:			
Fees	\$ 18,865	\$ 44,924	\$ (26,059)
Total revenues	<u>18,865</u>	<u>44,924</u>	<u>(26,059)</u>
Expenditures:			
Total Support Services	40,165	66,224	(26,059)
Total expenditures	<u>40,165</u>	<u>66,224</u>	<u>(26,059)</u>
Excess (deficiency) of revenues over expenditures	(21,300)	(21,300)	-
Other financing sources (uses) Transfers in (out)	21,300	21,300	-
Fund Balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Clubs and Organizations Special Revenue Fund

The **Clubs and Organizations Special Revenue Fund** accounts for resources held by the College as custodian or fiscal agent for students, faculty, staff and other organizations.

Clatsop Community College
Clatsop County, Oregon

Auditor's Comments and Reports
Year Ended June 30, 2005

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

To the Board of Directors
Clatsop Community College

We have audited the basic financial statements of Clatsop Community College (the College) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minimum Standards for Audits of Oregon Municipal Corporations, prescribed by the Secretary of State. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grants, including provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules OAR 162-10-000 to 162-10-330, as set forth below, noncompliance with which could have a direct and material effect on the determination of financial statement amounts:

- The accounting records and related internal control structure
- The legal requirements relating to debt.
- The legal requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2005 and 2006.
- The legal requirements relating to insurance and fidelity bond coverage.
- The appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies.
- The statutory requirements pertaining to the investment of public funds.
- The requirements pertaining to the awarding of public contracts and the construction of public improvements.

The results of our tests disclosed an instance of noncompliance relating to the Auxiliary Fund overdrawing its cash by \$197,195. This is a budget violation of ORS 294.460, which does not allow loans between funds without authorization from the governing body.

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.

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

Internal Control Over Financial Reporting

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

This report is intended solely for the information and use of the Board of Directors, management, Oregon Secretary of State Division of Audits, and 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.

Moss Adams LLP

Eugene, Oregon
September 16, 2005

**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 Board of Directors
Clatsop Community College

We have audited the financial statements of Clatsop Community College (College) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. 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.

Internal control over financial reporting

In planning and performing our audit, we considered Clatsop Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and other matters

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

This report is intended solely for the information of the Board of Directors, management, others within the organization and 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.

Moss Adams LLP

Eugene, Oregon
September 16, 2005

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

To the Board of Directors
Clatsop Community College

Compliance

We have audited the compliance of Clatsop Community College (College) 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, 2005. Clatsop Community College'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 Clatsop Community College's management. Our responsibility is to express an opinion on Clatsop Community College's compliance based on our audit.

We conducted our audit of compliance in accordance 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 Clatsop Community College'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 Clatsop Community College's compliance with those requirements.

In our opinion, Clatsop Community College 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, 2005.

Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by an error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors, management, others within the organization, and 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.

Moss Adams LLP

Eugene, Oregon
September 16, 2005

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

Name of Agency or Department	CFDA No.	Name of Program	Total Awards Expended
Primary Governmental Agency - Clatsop Community College			
US Dept of Education			
Direct			
Student Financial Aid Cluster			
	84.007	Federal Supplement Education Opportunity Grants	\$ 96,216
	84.033	Federal Work Study	110,089
	84.063	Federal Pell Grant Program	894,593
	84.268	Federal Direct Loans	<u>737,900</u>
Total Student Financial Aid Cluster			<u>1,838,798</u>
TRIO Grant Cluster			
	84.042A	Student Support Services	277,898
	84.044A	Talent Search	303,573
	84.047A	Upward Bound	<u>256,578</u>
Total TRIO Cluster			<u>838,049</u>
		Computer & Technology Equipment & Infrastructure	
	84.116Z	Upgrades	<u>66,775</u>
			<u>66,775</u>
Total Direct			<u>2,743,622</u>
Pass Through Oregon			
Department of Education			
	84.002	Adult Education - State Grant Program	77,545
	84.048	Vocational Education - Basic Grants to States	163,389
	84.243	Tech Prep Education	<u>19,471</u>
Total Pass Through			<u>260,405</u>
Total Dept of Education			3,004,027
US Dept of Agriculture			
Pass Through State	10.551	Food Stamps	19,932
Small Business Administration			
Pass Through State	59.037	Small Business Development Center	35,250
US Dept of Health & Human Resources			
Pass Through State	93.558	Temp Assistance Needy Families	298,526
Total Expenditures of Federal Awards for Clatsop Community College			\$ <u>3,357,735</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2005

- Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the grant activities of Clatsop Community College and of the discretely presented component unit, MERTS, Inc., 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 - The amounts reported include \$737,900 of loan guarantees through the Federal Direct Loan Program.

Clatsop Community College
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes X no

Identification of programs audited as major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
<u>Student Financial Aid Cluster:</u>	
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Loans
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.