

Clatsop Community College
Clatsop County, Oregon

Annual Financial Statements

Year Ended June 30, 2007



BOARD OF DIRECTORS

Rosemary Baker-Monaghan
Chair

1880 S. Edgewood
Seaside, Oregon, 97138

Paul Gillum
Vice-Chair

303 Pleasant
Astoria, Oregon 97103

Larry Sparks
Director

Street Address
Cannon Beach, Oregon 97xxx

Laura Harris
Director

92974 Brownsmead Hill Road
Astoria, Oregon 97103

Karen Mellin
Director

1343 Irving Avenue
Astoria, Oregon 97103

Frank Satterwhite
Director

36634 Christians Lane
Astoria, Oregon 97103

Marilyn Lane
Director

P.O. Box 2843
Gearhart, Oregon 97138

Greg Hamann, President

Lindi F. Overton, Vice President for College Services

Clatsop Community College
Clatsop County, Oregon

Annual Financial Statements

Year Ended June 30, 2007

Table of Contents

Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-11
Basic Financial Statements as of and for the Year Ended June 30, 2007	
Statement of Net Assets	12
Statement of Revenues, Expenses, and Changes in Net Assets.....	13
Statement of Cash Flows	14-15
Notes to the Financial Statements.....	16-29
Supplemental Information	
Balance Sheet.....	31
(Current Funds, Plant Funds, Debt Service Fund, and Clubs & Organizations Fund)	
Schedule of Changes in Fund Balances	32
(Current Funds, Plant Funds, Debt Service Fund, and Clubs & Organizations Fund)	
Schedule of Revenues, Expenditures and Changes in Fund Balance Compared with Budget (Current Funds, Plant Funds, Debt Service Fund, and Clubs & Organizations Fund).....	33-39
Auditor's Comments and Reports	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Oregon Auditing Standards</i>	41-42
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43-44
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	45-46
Schedule of Expenditures of Federal Awards	47
Notes to Schedule of Expenditures of Federal Awards	48
Schedule of Findings and Questioned Costs	49



LEMASTER &
DANIELS PLLC

SPOKANE	OTHELLO
BOISE	QUINCY
COLFAX	TRI-CITIES
GRANDVIEW	WALLA WALLA
MOSES LAKE	WENATCHEE
OMAK	YAKIMA

ACCOUNTING

INDEPENDENT AUDITORS' REPORT

AND

Board of Directors
Clatsop Community College

CONSULTING

SERVICES

We have audited the accompanying basic financial statements of Clatsop Community College, as of and for the year ended June 30, 2007, as listed in the table of contents. 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.

MEMBER OF

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

THE

McGLADREY

NETWORK

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, 2007, and the changes in its financial position and its 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 October 12, 2007, 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 budgetary comparison information on pages 4 through 11 and 33 through 39 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Clatsop Community College's basic financial statements. 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 Nonprofit 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 financials statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Le Martue & Daniels PLLC

Yakima, Washington
October 12, 2007

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 years ended June 30, 2007, 2006, and 2005. It 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 and related 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) has previously been included as a component unit under GASB Statement 14, "The Financial Reporting Entity;" however, in January 2006, the MERTS Board of Directors voted to dissolve the MERTS corporation. The dissolution was completed in January 2006 with distribution of all assets to the College in accordance with the MERTS Articles of Incorporation.

Financial Analysis of the College as a Whole

Analysis of the Statement of Net Assets
As of June 30, 2007, 2006, and 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.

	2007	2006	% change 2007-2006	2005	% change 2006-2005
ASSETS					
Current Assets	\$ 4,294,922	\$ 4,589,166	-6%	\$ 3,613,138	27%
Non-Current Assets					
Other non-current assets	14,977,374	7,999,989	87%	8,197,430	-2%
Capital Assets, Net of Depreciation	10,486,342	10,266,455	2%	4,140,912	148%
Total Assets	<u>\$ 29,758,638</u>	<u>\$ 22,855,610</u>	30%	<u>\$ 15,951,480</u>	43%
LIABILITIES					
Current Liabilities	\$ 2,329,137	\$ 2,215,675	5%	\$ 1,544,475	43%
Long-term debt, non-current portion	14,705,873	7,668,862	92%	7,955,414	-4%
Total Liabilities	<u>17,035,010</u>	<u>9,884,537</u>	72%	<u>9,499,889</u>	4%
NET ASSETS					
Investment in Capital Assets	9,856,334	9,527,679	3%	3,319,587	187%
Temporarily Restricted	1,083,194	933,839	16%	1,089,968	-14%
Unrestricted	1,784,100	2,509,555	-29%	2,042,036	23%
Total Net Assets	<u>12,723,628</u>	<u>12,971,073</u>	-2%	<u>6,451,591</u>	101%
Total Liabilities and Net Assets	<u>\$ 29,758,638</u>	<u>\$ 22,855,610</u>	30%	<u>\$ 15,951,480</u>	43%

Fiscal year 2007 compared to 2006. At June 30, 2007, the College's assets were approximately \$29.7 million. The College's current assets of \$4.3 were sufficient to cover current liabilities of \$2.3 million. This represents a current ratio of 1.86, in comparison to 2.07% in the prior year. The decrease is related to the expenditure of funds for capital improvements. Cash and investments of \$1.8 million make up most of the current assets while \$2.5 million is made up of receivables from property taxes, governmental receivables and student receivables. Non-current assets increased by \$7.0 million. Of the \$14.9 million in other non-current assets, \$7.1 million represents proceeds from borrowing to pay for facilities improvements. Other increases included interest on amounts invested for adult student housing and investments in capital assets, net of accumulated depreciation.

The College's current liabilities of \$2.3 million consist primarily of payroll, various payables for operations, and the current portion of long-term debt: waterline to MERTS, pension bond obligations, mortgage on rental property, the management information system loan, and facilities bond obligations. Non-current liabilities increased by \$7.1 million and consist of long-term debt: waterline to MERTS, pension bond obligations, management information system loan, and a

mortgage on rental property, and facilities bond obligations. The College borrowed \$7.5 million during FY07 to improve campus facilities. Once this amount is spent, an additional \$7.5 million will be available from the State of Oregon for campus improvements.

Within net assets, the "investment in capital assets" amounts to \$9.9 million, an increase of \$.3 million over the prior year. This increased amount represents the College's plant and equipment less accumulated depreciation and related debt. The \$1 million temporarily restricted amount is restricted for student housing and pension bond obligations. Unrestricted net assets of \$1.7 million consist of amounts for the continuing operation of the College.

Fiscal year 2006 compared to 2005. At June 30, 2006, the College's assets were approximately \$22.8 million. The College's current assets of \$4.5 million were sufficient to cover current liabilities of \$2.2 million. This represents a current ratio of 2.04, slightly lower than the prior year. Cash and investments of \$2.9 million make up most of the current assets while \$1.6 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 \$7.0 million. Other non-current assets include an amount invested for adult student housing. The College's investment in capital assets is \$10.2 million, net of accumulated depreciation and related debt. The increase is due to receipt of the capital assets from the dissolution of the MERTS corporation.

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, mortgage on rental property, and the management information system loan. 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 \$9.5 million. This increased in 2006 due to the receipt of the capital assets from the dissolution of the MERTS corporation. This represents the College's plant and equipment less accumulated depreciation and related debt. The \$.9 million temporarily restricted amount is restricted for student housing and pension bond obligations. Unrestricted net assets of \$2.5 million consist of amounts for the continuing operation of the College. This amount increased because the College anticipated a reduction in funding from the State for FY06, and the College charged departments a higher rate for the PERS contribution than actually charged by PERS. The difference between the amount charged and the actual paid was used to pay the interest on the pension obligation.

Analysis of the Statement of Revenues, Expenses, and Change in Net Assets For the Years Ended June 30, 2007, 2006, 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).

	2007	2006	% change 2007-2006	2005	% change 2006-2005
Total operating revenues	\$ 7,253,739	\$ 7,164,344	1%	\$ 7,145,819	0%
Total operating expenses	14,884,615	14,022,485	6%	13,262,506	6%
Operating loss	(7,630,876)	(6,858,141)	11%	(6,116,687)	12%
Non-operating revenues, net	7,383,431	13,377,623	-45%	7,313,376	83%
Total increase (decrease) in net assets	(247,445)	6,519,482	-104%	1,196,689	445%
Net assets, beginning of year	12,971,073	6,451,591	101%	5,254,902	23%
Net assets - end of year	\$ 12,723,628	\$ 12,971,073	-2%	\$ 6,451,591	101%

Fiscal year 2007 compared to 2006.

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 \$3.3 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. Local sources of \$1.5 included \$1.0 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 \$4.0 million from this source. Annually, the State of Oregon appropriates funding for K-16 education. The College received \$3.4 million for FTE reimbursement allocation in this fiscal year. Investment income of \$.5 was received due to increased funds on hand for facilities improvements.

Expenses

Operating expenses totaling \$14.8 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is for direct and indirect instruction (33%). 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 following chart shows the percentage of expenses for the College:

	2007	2006		2005	
	Actual Expense in	Actual Expense in	% change	Actual Expense in	
	Dollars	Dollars	2007-2006	Dollars	2006-2005
Educational and general					
Instruction	\$ 3,621,457	\$ 3,662,945	-1%	\$ 3,733,747	-2%
Instructional support	1,360,320	1,453,962	-6%	1,153,662	26%
Student services	2,324,194	2,229,223	4%	2,118,599	5%
Institutional support	2,215,455	2,279,062	-3%	2,065,941	10%
Operation and maintenance of plant	877,127	837,107	5%	742,238	13%
Auxiliary enterprises	443,493	407,228	9%	428,972	-5%
Community services	94,693	97,636	-3%	58,524	67%
Student financial aid	1,641,584	1,786,891	-8%	1,972,766	-9%
Other expense	1,449,706	815,156	78%	801,664	2%
Pension amortization expense	181,192	223,018	-19%	-	n/a
Depreciation expense	675,394	230,257	193%	186,393	24%
Total operating expenses	<u>\$ 14,884,615</u>	<u>\$ 14,022,485</u>	<u>6%</u>	<u>\$ 13,262,506</u>	<u>6%</u>

Fiscal year 2006 compared to 2005.

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 \$3.8 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 \$2.9 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 \$3.9 million from this source. Annually, the State of Oregon appropriates funding for K-16 education. The College received \$3.4 million for FTE reimbursement allocation in this fiscal year. In addition, the College received a one-time gift of assets (\$5.8 million) from the MERTS, Inc. dissolution.

Expenses

Operating expenses totaling \$14.0 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 following chart shows the percentage of expenses for the College:

Analysis of the Statement of Cash Flows for the year ended June 30, 2007, 2006, and 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.

	2007	2006	% change 2007-2006	2005	% change 2006-2005
Cash Provided by (used in):					
Operating Activities	\$ (6,827,228)	\$ (5,863,990)	16%	\$ (5,897,800)	-1%
Noncapital Financing Activities	6,658,374	8,223,882	-19%	6,252,689	32%
Capital Financing Activities	5,615,008	(1,007,161)	-658%	(824,371)	22%
Investing Activities	558,475	159,889	249%	73,492	118%
Net increase (decrease) in cash	6,004,629	1,512,620	297%	(395,990)	-482%
Cash - Beginning of year	3,862,363	2,349,743	64%	2,745,733	-14%
Cash - End of year	\$ 9,866,992	\$ 3,862,363	155%	\$ 2,349,743	64%

Fiscal year 2007 compared to 2006. 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 \$6.8 million in cash this year to sustain its operations, an increase of 16% over 2006.

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. Approximately \$1.5 million less in cash was provided than the prior year.

Capital Financing Activities: The College borrowed \$7.5 million in funds for facilities improvements in FY07. It used approximately \$.9 million to pay loan principal and interest. It also used \$.9 to replace and/or improve capital assets.

Investing Activities: The College earned more interest on bank balances and funds invested in the long-term governmental investment pool since funds borrowed for facilities improvements increased the amounts invested.

Fiscal year 2006 compared to 2005. 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 1% over 2005.

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. Approximately \$1.9 million more in cash was provided than the prior year.

Capital Financing Activities: The College used approximately \$.1 million more to finance capital acquisitions and pay long-term debt.

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

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 made in the General fund, the Grants/Financial Aid fund and the Auxiliary fund. These were necessary due to unknown circumstances at the time the budgets were originally prepared. 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, 2007, amounts to \$10.6 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 and the capital assets include \$1.2 million in construction in progress. 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, PERS pension obligations, and facilities bonds obligations. Total debt outstanding at June 30, 2007 was \$15.1 million.

Economic Factors and Next Year's Budget

The College adequately prepared for a downturn in State funding for FY06 and FY07. The Legislature increased funding for community colleges in FY08 and FY09. However, the College experienced a decrease in enrollment in FY07 and has budgeted accordingly for FY08. In addition, projections have been provided to enrollment services personnel so they know how many students are required for future years so budget cuts do not have to be made.

The State Board of Education continues to support the longer-term plan for the distribution of State support funds developed by the community college presidents. The goal for this long-term plan is to achieve "funding equalization" for all students at all of the 17 community colleges. Because Clatsop Community College currently receives greater-than-average public support, its 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 "equalization", any benefit the College derives from county property taxes will be offset by corresponding reductions in State support.

The College continues to pursue facility improvements on a short-term and long-term basis. Short-term activities include improving the Jerome Avenue campus. During FY07, the College will renovate a facility on the Jerome Avenue campus to provide student service activities in an accessible location.

In July 2006, the College borrowed \$7.5 million to meet a match to be provided by the Oregon State legislature to fund capital projects. The bond proceeds have been transferred to the State to meet the matching requirement, as required by the State. The State has returned the funds, and the College has invested them in the State pool to be used as needed for facilities expenditures.

Budgeting for College operations will continue to be extremely challenging for the College. Continued improvement to planning processes helps to predict 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, 2007

	Primary Government	<u>Component Unit</u> Clatsop Community College Foundation
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,679,523	\$ 135,312
Restricted cash and investments	151,244	2,922,777
Receivables:		
Property taxes	285,460	-
Governmental	1,603,567	-
Student receivables, net	256,660	-
Contributions	-	2,074
Inventories	91,311	-
Notes receivable	205,000	-
Other	22,157	9,719
Total current assets	<u>4,294,922</u>	<u>3,069,882</u>
Non-current Assets		
Restricted cash and investments	8,036,225	-
Unamortized premium	105,359	-
Net pension asset	6,835,790	-
Capital assets - net	10,486,342	-
Total non-current assets	<u>25,463,716</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 29,758,638</u>	<u>\$ 3,069,882</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 266,169	\$ 28,258
Payroll liabilities	919,314	-
Miscellaneous deposits	1,197	-
Unearned revenue	325,614	-
Other current liabilities	6,220	-
Due to student groups	30,000	-
Notes payable	205,000	-
Current portion of long-term debt	575,623	-
Total current liabilities	<u>2,329,137</u>	<u>28,258</u>
Noncurrent liabilities		
Unamortized debt	116,488	-
Note payable: less current portion of long-term debt	14,589,385	-
TOTAL LIABILITIES	<u>17,035,010</u>	<u>28,258</u>
NET ASSETS		
Net assets invested in capital assets	10,486,342	-
Less: Related debt	(630,008)	-
Investment in capital assets, net	<u>9,856,334</u>	<u>-</u>
Temporarily restricted	1,083,194	2,215,593
Permanently restricted - nonexpendable	-	581,692
Unrestricted	1,784,100	244,339
Total net assets	<u>12,723,628</u>	<u>3,041,624</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,758,638</u>	<u>\$ 3,069,882</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, 2007

	Primary Government	Component Unit Clatsop Community College Foundation
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of \$152,407	\$ 1,930,281	\$ -
Federal student financial aid grant	1,460,684	-
Federal grants and contracts	1,538,577	-
State and local government grants and contracts	380,830	-
Other local sources	1,503,938	562,403
Auxiliary enterprises	439,429	-
Total operating revenues	<u>7,253,739</u>	<u>562,403</u>
OPERATING EXPENSES		
Educational and general		
Instruction	3,621,457	-
Instructional support	1,360,320	-
Student services	2,324,194	-
Institutional support	2,215,455	-
Operation and maintenance of plant	877,127	-
Auxiliary enterprises	443,493	-
Community services	94,693	-
Student financial aid	1,641,584	-
Other expense	1,449,706	259,387
Net pension amortization	181,192	-
Depreciation expense	675,394	-
Total operating expenses	<u>14,884,615</u>	<u>259,387</u>
Operating income (loss)	<u>(7,630,876)</u>	<u>303,016</u>
NONOPERATING REVENUES (EXPENSES)		
State FTE reimbursement	3,382,456	-
Property taxes and timber revenues	4,087,755	-
Investment income	559,393	-
Interest expense	(646,173)	-
Net nonoperating revenues	<u>7,383,431</u>	<u>-</u>
Increase (decrease) in net assets	(247,445)	303,016
NET ASSETS		
Net assets - beginning of year	<u>12,971,073</u>	<u>2,738,608</u>
Net assets - end of year	<u>\$ 12,723,628</u>	<u>\$ 3,041,624</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, 2007

	<u>Component Unit</u>	
	Primary Government	Clatsop Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 1,864,779	\$ -
Paid to students	(1,384,170)	-
Grants and contracts	1,953,339	-
Aid received for students	1,713,751	-
Payments to vendors	(7,117,646)	-
Payments to employees	(3,958,679)	-
Other	67,021	(75,387)
Auxiliary enterprises	34,377	-
Net cash used by operating activities	<u>(6,827,228)</u>	<u>(75,387)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes and timber revenues	4,106,847	-
Insurance proceeds	14,595	-
State appropriations and other payments	2,536,932	-
Net cash provided by noncapital financing activities	<u>6,658,374</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(976,841)	-
Loan and bond proceeds	7,542,448	-
Loan principal paid	(304,426)	-
Loan interest paid	(646,173)	-
Net cash provided by capital and related financing activities	<u>5,615,008</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	-	1,381,695
Purchase of investment securities	-	(1,281,347)
Interest earned	558,475	-
Net cash provided by investing activities	<u>558,475</u>	<u>100,348</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,004,629	24,961
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,862,363	110,351
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 9,866,992	\$ 135,312

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, 2007

Reconciliation of operating income (loss) to net cash used by operating activities

Operating income (loss)	\$	(7,630,876)	\$	303,016
-------------------------	----	-------------	----	---------

Adjustments to reconcile operating income (loss) to net cash used by operating activities:

Depreciation	675,394	-
Pension amortization	181,192	-
Realized and unrealized gain on investments	-	(387,841)
Write off of premium on bonds payable	4,767	
(Increase) decrease in current assets used in operations:		
Receivables (net)	(107,004)	(8,992)
Inventories	(6,095)	-
Note receivable	205,000	-
Other assets	7,408	-
Increase (decrease) in current liabilities used in operations:		
Accounts payable	(345,898)	18,430
Payroll liabilities	49,802	-
Miscellaneous deposits	(1,602)	-
Note payable	(65,769)	-
Deferred revenues	205,000	-
Other current liabilities	1,453	-

Net cash used by operating activities	\$	(6,827,228)	\$	(75,387)
---------------------------------------	----	-------------	----	----------

Reconciliation to Statement of Net Assets

Cash and cash equivalents	\$	1,679,523	\$	135,312
Restricted cash and investments		8,187,469		-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$	9,866,992	\$	135,312

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 one component unit in its financial statements: the Clatsop Community College Foundation (hereinafter referred to as "the Foundation"). 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 College has chosen to early implement GASB 48 *Sales and Pledges of Receivables and Future Revenues and Inter-Entity Transfers of Assets and Future Reserves*. This standard provides guidance for intra-entity transfers of assets. 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.

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.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Restricted Cash and Investments

Restricted cash for the College consists of funds for Adult Student Housing (ASH - \$1,015,036) and the pension obligation (\$68,158).

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, 2007 were \$180,248.

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 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, 2007 was \$39,066.

CLATSOP COMMUNITY COLLEGE

Notes to the Financial Statements

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, 2007 was \$152,855.

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 payroll liabilities on the Statement of Net Assets and was \$191,921 at June 30, 2007.

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 \$3,377.

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, 2007 for the College's 2007-2008 summer term are recorded as unearned revenue. Unearned revenue from tuition and fees was \$214,031 at June 30, 2007.

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 \$174,979.

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.

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.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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 of 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 pronouncement has been issued, but is not yet effective at June 30, 2007.

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

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

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 May 22, 2006. 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 13, 2006.

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

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

	General	Restricted (Grants/Financial Aid)	Auxiliary	Unexpended Plant	Plant/Debt Service	Non-Plant Debt	Clubs & Organizations
Total Instruction	X	X	X				
Total Support Services	X	X	X				
Total Enterprise and Community Services	X	X	X				X
Total Facilities Acquisition and Construction				X			
Total Other Uses	X	X	X		X	X	X
Total All Other							
Total Unappropriated 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. For the year ended June 30, 2007, the following expenditures exceeded appropriations in the following funds:

Restricted Fund - While total expenditures were under budget by \$1,130,894, instruction was over budget by \$12,547.

Details on budgeted and actual amounts can be found in the supplemental information.

Prior to June 30, 2006, the Auxiliary Fund had overdrawn its cash. These amounts are considered advance deposits and were loans between the General and Auxiliary Funds. This was a budget violation of ORS 294.460, which does not allow loans between funds without authorization from the governing body. On June 12, 2007, the Board authorized a loan in the amount of \$205,000 from the General Fund to the Auxiliary Fund. The College's auxiliary food service was the primary reason for the deficit fund balance which had accumulated 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. While still not showing an increase to its fund balance, the amount recorded as a decrease in past years has diminished significantly.

Note 3: DEPOSITS AND INVESTMENTS

Total cash and investments at June 30, 2007, are comprised of the following:

	Total Primary Government	Component Unit Clatsop Community College Foundation
Cash and cash equivalents		
Cash on hand	\$ 3,850	\$ -
Deposits	165,944	135,312
Investments	9,697,198	-
	<u>\$ 9,866,992</u>	<u>\$ 135,312</u>
Restricted cash and investments	<u>\$ 8,187,469</u>	<u>\$ 2,922,777</u>

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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, 2007:

	Fair Value	180 Days
Local government investment pool	\$ 9,697,198	\$ 9,697,198

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. The College was in compliance with this statutory requirement throughout the year, and none of the College's June 30, 2007 bank balance was exposed to custodial credit risk because it was adequately insured and collateralized.

Concentration of Credit Risk - College investments are entirely maintained in the local government investment pool (LGIP). The LGIP is not rated.

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, 2007 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 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, 2007, 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:

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Levy Year	Balance 6/30/06	Levy	Discounts, Interest and Adjustments	Collections	Balance 6/30/07
2005-2006	\$ -	\$ 3,131,221	\$ (79,854)	\$ 2,927,074	\$ 124,293
2004-2005	123,395	-	(916)	77,627	44,852
2003-2004	48,685	-	(910)	26,160	21,615
2002-2003	37,026	-	(956)	20,539	15,531
2001-2002	22,211	-	(1,282)	10,987	9,942
2000-2001	9,235	-	(7,185)	498	1,552
Prior	7,253	-	(9,647)	(6,169)	3,775
Total	247,805	\$ 3,131,221	\$ (100,750)	\$ 3,056,716	221,560
Cash in hands of County Agent at June 30	75,393				63,900
Taxes receivable	\$ 323,198				\$ 285,460

Governmental - The governmental receivables include \$299,001 in County timber revenues, \$845,250 in the State appropriation for community college support, and \$459,316 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 (\$216,119) and amounts owed by agencies (\$47,267) for other services provided by the College. Amounts owed by agencies are considered to be fully collectible. An estimated bad debt allowance is included (\$6,726). Net student accounts receivable as of June 30, 2007 was \$256,660.

The Foundation had contributions and accounts receivable at June 30, 2007, in the amount of \$11,793. All funds were received shortly after the end of the fiscal year so no allowance for doubtful accounts is included.

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.

Note 6: PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

Public Employee Retirement System - (PERS)

College employees participate in one or more OPERS plans that provide pension, death, disability, and post-employment healthcare benefits to members or their beneficiaries. In 1995, the Legislature enacted a second level or "tier" of PERS benefits for persons who established PERS membership on or after January 1, 1996. These Tier Two members do not have the Tier One assumed earnings rate guarantee, and have a higher normal retirement age of 60, compared to 58 for Tier One. Employer contributions to PERS are required by state statute and are made at actuarially determined rates as adopted by the Public Employment Retirement Board (PERB).

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

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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 rate for Tier One/Tier Two state agencies and community colleges at June 30, 2007 is 6.67% of salary covered under the plan.

Oregon Public Service Retirement Plan – (OPSRP) is a hybrid retirement plan with two components: a defined benefit pension plan and a defined contribution pension plan.

- The defined benefit pension plan is provided to members who were hired on or after August 29, 2003. Employer contributions are required by state statute and are made at actuarially determined rates as adopted by the PERB. The annual required contribution rates for the OPSRP defined benefit pension plan were 8.04%. On February 28, 2006 the rates were increased to 11.39% to include a factor for the unfunded actuarial liability (UAL). Prior to this increase, payments to cover the UAL were only included in the PERS contribution rate, but are now paid via employer contributions for all PERS and OPSRP members.
- The defined contribution pension plan (called the Individual Account Program) (IAP) is provided to all members or their beneficiaries who are PERS or OPSRP eligible. State statutes require covered employees to contribute 6% of their annual covered salary to the IAP plan effective January 1, 2004. Plan members of PERS retain their existing PERS accounts, but member contributions beginning in 2004 will be deposited in the member's IAP, not into the member's PERS account.

Annual Pension Cost

In 2005, the College issued pension bonds in the amount of \$7,240,000, creating a pension obligation and amortization of this obligation started in 2006. The College's annual pension cost and net pension asset for the year ended June 30, 2007, were as follows:

Annual required contribution (ARC)	\$ 302,273
Interest earned on net pension asset	(349,716)
Adjust to the ARC	<u>530,908</u>
Annual pension costs	483,465
Contributions made	<u>(302,273)</u>
Decrease in net pension asset	181,192
Net pension asset, beginning of year	<u>7,016,982</u>
Net pension asset, end of year	<u><u>\$ 6,835,790</u></u>

All OPERS participating employers are required by law to submit the contributions as adopted by the PERB. For the fiscal year ended June 30, 2007, the College's annual pension expenditures/expense was \$533,287. This included employer annual required contributions to PERS (\$302,273) and amounts used to fund pension obligations (\$231,014).

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Four-Year Trend Information				
Fiscal Year Ending	Annual Pension		Percentage of APC	
	Cost (APC)	Contribution	Contributed	Net Pension Asset
6/30/2004	\$ 479,884	-	100%	-
6/30/2005	\$ 488,795	-	100%	\$ 7,240,000
6/30/2006	\$ 584,207	\$ 361,189	62%	\$ 7,016,982
6/30/2007	\$ 483,465	\$ 302,273	63%	\$ 6,835,790

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 2006 was \$15,000 and the maximum contribution for calendar year 2007 was \$15,500, with higher levels for employees over age 50.

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 2006-2007 was \$77,868 for 31 retirees.

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 2006-2007 was \$158,533 for 32 retirees.

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.

The College may have an unrecorded liability for post-employment benefits that will be recorded beginning with the year ending June 30, 2008, in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." The financial impact of implementing GASB Statement 45 has not yet been determined.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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 2006-07 the accumulated balance earned \$49,021 of interest of which \$16,902 was used as rent subsidies for students. As of June 30, 2007, the balance of \$1,015,036 is included in temporarily restricted net assets.

Clatsop Community College Foundation

Temporarily restricted net assets (\$2,215,593) and permanently restricted net assets (\$581,692) in the Foundation are primarily for scholarships.

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, 2006 and 2007:

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

	June 30, 2006	Additions	Deletions	June 30, 2007
Capital assets not being depreciated:				
Land & improvements	\$ 85,535	\$ -	\$ -	\$ 85,535
Software project in progress	654,763	-	654,763	-
Construction in progress	212,074	1,034,250	-	1,246,324
Total capital assets not being depreciated	952,372	1,034,250	654,763	1,331,859
Capital assets being depreciated:				
Buildings	12,396,934	-	-	12,396,934
Equipment	2,730,258	505,316	6,224	3,229,350
Library books	176,752	10,478	-	187,230
Total capital assets being depreciated	15,303,944	515,794	6,224	15,813,514
Less accumulated depreciation for:				
Buildings	3,747,921	284,347	-	4,032,268
Equipment	2,116,651	378,196	6,224	2,488,623
Library books	125,289	12,851	-	138,140
Total accumulated depreciation	5,989,861	675,394	6,224	6,659,031
Total capital assets being depreciated net	9,314,083	(159,600)	-	9,154,483
Capital assets - net	\$ 10,266,455	\$ 874,650	\$ 654,763	\$ 10,486,342

CCC Foundation

The Foundation has no property, plant, and equipment as of June 30, 2007.

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 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, 2006	\$	243,896
Less: principal payments, 2006-2007		(14,426)
Balance, June 30, 2007	\$	<u>229,470</u>

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%). The note is secured by the general funds of the College.

Balance, June 30, 2006	\$	255,000
Less: principal payments, 2006-2007		(85,000)
Balance, June 30, 2007	\$	<u>170,000</u>

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, 2006	\$	188,350
Less: principal payments, 2006-2007		-
Balance, June 30, 2007	\$	<u>188,350</u>

Bonds Payable - Facilities

Facilities bonds payable are direct obligations that pledge the full faith and credit of the College. Funds provided by the bonds are being used to improve college facilities and were approved by the Board on August 6, 2007 to meet State of Oregon requirements to receive matching funds for construction. The College has presented these funds to the State to satisfy its matching requirement. Funds from the State will be available once all of the College's funds are expended. Payments for the debt are secured by the assets of the College.

Bond payable to Wells Fargo, Trustee, for \$7,500,000 at 4.25% for acquisition of land, site preparation and development costs for a new campus in the greater Astoria region of Oregon, and to pay the costs of issuance of the obligations, dated August 3, 2006, with scheduled interest and principal payments due semi-annually through June 30, 2026.

Balance, June 30, 2006	\$	-
Amount borrowed, August 3, 2006		7,500,000
Less: principal payments, 2006-2007		(205,000)
Balance, June 30, 2007	\$	<u>7,295,000</u>

Bonds Payable - PERS

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

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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, 2006	\$ 7,240,000
	Less: principal payments, 2006-2007	-
	Balance, June 30, 2007	<u>\$ 7,240,000</u>

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

	Total		City of Astoria Water line		Shorebank Mortgage		PERS PERS Bonding		OSBA Software		Facilities Wells Fargo	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 553,508	\$ 684,079	\$ 15,158	\$ 11,289	\$ 188,350	\$ -	\$ 10,000	\$ 345,384	\$ 85,000	\$ 4,675	\$ 255,000	\$ 322,731
2009	395,927	669,797	15,927	10,519	-	-	30,000	344,920	85,000	2,465	265,000	311,893
2010	346,735	653,869	16,735	9,711	-	-	50,000	343,527	-	-	280,000	300,631
2011	382,583	638,799	17,583	8,863	-	-	75,000	341,205	-	-	290,000	288,731
2012	428,475	622,100	18,475	7,971	-	-	105,000	337,723	-	-	305,000	276,406
2013-2017	2,812,421	2,790,317	107,421	24,810	-	-	990,000	1,588,326	-	-	1,715,000	1,177,181
2018-2022	4,188,171	2,051,394	38,171	1,907	-	-	2,040,000	1,267,800	-	-	2,110,000	781,687
2023-2027	5,635,000	880,764	-	-	-	-	3,560,000	642,039	-	-	2,075,000	238,725
2028	380,000	18,358	-	-	-	-	380,000	18,358	-	-	-	-
	<u>\$ 15,122,820</u>	<u>\$ 9,009,477</u>	<u>\$ 229,470</u>	<u>\$ 75,070</u>	<u>\$ 188,350</u>	<u>\$ -</u>	<u>\$ 7,240,000</u>	<u>\$ 5,229,282</u>	<u>\$ 170,000</u>	<u>\$ 7,140</u>	<u>\$ 7,295,000</u>	<u>\$ 3,697,985</u>

Capital Leases

The College is financing the purchase of a phone system through University Lease. The economic substance of the new 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 one dollar (\$1) at the end of the lease.

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

	June 30, 2007
Equipment	\$ 40,735
Less accumulated depreciation	(16,294)
Total	<u>\$ 24,441</u>

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

Years ending June 30,		
	2008	\$ 22,115
	2009	22,115
	2010	14,743
Total minimum lease payments		<u>58,973</u>
Less amount representing interest		16,785
Present value of minimum lease payments		<u>\$ 42,188</u>

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Changes in Long-Term Liabilities

A summary of long-term liability activity follows:

	July 1, 2006			June 30, 2007 Ending Balance	Due Within One Year
	Beginning Balance	Additions	Reductions		
Notes payable	\$ 687,246	\$ -	\$ 99,426	\$ 587,820	\$ 288,508
Bonds payable	7,240,000	7,500,000	205,000	14,535,000	265,000
Capital lease obligations	51,530	-	9,342	42,188	22,115
	<u>\$ 7,978,776</u>	<u>\$ 7,500,000</u>	<u>\$ 313,768</u>	<u>\$ 15,165,008</u>	<u>\$ 575,623</u>

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 2006-07.

Note 11: RELATED PARTIES AND COMPONENT UNITS

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 (\$47,546). 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, 2007 were \$9,403. The Foundation owed the College \$28,258 as of June 30, 2007.

Note 12: COMMITMENTS AND CONTINGENCIES

The College borrowed \$7.5 million in July 2006 to use as a match for state funds to build a new campus. The funds have been submitted to the State for verification of the match, and the College is proceeding with redevelopment of the Jerome Avenue campus. Matching funds from the State will be received after the College has expended its \$7.5 million.

Clatsop Community College
Clatsop County, Oregon

Supplemental Information

Clatsop Community College
Balance Sheet
June 30, 2007

	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	\$ 588,975	\$ 63,980	\$ 9,099,426	\$ -	\$ -	\$ 68,158	\$ 46,453	\$ 9,866,992
Receivables:								
Property taxes	285,460	-	-	-	-	-	-	285,460
Governmental	1,603,567	-	-	-	-	-	-	1,603,567
Student receivables (less allowance for doubtful accounts)	256,660	-	-	-	-	-	-	256,660
Inventories	91,311	-	-	-	-	-	-	91,311
Note receivable from Auxiliary Fund	205,000	-	-	-	-	-	-	205,000
Property, buildings, and equipment:								
Land and improvements	-	-	-	-	85,535	-	-	85,535
Buildings	-	-	-	-	12,396,935	-	-	12,396,935
Accumulated Depreciation	-	-	-	-	(4,032,268)	-	-	(4,032,268)
Equipment	-	-	-	-	3,229,350	-	-	3,229,350
Accumulated Depreciation	-	-	-	-	(2,488,623)	-	-	(2,488,623)
Library Books	-	-	-	-	187,230	-	-	187,230
Accumulated Depreciation	-	-	-	-	(138,140)	-	-	(138,140)
Facilities - Construction in Progress	-	-	-	-	1,246,324	-	-	1,246,324
Other assets	22,156	-	105,359	-	-	6,835,790	-	6,963,305
Total assets	\$ 3,053,129	\$ 63,980	\$ 9,204,785	\$ -	\$ 10,486,343	\$ 6,903,948	\$ 46,453	\$29,758,638
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ 266,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 266,169
Accrued liabilities	919,314	-	-	-	-	-	-	919,314
Miscellaneous deposits	1,197	-	-	-	-	-	-	1,197
Due to student groups and agencies	30,000	-	-	-	-	-	-	30,000
Deferred revenues	214,031	63,980	1,150	-	-	-	46,453	325,614
Other miscellaneous liabilities	6,220	-	116,488	-	-	-	-	122,708
Long term debt:								
Note payable to General Fund	205,000	-	-	-	-	-	-	205,000
Phone lease	-	-	-	-	42,188	-	-	42,188
Mortgage payable	-	-	-	-	188,350	-	-	188,350
Software Migration note payable	-	-	-	-	170,000	-	-	170,000
Bond payable	-	-	7,295,000	-	-	7,240,000	-	14,535,000
Waterline improvement note to City of Astor	-	-	-	-	229,470	-	-	229,470
Total liabilities	1,641,931	63,980	7,412,638	-	630,008	7,240,000	46,453	17,035,010
Fund balances:								
Unrestricted	1,411,198	-	777,112	-	-	-	-	2,188,310
Restricted	-	-	1,015,035	-	-	(336,052)	-	678,983
Net investment in plant	-	-	-	-	9,856,335	-	-	9,856,335
Total fund balances	1,411,198	-	1,792,147	-	9,856,335	(336,052)	-	12,723,628
Total liabilities and fund balances	\$ 3,053,129	\$ 63,980	\$ 9,204,785	\$ -	\$ 10,486,343	\$ 6,903,948	\$ 46,453	\$ 29,758,638

Clatsop Community College

Schedule of Changes in Fund Balances Year Ended June 30, 2007

	Current Funds			Plant Funds					Total All Funds (Memorandum only)
	Unrestricted	Restricted	Total	Unexpended	Retirement of Indebtedness	Investment in Plant	Debt Service Fund	Clubs and Organizations Fund	
Revenues:									
Local sources	\$ 3,366,140	\$ 19,931	\$ 3,386,071	\$ 701,684	\$ -	\$ -	\$ -	\$ -	\$ 4,087,755
Slate appropriations	3,382,456	380,830	3,763,286	-	-	-	-	-	3,763,286
Government grants and contracts	1,635	2,997,626	2,999,261	-	-	-	-	-	2,999,261
Tuition and fees	2,077,104	5,584	2,082,688	-	-	-	-	-	2,082,688
Investment income	144,402	-	144,402	406,193	-	-	8,798	-	559,393
Auxiliary revenue	439,429	-	439,429	-	-	-	-	-	439,429
Other	156,982	44,553	201,535	13,385	-	1,004,050	231,014	53,954	1,503,938
Total revenues and other additions	9,568,148	3,448,524	13,016,672	1,121,262	-	1,004,050	239,812	53,954	15,435,750
Expenditures and mandatory transfers:									
Educational and general expenditures -									
Instruction	3,426,156	195,301	3,621,457	-	-	-	-	-	3,621,457
Instructional support	1,104,374	255,946	1,360,320	-	-	-	-	-	1,360,320
Student services	930,849	1,352,311	2,283,160	-	-	-	-	41,034	2,324,194
Institutional support (administration)	2,174,624	40,831	2,215,455	-	-	-	-	-	2,215,455
Operation and maintenance of plant	877,127	-	877,127	-	-	-	-	-	877,127
Auxiliary enterprises	443,493	-	443,493	-	-	-	-	-	443,493
Community services	52,840	7,633	60,473	-	-	-	-	34,220	94,693
Depreciation expense	-	-	-	-	-	675,394	-	-	675,394
Expended for equipment and facilities (\$139,567 for repairs and maintenance)	-	3,000	3,000	1,137,393	304,426	-	-	-	1,444,819
Interest Expense	-	-	-	-	300,789	-	345,384	-	646,173
Pension amortization	-	-	-	-	-	-	181,192	-	181,192
Other	-	-	-	4,767	-	-	120	-	4,887
Financial aid	152,407	1,641,584	1,793,991	-	-	-	-	-	1,793,991
Total educational and general expenditures	9,161,870	3,496,606	12,658,476	1,142,160	605,215	675,394	526,696	75,254	15,683,195
Other transfers:									
Nonmandatory transfers, net	80,480	(48,082)	32,398	594,117	(605,215)	-	-	(21,300)	-
Other	-	-	-	-	-	-	-	-	-
Net increase (decrease) in fund balances	\$ 325,798	\$ -	\$ 325,798	\$ (615,015)	\$ -	\$ 328,656	\$ (286,884)	\$ -	\$ (247,445)
Fund Balance, June 30, 2006									
Unrestricted	1,085,400	-	1,085,400	1,424,155	-	-	-	-	2,509,555
Temporarily Restricted	-	-	-	983,007	-	-	(49,168)	-	933,839
Net Investment in Plant	-	-	-	-	-	9,527,679	-	-	9,527,679
Fund Balance, June 30, 2007	\$ 1,411,198	\$ -	\$ 1,411,198	\$ 1,792,147	\$ -	\$ 9,856,335	\$ (336,052)	\$ -	\$ 12,723,628

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2007**

General Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
State sources	\$ 3,382,456	\$ -	\$ 3,382,456	\$ 3,399,664	\$ (17,208)
Federal sources	-	-	-	-	-
Local sources					
Current year property taxes	2,956,794	-	2,956,794	2,858,054	98,740
Prior years property taxes	108,660	-	108,660	170,000	(61,340)
County timber sales/WOST	300,686	-	300,686	300,000	686
Tuition and fees	2,077,104	-	2,077,104	2,387,165	(310,061)
All other	303,019	-	303,019	179,333	123,686
Total revenues	9,128,719	-	9,128,719	9,294,216	(165,497)
Expenditures:					
Instruction	3,426,156	17,512	3,443,668	3,551,851	(108,183)
Support Services	5,086,974	69,106	5,156,080	5,368,781	(212,701)
Public Service	52,840	-	52,840	59,811	(6,971)
All Other	152,407	-	152,407	231,685	(79,278)
Total expenditures	8,718,377	86,618	8,804,995	9,212,128	(407,133)
Excess (deficiency) of revenues over (under) expenditures	410,342	(86,618)	323,724	82,088	241,636
Other financing sources (uses)					
Transfers in	16,902	-	16,902	16,902	-
Transfers out	(97,382)	-	(97,382)	(98,990)	1,608
Total other financing sources (uses)	(80,480)	-	(80,480)	(82,088)	1,608
Net change in fund balance	329,862	(86,618)	243,244	-	243,244
Fund balance, beginning (per 2006 audit)	1,326,831	492,018	1,818,849	1,017,141	801,708
Fund balance, ending	\$ 1,656,693	\$ 405,400	\$ 2,062,093	\$ 1,017,141	\$ 1,044,952

GAAP adjustments are the annual accruals for compensated absences and early retirement stipends not budgeted by the College.

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, 2007**

Auxiliary Enterprises Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
Revenues:			
Bookstore sales	\$ 373,808	\$ 460,623	\$ (86,815)
All other	65,621	16,263	49,358
Total revenues	<u>439,429</u>	<u>476,886</u>	<u>(37,457)</u>
Expenditures:			
Total Instruction	66,223	75,727	(9,504)
Total Support Services	354,764	373,618	(18,854)
Total Public Service	22,506	27,541	(5,035)
Total expenditures	<u>443,493</u>	<u>476,886</u>	<u>(33,393)</u>
Excess (deficiency) of revenues over (under) expenditures	(4,064)	-	(4,064)
Other financing resources (uses):			
Note proceeds	205,000	205,000	-
Note payment		(205,000)	205,000
Fund balance, beginning	<u>(209,424)</u>	<u>(101,713)</u>	<u>(107,711)</u>
Fund balance, ending	<u>\$ (8,488)</u>	<u>\$ (101,713)</u>	<u>\$ 93,225</u>

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 its bookstore, cafeteria and M/V Forerunner, a teaching and research vessel.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2007**

Restricted	Actual Amount	Budgeted Amount	Over (Under) Budget
Revenues:			
Federal sources	\$ 2,997,626	\$ 3,629,174	\$ (631,548)
State sources	380,830	612,627	(231,797)
Local sources	19,931	18,400	1,531
Tuition and fees	5,584	10,240	(4,656)
Other	44,553	294,822	(250,269)
Total revenues	3,448,524	4,565,263	(1,116,739)
Expenditures:			
Total Instruction	195,301	182,754	12,547
Total Support Services	1,652,088	2,173,839	(521,751)
Total Public Service	7,633	10,000	(2,367)
All Other Expenditures	1,641,584	2,248,360	(606,776)
Total all other expenditures	3,496,606	4,614,953	(1,118,347)
Excess (deficiency) of revenues over (under) expenditures	(48,082)	(49,690)	1,608
Other financing sources (uses)			
Transfers in	48,082	49,690	(1,608)
Net change in fund balance	-	-	-
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, 2007**

Unexpended Plant	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
Investment income	\$ 406,193	\$ -	\$ 406,193	\$ 20,000	\$ 386,193
Timber sales	701,684	-	701,684	774,733	(73,049)
Other	13,385	-	13,385	5,400	7,985
Total revenues	<u>1,121,262</u>	<u>-</u>	<u>1,121,262</u>	<u>800,133</u>	<u>321,129</u>
Expenditures:					
Total all other expenditures	<u>1,817,554</u>	<u>(675,394)</u>	<u>1,142,160</u>	<u>15,654,224</u>	<u>(14,512,064)</u>
Total expenditures	<u>1,817,554</u>	<u>(675,394)</u>	<u>1,142,160</u>	<u>15,654,224</u>	<u>(14,512,064)</u>
Excess (deficiency) of revenues over (under) expenditures	(696,292)	675,394	(20,898)	(14,854,091)	14,833,193
Other financing sources (uses)					
Loan proceeds	-	7,500,000	7,500,000	7,500,000	-
Matching funds from State of Oregon	-	-	-	7,500,000	(7,500,000)
Transfers in from General Fund	28,000	-	28,000	-	28,000
Transfers out to Debt Service	(605,215)	-	(605,215)	(734,010)	128,795
Transfers out to General Fund	(16,902)	-	(16,902)	(16,902)	-
Total other financing sources (uses)	<u>(594,117)</u>	<u>7,500,000</u>	<u>6,905,883</u>	<u>14,249,088</u>	<u>(7,343,205)</u>
Net change in fund balance	(1,290,409)	8,175,394	6,884,985	(605,003)	7,489,988
Fund balance, beginning	<u>2,407,162</u>	<u>763,843</u>	<u>2,762,042</u>	<u>2,691,803</u>	<u>70,239</u>
Fund balance, ending	<u>\$ 1,116,753</u>	<u>\$ 8,939,237</u>	<u>\$ 9,647,027</u>	<u>\$ 2,086,800</u>	<u>\$ 7,560,227</u>

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

Unexpended Plant Fund

The *Unexpended Plant Fund* accounts for resources available to finance the acquisition, construction, or improvement of plant assets for the College.

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2007**

Plant - Retirement of Indebtedness	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Timber sales	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures:					
Total all other expenditures	605,215	-	605,215	762,010	(156,795)
Total expenditures	605,215	-	605,215	762,010	(156,795)
Excess (deficiency) of revenues over (under) expenditures	(605,215)	-	(605,215)	(762,010)	156,795
Other financing sources (uses):					
Transfers in from Unexpended Plant	605,215	-	577,215	734,010	(156,795)
Transfer in from General Fund	-	-	28,000	28,000	(64,379)
Total other financing sources (uses)	605,215	-	605,215	762,010	(221,174)
Net change in fund balance	-	-	-	-	(64,379)
Fund balance, beginning	-	-	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -	\$ -	\$ (64,379)

Plant - Retirement of Indebtedness

The *Plant - Retirement of Indebtedness Fund* accounts 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, 2007**

Debt Service Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
Other Local	\$ 231,014	\$ -	\$ 231,014	\$ 345,884	\$ (114,870)
Investment income	8,798	-	8,798	-	8,798
Total revenues	<u>239,812</u>	<u>-</u>	<u>239,812</u>	<u>345,884</u>	<u>(106,072)</u>
Expenditures:					
Total other uses	526,696	(181,192)	345,504	345,884	(380)
Total expenditures	<u>526,696</u>	<u>(181,192)</u>	<u>345,504</u>	<u>345,884</u>	<u>(380)</u>
Excess (deficiency) of revenues over (under) expenditures	(286,884)	181,192	(105,692)	-	(105,692)
Fund balance, beginning	(49,168)	-	(49,168)	-	(49,168)
Fund balance, ending	<u>\$ (336,052)</u>	<u>\$ 181,192</u>	<u>\$ (154,860)</u>	<u>\$ -</u>	<u>\$ (154,860)</u>

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

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, 2007**

Clubs and Organizations Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
Revenues:			
Fees	\$ 53,954	\$ 75,605	\$ (21,651)
Expenditures:			
Total Support Services	41,034	74,166	(33,132)
Total Public Service	34,220	22,739	11,481
Total expenditures	75,254	96,905	(21,651)
Excess (deficiency) of revenues over (under) expenditures	(21,300)	(21,300)	-
Other financing sources (uses)			
Transfers in	21,300	21,300	-
Net change in fund balance	-	-	-
Fund balance, beginning	-	-	-
Fund balance, ending	\$ -	\$ -	\$ -

Clubs and Organizations Fund

The *Clubs and Organizations* 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

**Auditors' Comments and Reports
Year Ended June 30, 2007**



LEMASTER &
DANIELS PLLC

SPOKANE
BOISE
COLFAX
GRANDVIEW
MOSES LAKE
OMAK

OTHELLO
QUINCY
TRI-CITIES
WALLA WALLA
WENATCHEE
YAKIMA

ACCOUNTING

AND

CONSULTING

SERVICES

MEMBER OF

THE

McGLADREY

NETWORK

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

Board of Directors
Clatsop Community College

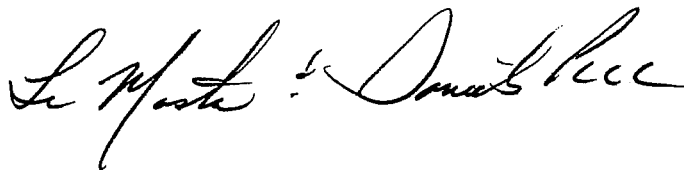
We have audited the basic financial statements of Clatsop Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions 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 and Other Matters

As part of obtaining reasonable assurance about whether Clatsop Community College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 amount and adequacy of collateral pledged by depositories to secure the deposit of public funds.
- The legal requirements relating to debt.
- The legal requirements relating to the preparation, adoption, and execution of the annual budgets for fiscal years 2007 and 2008.
- 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 no noncompliance that 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.

A handwritten signature in cursive script, appearing to read "L. M. L. & Donald L. L.", written in black ink.

Yakima, Washington
October 12, 2007



LEMASTER &
DANIELS PLLC

SPOKANE	OTHELLO
BOISE	QUINCY
COLFAX	TRI-CITIES
GRANDVIEW	WALLA WALLA
MOSES LAKE	WENATCHEE
OMAK	YAKIMA

ACCOUNTING
AND
CONSULTING
SERVICES

INDEPENDENT AUDITORS' 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*

Board of Directors
Clatsop Community College

MEMBER OF
THE
McGLADREY
NETWORK

We have audited the basic financial statements of Clatsop Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clatsop Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clatsop Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clatsop Community College's internal control over financial reporting.

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

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

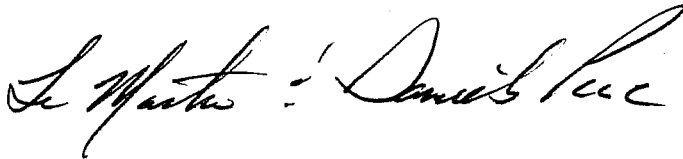
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

We noted certain matters that we reported to the management of Clatsop Community College in a separate letter dated October 12, 2007.

This report is intended solely for the information and use of management, the audit committee, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink, appearing to read "L. Martin". The signature is written in a cursive style with a long, sweeping underline.

Yakima, Washington
October 12, 2007



LEMASTER &
DANIELS PLLC

SPOKANE
BOISE
COLFAX
GRANDVIEW
MOSES LAKE
OMAK

OTHELLO
QUINCY
TRI-CITIES
WALLA WALLA
WENATCHEE
YAKIMA

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

ACCOUNTING

AND

CONSULTING

SERVICES

Board of Directors
Clatsop Community College

Compliance

MEMBER OF

THE

McGLADREY

NETWORK

We have audited the compliance of Clatsop Community 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, 2007. 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 Nonprofit 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, 2007.

Internal Control Over Compliance

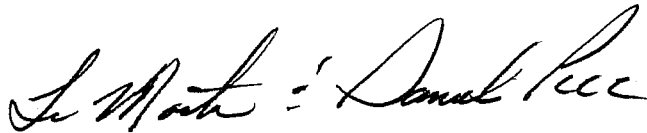
The management of Clatsop Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Clatsop Community College's 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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Clatsop Community College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by entity's internal control.

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

This report is intended solely for the information and use of management the audit committee, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.



Yakima, Washington
October 12, 2007

**CLATSOP COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Name of Agency or Department	CFDA No.	Name of Program	Pass-Through Entity Identifying Number	Total Awards Expended
Primary Governmental Agency - Clatsop Community College				
US Dept of Agriculture				
Passed through the Oregon Department of Human Services				
Food Stamp Cluster	10.551	Food Stamps	115188	\$ 23,144
Total Dept of Agriculture				<u>23,144</u>
US Dept of Labor				
Passed through the Employment & Training Administration	17.261	WIA Pilots, Demonstrations, and Research Projects	558-06	11,977
Passed through the Dept. of Community Colleges & Workforce Develop.	17.267	Incentive Grants - WIA Section 503	IGA06310	14,184
Total Dept of Labor				<u>26,161</u>
Small Business Administration				
Passed through the Oregon Small Business Development Center Network Office	59.037	Small Business Development Center	05-144	30,250
Total Small Business Administration				<u>30,250</u>
US Dept of Education				
Direct				
Student Financial Aid Cluster				
	84.007	Federal Supplement Education Opportunity Grants		96,216
	84.033	Federal Work Study		96,404
	84.063	Federal Pell Grant Program		688,286
	84.268	Federal Direct Loans		566,578
	84.375	Academic Competition Grant		7,150
Total Student Financial Aid Cluster				<u>1,454,634</u>
TRIO Grant Cluster				
	84.042A	Student Support Services		277,025
	84.044A	Talent Search		285,983
	84.047A	Upward Bound		245,477
Total TRIO Cluster				<u>808,485</u>
Subtotal Direct Programs				
				<u>2,263,119</u>
Passed through the Dept. of Community Colleges & Workforce Develop.				
	84.002	Adult Education - State Grant Program	EE5608	103,557
	84.048	Vocational Education - Basic Grants to States	4777	174,608
	84.243	Tech Prep Education	5423	21,735
Total Passed Through				<u>299,900</u>
Total US Dept of Education				<u>2,563,019</u>
US Dept of Health & Human Services				
Passed through the Oregon Department of Human Services	93.558	Temp Assistance for Needy Families	99152	355,052
Total US Dept of Health & Human Services				<u>355,052</u>
Total Expenditures of Federal Awards for Clatsop Community College				\$ <u>2,997,626</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the grant activities of Clatsop Community College. 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 \$566,578 of loan guarantees through the Federal Direct Loan Program.

Clatsop Community College
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2007

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

Noncompliance material to financial
statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified
that are not considered to be
material weaknesses? yes 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 no

Identification of 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

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

Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.