

Clatsop Community College
Clatsop County, Oregon

Annual Financial Statements

Year Ended June 30, 2008



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**Clatsop Community College
Clatsop County, Oregon**

Annual Financial Statements

Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Clatsop Community College
Astoria, Oregon

We have audited the accompanying basic financial statements of Clatsop Community College as of June 30, 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Clatsop Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clatsop Community College as of June 30, 2008, and the changes in its net assets 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 January 27, 2009 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 the accounting principles generally accepted in the United States of America. We have applied 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 basic financial statements taken as a whole. The supplemental information on pages 31-32 is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 47-48 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LeMaster & Daniels PLLC

Yakima, Washington

January 27, 2009

Management's Discussion and Analysis

Introduction

This section of Clatsop Community College's (the College) annual audit presents an analysis of the financial activities of the College for the fiscal years ended June 30, 2008, 2007, and 2006. 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, 2008, 2007, and 2006

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.

	2008	2007	% change 2008-2007	2006	% change 2007-2006
ASSETS					
Current Assets	\$ 4,733,176	\$ 4,294,922	10%	\$ 4,589,166	-6%
Non-Current Assets					
Other Non-Current Assets	14,216,733	14,977,374	-5%	7,999,989	87%
Capital Assets, Net of Depreciation	11,302,929	10,486,342	8%	10,266,455	2%
Total Assets	<u>\$ 30,252,838</u>	<u>\$ 29,758,638</u>	2%	<u>\$ 22,855,610</u>	30%
LIABILITIES					
Current Liabilities	\$ 2,932,933	\$ 2,329,137	26%	\$ 2,215,675	5%
Long-Term Debt, Non-Current Portion	14,291,470	14,705,873	-3%	7,668,862	92%
Total Liabilities	<u>17,224,403</u>	<u>17,035,010</u>	1%	<u>9,884,537</u>	72%
NET ASSETS					
Investment in Capital Assets	10,973,749	9,856,334	11%	9,527,679	3%
Temporarily Restricted	(185,526)	1,083,194	-117%	933,839	16%
Unrestricted	2,240,212	1,784,100	26%	2,509,555	-29%
Total Net Assets	<u>13,028,435</u>	<u>12,723,628</u>	2%	<u>12,971,073</u>	-2%
Total Liabilities and Net Assets	<u>\$ 30,252,838</u>	<u>\$ 29,758,638</u>	2%	<u>\$ 22,855,610</u>	30%

Fiscal year 2008 compared to 2007. At June 30, 2008, the College's assets were approximately \$30.2 million. The College's current assets of \$4.7 million were sufficient to cover current liabilities of \$2.9 million. This represents a current ratio of 1.62, in comparison to 1.84 in the prior year. The decrease in the current ratio is related to the expenditure of funds for capital improvements. Cash and investments of \$3.0 million make up most of the current assets while \$1.3 million is made up of receivables from property taxes, governmental receivables and student receivables. Non-current assets decreased by \$.7 million. Capital assets increased by \$.8 million reflecting capital investments in facilities.

The College's current liabilities of \$2.9 million consist primarily of payroll, various payables for operations, deferred revenues 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 decreased by \$.4 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 \$10.9 million, an increase of \$1.1 million over the prior year. This increased amount represents the College's plant and equipment less accumulated depreciation and related debt. The temporarily restricted net assets include 1.0 million for student housing, $-.5$ million in pension bonds and $-.6$ million in the Jerome Campus Redevelopment Project (JCRP). Unrestricted net assets of \$2.2 million consist of amounts for the continuing operation of the College.

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.

Analysis of the Statement of Revenues, Expenses, and Change in Net Assets For the Year Ended June 30, 2008, 2007, and 2006

The Statement of Revenues, Expenses, and Changes in Net Assets presents the operating results of the College, as well as the nonoperating revenues and expenses. Annual state 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).

	2008	2007	% change 2008-2007	2006	% change 2007-2006
Total operating revenues	\$ 6,169,129	\$ 7,253,739	-15%	\$ 7,164,344	1%
Total operating expenses	13,704,129	14,884,615	-8%	14,022,485	6%
Operating loss	(7,535,000)	(7,630,876)	-1%	(6,858,141)	11%
Non-operating revenues, net	7,839,807	7,383,431	6%	13,377,623	-45%
Total increase (decrease) in net assets	304,807	(247,445)	-223%	6,519,482	-104%
Net assets, beginning of year	12,723,628	12,971,073	-2%	6,451,591	101%
Net assets - end of year	\$ 13,028,435	\$ 12,723,628	2%	\$ 12,971,073	-2%

Fiscal year 2008 compared to 2007.

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 \$3.5 million. Auxiliary services consist of operations that furnish goods or services to students, faculty, staff or the general public and charge a fee directly related to the cost of these goods or services. They consist of food services, bookstore, and vessel/vehicle operations. Auxiliary services revenue amounted to \$0.3 million. Local sources of \$0.3 million include rental receipts and other various sources of revenue.

The largest non-operating revenue the College receives is from County property taxes and timber revenues. The College received \$4.1 million from this source. Annually, the State of Oregon appropriates funding for K-16 education. The College received \$3.8 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 \$13.7 million include salaries and benefits, materials and supplies, utilities, scholarships, and depreciation. The greatest percentage of expenses is for direct and indirect instruction (35%). Student services expenses (18%) provide support to students for activities that occur outside the classroom and include enrollment services, counseling, and financial aid assistance. Institutional support (18%) 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:

	2008	2007		2006	
	Actual Expense in	Actual Expense in	% change	Actual Expense in	
	Dollars	Dollars	2007-2006	Dollars	2006-2005
Educational and general					
Instruction	\$ 3,593,476	\$ 3,621,457	-1%	\$ 3,662,945	-1%
Instructional support	1,329,175	1,360,320	-2%	1,453,962	-6%
Student services	2,501,185	2,324,194	8%	2,229,223	4%
Institutional support	2,486,200	2,215,455	12%	2,279,062	-3%
Operation and maintenance of plant	832,669	877,127	-5%	837,107	5%
Auxiliary enterprises	415,685	443,493	-6%	407,228	9%
Community services	58,136	94,693	-39%	97,636	-3%
Student financial aid	1,790,207	1,641,584	9%	1,786,891	-8%
Other expense	15,637	1,449,706	-99%	815,156	78%
Pension amortization expense	148,324	181,192	-18%	223,018	-19%
Depreciation expense	533,435	675,394	-21%	230,257	193%
Total operating expenses	<u>\$ 13,704,129</u>	<u>\$ 14,884,615</u>	-8%	<u>\$ 14,022,485</u>	6%

Non-operating expenses include interest paid on outstanding debt.

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	
Educational and general	Dollars	Dollars	2007-2006	Dollars	2006-2005
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>	6%	<u>\$ 13,262,506</u>	6%

Analysis of the Statement of Cash Flows for the year ended June 30, 2008, 2007, and 2006.

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.

	2008	2007	% change	2006	% change
			2008-2007		2007-2006
Cash Provided by (used in):					
Operating Activities	\$ (6,065,452)	\$ (6,827,228)	-11%	\$ (5,863,990)	16%
Noncapital Financing Activities	8,883,153	6,658,374	33%	8,223,882	-19%
Capital Financing Activities	(2,650,155)	5,615,008	-147%	(1,007,161)	-658%
Investing Activities	506,035	558,475	-9%	159,889	249%
Net increase (decrease) in cash	673,581	6,004,629	-89%	1,512,620	297%
Cash - Beginning of year	9,866,992	3,862,363	155%	2,349,743	64%
Cash - End of year	<u>\$ 10,540,573</u>	<u>\$ 9,866,992</u>	7%	<u>\$ 3,862,363</u>	155%

Fiscal year 2008 compared to 2007. Operating Activities: The major sources of funds in operating activities include student tuition and fees, federal financial aid, grants and contracts and auxiliary enterprises. Major uses were payments to employees and suppliers, payments to students for financial aid and other scholarships. The College used \$6.0 million in cash this year to sustain its operations, a decrease of 11% from 2007.

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 \$2.2 million more in cash was used than in the prior year.

Capital Financing Activities: The College borrowed \$7.5 million in funds for facilities improvements in FY07. It used approximately \$1.4 to replace and improve capital assets, \$1.2 million to pay loan principal and interest.

Investing Activities: The College earned less interest on bank balances and funds invested in the long-term governmental investment pool due to decreasing interest rates.

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.

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 Grants/Financial Aid fund, the Debt Service Fund and the Non-plant Debt Service 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, 2008, amounts to \$10.9 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 \$1.8 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, management information system upgrades, a mortgage on property in downtown Astoria, PERS pension obligations, and facilities bonds obligations. Total debt outstanding at June 30, 2008 was \$14.5 million.

Economic Factors and Next Year's Budget

The Legislature increased funding for community colleges in FY08 and FY09. However, the College experienced a decrease in enrollment in FY07 and budgeted accordingly for FY08. Enrollments were up slightly for FY08. The College budget for FY09 includes using some reserve fund balances to balance the budget. This was approved by the Board as a one year strategy for meeting goals and improving enrollments.

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 distribution model for state funding is currently being examined for adjustments to the small school component. Adjustments for growth management are also being considered.

The College continues to pursue facility improvements at the Jerome Avenue campus. In FY08, the College completed renovation of a facility on its 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.

The College has completed a New Markets Tax Credit transaction in Fall 2008, that resulted in an additional \$2.5 million being available for the project and released the matching funds previously provided by the Oregon State legislature.

During its 2008 session, the Oregon Legislature approved an additional \$4 million in matching funds for the College. These funds are Article XI-G bonds which require a match. The voters of Clatsop County approved a general obligation bond measure in November 2008 that will be used as matching funds for the State bonds.

Budgeting for College operations will continue to be extremely challenging for the College. With the decline of the US economy in the fall of 2008, and the biennial Oregon Legislative session starting in January 2009, budgeting will have to be conservative to plan for unforeseen economic conditions. Continued improvement to planning processes will help 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, 2008

	Primary Government	Component Unit Clatsop Community College Foundation
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,531,215	\$ 229,039
Restricted cash and investments	565,906	2,713,544
Receivables:		
Property taxes	313,403	-
Governmental	625,244	-
Student receivables, net	379,037	-
Contributions	-	6,899
Inventories	79,649	-
Notes receivable	205,000	-
Other	33,722	1,830
Total current assets	<u>4,733,176</u>	<u>2,951,312</u>
Non-current Assets		
Restricted cash and investments	7,443,452	-
Unamortized premium	85,815	-
Net pension asset	6,687,466	-
Capital assets - net	11,302,929	-
Total non-current assets	<u>25,519,662</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 30,252,838</u>	<u>\$ 2,951,312</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 465,116	\$ 38,350
Payroll liabilities	852,825	-
Miscellaneous deposits	1,004	-
Unearned revenue	901,910	-
Other current liabilities	3,181	-
Due to student groups	30,000	-
Accrued interest payable	55,830	-
Notes payable	205,000	-
Current portion of long-term debt	418,067	-
Total current liabilities	<u>2,932,933</u>	<u>38,350</u>
Noncurrent liabilities		
Unamortized debt	110,357	-
Note payable: less current portion of long-term debt	14,181,113	-
TOTAL LIABILITIES	<u>17,224,403</u>	<u>38,350</u>
NET ASSETS		
Net assets invested in capital assets	11,302,929	-
Less: Related debt	(329,180)	-
Investment in capital assets, net	<u>10,973,749</u>	<u>-</u>
Temporarily restricted - Plant	403,453	2,228,066
Temporarily restricted - Pension	(588,979)	-
Permanently restricted	-	582,524
Unrestricted	2,240,212	102,372
Total net assets	<u>13,028,435</u>	<u>2,912,962</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,252,838</u>	<u>\$ 2,951,312</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, 2008

	Primary Government	Component Unit Clatsop Community College Foundation
OPERATING REVENUES		
Student tuition and fees, net of scholarship allowances of \$143,606	\$ 1,992,014	\$ -
Federal student financial aid grant	1,790,207	-
Federal grants and contracts	1,375,417	-
State and local government grants and contracts	335,700	-
Other local sources	291,029	222,821
Auxiliary enterprises	384,762	-
Total operating revenues	<u>6,169,129</u>	<u>222,821</u>
OPERATING EXPENSES		
Educational and general		
Instruction	3,593,476	-
Instructional support	1,329,175	-
Student services	2,501,185	-
Institutional support	2,486,200	-
Operation and maintenance of plant	832,669	-
Auxiliary enterprises	415,685	-
Community services	58,136	-
Student financial aid	1,790,207	-
Other expense	15,637	351,483
Net pension amortization	148,324	-
Depreciation expense	533,435	-
Total operating expenses	<u>13,704,129</u>	<u>351,483</u>
Operating loss	<u>(7,535,000)</u>	<u>(128,662)</u>
NONOPERATING REVENUES (EXPENSES)		
State FTE reimbursement	3,896,470	-
Property taxes and timber revenues	4,149,685	-
Investment income	508,830	-
Interest expense	<u>(715,178)</u>	<u>-</u>
Net nonoperating revenues	<u>7,839,807</u>	<u>-</u>
Increase (decrease) in net assets	304,807	(128,662)
NET ASSETS		
Net assets - beginning of year	<u>12,723,628</u>	<u>3,041,624</u>
Net assets - end of year	<u>\$ 13,028,435</u>	<u>\$ 2,912,962</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, 2008

	<u>Component Unit</u>	
	Primary Government	Clatsop Community College Foundation
CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	\$ 1,763,195	\$ -
Paid to students	(1,460,903)	-
Grants and contracts	2,433,634	-
Aid received for students	1,724,052	-
Payments to vendors	(6,430,060)	-
Payments to employees	(4,179,813)	-
Other	49,142	212,597
Auxiliary enterprises	35,301	-
Net cash (used in) provided by operating activities	<u>(6,065,452)</u>	<u>212,597</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Local property taxes and timber revenues	4,986,682	-
State appropriations and other payments	3,896,471	-
Net cash provided by noncapital financing activities	<u>8,883,153</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,411,964)	-
Loan principal paid	(553,508)	-
Loan interest paid	(684,683)	-
Net cash used in capital and related financing activities	<u>(2,650,155)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investment securities	-	1,516,099
Purchase of investment securities	-	(1,634,969)
Interest earned	506,035	-
Net cash (used in) provided by investing activities	<u>506,035</u>	<u>(118,870)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	673,581	93,727
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,866,992	135,312
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,540,573	\$ 229,039

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, 2008

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

Operating loss	\$ (7,535,000)	\$ (128,662)
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Adjustments to reconcile operating loss to net cash (used in) provided by operating activities:

Depreciation	533,435	-
Pension amortization	148,324	-
Realized and unrealized loss on investments	-	328,104
Write off of premium on bonds payable	4,767	
(Increase) decrease in current assets used in operations:		
Receivables (net)	(122,377)	7,888
Inventories	11,662	-
Note receivable	-	-
Other assets	(11,566)	(4,825)
Increase (decrease) in current liabilities used in operations:		
Accounts payable	198,948	10,092
Payroll liabilities	(66,489)	-
Miscellaneous deposits	(193)	-
Deferred revenues	576,295	-
Other current liabilities	196,742	-

Net cash (used in) provided by operating activities	<u>\$ (6,065,452)</u>	<u>\$ 212,597</u>
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Reconciliation to Statement of Net Assets

Cash and cash equivalents	\$ 2,531,215	229,039
Restricted cash and investments	8,009,358	-
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,540,573</u>	<u>\$ 229,039</u>

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

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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

Reporting Entity

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

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

As defined by GASB Statements No.14 and No. 39, the College includes 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

Current restricted cash for the College consists of funds for the Jerome Campus Redevelopment Project (JCRP) (\$500,000) and other grant projects (\$65,906). Noncurrent restricted cash consists of funds for Adult Student Housing (\$1,039,361), and funds borrowed for the JCRP (\$6,404,091).

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 agreements begin July 1 for the ensuing fiscal year and end June 30. Faculty have had the option of receiving their salary in ten or twelve equal payments; however, effective July 1, 2008 all salaries will be paid over twelve months. 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, 2008 were \$187,613.

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

CLATSOP COMMUNITY COLLEGE

Notes to the Financial Statements

exhausted by June 30, 2007. The amount of accrued vacation for classified employees at June 30, 2008 was \$46,009.

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, 2008 was \$130,284.

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 \$176,293 at June 30, 2008.

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 \$6,851.

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, 2008 for the College's 2007-2008 summer term are recorded as unearned revenue. Unearned revenue from tuition and fees was \$257,710 at June 30, 2008.

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 \$117,509.

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

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

Budgetary Basis

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

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Net Assets

The College's net assets are classified as follows:

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

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

Unrestricted - This includes resources derived from student tuition and fees, state appropriations, and sales and services 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.

GASB Pronouncements Issued:

The following GASB pronouncement has been issued, and becomes effective for the College on July 1, 2008:

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

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

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

transmittal to the Board of Directors on May 10, 2007. 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 12, 2007. The budget was amended by the Board on June 10, 2008.

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

	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 Grants/Financial Aid Appropriations		X					
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, 2008, the following expenditures exceeded appropriations in the following funds:

Restricted Fund - While total expenditures were under budget by \$491,186, public service was over budget by \$12,992.

Non-Plant Debt – Expenditures were over by \$18,862.

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.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Note 3: DEPOSITS AND INVESTMENTS

Total cash and investments at June 30, 2008, are comprised of the following:

	Total Primary Government	Component Unit	
		Clatsop Community College Foundation	
Cash and cash equivalents			
Cash on hand	\$ 3,850	\$ -	
Deposits	177,671	229,039	
Investments	10,359,052	-	
	<u>\$ 10,540,573</u>	<u>\$ 229,039</u>	
Restricted cash and investments	\$ 8,009,358	\$ 2,713,544	

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, 2008:

	Fair Value	180 Days
Local government investment pool	\$ 10,359,052	\$ 10,359,052

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, 2008 bank balance was exposed to custodial credit risk because it was adequately insured and collateralized. The State provides a list of qualified depositories, and the College Board approves a list of depositories from this list in July each year.

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, 2008 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, 2008, the fair value of College deposits with

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

LGIP approximates cost. The OSTF financial statements and the OSTF Portfolio Rules can be obtained at www.ost.state.or.us.

Note 4: RECEIVABLES

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

Levy Year	Balance 6/30/07	Levy	Discounts, Interest and Adjustments	Collections	Balance 6/30/08
2007-2008	\$ -	\$ 3,276,522	\$ (103,329)	\$ 3,031,638	\$ 141,555
2006-2007	124,293	-	(14,093)	60,099	50,101
2005-2006	44,852	-	(9,523)	12,380	22,949
2004-2005	21,615	-	(9,171)	3,782	8,662
2003-2004	15,531	-	(217)	6,809	8,505
2002-2003	9,942	-	(166)	415	9,361
Prior	5,327	-	(182)	437	4,708
Total	\$ 221,560	\$ 3,276,522	\$ (136,681)	\$ 3,115,560	\$ 245,841
Cash in hands of County Agent at June 30	63,900				67,562
Taxes receivable	\$ 285,460				\$ 313,403

Governmental - The governmental receivables include \$275,179 in County timber revenues and land sales and \$340,195 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 (\$330,839) and amounts owed by agencies (\$55,077) for other services provided by the College. Amounts owed by agencies are considered to be fully collectible. An estimated bad debt allowance is included (\$6,879). Net student accounts receivable as of June 30, 2008 was \$379,037.

The Foundation had contributions and accounts receivable at June 30, 2008, in the amount of \$8,729. 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.

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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 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 employees at June 30, 2008, is 4.60% 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 at June 30, 2008, defined benefit pension plan were 7.07%.
- 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, 2008, were as follows:

Annual required contribution (ARC)	\$ 296,460
Interest earned on net pension asset	(339,344)
Adjust to the ARC	487,668
Annual pension costs	444,784
Contributions made	(296,460)
Decrease in net pension asset	148,324
Net pension asset, beginning of year	6,835,790
Net pension asset, end of year	\$ 6,687,466

All OPERS participating employers are required by law to submit the contributions as adopted by the PERB. For the fiscal year ended June 30, 2008, the College's annual pension expenditures/expense was \$559,087. This included employer annual required contributions to PERS (\$296,460) and amounts used to fund pension obligations (\$262,627).

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Four-Year Trend Information				
Fiscal Year Ending	Annual Pension		Percentage of	
	Cost (APC)	Contribution	APC Contributed	Net Pension Asset
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
6/30/2008	\$ 444,784	\$ 296,460	67%	\$ 6,687,466

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 years 2007 and 2008 is \$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 2007-2008 was \$65,822 for 28 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 2007-2008 was \$165,760 for 38 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, 2009, in accordance with GASB Statement 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

Pensions.” The financial impact of implementing GASB Statement 45 has not yet been determined.

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 2007-08 the accumulated balance earned \$45,150 of interest of which \$20,705 was used as rent subsidies for students. As of June 30, 2008, the balance of \$1,039,361 is included in temporarily restricted net assets.

The College has also received funds to pay for improvements to the Jerome Avenue campus, and these funds are restricted to the project.

Clatsop Community College Foundation

Temporarily restricted net assets (\$2,228,066) and permanently restricted net assets (\$582,524) 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, 2007 and 2008:

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

	June 30, 2007	Additions	Deletions	June 30, 2008
Capital assets not being depreciated:				
Land & improvements	\$ 85,535	\$ -	\$ -	\$ 85,535
Construction in progress	1,246,324	1,209,767	642,333	1,813,758
Total capital assets not being depreciated	1,331,859	1,209,767	642,333	1,899,293
Capital assets being depreciated:				
Buildings	12,396,934	710,521	-	13,107,455
Equipment	3,229,350	57,975	-	3,287,325
Library books	187,230	14,092	-	201,322
Total capital assets being depreciated	15,813,514	782,588	-	16,596,102
Less accumulated depreciation for:				
Buildings	4,032,268	159,876		4,192,144
Equipment	2,488,623	359,298		2,847,921
Library books	138,140	14,261		152,401
Total accumulated depreciation	6,659,031	533,435	-	7,192,466
Total capital assets being depreciated net	9,154,483	249,153	-	9,403,636
Capital assets - net	\$ 10,486,342	\$ 1,458,920	\$ 642,333	\$ 11,302,929

CCC Foundation

The Foundation has no property, plant, and equipment as of June 30, 2008.

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, 2007	\$	229,470
Less: principal payments, 2007-2008		(15,157)
Balance, June 30, 2008	\$	<u>214,313</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

Balance, June 30, 2007	\$	170,000
Less: principal payments, 2007-2008		(85,000)
Balance, June 30, 2008	\$	<u>85,000</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

Balance, June 30, 2007	\$	188,350
Less: principal payments, 2007-2008		(188,350)
Balance, June 30, 2008	\$	<u>-</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, 2007	\$	7,295,000
Less: principal payments, 2007-2008		(255,000)
Balance, June 30, 2008	\$	<u>7,040,000</u>

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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 liability (UAL). Payments are secured by an intragovernmental agreement whereby payments are taken from the quarterly State appropriation prior to receipt by the College.

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, 2007	\$ 7,240,000
Less: principal payments, 2007-2008		(10,000)
	Balance, June 30, 2008	<u>\$ 7,230,000</u>

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

	Total		City of Astoria		PERS		OSBA		Facilities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 395,952	\$ 669,772	\$ 15,952	\$ 10,494	\$ 30,000	\$ 344,920	\$ 85,000	\$ 2,465	\$ 265,000	\$ 311,893
2010	346,761	653,842	16,761	9,684	50,000	343,527	-	-	280,000	300,631
2011	382,611	638,770	17,611	8,834	75,000	341,205	-	-	290,000	288,731
2012	428,505	622,070	18,505	7,941	105,000	337,723	-	-	305,000	276,406
2013	464,444	603,294	19,444	7,002	130,000	332,848	-	-	315,000	263,444
2014	515,430	582,884	20,430	6,016	165,000	326,812	-	-	330,000	250,056
2015	561,467	560,161	21,467	4,979	195,000	319,151	-	-	345,000	236,031
2016	607,556	535,355	22,556	3,890	230,000	310,097	-	-	355,000	221,368
2017	663,700	508,445	23,700	2,746	270,000	299,418	-	-	370,000	206,281
2018	719,902	479,907	24,902	1,544	310,000	286,882	-	-	385,000	191,481
2019	772,985	448,874	12,985	304	355,000	272,489	-	-	405,000	176,081
2020	825,000	415,381	-	-	405,000	256,006	-	-	420,000	159,375
2021	895,000	375,577	-	-	455,000	237,202	-	-	440,000	138,375
2022	975,000	331,596	-	-	515,000	215,221	-	-	460,000	116,375
2023	1,060,000	283,716	-	-	575,000	190,341	-	-	485,000	93,375
2024	1,145,000	234,113	-	-	640,000	162,563	-	-	505,000	71,550
2025	1,235,000	180,470	-	-	705,000	131,645	-	-	530,000	48,825
2026	1,335,000	122,561	-	-	780,000	97,586	-	-	555,000	24,975
2027	860,000	59,904	-	-	860,000	59,904	-	-	-	-
2028	380,000	18,358	-	-	380,000	18,358	-	-	-	-
Total	\$ 14,569,313	\$ 8,325,050	\$ 214,313	\$ 63,434	\$ 7,230,000	\$ 4,883,898	\$ 85,000	\$ 2,465	\$ 7,040,000	\$ 3,375,253

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, 2008
Equipment	\$ 40,735
Less accumulated depreciation	(24,441)
Total	<u>\$ 16,294</u>

CLATSOP COMMUNITY COLLEGE
Notes to the Financial Statements

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

Years ending June 30,				
	2009	\$	22,115	
	2010		14,743	
Total minimum lease payments			36,858	
Less amount representing interest			6,991	
Present value of minimum lease payments		\$	29,867	

Changes in Long-Term Liabilities

A summary of long-term liability activity follows:

	July 1, 2007			June 30, 2008 Ending Balance	Due Within One Year
	Beginning Balance	Additions	Reductions		
Notes payable	\$ 587,820	\$ -	\$ 288,507	\$ 299,313	\$ 100,952
Bonds payable	14,535,000	-	265,000	14,270,000	295,000
Capital lease obligations	42,188	-	12,321	29,867	22,115
	\$ 15,165,008	\$ -	\$ 565,828	\$ 14,599,180	\$ 418,067

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 2007-08.

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 (\$50,362). 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, 2008 were \$9,552. The Foundation owed the College \$38,350 as of June 30, 2008.

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. The College has also committed to a funding strategy (New Markets Tax Credits) to produce an additional \$2.5 million in funds for the project. The transaction was completed in September 2008, bring this additional funding to the College as well as releasing the College's State match to it for immediate use.

Note 13: SUBSEQUENT EVENT

In November 2008, the College's district voters approved a \$5 million general obligation bond to be used as a match for \$4 million in Article XI-G bonds from the State of Oregon. The bond proceeds will be used on the Jerome Avenue campus redevelopment. The bonds are scheduled to be sold in February 2009, and repayment will occur over a twenty year period.

Clatsop Community College

Clatsop County, Oregon

Supplemental Information

Clatsop Community College
Balance Sheet
June 30, 2008

	Current Funds			Plant Funds					Clubs and Organizations Fund	Total All Primary Funds (Memorandum only)
	Unrestricted	Restricted	Total	Unexpended	JCRP	Retirement of Indebtedness	Investment in Plant	Debt Service Fund		
Assets										
Cash and investments	\$ 2,042,009	\$ 565,906	\$ 2,607,915	\$ 1,484,072	\$ 6,404,091	\$ -	\$ -	\$ (17,702)	\$ 62,197	\$ 10,540,573
Receivables:										
Property taxes	313,403	-	313,403	-	-	-	-	-	-	313,403
Governmental	625,244	-	625,244	-	-	-	-	-	-	625,244
Student receivables (less allowance for doubtful accounts)	379,037	-	379,037	-	-	-	-	-	-	379,037
Inventories	79,649	-	79,649	-	-	-	-	-	-	79,649
Note receivable from Auxiliary Fund	205,000	-	205,000	-	-	-	-	-	-	205,000
Property, buildings, and equipment:										
Land and improvements	-	-	-	-	-	-	85,535	-	-	85,535
Buildings	-	-	-	-	-	-	13,107,455	-	-	13,107,455
Accumulated Depreciation	-	-	-	-	-	-	(4,192,144)	-	-	(4,192,144)
Equipment	-	-	-	-	-	-	3,287,325	-	-	3,287,325
Accumulated Depreciation	-	-	-	-	-	-	(2,847,921)	-	-	(2,847,921)
Library Books	-	-	-	-	-	-	201,322	-	-	201,322
Accumulated Depreciation	-	-	-	-	-	-	(152,401)	-	-	(152,401)
Facilities - Construction in Progress	-	-	-	-	-	-	1,813,758	-	-	1,813,758
Other assets	33,722	-	33,722	85,815	-	-	-	6,687,466	-	6,807,003
Total assets	\$ 3,678,064	\$ 565,906	\$ 4,243,970	\$ 1,569,887	\$ 6,404,091	\$ -	\$ 11,302,929	\$ 6,669,764	\$ 62,197	\$ 30,252,838

	Current Funds			Plant Funds					Clubs and Organizations Fund	Total All Primary Funds (Memorandum only)
	Unrestricted	Restricted	Total	Unexpended	JCRP	Retirement of Indebtedness	Investment in Plant	Long-Term Debt		
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 465,116	\$ -	\$ 465,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 465,116
Accrued liabilities	852,312	513	852,825	-	-	-	-	-	-	852,825
Miscellaneous deposits	1,004	-	1,004	-	-	-	-	-	-	1,004
Due to student groups and agencies	30,000	-	30,000	-	-	-	-	-	-	30,000
Deferred revenues	274,320	10,245	284,565	-	-	-	-	-	62,197	346,762
Deferred grants	-	555,148	555,148	-	-	-	-	-	-	555,148
Accrued interest payable	-	-	-	27,087	-	-	-	28,743	-	55,830
Other miscellaneous liabilities	3,181	-	3,181	110,357	-	-	-	-	-	113,538
Long-term debt:										
Note payable to General Fund	205,000	-	205,000	-	-	-	-	-	-	205,000
Phone lease	-	-	-	-	-	-	29,867	-	-	29,867
Mortgage payable	-	-	-	-	-	-	-	-	-	-
Software Migration note payable	-	-	-	-	-	-	85,000	-	-	85,000
Bond payable	-	-	-	-	7,040,000	-	-	7,230,000	-	14,270,000
Waterline improvement note to City of Astoria	-	-	-	-	-	-	214,313	-	-	214,313
Total liabilities	1,830,933	565,906	2,396,839	137,444	7,040,000	-	329,180	7,258,743	62,197	17,224,403
Fund balances:										
Unrestricted	1,847,131	-	1,847,131	393,081	-	-	-	-	-	2,240,212
Restricted - Pension	-	-	-	-	-	-	-	(588,979)	-	(588,979)
Restricted - Plant	-	-	-	1,039,362	(635,909)	-	-	-	-	403,453
Net investment in plant	-	-	-	-	-	-	10,973,749	-	-	10,973,749
Total fund balances	1,847,131	-	1,847,131	1,432,443	(635,909)	-	10,973,749	(588,979)	-	13,028,435
Total liabilities and fund balances	\$ 3,678,064	\$ 565,906	\$ 4,243,970	\$ 1,569,887	\$ 6,404,091	\$ -	\$ 11,302,929	\$ 6,669,764	\$ 62,197	\$ 30,252,838

Clatsop Community College

Schedule of Changes in Fund Balances Year Ended June 30, 2008

	Current Funds			Plant Funds					Clubs and Organizations Fund	Total All Funds (Memorandum only)
	Unrestricted	Restricted	Total	Unexpended	JCRP	Retirement of Indebtedness	Investment in Plant	Debt Service Fund		
Revenues:										
Local sources	\$ 3,418,951	\$ 21,187	\$ 3,440,118	\$ 709,567	\$ -	\$ -	\$ -	\$ 262,627	\$ -	\$ 4,412,312
State appropriations	3,896,470	355,700	4,232,170	-	-	-	-	-	-	4,232,170
Government grants and contracts	6,550	3,159,074	3,165,624	-	-	-	-	-	-	3,165,624
Tuition and fees	2,130,362	5,258	2,135,620	-	-	-	-	-	-	2,135,620
Investment income	142,314	-	142,314	45,150	314,348	-	-	7,017	-	508,829
Auxiliary revenue	384,762	-	384,762	-	-	-	-	-	-	384,762
Other	145,971	51,121	197,092	70,848	-	-	1,650,849	-	23,089	1,841,878
Total revenues and other additions	10,125,360	3,572,340	13,697,700	825,565	314,348	-	1,650,849	269,644	23,089	16,781,195
Expenditures and mandatory transfers:										
Educational and general expenditures -										
Instruction	3,491,987	101,489	3,593,476	-	-	-	-	-	-	3,593,476
Instructional support	1,169,848	159,327	1,329,175	-	-	-	-	-	-	1,329,175
Student services	984,038	1,486,181	2,470,219	-	-	-	-	-	30,966	2,501,185
Institutional support (administration)	2,442,921	43,129	2,486,050	-	-	-	-	-	150	2,486,200
Operation and maintenance of plant	949,265	-	949,265	-	-	-	-	-	-	949,265
Auxiliary enterprises	415,685	-	415,685	-	-	-	-	-	-	415,685
Community services	16,871	27,992	44,863	-	-	-	-	-	13,273	58,136
Depreciation expense	-	-	-	-	-	-	533,435	-	-	533,435
Expended for equipment and facilities (\$139,567 for repairs and maintenance)	-	-	-	239,348	1,014,531	543,000	-	-	-	1,796,879
Interest expense	-	-	-	27,087	-	313,964	-	374,127	-	715,178
Pension amortization	-	-	-	-	-	-	-	148,324	-	148,324
Other	-	10,000	10,000	4,767	-	750	-	120	-	15,637
Financial aid	143,606	1,790,207	1,933,813	-	-	-	-	-	-	1,933,813
Total educational and general expenditures	9,614,221	3,618,325	13,232,546	271,202	1,014,531	857,714	533,435	522,571	44,389	16,476,388
Other transfers:										
Nonmandatory transfers, net	75,206	(45,985)	29,221	849,793	-	(857,714)	-	-	(21,300)	-
Other	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) in fund balances	435,933	-	435,933	(295,430)	(700,183)	-	1,117,414	(252,927)	-	304,807
Fund Balance, June 30, 2007										
Unrestricted	1,411,198	-	1,411,198	712,838	64,274	-	-	-	-	2,188,310
Temporarily restricted	-	-	-	1,015,035	-	-	-	(336,052)	-	678,983
Net investment in plant	-	-	-	-	-	-	9,856,335	-	-	9,856,335
Fund Balance, June 30, 2008	\$ 1,847,131	\$ -	\$ 1,847,131	\$ 1,432,443	\$ (635,909)	\$ -	\$ 10,973,749	\$ (588,979)	\$ -	\$ 13,028,435

**Schedule of Revenues, Expenditures, and Changes in
Fund Balance Compared with Budget
Year Ended June 30, 2008**

General Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
State sources	\$ 3,896,470	\$ -	\$ 3,896,470	\$ 3,399,664	\$ 496,806
Federal sources	6,550	-	6,550	-	6,550
Local sources					
Current year property taxes	3,014,229	-	3,014,229	3,173,368	(159,139)
Prior year property taxes	154,701	-	154,701	170,000	(15,299)
County timber sales/WOST	250,000	-	250,000	250,000	-
Tuition and fees	2,130,362	-	2,130,362	2,387,165	(256,803)
All other	288,286	-	288,286	243,832	44,454
Total revenues	9,740,598	-	9,740,598	9,624,029	116,569
Expenditures:					
Instruction	3,491,987	-	3,491,987	3,592,761	(100,774)
Support services	5,546,074	45,007	5,591,081	5,804,206	(213,125)
Public service	16,871	-	16,871	54,390	(37,519)
All other	143,604	-	143,604	172,672	(29,068)
Total expenditures	9,198,536	45,007	9,243,543	9,624,029	(380,486)
Excess (deficiency) of revenues over (under) expenditures	542,062	(45,007)	497,055	-	497,055
Other financing sources (uses)					
Transfers in	20,705	-	20,705	40,682	(19,977)
Transfers out	(95,911)	-	(95,911)	(98,990)	3,079
Total other financing sources (uses)	(75,206)	-	(75,206)	(58,308)	(16,898)
Net change in fund balance	466,856	(45,007)	421,849	(58,308)	480,157
Fund balance, beginning	1,656,693	405,400	2,062,093	1,017,141	1,044,952
Fund balance, ending	\$ 2,123,549	\$ 360,393	\$ 2,483,942	\$ 958,833	\$ 1,525,109

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, 2008**

Auxiliary Enterprises Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
Revenues:			
Bookstore sales	\$ 307,200	\$ 385,655	\$ (78,455)
All other	77,562	197,494	(119,932)
Total revenues	<u>384,762</u>	<u>583,149</u>	<u>(198,387)</u>
Expenditures:			
Total instruction	60,671	196,417	(135,746)
Total support services	348,509	373,682	(25,173)
Total public service	6,505	13,050	(6,545)
Total expenditures	<u>415,685</u>	<u>583,149</u>	<u>(167,464)</u>
Excess (deficiency) of revenues over (under) expenditures	(30,923)	-	(30,923)
Other financing resources (uses):			
Note proceeds	-	-	-
Note payment	-	-	-
Fund balance, beginning	(8,488)	-	(8,488)
Fund balance, ending	<u>\$ (39,411)</u>	<u>\$ -</u>	<u>\$ (39,411)</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, 2008**

Restricted	Actual Amount	Budgeted Amount	Over (Under) Budget
Revenues:			
Federal sources	\$ 3,159,073	\$ 3,231,129	\$ (72,056)
State sources	335,700	456,320	(120,620)
Local sources	21,187	17,823	3,364
Tuition and fees	5,258	8,986	(3,728)
Other	51,122	345,563	(294,441)
Total revenues	3,572,340	4,059,821	(487,481)
Expenditures:			
Total instruction	101,489	186,626	(85,137)
Total support services	1,698,637	1,949,835	(251,198)
Total public service	27,992	15,000	12,992
All other expenditures	1,790,207	1,958,050	(167,843)
Total all other expenditures	3,618,325	4,109,511	(491,186)
Excess (deficiency) of revenues over (under) expenditures	(45,985)	(49,690)	3,705
Other financing sources (uses)			
Transfers in	45,985	49,690	(3,705)
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, 2008**

Unexpended Plant	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
Investment income	\$ 359,499	\$ -	\$ 359,499	\$ 35,000	\$ 324,499
Timber sales	709,567	-	709,567	586,669	122,898
Other	1,776,231	636,318	1,139,913	7,510,200	(6,370,287)
Total revenues	<u>2,845,297</u>	<u>636,318</u>	<u>2,208,979</u>	<u>8,131,869</u>	<u>(5,922,890)</u>
Expenditures:					
Total all other expenditures	<u>1,119,351</u>	<u>(533,435)</u>	<u>585,916</u>	<u>15,346,320</u>	<u>(14,760,404)</u>
Total expenditures	<u>1,119,351</u>	<u>(533,435)</u>	<u>585,916</u>	<u>15,346,320</u>	<u>(14,760,404)</u>
Excess (deficiency) of revenues over (under) expenditures	1,725,946	1,169,753	1,623,063	(7,214,451)	8,837,514
Other financing sources (uses)					
Loan proceeds	-	-	-	-	-
Matching funds from State of Oregon	-	-	-	-	-
Transfers in from General Fund	857,714	-	857,714	-	857,714
Transfers out to Debt Service	(829,088)	-	(829,088)	(855,050)	25,962
Transfers out to General Fund	(20,705)	-	(20,705)	(31,039)	10,334
Total other financing sources (uses)	<u>7,921</u>	<u>-</u>	<u>7,921</u>	<u>(886,089)</u>	<u>894,010</u>
Net change in fund balance	1,733,867	1,169,753	1,630,984	(8,100,540)	9,731,524
Fund balance, beginning	<u>1,116,753</u>	<u>8,939,237</u>	<u>2,762,042</u>	<u>10,082,792</u>	<u>(7,320,750)</u>
Fund balance, ending	<u>\$ 2,850,620</u>	<u>\$ 10,108,990</u>	<u>\$ 4,393,026</u>	<u>\$ 1,982,252</u>	<u>\$ 2,410,774</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.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Compared with Budget
Year Ended June, 2008**

Plant - Retirement of Indebtedness	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over (Under) Budget
Revenues:					
Investment income	\$ -	\$ -	\$ -	\$ -	\$ -
Timber sales	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:					
Total all other expenditures	857,714	-	857,714	883,560	(25,846)
Total expenditures	<u>857,714</u>	<u>-</u>	<u>857,714</u>	<u>883,560</u>	<u>(25,846)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(857,714)</u>	<u>-</u>	<u>(857,714)</u>	<u>(883,560)</u>	<u>25,846</u>
Other financing sources (uses):					
Transfers in from Unexpended Plant	857,714	-	857,714	883,560	(25,846)
Transfer in from General Fund	-	-	-	-	-
Total other financing sources (uses)	<u>857,714</u>	<u>-</u>	<u>857,714</u>	<u>883,560</u>	<u>(25,846)</u>
Net change in fund balance	-	-	-	-	-
Fund balance, beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2008**

Debt Service Fund	GAAP Actual	GAAP Adjustments	Budgetary Basis Actual	Budgeted Amount	Over(Under) Budget
Revenues:					
Other local	\$ 262,627	\$ -	\$ 262,627	\$ 346,885	\$ (84,258)
Investment income	7,017	-	7,017	8,500	(1,483)
Total revenues	<u>269,644</u>	<u>-</u>	<u>269,644</u>	<u>355,385</u>	<u>(85,741)</u>
Expenditures:					
Total other uses	522,571	(148,324)	374,247	355,385	18,862
Total expenditures	<u>522,571</u>	<u>(148,324)</u>	<u>374,247</u>	<u>355,385</u>	<u>18,862</u>
Excess (deficiency) of revenues over (under) expenditures	(252,927)	148,324	(104,603)	-	(104,603)
Fund balance, beginning	(336,052)	181,192	(154,860)	-	(154,860)
Fund balance, ending	<u>\$ (588,979)</u>	<u>\$ 329,516</u>	<u>\$ (259,463)</u>	<u>\$ -</u>	<u>\$ (259,463)</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, 2008**

Clubs and Organizations Fund	Actual Amount	Budgeted Amount	Over (Under) Budget
Revenues:			
Fees	\$ 23,089	\$ 93,078	\$ (69,989)
Expenditures:			
Total support services		-	-
Total other	31,116	44,039	(12,923)
Total public service	13,273	70,339	(57,066)
Total expenditures	44,389	114,378	(69,989)
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

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
Astoria, Oregon

We have audited the basic financial statements of Clatsop Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated January 27, 2009. 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 2008 and 2009.
- 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.

LeMaster & Daniels PLLC

Yakima, Washington
January 27, 2009

INDEPENDENT AUDITOR'S 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
Astoria, Oregon

We have audited the financial statements of Clatsop Community College as of and for the year ended June 30, 2008, and have issued our report thereon dated January 27, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clatsop Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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 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*.

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 cursive script that reads "LeMaster & Daniels PLLC".

Yakima Washington,
January 27, 2009

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

Board of Directors
Clatsop Community College
Astoria, Oregon

Compliance

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, 2008. Clatsop Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Clatsop Community College's management. Our responsibility is to express an opinion on Clatsop Community College's compliance based on our audit.

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

In our opinion, Clatsop Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

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 any 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, 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
January 27, 2009

CLATSOP COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	\$ 23,787
Total Dept of Agriculture				<u>23,787</u>
US Dept of Labor				
Passed through the Employment & Training Administration	17.261	WIA Pilots, Demonstrations, and Research Projects	558-06	10,559
Total Dept of Labor				<u>10,559</u>
Small Business Administration				
Passed through the Oregon Small Business Development Center Network Office	59.037	Small Business Development Center	05-144	9,961
Total Small Business Administration				<u>9,961</u>
US Dept of Education				
Direct				
Student Financial Aid Cluster				
	84.007	Federal Supplement Education Opportunity Grants		96,216
	84.033	Federal Work Study Program		98,259
	84.063	Federal Pell Grant Program		777,318
	84.268	Federal Direct Loans		609,846
	84.375	Academic Competition Grant		7,008
Total Student Financial Aid Cluster				<u>1,588,647</u>
TRIO Grant Cluster				
	84.042A	Student Support Services		288,464
	84.044A	Talent Search		298,363
	84.047A	Upward Bound		297,543
Total TRIO Cluster				<u>884,370</u>
Subtotal Direct Programs				
				<u>2,473,017</u>
Passed through the Dept. of Community Colleges & Workforce Develop.				
	84.002	Adult Education - State Grant Program	EE5608	95,341
	84.048	Vocational Education - Basic Grants to States	4777	115,324
	84.243	Tech Prep Education	5423	33,444
Total Passed Through				<u>244,109</u>
Total US Dept of Education				<u>2,717,126</u>
US Dept of Health & Human Services				
Passed through the Oregon Department of Human Services	93.558	Temp Assistance for Needy Families	99152	397,641
Total US Dept of Health & Human Services				<u>397,641</u>
Department of Homeland Security				
Passed through Oregon Military Department Oregon Emergency Services	97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	309	4,080
	97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	312	750
Total Department of Homeland Security				<u>4,830</u>
Total Expenditures of Federal Awards for Clatsop Community College				\$ <u>3,163,904</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2008

- 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 \$609,846 of loan guarantees through the Federal Direct Loan Program.

**Clatsop Community College
Schedule of Findings and Questioned Costs
Year Ended June 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses. _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses. _____ yes X none reported

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

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

Identification of 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
<u>TRIO Grant Cluster</u>	
84.042A	Student Support Services
84.044A	Talent Search
84.047A	Upward Bound

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

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

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.